

1997

IAB online
advertising
effectiveness
study

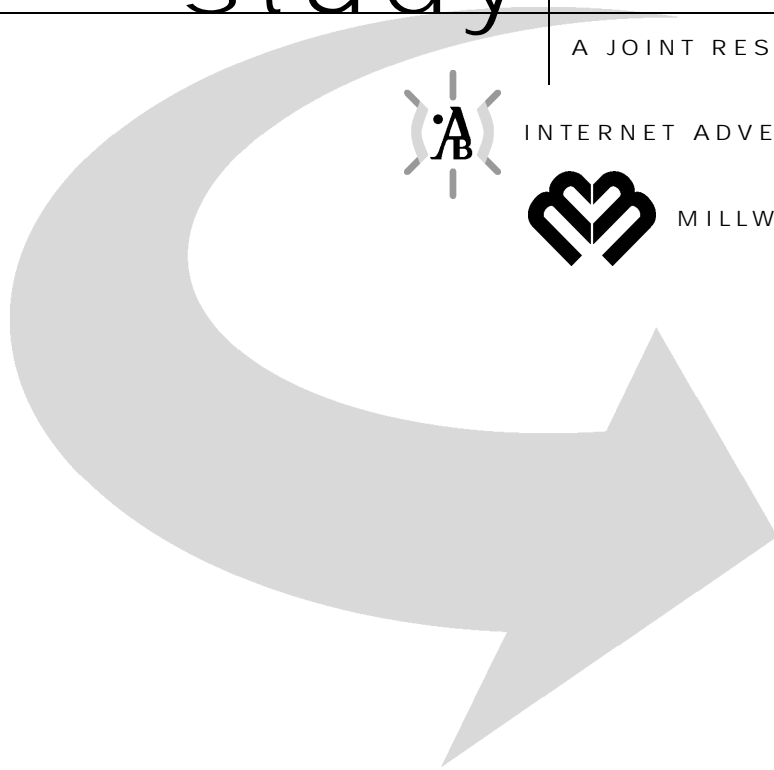
A JOINT RESEARCH EFFORT OF



INTERNET ADVERTISING BUREAU *and*



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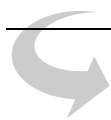


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It's a mantra that's been accepted as a question by some, of online media's limitations as a communications vehicle.

"Once we have creative units that are more similar to what we know, this new medium will really become effective. Online is more like outdoor, and less like TV and print. What can those little billboards accomplish?"

A tremendous amount of communication, it turns out. Thinking of the medium's effectiveness based on the size of creative units is well intentioned, but flawed. And because the medium is accountable as never before doesn't mean that it is simply for direct response marketing.

The goal of the Internet Advertising Bureau in commissioning The IAB Online Advertising Effectiveness Study from MB *interactive* is to:

- Determine the advertising communications impact of online advertising,
- To assist marketers in making their online campaigns more effective, and
- To get more advertisers that have been sitting on the sidelines to make use of the medium's power as a communications vehicle.

In the IAB's study of online advertising's effectiveness, we'll demonstrate that this new medium has terrific communications power. In fact, after only one exposure, advertising online can:

- Build Brand Awareness
- Enhance Product Perceptions
- Improve Product Purchase Intent

This communications strength is in addition to the great power that online has for relationship marketing and direct sales. This is where the medium excels and differs from traditional media, because of its power as both an advertising and direct marketing medium.

Banners Explained

It's understandable why banner ads are thought to have poor communication. The first rush to the Web was based on the notion that corporations and brands built Web sites based on the ability to communicate every positive aspect of a company or brand all in one place. "If you build it, they will come", it was thought, and certainly all of those thousands of 'hits' sounded like something big was happening.

Agencies initially made money the only way they knew how, by creating sites. Not much creative juice went into the development of online creative, and it continues to be a problem. Just try to get the best creative minds at a traditional agency to hammer out banners. More likely, it's a group that has never worked with the brand's communications assets before. Traditional agencies are now responding to the industry's call for more attention with special digital subsidiaries, joining the ranks of online agencies that call the medium their own.



Clickthroughs

Importantly, the new attention to online media needs to go beyond the direct marketing valuation and recognize advertising as one of its other primary strengths. In fact, what's striking in the results was that all of the brand communication in terms of awareness, positive product perceptions and purchase intent impact were accomplished without clickthroughs. Moreover, clickthroughs are seen to be unrelated to brand communications.

The industry needs to understand that clickthroughs are merely observable behavior related to visiting a site, based on the category, the offer and the creative. To measure the more significant impact on a brand overall, the same type of communications research that accompanies any type of significant marketing activity must be used. What's great news is that the internet makes this type of communications research relatively simple, fast and cheap, allowing for real-time learning. Gone are the days when a split cable test required six months to read the results, and even that was pushing it. The Web's hidden power in helping marketers understand brand communications dynamics is the next wave of online media's impact. Smart marketers will embrace that strength and exploit it.

New Media?

The IAB's goal is to replace the word *New* in New Media with the word *Online*. We hope that this report will help the advertising industry recognize the medium's power and rightful place within the communications mix of traditional media. Beyond the banner? We think the power of the medium is right there, right under the nose of the Web's significant audiences. The Web has communications power to build brands, establish consumer relationships, sell products and provide customer service. It's time to use it.



Rich LeFurgy
Chairman, Internet Advertising Bureau
Senior Vice President, ABCNews/ESPN Internet Ventures

Background

The Internet Advertising Bureau commissioned *MBinteractive* to conduct the IAB Online Advertising Effectiveness Study in order to help evaluate the advertising impact of online communications. Since much of what is known and predicted about the medium is within the context of direct marketing, the IAB wanted to provide data in a form that would be familiar to Madison Avenue and its clients. *MBinteractive* tested the medium's ability to move the traditional marketing communications measures of advertisement awareness, product attribute communication and purchase intent. This research focused on the effects of advertising banners, which Jupiter Communications reports comprise 80% of online placements today. While effective evolutions to creative presentation will be unlocked in time with increases in technology and bandwidth, the power of online advertising banners can be exploited by clients and agencies as part of the overall communications media mix today. What's more, the study is the largest and most comprehensive research on advertising effectiveness ever undertaken in any medium.

It is important to note that the study was conducted in a real-world setting with real brands on real media sites, with the real audience of consumers naturally accessing the Web sites, so that the most representative results could be provided.

Overview of Methodology

The IAB Online Advertising Effectiveness Study was fielded from June 1 to June 13, 1997, simultaneously across twelve leading Web sites: CNN, CompuServe, ESPN SportsZone, Excite, Geocities, HotWired, Looksmart, Lycos, MacWorld, National Geographic Online, Pathfinder (People), and Ziff-Davis. Over one million members of the Web audience had an equal opportunity to be randomly sampled over the course of the first wave, which collected basic demographics and an email address. The second wave was conducted over a time period ranging from one day to one week after ad exposure. Forty-seven percent of wave one respondents completed the second wave, yielding 16,758 respondents — a substantial test sample.

While the study told potential respondents that the research was designed to “learn more about them,” control was sought for a multitude of factors that could influence a test of advertising effectiveness. The classic experimental research design, the most rigorous study methodology available, was applied by randomly assigning users to be part of either the test or exposed cells. Because Web ad banners are served individually to Web users, this assignment was invisible to the respondents. Importantly, both the exposed and test cells were treated identically in all respects, except for the exposure to a test Web ad banner.



Online advertising has tremendous communications power; a single exposure can generate increases in:

- **Advertisement awareness**
- **Brand awareness**
- **Product attribute communication**
- **Purchase intent**

Nearly all of the impact measured was generated without a ‘clickthrough’ to the advertiser’s site — proving the advertising power of the ubiquitous banner.

Selected highlights of the report follow; subsequent pages provide the results in full.

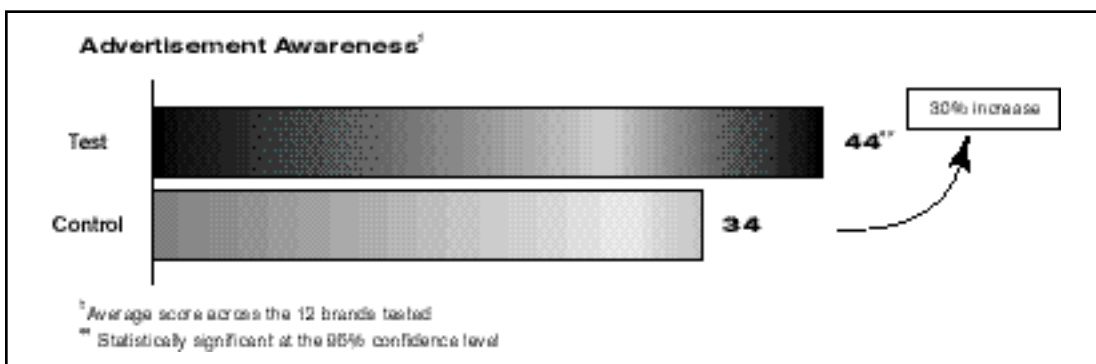
Consumer acceptance of online advertising is comparable to that of traditional media.

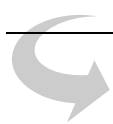
MB*interactive* asked comparable questions for the Web, Print, and Television in a separate survey of its recently established, nationally representative panel of US Web users. On a five point scale ranging from “Strongly in favor of” to “Strongly against,” between 60% and 70% of Web users report top-two box scores in favor of Web, Television, and Print advertising. Web users are less supportive of Radio advertising and are somewhat opposed to outdoor signage/billboards (only one third report a top-two box score in favor of such marketing vehicles).

Online advertising dramatically increases advertisement awareness after only one exposure.

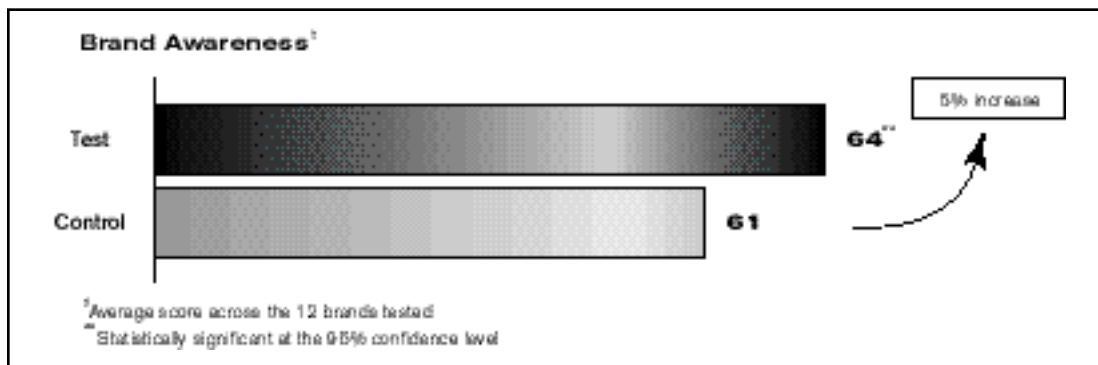
Advertisement Awareness is measured by a question asking respondents if they recall seeing an ad on a particular Web site in the past seven days. Those who respond “no” are prompted with the tested ad and then re-asked the question.

By the criterion of getting noticed by consumers, the twelve ad banners tested by the IAB demonstrate unequivocal success after a single additional ad exposure. Eleven out of the twelve show marked improvement in advertisement awareness. An additional exposure to the advertisement boosted advertisement awareness by 30% on average (from 34.0% to 44.1%), statistically significant at the 95% confidence level.





Web advertising boosts awareness of advertised brands

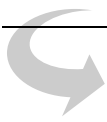


Eight of the twelve ad banners we tested showed positive increases in brand awareness (three of the brands tested already enjoyed nearly universal levels of awareness at 100%, 99% and 92% respectively and could not go much higher). For two relatively new brands, the increase was dramatic. Web ad banners not only have the ability to remind consumers about brands of which they are already aware, Web ad banners can and do inform users about products that were not previously on the consumer's radar. Across the 12 brands tested, we observed an increase of 5%, on average, in awareness of the brands (from 61% to 64% — statistically significant at the 95% confidence level).

Online advertising provides significant brand communications power.

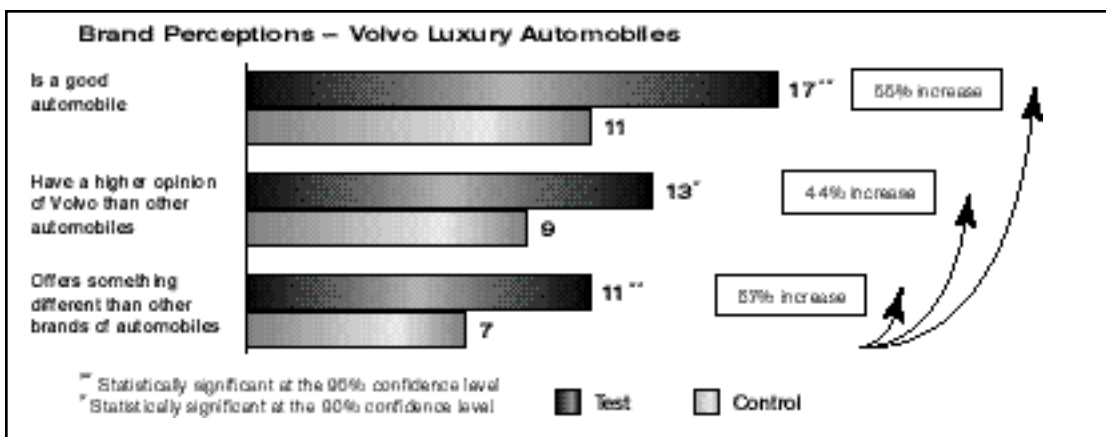
Since each of the 12 brands studied had varying creative objectives, the research investigated attitudinal shifts on a brand-by-brand, questionnaire-item-by-item basis.

- Six of the twelve Web ad banners meet the statistically significant threshold of 90% on shifts in brand perception.
- Five out of six demonstrate clear positive change, while the sixth shows a polarization of positive and negative associations, with a positive net effect on purchase intent.
- In general, Web advertising can positively impact brand perceptions.



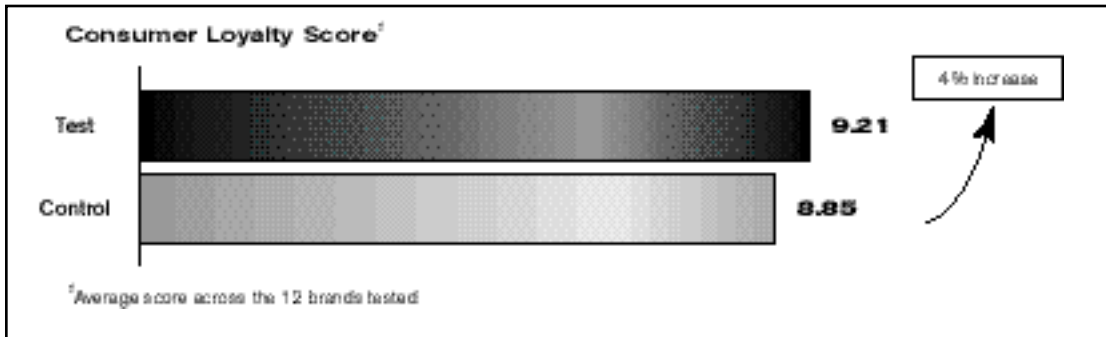
Following is one such example from Volvo.

(Banners not to actual size)



The Volvo ad banner seems to increase users' belief that Volvo makes "a good automobile" (an increase of 55%) and that Volvo "offers something different than other brands of automobiles" (an increase of 57%). Because of the ad banner, those exposed are more likely to "Have a higher opinion [of Volvo] than other automobiles" (an increase of 44%). The additional exposure to the Volvo ad banner has consistent positive effects — enhancing the perception of performance and competitive differentiation.

Online advertising has the potential to increase sales.

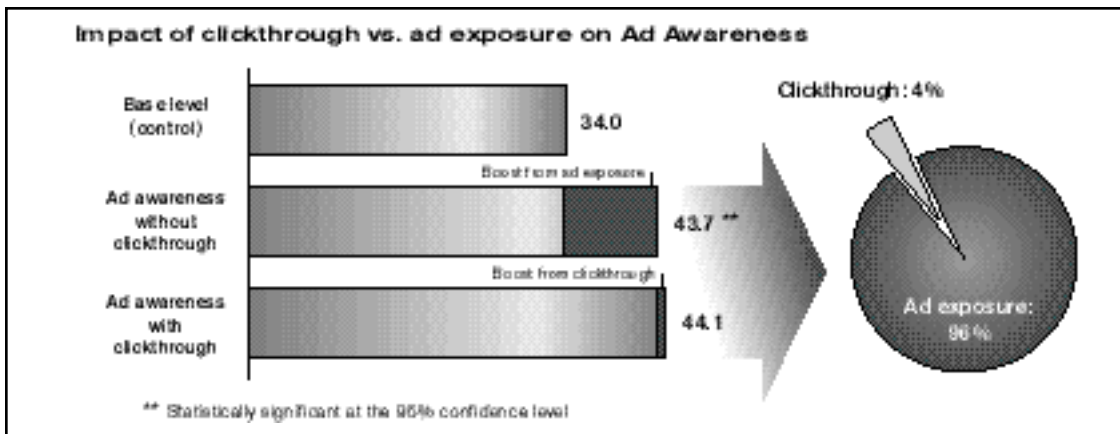


We observed a positive increase for nine of the twelve brands tested. On average, Consumer Loyalty increased 4% across the twelve brands tested after only one exposure.

EXECUTIVE SUMMARY (CONTINUED)

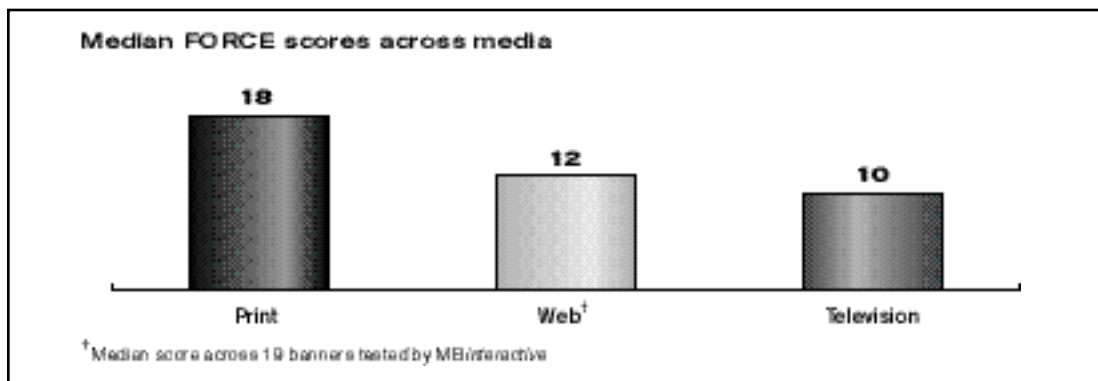


Clickthroughs are not necessary for impactful brand communication; in fact, clickthroughs don't add very much.



Banner exposure itself was responsible for 96% of the brand enhancement, while a clickthrough only contributed 4%. While additional powerful messaging may wait on the other side of a banner at the advertiser's Web site, the analysis indicates that the exposure itself carries nearly all of the value. Clickthroughs may be an important element of some online campaigns, but with an industry average of 2%, the real communications power is where the majority of the audience can see the message.

Online advertising is more likely to be noticed than television advertising.



Millward Brown International's FORCE score (First Opportunity to see Reaction Created by the Execution), measures the percentage of people who will recall seeing an advertisement after the first exposure. The results show that Web advertising compares favorably to television in its ability to create a brand-linked impression and be remembered.

The results are impressive since little research has been conducted on how to optimize online advertising — much in contrast to the significant expenditures allocated to television and print creative pre-testing. And while television has the advantage of being more intrusive (through the combination of sight, sound, and motion), television (in its current incarnation) is still a passive medium where the



EXECUTIVE SUMMARY (CONTINUED)

viewer is not required to be actively engaged and attentive to the medium to consume it. Conversely, Web and print-based media have the advantage of active reader involvement and attention, requiring physical contact and action to consume the medium. The engaged state that the Web encourages seems to help provide higher attention to online advertising.

CONCLUSION

Online advertising, using banners, has tremendous communications power. In fact, banners can impact the traditional marketing measures of...

- Advertisement awareness
- Brand awareness
- Brand perceptions
- Purchase intent

...all from one exposure.

The Web's advertising power is just beginning to be understood. Our findings suggest that many advertisers looking to build their brand and increase their sales should utilize online advertising.

This study is designed to determine if consumers' attitudes and behaviors are affected by Web advertising banners.

An industry first

One can easily argue that the IAB Online Advertising Effectiveness Study represents the largest, most rigorous, most extensive advertising effectiveness study conducted to date, in any medium.

Largest

- 16,758 users surveyed through two waves of interviewing

Most extensive

- Advertising on twelve leading independent Web sites simultaneously measured

Most rigorous

- Real-world impact precisely measured; users passively monitored while using Web sites
- True random sampling
- Multiple levels of advertising effect measured
- Classic experimental design employed — guaranteeing an accurate measurement of brand impact caused by exposure to a Web ad banner

Below, we provide an overview of the methodology for this study. For those interested in a more extensive discussion of methodological issues, we refer you to “In-depth discussion of methodology,” which can be found in Appendix 1.

Rigorous measurement

The study uses the most rigorous methodology for evaluating effect — the classic experimental research design. An experimental design makes the most accurate examination of an effect (in this case, that caused by an additional exposure to a Web advertising banner) possible by ensuring that all variables, except for the one being tested, are controlled for. The experimental design isolates the effect of a Web advertising banner exposure because the characteristics of the exposed cell are identical to those of the control cell (based on the random assignment of respondents to test and control cells). The only difference between the control and exposed populations is that the exposed cell had one additional exposure to the tested Web ad banner.

To illustrate the study design process, imagine you are one of the over one million Web users who had a chance to be randomly sampled at a Web site over the course of the week (June 1 to June 7, 1997).

The participating sites included (in alphabetical order) CNN, CompuServe, ESPN, Excite, Geocities, HotWired, Looksmart, Lycos, Macworld, National Geographic Online, Pathfinder (People), and Ziff-Davis.

As a user, imagine you access www.people.com (*fig. 1*).



You click on the hypertext link to access “celebrity news.” A proprietary sampling algorithm developed by MB*interactive* runs in a matter of milliseconds. All users have an equal chance of being randomly sampled. If you are not selected, you receive the Web page you requested. If you are sampled, a short demographic survey Web page appears soliciting your participation in a short demographic and webographic study “to help the Web site better understand those who use its service” (*Fig. 2*). We also asked for an email address so that we could enter the respondent in a contest to thank them for their participation.

Forty-five percent of sampled users completed the demographic wave of the survey, generating a base size of 36,065 respondents. After completing the survey, respondents clicked on “submit survey” and were then served “celebrity news” (the page they had initially requested). We leveraged the one-to-one capability of the medium and served a “test” Web ad banner to half of the respondents based on random assignment and served a control ad to the other half (*Fig. 3*). This individualized delivery of advertisements was invisible to the user. Each participating Web site selected both test and control ads. The page position and dimensions of the test and control ads are identical. The test and control ad banners are included in the “Base sizes and banner executions” which can be found in Appendix 3.

