

EVALUATION

A best practice guide to evaluating
the effects of your campaigns

Joint industry guidelines for marketing professionals in working effectively with agencies

IPA

ISBA

MCCA

PRca

**“95% OF CLIENTS SAY THEY EVALUATE,
BUT LESS THAN
20% EVALUATE THE EFFECTS ON PROFIT.”**

**“90% OF CLIENTS AND THEIR AGENCIES
WOULD BE INTERESTED IN THE DOCUMENT
YOU HAVE IN YOUR HAND RIGHT
NOW.”**

The language of business has always been about the evaluation of payback of actions, which directly or indirectly effect profits and growth.

The language of marketing when it comes to communication has all too often been about creativity and changing customer behaviour: from doing or thinking this, to doing or thinking that.

There is a mismatch here which goes some way to explain why business leaders often see marketing as a cost not an investment – even when on the face of it a campaign seems very successful.

This is unlikely to change until we have an effectiveness culture and an understanding of what is required to answer the killer boardroom question: “What has the campaign done for the business?”

That’s why we’ve put this best practice guide together.

Evaluation techniques have improved dramatically in recent years, driven by the activities of the IPA, ISBA, the MCCA and the PRCA.

SVEN OLSEN
IPA Value of Advertising Committee
- Chairman
FCB Europe - EVP



The cornerstone, however, has been the IPA Effectiveness Awards competition which has created the world’s finest set of case histories* demonstrating the payback of communications campaigns, including the rationale behind the evaluation and the techniques used.

Read on and you will find the very latest thinking on evaluation, insight from the first cross-industry research ever undertaken as well as practical tips from leaders in each discipline and the members of ISBA.

It will set you on the road to never again having to rely purely on luck, instinct or experience to justify your work.

**IPA case histories, over 1000 of them, covering almost every advertised category and hundreds of brands, are available via www.ipa.co.uk or www.warc.com, and the best are published in the 13 volumes of the Advertising Works series.*

**“...MORE EXPERIENCED CLIENTS
ARE MORE LIKELY TO EVALUATE,
AND USE MORE TECHNIQUES IN SO DOING.”**

**“ MORE THAN 90% OF AGENCIES
AND CLIENTS AGREE
THAT THERE IS MORE PRESSURE TO MAKE COMMS SPEND
MORE ACCOUNTABLE.”**

**“CLIENTS BELIEVE THAT EVALUATION DATA IS NOT USED TO
ITS GREATEST EFFECT INTERNALLY.”**

Profitable growth from the strengthening of brand franchises and customer bases is what all advertisers are looking for when they invest in communications. It is the only reason for investing and the more accurately a company is able to quantify relevant ‘effects’ the easier it is to justify future expenditure internally.

Corporate governance dictates a greater need for accountability and justification of all company expenditure, and so advertisers and their agencies must work collaboratively to establish hard measures of communication performance.

The ‘Holy Grail’ which we all should pursue is “how much did communications contribute to the profit/sales within our organisation?” This is the data sought by finance directors to prove to the board that communications contribute to incremental profit, and is therefore an investment and not a cost to the business.

Evaluation is vital and the results of the research commissioned prior to embarking on developing this guide clearly demonstrate the seriousness with which British advertisers approach this subject. The research

sought to understand current industry practice in respect of communications evaluation, why and how extensively evaluation is undertaken, what measures are used and how this varies by communications channel. We sought to identify how the evaluation process could be improved.

We found strong evidence amongst advertisers, which has helped us shape this guide, that evaluation is an increasingly significant part of the marketing communications process. It is viewed as equally important as good creative work, is used extensively across all communications disciplines, apart from PR, and is used as a tool for determining future investment.

All parties involved are committed to promoting the guidance contained in this book and ensuring that into the future all communications expenditure is subject to hard measures of performance.

MALCOLM EARNSHAW
ISBA - Director General



**“84% OF CLIENTS SAID
EVALUATION WAS AS IMPORTANT TO THEM AS GETTING GOOD
CREATIVE WORK IN THE FIRST PLACE.”**

**“90% OF CLIENTS BELIEVE
THAT EVALUATION DATA SHOULD BE USED TO
REMUNERATE AGENCIES.”**

**“EFFECTIVENESS HAS TO BE ONE OF THE BASES FOR
DEMANDING A PREMIUM
VS EVERY OTHER AGENCY
PROMISING GREATNESS.”**

WHY EVALUATE?

