

# COMMERCIAL COMMUNICATIONS

*The Journal of Advertising and Marketing Policy and Practice in the European Community*  
Sponsored by DG XV (The Directorate General for the Internal Market and Financial Services) of the European Commission

## First Meeting of the Expert Group

European Commission Delegation  
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*Paul Waterschoot, Director, DG XV*

The inaugural meeting of the Expert Group on Commercial Communications took place on 27<sup>th</sup> May and was a great success. Representatives of states from across the European Union arrived bright and early in Brussels to start tackling the problems that exist in the area of the cross-border provision of commercial communications services.

Directorate General XV introduced and chaired the meeting and drew attention to the exciting challenge facing the Group. The voluminous responses to the Green Paper highlighted the real problems that exist for both consumers and industry when commercial communications move across borders. These problems do not stem simply from the existence of divergent regulatory regimes in each Member State. The real problems are caused by the fact that mutual recognition tends not to be applied to commercial communication services emanating from other Member States. As a first step towards achieving a solution, Member States need to be fully aware of the standards imposed elsewhere in the Union. Only then will they be able to decide whether mutual recognition is a feasible solution.

Evidently, such a course relies heavily upon the goodwill of the Member States. Each regulation governing commercial communications needs to be unearthed so that an accurate picture can be compiled. This information will then be fed into the regulatory database, accessible on the Internet, so that all interested parties have access to the most up-to-date and comprehensive information. At present, it is tremendously difficult for third parties to obtain details of the relevant legislation. This was succinctly demonstrated by the fact that the Commission, despite its very best efforts, had been unable to compile an accurate table of the regulation of discounts, the first issue to be debated by the Group!

Because the definition of a discount varies from one Member State to the next, it was important to establish a working definition for the purpose of the Group. For the purposes of the first meeting, discounts were defined as 'the offer of a particular product at a reduced price, whether because of the quantity sold or otherwise'. This definition covers '3 for 2' type offers, '20% extra free' and coupons or vouchers. It does not, however, cover the situation where a second

July 1998

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C1-AA-98-013-EN-C

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Sponsored by DG XV  
(Internal Market & Financial Services)  
European Commission

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different product is offered for free (known as a 'premium'). Nevertheless, there is a strong possibility that the Group's debate on discounts will be extended at future Expert Group meetings to include premiums and other forms of sales promotion.

In examining the regulation of discounts, an important distinction emerges. On the one hand, there is the issue of whether the discount itself should be regulated. On the other, whether the manner in which the discount is promoted should be controlled to ensure that sufficient and accurate information is provided to the consumer. Differing public interest objectives are proffered to justify these two distinct types of regulation and so I can envisage the Group treating the two issues separately during future debates.

The Commission quickly ran through some procedural points relating to the operation of the Expert Group. We will be preparing minutes of the meetings, but have decided that it would be best not to circulate them to third parties. This is because the Group's first priority is to ensure a full and frank exchange between the delegations. On the other hand, the agenda of future meetings will be freely distributed. This will enable any interested parties to make their views known to their national delegations and the Commission in advance of the meeting, concerning the issues that will be discussed.

The Commercial Communications Web-site is in the process of being designed and I am hopeful that it will be in operation during the Autumn. The Web-site will enable information about the Expert Group's activities to be disseminated widely, as well as providing a transparent forum for views to be expressed and for the Commission to respond to queries.

An internet mailbox had been created so that comments and requests for information can be sent electronically to the Commission contact point. The address is [comcom@dg15.cec.be](mailto:comcom@dg15.cec.be). I would like to encourage you again to use this mailbox to let us have your views on any issues concerning cross-border commercial communication services and to ask us any questions. In particular, I would welcome your thoughts on the issue of discount regulation so that these can be fed into the next key discussion of this issue by the Expert Group. We have already received a number of interesting contributions. Those which have highlighted the different types of discount promotion which are used and the different ways in which they are regulated, have been particularly useful. Needless to say, your contributions can alternatively be sent by letter or fax to the Commission at the following address: Commercial Communications Contact Point, DGXV, 3/106 Avenue de Cortenbergh 100, B-1000 Brussels (Fax: 00322 295 7712).

I was very pleased with the level of constructive debate taking place at the Expert Group's first meeting and look forward with interest to the next meeting, which is scheduled for October 21st 1998, when the thriving debate on discounts will be continued.

## Editorial

We understand from DG XV that there has been a strong response to the questionnaire on commercial communications on the Internet distributed with the last issue of this newsletter. Given the importance of commercial communications to the development of on-line services, we would urge those who have not already done so to reply. It is particularly important at a time when issues relating to electronic commerce are at the top of the policy agenda.

As we go to press with this issue of *Commercial Communications*, we learn that the Commission has taken a decision to make an assessment of the effects of television advertising to children. Many will no doubt regard this as a very weak response to the highly sensitive infringement case against the Greek government and its ban on toy advertising on television. However, readers of this publication will be aware that the broader issue of television advertising directed at children is regarded in a number of Member States as problematic.

A review of many of the arguments is published in the opening article of this issue. If the Commission's assessment in this policy area is to be affected in a reasonable time period, it will depend on the quality information from all interested parties. To this end, *Commercial Communications* would urge the establishment of a network of academics working on the subject that would make available to the Commission all relevant material for a rapid assessment. The Commission has stated that there are three areas of particular interest. It wishes to establish, firstly, what are the risks associated with television advertising to children and, in particular, toy advertising. Secondly, it wishes to establish the extent to which these risks also apply to other forms of commercial communications directed at children. Thirdly, the Commission wants to assess existing measures, including bans, are effective in meeting the risks identified.

The information provided by the academic network we propose would be of enormous value to the Commission and we hope that the pages of this publication will also continue to be used to develop informed opinion. This, of course, applies to all the issues which need to be considered by the commercial communications Expert Group and readers are urged to continue to complete and return the questionnaire on commercial communications on the Internet distributed with the last issue. It is clear that the current infringement procedure is not fast enough and any alternative procedure will depend for its success on the quality of information available.

As reported elsewhere in this issue, the first meeting of the Expert Group which met to discuss the issue of discounting was deemed a great success. There is to be a further meeting on the subject in October and interested parties should seek to ensure all relevant information is available to this meeting. The best chance for the Expert Group to make real progress is for its informal status to be acknowledged – hence the lack of published minutes. The agenda for the meetings will, however, be published, which should allow for the relevant information to be provided by interested parties. We understand that the results of the Expert Group's deliberations will be published as an opinion on the application of mutual recognition in this area after its third meeting.

# Children and advertising - the research

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**A**s a psychologist who regularly reviews research on children and advertising, I read with interest the articles about this subject in recent issues of *Commercial Communications* (June 1997; January 1998). Academic research in psychology and communications features frequently in discussions about children and advertising, and is sometimes used to justify one policy or another. However, the scholarly research on children and advertising is not nearly as clear, reliable or relevant as is often supposed.

## **Research on children and advertising: What does it really show?**

Four reviews of research on children and advertising, conducted in four countries (Sweden, Belgium, the Netherlands, Britain), arrived at much the same conclusions, namely that there is no convincing evidence that advertising affects children's values and materialism, eating habits, the use of tobacco and alcohol, gender and ethnic stereotypes, violence, socialization, or has any long-term effects (Björström, 1994; de Bens & Vandenbruaene, 1992;

***Every study of the subject finds that children are more influenced by parents and playmates than by the mass media.***

Goldstein 1994; Young, 1990). On some questions, such as how young people use advertising, there is little or no research. On other questions, such as the age at which children understand advertising, the answers are highly variable (a result of conflicting measures and definitions of 'understanding'). And on still other issues, the research itself is poorly conducted and open to alternative explanations, such as studies of the influence of advertising. In the several hundred studies of children and

advertising (Pecora, 1998), it is difficult to find reliable results or useful guidelines for European policy.