Fig. 1
Day One



Fig. 2
Day One



DEMOGRAPHIC SURVEY

Fig. 3
Day One



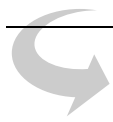
DEMOGRAPHIC SURVEY

TEST

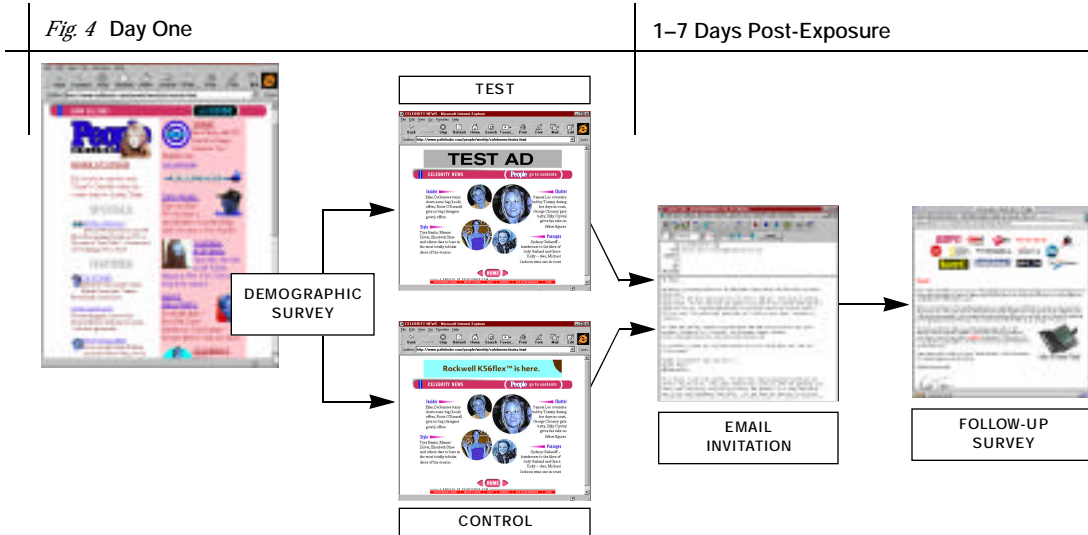


CONTROL

OVERVIEW OF METHODOLOGY (CONTINUED)

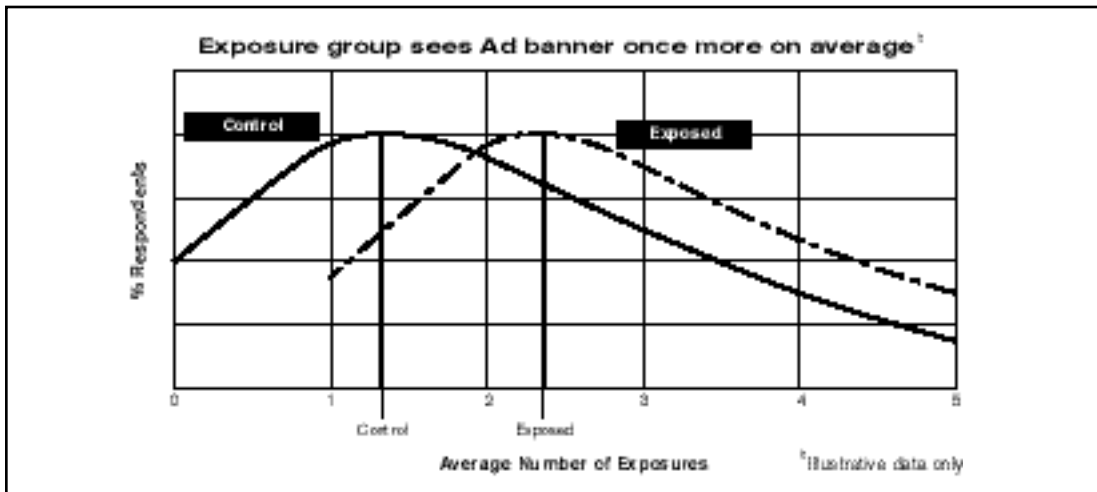


At a predetermined point in time after exposure to the test or control Web ad banner, ranging from one day to one week, MB*interactive* emailed respondents requesting that they access a Web page “to help answer a few more questions.” We asked both control and exposed respondents identical questions related to the “test” brand specifically and advertising in general (Fig. 4).



Forty-seven percent of wave-one respondents completed the second wave generating a base size of 16,758 respondents. Those who completed the second wave showed no statistically significant differences from those who completed the first wave in terms of the variables we measured in the first wave (specifically: age, sex, time spent online in a typical week, year first accessed the Web).

By virtue of the study design, we are able to measure the effect of one additional ad exposure while controlling for all other variables that could affect the advertising impact metrics. The chart below provides an illustration of the difference in distribution of exposures between “control” and “exposed” respondents.



Because test and control respondents were randomly assigned and identically matched¹, the hypothesis is that responses from test and control cells should be statistically identical unless the single additional exposure to the Web ad banner caused an effect. A methodology of this type sets a high standard for advertising effectiveness because it precisely measures the effect of one additional exposure to a Web ad banner, as opposed to measuring the cumulative impact of advertising. As a result, the findings may conservatively state the effectiveness of Web advertising.

Measuring response

The IAB study includes such traditional measures of ad effectiveness as advertisement awareness, brand awareness, and reported response to indicate whether or not advertising has had an impact. In addition to these traditional measures, we employed advanced proprietary models to determine the impact on brand relationship and the degree to which the advertisement is likely to lead to a purchase. A full explanation of these proprietary measurements is available in Appendix 2: “Key calculations and construction of Millward Brown’s models.”

¹ To ensure that control and test cells were identically matched, we balanced control and exposed cells on sex, age, category use and time online. The weighting efficiency was 97%, indicating a near perfect match prior to sample balancing.

The Web is an actively engaging medium where consumers are not only likely to notice advertisements, but also respond to them. Web ad banners can boost awareness, enhance positive perception and foster a stronger relationship with the brand. In some cases, even a single additional banner exposure can improve the likelihood that the consumer will purchase the advertised brand next.

ANSWERS TO CENTRAL QUESTIONS OF WEB ADVERTISING EFFECTIVENESS

- **What might we expect to find when measuring advertising effectiveness?**
- **How do Web users feel about Web advertising in general?**
- **Is Web advertising noticed?**
- **Can Web advertising boost awareness of the advertised brand?**
- **Can Web advertising positively impact brand perceptions?**
- **Can Web advertising change the relationship consumers have with the brand?**
- **Can Web advertising make consumers more likely to purchase a product?**
- **What is the value of a clickthrough?**

WHAT MIGHT WE EXPECT TO FIND WHEN MEASURING ADVERTISING EFFECTIVENESS?

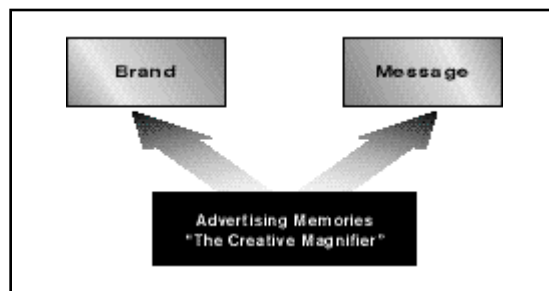
Given the landscape of varying attentiveness to media, increasing clutter and dwindling attention span among consumers, how should we measure advertising effect? How do advertisers achieve positive results?

Before we launch into the findings, it is important to take a moment to consider the advertising environment we find ourselves in, and the manner in which we can appropriately measure advertising effect.

To some extent, all advertising (and other types of communication) share a common characteristic: While many viewers/users have brand-linked impressions of ads they see, a majority of advertisements either do not register a brand-linked memory, or are quickly forgotten by the viewer. Advertisements don't just compete against each other for share-of-voice; advertisements compete against everything that hopes to secure our attention. Advertisements have a challenging mandate: lock brand-linked associations into long-term memory such that consumers will draw on these brand memories when brand interaction occurs — such as during a purchase occasion.

We measure brand-linked impression by asking consumers if they have seen an advertisement for a particular brand recently. In taking this measurement, we provide no prompting because we seek to measure top-of-mind brand-linked impressions associated with advertising.

The concept of brand-linked impressions is a critical one. It is possible for consumers to easily remember a particular advertisement or campaign creative but not be able to associate it with the brand. While such advertisements might help the category, they do not achieve the brand's objective. To achieve high levels of brand-linked impression recall requires that the ad be memorable — and what is memorable needs to relate to the brandⁱ. Millward Brown International summarizes this point in what has become known as the “V diagram”:



By linking an involving message with the brand, the brand-linked impression is locked into long-term memory with important associations such that the consumer will draw upon these memories when brand interactions occur such as just prior to purchase or during consumption.

When one considers all that competes for our attention, the low absolute level of brand-linked impression recall is not at all surprising. Perhaps it is not all that inconsistent with the percentage of us who remember which day lockers we have used at the gym over the past week, the type of car we parked next to in a parking lot, or the airline seat number we sat in lastⁱⁱ.



So how do ads break through the clutter and make a brand-linked impression? There are three challenges that advertising must meet.

The first challenge is finding opportunities to reach the right consumers. As media continues to fragment, this is becoming increasingly complex. But reaching the right audience is not enough.

The second challenge is finding the right opportunity to communicate. There are three primary methods by which the brand may communicate with the consumer. One method is to place advertisements in environments where the right consumers are actively engaged in processing information as they consume the medium (such as print and the Web) and are therefore more attentive to advertising. Another method is to stand out, through creative and involving content, in environments such as television or radio where the consumer is passively consuming media. A third method is to develop direct relationships with consumers so that appropriate branded communication can be delivered directly (such as one-to-one advertising and direct marketing).


Even if the advertiser finds the right consumer and selects an appropriate environment to communicate the brand message, there still remains the third challenge — developing the right advertisement to communicate the brand message.

The “right message” will be perceived to be of interest, relevance, or value. It must create a brand-linked impression that will be activated in appropriate circumstances (when the brand is to be considered for purchase, or a “short-list” of brands is to be investigated further, or when another person asks your opinion about the product for example). Developing a message that conveys interest, relevance, or value in the midst of competing messages can be quite difficult — a fact to which many advertising agencies can attest.

As an increasing amount of input floods consumers’ lives and competes for their attention, consumers enhance their filtering mechanisms. Input that is not perceived to be of interest, relevance, or value is not committed to long-term memory and is quickly forgotten. Another consequence of increased information input is the reduction of time to contemplate, consider and reflect. *Wired* magazine dubbed Attention Deficit Disorder (ADD) the “official disorder of the information age.” If there is any validity to *Wired’s* claim, advertisers will find it increasingly difficult to vie for consumers’ dwindling attention span. To cope with the deluge of input, consumers seek simplifying mechanisms for decision making. Brands are one such mechanism.

Brands encapsulate the sum meaning of the associations consumers have about the brand. Brands operate on multiple levels. On a mundane level, brands can communicate consistency of product performance to the consumer. At an introspective level, by purchasing one brand over another, the consumer validates and reinforces what he or she values. As a social reference tool, brands act as totems, communicating to others how we see ourselves and how we wish to be perceived. Brands act to focus and neatly package multiple levels of meaning for the consumer. This reification, which is strongly influenced by advertising, simplifies communication and brand selection for the consumer.

WHAT MIGHT WE EXPECT TO FIND WHEN
MEASURING ADVERTISING EFFECTIVENESS?
(CONTINUED)



Given the landscape of varying attentiveness to media, increasing clutter and dwindling attention span among consumers, how should we measure advertising effect? While we don't expect miracles (such as perfect brand-linked impression recall or everyone rushing out to purchase the product the moment they see the ad), we do expect to see consistent positive effects from advertising over time. So how do advertisers achieve positive results?

In general, successful advertising must meet each of the three challenges stated above: It must reach the right consumers, in the right environment, with the right message.

While MB*interactive* offers research that addresses this question, it is beyond the scope of this study to profile the population that can be reached via the Web. It is important to note that a Web site generally reaches a specific type of consumer with a distinct audience profile. Demographics vary widely across the twelve sites tested². While the Web is primarily used in a manner similar to other mass reach broadcast media, the nature of the ad delivery systems can enable an advertiser to communicate one at a time if he or she so desires. This capability means that an advertiser can use targeting systems to communicate directly with a portion of the Web site's population that is decidedly different from what the "average" profile would indicate. Given the fragmentation of the Web and the potential flexibility of advertising delivery, we recommend that advertisers work closely with Web sites to answer the challenge of how best to reach the right audience in the right context. While this challenge requires effort, there is little question that most brands will find appropriate context opportunities to reach their target audience on the Web.

This study focuses on the ability of Web advertising to impact traditional measures of advertising effectiveness such as advertisement awareness, brand awareness, product attribute communication, and purchase intent.

In Part I of this report, we address the central question related to Web advertising effectiveness. In addressing the "opportunity to communicate" challenge, we answer:

- How do Web users feel about Web advertising in general?
- Is Web advertising noticed?

In addressing the "ability to convey the brand message" challenge, we answer:

- Can Web advertising boost awareness of the advertised brand?
- Can Web advertising positively impact brand perceptions?
- Can Web advertising change the relationship with the brand?
- Can Web advertising make consumers more likely to purchase a product?

² One site sample was 90% male, while another site was nearly 90% female.

WHAT MIGHT WE EXPECT TO FIND WHEN
MEASURING ADVERTISING EFFECTIVENESS?
(CONTINUED)



In addition to addressing how the Web meets these key advertising challenges, we make a careful assessment of clickthrough and provide the answer to the question, “What is the value of a clickthrough?”

Warren McCulloch, a legendary neurophysiologist, was fond of saying, “When I point, look where I point, not at my finger.” In this spirit, Part II goes beyond the concrete findings and provides directional perspectives drawn from analysis of the data and reflections on the state of online marketing.

The study’s author, Rex Briggs of *MBinteractive*, offers “A Roadmap to Marketing Online” in which he develops a working process that current and potential advertisers can use to evaluate the potential of the Web for their brand and develop strategies to reap profitable returns on communication.

IAB Research Committee Chair Scott McDonald of Time Warner examines the variation in effectiveness of different types of creative.

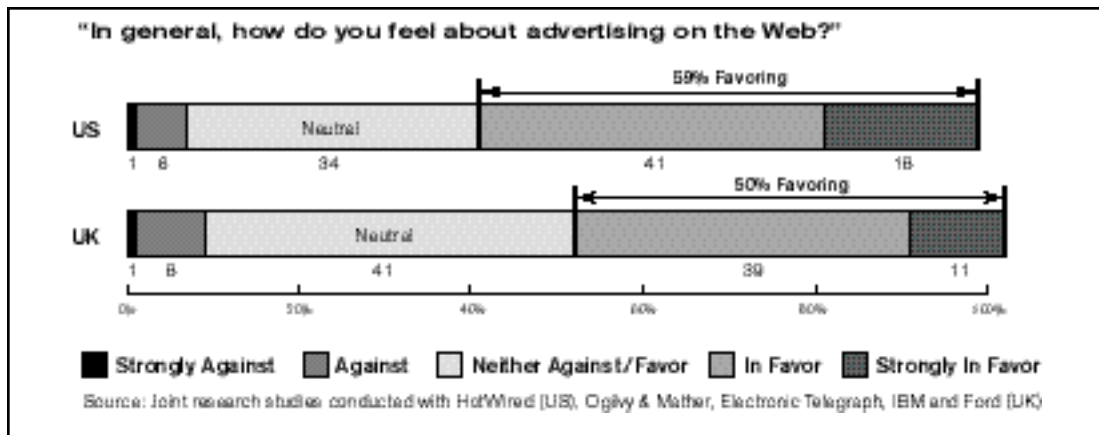
IAB Board of Directors Chairman Rich LeFurgy of ESPN/ABC News Internet Ventures presents suggestions on how marketers can use the power of online advertising now.

HOW DO WEB USERS FEEL ABOUT WEB ADVERTISING IN GENERAL?



Advertising on the Web is not only supported by Web users, most report enjoying it!

At one time, it was generally held that Netizens vehemently opposed advertising on the Web. Previous research by MB *interactive* for HotWiredⁱⁱⁱ in the US and Ogilvy & Mather/Electronic Telegraph^{iv} in the UK strongly suggest that Web users support advertising on the Web.



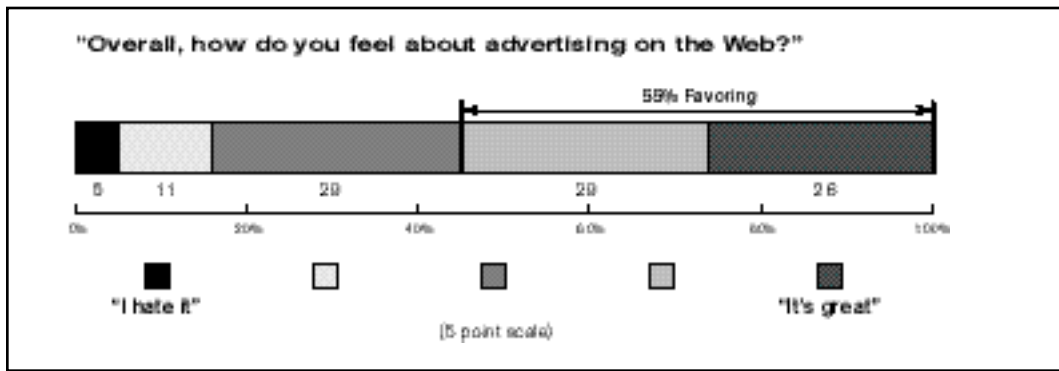
Supporting advertising may be quite different from actually enjoying advertising. It is possible that Web users support advertising because they realize that it subsidizes (or, as is more often the case, completely underwrites) the cost to the consumer of the medium they enjoy. Continuing with this line of reasoning, one would suspect that Web advertising is really more "tolerated" than supported by Web users, who make a rational calculus of advertising benefits versus annoyance costs.

The IAB Online Advertising Effectiveness Study tested this hypothesis by asking respondents how they feel about advertising on a five-point scale ranging from "I hate it" to "It's great." More than half the respondents reported a top-two box score toward the "It's great" end of the scale. This finding suggests that advertising on the Web is not only supported, most Web users enjoy it!

HOW DO WEB USERS FEEL ABOUT WEB ADVERTISING IN GENERAL? (CONTINUED)

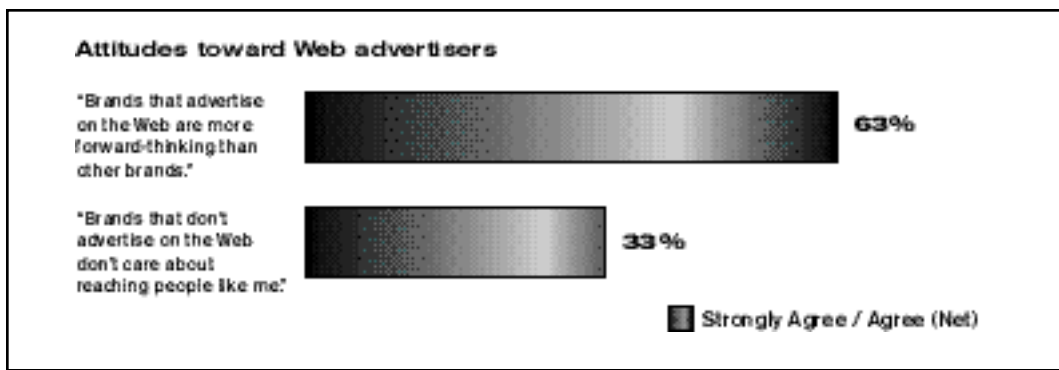


MB *interactive* asked comparable questions for the Web, Print, and Television in a separate survey of its recently established US nationally representative panel of Web users³. On a five point scale ranging from “Strongly in favor of” to “Strongly against,” between 60% and 70% of Web users report top-two box scores in favor of Web, Television, and Print advertising. Web users are less supportive of Radio advertising and are somewhat opposed to outdoor signage/billboards (only one third report a top-two box score in favor of such marketing vehicles).



The IAB Online Advertising Effectiveness Study probed this issue further and found respondents not only report that Web advertising “is great,” more than two-thirds (62.5%) agree or strongly agree with the statement “I tend to think that brands that advertise on the Web are more forward-thinking than others.” Moreover, one-third (33.0%) agree or strongly agree with the statement that “Brands that *don't* advertise on the Web *don't* care about reaching people like me.”

Clearly, Web users support and enjoy Web advertising — but does it work? That is to say, *can Web advertising be used to remind consumers of the existence of a product? Can it inform them of new offerings? Can it encourage them to feel differently toward the brand? Can Web ad banners lead consumers to purchase the advertised product?*



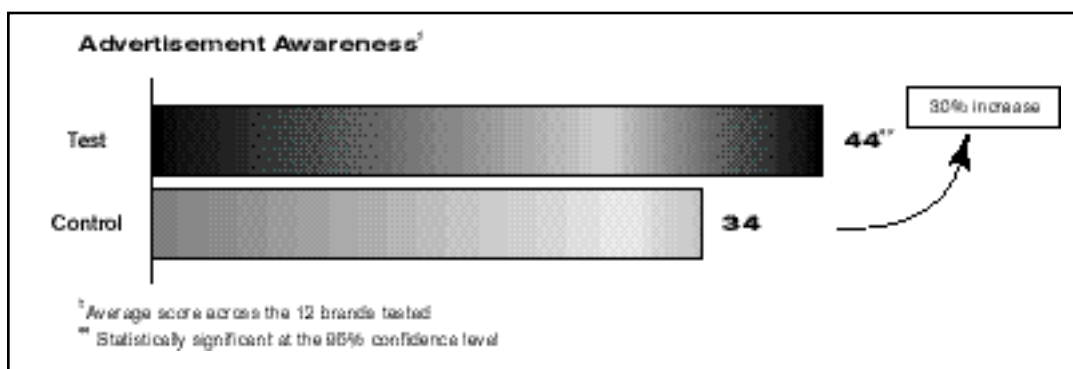
³ The panel is drawn from Random Digit Dial telephone interviews that qualify individuals as using the Web and then recruit qualified users to participate in an ongoing panel for the purpose of behaviorally monitoring their online activity. The cooperation rate is relatively high. Random Digit Dial Telephone cooperation rate, based on total contacts, averages approximately 45% and the cooperation rate for MBinteractive's Web panel, among qualified respondents, is approximately 50%.



By the criterion of generating a brand-linked impression in the minds of consumers, the ad banners tested in the IAB Online Advertising Effectiveness Study demonstrate success after a single additional ad exposure.