Virtually all clients – 95% of them according to the research carried out for this project* – evaluate the effectiveness of their communications expenditure. Why? Because evaluation is a vital part of the marketing communications process. In fact, 84% of clients said evaluation was as important to them as getting good creative work in the first place.

Evaluation can:

- Provide benchmarks and assess progress against strategic and business objectives
- Help us learn from experience, to inform and improve future activity
- Make previous expenditure on communications accountable to the business, and justify future expenditure
- Inform discussions on agency remuneration

WHAT IS MEANT BY ‘EFFECTIVENESS’?

Marketing communications are used for a great variety of purposes: for example, to sell consumer products and services, to reduce the number of road traffic accidents, to stimulate donations to charity, to encourage doctors to prescribe a certain drug, to present corporations in a favourable light to investors, etc. There is no single objective.

* Evaluation Survey, Data Alive, 2004

For the sake of simplicity, however, this guide summarises the main purpose of communications as increasing sales of consumer products. Unfortunately this definition loses some of the richness of actual marcoms and channel-specific evaluation, however, a complete version of the research is available online.

“Clients who evaluate are the ones who seem to stay.”

“Neither client nor agency feel they have sufficient expertise in evaluation.”

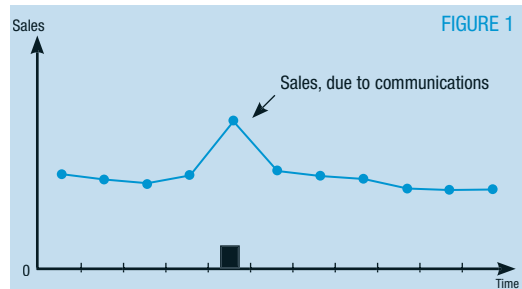
HOW CAN THIS GUIDE HELP?

Standards in evaluation have improved but it is not always easy to keep up to date with the state of the art. This publication:

- Outlines the latest thinking on how to approach an evaluation
- Describes three kinds of method you will be able to use
- Suggests evaluations beyond short-term sales
- Gives 'top tips' from experts in different disciplines

1 HOW TO APPROACH AN EVALUATION

The most often used method of evaluation, according to the research, is to monitor consumer response to the communications via pre-testing or tracking research. But you can't put awareness or brand image scores in the bank. Fewer than 20% evaluate consistently the contribution to profit.



Ultimately communications are paid for out of profits, thus the best practice is to evaluate communications' contribution to the bottom line.

Research scores are clues as to **how** the communications are working, but are not an end in themselves. Start your evaluation with the **business** objectives in mind, not just the **communication** objectives.

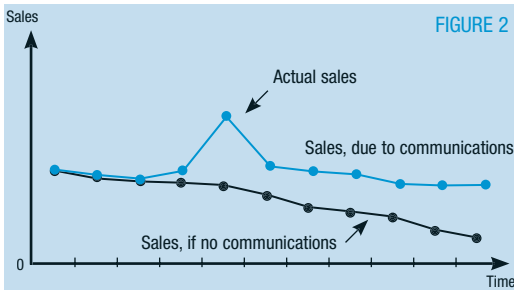
There are two ways of approaching an evaluation, the old way and the best practice way.

The old way is shown in the graph in Figure 1.

The line shows sales of our brand. The bar represents a burst of communications activity (which might be above-the-line advertising, or direct marketing, or PR, etc.).

There is a 'blip' in sales following the activity. The old way of doing evaluations would be to measure the blip.

This seems like a common sense approach, but it contains a hidden assumption. The assumption is that sales would have remained constant if there had been no communications activity.



In fact that is unlikely. In most markets, sales of brands are under constant pressure from competitive activity. Consumers who buy your brand probably buy competitive brands too. If you stop all communications while your competitors carry on, your sales will probably fall.

The best practice approach is to ask, “What would have happened to the sales

of our brand, if we had not spent money on communications?” This is just like the zero-budgeting or forecasting question you ask in other areas of the business.

This best practice approach is represented in Figure 2.

The top line shows the same sales as before. The lower line shows what would have happened to sales, **if there had been no communications**.