Nevertheless, there are some conclusions that can be drawn from a review of scholarly research on the subject. One of them is that there is little evidence to support the position that children are particularly vulnerable to advertising. Every study of the subject finds that children are more influenced by parents and playmates than by the mass media. Youth fads, like in-line roller skates, POGs, and the earrings that adorn young men, begin not with advertising but by word of mouth and imitation. Children's fascination with the latest toy, video game, or musical group often precedes rather than follows widespread advertising.

Advertising does not ensure success in the marketplace. There are more advertised failures than successes. Economist S. Lebergott (1993) estimates that more than 85% of the 85,000 new products advertised in the American market in the 1980's did not survive by the end of 1990. People exaggerate the power of advertising because it is ubiquitous and because they do not completely understand their own behaviour as consumers. For example, consumers greatly overestimate the amount of money that manufacturers and retailers spend on advertising (Scipione, 1997). The concern with being manipulated by advertising is so great that in Europe there are laws against subliminal advertising, despite a total absence of evidence that subliminal advertising has any effects whatsoever.

## **The standard argument**

Some adults fear that children are defenceless in the face of sophisticated advertising techniques, and are made to want everything they see advertised on television (Friestad & Wright, 1995). This 'moral anxiety attack' sets the stage for efforts to restrict, or eliminate altogether, ad-

vertising directed to children.

The argument repeated in nearly every document on advertising to children assumes that television commercials create wants in children, who then pester their parents for the advertised product. The parents, apparently helpless to refuse, succumb to the demands of their children and purchase the product. If they do not give in to their children's demands, the argument goes, parent-child conflict is the inevitable result. This 'standard argument' assumes that commercials create wants because young viewers do not understand advertising and are therefore particularly influenced by it. These propositions are assumed to be true despite the paucity of evidence to support them.

Many studies have tried to pinpoint the age at which children recognize the difference between a television programme and a commercial, and the age at which they understand the persuasive intent behind advertising. This issue surfaced in the 1970's in the United States when political and consumer groups expressed concern that children were easily exploited by advertising. The varying methods and definitions in this research make for highly variable and unreliable results - some studies put the age of understanding as low as two years of age, while at the other extreme, children of 11 or 12 are said to be unaware of advertisers' motives. Brian Young (1998), in a review of recent research conducted for the Independent Television Commission (London), concludes that 'Children's ability to understand the "grammar of television" may have been underestimated in the literature of the 1970s' (page 4). There surely is a median age below which most children fail these tests. But I am aware of no evidence that establishes a link between the extent of youngsters' understanding of advertising and the influence that it has on them.

I believe that efforts to specify the age when children understand advertising are misguided for three reasons:

First, there is no magic age at which someone understands advertising. Learning is a continual process that depends upon family and friends. The often-heated debates about advertising leads me to conclude that many adults do not understand advertising, either. Age is not the issue. Second, researchers' tests of understanding are so stringent that even reasonable adults would fail them. One test requires children to cite discrepancies between advertising

***There is simply no evidence linking the degree of children's understanding of advertising with the effects advertising has on them.***

claims and product reality. If advertisers adhere to their own regulatory guidelines, there will be no discrepancy between advertising claims and reality, since false and misleading advertising is prohibited virtually everywhere. Finally, and perhaps most important, there is simply no evidence linking the degree of children's understanding of advertising with the effects advertising has on them. No research has demonstrated that children who do not understand the purpose of advertising are more affected by it than those who do understand it. Indeed, children who do not understand advertising may be less influenced by it than youngsters who know that it is intended to make them want something. If children cannot extract the commercial message, they are not in a position to act on it. One review of research for the National Children's Bureau (London) concluded: 'The popular belief that advertising "preys" more on younger than older children is not proven in the literature. Studies in both Australia and America found little difference in the behavioural impact of advertising by age group' (Holden, 1982).

Children in Western Europe are exposed to thousands of television commercials per year. But no child asks for thousands of products. Children, like adults, are highly selective in what they attend to on TV, and are even more finicky in choosing products. But many a parent has heard a child, immediately after viewing a commercial, ask for the advertised product. This is taken as proof of the direct and immediate influence of advertising. However, parents are more aware of their children's television viewing than of their social encounters. Peer influence takes place out of sight from parents, at a creche or on the playground. As a result, parents may mistakenly attribute their child's desire for a toy or breakfast cereal to a TV commercial when the desire originated during prior encounters with playmates.

Advertising does affect us. If a message is repeated often enough, people will increasingly accept it. That is why it is important for advertising to be honest and not mislead, practices ensured by a host of rules and regulations, some of them imposed and some self-imposed. Certainly the message that advertising adversely affects children has been repeated so often that it has become part of folk wisdom. The 'standard argument,' the belief that children are easily influenced by advertisers, has come from so many directions that it is no longer examined critically. We may be comforted by thinking 'Advertisers are doing this to us,' but in truth we are doing it to ourselves.

### **The importance of advertising to children, and the importance of children to advertising**

The case for advertising is traditionally based on its economic role. But a case can also be made for the psychological and social value of advertising. Advertising is everywhere, and people everywhere are

united by it. Perhaps for the first time, young people of all ethnic and geographic origins share images and experiences, thanks in large measure to mass media and mass advertising.

Advertising offers youth entertainment, diversion, a way to manage their mood states, and information on how to satisfy personal needs. Its first-class graphics, music, and humour give advertising the potential to teach children language, cognitive, social, and artistic skills. Successful children's programmes like *Sesame Street* rely upon advertising techniques to teach children all manner of things. Advertising has been doing this for years. More than 90% of the revenues from television advertising directed at children is reinvested in children's programmes (Grégoire, 1997).

Of course the media influence behaviour. No one would go to the cinema, listen to music, read a book, watch television, or pay attention to commercials if they did not get something from it. What youngsters get are ideas for satisfying their needs for identity, belonging, and independence. They use information in commercials, and the commercials themselves, to help them achieve their personal goals.

Advertising gives meaning to goods and ultimately to ourselves. This is what advertisers refer to as 'branding,' giving an identity to a product. Indirectly, this identity rubs off on the consumer. In a world where one's identity is no longer determined solely by class or race, advertising helps us create and maintain a self image and communicate who we are to others (Fowles, 1996; Willis, 1990). Why else would youngsters care if their sports shoes carry the name of Michael Jordan?

Advertising is a source of information about products. As such, it is highly valued by potential consumers. Although children rely mainly on other children as their source of inspiration, adults rely on

Björström, E. (1994). *Children and television advertising: A critical study of international research concerning the effects of TV commercials on children*. Vällingby: National Swedish Board for Consumer Policies.

de Bens, E., & Vandenbruaene, P. (1992). *TV advertising and children*. Gent: Centre for Media, Opinion and Advertising Research, University of Gent, Belgium.

advertising for ideas about appropriate gifts for children.

The majority of commercials aimed at children have a prosocial message. In one study, prosocial behaviour or positive qualities appeared in 59% of all children's commercials (Stout & Mouritsen, 1988). Helping and teaching were common altruistic behaviours, appearing in 21% of all commercials. 'Friendly behaviours' were the most common - 42% of all commercials contained examples of affection between characters. There is virtually no violence in children's advertising, according to a study of British television (Smith & Bennett, 1990). A recent report suggests that very young could be frightened by certain images in television advertising, such as one character 'morphing' into another (Young, 1998).

### Protecting children

Why exclude children from their voluntary participation in what is - for better or worse - a nearly-universal youth culture? That it is also a commercial culture is a reflection of our times. Youth are a significant and growing economic force, responsible for billions of ECUs in sales per year, money put there, incidentally with help from advertising. Children influence family purchasing decisions because they are knowledgeable about products, thanks to their attention to advertising.

