

VIDEO ▶ IMPACT

Fundamental mechanics
of TV and video advertising

Guido Modenbach
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FOREWORD

This publication quite literally promises “four basic studies that examine fundamental questions of advertising impact and perception,” but there is nothing basic about this work. The use of multiple biometrics, clever methodological controls, examined combinations and alignment to evidence-based marketing is far from basic. My description of this work is: fundamental, sound and important.

You will read about a set of truly interlinked experiments that are co-operative with other data partners and mediums. Experiments that are methodologically sound, which makes this work transparent and solid – both ingredients of good research. The clever combination of structural quantitative experiments and qualitative human deep-dives delivers a very fair representation of how video advertising works and why. It also supports other important works in this area, in particular the power of peripheral attention (and attention more broadly), the importance of a quality reach measure beyond cost, the importance of the first exposure and, of course, the power of lean-back platforms. Each study is neatly summarised with relevance for media planning. So, not only are there plenty of answers to the “why” but these answers are supported by advice on “how to.” The authors loop in other research by renowned marketing scientists to strengthen their point. Seminal work by Ehrenberg, Ephron, Heath, Sharp, and Varan are noted, and I’m honoured that they refer to my work in this field.

This collection of research is forward thinking and adds layers of generalizability to earlier findings that advertising, and in particular video advertising, works.

More importantly, it brings good news to advertisers.

Professor Karen Nelson-Field

*Founder and CEO,
Amplified Intelligence*



PREFACE

// *“The best way to predict the future is to invent it.”*

This adage was used by Alan Kay, the American computer scientist, back in the 1970s. Kay, who was a pioneer of object-oriented programming, often quoted it in lectures and management meetings if anyone expressed any doubts. His employer, Atari, even turned it into an advertising slogan.

Kay's motto is now more relevant than ever. If you want to predict the future, it is best to create it yourself with new ideas and products. And to avoid any unexpected surprises, you need to be aware of your own strengths and weaknesses and reinvent yourself constantly.

If you want to predict how successful TV will be in the viewer and advertising market, you need to understand the true value of the medium for both the audience and as an advertising vehicle. This requires precise knowledge of how reception and impact work. The essential value of entertainment remains the same across all platforms. Relaxation and distraction will continue to be key motivations in the media world of the future. However, different devices have different reception conditions. Thus, a fundamental challenge for research is to understand the behavior of future generations. How will their need for mental balance change? What states of mind will they strive for? Which media and technologies will serve these feelings? To make an accurate assessment of the challenges of digital disruption and to develop a sustainable future for the medium, we need a detailed understanding of the underlying perception mechanisms of video content and advertising.

It is becoming increasingly important to look beyond the horizon. Collaborations such as those between SevenOne Media, Mediaplus and Google in advertising effectiveness research ensure greater transparency in the market and provide objective, comparable findings on the value of advertising media.

Erwin Ephron, media planning pioneer and creator of recency planning, defines the value of a medium for advertising with a conclusive formula:

// *“A medium's advertising value is the product of its probability of exposing the average ad and its contribution to the impact of the message.”*

Applied to all video platforms, this means that the value of the medium is the product of its reach and the impact of the ad.

The mechanisms behind this are the subject of this publication. Four basic studies examine fundamental questions of advertising impact and perception. The Media Equivalence Study shows how video works differently on different platforms. Two further studies examine the physiological and depth-psychological aspects of these differences. A field test examines the relationship between impact and sales on the basis of real campaigns. The first part of the Ephron formula completes the publication: success is not only dependent on impact but also on reach. If you want to grow and successfully lead brands into the future, you need to generate exposures outside the core target group.

The studies complement each other and thus make a decisive contribution to a deeper understanding of the impact mechanisms of TV and video advertising. With a broad data base and comparative findings, the publication contributes to fundamental research on video advertising and also provides many practical insights for media planning and brand management.

The studies were conducted in Germany but we believe it has great relevance for other markets even if results in other countries may turn out somewhat different because the studies provide valuable insights and directions for new research.

Video Impact is for those who believe in the future of television – but also for those who sometimes doubt it.

We hope you enjoy reading it!

