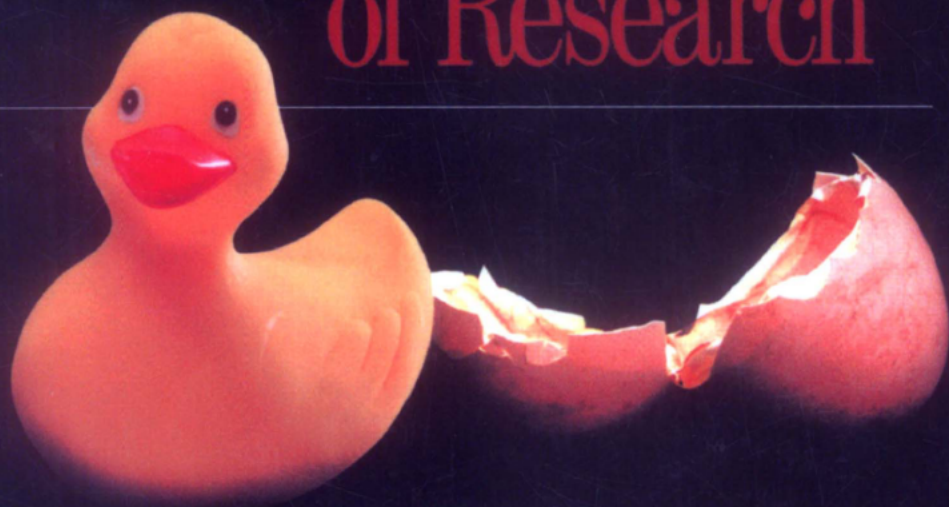


# How Advertising Works

The Role  
of Research

---



EDITED BY  
JOHN PHILIP JONES

# How Advertising Works



# How Advertising Works

The Role  
of Research

---

EDITED BY  
JOHN PHILIP JONES



**SAGE Publications**

*International Educational and Professional Publisher*  
Thousand Oaks London New Delhi

Copyright © 1998 by Sage Publications, Inc.

All rights reserved. No part of this book may be reproduced or utilized in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the publisher.

---

*For information:*



SAGE Publications, Inc.  
2455 Teller Road  
Thousand Oaks, California 91320  
E-mail: [order@sagepub.com](mailto:order@sagepub.com)

SAGE Publications Ltd.  
6 Bonhill Street  
London EC2A 4PU  
United Kingdom

SAGE Publications India Pvt. Ltd.  
M-32 Market  
Greater Kailash I  
New Delhi 110 048 India

Printed in the United States of America

**Library of Congress Cataloging-in-Publication Data**

Main entry under title:

How advertising works: The role of research/edited by  
John Philip Jones.

p. cm.

Includes bibliographical references and index.

ISBN 0-7619-1240-1 (acid-free paper)

ISBN 0-7619-1241-X (pbk.: acid-free paper)

1. Advertising. 2. Advertising—Research. I. Jones, John Philip.

HF5823.H58 1998

659.1—dc21

98-8871

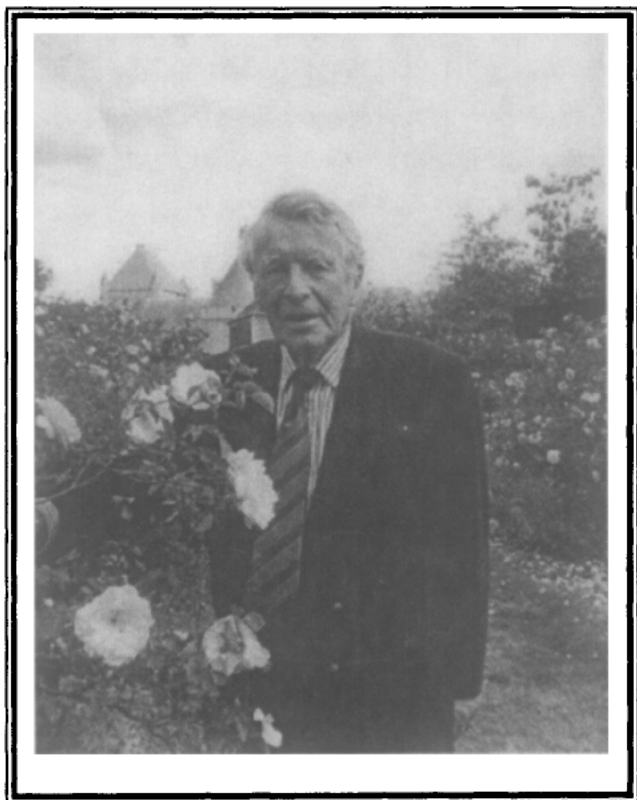
This book is printed on acid-free paper.

