

# Introduction

## READ THIS FIRST IF YOU WANT YOUR ADVERTISING TO SUCCEED

Marketing is failing: CEOs sense it; top marketers know it; and our research proves it. That's a strong statement—but we can back it up, from our experience and from our research.

We've conducted enormously extensive research over the past 5 years, with over 30 major marketers—blue-chip companies such as Ford, ESPN, Procter & Gamble (P&G), Colgate, Kraft Foods, Inc., VeriSign, Johnson & Johnson, Volkswagen, and Philips to name just a few. They hired us to measure the impact of more than \$1 billion in advertising spending in a revolutionary new way that shone a light on some very serious problems and opportunities. For those of you who are cynical about marketing research in general (as we might be if we were coming upon new research-based insights), it is worth noting our efforts to guarantee accurate, objective, and independent insights. We therefore put in place certain independent checks on our work. Specifically, every marketer that agreed to conduct a public study needed to agree to the following four requirements prior to our execution of the research:

1. The advertiser *must* be identified. The ads must be available and shown so that the public can evaluate the advertising and the brand.
2. The advertiser must be identified to the Advertising Research Foundation (ARF) *before* the campaign and data collection so that the ARF can independently referee Marketing Evolution's analysis and ensure that all public data is released.

3. The ARF will have complete, open access to the data, media costs, and other relevant inputs in the model.
4. The ARF will review the report and analysis *before* the client sees it. In that way the ARF can ensure that the public version reflects an accurate view of the analysis.

The ARF was an important partner in this research. The principal mission of the ARF is to improve the practice of advertising, marketing, and media research in pursuit of more effective marketing and advertising communications. Founded in 1936 by the Association of National Advertisers (ANA) and the American Association of Advertising Agencies (AAAA), the ARF leads key industry learning initiatives that increase the contribution of research to better marketing, more effective advertising, and profitable organic growth.<sup>1</sup> The ARF reviewed every study we released. In addition, the underlying research methodology was reviewed by the 30+ marketers and often their advertising agencies thoroughly before they agreed to fund the research. The methodology won international awards from the European Society for Opinion and Marketing Research (ESOMAR) and a nomination for best international research. It's been referred to as a best practice by independent companies such as the Corporate Executive Board and Forrester Research. In the process of conducting the research, we analyzed the buying behavior and attitudes of more than 1 million consumers using Marketing Evolution's methodology based on design of experiments, certainly a large and robust enough group to glean some new insights.

What we found was staggering: Our research *proves* that of nearly \$300 billion spent per year on advertising in the United States alone,<sup>2</sup> as much as *\$112 billion is wasted*. That's horrifying, right? No one wants to know their money is being wasted. Our goal is not to *damn* the advertising or marketing industry for this waste—or any particular company or any person working hard to make their marketing successful. The marketers in this book who chose to do this research could be considered heroes who are trying to improve marketing return on investment (ROI). Our goal is to *help* marketing and advertising professionals understand and improve marketing productivity with the use of new approaches, new thinking, some science, and quite a few ideas based on what we've learned from our research with leading marketing departments in Fortune 200 companies.

If you've ever felt that some of your company's marketing or advertising budget has been wasted or not spent in the best possible way to get the most bang for your buck, then this book is for you. If you want to know *what really sticks*

when marketing and advertising your product or service, then this book is for you. If you really want to turn your marketing and advertising into a predictable, competitive weapon, then this book is for you.

