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Why Do They Buy?

New technology can help marketers understand a bit more about what makes consumers open their wallets, but advertising remains a black art.

By Yasmin Ghahremani

"I know half the money I spend on advertising is wasted," department-store magnate John Wanamaker famously said. "I just don't know which half." That old saw holds true; measuring the ROI of advertising remains extremely difficult, which may be why, in a slowing economy, ad budgets are among the first to be tightened.

But companies continue to study consumers' buying habits. Nielsen, the company synonymous with bridging the consumer/advertiser divide, now has an initiative called Anytime Anywhere Media Measurement, or A2/M2, that takes its iconic television ratings system wherever viewers may be, whether watching TV on their office desktops, on MP3 players, or otherwise far from the living room.

In the online world measurement can become more tangible still, what with page views and click-throughs and similar metrics. But there remains a distinct finger-in-the-wind quality to such efforts. One current focus in online advertising is on attempting to understand the influence that social networks have on buying behavior. "Marketers have to expand their audience to advocates and influencers in the social-networking world, even if those people aren't buyers," says Jason McNamara, chief marketing officer for Alterian, a software firm that helps marketers analyze their various efforts. Alterian plans to connect its enterprise marketing platform to online and clientside data sources as well as social media feeds from companies like BuzzLogic and Visible Technologies, which monitor and rate social-networking sites based on their potential value to advertisers.

Selling Is Believing

Those tools may produce useful insights, but they fall short of the advertising Holy Grail: directly measuring the sales impact of advertising exposure. "The effectiveness of most media expenditure is not very quantifiable," says Gary Wilcox, an advertising professor at the University of Texas. "But we have had some luck using econometrics to see what effects advertising has on sales."

Econometrics uses statistical analysis to measure the impact of different variables on sales over time. Wilcox found, for example, no significant statistical relationship between the aggregate level of beer, cigarette, and soft-drink advertising and overall consumption of those products, but he did find that advertising is important to brand and market share. Those techniques helped Mindshare, a division of advertising giant WPP Group, refine Sprint's media strategy, which is credited with adding \$100 million in value through better targeting of various ad campaigns.

But econometrics can't match individual audience members with their actual buying behavior, a fact that has been particularly irksome to TV executives, who have seen ad dollars flow in recent years to the Internet, where consumer response can be better measured.

Enter **TRA Inc.**, an upstart that hopes to tackle that problem by collecting data from consumers' TV set-top boxes and matching it against purchasing databases that are built on frequent-shopper cards. The idea is that a cereal advertiser, for example, will be able to determine whether a viewer of its commercial later buys its product. The TRA service has been rolled out in 300,000 households in Southern California and the firm plans to deploy it in more than a million homes by 2009.

Among TRA's early clients is CBS, where chief research officer David Poltrack envisions being able to demonstrate to, say, a movie advertiser just how many CSI viewers saw an ad for a film and then ponied up cash at the box office. "It's going to change the way advertisers evaluate individual programs and individual networks," he says. "It's also going to help clients more precisely measure whether their TV campaign is doing as well as their competitors', whether they need to put more or less money in, et cetera."

Another player attempting to connect media exposure to buying behavior is IMMI, which offers free, specially adapted cell phones to teen and adult consumers who match certain demographic profiles. The idea is to essentially listen in on consumers' lives, by capturing samples of the audio a consumer is exposed to, be it music from a radio or CD, TV programs, films, live sporting events, and so on. What emerges is a clearer picture of just what consumers actually consume — what commercials weren't muted, for example, or what songs prompted them to change a radio station.

Such technology may not prove that exposure to a given ad generated a given sale, but Gartner's Andrew Frank points out that simply having a better idea of what messages make it through to consumers can have a big impact. "I don't think we're talking about an end state approaching certainty in terms of one's ability to predict effectiveness of advertising," he says. "What we're talking about is improving the predictability by a couple of points. That alone is worth maybe billions of dollars in more efficient ad spending."