00 01 02 03 10 9 8 7 6 5 4 3

---

*Acquiring Editor:* Harry M. Briggs  
*Editorial Assistant:* Anna Howland  
*Production Editor:* Michèle Lingre  
*Editorial Assistant:* Karen Wiley  
*Designer/Typesetter:* Janelle LeMaster  
*Cover Designer:* Ravi Balasuriya

This series of handbooks is dedicated to David Ogilvy



---

The quality of research will improve, and this will generate a bigger corpus of knowledge as to what works and what doesn't. Creative people will learn to exploit this knowledge, thereby improving their strike rate at the cash register.

—David Ogilvy, 1983  
(the first of 13 predictions about advertising)

---

# Contents

---

- |                          |   |
|--------------------------|---|
| 1. Introduction          |   |
| <i>John Philip Jones</i> | 1 |

## **Part I**

### **Markets and Advertising**

- |  |    |
|--|----|
| 2. The Advertising Process                                     |    |
| <i>Timothy Joyce</i>   | 11 |
| 3. The Turbulent Depths of Marketing                           |    |
| <i>Leo Bogart</i>  | 26 |
| 4. Brand Growth: The Past, the Present                         |    |
| <i>Josh McQueen, Alice K. Sylvester, and Scott D. Moore</i>    | 49 |
| 5. Penetration, Brand Loyalty, and the Penetration Supercharge |    |
| <i>John Philip Jones</i>                                       | 57 |



6. Repetitive Advertising and the Consumer <i>Andrew S. C. Ehrenberg</i>	63
7. Is Advertising Still Salesmanship? <i>John Philip Jones</i>	82
8. Expansion Advertising <i>Brian Wansink</i>	95

## **Part II** **Research Before the Advertising Runs**

9. Market Research: Why We Need to Be Careful <i>John Philip Jones</i>	107
10. Likeability: Why Advertising That Is Well Liked Sells Well <i>Alexander L. Biel</i>	111
11. Qualitative Research in Advertising <i>Jan S. Slater</i>	121
12. Perceptual Mapping <i>John Philip Jones</i>	136
13. Brain Wave Measures of Media Involvement <i>Herbert E. Krugman</i>	139
14. Consumer Preferences as Predictions <i>Alfred Politz and W. Edwards Deming</i>	152
15. Quantitative Pretesting for Television Advertising <i>John Philip Jones</i>	160
16. Rough Versus Finished Commercials in Research <i>Paula Pierce</i>	170

17. Electronic Media Audience Measurement <i>Fiona Chew</i>	180
18. Consumer Purchasing, Starch, and STAS: Does Magazine Advertising Produce an Immediate Effect? <i>John Philip Jones</i>	203

### **Part III** **Research After the Advertising Has Run** ---

19. Retail Research, Consumer Panels, Store Checking <i>John Philip Jones</i>	217
20. Campaign Evaluation Through Modeling <i>Simon Broadbent</i>	222
21. Tracking Studies <i>Paul Feldwick</i>	234
22. Television Advertising: Measuring Short- and Long-Term Effects <i>Nigel S. Hollis</i>	244
23. Do Award-Winning Commercials Sell? <i>Donald Gunn</i>	266
24. Single-Source Research <i>John Philip Jones</i>	277
25. Is STAS a Uniform Measure for All Types of Buyers? <i>John Philip Jones</i>	283

**Part IV**  
**Advertising Effects, Including Some Unexpected Ones**  

---

26. How Much Advertising Works? <i>John Philip Jones</i>	291
27. Reduced Advertising and Its Impact on Profitability and Market Share in a Recession <i>Alexander L. Biel</i>	297
28. Margin and Price Effects of Manufacturers' Brand Advertising <i>Robert L. Steiner</i>	308
29. Macroeconomic Effects: The Influence of Advertising on Overall Sales Levels <i>John Philip Jones</i>	326
 Name Index	 337
Subject Index	341
About the Authors	353

# 1

## Introduction

*John Philip Jones*

---

This handbook is the first in a planned series of five. The individual volumes are to come off the press in sequence and with minimal delays between them. The titles of the five volumes are as follows:

1. *How Advertising Works: The Role of Research*
2. *Advertising Procedures and Operations*
3. *How to Use Advertising to Build Strong Brands*
4. *Multinational Advertising: Realities and Myths*
5. *Advertising Organizations and Publications: A Resource Guide*

This rather ambitious project, which I have been planning for many years, comprises a collection of separate articles by advertising specialists—many of them world-renowned figures—all of their contributions focused on the topics covered by the five volumes. Each volume is designed to cover its subject area fairly comprehensively. The large majority of individual chapters were written specially for this series, although a relatively small number are

adaptations of articles that have appeared in the professional press. These are the pieces that I consider to be the classics: the cornerstones of an edifice of knowledge about advertising and how it works. Notes accompanying the previously published chapters detail where they originally appeared.

Most of the individual chapters include endnotes that contain carefully selected references to further published sources, with an emphasis on the empirical rather than the theoretical. It is my ambition to make the battery of references represented here the best possible knowledge bank relating to advertising available anywhere.