## WHO WE ARE

For those of you who are wondering how we were able to conduct this research, here's a bit of background on the authors. Rex has more than 15 years' experience specifically in marketing research. He started his career at the strategic market research consulting firm Yankelovich Partners, where his clients included McKinsey & Company, IBM, Toyota, Nissan, AT&T, Hearst Magazines, Fox Studios, Disney, and Microsoft. Before he was 30 years old, his marketing theories were being taught at Harvard and published in multiple books.<sup>3</sup> The *Industry Standard* called him a "wunderkind." Rex was named one of the dozen "Best and Brightest" in Media and Technology by *Ad Week*, and one of the people to "watch and learn from" according to *BrandWeek*. He has been honored with the Atticus Award for his work in direct marketing, the Tenagra Award for outstanding contribution to branding, and the Fernanda Monti award for his work in customer relation marketing (CRM). Rex pioneered the leading methodologies for cross-media marketing measurement, tracking television, magazine, radio, interactive advertising, CRM, events marketing, and the effectiveness of Web sites. Rex is also the founder of Marketing Evolution, a marketing research consulting firm with offices in New York and California and with clients in more than 20 countries around the world. His company helps clients measure their marketing to improve effectiveness of their advertising and increase ROI—in other words, to get more for their money.

Greg brings to the table 25 years' experience in advertising and marketing. During his first 10 years in traditional advertising, he worked for Wells Rich Greene, Grey's LHV&B, and Young & Rubicam's WCJ, where he helped develop brand advertising and direct marketing campaigns for such major marketers as Procter & Gamble (for Zest, Bounty, Spic & Span, Safeguard, and other brands), American Express, AT&T, Quaker Oats (Gatorade), Pepsi's Frito-Lay, Panasonic, Ethan Allen furniture, Sears, and many others. During the next 10 years of his career, he helped build or launch several Internet advertising businesses, some of which became number one in their category and others that went public on the NASDAQ, including Sony Online Ventures' The Station, Young & Rubicam's WCJ Interactive Communications Group, Flycast Network,

Venture-backed DeltaClick, and the newspaper industry's Cars.com. Greg now serves as CEO of the Interactive Advertising Bureau (IAB), over a period when the industry grew from \$6 billion to \$16 billion in the United States. The IAB is the leading global association (there are over 25 IABs in the world) for the interactive advertising and marketing industry and includes AOL, CNET, Disney, Forbes.com, Google, MSN, New York Times.com, Yahoo!, and more than 275 other leading interactive companies.

Over the past five years, given our front-row seat to some of the most radical changes in advertising and media to date, we wanted to do some research exploring the old quote that says, "I know half my advertising is wasted; I just don't know which half." Of course, to describe our work as "some research" is an understatement. Here's what we really did.

## A BRIEF BACKGROUND ON OUR RESEARCH

As mentioned, we conducted research with over 30 top marketers. Following are more than a dozen of the top<sup>4</sup> companies who participated in the public studies and their specific brands whose advertising and marketing we measured, analyzed, and evaluated:

1. AstraZeneca (Nexium, "the little purple pill" for heartburn)
2. Colgate (Total toothpaste, the #1 toothpaste in America)
3. Ford (F-150 Truck—the #1 selling vehicle in America)
4. ING Financial Services
5. Johnson & Johnson (Neutrogena)
6. Kimberly Clark Corp. (Kleenex)
7. Kraft (Jell-O)
8. McDonald's
9. Philips (Norelco)
10. Nestlé's (Coffee-Mate)
11. Procter & Gamble (Olay)
12. Unilever (Dove soap)
13. Universal Studios Home Video (*ET the Extra-Terrestrial*)
14. VeriSign
15. Volkswagen (Jetta)

The research we conducted for these and other companies is likely the largest research effort ever conducted regarding advertising's real impact. Our

research applied proven marketing research methods in a way that had never been done before. The Marketing Evolution proprietary methodology combines two approaches: *design of experiments* and *continuous tracking*.

Two-thirds of marketers today use *continuous tracking* which involves the measurement of consumer brand attitudes over time and in response to advertising. And although applying *design of experiments* is generally new for marketers, this approach is in essence what governments require of drug companies to do when they test the effects of new drugs by giving the drug to one group (the test group), while giving a placebo to another similarly matched group (the control group). We were able to create perfect (or near-perfect) test and control cells, enabling us to examine the impact of advertising versus no advertising, as well as the impact that many combinations of advertising creative, media mix, spending levels, etc., had at a very fine level.