Suppose children under the age of 12 are prevented from seeing advertising. What will happen to these overprotected children when at last they are exposed to advertising?

They will be ill-equipped to sort it out. There may be 6-year-olds who do not understand advertising at all, but what is the point of enforcing such ignorance to age 12? I believe we should teach children to make good choices for themselves, to evaluate and choose among the many messages that compete for their attention,

not just in the marketplace, but in the political and social world.

It seems to me that the best ways to protect children from what adults fear will harm them - alcohol and drugs, violence, pornography, or advertising - is to set an example by our own behaviour, and to talk with them and encourage them to talk with us about the subject. The evidence is consistent in showing that the effects of the media are minimized when parents talk to their children about them. Whether we like it or not, media education begins at home.

Consumer education does not confer upon people a heightened resistance to persuasion. There is no evidence that awareness of advertising intent or techniques makes people immune to advertising. Rather the primary aim of such education is to provide a better understanding of how advertising fits into the society and the economy. This will enable consumers and others to see the role that advertising plays in the economy, in helping consumers to make informed choices, in supporting children's television programming, and in serving as a source of popular entertainment that enriches our lives.

According to Dale Kunkel, a communications researcher and activist in this area, if the decision regarding regulation of children's advertising rests solely upon the need to show harm, 'it is quite possible that the evidence available currently...may be dismissed as inadequate to warrant regulation' (1988). Ten years later this conclusion is still valid.

The boundaries between advertising and non-advertising, and indeed between 'media' and non-media, are rapidly changing and dissolving. I am convinced that young people will be better served by learning to make intelligent media (and consumer) decisions than by attempts to limit their exposure to information that they will almost inevitably be exposed to regardless of the regulatory climate.

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# Is advertising still salesmanship?

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The question posed in the title of this article is not a joke, although many American advertising people will find it curious if not incomprehensible. The notion of advertising as a branch of salesmanship is so obvious and has such a long history that few American advertisers have ever been able to imagine advertising as being anything else. The question will, however, cause less surprise to European, especially British, practitioners, whose styles of advertising are only too often difficult for Americans to comprehend. In Europe, understated softness, quirkiness, indirectness, unusual visual effects, and bizarre humour are taken to extremes. If such advertising works at all, it must obviously work in unexpected ways.

In contrast, American advertising has traditionally been written with straightforward and aggressive intentions—to boost sales, to attack the competition and increase market share, to build a consumer franchise and drive loyalty, to launch and develop strong new brands. Its methods have mostly been equally direct:

‘...constructing advertisements which grab a woman’s attention and don’t let go of it until the message has been fully planted’ (Ogilvy, 1983).

It is obvious from this rather typical statement by an American advertiser that its advertising is expected to work by conversion: by addressing apathetic or even hostile prospects and persuading them with powerful arguments to buy its brand.

***In Europe, understated softness, quirkiness, indirectness, unusual visual effects, and bizarre humour are taken to extremes.***

This happens. But I believe that it happens far less often than many advertisers believe: a point to which I shall return.

In 1990 I examined the different attitudes of American and European practitioners in an article, ‘Advertising - Strong Force or Weak Force? Two Views an Ocean Apart.’ This generated a good deal of interest and my article has been rerun in at least six different publications, most recently in 1996. The phrase ‘strong force’ was meant to describe the normal American attitude toward advertising, as discussed above; ‘weak force’ was meant to describe a typical European view. I did not mean the adjective ‘weak’ to imply ineffective but rather to illustrate the modus operandi of advertising that might work in a different and more subtle way from how it is most commonly planned to work in the United States. I sometimes think that the process involved is the opposite of browbeating: namely seduction.

To the surprise of American readers, I developed the argument that effective advertising for repeat-purchase packaged goods can far more often be explained by the weak theory than by the strong one - a generalisation that I believe holds equally true for advertising on both sides of the Atlantic and also for other countries (e.g., Japan, Australia, and others) which have reached economic maturity and where there is no longer much increase in primary demand for consumer goods and services. I believe that in an environment in which brands can only gain share at other brands’ expense, head-on advertising appeals are too unsubtle to be productive. Consumers switch off their attention. Effective advertising must be derived from the competitive environment, which means that it must be based on an understanding of the subtleties of consumers and of the brands they use, with appeals that may only be meaningful to the users of the competitive brands being targeted.

In my article I also asked myself whether the argument about strong/weak forces was very important. I concluded



that it in fact matters a great deal. Salesmanship is by definition an activity directed at increasing sales. This generally means increasing an advertiser's profit. The question whether advertising is a strong or weak force - and what salesmanship really means - therefore has a direct bearing on this prime business objective. As a result, it governs the styles of campaign developed and exposed and the types of research used to evaluate them. It also influences - or should influence - my own main field of activity, advertising education.

### **The weak theory**

The weak theory is derived from the work of the British academic Andrew Ehrenberg. He is a mathematician rather than an advertising specialist and is best known for his analyses of consumer purchasing patterns derived from very extensive longitudinal consumer panel data (1988, 1974). He has published his work widely, and with a single important exception (the main topic that I shall be discussing in this article), Ehrenberg's conclusions are well supported empirically.

The main points of Ehrenberg's doctrine can be summarised briefly, although I shall only barely do justice to the breadth and integrity of his work.

1. A brand's penetration - the proportion of households which buy the brand at least once in a defined period - is the main determinant of its market share. In general terms, the more buyers the higher the share, in direct proportion.
2. Purchase frequency - the average number of times the household buys the brand during the defined period - influences the brand's market share, but to a lesser extent than its penetration does. For small and medium-size brands, purchase frequency does not differ much from brand to brand. However, for the approximately 20 percent of largest brands, purchase frequency in-

creases to an above-average level, and this gives an additional boost to market share (Jones, 1995).

3. Three other purchasing dynamics - repeat purchase, the frequency distribution of purchases, and multi-brand purchases (i.e., the other brands in the category that are bought by the brand's users) - are all closely related to its penetration and purchase frequency. These additional dynamics can be modeled mathematically, and in general the predictions of such models will match observed data.

### ***If existing buying behaviour has a greater influence on buying than external stimuli do, what do these stimuli accomplish? In particular, what does the consumer advertising for a brand actually do?***

4. For established brands, the five factors discussed in the last three paragraphs show regularity and uniformity over time, and certain of them are uniform from brand to brand. The numbers expressing these dynamics describe in reasonably precise terms what are in essence habitual buying patterns: patterns determined by forces driven by existing and deeply entrenched behaviour uninfluenced in the main by external stimuli.

5. This now leads to an important but difficult question. If existing buying behaviour has a greater influence on buying than external stimuli do, what do these stimuli accomplish? In particular, what does the consumer advertising for a brand actually do?

6. Ehrenberg's line of argument hypothesises that advertising has three functions: (a) it stimulates brand awareness, acting as a reminder, and this prompts purchase and use of the brand. This leads to the growth of favourable attitudes in the minds of its buyers. (b) Further advertising reinforces these. This interaction of awareness and

reinforcement gives the doctrine its name, Awareness-Trial-Reinforcement (ATR). Additionally, (c) advertising has a defensive role in protecting the status quo: maintaining the brand's penetration and purchase frequency against the assaults of competitive brands.

7. Ehrenberg's doctrine assumes that consumer goods markets are essentially stationary: that there is little change over time in either the size of categories or in individual brand shares. As I shall explain, this is not a totally realistic assumption.

***The research threw up some striking conclusions, the most important of which was that advertising had an immediate effect on sales in 70 percent of cases.***

I must state immediately that the Ehrenberg doctrine explains a great deal about how purchasing takes place and what advertising actually accomplishes, at least in the medium and long term. Ehrenberg is plausible in terms of consumer psychology. His doctrine is generally more often right than wrong. However, I believe that it is incomplete in one important respect: how advertising works in the short term (as opposed to the medium and long term). Remember that in Ehrenberg's eyes, advertising's only short-term role is to prompt brand awareness. I believe that there is more to it than this.