Some would argue that it is the primary responsibility of ad-supported Web sites to provide a supportive context in which the appropriate target audience receives an advertiser's message. To this extent, the first level of advertising effect we examine is the ability of the ad banner to be noticed. We call this measure *Advertisement Awareness* and it is based on a question asking respondents if they recall seeing an ad on a particular Web site in the past seven days. Those who respond "no" are prompted with the tested ad and then asked the question have you seen this advertisement on the particular Web site in the past seven days.

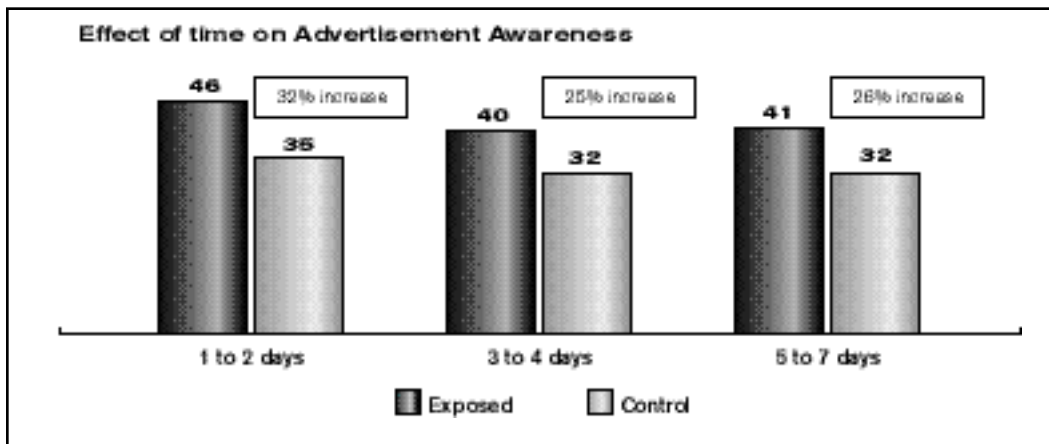
By this criterion, eleven of the twelve ad banners tested demonstrate success.



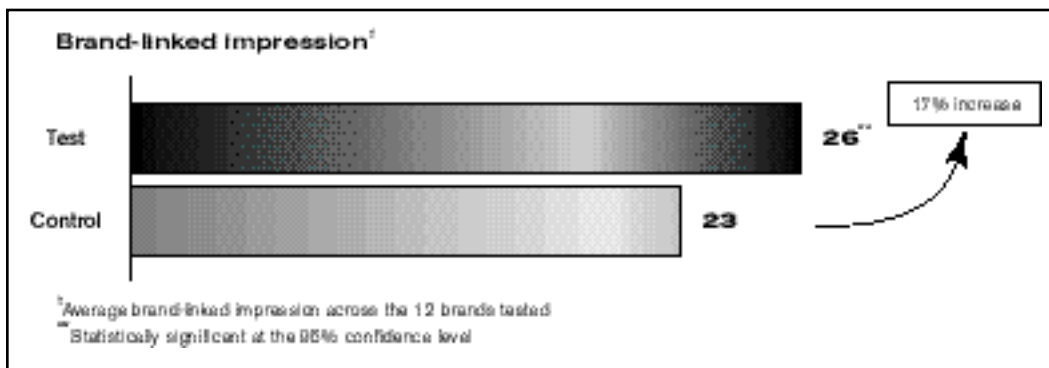
For three of the twelve ads tested, *advertisement awareness* doubled (or nearly doubled). An additional exposure to the Cigar Aficionado ad banner more than doubled ad awareness (from 15% among control to 35% among exposed). In the case of Toshiba, it doubled (from 24% among control to 48% among exposed), and in the case of Strong Funds, it increased 82% (from 27% among control to 49% among exposed). These ad banners can be found in Appendix 3 or seen in action at <http://www.mbinteractive.com/site/iab/ads>




To test the ability of the advertisement to be stored in long-term memory, we examined Advertisement Awareness levels among groups with varying numbers of days since exposure. We find that, overall, Web advertising does have the ability to be stored in consumers' long-term memory. Advertisement Awareness tends to decay over time. For these twelve brands, Web advertising decay is approximately 9% over the course of one week, which is similar to the decay rate observed in television media.



Perhaps more important is a measure of the ability of a Web ad banner to create a *Brand-linked Impression*. This top-of-mind impression is *unprompted* and therefore measures whether an exposure to the advertisement links the brand to the communicated message. It is a strong predictor of sales in traditional media⁵. We measure *Brand-linked Impression* by asking respondents if they recall seeing an advertisement in the past 7 days. We provide no further prompting.





By the criterion of generating a Brand-Linked Impression in the minds of consumers, the ad banners tested by the IAB study demonstrate success after a single additional ad exposure. Ten out of the twelve show marked improvement in Brand-Linked Impression. Brand-Linked Impression improved by 17% on average (from 22.5% to 26.2%), statistically significant at the 95% confidence level.

Why is Brand-Linked Impression an important measure of advertising effectiveness?

While an immediate purchase response to advertising would be ideal, it is the rare exception. Rather than inducing consumers to “buy right now,” most advertising works by locking appropriate brand-linked memories into long-term memory. By doing so, the advertising creates expectations for brands such that the consumer is more willing to try the product when in an experimentation mood (packaged goods) or is more likely to investigate the product further (in the case of considered purchase products). Consumers test the expectations established by advertising through product trial or by soliciting confirmation among experienced product users via word-of-mouth. Because this is not an objective evaluation process, creating the Brand-Linked Impression is a critically important function of advertising.

Nearly 90% of the Web ads tested to date by MB*interactive* have demonstrated a positive improvement on Brand-Linked Impression. By this critical metric, Web advertising clearly works.

Reviewing these results prompts two important questions:

1. Why do increases in Brand-Linked Impression vary by brand?
2. Is the boost in the level of Brand-Linked Impression *good* in comparison to traditional media?

Addressing the first question will allow us to answer the second. Based on MB*interactive's* prior Web advertising effectiveness research, variance in banner performance is a function of three factors⁴:

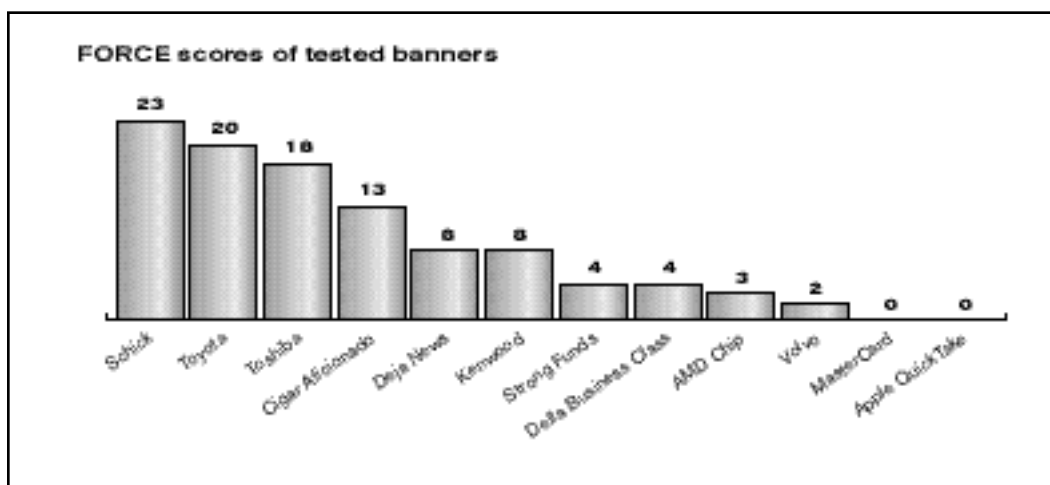
- Overall creative power of the banners
- Diminishing returns related to the individual brands' prior Web advertising weight
- Base level from which Brand-Linked Impression has been increased⁵

Therefore, in order to answer the second question “is the boost in the level of brand-linked impression good in comparison to traditional media?” we must remove the influence of diminishing returns related to differential advertising weight and the different base level from which brand-linked impression had been increased. This will isolate the “overall creative power” of the Web advertisements for comparison across media.

⁴ Difference in overall creative power is demonstrated in the Ogilvy and Mather/Electronic Telegraph study in the UK, Spring 1997. Diminishing returns is demonstrated in the HotWired study, Fall 1996.

⁵ The base level factor acknowledges the fact that it is more difficult to raise brand-linked recall from 30% to 60% than it is to raise it from 15% to 30% as consumers who are most receptive to the communication are impacted with earlier exposures and subsequent gains are more difficult to achieve.

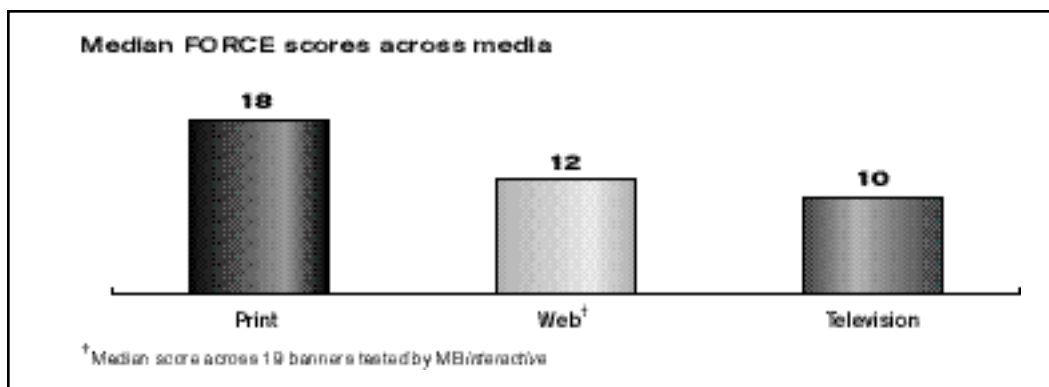
Millward Brown's FORCE score (the First Opportunity to see Reaction Created by the Execution) is used in traditional media such as television and print to make like-for-like comparisons of an advertisement's effect. We are able to make like-for-like comparisons across media because the FORCE score models out the effects of time, exposure weight, diminishing returns, and base-level brand-linked impression.^{vi} By virtue of the experimental design, where we explicitly measure the effect of one additional ad exposure, we can easily calculate the FORCE score. An example calculation is provided in Appendix 2.



As can be seen, the overall power of the ad banners does vary. The variance is somewhat greater than what we observe in traditional media advertising. Perhaps this is because Web advertising is relatively new, and advertisers are still learning “what makes a successful Web ad banner.” As advertisers enhance their understanding of how to make the most successful communication, we would expect to see higher average FORCE scores and lower levels of variance in performance.

How do Web ad banners presently compare to traditional advertisements?

For this analysis, the important metric is the average FORCE score observed across ad banners we have tested. Including the IAB study, MB*interactive* has tested to date, in carefully controlled experiments, nineteen Web ad banner executions. The median score across the nineteen Web ad banner executions is 12. Web ad banners compare favorably to most TV ads (median score of 10) in terms of creating a brand-linked impression.



Why do the Web and Print advertising make a more dramatic impact on users upon first exposure to the advertisement? While television has the advantage of being more intrusive (moving visuals, sound, etc.), it is nonetheless a passive medium where the viewer is not required to be actively engaged. Conversely, Web and print-based media both have the advantage of active reader involvement and attention. The term "active" refers to the fact that consuming the medium requires the user to be actively engaged and attentive. This "engaged" state, which the nature of the Web encourages, seems to result in higher initial attention to advertising. The ability of an ad to be noticed is a necessary precursor to any more fundamental effect. The performance of Web advertising is impressive when one considers the magnitude of investment in research to make superior Television advertising versus the lack of investment to date in pre-testing research for Web advertising. For instance, Millward Brown International alone conducts over 1,000 television advertising pretests per year. How many Web ad banners are pretested for communication effectiveness?

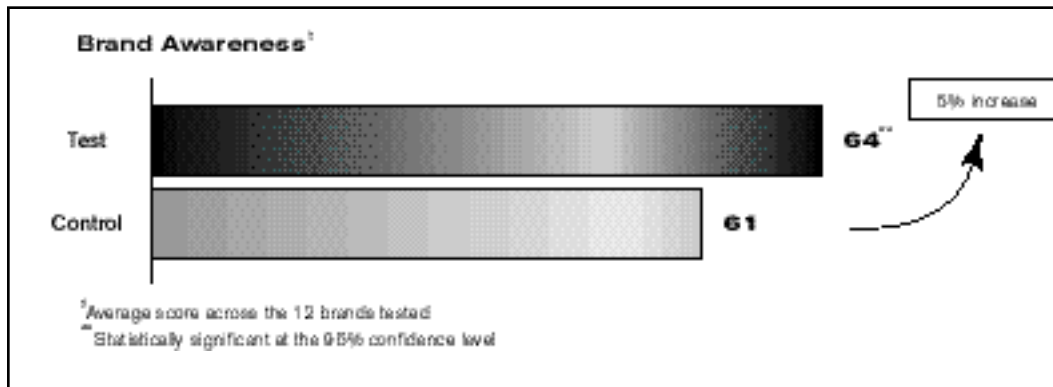
These results demonstrate that Web ad banners are noticed and a brand-linked impression is made, but does it lead consumers to feel differently toward the brand? Does it lead them to purchase the advertised product?

CAN WEB ADVERTISING BOOST AWARENESS OF THE ADVERTISED BRAND?

Web ad banners not only have the ability to remind consumers about brands for which they are already aware, Web ad banners can and do inform users about products that were not previously on the consumers' radar:

It is clear that Web ad banners are noticed by many Web users (and that even a single exposure can make a significant impact on brand-linked impression recall). Does the advertising merely remind users of information they already knew? Or might Web ad banners actually generate awareness for a new brand?

Eight of the twelve ad banners we tested showed positive increases in brand awareness (three of the brands tested already enjoyed nearly universal levels of awareness at 100%, 99% and 92% respectively, and could not go much higher).



On average, we observed an increase of 5% in awareness of the brands (from 61% to 64%, statistically significant at the 95% confidence level).

For two of the brands, the increase was dramatic. Deja News, a Usenet search product, increased from 28% to 34% (an increase of 21%) and Delta Airlines' business class increased from 43% to 66% (an increase of 54%) — both statistically significant at the 95% confidence level.



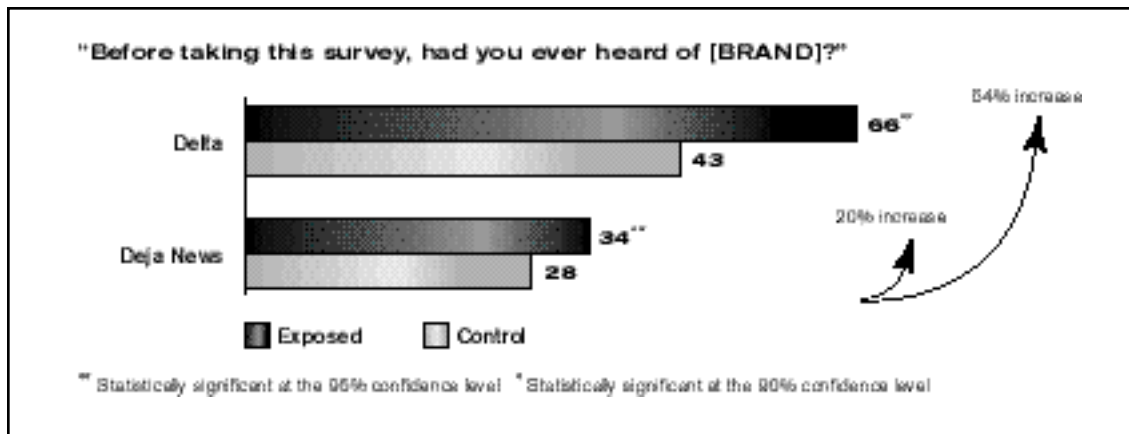
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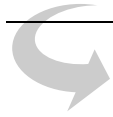
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Both Web advertisements announce a new service that few in the audience were previously aware of.

CAN WEB ADVERTISING BOOST AWARENESS OF THE ADVERTISED BRAND?



Indeed, Web ad banners not only have the ability to remind consumers about brands for which they are already aware, Web ad banners can and do inform users about products that were not previously on the consumer's radar. But more than simply boosting awareness, we find that ad banners can actually impact the way consumers think about advertised brands.



In general, we conclude that Web ad banners can positively impact brand perceptions.

The IAB study tested a wide array of brands ranging from consumer packaged goods to automobiles, high-technology products, financial services, and online content services. Each brand message had a unique set of objectives. While it is unlikely that a single advertisement in any medium could accomplish all of these objectives, we suggest, in general, that each brand attempts to:

- Develop presence in the minds of consumers
- Enhance perceived relevance
- Demonstrate performance on key attributes
- Emphasize advantage and differentiate itself from competitors
- Create a bond with the consumer

Given that each brand had varying creative objectives, focused on achieving different results, we investigated attitudinal shifts on a brand-by-brand, questionnaire-item-by-item basis. Using a standardized set of brand image and association questions, we discuss each Web ad banner that had a statistically significant shift in brand perceptions at the 90% confidence level as a result of the additional ad exposure⁶. Below, we present all brand perception data that is statistically significant at the 90% confidence level.

Six of the twelve Web ad banners meet the statistically significant threshold on brand perception items. Five of the six demonstrate clear positive change while the sixth shows a polarization of positive and negative attitudes, with a positive net effect on purchase intent. In general, we conclude that Web advertising can positively impact brand perceptions. We present the results from the six ads producing statistically significant differences in alphabetic order.

⁶ While questions about brand perception were only asked among those aware of the brand, we base the analysis on the total population to ensure comparable analysis among exposed and non-exposed respondents. This is necessary because exposure to the ad boosted awareness for some of the brands.

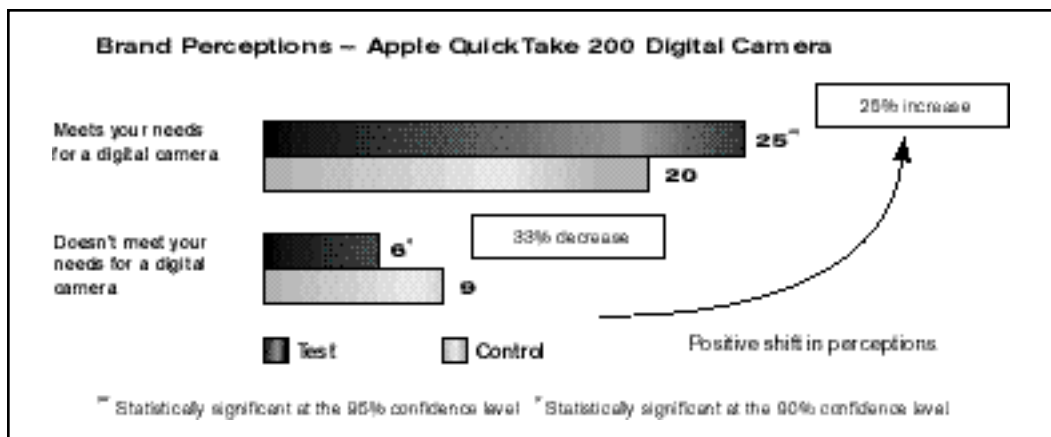
CAN WEB ADVERTISING POSITIVELY IMPACT BRAND PERCEPTIONS? (CONTINUED)

APPLE QUICKTAKE DIGITAL CAMERA



(not actual size)

Exposure to the Apple QuickTake ad banner increased consumers' perception that it "meets [their] needs for a digital camera" by 25% while decreasing the perception that it "doesn't meet [their] needs for a digital camera" by 33%. These shifts represent an improvement in the perceived relevance of the product in the lives of consumers exposed to the ad.



CAN WEB ADVERTISING POSITIVELY IMPACT BRAND PERCEPTIONS? (CONTINUED)

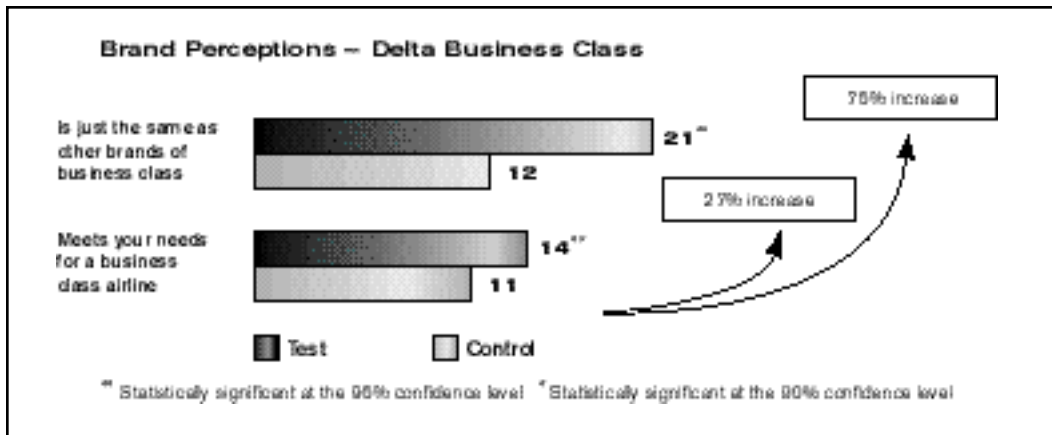


DELTA BUSINESS CLASS



(not actual size)

Prior to exposure to the Web ad banner, Delta business class appears to have been viewed by consumers as being inferior to other business class offerings. These somewhat negative perceptions seem to be reversed by the ad banner. Exposure to the Web ad banner boosted “is just the same as other brands of business class airlines” by 75%, while increasing “meets your needs for a business class airline” by 27%.



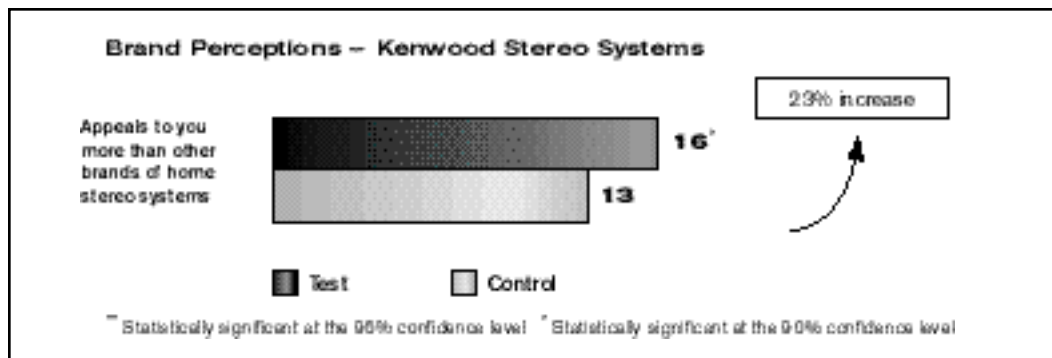
CAN WEB ADVERTISING POSITIVELY IMPACT
BRAND PERCEPTIONS? (CONTINUED)



KENWOOD STEREO SYSTEMS

(not actual size)

The exposure to the Kenwood ad banner increased “appeals to you more than other brands of home stereo systems” by 23%. An exposure to the Kenwood ad banner appears to have a positive effect on consumer perceptions by enhancing the appeal of the brand.