In this case, the sales attributable to communications are represented by the difference between the top line (actual) and the lower line (hypothetical). It includes the blip, but importantly also allows for the effects of competitive pressure or other factors.

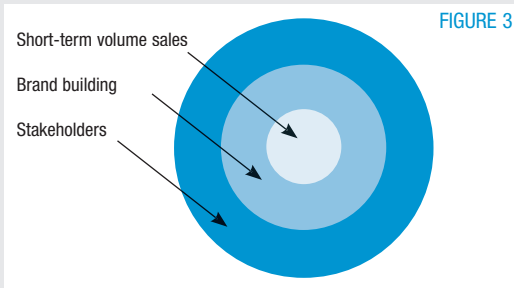
We cannot be definitive about the lower line as it represents a hypothetical scenario. However, we can **estimate** it. There are three main methods of doing this.

2 THREE EVALUATIVE METHODS YOU CAN USE

Whether you use one or all of these methods depends on what data you have. The ideal is to use all three.

- Use a **time-series** analysis. What happens to sales at the times when you give your brand less communications support, or none at all?
- Use a **regional** analysis. What happens to sales in the regions where you give your brand less communications support, or none at all?
- Use **competitive comparisons**. What happens to sales of other brands in your market that get less competitive support, or none at all?

All of these methods can be seen in use in case histories entered for the IPA Effectiveness Awards, which can be accessed through www.ipa.co.uk/strategy/members/databank. For instance, the papers for Colgate and Wallis (1998) show the regional method: other countries were used as giant ‘area tests’ of UK activity. Another example is the Halifax Current Account case history (2002), which shows a competitive comparison: other products in the portfolio, which did not receive support,



were used to estimate the effect of communications on sales of the Current Account. Sales of the same brand in other countries, or sales of other products in the portfolio, are analogous to the hypothetical lower line of our best practice graph.

A full evaluation must be based on more than just, “We did some communications and sales went up.” This is because sales depend

on more than communications alone. We need to allow for all four of marketing’s 4Ps: Promotion, but also Price, Product, and Place. And increasingly there’s a fifth ‘p’, that of People, the company’s employees who can have such an impact on customers, for good or bad.

Research measures such as brand awareness can help demonstrate a link between promotional activity and sales. But we must show that changes in Price, Product and Place, (and People) were also **not** responsible for the effect on sales.

Econometrics, which involves statistical techniques for disaggregating sales data, can help identify the causal link between communications and sales for all three methods (see later).

“60% of large clients will involve their Procurement Department in reviewing evaluation data.”

3 EVALUATIONS BEYOND SHORT-TERM SALES

The old way of doing evaluations focussed on short-term volume sales: how many boxes left the factory after the communications activity? But this may understate the actual return your company gets from communications spend.

Three different kinds of effects are shown in Figure 3 above.

The least valuable source of payback, shown by the smallest circle, is often short-term increases in volume sales. For established brands in mature markets with continuous support, a single burst of communications usually has only a small effect.

Moving outwards from the centre, the next layer represents the return you get from building a strong customer franchise, or brand. Brands can be valuable in their own right. For instance the Coca Cola brand – not the factories or the distributors or even the secret formula, just the brand alone – is valued at \$67 billion.

Brands create higher than average customer loyalty and as a result can charge higher than average prices in the market. However, it usually takes many years to develop a strong brand. Evaluation should cover the value of years of communications activity, rather than a single burst.

PG Tips and BMW are both brands which exemplify isolating and quantifying the long-term effect of communications.

Finally, the outer circle represents non-consumer effects. Many communications aimed at customers are 'overheard' by other audiences: for instance by the 'City', by your employees, by trade customers and other intermediaries, etc.

Creating a more favourable predisposition amongst these stakeholders can increase a brand's 'saleability' with spectacular results. For instance, Orange is a brand which has shown the effect of advertising on the spreadsheet used by Lehman Brothers, the merchant bank, to price its shares in the stock market. Without advertising, Orange shares would have been priced at 279p (this represents the hypothetical lower line of our best practice graph). In fact the actual share price was 528p – a vast increase in corporate wealth. Best practice is to evaluate **all** the returns due to communications, the longer and broader as well as the short-term effects.