In 1995, I published the results of a substantial piece of pure single-source research. I coined the phrase 'single-source' to describe a technique aimed at examining in a tightly controlled way the influence of advertising on consumer purchasing. I covered the leading brands in 12 major categories of repeat-purchase packaged goods, using data on brand buying supplied by the A. C. Nielsen household panel. Two thousand homes in this panel were supplied with meters attached to all television sets in the house-

hold, and these logged when the set was switched on and to what program. A third data source, with the proprietary name of Monitor Plus, identified the names of all the brands advertised when each set was switched on. The research provided a total of more than 110,000 statistical readings.

This cumbersome but thorough research procedure made it possible to relate the purchasing of identified brands by each individual household to the advertising for those same brands seen by that household just before the purchase. (I defined 'just before' as within a period of seven days before the brand was bought.) This carefully controlled collection of multiple data from each individual household enabled me to examine in a scientific way the relationship between advertising and buying. I isolated the effect of advertising by comparing purchases in the households which had bought after having received advertising for the brand, and purchases in the households which had bought but had not received advertising for it. In other words, I was able to answer the rather important question: what contribution does advertising make on its own?

The research threw up some striking conclusions, the most important of which was that advertising had an immediate effect on sales in 70 percent of cases. The size of this effect varied widely between brands, but with some brands market share more than doubled. Using tough standards to judge effectiveness, the 70 percent estimate came down to 35 percent. An important supplementary point was that *a single advertising exposure was shown to be all that was necessary to achieve an immediate sales increase*. There was not much build-up of further sales from additional advertising.

I also measured a long-term effect, measured in the first instance by the influ-

ence of advertising on sales over the course of a year. (I subsequently called this a first order of long-term effect.) In every case, the high level of short-term effect was not sustained, so that as an invariable rule the year-end effect was less than the immediate one. I found that of the 70 percent of brands whose advertising produced short-term sales results, two-thirds (46 percent of all brands) showed a positive result—but one that was always reduced by the end of the year. With tough standards in judging effectiveness, the 46 percent figure came down to 25 percent.

I, therefore, drew a clear and robust conclusion that advertising is capable of a sharp immediate effect on sales: in direct contradiction to Ehrenberg's doctrine that advertising's short-term effect is solely to increase brand awareness. With such a contradiction, how is it possible to reconcile Ehrenberg's well-supported view that advertising has no short-term effect on buying behaviour with my own empirical proof that such an effect not only exists, but can be very large indeed?

The gulf between Ehrenberg and myself is not as wide as it appears at first glance, but to appreciate this point, we must understand the different ways in which Ehrenberg's and my data were actually collected.

### **Ehrenberg versus Jones**

The empirical basis of Ehrenberg's work is consumer panel information: reports from consumers giving details of their brand purchasing. Data were collected at intervals of varying lengths—one week, four weeks, thirteen weeks, one year; but the vast majority of his figures are presented for periods of four weeks or more. (These might have been aggregations of short-term figures collected separately, but this point is not discussed and the separate figures are not given.) It will be

remembered that my data relate to a period of a single length—one week. Herein lies the key to understanding the difference between Ehrenberg and me.

An additional point is that Ehrenberg covers only brand purchasing and makes no attempt also to measure consumers' actual exposure to advertising. His conclusions about the influence of advertising on purchasing must therefore be inferred. Mine are observed.

Two analysts who have carried out work similar to mine, Walter Reichel in the United States and Colin McDonald in Great Britain, have demonstrated that the short-term effect of advertising on sales is evanescent (Reichel, 1994; McDonald, 1996). The maximum effect comes from advertising seen one day before buying the brand; it is weaker from advertising seen two days before; weaker still from three days before; and weaker again from four days before.

***Moreover, different brands in a category will advertise competitively in order to take share from one another; therefore, the effective campaign for one brand will tend to cancel out the effective campaign of another, especially if they advertise at different times.***

Because advertising's effect decays so rapidly, Ehrenberg's measures of consumer purchasing over periods of four weeks, thirteen weeks, and one year cannot be expected to show much immediate effect from advertising stimuli. The advertising effect will seem to be much weaker than it really is. Moreover, different brands in a category will advertise competitively in order to take share from one another; therefore, the effective campaign for one brand will tend to cancel out the effective campaign of another, especially if they advertise at different times. As a result, the two brands will constantly exchange market shares.

Ehrenberg's purchasing data show stable patterns because the immediate effects of advertising are smoothed. The effects are undoubtedly there, but his research is not able to show them. The tranquil Ehrenbergian surface of markets conceals the disturbances that are going on below. I am not the only analyst to detect this. Leo Bogart described it in 1984 as 'The Turbulent Depths of Marketing.' And in a book published in 1986, I discussed it in the following terms:

'An individual's purchasing behaviour may at first glance appear erratic and haphazard. But the more we study such behaviour over time, and the more we look at the aggregate behaviour of large numbers of consumers, the more regular and predictable it all appears to be.'

Ehrenberg has always been aware of the short-term ups and downs of brand purchasing, but he has persistently described this phenomenon as a stochastic effect. The word 'stochastic' is not easy to grasp, but my best effort at defining it is that it describes random variations in small effects which when added up lead to the same total effect each time.

***Ehrenberg says that the short-term variations in consumer purchasing cannot be managed. I am convinced that they can.***

The real difference between Ehrenberg and me is that he sees the short-term variability in consumer purchasing as haphazard but with the haphazard changes adding up in some mysterious way to a total effect that is always the same. I see the short-term variability in consumer purchasing as the result of measurable and controllable marketing inputs, and that it is the mutual cancellation of the effects of such inputs from competitive brands that leads to stability.

Ehrenberg says that the short-term variations in consumer purchasing cannot

be managed. I am convinced that they can.

### **How does advertising really work?**

It is important to start with a clear distinction between the short term and the long term. It is also useful to divide the long term into two parts: a first order and second order of effect.

In the short term, advertising is demonstrably capable of generating a powerful effect on consumer purchasing. Advertising does more than make consumers aware of a brand (as Ehrenberg believes). Effective advertising sells. Advertising is indeed salesmanship.

However, the real meaning of salesmanship is not as obvious as many people might believe. The advertising campaigns shown by my pure single-source research to have the greatest effect in the marketplace were certainly not hard-selling in the conventional sense:

'... no 'Slices of Life'; no men in white coats making product demonstrations ... none of the most widely used—and tiresome—advertising clichés. The campaigns are not didactic and verbal' (Jones, 1995).

The successful campaigns have three general characteristics: (1) They are likeable and offer a reward for watching because they are entertaining and amusing. (2) They are visual rather than verbal. (3) They say something important and meaningful about the brand being advertised.

All the research into the creative process that I have ever examined demonstrates that successful advertising does its job—or at least can do its job—in subtle and rather unexpected ways. The European styles of advertising described at the beginning of this article are often surprisingly effective when evaluated by hard measures. (See, for instance, the more than 200 individual cases analysed in the eight volumes entitled *Advertising Works* [1981-1995].)

As already mentioned, Ehrenberg talks about advertising reminding the consumer; in his own words, advertising gives a nudge. In the more precise words of Herbert Krugman, it rearranges in consumers' minds 'the relative salience of attributes' (1965). To both analysts the effect is cognitive.

Despite my respect for these two views, I am convinced that the short-term effect of advertising goes beyond simple awareness. By saying something important about the brand, it reinforces brand preferences. However, such reinforcement falls far short of what most people would describe as persuasion—overcoming apathy or resistant attitudes on the part of consumers. If at the one extreme there is an Ehrenbergian nudge, and at the other there is full-blown persuasion, I think that the actual process falls somewhere in between.