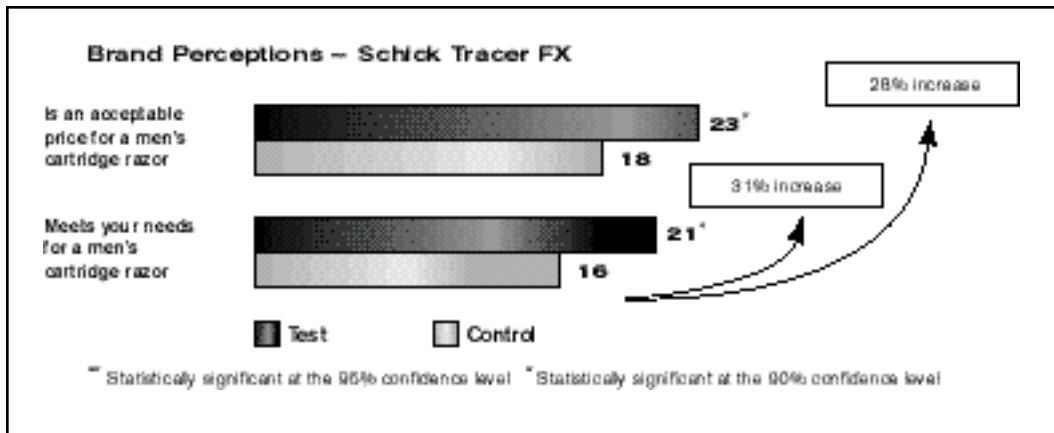


SCHICK MEN'S CARTRIDGE RAZOR



(not actual size)

As a result of exposure to the Web ad banner, consumer perception that the product “meets [their] need for a men's cartridge razor” increased 31%. In addition, the perception that the Schick Tracer FX razor “is an acceptable price” increased 28%. These shifts represent increases in perceived relevance and price performance — two critical dimensions for a packaged good.



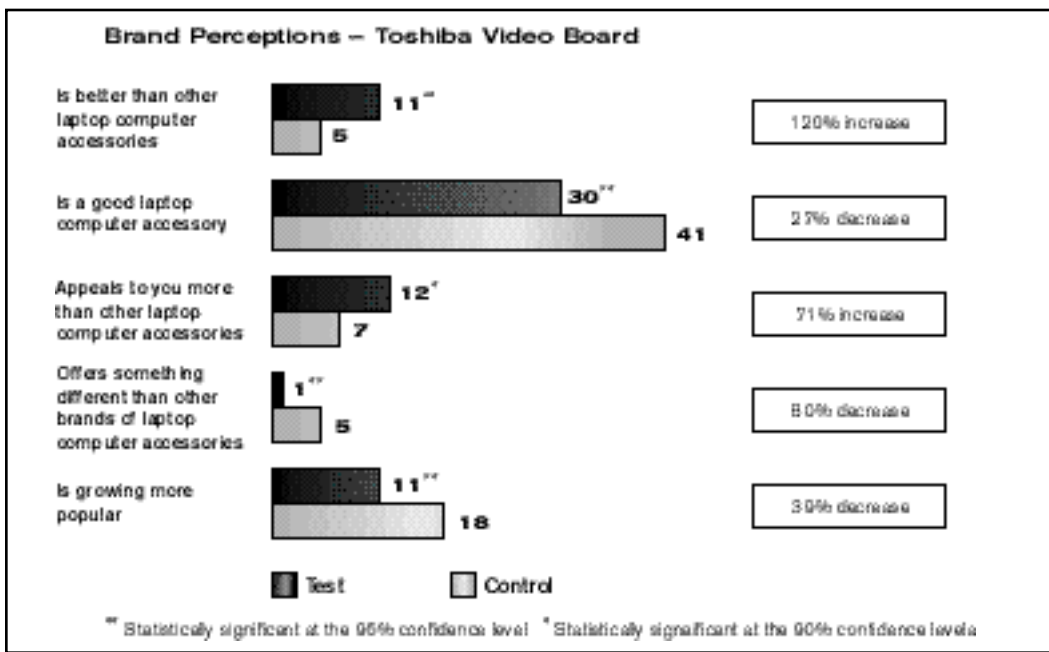


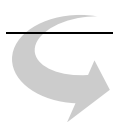
TOSHIBA VIDEO BOARD

(not actual size)

Out of the six Web ad banners that had statistically significant change, the Toshiba ad shows the most complex adjustment in viewer perceptions. The Toshiba ad appears to polarize consumers' attitudes — making some feel more positive and others less. “Is a good laptop computer accessory” declined 27% (30% vs. 41%). More than half the of drop is accounted for by those exposed to the banner having a *better* impression of Toshiba; those reporting that Toshiba “is better than other laptop computer accessories” increased 120% (11% vs. 5%) while “appeals to you more than other brands of laptop computer accessories” increased by 71% (12% vs. 7%). However, some of those exposed felt less positively toward Toshiba. The perception that Toshiba “is growing more popular” declined 39% (11% vs. 18%) and “offers something different than other brands of laptop computer accessories” dropped from 5% indicating agreement with this statement to 1% among those exposed.

Clearly the ad had an impact on attitudes. For some consumers, this Web ad banner enhanced their perception of Toshiba's products, but for others it degraded their positive perceptions. We conclude that the net impact of the exposure to the Web ad banner is positive for Toshiba, based on an 11% increase (from 13.4 to 14.8) in Consumer Loyalty, a measure of future purchase behavior.

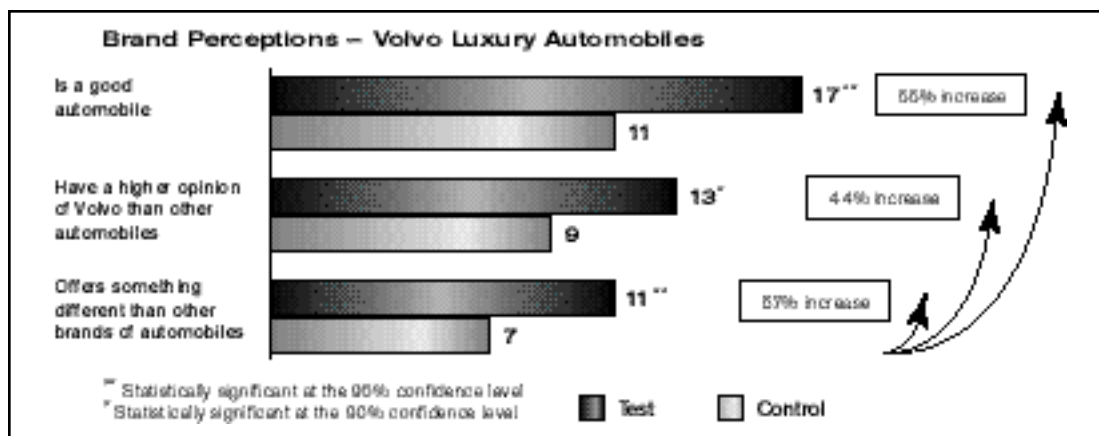




VOLVO LUXURY AUTOMOBILE

(not actual size)

The Volvo ad banner seems to increase users' belief that Volvo makes "a good automobile" (an increase of 55%) and that Volvo "offers something different than other brands of automobiles" (an increase of 57%). Because of the ad banner, those exposed are more likely to "have a higher opinion [of Volvo] than other automobiles" (an increase of 44%). The additional exposure to the Volvo ad banner has consistent positive effects — enhancing the perception of performance and competitive differentiation.



Based on the fact that:

- Six of the twelve Web ad banners impacted brand perceptions at statistically significant levels
- Nearly all the shifts were positive

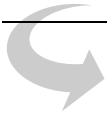
...we can conclude that Web advertising has the potential to make an immediate positive impact on brand perceptions after a single additional ad banner exposure.

That the other six ad banners did not produce statistically significant change after the single additional exposure among control and exposed respondents may indicate one of the following:

- Effect was already achieved with prior ad exposures, or
- Exposure level necessary to create statistically significant impact on brand perceptions is greater than a single additional ad exposure, or
- These six specific ads do not impact brand perceptions, or
- The effect is longer-term and is not measurable in the immediate term

The next section puts the individual brand perception items into a logical hierarchy so that we can determine if Web ad banners can change the relationship that consumers have with the advertised brand.

CAN WEB ADVERTISING CHANGE THE RELATIONSHIP CONSUMERS HAVE WITH THE BRAND?



In general, exposure to an additional ad banner produces a modest positive increase in all levels of brand relationship — from general awareness of the brand (presence) to brand loyalty (bonding).

The general concept of measuring the relationship a consumer has with a brand was born out of the need to place a specific and justifiable value on brands for the purpose of an accountant's balance sheet. When asked the question, "What is a brand name?" one of Millward Brown's founders, Gordon Brown, responded "There is a strong case to be made for saying that a brand name is nothing more or less than the sum of all the mental connections people have around [the brand]." The BrandDynamics™ system allows us to place a value on "the sum of all the mental connections" by linking attitudes with purchase behavior. By connecting attitudes with behavior, we can understand why some brands have greater underlying value than others. At the same time we can provide direction in terms of improving a brand's value.

In this context, we are using the BrandDynamics™ system to assess whether or not a single exposure to an ad banner can change the relationship (and value) a consumer has with the advertised brand. Before we discuss the results, we present a brief outline of the BrandDynamics™ system. A more extensive discussion of the model construction is reserved for the appendix.

The BrandDynamics™ system is composed of two modules:

The Consumer Value model

Developed on the basis of an extensive R&D program, the *Consumer Value model allows us to identify the probability that an individual will choose a particular brand for their next purchase.* We call this measure a Consumer Loyalty score.

Consumer Loyalty scores can range from 0%, meaning no behavioral purchase value, to 100% for someone who is completely loyal to the brand. A higher average Consumer Loyalty score in the exposed cell of our test, compared to the control, would indicate that the exposure has positively affected the likelihood that people will buy the advertised brand.

The initial R&D work produced .96 correlation between the predicted Consumer Loyalty score and actual subsequent purchase behavior across more than thirty brands. The Consumer Value model has been validated against behavioral data and market share in many different categories in both North America and Europe with similarly high correlation.

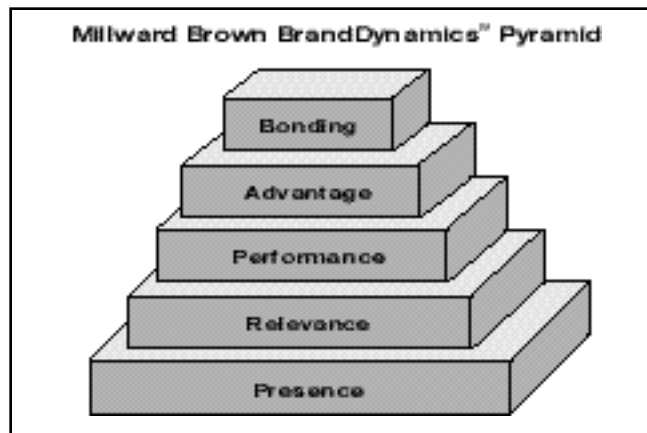
The Consumer Loyalty score is important because we link brand perceptions to purchase behavior, so that the BrandDynamics™ Pyramid hierarchy maps to the increasing economic value of each individual consumer to the brand as one advances up the hierarchy. We discuss the Consumer Loyalty measure in the next section, where we consider whether or not a single additional Web banner exposure can increase the likelihood of a purchase.



The BrandDynamics™ Pyramid

Based on a consistent set of brand equity measures that can be applied across different brands, categories, and countries, the Pyramid allows us to understand how the advertisement has changed the relationship the audience has with the brand by describing the pathway to a deepening attitudinal predisposition toward the brand. *The BrandDynamics™ Pyramid is a straightforward way to understand how the Web advertisement is building the brand.*

Extensive research has confirmed that consumer relationships with brands move from consciousness of the brand (Presence), through acquaintance and examination (Relevance and Performance), to experience (Advantage), then on to the final point, where the consumer finds it difficult to consider alternative choices within the same category (Bonding). This hierarchy of relationship is illustrated below:



The BrandDynamics™ Pyramid measures the size of the population at various levels of relationship with the tested brand. Each level is a composite measure defined by the responses to survey research questions and linked to the Consumer Loyalty score. Comparing the percentage of people in the control and exposed cells who attain each level of the BrandDynamics™ Pyramid will demonstrate the manner in which the advertising has changed Consumer Loyalty — and enhanced the brand.

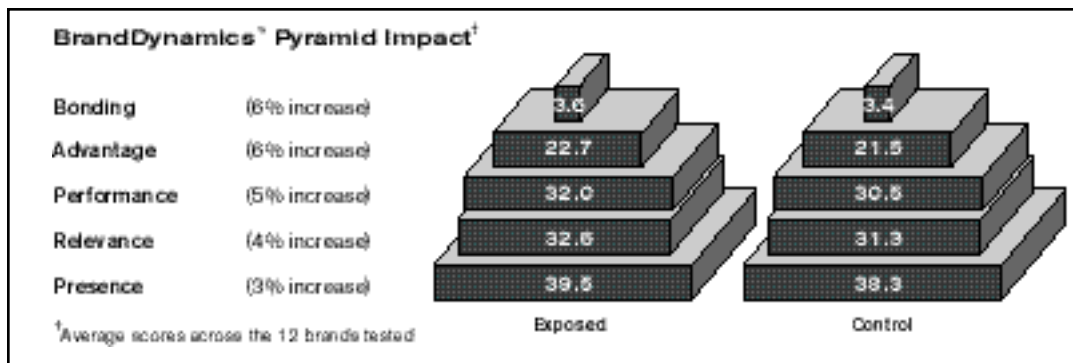
The BrandDynamics™ Pyramid and the Consumer Loyalty score not only answer the question of whether or not the advertisement will drive sales — the measures also capture and represent the fundamental building blocks that determine an individual's relationship with a brand.

CAN WEB ADVERTISING CHANGE THE RELATIONSHIP CONSUMERS HAVE WITH THE BRAND? (CONTINUED)



So what is the advertisement's impact on consumers' relationships with the brand?

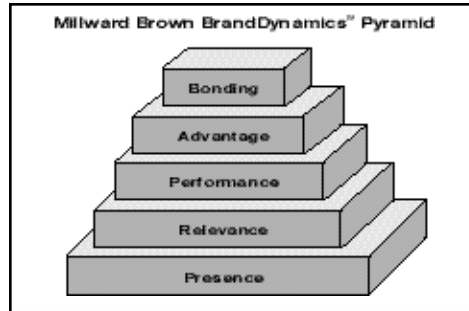
In general, the impact of an additional ad banner exposure is a modest positive increase in all levels of brand relationship — from general awareness of the brand (presence) to brand loyalty (bonding).



These increases demonstrate that Web ad banners can, and in many cases do, enhance consumers' relationships with the brand at all levels. The following table displays the data from individual executions. The individual ad banner executions can be found in Appendix 3.

		Presence	Relevance	Performance	Advantage	Bonding
AMD Computer Chip	Exposed	36.9	33	32.8	30.3	6.5
	Control	37.0	32.6	32.3	29.5	5.9
	Change	0%	1%	2%	3%	10%
Apple QuickTake Digital Camera	Exposed	52.7	40.4	39.8	29.4	3.8
	Control	52.8	38.6	36.8	26.6	2.7
	Change	0%	5%	8%	11%	41%
Cigar Aficionado	Exposed	8.2	8.2	8.2	4.2	1.4
	Control	8.3	8.1	8.1	3.8	1.7
	Change	-1%	1%	1%	11%	-18%
Deja News	Exposed	17.6	17.5	17.3	5.7	0.5
	Control	16.3	16.0	15.9	5.1	0.9
	Change	8%	9%	9%	12%	-44%

CAN WEB ADVERTISING CHANGE THE
RELATIONSHIP CONSUMERS HAVE WITH
THE BRAND? (CONTINUED)



		Presence	Relevance	Performance	Advantage	Bonding
Delta Business Class Air Travel	Exposed	27.9	24.4	24.2	14.9	1.6
	Control	23.0	19.8	19.4	11.9	2.5
	Change	21%	23%	25%	25%	-36%
Kenwood Stereo Systems	Exposed	63.6	53.1	52.2	42.2	9.3
	Control	59.8	48.5	47.4	38.7	9.0
	Change	6%	9%	10%	9%	3%
MasterCard	Exposed	80.5	69.2	67.3	38.5	4.9
	Control	78.8	66.2	63.7	36.4	3.8
	Change	2%	5%	6%	6%	29%
Schick TracerFX Men's Cartridge Razor	Exposed	33.4	29.8	28.9	18.8	0.5
	Control	29.3	25.1	23.4	14.8	0.2
	Change	14%	19%	24%	27%	150%
Strong Funds	Exposed	3.7	2.6	2.6	1.8	0.4
	Control	6.4	5.0	4.6	2.5	0.5
	Change	-42%	-48%	-43%	-28%	-20%
Toshiba Notebook Computer Accessories	Exposed	49.8	41.7	41.3	31.8	4.7
	Control	52.6	45.6	45.1	32.0	2.9
	Change	-5%	-9%	-8%	-1%	62%
Toyota	Exposed	83.0	62.7	61.2	48.1	6.8
	Control	82.4	65.1	63.9	52.0	9.1
	Change	1%	-4%	-4%	-8%	-25%
Volvo	Exposed	16.4	8.7	8.7	7.1	2.8
	Control	13.1	4.9	4.9	4.3	1.3
	Change	25%	78%	78%	65%	115%

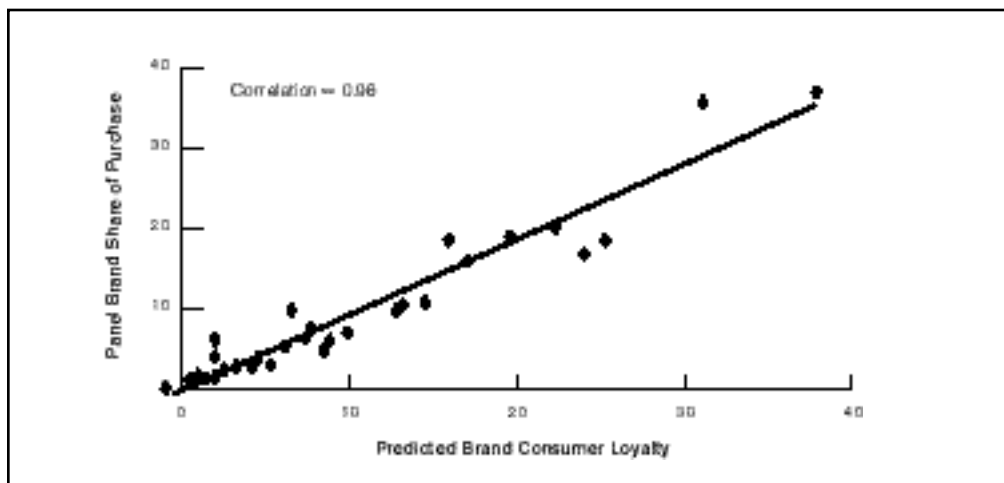
CAN WEB ADVERTISING MAKE CONSUMERS MORE LIKELY TO PURCHASE A PRODUCT?

In general, we would not expect a single additional ad exposure to result in a measurable increase in the Consumer Loyalty score. Surprisingly, we did find that even a single exposure can increase potential for sales.

As noted in the previous section, Millward Brown International has developed an extremely accurate and reliable approach to measuring the probability that an individual will choose a particular brand for their next purchase. We call this measure a Consumer Loyalty score. The prediction of Consumer Loyalty is based on:

- Consumers' claimed brand consideration
- A measure of "brand size"
- The price of the brand relative to others in the category

The initial R&D work produced a .96 correlation between the predicted Consumer Loyalty score and actual subsequent purchase behavior across more than thirty brands.



The Consumer Loyalty model has been validated against behavioral data and market share in many different categories in both North America and Europe with similarly high correlation.

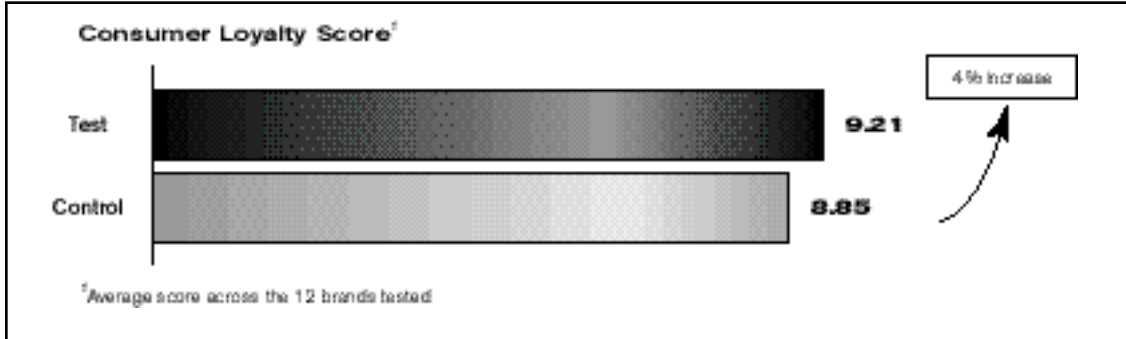
A more extensive discussion of the Consumer Loyalty model can be found in Appendix 2.

A higher average Consumer Loyalty score in the exposed cell of our test, compared to the control, indicates that the exposure has positively affected the likelihood that people will buy the advertised brand. In general, we *would not* expect a single additional ad exposure to result in a measurable increase in the Consumer Loyalty score because sales are generally impacted over a longer period of time with significant advertising weight. Surprisingly, we did find that even a single exposure can increase potential for sales.

CAN WEB ADVERTISING MAKE CONSUMERS MORE LIKELY TO PURCHASE A PRODUCT?
(CONTINUED)




We observed a positive increase for nine of the twelve brands tested. On average, Consumer Loyalty increased 4% across the twelve brands tested.



Consumer Loyalty Scores, by brand

	Control	Exposed	Change
AMD Microprocessor	7.92	7.71	-2.7%
Apple QuickTake Digital Camera	17.32	17.66	2.0%
Cigar Aficionado Web Site	6.52	6.8	4.3%
Corporate MasterCard	21.83	21.62	-1.0%
Deja News	3.85	4.32	12.2%
Delta Business Class Air Travel	6.73	8.13	20.8%
Kenwood Stereo Systems	8.11	8.63	6.4%
Schick TracerFX Disposable Razor	8.86	9.2	3.8%
Strong Fund	1.32	1.05	-20.5%
Toshiba Laptop Accessories	13.41	14.84	10.7%
Toyota	9.84	9.86	0.2%
Volvo	0.54	0.68	25.9%
Average	8.85	9.21	4.0%

WHAT IS THE VALUE OF A CLICKTHROUGH?



While additional powerful messaging may wait for the consumer on the other side of an ad banner; the ad banner itself does a significant amount of brand enhancement communication. In fact, among the twelve ad banners we tested, on average, the brand enhancement value of the ad exposure is significantly greater than the value of the clickthrough.