For the first time ever, we really determined what the next dollar of advertising spending would accomplish at different levels, in different media or media combinations, and sometimes against different segments of consumers. We measured \$500,000 campaigns and \$200 million campaigns. We measured what happens when a company targets its advertising over a single weekend versus what happens when it spreads it out over a six-month span. More on the research itself can be found in Appendix A. The more than 30 brands we worked with have signed off on the validity of this measurement. And so have more than 30+ advertising agencies, 20+ media company researchers, the ARF, and quite a few PhDs lending their support as well. But what's most important is that the results of our research should concern all marketers, CFOs, CEOs, shareholders, and even consumers.

## HOW THIS BOOK CAN HELP YOU

The focus of *What Sticks* is to be prescriptive and to lay out what we've learned from working with the big marketers to guarantee that their advertising works. And the book might have arrived just in the nick of time because the world of advertising and media is not getting any simpler. In fact, quite the opposite is true, and the rate of accelerated change in the media landscape combined with the pressure of increased accountability of marketing by management are making achieving success that much harder.

It used to be that advertisers could buy time on the three TV networks and space in *Life* magazine and reasonably expect they would reach the majority

of the consumers. Today, most homes have over 100 TV channel options and multiple TVs per household in addition to remotes, TiVo, and other TV options on the Internet or on the go with video iPods.

Increasingly, consumers get their news, information, shopping, and entertainment online, as well as manage their friendships online, connected to their laptops with wireless broadband access throughout the house. The internet extends to mobile phones, and maybe soon broadband wifi will be ubiquitous. And it's not like the other media are sitting still: There is already a magazine for every niche interest and a couple hundred new magazines are launched every year; radio has gone satellite and digital, and so have out-of-home billboards and posters in malls; and there are new mobile devices and new networked media channels such as Games. Most disturbing, however, is that consumers are willing to pay for media and aggressively take action to avoid ads. How on earth is a marketer to know what sticks? And importantly, how do we give companies management the confidence that we know what sticks?

First, can we make you a guarantee? That guarantee is that you will improve the results of your advertising if you start to do what we suggest in *What Sticks*. Of the 30+ brands we have worked with so far, every one of them got better results with the same budget. And remember, we worked with some of the best marketing companies in the world. We've seen gains from 8 percent to over 100 percent in advertising or sales performance.

Second, our approach can be relatively simple, or as sophisticated as needed; and you can use as little of it as you like or you can use all of it to truly optimize and maximize your entire communications platform in an extraordinarily scientific way. One word of caution, though; strengthening marketing ROI requires action: Just like a gym membership, the more you push yourself and your brand's marketing, the stronger it will get.

Third, this book will likely make it easier to get more marketing funds (or to protect the funds you have) from your CFO. No more having to make the oblique and convoluted "you gotta believe marketing is working" arguments to try to get marketing funding. Using our strategies, you'll be in a position to make a solid return on investment argument that will let CFOs (and even CEOs and CMOs) sleep at night.

Fourth, and probably best, we'll do our best to give you real nuggets of wisdom on how advertising really works, wisdom that you can apply today to your business. This book provides clear "take it to the bank" insights. And unlike so many other books in this field, these are not based on someone's

random opinions. Instead, these insights are based on real data grounded in real-world situations for real brands.

Fifth, you could start tomorrow—really, tomorrow (or at least the day after you finish reading through Parts I and II). At the end of a long workday, marketers and their ad agencies want to know what sticks, but most don't have any processes or systems for gathering that knowledge in a systematic way and using it to make marketing work better. Our Communication Optimization Process (COP) and 4Ms of marketing can be applied tomorrow to help evolve your marketing approach and improve bottom-line results.

So we ask you to join in on a transformation of an industry, your marketing, your business, and even possibly your career. And once you have finished the book, come join the evolution of marketing at *www.whatsticks.NET*.