One proof that successful advertising works in a more positive way than as a simple low-key reminder is that, to be effective, the content of the advertising must be substantial enough to stand up to the competition. On the basis of a simulated consumer choice between competing brands in a research setting, the sales success of an advertisement can be predicted.

The test scores (representing choice of the advertised brands) vary very widely from advertisement to advertisement, and what determines effectiveness is usually the strength of the underlying proposition. There must, therefore, be something more at work than a simple reminder, which would be expected to produce relatively uniform scores.

I have drawn this conclusion from data that compared the pre-test scores of a range of television commercials with facts about their effectiveness in the marketplace (1996b, 1996c). The data, which I examined with great care before publishing them, came from the leading

American research company in the field of television advertising pre-testing, research systems corporation (rsc). The proprietary name for their system is the ARS Persuasion technique. As suggested in the preceding paragraphs, I suspect that the word 'Persuasion' may not be a precise description of what is going on, and I am working with rsc to clarify this matter. However, irrespective of the actual effect of the tested advertisements on the consumer's psyche, the test scores for the commercials that go through the ARS Persuasion system can be shown to predict sales fairly accurately in the majority of cases. The test scores forecast not only the direction of sales movements, but they also predict reasonably well the extent of the sales effects.

***The main conclusion that I believe can be drawn about short-term effectiveness is that to achieve results the campaign must have a creative edge in comparison with its competition.***

The main conclusion that I believe can be drawn about short-term effectiveness is that to achieve results the campaign must have a creative edge in comparison with its competition. Since my research demonstrates unambiguously that an advertisement does not have to be exposed repeatedly to work, the creative content is clearly all-important—on the assumption that the initial media exposure achieves a large enough coverage of the market with at least one advertisement. On the other hand, if the advertisement is creatively ineffective, repeated exposures will not bring it to life.

The first order of long-term effect is the result of a repetition of short-term effects. This naturally presupposes that the campaign has produced a short-term effect in the first place. It also demands a

sufficiently large advertising budget, and enough continuity in the media plan, to support the brand without too much loss of sales to the advertising and sales promotions of competitive brands.

Remember that it is the countervailing pressures from competitors that shorten the duration of the effect from often powerful short-term advertising stimuli. There is a tendency for short-term effects to cancel out. This is essentially what leads to inertia in markets: Ehrenbergian stability. In order to shake a brand free of this, the advertiser must not only expose advertising that produces immediate sales, but this advertising must be run with enough media weight to outperform the competition for longer periods than the periods during which the competition outperforms the brand. The race will be won by the competitor with the greatest and most carefully husbanded reserve of media energy.

How often do brands succeed in doing this? I believe more often than Ehrenberg admits, since he is constantly being hemmed in by his underlying assumption of stationary conditions. Consider the product category described in Table 1.

The category itself is large, mature, and advertising-intensive. The brands, most of which are manufactured by four large oligopolists, are used one or another in virtually all American households on a daily basis. Table 1 examines a run of five years, none of which is to any degree untypical.

Total sales volume and individual brand shares are reasonably stable, but hardly stationary. Brand D was newly introduced and from a standing start grew to an 8.2 percent share of market. B and H lost, respectively, 10 percent and 20 percent of their volume; and four of the remaining five brands also declined marginally.

I must emphasise that the category is more typical than untypical of repeat-purchase packaged goods in the United States and other developed countries. Brands rise and brands fall, although this happens over a period of years, not months. And the brands that grow are those that not only have functional superiority in at least some respect vis-à-vis their competitors, but they also manage to develop and deploy their advertising with competitive efficiency. They have campaigns which have a creative edge. And they invest large enough

**Table 1**  
**Total category volume sales trend and volume shares of leading brands**

	Year 1	Year 2	Year 3	Year 4	Year 5
Total category; volume, sales index	100	106	108	108	108
<b>Brandshares</b>					
Brand A	18.3	17.2	16.2	16.3	17.2
Brand B	17.7	17.4	16.6	15.8	14.7
Brand C	11.2	11.1	10.8	10.3	10.0
Brand D	-	2.0	7.0	8.5	8.2
Brand E	6.4	6.4	6.0	6.2	6.9
Brand F	6.1	5.6	5.9	5.8	5.7
Brand G	5.1	5.8	5.5	5.0	4.8
Brand H	5.9	5.4	4.8	4.7	4.4

Bogart, Leo. *The Turbulent Depths of Marketing, an Analysis of Supermarket Scanner Data*. New York: Newspaper Advertising Bureau, 1984.

Ehrenberg, A. S. C. *Repeat-Buying: Facts, Theory and Applications*, second ed. New York: Oxford University Press, 1988.  
'Repetitive Advertising and the Consumer.' *Journal of Advertising Research* 14, 2 (1974): 25-34.

budgets to ensure that there is a reasonably continuous advertising presence, which brings about more sales 'ups' than sales 'downs' over the course of a year, leaving a net gain at the end.

But are there cases in which advertising works in a more overtly persuasive, forceful, and dramatic way: on the lines hypothesised by the advertiser quoted at the beginning of this article, who sees advertising working by conversion? In the field of repeat-purchase packaged goods, I am convinced that this is rare. But this model explains how advertising works in fields where highly rational arguments are used in great length and the advertisements work with little repetition. I am referring to direct-response advertising: an activity that represents a substantial and growing minority of total advertising.

It will, however, remain a minority. With advertising in repeat-purchase fields, long-term effectiveness is gradual. It also embraces an important new factor, which we can describe as advertising's second order of long-term effect.

Consider the following words of an American consumer (who was being interviewed for a market research study, the researcher employing a projective technique). The lady is describing her feelings about Campbell's soup:

'...she is a very warm, genial lady who sits in her kitchen and brews delicious soups and cares about your nourishment and cares about your children and has a flock of grandkids, and has her ration of liver spots on the backs of her hands' (Jones, 1992).

To the lady who spoke these words - and to millions like her - Campbell's is an old friend and in a small way a part of the life of her family. In blind product tests of canned soup, consumers will rate Campbell's higher than other brands; and in named tests, Campbell's will be rated higher still: a research device that measures neatly

and ingeniously the added values of a brand's name and reputation (Jones, 1986).

To the manufacturer, this powerful attachment between brand and consumer is the end-product of years of that consumer's satisfaction with the brand's product quality, augmented and reinforced by advertising planned to be harmonious with this functional excellence. The result is something of specific measurable benefit to the manufacturer. In fact there are three such benefits: (a) Successful brands can generally command a premium price and are less driven by the need for money-off promotions. (b) Since they often sell a large volume, successful brands benefit from above-average purchase frequency - a direct expression of above-average brand loyalty. (c) Successful brands are relatively less advertising-intensive than smaller, less secure brands, and can, therefore, use their advertising budgets more economically and productively.

These points, which are all clearly demonstrable, provide important scale economies for successful brands (Jones, 1995). They make a significant contribution to the manufacturer's bottom line.

It is this second order of long-term effect that transforms a successful brand into a great one: Campbell's, Coca-Cola, Hershey's, Ivory, Kleenex, Kodak, Kraft, Tide; also American Express and Ford. Advertising does not create a great brand on its own. But it makes an important contribution to it. This is what Ehrenberg means by reinforcement. And I think he is totally right.

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## Making marketing communication accountable by market modelling

Gerhard Franz  
M M & K

Every year the marketing manager has to solve the same problem: how can he or she allocate the brand budget to the available marketing and communication instruments to enhance overall brand performance and sales. Are there surveys, data or tools in the market, capable of helping in the decision on the most effective communication strategy?

I want at first to take a look at some research approaches, which are available in the market.

As media effectiveness research is mostly financed by a single medium and aims at selling this medium to the advertising industry it is usually focussed on its own performance. While media surveys establishing the reach of media in a comparable mode are conducted by joint industry committees with built-in methodological controls, effectiveness research done by a single medium has always a touch of *pro domo* research. This kind of research is no real help in the marketing decision.