Tim Broadbent - BrandCom

“CLIENTS BELIEVE THAT ECONOMETRIC MODELLING PROVIDES THE MOST SCIENTIFIC BASIS FOR FUTURE INVESTMENT DECISIONS.”

BUT

“45% OF ADVERTISING AND ALMOST 60% OF ALL AGENCIES ARE NOT USING ECONOMETRICS.”

ECONOMETRICS - The ultimate way to measure effectiveness, at least for commercial communications, is to look at financial return. There are many ways in which communications can generate shareholder value, but the commonest is to increase sales revenue. So the first step towards estimating the return on investment (ROI) is usually to measure the effect on sales.

But measuring the sales effect is not straightforward. Suppose you ran a campaign and sales went up. How would you know that your campaign was responsible? As we have

seen, there are many other factors that effect sales. Maybe the sales increase you saw was due to something else?

Or suppose that you ran the campaign and sales remained static. How do you know other factors weren't working against you? Maybe sales would have fallen if you hadn't acted.

One solution (and there are plenty of others, as the preceding sections have shown) is to use econometrics, a form of analysis that looks at **all** the factors that influence sales and disentangles their different effects.

The output from the analysis is an econometric model that allows you to predict the effect of any combination of factors on sales. Using a model, you can predict what would have happened to sales if you **hadn't** run your campaign, taking account of everything else that was going on at the time. Your sales effect is then simply the difference between actual and predicted sales.

Many of the main communications agencies and market research bureaus offer econometrics as part of their services, as do some management consultants, and there are also several independent econometrics firms.

Here are our top tips for getting the most out of them:

1. Econometrics is a highly technical and specialised discipline: use a properly qualified econometrician.
2. Allow plenty of time: a thorough analysis may take 6-12 weeks.
3. Brief your econometrician well: set clear research objectives and prioritise them. Familiarise him or her with all the key factors that influence sales.
4. Be prepared to supply lots of data and information – a single point of contact is often a good idea to ensure a proper overview. Make sure that you get senior back up for data collection.
5. Garbage in, garbage out: make sure your data is complete and accurate.
6. Ensure the model is thoroughly tested, using **all** the standard statistical tests. Fitting the data closely ('a high R-squared') is not enough.
7. Ensure that the econometrician explains the findings clearly, and that they make good common sense.
8. Use the model once you've got it. Remember, a model is useful for planning future campaigns as well as evaluating the past.
9. Monitor how well the model forecasts – the ultimate test of its accuracy.
10. Update your model regularly: set aside a budget for its maintenance.

For further information on econometrics, please see 'Econometrics Explained', a brief introduction to the subject, published by the IPA. www.ipa.co.uk/documents/Econometrics.pdf

Les Binet - DDB Matrix

IN REAL LIFE

WITH AMANDA BINDON



AMANDA BINDON
Waitrose - Head of Marketing

Evaluating marketing communications should be a core part of our discipline. A culture of testing new ideas, then amending strategy in light of their findings, is a critical part of the evaluation of a communications strategy. But what's really vital is the effect on the business because that's what generates the budget. If you can work in partnership with the finance team to agree measurement procedures and criteria, you have a much more robust argument to support your budget.

**“OVER 90% OF AD AGENCY
PLANNERS AND ACCOUNT HANDLERS VIEW EVALUATION AS AN
ESSENTIAL TOOL, YET ONLY
36% HAVE HAD ANY FORMAL TRAINING.”**

**“65% OF MEDIA AGENCIES
FIND IT HARD TO GET DATA FOR EVALUATION
OUT OF THE RELEVANT SOURCES.”**

TOP TIPS FOR EVALUATING ADVERTISING AND MEDIA

1. Set clear (and preferably quantified) objectives to evaluate the campaign against.
2. Think about how you will evaluate the campaign BEFORE it starts running.
3. Think about how the campaign is likely to work, and tailor the measurements accordingly.
4. Plan the media so as to make evaluation easier. Don't do everything at the same time everywhere. Build in tests and controls. Big bursts are easier to measure, but 'drip' campaigns can be as effective, so ensure the measurement 'tail' doesn't wag the strategic 'dog'!
5. Allocate time and money to evaluation: perhaps 1% of the total budget?
6. Use the right data for the right task. Sales data to measure WHAT happened, intermediate data (such as awareness measures) to find out HOW it happened.
7. Start collecting data well before the campaign starts (the 'pre'), and keep collecting it for some time after it ends (the 'post').
8. Look for relationships between communications and sales over time. Not just pre/post, but also relationships between level of advertising and level of sales.
9. Look for controls. Were there regions/groups of people/products that got more/less advertising than others?
10. Think about other factors. Try to account for things like seasonality, market effects, prices etc. Econometrics can help here.