To be sure, the clickthrough metric (the percentage of those exposed to the ad banner who click on the banner to connect to the advertiser's Web site) is important. However, when it is used to measure the effectiveness of advertising communication, clickthrough fails grotesquely. Why is this so? After all, many have argued that if someone is truly affected by an advertisement, he or she will click through the banner and go directly to the advertiser's Web site for more advertising information.

The point of view that Web ad banners are really little "ads" for a bigger ad that is only delivered when users click through is not completely unreasonable. It is generally true that a user who takes the time to transfer over to the advertiser's Web site will take away a heightened level of information regarding the advertiser. However, there is a flaw in this logic that stems from a handful of incorrect assumptions, namely:

- Brand enhancement can only happen on the advertiser's Web site
- Brands have far more to say than could ever be conveyed in a Web ad banner
- Clickthrough should be sought by all advertisers
- The level of clickthrough determines the level of brand enhancement

It is MB *interactive's* perspective that these assumptions, as we will demonstrate, are incorrect and counterproductive.

Brand enhancement can happen as a result of exposure to an ad banner alone

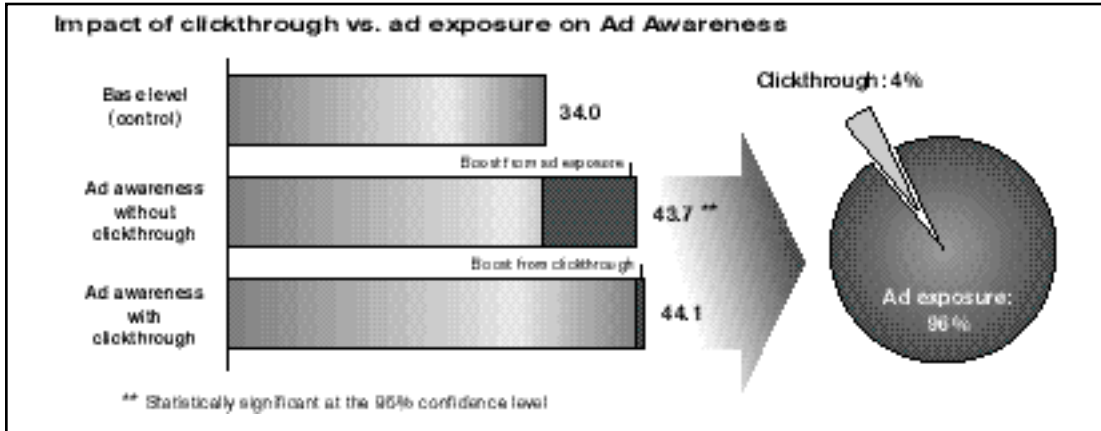
While additional powerful messaging may await the consumer on the other side of an ad banner, the ad banner itself does a significant amount of brand enhancement communication. In fact, among the twelve ad banners we tested, on average, the value of the ad exposure is significantly greater than the value of the clickthrough.

To put the clickthrough metric in proper context, consider that recall of the advertisement was boosted by four-tenths of one percent (from 43.7% to 44.1%) as a result of those who clicked on the ad banner. That's an increase of less than one percent!

WHAT IS THE VALUE OF A CLICKTHROUGH?
(CONTINUED)



Said another way, 96% of the boost in Ad Awareness was caused by the ad exposure alone. The remaining four percent was caused by the clickthrough.



The model that assumes the user is passively exposed to Web pages and then, upon exposure to the right Web advertisement, miraculously shifts to an engaged mode upon clicking through is not supported by the data. Rather, the effectiveness of Web advertising seems to be driven by the fact that Web usage is an actively engaging exercise, similar to reading magazines. Users are fairly attentive to the media environment — including the advertisements^{vii}. Clearly the belief that the ad banner is really a small ad for the “real” ad that waits on the other side of a clickthrough can be rejected based on the data.

In fact, the research design allows us to calculate the trade-off between using a non-branded banner to generate high levels of clickthrough and using exposure to generate brand enhancement.

The equation is straightforward. Across the twelve ad banners tested, we found that brand-linked impression recall among those who clicked through was 70.8%. This compares to 43.7% brand-linked impression recall among those who did not click through. However, both of these measures include a base level of claimed brand-linked impression recall that occurs even among those not exposed to the ad banner. This base level should be removed so that the true impact of a single additional exposure can be observed.



The control cell provides the base level, which is 34.0%. Therefore, to solve for the required level of clickthrough from a non-branded ad banner to equal the brand-linked impression impact of a branded ad banner achieving zero percent clickthrough, we simply solve for “x,” where “x” is the percentage of people who click through:

$$\begin{aligned}70.8x + 34.0(1-x) &= 43.7 \\70.8x + 34.0 - 34.0x &= 43.7 \\36.8x &= 9.7 \\x &= 26.4\%\end{aligned}$$

“x” is required clickthrough from a non-branded banner to match brand enhancement from a branded banner.

Therefore an advertiser who sacrifices the brand message on the exposure level in hope of achieving better brand enhancement by bringing people to a dedicated Web site would need to achieve stratospheric clickthrough rates to do better than a branded ad banner with no clickthrough to the dedicated Web site.

But what about using clickthrough as a surrogate measure (or predictor) of brand enhancement from the exposure? As discussed previously, the FORCE score is a metric that can be used across media to measure an advertisement’s ability to generate a brand-linked impression: a fundamental metric of Brand Enhancement. We examined clickthrough and FORCE scores across the twelve brands tested and found a pathetic -.02 correlation, suggesting that clickthrough does a very poor job of predicting the level of brand enhancement.⁷

What is the role of clickthrough in Online marketing?


Ever since Web banners were introduced, marketers were captivated by the banner’s powerful ability to allow direct and instantaneous response to its offer. Clickthrough — a direct marketing manifestation — quickly became the standard for evaluating the effectiveness of Web ad banners. In light of the finding that clickthrough rate is a poor predictor of the overall brand-enhancing abilities of an ad banner, we present *MBInteractive’s* perspective on the role of clickthrough in online marketing.

Many brands have a straightforward message that can be conveyed in a Web ad banner

Many advertisers have developed a clear and concise brand message or theme that consumers have heard any number of times: “Behind every healthy smile is a Crest kid” or “Ford trucks — built tough,” for example. The clear and concise message is important if the advertiser is to lock a brand message into consumers’ long-term memory. In general, the message can be communicated within a Web ad banner and doesn’t need the consumer to transfer over to a Web site for additional elucidation. These messages set up expectations for brands such that the consumer is more willing to try the product when in an experimentation mood (packaged goods) or is more likely to investigate the product further (considered purchase categories). Who would argue that a consumer product like Schick cartridge razors really

**MB/INTERACTIVE
PERSPECTIVE**

⁷ The poor correlation may partially stem from the fact that clickthrough can be affected by seemingly subtle changes in ad banner creative, as highlighted in the 1996 Double-Click Study on clickthrough, entitled “What Makes People Click?”



needs or should want clickthrough? After all, the banner exposure alone boosted Schick's brand-linked impression 26% and increased the perception of "meet your needs for a razor" by 31% and "is an acceptable price" by 28% (all statistically significant increases at the 90% confidence level). Every level of the BrandDynamics™ Pyramid (measuring the relationship consumers have with the brand) is enhanced, and the Consumer Loyalty Score, an accurate measure of the likelihood a consumer will purchase the product next, increased by 4%. Yet the clickthrough is only 0.5%. Does the low clickthrough rate imply that the Schick ad was a failure? Focusing on the clickthrough rate might lead the advertiser to conclude that this ad was not a success — which is contrary to the evidence from multiple brand enhancement and ad effectiveness measurements.

In a low-involvement category such as cartridge razors, perhaps one half of one percent is about the total size of the audience that would be interested in spending their time at a Web site devoted to razors. If you need a "hard-to-find" razor, we'd highly recommend the Schick site's "I Finally Found It!" direct order program. However, while the Web site is very well done (and deals with more than just razors), for a brand like Schick, the payoff from the Web is likely to be in the brand enhancement power of the advertising — and not in consumers' interaction with the brand's Web site (a point we expand upon in "A Roadmap to Advertising Online" in Part II).

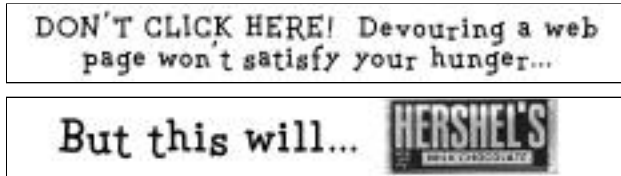
This is not to say that Schick should not have a Web site. It is to say that Schick's budget allocation should reflect where the brand will get the best return-on-investment. Likewise, evaluating whether Schick's Web advertising is a success should not depend on clickthrough rates. Schick will certainly benefit from sponsoring content that the user finds useful and interesting or advertising in content areas that attract their target market. Driving users to www.schick.com may not even be a goal of this type of advertising — as the banner alone can communicate Schick's brand message. Many brands are in the same situation as Schick. They have a concise brand message that can be communicated with a Web banner, and do not need clickthrough to effectively convey that message.

Clickthrough should not be sought by all advertisers

There are some situations where clickthrough is directly relevant to marketing objectives. Few would argue that clickthrough is not important for a service like Deja News, which needs users to access their Web site to make use of their Usenet search service. For products that are not Web-bound, there is certainly a legitimate question as to whether or not clickthrough should be the goal of the advertisement. *MBinteractive's* tracking of Web behavior through our nationally representative panel has demonstrated that a significant amount of Web usage occurs at work during work hours. It is easy to conceive of an opportunity for a snack brand to seize the opportunity to communicate to hungry working digerati. Perhaps the ad might show a candy bar package and ask, "Is hunger making it hard to concentrate?" The advertiser should not necessarily encourage users to click through; rather, the advertiser should pursue moving the worker to the vending machine where he or she can purchase the advertised brand.



Maybe the ad copy should read, “Don’t Click Here! Devouring a Web page won’t satisfy your hunger, This will...Now where is that vending machine?”



Fictitious Example

Undoubtedly, some people will click on the banner (digerati like to do what they are told not to). However, the ad’s goal is to reinforce top-of-mind consideration of the product and, perhaps, generate a behavioral response other than clickthrough (namely purchase). Measuring the success of the campaign by the number of clicks would be inappropriate.

What about high-consideration categories?

What about high-consideration categories like automobiles? Should clickthrough be the critical metric when evaluating the success of an automobile Web banner campaign? We believe the practice of evaluating automotive Web advertising on the basis of clickthrough could be compared to assessing television ads for automobiles on the basis of how many people visited the relevant showroom the next day. It is an ideal response, but not the most common one. So how should a brand like Volvo think about clickthrough?

We suggest that Volvo and other brands in high-consideration categories think about Web advertising as a combination of traditional advertising and face-to-face selling. In an interpersonal, face-to-face selling situation it would be extremely efficient if an automotive salesperson could simply present a prospect with the contract and ask the prospect to “buy right now.” Efficient, but unlikely.

Consumers generally require a dialogue that evolves from establishing the relevance of the product, to demonstrating performance, to discussing the advantage vis-à-vis competitors, before the consumer will become bonded with the brand. This evolution of the interpersonal selling dialogue is substantially similar to the hierarchy we use for the BrandDynamics™ pyramid. We believe that Web advertising can be used to drive consumers through this relationship enhancement cycle. It is only in the later stages of the cycle that it is important for the user to become directly engaged with the brand at the advertiser’s Web site or, in the physical world, the dealer’s showroom. The Volvo ad demonstrates this point succinctly. The ad banner yielded less than one half of one percent clickthrough, yet the Volvo ad banner generated statistically significant increases⁸ on measures of “relevance,” “performance,” and “advantage.” Given the low clickthrough, was the Volvo ad banner a success? We think so.

⁸ Statistically significant at the 90% confidence level.



The level of clickthrough does not determine the level of brand enhancement

We previously observed that clickthrough boosted ad awareness by less than 1%. Brand-linked impression is also unaffected (increase of 1.2%). Furthermore, clickthrough was not correlated with traditional measures of advertising effectiveness. Why does something seemingly as important as clickthrough contribute so little to overall brand enhancement? The reason is simple arithmetic. The effect of clickthrough is small because few people actually click through. In general, clickthrough rates average about 2% (across the twelve brands tested, we observed a 1.7% clickthrough rate). A logical rejoinder to this finding might be to argue that advertisers should seek to increase clickthrough rates. We meet this suggestion with skepticism for two reasons:

1. It is highly unlikely that audience factors, which partially account for clickthrough, can be changed
2. Creative tactics that provide immediate boosts in clickthrough rate (such as unbranded ad banners) often degrade brand enhancement at the ad banner impression level

Consider the audience-related factors that we have found to impact clickthrough. The factors include:

- Innate tendency to click on advertisements
- Immediate relevance to the audience of more product information or need satisfaction directly through the brand's web site.

Factors such as a declining tendency to click on ad banners, which is associated with increased use of the medium⁹, are not likely to reverse. Furthermore, we believe it will be difficult and expensive for a brand to change consumers' perceptions that a meaningful need will be satisfied by accessing the Web site (such as the need for more product information on a low-risk, lower-consideration product).

Given that audience-related factors (generally beyond the control of the advertiser) have significant impact on clickthrough rates, we propose that excessive focus on the clickthrough metric is disadvantageous.

Chasing clickthrough can be destructive to brand enhancement

In a report addressing how to boost clickthrough rates, it was recommended that unbranded ad banners get better response. Perhaps this is because a meaningful need (curiosity) is satisfied by clicking on the "mystery" banner.

One can conceive of an ad banner that simply states: "WHY???", followed with an animated transition that urges the user to "Click here to find out" getting better clickthrough rates than an advertisement that uses a branded message that requires little additional investigation on the part of the consumer. In fact, a recent report on

⁹ Users more likely to click through: Newbies (first online in the last 6 months) and lighter users.

WHAT IS THE VALUE OF A CLICKTHROUGH? (CONTINUED)

boosting clickthrough rates suggests that the boost may be in the range of 300% (from 1.5% to 6%)^{viii}. Is it worth it?

The trade-off becomes clear when one considers the boost in brand-linked ad recall from the impression versus the clickthrough.

As demonstrated previously, an advertiser using a non-branded ad banner would need to achieve a clickthrough rate of 26.4% to match the performance of a branded ad banner that received zero clickthrough. Considering that clickthrough rates seem to be hovering around 2%, such a level of direct response seems highly unlikely. Based on this analysis, we would suggest caution when considering chasing higher clickthrough rates at the cost of a branded ad impression. Moreover, we would suggest that the total impressions are more valuable than the total clickthroughs for most brands.

When clickthrough is appropriate

MB*interactive's* goal is to encourage a critical examination of the mechanisms that underlie Web advertising so as to use the clickthrough metric appropriately.

If an advertiser's objective is purely immediate, transaction-oriented direct marketing, then clickthrough has great value, because it can be a necessary precursor to a transaction. Clickthrough should certainly be among the criteria used to evaluate success. We suggest, in the case of transaction-oriented direct marketing, that the most important criterion is profitability (revenue less cost per transaction).

Take the example of the ad for Deja News, a Usenet news service. Clickthrough leads directly to trial. For a brand that exists exclusively on the Web, there is clear value in inducing trial. In the case of Deja News, the brand can measure this value by tracking the source of new users and the number of revenue-generating ad views on Deja News each user has been exposed to over time. This number can then be multiplied by the average price per impression charged by Deja News for its ad-sponsored service to determine the dollar value of each clickthrough and the cost per trial. The example below is purely fictitious, but illustrates the analysis.

Fictitious Example: Deja News

Total banner impressions	5,000,000
Total cost of impressions (at \$.05 each, avg.)	\$250,000
Clickthroughs (11.5%) ¹⁰	575,000
Avg. number of ads viewed on Deja News per user who clicked through	x 5.9
Total ad views generated by ad campaign	3,392,500
Revenue from additional ad view (at \$.05 each)	\$169,625
Adjusted cost (cost of impressions less revenue)	\$80,375
Cost per trial	\$0.14

¹⁰ Actual clickthrough observed in this study.



Furthermore, Deja News can examine repeat usage patterns to determine if the return on investment over time justifies the cost of trial.

Even in the case where the goal is to entice users to a Web site, it is important to realize that the clickthrough metric can underestimate the value of the ad banner. This is because, in addition to direct clickthrough, if awareness is generated and positive impressions are registered in the mind of the user, trial of the Web site will likely occur at another time (assuming the user knows how to find the Web site). Given the goal of transaction-oriented direct marketing, clickthrough is an important element in evaluating success.

Oftentimes, however, a brand has both immediate transaction-oriented direct marketing and overall brand-enhancement goals. When Amazon.com recently sent an email announcing a collaborative book-writing project, their goal was both to enhance their brand image and to drive traffic to their site. We recommend a critical assessment of the objective(s) of the campaign and development of the most appropriate metrics to evaluate achievement of the objective.

There are some situations where clickthrough is an important metric (namely situations where an immediate transaction or direct response is desired) and many situations where it is not at all important. It is critically important for the advertiser to identify the objective of the ad banner and to use appropriate metrics for evaluating performance.

This concludes Part I of this report. In Part II, we take the learning obtained from this study and offer perspectives on Web advertising. In the pages that follow, the study's author, Rex Briggs of MB *interactive* offers "A Roadmap to Advertising Online," in which he develops a working process that current and potential advertisers can use to evaluate the potential of online for their brand and develop strategy to reap profitable returns on communication. Next, IAB Research Committee Chair Scott McDonald of Time Warner examines possible reasons for the variation in impact from each tested ad banner. And finally, IAB Chairman Rich LeFurgy of ESPN/ABCNews Internet Ventures presents "A Roadmap From Here," in which he suggests how marketers can use the power of online advertising now.

A ROADMAP TO MARKETING ONLINE
REX BRIGGS

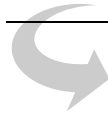
Rex Briggs of MB *interactive*, the study's author, offers "A Roadmap to Marketing Online" in which he develops a working process that current and potential advertisers can use to evaluate the potential of the Web for their brand and develop strategy to reap profitable returns of communication.

OBSERVATIONS ON THE RESULTS OF THE
IAB STUDY: WHAT SEEMS TO BE WORKING?
SCOTT MCDONALD

Scott McDonald of Time Warner and IAB Research Committee Chair, examines possible reasons for the variation in impact from banner to banner.

A ROADMAP FROM HERE
RICH LEFURGY

Rich LeFurgy of ESPN/ABC News Internet Ventures and IAB Chairman, presents suggestions on how marketers can use the power of online advertising now.



For the past three years, the dominant model for Web marketing has been the “direct marketing” approach, where marketers have sought to build a direct relationship with consumers. The cornerstone of the direct marketing strategy is the corporate Web site. In this model, the Web banner’s primary (perhaps only) purpose is to direct user traffic to the corporate Web site where a relationship can be formed or enhanced. These direct marketing banners entice users to “click here” and transfer from an ad-supported Web site to the corporate Web site. Based on the IAB Online Advertising Effectiveness Study, we know that Web banners work — not only as direct marketing vehicles, but as an advertising communication vehicle as well. While the direct marketing model is a legitimate and effective use of the Web, it is MB *interactive’s* perspective that those who are leveraging the Web only as a direct marketing vehicle may be significantly under-utilizing online and leaving themselves vulnerable to their competitors.

The proven capability to enhance brands with exposure to online advertising banners creates a new landscape of possibilities for marketers. But this landscape is fraught with both opportunities and threats: opportunities to use exposure to online advertising messages to make consumers aware of your product, to change consumer perception of your brand, and to take market share from your competition; and threats that your competitors will figure it out first — or be more effective in their execution of online advertising. How can you successfully navigate this new landscape?

Based on MB *interactive’s* evolving research, we present a roadmap to marketing online. This roadmap will help marketers address the following questions:

- Should your brand include online in your marketing mix?
- How should your brand use online for marketing?
- How do you measure, evaluate, and enhance your online marketing performance?

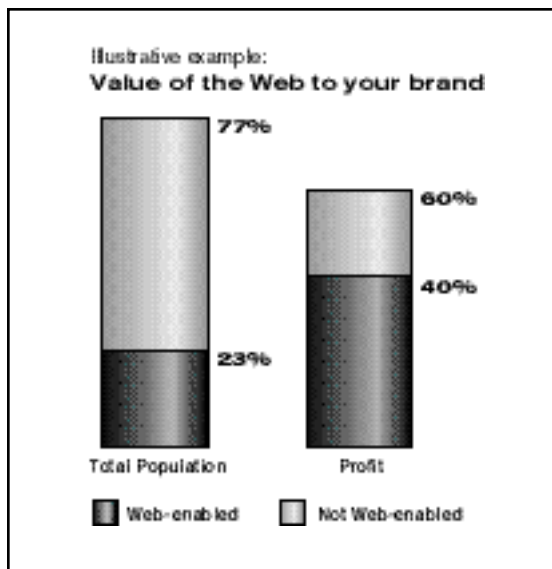
The roadmap to marketing online presents MB *interactive’s* approach to helping clients develop effective strategy and tactics that successfully leverage online as a component of the marketing mix.

Should your brand include online in your marketing mix?

The answer for most brands depends on whether there is economic value. Before we can determine the prospect for positive return on investment, we must quantify the size of the opportunity that online implies for your brand. The size of the opportunity can be measured by:

- Sizing the percentage of the target market you could potentially reach via the Web. (We refer to this metric as your “Web-enabled target market.”)
- Measuring the economic value to your category that online users represent. (We refer to this metric as Web users’ “economic value.”)

The economic value profile of those who are Web-enabled allows the marketer to determine the dollar value of the Web to your brand. If those who are Web-enabled are heavier users of your category and if they are difficult to reach through other media, the Web is a strategic imperative. Take the following illustrative example: 23% of an automobile manufacturer's target market is online (Web-enabled metric). Because of the Web's somewhat affluent demographics, Web users are more likely to purchase higher-margin luxury automobiles — and therefore account for 40% of the company's profits (economic value metric).



Do you know the value of the Web to your category? Do you know the implications? Does your competition? Understanding the implications of the size and economic value of the Web-enabled target is the first element of a pragmatic and strategic approach to evaluating the value of marketing your brand via the Web. Millward Brown International currently tracks brand communication across media categories for over one third of the top one hundred advertisers. We recently encouraged every brand to add the questions that will allow them to measure the Web enabled and economic value metrics.

While the size and economic value metrics suggest whether or not online holds immediate marketing opportunity for the brand, we need to delve deeper to address how the marketer can use online for marketing to enhance the bottom line. After all, an online brand presence is much more than simply building a Web site.



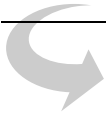
How should your brand use online for marketing?

The Internet is often referred to as a medium, but the term is rather misleading because it implies a singular communication format. It may be more constructive for marketers to think of the Internet as a technology that enables communication; this communication can be fashioned along two key dimensions: The first dimension is a continuum that ranges from proactive to reactive communication. The second dimension ranges from broadcast communication to a personal dialogue.