As media and media types are competing for limited advertising budgets they are not very eager to conduct inter-media effectiveness studies. It is very unlikely to get results suggesting all the media which participated in the study work equally well. The risk of having worse performance figures than a competing medium is very high. That's why there are no such studies in the market.

***The brand budget must be allocated not only to media, but also to other instruments of marketing communication, which usually have a very strong impact on brand performance.***

There is one category of intermedia effectiveness studies we will see more often in the future - research with an intermedia scope conducted by one single medium or one media type. Of course the

objectivity of such an approach can never be taken as granted. The motivation to produce *pro domo* results is very strong.

A study analysing any specific campaign with a strategic mix of several media immediately raises the question of generalisation. As effectiveness is strongly dependent on the creative execution of a campaign the results cannot be considered as general input for strategic media decisions.

A study on the basis of several multimedia campaigns can provide effectiveness averages on media types. These may or may not represent good indicators of the performance of an individual multimedia campaign in a specific market.

In short: the available effectiveness studies tend to have a media bias and produce results which can almost never be applied to the marketing communication strategy of a specific brand in a specific market.

We are all aware that strategic media selection is only part of the problem which has to be solved by the marketing manager. The brand budget must be allocated not only to media, but also to other instruments of marketing communication, which usually have a very strong impact on brand performance. For example, the marketing manager might think it's necessary to increase the general availability of the brand by investing in distribution. As the price of the brand is a very significant signal for the consumer's buying decision the marketing manager might cut the price to generate more profit by selling more units at the reduced price level. He or she might think of making promotions at the point of sale, which coincide with advertising flights. Between the sales promotion the marketing manager might want to increase in-store displays to enhance the visibility of the brand at the point-of-sale, where the ultimate buying decision is taken.



The strategic challenge is conducting an orchestra with many instruments so that it plays a profitable tune. The contribution of a single instrument to the overall outcome must be evaluated within the concert, because played alone, it often sounds quite awful. The marketing manager conducts the orchestra by allocating money to the instruments at his disposal. To do this properly he or she must know their contribution to sales and profits. This can be achieved by a market model, which provides a quantified forecast of the return on investment generated by any reasonable combination of marketing communication instruments. To put it more crudely: the task is to decide when to do what and how much.

As the dynamics and elasticities are very different across brands, categories and markets the data for the model building must definitely come from the past of the brand itself. The past development of the brand is the best available indicator for the future dynamic of brand sales. For calculating an appropriate model to assess and optimise integrated marketing communication we need data of all the marketing parameters, which can be changed to generate more sales. The data may come from different sources and have to be merged on the time dimension. The units of analysis are time points. We can use weekly, monthly, bimonthly, quarterly, half-yearly or yearly data. Weekly data have the big advantage of delivering a lot of cases in a short period of time. If we use yearly data we have to go back in time very far to collect enough cases for a statistically valid analysis. The resulting model will possibly not reflect the current dynamics in the market.

A market model at work can best be explained by an example. The task is deciding on a marketing communication strategy 1998 for a product called Fixo. Fixo is a line extender of an umbrella

brand, which covers a range of household products. The name of the umbrella brand is HappyHouse. The core of the Happy House brand identity is convenience and efficiency in housekeeping with high quality products. At our disposal for the analysis are weekly data of all marketing communication activities in 1997:

The data available are:

- total TV advertising expenditure for the HappyHouse product range
- total TV advertising for Fixo
- sales promotion
- in-store displays (additional placements to shelf space)
- price
- distribution
- sales

***The past development of the brand is the best available indicator for the future dynamic of brand sales.***

What we have now are six independent marketing variables that can be deliberately changed to maximise the dependent variable sales. From the perspective of the marketing manager, change means to reallocate the brand budget between these marketing communication instruments. To find out what generates the best sales results, he or she needs a model that can calculate the effects of strategic options. One could also call it a marketing investment model, because it quantifies the relationship between money in and money out, between the invested budget and the return on investment.

After fitting the model to the data we can check its quality by looking at the statistical accuracy of fit tests. According to statistical criteria it is a very good model: all the variables are significant at the 95% level and the explained variance is 98%. More important is a convincing face validity that can be checked by comparing the ex post forecast of 1997 with the real data. Ex post forecast means we pretend not to

know the real values of the dependent variable sales. We calculate them on the basis of the independent marketing variables with the help of the model we have fitted. The real sales figures of 1997 and the ex post forecast values go indeed very well together (Exhibit 1). In this case we can be quite sure to have built a market model with an excellent predictive power for 1998.

**According to the model a price cut is not a successful option; it may buy volume, but it does not generate extra revenue.**

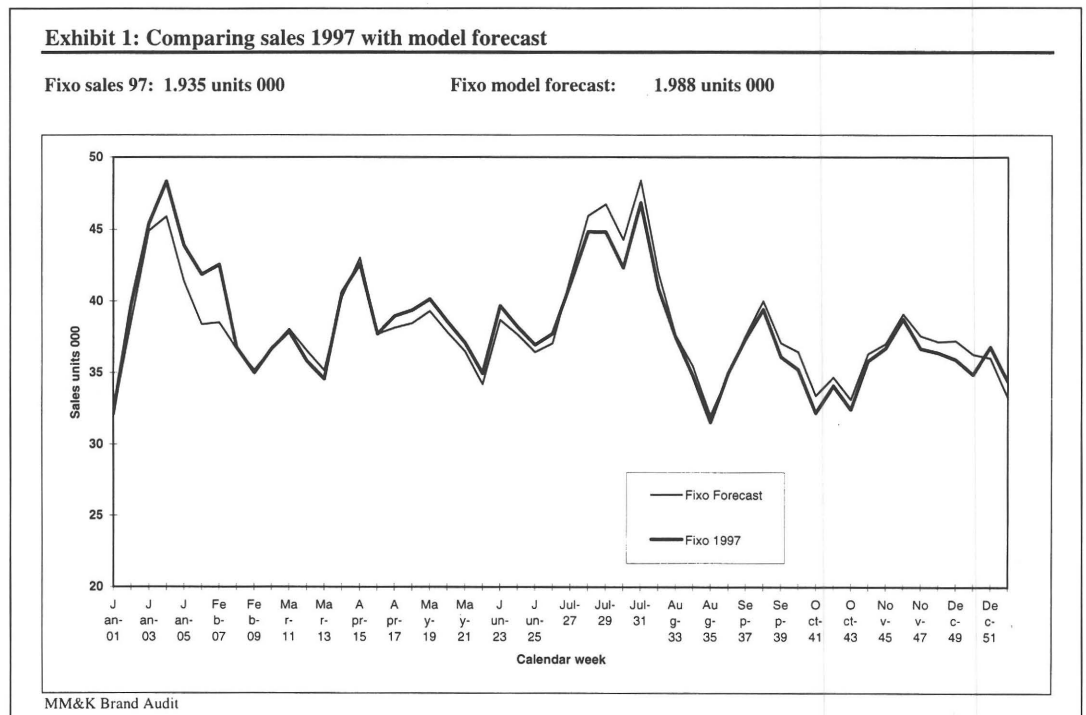
In 1997 Fixo has sold a total of 1.9 million units, 0.8 million units were sold by in-store displays which have been placed in addition to the regular shelf space. This yielded a revenue of 69.6 million DM. In 1997 the average consumer price for one unit was 36.00 DM, the average distribution was 70%. There were two promotions costing 1 million DM

each. The advertising budget for Fixo was 3.0 million DM, the advertising budget for the HappyHouse range excluding Fixo was 15.0 million DM.

The Fixo sales showed a very slight downturn in 1997. In view of this the marketing management discussed a price cut, because the competing products are about 20% cheaper and there is a bit of uncertainty as to whether Fixo would be able to enforce its price premium in 1998.