11. Correlation is not causation. Remember, increased sales (penetration) can increase ad awareness, as well as the other way around.
12. What would have happened if we hadn't communicated? Sometimes arresting a decline can be an achievement, for instance.
13. Look for interactions between channels. Does advertising increase DM response or generate extra website traffic, for instance?
14. Look at how advertising effects the payback from other communication channels (and vice versa). For example, do ads increase the cost-efficiency of DM response rates or make promotions more successful. For an example of how to do it, see the recent Cravendale 2004 IPA Effectiveness Awards paper.
15. Think beyond the blip. Look for longer, broader effects.
16. Make the distinction between EFFECTIVENESS (measured by absolute profit) and EFFICIENCY (measured by relative financial return/ ROI). Usually actual sales/profit matter more to a business.

IN REAL LIFE WITH ROD MCLEOD

At Volkswagen, evaluation isn't just an optional extra; it's fundamental to the way the business as a whole is structured. We expect our communications partners to work closely with us in ensuring that all our communications are effective and efficient.

Clear and quantifiable evaluation objectives are built into campaigns well before they reach the creative development phase, not merely as an afterthought. Volkswagen uses these measures in two main ways: first, within the organisation to prove effectiveness of marketing spend to a wider internal audience; and, second, by our communications team and partners to ensure subsequent campaigns continue to improve.

ROD MCLEOD

Volkswagen UK - Head of Marketing



TOP TIPS FOR EVALUATING DIRECT MARKETING

1. Set clear objectives upfront. Simply measuring direct responses, or even direct sales, is not enough.
2. Don't just measure immediate response; look also at the longer term, the repeat behaviour and the lifetime value.
3. Consider supplementing response by segment with some qualitative research to understand the reasons for response. Research can also tell what effect the communication had on consideration among non-responders.
4. On the one hand, DM may have indirect effects. For instance, it may increase sales via other channels, or help in gathering information for a customer database.
5. On the other hand, some of the direct effects of DM may not bring incremental business. For instance, responses may not lead to sales, and direct sales may be diverted from other outlets.
6. Build understanding through the use of 'test' and 'control' cells. Remember through DM we can measure behaviour through action.
7. Measure responses through different mechanisms: coupon, telephone, e-mail, SMS, website etc.
8. Calculate responses at each stage of the process e.g. cost per response/cost per lead/cost per conversion/cost per repeat.
9. Establish average customer retention for different socio-demographics and other sub-sets with the database and calculate 'lifetime' values for these customers.
10. Define and agree the sources of evaluation upfront.
11. Define the time period for response curve, for example short term.
12. Define the role of DM in a multimedia campaign; decide how to determine the effects of the different components and take account of what else is going to be seen by your audience. Try and establish 'test' and 'control' areas, or use timing to isolate DM vs other media such as advertising or PR.

Clare Rossi - Zalpha

IN REAL LIFE

WITH STEVE SARGENT

To get the most useful results, it is best to be sensible in setting expectations from evaluation, as over-complexity may result in reports which are high on volume but low on clarity and usefulness.

What is evaluated should also be linked as closely as possible to the objectives of the business so that the results have relevance, meaning and usefulness beyond the people working in PR.



STEVE SARGENT

BT MCCU - Marketing Services Purchasing Manager

“CLIENTS ARE MUCH LESS LIKELY
TO SET EVALUATION OBJECTIVES FOR PR.”

“ONLY 36% OF CLIENTS CLAIM
TO EVALUATE PR ACTIVITY MOST OF THE TIME.”

“MEDIA COVERAGE
IS BY FAR THE MOST DOMINANT MEANS OF
EVALUATING PR ACTIVITY.”