What does this way of thinking imply for the marketer? It means that you can reach and communicate with your online target in a multitude of ways — from a broadcast advertisement that proactively reaches your target audience on a mass-reach Web site to a personalized email delivered in reaction to an individual customer's query. It means that online is not monolithic. It is multifaceted and requires an online communication mix appropriate to your brand's marketing strategy. But with many options and an evolving technology that expands the list of options on a daily basis (it seems), how is a marketer to develop a coherent strategy and effective tactics?

Development of a coherent strategy and effective tactics requires the marketer to first define business objectives and then to assess how the technology can be used to achieve the objectives. Some objectives are best achieved with a broadcast message, while others are best achieved with a personal touch. Some objectives require waiting for consumers to initiate the dialogue so that the brand can react to their perceived needs, while other objectives are best achieved with the brand proactively communicating with the consumer.



We suggest that development of realistic objectives begins with an evaluation of:

- The nature of your product and service
- The current level of Web site category use by your target population
- Perceived legitimacy of personalized communication related to your product in the minds of consumers

Exploring these areas will help the marketer to develop the appropriate objectives and optimize the online marketing mix of communication options.

Nature of the product

Certainly the nature of the product should have a dramatic impact on the types of online communication you employ. Brands requiring:

- higher levels of support and customer service, or
- higher consideration prior to purchase, or
- online acquisition

are among the categories that will benefit from a comprehensive Web site that reacts to consumer and prospect queries.

But even brands that enjoy a high degree of active consumer investigation should communicate proactively — not just to inform the consumer that a corporate Web site can be accessed with a “Click Here” but also to carry the brand message directly to the consumer, communicating the unique brand proposition.

Brands that can only be purchased offline, that have lower levels of formal information gathering prior to purchase or do not require significant customer support do not require a mega Web site to satisfy a consumer’s need. While brands finding themselves in this category may attempt to create content appealing enough to entice users to their Web site, they not only run the risk of confusing the consumer regarding the focus of the brand, these brands will often obtain a greater impact on their bottom line with advertising and exclusive content sponsorships on ad-supported content Web sites than with a colossal corporate Web site.

Consumers’ level of Web site category use

Up until this point, we’ve discussed the relevance of a *reactive* Web site and *proactive* advertising from a product point of view. What can we learn from consumers? The consumers’ level of Web site category use demonstrates the percentage of online users that are currently seeking out brands in your category through the Web. This metric sizes the percentage of your Web-enabled target market who have gone to your (or your competitor’s) Web site of their own volition.



Based on MB *interactiv*e's nationally representative "Interactive Consumer Network" panel of Web users in the continental United States, we find that higher information complexity categories and categories that can be purchased online have, predictably, higher levels of Web site category use. Lower information complexity categories and those that cannot be purchased online, such as packaged goods, have lower levels of Web site use. While most brands could guess the level of Web site use for their category, it is prudent to validate the level and to measure change over time.


Question: "Have you ever used the Web to get information related to [product or service]?"

Level of Web site category use	Product categories
Higher (66% - 100%)	computers, computer-related equipment, vacation travel
Medium (33% - 65%)	financial services, automobiles, home electronics, music CDs, business travel
Lower (less than 33%)	movie tickets, alcoholic beverages, soft drinks

The consumers' level of Web site category use suggests the appropriateness of a Web site dedicated to the product or service. Some brands have built content Web sites that are related to the lifestyle needs of their consumers rather than focusing on the product or service. One example is Pepsi's Web site (www.pepsiworld.com). The site is not about soft drinks; it is about entertainment and youth culture. An entertainment Web site is certainly more likely to attract users than one devoted to soft drinks. Before brands finding themselves in the lower Web site category use attempt to duplicate Pepsi's strategy, they should consider the following:

- How will you market your new media product?
- Will your target audience perceive a branded destination content Web site produced by your brand as credible?
- Can adequate resources be devoted over a long enough term for the strategy to pay off?
- Will the publishing quality match the desired perception of brand quality?
- Is direct development more economical than sponsored content?
- Will you get a better return on investment from dollars spent on Web site development and maintenance than from Web advertising?

What if your brand category has lower Web site use, but a profitable segment of your market is online? Lower Web site usage categories, such as packaged goods, can reap significant value from online communication marketing *without* a significant Web site investment. They can create value by focusing their online communication mix almost exclusively in Web advertising, exclusive long-term sponsorships, and similar brand communication strategies that leverage the power of the medium to *proactively* reach consumers and enhance the brand through advertising messages. A tightly focused Web site with extensive brand advertising may be the most effective communication mix.



In evaluating consumer level of Web site category use, it is prudent to consider whether category use data is consistent with the nature of the product. For instance, based on the table above, movie tickets currently have a lower level of Web site use by consumers. Perhaps some might believe that the nature of the product seems conducive to the Web. Web users might embrace the ability to find the closest theatre playing a specific movie. Immediate access to show times and location maps, combined with the ability to purchase tickets or reserve seating through the Web site *might* cause consumer's level of Web site category use to increase. However, building a Web site with attractive content is not enough. Consumers have to know the service exists in order to use it. The Web is not a level playing field. Each Web site is *more* than a click away. Usage is separated by awareness (at least) and often a perceived need and preference for the service over competitive offerings. A direct marketing approach may not be sufficient to achieve marketing objectives. E*Trade's "Someday we'll all invest this way" advertising campaign provides a good example of Web advertising that communicates a brand message. While some users may click on the banner so that they can "invest this way today," the ad's primary effect is likely to be enhancement of brand presence and perceived relevance in the minds of the consumers — thereby creating long-term brand health. Finding the right mix among reactive Web site and proactive banner advertising investment is key to a brand's online marketing success.

Legitimacy of personalized communication with your target

The nature of the product and consumer level of Web site category usage metrics help marketers determine the proper mix among proactive and reactive online marketing elements. But what about the dimension of personalized versus broadcast communication? When considering this dimension, it is important to bear in mind that consumers have finite time and can manage a finite number of relationships. Ask yourself, "Why would a consumer want to have a relationship with my brand?" Some marketers have side-stepped this question and answered, "We will require the consumer to give us their contact information — then we will have a relationship." But a relationship is more than an email or postal address in a database.

Some brands lend themselves to relationships with consumers. Personal dialogue between a brand representative and the consumer is both welcome and provides advantage in some categories. For other brands, there is no perceived need for a relationship in the mind of the consumer and personal dialogue lacks credibility with the target market — and may even annoy them. This principle is captured in the direct marketing riddle that asks: "What is the difference between junk mail and personal mail?" Answer: personal interest.

Some basic questions to ask are the following:

- What is the personal interest (not gimmick) for the consumer?
- What will your brand do for the consumer to justify the relationship?
- Can you maintain this relationship profitably?



Brands can communicate with different degrees of personalization, ranging from pure personal communication (such as Auto-by-tel's personal email response from a broker regarding the price and availability of an automobile that suits a consumer's request) to segmented communication (such as CNN's custom news service) to undifferentiated broadcast communication (the approach used by the majority of Web sites). Unless the marketer will be creating genuine value for the consumer (and can do so profitably), the returns from sophisticated database and dynamic delivery tools may not justify the investment. The return on investment can and should be tested against your economic objectives. Auto-by-tel can measure the profit from selling cars with personalized response. CNN can measure the value from incremental exposure to advertising they sell as a result of the custom news offering.

There are powerful tools that enable mass customization of communication. The central questions related to the deployment of these tools are: What value can be created for the customer? And what is the return on investment for the brand?

You've thought through the question, "How should my brand use online for marketing?" You began by listing your objectives, and subsequently developed a working hypothesis in terms of the appropriate mix of proactive and reactive communication, as well as the degree of personalization. Now how do you turn your objectives and your working hypothesis into a coherent strategy and effective tactics?

Developing strategy and tactics

MB*interactive's* experience working with clients to develop strategy and evaluate each communication element has emphasized the vast array of brand-specific issues that must be considered in this process. To avoid being overly general about how brands should address strategy development and tactical execution, we will highlight some of the most common issues and the corresponding tools used in the strategy development and tactical execution process. We will conclude by discussing the importance of a structured approach which draws input from a variety of sources.

Issue	Tools to address issue
Strategy Development	
<i>Understand market and business dynamic to develop brand objectives</i>	Secondary background research, primary quantitative and qualitative, structured internal ideation sessions
<i>Determine the position of your brand in the mind of the consumer</i>	Quantitative "BrandDynamics™ System" research
<i>Understand consumer's needs, motivations, and decision processes, pinpoint strengths and weaknesses, identify opportunities and threats relative to key competitors</i>	Qualitative interviews, quantitative brand positioning SWOT analysis
<i>Develop and test communication and brand concepts</i>	Qualitative and quantitative concept testing research

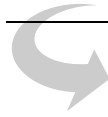
A ROADMAP TO MARKETING ONLINE
(CONTINUED)



Issue	Tools to address issue
Tactical Execution	
<i>Match objectives with appropriate online marketing mix element(s)</i>	Structured internal ideation session
<i>Develop and test how communication approaches affect consumers</i>	Qualitative and quantitative pre-testing (Pre-Link™)
<i>Test specific online marketing mix elements (Web site, ad banners, email form letters, etc.) to ensure that each is achieving brand communication and consumer action objectives against key target market segments</i>	Quantitative “Link™” testing
<i>Find where to reach target market for placement of online advertising</i>	Quantitative behavioral tracking and analysis
In market performance evaluation (feedback loop)	
<i>Constantly monitor brand and competitor’s position performance with respect to consumers, specifically measuring impact of brand communication</i>	Quantitative brand tracking
<i>Understand the relationship of marketing elements — from Web site to online advertising, traditional advertising, and promotion</i>	Quantitative Advanced Tracking Program
<i>Refine online communication mix, targeting, and creative execution</i>	Brand communication and impact tracking

When one considers the choices marketers are confronted with, the task of converting all that is possible into a highly effective marketing plan can be daunting indeed. Most businesses have a structured approach that begins with focused internal ideation sessions to define business objectives and models as part of the business planning process. Integrating online strategy and planning into the formal business planning discussion is a worthwhile exercise.

Take your objective and working hypothesis to a broader forum in the organization. Ghettoizing online marketing to a savvy group that “gets it” may be more time-efficient and yields better results in the short term, but it may ensure that the broader organization never “gets it.” The output from the business planning discussion should be relative consensus regarding the answer to the question, “Where do we want to go with our brand?” Enumerating the questions that must be addressed to successfully achieve objectives will also prove valuable.



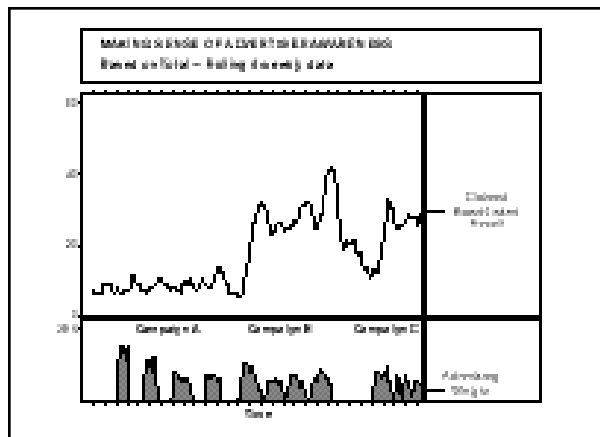
If the business objectives are well-defined, developing a regime of applied research to identify opportunities, refine strategy, and develop an effective tactical plan is relatively straightforward. No research program is complete or adequate if it fails to capture the dynamics of the real-world marketplace. A robust marketing approach builds in a market feedback loop that allows the marketer to measure, evaluate, and enhance in-market activities.

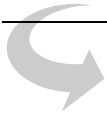
How do you measure, evaluate, and enhance your online marketing performance?

Marketers have always been concerned about the return on investment they get from advertising. The decades-old Leo Burnett quote, “I know half my advertising dollars are wasted. I’m just not sure which half!” underscores marketers’ legitimate concern that their investment pay off. Increasingly, advertisers want to know how their Web ad buys have benefited their brands. Impression and clickthrough, while part of the story, are insufficient metrics. Ever since the first Web advertising effectiveness study, the online marketer has been asked, “Why can’t we include brand enhancement in standard online marketing communication measurement?” Fundamentally, marketers want to measure and evaluate their online marketing so that learning can be captured and applied to enhancing the effectiveness and efficiency of marketing communication.

At a minimum, the tools that marketers have available to them should be on par with the tools used to measure and enhance the effectiveness of traditional advertising communication. More than two decades ago, Millward Brown International pioneered brand tracking to provide advertisers continuous feedback to evaluate and enhance traditional marketing communication. The Advanced Tracking Program (ATP) quickly became the model for measuring the effectiveness and efficiency of marketing investment. Marketers use the powerful brand tracking tool in a variety of ways. For example, marketers can readily measure the following:

- Relationship between advertising exposure and effect on dimensions, including:
 - *Ad awareness*
 - *Brand imagery*
 - *Purchase intent*
- Efficiency of the communication
- Impact of flighting and media weight on the brand (*see following chart*)





In all, marketers have the ability to link the timing of key marketing events with changes in consumers attitudes, brand perceptions, and purchase behavior toward the marketer's brand. Moreover, this information is provided in a competitive context — highlighting the difference between category and brand trends. Marketers of leading brands use this information to help them make crucial decisions related to brand management and communication.

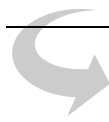
The key to accurate market feedback is high-quality sampling to represent the general target market for the brand. Millward Brown measures and tracks the impact of marketing activities among this population with representative samples drawn from a Random Digit Dial (RDD) methodology. Accurate and high-quality insight into the impact of marketing activities is provided because (1) the sample is directly projectable to the population the brand seeks to understand, and (2) the types of questions asked solicit important insights that influence marketing decisions.

So why don't marketers have the same information for online marketing?

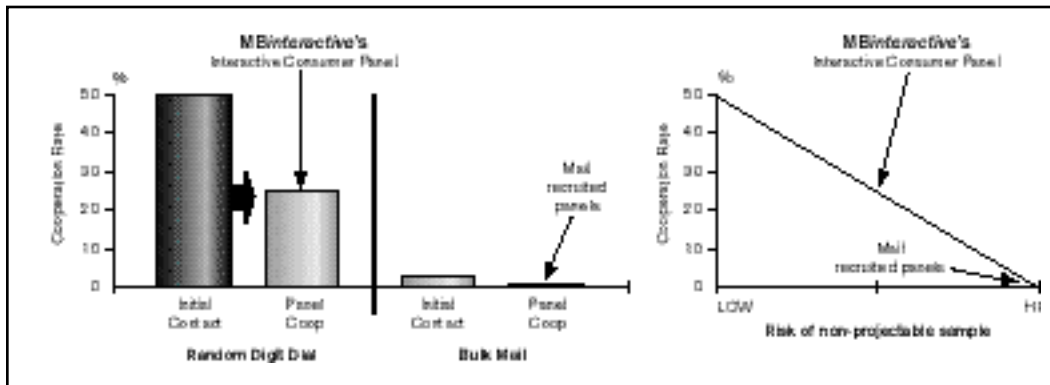
Now marketers do.

MB *interactive* recently pioneered the ability to track all major online marketing activity, ranging from ad banners to a targeted Web site communication. The power of the insight is extraordinary. Brands that had previously relied on impressions, clickthrough, and faith now have the type of insight that allows them to tangibly measure the value of everything from specific elements of their Web site to the differential performance of various ad banner executions. In fact, brands that currently have the Advanced Tracking Program in place can compare the value of key elements of the online marketing to traditional marketing communication (such as television advertising). This "across media" insight allows brands to understand how they can improve the return on investment from their communication mix. How do we obtain the marketplace feedback from such a diverse range of brand communications?

The foundation of useful marketplace feedback is an accurate and representative sampling of the population you reach with your brand communication. Whether the communication is a Web site, an ad banner, an email sent to a list of consumers or a television advertisement, accurate sampling and meaningful surveys yield actionable insight.



Specifically, to track a brand's Web-enabled target, we interview MB*interactive's* nationally representative "Interactive Consumer Network" on a continuous basis. The Interactive Consumer Network (ICN) is a continuously updated and refreshed sample of Web users recruited through national probability samples generated by Random Digit Dial, with subsequent surveys occurring online. We built the ICN because other, less representative sampling approaches are inadequate for accurately measuring in-market response to brand communication and marketing activity. For instance, Web panels recruited by unsolicited bulk postal mail yield initial contact rates between 1% and 3%, while Random Digit Dial telephone methodology yields between 40% and 50%. The order-of-magnitude difference between the two approaches is directly related to the likelihood that the research will provide an accurate portrayal of the marketplace.

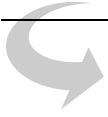


Because the accuracy of the projections is directly linked to cooperation rates, we believe that the telephone recruitment approach provides marketers with high quality sampling at reasonable cost.

The ICN sample provides an accurate portrait of the impact of your marketing activities that reach the marketer's overall online target market. But what about measuring brand communication on your Web site, which reaches a narrow niche?

The same random sampling technology MB*interactive* pioneered and applied to the IAB Online Advertising Effectiveness Study is used to draw a true random sample of those who are accessing your Web site. Specifically, we interview a representative cross-section of the total population that accesses your Web site to discover their motivations, expectations, and experiences, as well as other key metrics related to the business objectives identified during a research needs assessment process.

As the look and functionality of the Web site evolves over time, feedback from continuous tracking provides an accurate measurement of the impact on the consumer. Web site brand tracking data can be linked to the behavioral Web site data. This linkage allows the marketer to combine the measurement of "what happened on the site" with the attitudinal explanation of "why it happened." But perhaps more important is the marketer's ability to measure the impact of Web site communication in relationship to other online marketing activity (such as advertising) as well as traditional marketing activity (such as Television advertising) to determine how each element contributes to brand performance.



Marketers now have research tools within their reach that provide accurate measurement of the impact of their communication — from mass reach television to a narrow cast Web site. These tools empower marketers to determine how each of their brand communications affect consumers, as well as determining how each component interacts. This feedback loop will help marketers make powerful use of the online marketing vehicle.

The IAB Online Advertising Effectiveness Study demonstrates that Web ad banners can work both as a direct marketing vehicle and as an advertising communication vehicle. Marketers have powerful research tools to apply to the complex questions of what is and is not working for the brand. Applying these tools will make marketers more effective and efficient — thus ensuring that you have an accurate measurement of which half of your advertising dollars is working.

OBSERVATIONS ON THE RESULTS OF THE IAB STUDY: WHAT SEEMS TO BE WORKING?

SCOTT McDONALD, PH.D.

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CHAIR, IAB RESEARCH COMMITTEE



Rex Briggs has done such a good job of summarizing and discussing the results of this study that I hesitate to add an afterword. If brevity is the soul of wit, then I would be witless to append a mere regurgitation of findings already given so thorough and fair an exposition. So in this postscript, I shall venture into some dangerous waters and speculate on some of the possible sources of variation in the success shown by the banners tested here. This is dangerous and speculative because, despite the large number of respondents to this survey, we still only had twelve banner ads. These afford precious little opportunity for studying creative variation, and no basis for statistically-based claims about the impact of whatever variation is observed. Nevertheless, it seems a waste to ignore these factors, especially since the fledgling world of online advertising is so hungry for insights into what works and what does not. Just as psychologists attempt to discern patterns from small numbers of clinical cases, just as business schools try to build principles of management inductively from cases of individual companies, so must researchers in this very new arena squint hard at their data in hopes of seeing at least the *suggestion* of relationships among the variables. If nothing else, my foray to the edge of what is conventionally permitted when discussing empirical survey results will, hopefully, further our thinking about which variables are relevant to understanding variations in the impact of Web advertising.

Before I go there, let's review the basics. As readers of this research report by now realize, there are several remarkable findings that the IAB can herald from this study. My personal favorites are that:

Banner ads get noticed. In this study, eleven out of the twelve banners tested generated measurable increases in brand-linked awareness, and three of the twelve caused awareness levels to double! After a single exposure! On average, the incremental exposure to a banner ad in this study boosted awareness by 30%. Even better, respondents who got the incremental exposure to the ad banner in this test were 17% more likely to recall the ad without any prompting — an indicator of that ad having made a real impression.

Banner ads can influence consumers' perceptions of brands. In other words, they can persuade. They can make claims that enter into people's consciousness, that shift their thinking. The operative word here is "can" — since only half of the banner ads tested resulted in significant shifts in brand perceptions. This is not to minimize their achievement, since it is hard to "break through the cultural clutter" and change people's perceptions. But it can be done, and examination of the characteristics of the successfully persuasive banners might be instructive. (More on this later) To all of those media savants who have decreed that the Web is only good for products that can be sold through direct response and not for basic brand building, this finding suggests that they should think again!

Clickthrough is an irrelevant metric for evaluating many banners. The IAB Study showed zero correlation between clickthrough and brand-linked impressions, positive brand perceptions, and other staples of brand-building. Zero. In other words, the banners that got the clickthroughs were not the ones that moved the needle on brand-related objectives. This is a very interesting finding, considering the noisy debate about whether Web sites should be compensated solely on the basis of clickthrough. Because the Web, unlike other media, allows users to click through the banner and directly visit the marketer's own Web site, many marketers have mistakenly assumed (1) that they have to build a Web site for themselves, and (2) that clickthrough to that site is the penultimate measure of their Web advertising effectiveness. Both of these assumptions are wrong. Some

OBSERVATIONS ON THE RESULTS OF THE
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(CONTINUED)



products don't really offer consumers a compelling reason to come and get more information, nor can one buy the product directly over the Web. Since consumers wouldn't tend to go to hang out and spend "quality time" with those products on their own, marketers resort to silly tricks and come-ons to try to tease people into clicking on those banners. The consumer's curiosity might be tickled; however, if, after a laborious download, she finds a contrived site that has no real information or transactional value, she may actually form a negative impression of the marketer's product. This appeared to happen in one of the twelve banners tested in the IAB study: it generated a lot of clickthroughs using a ruse, but mostly succeeded in irritating those who took the bait. The moral of the story is clear: don't be dazzled by the technology. Just because the Web permits clickthrough does not mean that clickthrough is the relevant measure of your ad's power. Make the evaluative measures fit your marketing objectives, not the technical possibilities of the medium.

For the most part, these "big" findings from the study were based on analysis of the average impact of the twelve banners tested. However, it is obvious that some banners worked better than others. Why? With only twelve banners to study, we cannot come close to providing statistically definitive answers. Some of the patterns that we think we might see may ultimately prove to be chimeras when examined with a larger number of cases; more cases may also illuminate patterns that were disguised here. Certainly, with only twelve sites, we can't use multivariate analysis to sort out among competing explanations for any relationships that we do observe. So readers should take what follows in the caveat emptor spirit that it is offered — as an almost qualitative examination of a small number of cases to hunt for clues and generate hypotheses about possible patterns to account for the varying levels of success shown by banners in this test.