Now we need to look at the answer of the model (Exhibit 2). A price cut of 1.00 DM would generate 1.8% more sales, but this not enough to compensate for the reduced price. A price cut of 1.00 DM yields a revenue loss of 1.0%. According to the model a price cut is not a successful option; it may buy volume, but it does not generate extra revenue.

What about raising the price? The model forecasts decreasing sales, but increasing revenues when raising the price. A 3.00 DM price rise yields a 2.3% revenue increase. If we increase the price by



4.00 DM the revenue change decreases to 2.0%. In the last case the consumer price for Fixo would be at 40.00 DM. Obviously we have arrived at a psychological price limit, which will not be fully accepted by the consumer. According to the model there is a limited scope for a price increase, but the absolute price should not exceed 39.00 DM. In the eyes of the consumer the brand equity of Fixo would currently not justify a price of 40 DM or more.

A decision, which might also be relevant for Fixo, has already been taken in the marketing meetings of the HappyHouse company. All the other HappyHouse sub-brands will be given enforced advertising support in 1998. Their advertising budgets will be increased by about 20%. The question is: will this have an effect on Fixo sales in 1998?

We need to ask our model. The answer is yes. The increased investment for the HappyHouse range will lead to a 1.9% increase in Fixo sales. The marketing

manager is now more confident that Fixo will be able to enforce its price premium against the lower price competitors, as Fixo is additionally endorsed by the advertising for the HappyHouse range. This will push up the brand equity of Fixo and justify the price difference.

The next important question is, how will the advertising campaign for Fixo work? The message of the model is that the Fixo campaign still works quite well, though it is already three years old. Never hastily change a winning horse. In this case, it makes no sense to invest money in a new creative execution, because we cannot be sure if it would work quite as well as the old one. A 20% increase of the Fixo advertising budget would be an investment of 0.6 million DM, which generates – according to the model – a 1.4 million DM revenue increase.

Does it promise a sales increase to invest money in an expansion of the distribution? Distribution has a positive effect, but it is relatively small. The model

Exhibit 2: marketing communication scenarios

Marketing communication	Price Fixo	Advertising HappyHouse Range	Advertising Fixo	Distribution Fixo	Promotion Fixo	Displays Fixo	Sales Fixo	Revenues Fixo
1997	DM	DM 000	DM 000	%	DM 000	units 000	units 000	DM 000
	36.00	15,000	3,000	70	2,000	800	1,935	69,661
Scenarios		Sales units 000	Changes to 1997 %	Distribution units 000		Revenues DM 000	Changes to 1997 %	Revenues DM 000
Price change DM	-1,00	1,971	1.8	36		68,978	-1.0	-683
	+1,00	1,899	-1.8	-36		70,273	0.9	612
	+2,00	1,863	-3.7	-72		70,813	1.7	1,152
	+3,00	1,828	-5.5	-107		71,281	2.3	1,620
	+4,00	1,777	-8.2	-158		71,080	2.0	1,419
Adv HappyHouse	+20%	1,972	1.9	37		71,008	1.9	1,347
Adv Fixo	+20%	1,975	2.1	40		71,098	2.1	1,437
Distribution	+1%	1,965	1.5	30		70,738	1.5	1,078
Promotion	+100%	1,976	2.1	41		71,121	2.1	1,460
Displays	+20%	2,040	5.4	105		73,457	5.4	3,796
Combined effect of strategic budget allocation		1,970	1.8	35		76,828	10.3	7,167

suggests that one additional percentage point in distribution will yield a 1.5% increase in sales. This result might be a bit critical and should be interpreted very carefully. On the one hand 70% distribution is quite a high level, so that it must not be expected that minor changes have dramatic effects. On the other hand there was only little movement in the distribution figures in the base period which was used for the estimation of the model. This could have possibly caused a certain underestimation of the distribution effects on sales. The marketing manager has reason to believe that the contribution of distribution to sales is somewhat bigger than the model suggests. But as buying more distribution is very expensive in the Fixo market segment, the marketing manager decides to keep distribution at the 1997 level.

What about promotions? The model suggests that doubling promotion activi-

ties will result in a 2.1% increase of revenue. In absolute terms this amounts to about 1.4 million DM. The promotions run in 1997 were an investment of 2.0 million DM. If the revenue effect is only 1.4 million DM the company has actually lost money by investing in promotions. In this case it is obvious to cancel promotions because they don't pay off. The money saved can be reallocated in other marketing and communication activities.

Additionally to its shelf place, Fixo sold in 1997 more than 40% of the total volume on extra displays which enhance the in-store presence of the brand. The model suggests that a 20% increase of displays would boost sales by 5.4%. Obviously the power of displays as a marketing instrument seems not yet to be fully exploited. As the marketing manager is confident that he or she will be able to enforce an expansion in the discussions with the key accounts, the objective is set to a 20%

**Exhibit 3: The Fixo brand budget**

**Changes 1998 to 1997**

**Investments**

	DM 000
Price	-
Advertising HappyHouse	-
Advertising Fixo	600
Promotions	-2.000
Distribution	-
Displays	1.200
Variable cost (35.000 Units x 10,00 DM)	350

<b>Cost changes to 1997:</b>	<b>150</b>
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**Return on investment**

Sales	units 000	35
Revenues	DM 000	7,167
Cost	DM 000	-150

<b>Profit changes to 1997:</b>	<b>DM 000</b>	<b>7,017</b>
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MM&K Brand Audit

increase of in-store displays.

Up to now the model was used to forecast effects of single marketing and communication instruments. Of course the marketing manager wants to know the total effect of the strategic marketing mix for 1998:

- price up by 3.00 DM
- advertising budget HappyHouse range up 20%
- advertising budget Fixo up 20%
- distribution constant at 70%
- cancel promotion
- display up 20%

The model forecast for the combined effect of the marketing and communication measures in 1998 is a revenue growth of 10.3%, in absolute terms an increase of 7.2 million DM.

We now need to look at the Fixo brand budget and the expected profit changes in 1998 over the previous year (Exhibit 3). The price increase, the advertising for the HappyHouse range and keeping distribution constant do not cause cost changes on the Fixo budget. The 20% increase in the Fixo advertising is a cost change of 0,6 million DM. Cancelling promotions saves 2.0 million DM. 20% more in-store displays add up to a 1,2 million DM cost increase. The variable cost for the production of an additional 35.000 units is 350.000 DM. Summing up the cost changes over 1997 we have an investment growth of 150.000 DM. This generates a revenue growth of 7.2 million DM. Deducting the investment growth (150.000 DM) leaves somewhat more than 7 million DM. That's the pre-tax profit change the marketing manager can expect in 1998 over the previous year.

This should be taken as a short demonstration of the contribution a simple marketing model can offer for strategic decisions in the marketing and communication discussion. A general warning at the end: market modelling is not at all a straightforward

mathematical procedure. To build a good model is very often a laborious trial and error process, which requires careful fine-tuning. Besides experience, the most important precondition is a strictly neutral position towards all the marketing communication instruments that are in the analysis. If the model builder has any vested interest in one of the marketing instruments there is a great danger that this induces bias in the model. In such a case the model will not be able to provide maximum forecast quality. The strategic marketing suggestions of the model could even be misleading.

***In my experience a lack of data is not the problem for most advertising companies. On the contrary, they drown in a sea of data. Their real problem is a lack of data analysis and data reduction to arrive at simple conclusions that can be used to improve the profitability of their enterprise.***

In a world of growing complexity in terms of the marketing and communication options available, modelling is the only method that has the power to systematically integrate all relevant aspects with data coming from multiple sources. In my experience a lack of data is not the problem for most advertising companies. On the contrary, they drown in a sea of data. Their real problem is a lack of data analysis and data reduction to arrive at simple conclusions that can be used to improve the profitability of their enterprise.