TOP TIPS FOR EVALUATING PUBLIC RELATIONS

1. We have to do more than just evaluate media coverage, because media coverage, while frequently a key driver of effectiveness, does not itself define effectiveness.
2. Recognise that much media coverage evaluation assesses the **efficiency** of PR activity; measuring audience reach, OTS and AVEs, etc., tells us how well we have deployed a given budget. They do not tell us about the effect on target audiences.
3. Effectiveness means a result or outcome that impacts an organisation's business objective(s). Therefore it is essential to identify the business objective that PR is required to support, and from there to anticipate the type and level of audience response which, if achieved, will be evidence of real effectiveness.
4. PR is diverse in its techniques and target audiences. As a result PR is required to address a wide spectrum of business objectives (though not necessarily at the same time!). Sales effectiveness is often the ultimate goal of many marketing PR programmes, but for other areas of PR the contribution to share price, costs and corporate reputation is the business rationale for investing in PR.
5. Establish the expected 'influencing pathway'. PR works by influencing audiences, often in multiple combinations, in order to achieve desired responses (such as interest to buy, investment advice or regulatory/legislative orientation, etc.).
6. One important dimension is evaluating the cost of 'getting things wrong'. This is particularly relevant in the area of crisis and issues management.
7. Where PR is one component in the marketing activity mix, think about PR's special role and how this can be reflected in the way messaging and audiences can be differentiated from other media. In this way audience responses can be more readily attributed to the effect of PR.

“SALES PROMOTION IS FAR MORE LIKELY THAN OTHER DISCIPLINES TO BE EVALUATED ON SALES VOLUME AND PROFITABILITY.”

TOP TIPS FOR EVALUATING SALES PROMOTIONS

1. Initiate evaluation activities by designing an overall measurement framework that includes all the ‘hard’ and ‘soft’ measures your organisation needs to monitor the overall impact of communications on sales.
2. Create a ‘dashboard’ which encapsulate both macro and micro measures such as:
 - MACRO:**
 - Sales (volume, value and rate)
 - Distribution
 - Price vs competition
 - Market share
 - Brand image and attributes versus competition
 - Customer satisfaction
 - Customer acquisition and retention volumes year to date
 - Key customer segment membership status (and movements since last measurement)
 - Churned customers (volume and value)
 - Customer lifetime and value
 - MICRO:**
 - Promotional ROI
 - Target versus responder profile
 - Response volumes
 - Response distribution over time
3. Involve the operational teams (either in-house or supplier partners), who will be required to deliver data and information to underpin the evaluation – agree service levels, business processes and accountability.
4. Apply the ‘so what’ rule to the measures you are considering. If you can’t change anything in your business as a result of that measure then it’s probably just ‘nice to have’, and of no real value.
5. Harmonise evaluation activities with your market and customer segments so that you can be sensitive to critical areas of your marketplace.
6. Develop performance benchmarks by media, channel and promotion type to support an ongoing ‘Champion/Challenger’ approach.
7. Don’t be daunted by data challenges – do the best you can and keep focused on what needs to change to deliver the optimal information.
8. Ensure your communications planning process allows the results to influence promotional rollouts and future communication plans in a timely way.
9. Allocate a discrete R&D budget for testing to ensure it can be incorporated in every promotion.
10. Centralise results so that the whole team has easy access to lessons learned and relevant trends.
11. Design global evaluation templates for multinational companies to ensure the viability of like for like comparisons.
12. Remember: not all volume sold on promotion is extra volume. Some sales may be brought forward or diverted from elsewhere, and some are sales that you would have made anyway.

FOR MORE INFORMATION

These guidelines, together with the full details of the research, could be a helpful tool for any company wishing to incorporate the principles of evaluation into in-house training modules. Both documents are available free as downloadable PDFs from the websites of all the signatories.

This guide has been developed by the four signatories: the IPA, ISBA, MCCA and PRCA.

All parties have given their agreement and support, and urge its full adoption by both clients and agencies.

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GUIDES IN DEVELOPMENT



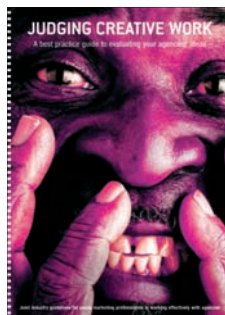
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There are three more joint industry guides 'under construction', all designed to help you get more from your communications agencies.

Please contact the IPA, ISBA, MCCA or PRCA if you want to get more details.



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