The three tables that follow concentrate on two outcome measures used in the IAB Study, the FORCE scores and the Brand Perception scores. Recall that the FORCE score reflects the brand-linked impressions registered by the ad banners, net of any confounding influence from previous exposure elsewhere; for this analysis, the twelve test banners are grouped into a tripartite classification where three sites had HIGH test:control differences in FORCE scores, three had moderate differences, and six had small differences. Similarly, for the Brand Perception measure, six sites had positive lifts in brand perceptions, while six had no discernible lift. The tables examine these outcome measures for different types of banners — banners with different creative treatments, banners with different product offerings, and banners on different kinds of sites. In each case, the banner classifications were developed collaboratively by myself and the researchers at MB *interactive*. Despite the small number of cases, the data in the tables are presented as percentages to make it easier to view data relationships.

Table 1 takes a look at how success in this test varied according to creative factors in the banners themselves. For example, half of the banners had dark backgrounds and half had light backgrounds; the light-background banners appear to have been proportionately more impactful, as measured by FORCE scores. This may be related to the other color-oriented classification: the degree of color contrast. High-contrast banners "popped out" more than low-contrast banners, presumably leaving a stronger message impression. Of course, in the long run, it may prove to be the case that color design had absolutely nothing to do with the varying degrees of success of the banners in this test, that some unmeasured third factor was the real driving force. However, since we don't yet have that treasure trove of cases to allow us to know for sure, we can only hypothesize with what we have got; and what we have

OBSERVATIONS ON THE RESULTS OF THE IAB STUDY: WHAT SEEMS TO BE WORKING?
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got suggests that light, high-contrast banners are more effective at getting noticed and communicating brand messages.

	Category		Force Score			Brand Perception	
			High %	Med %	Low %	+ %	Ø %
Background	<i>Dark</i>	50	33	33	67	40	50
	<i>Light</i>	50	67	67	33	60	50
Contrast	<i>High</i>	58	67	33	67	83	50
	<i>Low</i>	42	33	67	33	17	50
"Click Here"	<i>Yes</i>	42	0	67	50	50	33
	<i>No</i>	58	100	33	50	50	67
Message	<i>Dynamic</i>	75	100	67	67	83	67
	<i>Static</i>	25	0	33	33	17	33
Logo	<i>Dynamic</i>	50	67	33	50	33	67
	<i>Static</i>	50	33	67	50	67	33

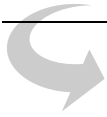
Table 1
Lift in Brand-Linked Awareness and Positive Brand Associations, by Banner Creative Characteristics

It is often said that, to be effective, banners should use a call to action like "click here." That may be true if your goal is getting people to click through to your site or if you want people to buy your product directly over the Web. However it may not be true if you are trying to create a brand-related impression. Five of our test banners used a call to action, but none of those five were among the most successful at creating brand-linked impressions. Perhaps "click here" is getting a little tired for savvy Web users and thus fails to stand out in their memories.

Most messages within the banners tested were dynamic in that they moved or blinked; however, four of them contained stationary, unmoving messages. Logo treatments, however, were evenly divided between dynamic and static formats. Do these format variables affect the banner's impact? It is a bit difficult to say. Dynamic-format messages appear to get noticed and leave an impression, and they may positively influence the perceptions of the brand. But a blinking logo might result in an annoying banner that diminishes affection for the brand. Table 1's results are pretty equivocal; it would be interesting to look at these factors across a larger set of banners.

In Table 2, we turn to a consideration of what kinds of products rang up the biggest gains through their banner ads in the IAB study. The ad banners in the study included a good mix of business sectors, spanning technology products, consumer goods, automotive, and services. There were a few high-end products featured in those banners, but most were at moderate and low price points. There was a pretty even mix between products that require careful deliberation before purchase and those that demand relatively little consideration. And the products featured were

OBSERVATIONS ON THE RESULTS OF THE IAB STUDY: WHAT SEEMS TO BE WORKING?
(CONTINUED)



evenly divided between those which could be purchased directly over the Web and those which could not.

	Category	%	Force Score			Brand Perception	
			High %	Med %	Low %	+	Ø %
Product Type	<i>Technology</i>	33	33	33	33	40	17
	<i>Services</i>	33	-	33	50	20	50
	<i>Consumer Goods</i>	17	33	33	-	20	17
	<i>Auto</i>	17	33	-	17	20	17
Price Point	<i>High</i>	17	33	-	17	17	17
	<i>Medium</i>	50	33	33	67	67	33
	<i>Low</i>	33	33	67	17	17	50
Degree of Consideration	<i>High</i>	58	67	33	67	67	50
	<i>Low</i>	42	33	67	33	33	50
Web Transaction Ability	<i>Yes</i>	50	-	67	67	17	83
	<i>No</i>	50	100	33	33	83	17

Table 2
Lift in Brand-Linked Awareness and Positive Brand Associations, by Product Characteristics

Based on the patterns shown in Table 2, there does not appear to be any statistical relationship between our outcome measures and either product category or price point. To put it in less statistical language, Web advertising is equally effective for all of the product categories and price points tested in this study. The ad banners for those products which require a high degree of consideration prior to purchase were marginally more successful at boosting brand perceptions; this may be because consumers like to know that they could, if so moved, get additional information about these products from something as easy and convenient as the Web. It may be expected, appreciated, and it may add luster to the brand's image even if the consumers don't click through to get that information on the specific occasion of seeing the banner.

Interestingly, the highest-impact banners were those that were doing pure brand advertising — that were advertising for products which cannot be sold directly over the Web. This is consistent with results reported in the main body of the IAB study. The Web is not just a direct marketing mechanism; it is also an advertising medium. In this instance, it was the non-direct-marketing advertisers who were reaping the greatest benefits!

Last but not least, Table 3 examines the impact measures according to locational factors — the type of site and the location on the site. The results are a bit ambiguous. All of the banners showing the biggest lifts in brand-linked recall and positive shifts in brand perceptions were on content sites; but ads placed on directory sites also racked up respectable FORCE scores indicating moderate impact on brand-related recall. This finding will, no doubt, be controversial within the

OBSERVATIONS ON THE RESULTS OF THE IAB STUDY: WHAT SEEMS TO BE WORKING?
(CONTINUED)



IAB. It suggests to me that Web users may be more receptive to advertising information when they are in a site that is serving up “the beef” — the information that other surveys tell us is a principal reason for coming to the Web in the first place. The Web is a fast place, with a lot of zooming around and a lot of getting oriented. It is possible that content sites are the places where users alight long enough to take in advertising messages, where they are pausing rather than moving. Since content sites tend to be more specialized, there may be more inherent affinity between the site and its user, a context that is particularly conducive to brand-related advertising messages. If so, it would argue strongly against letting the Web devolve into a CPM-based medium where ad placement decisions are based on pure raw traffic tonnage. Quantity does not equal quality.

	Category	%	Force Score			Brand Perception	
			High %	Med %	Low %	+ %	Ø %
Site Type	<i>Directory</i>	25	-	67	17	-	50
	<i>Content</i>	75	100	33	83	100	50
Location in site	<i>Front</i>	33	33	-	50	-	67
	<i>Internal</i>	67	67	100	50	100	33


Table 3
Lift in Brand-Linked Awareness and Positive Brand Associations, by Site Characteristics

Table 3 also indicates that the test ad banners that were located deep in the sites were just as effective at generating brand-linked recall as those located on the homepage. What’s more, they appear to have been even more successful at influencing brand perceptions. This finding is consonant with the previous one: users may be more receptive in the places that are the most rich with content, the most tuned to their own interests, the most conducive to lingering. It also suggests that the ad placement battles so common in print media — with advertisers demanding that their ad be placed at the front of the magazine — need not be replicated here.

So, to summarize: The highest impact ad banners in the IAB Study:

- Featured high-contrast colors, usually with light backgrounds
- Had dynamic messages, but either dynamic or static logos
- Did not invoke the command to “click here”
- Advertised all categories of products, at all price points
- Were pure brand advertisements, with no Web-based transaction ability
- Were located on content sites
- Were often located at places other than the homepage

As stated at the outset, all of these findings can only be considered to be tentative, given the limitation of having only twelve banners in the test. If nothing else, they can serve as “straw man” hypotheses for confirmation or refutation by future research.



There is one other meta-point to make about the IAB Study. Not only did it demonstrate the advertising power of the medium, but it also offered a vivid example of how the Web can be used to measure its own impact. It showed that there are many different ways to think about advertising impact and accountability; and in the case of the Web, the medium gives us a built-in mechanism for studying the effects of our efforts.

This study derived its methodological power from the fact that it was a classic experiment — one in which subjects were randomly assigned to either a test or a control cell. Those in the test cell saw the test ad; those in the control cell saw another ad. Because of this pure experimental design, any difference between the two groups can be attributed to the test exposure. What other medium allows this degree of experimental control?

Beyond the elegance of its “classic” experimental design, the IAB Study also showed how, on the Web, an experimental design can be married to a large-scale random survey in a naturalistic setting (and at a relatively low cost). In other realms of research, experimental designs are usually either very expensive or very unnatural in their settings. The cheap ones often are confined to artificial laboratory situations with peculiar samples (e.g. psychology experiments in universities), while the expensive ones are very large-scale and slow (e.g. field trials for new pharmaceutical drugs). And in the field of advertising media research, one has to go back to the LIFE studies by Politz of the 1950’s and the Seagrams study of the 1980’s, both funded by Time Inc. and both very expensive, to find any studies of similar scope and breadth.

So clearly one of the most important headlines about the IAB Study is that its methodology demonstrates the Web’s potential power as a natural laboratory for studying advertising effectiveness, at an affordable cost. This is an aspect of Web accountability that has heretofore received too little attention. Hopefully, in the wake of this study, others will exploit the experimental possibilities that are inherent in the medium to push our understanding further. I can imagine frequency tests, format tests, and all manner of copy tests. The patterns I have here tried to discern by examining the variable impact of these twelve test ads could become much more distinct when the database includes 200 or 1,000 test ads, analyzed according to consistent categories.

Beyond its obvious value in establishing the advertising power of the Web, this report should also awaken its readers to the research power of the Web. Thus awakened, those readers should be encouraged to design their own experiments — to take the next step in testing hypotheses and building our fact-based knowledge about Web communication effects. Along the way, they will, no doubt, elaborate upon, dispute, and amend the groundbreaking work done by the IAB here. This replication, extension and noisy disputation is welcome. That is how it should be. After all, that is how scientific knowledge progresses.

THE ROAD FROM HERE

RICH LEFURGY

CHAIRMAN, INTERNET ADVERTISING BUREAU

SENIOR VICE PRESIDENT, ABC NEWS/ESPN INTERNET VENTURES



Now that we know the power of online advertising to build the traditional marketing trinity of brand awareness, product attribute communication, and purchase intent, what lessons can we apply to the development of powerful internet advertising programs today?

Harness The Communications Power of What's Here Today. Online media generates audiences that have special interests, whether it's researching a specific piece of information through a search engine, or visiting a destination site to get more information in-depth. Advertisers can communicate their brand objectives and strategies to these audiences through advertising banners, rather than depending on a sub-sample to see a brand destination site. In that way, advertisers can use online media and banners to communicate important brand messages to the widest audiences possible, and to target specific audiences where possible, rather than building and relying on brand destination sites that few will see. Banners can do the heavy lifting of a product communications program, rather than a site on its own. In fact, additional online communications tactics to be discussed later such as sponsorships and microsites, can provide even more power.

Apply Creativity and Resources to Banners. Destination websites make sense for few brands beyond those that have in-depth product communications, extensive collateral programs, or opportunities to sell or provide customer servicing online. Banners should be extensions of a brand's overall communications program, tailored to the valuable customers of the online audience, rather than online "one-offs" created by an interactive designer that is not completely intimate with a brand's overall communication's program.

Banners can also take advantage of placement on media sites with unique audiences by tailoring creative to speak to that audience. Banners for a sports site can execute the brand's advertising campaign within a context sports fans will resonate with, while a women's site and a chat site can find the right approach that makes sense to their audience. New creative tools are being created to make the development of banners easy, fast and economical.


Impactful Models: Sponsorships, Nested Ad Content and Co-Branded Programs. While banners can provide reach to an audience within a site, sponsorships, nested ad content and co-branded programs can provide even more relevance in addition to creative that's tailored to an audience. These are all solutions that can be implemented with today's technology, bandwidth and advertorial/editorial separation.

Sponsorships are when existing content from a media site is presented by a sponsor, allowing the advertiser to be associated with the featured element. The advertiser benefits when the feature is of high importance to the audience and/or when the element resonates with essential elements of a brand's communications programs.

Nested Ad Content is when an advertiser's communication's content is presented within the content of a site, essentially 'pushing up' a more in-depth level of communications that's somewhere between a banner and an advertiser's website. Example: BMW's nested ad content in Forbes Digital Tool.

Co-Branded Programs are when the content that is provided is integrally important to the sponsor, the media site and the audience. This can range from a section that is co-developed and sponsored by an advertiser within a content site, such as Columbia Health in ESPN SportsZone's site, to an entire site that is co-produced, such as Procter & Gamble's collaboration with Pathfinder.

Importantly, more creative options will be available as technology and bandwidth evolve. But banners, sponsorship programs, nested ad content and co-branded content will continue to exist and flourish, and the advertising community can benefit from their use today.



Study Objective

The objective of the IAB Online Ad Effectiveness study was straightforward:

Determine whether Web advertising banners have the ability to positively impact advertised brands.

Research Objectives

Achieving the study objective required the methodology to meet a number of key requirements:

1. Measure, with the highest accuracy, the impact of Web ad banners within the actual environment where Web ad banners operate.

This requires a test that involves:

- Real Web users (sampled during the natural course of surfing) who view...
 - Real ad banners (which are parts of actual online campaigns) that are located on...
 - Real media properties (with an established audience and market) during the...
 - Normal course of Web media consumption
2. Isolate the effects of the ad banner exposure from all the other factors which impact a consumer's relationship with the brand.
 3. Use measurements that can be administered via a survey which will accurately gauge the relationships that individuals have with brands and advertising.

Research Process

To meet the overarching goal of conducting a projectable test of Web ad banner advertising effectiveness, MB*interactive* addressed each of the underlying challenges as follows:

1. **Measure, with the highest accuracy, the impact of Web ad banners within the actual environment where Web ad banners operate.**

Real media properties

MB*interactive* and the IAB sought to conduct a study whose findings could be applied across the Web, regardless of content type or audience. In this spirit, we solicited participation from a wide variety of advertising-supported IAB member Web sites.

Twenty-four IAB member sites were contacted and invited to participate in the study. Sites were given 2 weeks to commit to the study and provide the necessary technical and logistical contacts to implement the experimental design. Of the twenty-four sites offered the opportunity to participate, twelve sites fulfilled the study requirements within the given time frame and were included in the study. The sites included in the study covered a broad spectrum of content types, audience types, page designs, and usage patterns.

***Real ad banners***

Each participating site chose test and control ad banners from their current advertisers. Special banners were not created for the purposes of the test. The banners tested were drawn from actual campaigns that were being deployed on participating sites. A wide variety of product categories and banner formats were represented in the test. A full list of banners and brands can be found in Appendix 3.

Real Web users (sampling)

General research on the Web has tended to consist of a hypertext link inviting people to participate in research. While this approach allows the researcher to gain large sample sizes, the samples are often of poor quality for projection because of significant self-selection bias. One such study, conducted by a popular search service, reported a base size in excess of 50,000 people. Impressive, until one considers that the participation rate for this study was less than 1 percent (based on the number of users who accessed the page containing the survey link).

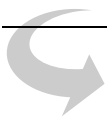
To draw a representative sample from which findings can be generalized, MB*interactive* invented a new methodology for randomly intercepting an “nth name” sample. This methodology for recruitment meant that a select number of people visiting the participating Web sites during the week of 1–7 June 1997 met with an alternative page inviting them to participate in a short survey. We call this methodology *Click-Stream Intercept*¹¹. Each Web user accessing one of the tested pages over the course of the week had an equal chance of being solicited for the survey. *Click-Stream Intercept* yields a true cross-section sample of users from which we can confidently project our findings.

By virtue of its sampling methodology, our study was able to achieve a cooperation rate of 45% for the initial contact survey and 47% for the re-contact. This cooperation rate is on par with that achieved with Random-Digit-Dialed (RDD) telephone surveys.

Normal course of Web media consumption

The bias introduced by a laboratory setting is often a necessary evil when conducting research. When researchers solicit respondents to participate in studies and place them in artificial settings, respondents behave differently — and this change in behavior affects the accuracy of the results. MB*interactive* has utilized the Web’s one-to-one communication ability to serve test or control ad banners to respondents within the normal course of Web surfing. The respondent’s experience is illustrated below:

¹¹ A term coined by IAB Board of Director Rick Boyce.



As a user, imagine you access www.people.com (*fig. 1*).

You click on the hypertext link to access “celebrity news.” A proprietary sampling algorithm developed by MB *interactive* runs in a matter of milliseconds. All users have an equal chance of being randomly sampled. If you are not selected, you receive the Web page you requested. If you are sampled, a short demographic survey Web page appears soliciting your participation in a short demographic and webographic study “to help the Web site better understand those who use its service” (*fig. 2*). We also asked for an email address so that we could enter the respondent into a contest as a way of thanking them for their participation.

Forty-five percent of sampled users completed the demographic wave of the survey, generating a base size of 36,065 respondents. After completing the survey, respondents clicked on “submit survey” and were then served “celebrity news” (the page they had initially requested). We then served a “test” Web ad banner to half of the respondents based on random assignment and served a “control” ad to the other half (*fig. 3*). This individualized delivery of advertisements was invisible to the user. The page position and dimensions of the test and control ads are identical.

Fig. 1
Day One



Fig. 2
Day One



DEMOGRAPHIC SURVEY

Fig. 3
Day One

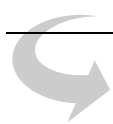


DEMOGRAPHIC SURVEY

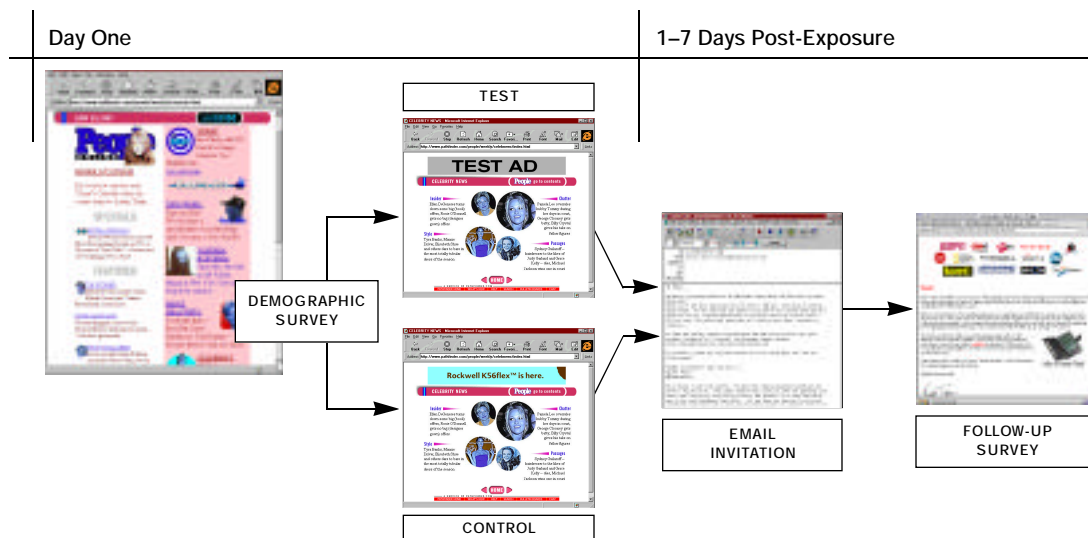
TEST



CONTROL



At a predetermined point in time after exposure to the test or control Web ad banner, ranging from one day to one week, MB*interactive* emailed respondents requesting that they access a Web page “to help answer a few more questions.” We asked both control and exposed respondents identical questions related to the “test” brand specifically and advertising in general.



2. Isolate the effects of the ad banner exposure from all the other factors which impact a consumer’s relationship with the brand

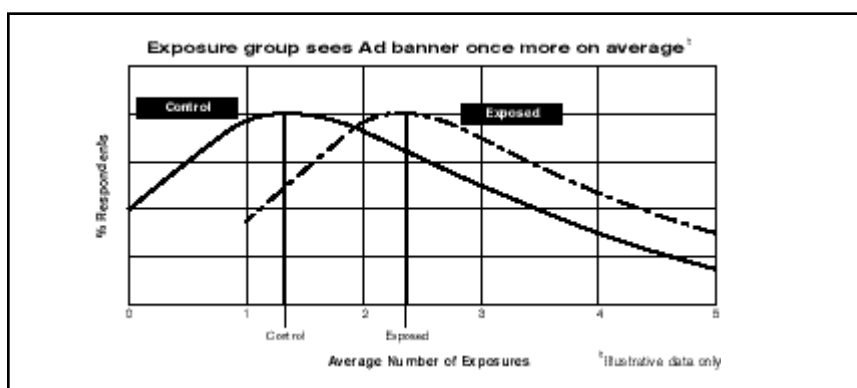
One of the fundamental challenges that this research faced was separating the impact of the ad banners from the external factors that might impact the metrics we used to measure the consumer-brand relationship. Consumers do not exist in a vacuum. Web users, often considered to be “media junkies,” *are highly likely to have been impacted by many factors — including the Web ad banners themselves.* So how do we isolate the effects of the exposure to the Web ad banner?

In other types of media, it would be both time-consuming and expensive to construct a study which would control for these factors. Fortunately, the Web lends itself to the use of an experimental study design — one in which all factors, including those audience-related and those specific to the test itself, can be controlled for in order to isolate the effects of a single variable — the exposure to a specific ad banner.



As discussed previously, as a group, the experience of the test and control cells was identical, with one exception — the test and control cells viewed different ad banners. Navigation was identical, content was identical, ad banner formats were identical. Because test and control respondents were randomly assigned and identically matched¹², the test and control cells should be statistically identical with respect to the ad banner unless the single additional exposure to the tested Web ad banner caused an effect.

A methodology of this type sets a high standard for advertising effectiveness because it is a precise measure of the effects of one additional exposure to a Web ad banner. Higher, in fact, than a methodology which measures the cumulative effect of advertisement exposure. As a result, our test results may conservatively state the power of Web ad banners. The chart below provides an illustration of the difference in exposure to the test ad among “control” and “exposed” respondents.



In order to measure the effect of the additional advertising banner exposure, MB*interactive* emailed respondents requesting that they access a Web page “to help answer a few more questions.” This solicitation occurred at a predetermined point in time after exposure to the test or control Web ad banner (ranging from one day to one week). We asked both control and exposed respondents identical questions related to the “test” brand specifically and to advertising in general.

Forty-seven percent of wave-one respondents completed the second wave, generating a base size of 16,758 respondents. Those who completed the second wave showed no statistically significant differences from those who completed the first wave in terms of the variables measured in the first wave (specifically: age, sex, time spent online in a typical week, year first accessed the Web).

¹² To ensure that control and test cells were identically matched, balanced control and exposed cells on sex, age, category use, and time online. The weighting efficiency was 97%, indicating a near-perfect match prior to sample balancing.