# The follow-up to the Green Paper

**G.J. Ribbink**  
**Lawyer**  
**Derks Star**  
**Busmann Hanotau**

When one reads the 'Communication from the Commission to the European Parliament and the Council' one almost forgets the basic idea of Europe. Essential to this document is the 'free traffic of products and services'. The really big problems in attempting to find a collective way forward for the whole continent - not only for the EU - but for all Europeans to live in a human, democratic and peaceful continent are ignored. The document is all about consumption. If you think that consumption is more interesting and important for living than education, sport, culture and a happy family life, then this document is good reading. It seems to me, however, to place greater faith in the theoretical than the practical. Consider the proposals:

1. The application of a transparent proportionality assessment methodology.
2. Setting up a Commercial Communication Committee.
3. Making available a Commercial Communications' contact point and information network.
4. Establishing a Commercial Communications Database.
5. Accelerating complaint processing.
6. Setting up an Expert network.
7. Promoting International co-operation.
8. Clarifying electronic commerce issues.
9. Presenting a report to the Parliament.

***It seems to me, however, to place greater faith in the theoretical than the practical.***

This approach will the Commission apply to four key areas: (i) the protection of minors, (ii) unfair competition, (iii) sponsorship and (iv) misleading claims.

That's it. Which means more regulation and nothing else. In the Introduction we read 'The European Commercial Communications sector plays a key role in the European Community'!

Quite clear. And further, 'Commercial Communications means: all forms of communications seeking to promote either products, services or the image of a company or organisation to final consumers and/or distributors'. That also sounds quite understandable.

There follows a Summary of Reactions to the Green Paper on Commercial Communications from the European Parliament, the Economic and Social Committee and interested parties. So far so good.

But then we read 'The approach seeks to facilitate the cross-border provision of commercial communication services within the Internal Market through the establishment of an efficient and transparent regulatory framework. This will promote the growth of the European commercial communications' sector and allow for the development of efficient cross-border marketing strategies by European industry.'

The proof of the pudding is in the eating. But how much must we eat before we find the proof? I think this statement is more theory than practice. That makes the document somehow less convincing than I should like it to be. It is true that Commercial Communications services are indeed covered by article 59. But that is only a legal statement, nothing more, nothing less. There is no reason to regulate anything unless the measure is proportionate. One reads much about 'Applying a transparent proportionality assessment methodology'. That sounds fine for people who are afraid of too much and disproportionate regulation. But nevertheless a big country is not a small country and a high level of regulation is not a low level of regulation whatever is said about proportionality.

I did not find much about subsidiarity in the document. I am not writing about all proposals of the Commission but am considering specifically the 'Priority areas for the Committee's consideration'. Take the protection of minors: consumers as-

sociations and public health bodies are very much in favour of harmonisation of 'regulations on sponsorship for educational programmes, direct marketing targeted at children, television advertising aimed at minors and sponsorship of sports events by branches that are associated with products aimed at children or that can have harmful effect on public health'. There we are: proof positive as to how the regulation of commercial communications is 'adapted' to accommodate well-known items on the political agenda of the European Parliament.

I read on: 'harmonisation of regulations on discounts, couponing, free offers and gifts, competitions and multi-level marketing and pyramid selling'. What about the free traffic of goods and services and the regulation/harmonisation of these items for a liberal country, like The Netherlands, where we don't need any such regulation? The benefits of the self-regulatory system which we operate are not only for the commercial communications industry but also for consumers. In The Netherlands there exists no regulation of any importance at all in these fields. Must we introduce restrictions via European regulation which may be not of benefit to our healthy economy in the small 'polderland', from which both producers and consumers benefit?

We go on to sponsorship and read that there is a need for harmonisation regarding 'sponsorship services related to particular products, definition of sponsorship/patronage and T.V. sponsorship'. Again the question posed is probably and hopefully not only a Dutch one but one which applies to all Member States: will this promote 'the growth of the European Commercial Communications sector and allow for the development of the efficient cross-border marketing desired by European industry'? Let me put it politely: nobody can prove that this will be the case.

And then I read - quite amazed - of the harmonisation of 'Claims and misleading advertising': what about the Directive on Misleading Advertising? Why more harmonisation and/or regulation? Finally we come to 'cross-border redress systems' another demand of consumer associations. Do we really need anything - proportionate? - to make it possible for a Sicilian farmer to complain about advertising in a local print medium in which he reads something about an English tractor? Would that really be important for the stimulation of free traffic of goods and services in Europe?

***The regulation of commercial communications is 'adapted' to accommodate well-known items on the political agenda of the European Parliament.***

I must apologise for being sceptic: perhaps it is my age which plays a role: but I am really wondering if this item is of any importance for the development of the European economy which has in my opinion other priorities than so-called 'cross-border redress systems'.

Perhaps I must, at the end of this article, be quite clear about my opinion of the European Union. For Holland the prospect is quite positive, as a small country, internationally orientated, liberal for ages and very professional in free traffic of goods and services. But I don't think that for this country or for Europe this sort of harmonisation is really helpful, either for the producers of commercial communications or for consumers.

# Commercial communications and the consumer

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**T**he Research and Information Centre for Consumer Organisations (CRIOC) has its offices in Brussels, Belgium. For several years now, CRIOC has been regularly consulted by the DG XXIV at the European Commission on consumer protection matters. CRIOC therefore has contacts with consumer organisations in other European Union member states and is well acquainted with the attitudes which drive the various states.

On behalf of CRIOC, sociologist Luk Joossens, has been kind enough to express the Research Centre's position on some subjects affecting commercial communications:

"Firstly, when talking generally about commercial communications, we should refer back to the Green Paper published by DG XV. I must say that I was 'horrified' by this, as I feel it shows that it is becoming very difficult to issue community-wide regulations, by which I mean that the data which are requested in the proportionality test are far too detailed and far too complicated to collect.

For example, as regards the effects of advertising, how can scientific proof of anything be obtained? Advertising is apart of a global marketing strategy and other factors, such as the nature of the product itself, where it is available and the price at which it is available, also have their effect. To isolate any one factor is extremely difficult.

To have scientific proof on the effects of advertising, you need to compare two identical populations: a control group should be exposed to advertising whereas the experimental group should not be confronted with advertising messages over several years. This kind of longitudinal research is however not possible in the globalised information society we now live in.

The proportionality test is a request for data which are impossible to provide. Demands for more research, more data and more proof are just a strategy to make any legislation on advertising impossible. The strategy will be used to challenge

existing legislation and to block any new legislation. As any legislation on advertising will be blocked at the national level due to the lack of 'good' data, there will also be no more need for harmonisation at the European level.

Harmonisation at the European level only makes sense when different regulations are in force in the Member States. Consider just two examples. It would have been impossible for the Commission to propose a European ban on tobacco advertising if this ban had not already existed in some of the Member States. Without existing national bans, a European ban was impossible. The real intention of the proportionality test is to prevent national legislation on advertising in the short term with, as a result, no more European legislation in the long term.

Or, take a second example. In 1998 some Members of the Flemish Parliament wanted to ban television advertisements for pharmaceutical products. Legal experts replied that this would not be possible in the European Union. The reason was a 1992 Directive on advertising for pharmaceutical products (which also touched on the television medium). This indicates that national restrictions are no longer possible and that European legislation is no longer necessary as there is no existing national legislation that is more restrictive. The proportionality test makes all progress towards defending the legitimate health or consumer concerns of EU citizens impossible. It is a great shame that only narrow economic indicators will define the future regulations on advertising in Europe. It means we need to rely on self-regulation and voluntary codes, which of course pay more attention to the interests of the sector itself and little or nothing to those of the general interest. The Green paper can be considered a classic example of overreacting, taking into account almost exclusively economic interests and neglecting the wider objectives of the Treaty, such as consumer protection and health policy.