Each of the five volumes in this series covers a relatively self-contained field, and I have tried to minimize the overlap between volumes (although I fear that some will inevitably remain—but perhaps this does not matter much). Each of the individual chapters can also stand on its own, although in many cases different contributors, using different types of analysis, come to similar conclusions about advertising.

This volume is the work of 20 authors; 15 are practitioners and 5 are academics. Of these, 13 are American and 7 are British (of whom 6 have lived and worked in the United States). The contributions of the British analysts signal the importance of the British intellectual contribution both to our understanding of how advertising works and to those developments in methods that were pioneered in the United Kingdom.

## The Advertising Business

---

Advertising is carried out by three main groups of participants: clients, the media, and agencies (including agencies' outside suppliers). Some analysts think that researchers should be included as a fourth group. However, I believe research to be so important that I prefer to consider it as a component part—a strong basic element—of each of the three main groups.

Clients and agencies carry out work that overlaps to a considerable degree. They are both involved in strategy, budgeting, media planning, media buying, and the evaluation of campaign effects. The specific expertise of agencies lies in their flair for developing creative ideas and their craft skills in supervising how these are executed as finished commercials and print advertisements. This supervision calls for intimate knowledge of the talent market as well as negotiating ability.

Agencies to some extent resent clients' attempts to trespass on the agencies' creative territory, but this does not prevent most clients from expressing robust views about their agencies' creative efforts. Some clients go further and try to become a (not totally welcome) part of the creative team. It is a refined art for a client to develop sensitivity in exercising informed and constructive creative judgment while at the same time not interfering in the creative process itself. Some client organizations are cleverer than others in this regard, and within the better client companies there are wide differences among individuals.

The division of responsibilities between clients and agencies highlights the fact that advertising is partly a scientific and partly an artistic activity. The "science" is the concern of both clients and agencies; the "art" is the responsibility of the agencies alone. *Science* is rather a flattering word to use in this context. Nevertheless, there is (or should be) a good statistical foundation to advertising strategy, media planning, and much advertising evaluation. Also, agencies carry out on a routine basis a good deal of qualitative research to help develop strategy and to evaluate creative ideas.

This duality in the advertising process is the reason advertising agencies (and clients, to a smaller degree) recruit two types of people—those with analytic skills and those with creative skills. The combination of these two types of talent working closely together is a source of much excitement, but at the same time considerable tension. To use a reasonably appropriate metaphor, this tension acts like the grit in an oyster necessary to produce a pearl.

## Advertising Agencies

---

A striking characteristic of the advertising agency business is its fragmented nature. Individual agencies may appear *prima facie* to be large. However, in comparison with the aggregate size of the advertising business, they are in fact small. In most years, the top six individual agencies in the United States account for a total of only about 20% of all advertising in measured media—an extremely low concentration ratio in comparison with the fields in which their clients operate. The six-firm concentration ratio in most consumer goods industries is at least 60%, and in many cases it is much higher than that. The figure for breakfast cereals is more than 90%.

There are two reasons for this fragmentation. First, clients are very restrictive about their agencies' accepting competitive business—a narrowness that often goes to extreme lengths. A client employing an agency in one product field but in no others will often require that the agency not accept competitive business in other fields in which the client operates but the agency does not. This attitude on the part of clients has grown stricter over time, and it inevitably inhibits agency growth. Interestingly, the only important country that does not put sanctions on agencies' handling competitive business is Japan. As a result, Japan is a country of many large agencies. This does not mean, however, that the large Japanese agencies are better than the smaller American ones. There is in fact a limit to growth.

The second reason for the relatively small size of agencies is that economies of scale are less apparent in the agency business than in capital-intensive enterprises, such as most manufacturing businesses. It is true that in advertising, large clients will normally generate slightly higher relative profits than small clients, as a result of lower operating costs per million dollars of billing, because the costs are more widely spread. But clients are aware of this and frequently impose sliding scales on their agencies' remuneration, with the rates going down as the volume of business increases—a procedure that pinches out the agencies' financial rewards from their scale economies.

A related point regarding scale is that *diseconomies* of scale set in fairly early in an agency's initial growth phase. An individual agency is invariably dominated professionally by a small number of people at the top—sometimes by only one key figure. The larger an agency grows, the thinner becomes the contribution of the top talent to each individual client. This naturally tends to slow growth; in the words of a notable contemporary practitioner, Jay Chiat, founder of Chiat/Day (now TBWA Chiat/Day), "How big must we grow before we get bad?"

These characteristics of the advertising agency business have contributed to the ferocious nature of the competition among agencies.

## Secular Difficulties for Advertising

---

This volume is concerned with the research needed to understand the advertising process. The problems afflicting the industry that are discussed in this section would be solved by the wider exposure of *effective* advertising.