Non-Response Bias — The Great Unknown

Some skeptics might argue that, despite Click-Stream Intercept’s ability to improve cooperation rates and remove a large degree of self-selection bias, the nature of all surveys tends to over-represent individuals who are more accepting of intrusion. This acceptance of intrusion may highly correlate with the acceptance of advertising. As a consequence, the argument goes, this over-representation could skew the results in favor of advertising effectiveness.

We can respond to this concern in one of three ways:

First, we might suggest that cooperation rates are independent and unrelated to advertising response and, by virtue of the carefully controlled experimental design, we’ve accounted for any effect.


Second, we might concede that those who are less likely to cooperate with surveys are under-represented by this study. To redress this deficiency we could find a variable that highly correlates with a user’s likelihood to participate in a survey. A variable fitting this description might be “Support of Web advertising.” One could reason that those who “hate Web advertising” are the same people who are less likely to participate in the study (and are therefore under-represented). We could measure the impact of under-representation by analyzing the difference between those who report that “Web advertising is great” (top 2 box score) and those who report that they “hate it” (bottom 2 box score). Even if we were to assume that those who are under-represented in our study had opinions and responses similar to those respondents who had negative attitudes toward advertising, we would still observe a net positive effect on brand-relationship metrics.

Advertisement Awareness

	Top 2 Box (Strongly in Favor)	Middle 2 Box	Bottom 2 Box (Strongly Against)
Exposed	50.7%	39.0%	35.4%
Control	39.2%	31.1%	25.8%
Change	+ 29%	+ 25%	+ 38%

Brand Awareness

	Top 2 Box (Strongly in Favor)	Middle 2 Box	Bottom 2 Box (Strongly Against)
Exposed	64.9%	61.2%	63.1%
Control	62.8%	59.6%	59.5%
Change	+ 3%	+ 3%	+ 6%



The third way we could answer this concern is to assume the absolute worst case that, for some inexplicable reason, those that did not participate in the study are impervious to Web advertising. Even if exposure to advertising had zero effect among non-responders, we would still have observed a statistically significant and positive effect from Web advertising banners.

Whichever assumption one makes regarding non-response bias, the general conclusion that Web advertising is effective is affirmed.

3. Use measurements that can be administered via a survey which will accurately gauge the relationships that individuals have with brands and advertising

Attitudes toward online advertising

At one time, it was generally held that Netizens vehemently opposed advertising on the Web. The IAB Online Advertising Effectiveness Study tested this hypothesis with a series of questions that gauged respondents' attitudes towards online advertising in general, and, more specifically, toward those brands who engage in online advertising.

Ad Awareness

Some would argue that it is the primary responsibility of ad-supported Web sites to provide a supportive context in which the appropriate target audience receives an advertiser's message. To this extent, the first level of advertising effect we examine is the ability of the ad banner to be noticed. We call this measure *advertisement awareness*, and it is based on a question asking respondents if they recall seeing an ad on a particular Web site in the past seven days. Those who respond "no" are prompted with the tested ad and then asked the question, "Have you seen this advertisement [on the particular Web site] in the past seven days?"

Brand-linked Impression

Perhaps more important than ad awareness is a measure of the ability of a Web ad banner to create a *Brand-linked Impression*. This top-of-mind impression is *unprompted* and therefore measures whether an exposure to the ad links the brand to the communicated message. It is a strong predictor of sales in traditional media. We measure *Brand-linked Impression* by asking respondents if they recall seeing an advertisement for a particular brand in the past 7 days.

FORCE Score

Brand-linked Impression is a critical metric for evaluating the impact of an advertisement. However, in order to make comparisons of advertising effect across different media types and brands, we must remove the influence of diminishing returns related to differential advertising weight and the different base level from which brand-linked impression had been increased^{ix}. Doing so will isolate the "overall creative power" of a Web advertisement for comparison across media.

Millward Brown's FORCE score (the First Opportunity to see Reaction



Created by the Execution) is used in traditional media such as television and print to make like-for-like comparisons of an advertisement's effect. We are able to make like-for-like comparisons across media because the FORCE score models out the effects of time, exposure weight, diminishing returns, and base level brand-linked impression^x. By virtue of the experimental design (described below), where we explicitly measure the effect of one additional ad exposure, we can easily calculate the FORCE score. An example calculation is provided in Appendix 2.

Brand Awareness

A goal of some advertising (especially that of new brands) is to increase the awareness of the advertised brand. Before a consumer can have an opinion or perception of a brand, they must first be aware of it. We measure brand awareness with the question, "Before taking this survey, had you ever heard of [brand]?"

Brand Perceptions

An important goal of many advertisements is to positively impact a brand's perception in the minds of consumers. Though individual advertisements and brands have varying objectives, we suggest, in general, that brands seek to use their advertisements to:

- Develop presence in the minds of consumers
- Enhance perceived relevance
- Demonstrate performance on key attributes
- Emphasize advantage and differentiate themselves from competitors
- Create a bond with the consumer

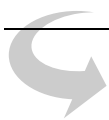
We measure the ability of Web advertisements to meet these objectives through a battery of brand attribute/perception questions.

BrandDynamics Pyramid™

Millward Brown International's BrandDynamics™ Pyramid allows us to understand how the advertisement has changed the relationship the audience has with the brand by describing the pathway to a deepening attitudinal predisposition toward the brand. It is based on a consistent set of brand equity measures that can be applied across different brands, categories, and countries. The BrandDynamics™ system uses some of the brand perception questions mentioned above. In addition, BrandDynamics™ anchors its measurements in the economic value consumers have to the brand. Further discussion of the BrandDynamics™ Pyramid can be found in Appendix 2.

Consumer Value Model

Ultimately, brands hope to develop loyalty among the consumers exposed to their advertising. Millward Brown International's Consumer Loyalty Score allows us to quantify the extent to which the advertising has helped to achieve the desired effect. Developed through an extensive R&D program and validated against actual purchase behavior, the *Consumer Value model allows us to identify the probability that an individual will choose a particular*



brand for their next purchase. We call this measure a Consumer Loyalty score. Consumer Loyalty scores can range from 0%, meaning no behavioral purchase value, to 100% for someone who is completely loyal to the brand. A more in-depth discussion of this model can be found in Appendix 2.

Summary

The IAB Online Ad Effectiveness Study owes much of its ability to rigorously test the effectiveness of Web ad banners to the power of online itself. Though there were a number of challenges related to the coordination and administration of a simultaneous test across 12 high-traffic sites, we found that Online is a natural environment for rigorous research. We would encourage other researchers and marketers to exploit this ability in order to develop online into an even more powerful means of commercial communication.



Calculating the value of exposure versus clickthrough

The equation is straightforward. Across the twelve ad banners tested, we found that brand-linked impression recall among those who clicked through was 70.8%. This compares to 43.7% brand-linked impression recall among those who did not click through. However, both of these measures include a base level of claimed brand-linked impression recall that occurs even among those *not* exposed to the ad banner. This base level should be removed so that the true impact of a single additional exposure can be observed.

The control cell provides the base level, which is 34.0%. Therefore, to solve for the required level of clickthrough from a non-branded ad banner to equal the brand-linked impression impact of a branded ad banner achieving zero percent clickthrough, we simply solve for “x,” where “x” is the percentage of people who click through:

$$\begin{aligned}
 70.8x + 34.0(1-x) &= 43.7 \\
 70.8x + 34.0 - 34.0x &= 43.7 \\
 36.8x &= 9.7 \\
 x &= 26.4\%
 \end{aligned}$$

“x” is required clickthrough from a non-branded banner to match brand enhancement from a branded banner.


FORCE Score

Take for example the FORCE score for Schick Razors. The control cell (at 33.6%) represents the base level from which brand-linked impression is boosted with an additional exposure in the exposed cell. The difference between exposed and control (42.3% - 33.6%=8.7%) provides the brand-linked impression boost at a particular level of impression exposure. To ascertain what that level is the first time exposure occurred, we divide the difference between exposed and control (8.7%) by the remaining population who did not yet have a brand-linked impression recall prior to the single additional exposure (100%-33.6%=66.4%). This generates the brand-linked impression based on the first advertising exposure.

The Consumer Value Model

The Consumer Value model was originally created from survey data collected from 750 UK consumers and calibrated against their actual purchasing behavior (recorded by diary) across the 12 weeks following the interview. The model was then applied to survey data collected using the same questionnaire in the US, Spain, Germany, Italy, India, and elsewhere.

In the UK, four categories were included: toothpaste; coffee; margarine; tea. The market shares calculated from the diary panel for the 33 brands in the four categories matched those reported by Nielsen very closely, reassuring us that we could use the panel data as the dependent variable in our analysis. A control group of 250 respondents who were not interviewed about the brands prior to the panel displayed no difference in behavior from the remainder. The research methodology used to collect both the survey and panel data is described in more detail in papers available from Millward Brown International.



The variable predicted by the Consumer Value model is the value share of requirements derived from the panel, that is the proportion of an individual's category expenditure that went towards each brand. Thus we were not seeking to explain *how much* people spent on a category, but *what proportion* of that expenditure went to one brand or another. We feel that the value share of requirements measure is a key indicator of brand equity, since it will reflect both the proportion of volume sales and the degree to which people are prepared to pay a price premium (which itself is a strong indicator of a brand's equity). By estimating value share of requirements from an individual's attitudes towards the brand we will be accessing their underlying or potential value to the brand — a cleaner measure of true consumer equity than might be derived from panel data alone.

The Consumer Value model works by estimating value share of requirements for each brand for each respondent. We call this the Consumer Loyalty (or CL). In effect the Consumer Loyalty tells us, in percentage terms, how a consumer is likely to divide up their total category expenditure across the set of available brands. As we shall review below, the model takes account of a variety of factors to make the prediction, including individual respondents' price responsiveness and whether or not he or she is a repertoire purchaser. When aggregated up to the brand level the accuracy of the Consumer Loyalty prediction is good. The correlation between the loyalty predicted from the survey and that measured from the panel is 0.96.

We need to recognize, though, that loyalty alone does not determine the value of a purchaser to a brand. We must also take the weight of consumption into account. By asking questions about weight of purchase in the category, it is a simple step to convert the Consumer Loyalty score into a Consumer Value (CV). This recognizes the fact that even though they may be equally loyal to a brand, those who are heavy category purchasers are inherently more valuable to a brand than those who are infrequent purchasers.

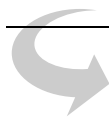
While the Consumer Value model was developed based on the attitudes and behavior of UK consumers, studies in other countries and categories have provided excellent out of sample validation by using the model derived in the UK to project up to dollar market share. Where the survey data could be compared on a like for like basis with the share data the projection was as accurate in the other countries as in the UK (in some cases more so).

Factors Taken Into Account by the Consumer Value Model

Consideration, brand size, and consumer responsiveness to price are three factors explicitly taken into account by the model.

1. Consideration

Our experience of tracking brand performance in many different categories has shown that claimed consideration has a strong directional relationship with actual sales over time. That relationship, however, is often disguised at a point in time by both the purchase cycle in the category and the influence of price and other key factors that affect purchase behavior.



The specific consideration scale used within the Consumer Value model takes account of three aspects of purchasing behavior.

- People often maintain an open mind with respect to brands they might possibly purchase, and can have a wide consideration set.
- People often do not just buy one brand; they may regularly swap between a repertoire of brands in certain categories.
- Even if it is part of a repertoire, a brand that is bought for a specific purpose will be bought more frequently than others in the same repertoire, which may be more easily substituted for one another.

2.Brand Size

In every category there is a clear relationship between brand size and the probability of purchase. This is the Double Jeopardy effect, first noted by McPhee in 1963^{xi}, and confirmed in subsequent work by Ehrenberg and his colleagues^{xii}. This empirically based finding suggests that the bigger a brand is the more loyal its buyers will be, and it has been observed to influence purchasing behavior in virtually all categories studied. While Double Jeopardy has proven to be a robust and reproducible empirical generalization, its effect is often ignored in both marketing and market research practice. However, it still plays an important part in determining the actual outcome of peoples' purchasing behavior. The Consumer Value model explicitly takes account of the Double Jeopardy effect by including a survey based measure of brand size.

3.Consumer Price Responsiveness

Price has two influences on purchase behavior, one general and one specific. The general perception of a brand's price relative to others helps determine whether or not a brand is included in an individual's consideration set. The specific price asked at the point of purchase will determine which brand in the consideration set is actually chosen. The Consumer Value model takes account of this by identifying an individual's price responsiveness and then including the actual average market price in the model in the form of an index against the category or relevant competitive set.

This is accomplished by allocating consumers to one of three clusters — Brand Loyal, Repertoire or Price Driven. Individuals are assigned to a specific cluster based on their answers to a limited set of questions covering areas such as satisfaction with the category, or the influence that price discounts might have on their decision. In the original validation work the Price Driven consumers exhibited six times the responsiveness to price compared to the Brand Loyal group. Typically, the groups display different brand preferences and the proportion of people that fall into each cluster differs from one category to the next.

Using Consumer Loyalty and Value

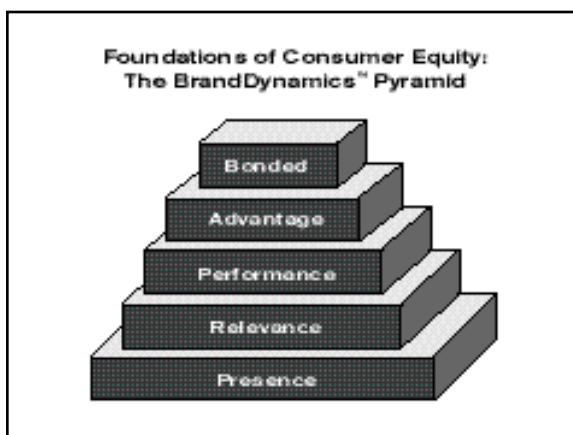
The Consumer Value model uses all of the factors described above to predict Consumer Loyalty — an individual respondent's value share of requirements. To derive a measure of the value of a consumer to the brand we then factor this loyalty prediction by the claimed weight of category purchase. To make market share predictions, we must use this Consumer Value measure aggregated across respondents. In so doing, we have succeeded in identifying the value of consumers in a way that can ultimately be related to the value of the brand on the balance sheet.

The Foundations of Consumer Equity — the BrandDynamics™ Pyramid

Our objective in developing the BrandDynamics™ Pyramid was to find a way of systematically diagnosing the factors underpinning the brand's Consumer Loyalty. In other words we wanted to identify why one person might have a high loyalty for a brand while another might have a low loyalty.

As a result of our experience of monitoring brand health, and extensive R&D work, we identified five conceptual stages in a person's relationship with a brand as reviewed by Hollis^{xiii}. We then developed a broad set of questions which we hoped would discriminate between these stages and applied them in the pre-survey described previously. The development of the BrandDynamics™ Pyramid involved analyzing the results from our questions to see which ones did discriminate between differing degrees of loyalty.

The key evaluative attributes identified from our analysis are summarized by the Brand Pyramid shown below. Each level of the pyramid represents an increased level of familiarity and involvement with a brand.



The percentages refer to the proportion of people from our panel (based on the pre-survey) who fell into each level of the pyramid for the average brand. The rationale for each level is described below.

A brand must create an active **presence** in the market. While Aaker^{xiv} suggests awareness is important because people will often select a recognized brand over an unknown one, simple brand awareness failed to provide discrimination in terms of Consumer Loyalty. A review of brand tracking data collected by Millward Brown demonstrated that even very early on, successful brands are distinguished from the competition because they are seen as active and dynamic beyond their stature in the market. At the most basic level this is exhibited in unaided awareness of the brand name, remembered trial, or an active understanding of the brand promise (represented by the active acceptance or rejection of whether the brand meets their needs).

To progress beyond presence, the brand's promise must be of **relevance** to the needs and aspirations of potential buyers. A brand must show that it is capable of fulfilling at least some of the key criteria the consumer has for the intended purchase. This could be in terms of functional performance or image to match the identity and



self-presentation of the buyer, but an acceptable price is always an additional requirement. A brand has relevance for someone if it is not actively rejected as being too cheap, too expensive, or as not meeting a person's needs.

A brand's *performance* must live up to its claims and deliver the intended benefits against the standards set by the competition. It is important to note that performance in this context refers to a generic perception of product acceptability. Innovation is clearly an important means for any brand to sustain its position in the market by ensuring that its product is better than the competition. To achieve this level, a person must not agree that the brand has a worse performance than others in the category (actually, phrasing is category-dependent).

The brand must demonstrate that it is more relevant than others by creating some *advantage* over its competition. If a brand is to thrive, it must offer a unique proposition to consumers. In the crowded markets of the 1990's many brands have little functional product differentiation, but successful brands manage to develop a distinctive product positioning or personality through advertising. Work by Farr and Brown^{xv} has shown that advertising can be used to enhance the product experience by raising expectations and focusing selective perception on the rewards of the brand. Branthwaite and Swindells^{xvi} have described the psychological mechanisms by which advertising can also raise the status and interest of a brand by creating a halo of excitement, uniqueness and supremacy. People reach this level if they mention the brand on one of the following attributes:

- Better performance
- Different from other brands
- Appeals to me more
- Growing more popular
- Most popular brand
- Have a higher opinion of than others
- Acceptable price
- Meets my needs
- First mention at unaided brand awareness

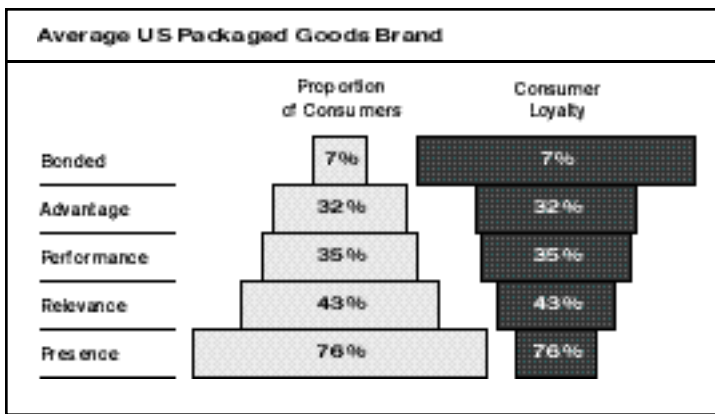
Finally, it is the ability of the brand to create a *bond* with its users that ensures loyalty in the future. Ultimately, a successful brand forges a special relationship with the consumer through its unique combination of perceived attributes. At this level, acceptability is taken for granted and the consumer bonds to the brand so that it is the only one to be considered. The relationship has moved from consciousness of the brand (Presence), through acquaintance and checking out (Relevance and Performance), then experience (Advantage), to become bonded as the only brand to be considered. The consumer is considered bonded with the brand if the brand has a high share of endorsements on those Advantage attributes which are important to the category (derived importance based on a respondent-level regression of Consumer Loyalty).

While, for logistical reasons, the original research was confined to fast-moving packaged goods, the concepts and questions developed as part of the BrandDynamics™ Pyramid appear to work well across different brands, categories,

and countries. Following its introduction in April 1996, the BrandDynamics™ System has been used to study impulse purchases, carbonated and alcoholic beverages, financial services, retail, over-the-counter drugs, personal care, and automotive brands in Europe, North America, and elsewhere.

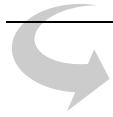
A Hierarchy of Consumer Equity Measures















In the BrandDynamics™ system we have identified a consistent set of measures for each level of the pyramid, such that the combination provides a clear cut between that level and the one below in terms of the average Consumer Loyalty of people who attain that level. The following chart shows how the average Consumer Loyalty increases for each level.






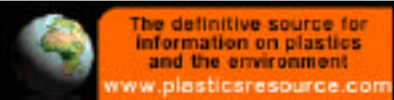

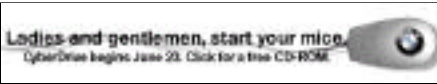



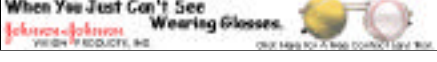
Above, we see the average Brand Pyramid reviewed earlier, and next to it the average Consumer Loyalty of the people who attain that level. People who attain the Presence level are likely to spend 13% of their category expenditure on the brand in question, compared to only 2% for whom the brand has no Presence (note: lack of presence in itself does not preclude the probability of purchase). People who progress to the Bonding level are likely to spend an average of 38% of their category expenditure on the brand. Why do they not spend a greater proportion than 38%? This figure, like those for the other levels, will vary from brand to brand, and category to category. In this case, we are looking at fast-moving packaged goods brands, which are commonly bought as part of a repertoire, so people can be bonded to more than one brand and split their purchasing between them. The exact CL for an individual consumer could range from under 38%, in cases where the person is attitudinally predisposed to several brands, up to a theoretical maximum of 100%, in which case the person is completely loyal to one brand.

APPENDIX 3 – BASE SIZES AND BANNER EXECUTIONS



		Banner	Base Size
Toyota	Exposed		752
	Control		725
Cigar Aficionado	Exposed		655
	Control		662
DejaNews	Exposed		572
	Control		618
Volvo Automobile	Exposed		405
	Control		396
Toshiba Notebook Computer Accessories	Exposed		201
	Control		194
Delta Business Class Air Travel	Exposed		732
	Control		754
Apple QuickTake Digital Camera	Exposed		592
	Control		539

APPENDIX 3 (CONTINUED)

		Banner	Base Size
AMD Computer Chip	Exposed		1,178
	Control		1,128
Strong Funds	Exposed		560
	Control		542
Schick TracerFX Men's Cartridge Razor	Exposed		398
	Control		466
Kenwood Stereo Systems	Exposed		752
	Control		766
MasterCard	Exposed		605
	Control		649
Non-valid respondents ¹⁴			1,918
Total			16,758

¹⁴ Due to technological issues (browsers, cookies, etc.), we were unable to verify ad exposure on approximately 10% of the final sample. These individuals were dropped from the final analysis.

ENDNOTES

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- ⁱⁱ Baddeley, A. (1979) The limitations of human memory: Implications for the design of retrospective surveys. In Moss, L., and Goldstein, H., (eds.). *The Recall Method in Social Surveys*. 1979. London: University of London, Institute of Education.
- ⁱⁱⁱ Briggs R., Hollis N., "Is There Response Before Click Through?", *Journal of Advertising Research*, March–April 1997.
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- ^v Hollis N., "The Link Between TV Ad Awareness and Sales", *Journal of the Market Research Society*, January 1994
- ^{vi} Dyson P., and Farr A., "Effective Frequency, New Evidence on an Old Debate", proceedings of the 1995 Market Research Society Conference
- ^{vii} Ad Track 94, Andy Farr, Millward Brown International, published by IPC Magazines
- ^{viii} IPRO/DoubleClick Study on Ad response "What makes people click" – Available from DoubleClick
- ^{ix} Hollis N., "The Link Between TV Ad Awareness and Sales", *Journal of the Market Research Society*, January 1994.
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- ^{xvi} Branthwaite, A. and Swindells, A. (1995) "Capturing the Complexity of Advertising Perceptions". ESOMAR Seminar Paris