Guido Modenbach Gerald Neumueller



The Media Equivalence Study was awarded the 2019 Innovation Award of the Professional Association of German Market and Social Researchers (BVM)

The Media Equivalence Study is a winning paper at the AUDIENCE x SCIENCE Conference 2020 of the Advertising Research Foundation (ARF)

01 HOW VIDEO WORKS

In the Media Equivalence Study, Google, Mediaplus, and SevenOne Media examine the impact of video on different platforms





REASON WHY

- *The study shows how video works depending on the platform and frequency and how impact changes when different advertising formats are combined.*
- *In a controlled experiment, the study examines the impact contributions of TV, YouTube, and Facebook under identical conditions.*
- *For the first time, Google Germany, the media agency Mediaplus, and SevenOne Media have jointly commissioned an advertising effectiveness study.*

The media landscape has changed dramatically over the past ten years – for both publishers and users. In addition to television, which continues to dominate the private feel-good oasis as the central entertainment medium, many new video platforms are entering the market. Fast Internet connections and powerful devices ensure that videos are available anytime, anywhere. Sometimes they are used for relaxation, sometimes for information, sometimes to bridge waiting times or to spend the evening with friends. Germans watch videos for around five hours a day, which is the largest proportion of media usage. For many years, they have invested more and more time in screen use but in the meantime a natural limit seems to have been reached – after all, you still have to work and sleep. Video usage was stagnant for the first time in 2019.¹⁾

This development not only leads to increasing predatory competition, it also raises new questions for media planning and effectiveness research. In addition to reach, the focus is also increasingly on the reception situation and intrinsic motives for use. Obviously, video is perceived and processed differently on different platforms. That is why video ads do not have the same effect everywhere. One of the central challenges is to make a valid distinction between the impact contributions of the different platforms.

¹⁾ SevenOne Media (2019), p. 18



KEY FINDINGS

Australian marketing scientist Karen Nelson-Field has published numerous research papers in this field. In many experiments she has compared the advertising impacts of TV, YouTube and Facebook and demonstrated significant differences in the short-term sales effect of these platforms. The researcher concludes that reach must be assessed on the basis of the different impact of the platforms.²⁾

This is also where the Media Equivalence Study comes in. It examines the impact of different forms of advertising on Facebook, YouTube and on TV – both separately and in cross-media combinations. The challenges to methodological quality are tremendous. If you want to compare advertising exposures and their combinations properly, a high number of cases and complex technical handling are necessary. The study, commissioned jointly by Google, Mediaplus and SevenOne Media, is the first to provide detailed, comparable insights into the impact and interaction of different video platforms.

“Not all reach is equal.”
Karen Nelson-Field

A technically complex experiment was devised to test three actual advertising campaigns adapted to each platform.

- *The Media Equivalence Study provides evidence of the power of video across all channels – especially when it comes to advertising recall indicators.*
- *Video advertising has a stronger impact on television than on YouTube and Facebook.*
- *Two consecutive contacts within a short time period double unaided advertising recall. This applies to TV, YouTube and Facebook.*
- *Moreover, online video platforms benefit from the combination with TV. Two TV contacts have the highest impact across all indicators. Mixed contacts with TV have stronger impacts than two contacts on YouTube or Facebook.*

²⁾ See Nelson-Field (2019)



The study participants were individuals aged 14 and older who use television as well as YouTube and Facebook. This digitally savvy target group covered about 40 percent of the German population³⁾ at the time of the study.

In a test living room, a total of 3,700 test subjects used two out of the three media examined. The entire testing included 29 combinations of eight advertising formats plus one control group without advertising. The participants were randomly assigned to a session in which two media channels always had to be used: TV combined with YouTube or Facebook and YouTube with Facebook. After a specified usage time, the test subjects were asked to change platforms. For TV they were to use a TV set, for Facebook a smartphone and for YouTube a laptop or smartphone.

For the TV test, they could use an electronic program guide to select a station of their choice and they then watched the program for 20 minutes. The program contained two advertising breaks with rotating TV commercials. The tested commercials were shown either as an ad during a traditional commercial break, as a single spot embedded in an editorial split frame (so-called "Pre-Split"), or as the first placement in the break. To test various ad formats on YouTube, the participants watched videos of their choice for 14 minutes. A dynamic live environment was used in which the actual YouTube ads were blocked and replaced by the test commercials by means of a proxy server.

To investigate video posts on Facebook, the test subjects were given a preconfigured smartphone. They logged in using their

personal account and spent 12 minutes browsing their feed.

The same number of ads was displayed in all three media. Afterwards, the participants were interviewed in a computer-assisted personal interview (CAPI).

As the study is designed with 29 test groups and one control group, it allows differentiated analyses of the impact of video advertising. The study examines single, double, and mixed exposures. Analyses can be made at the level of the three media channels, and it is also possible to compare individual advertising formats.

STUDY DESIGN

METHOD

Experimental design with realistic video usage and subsequent interview (CAPI)

Three test brands (sectors: retail, consumer electronics and FMCG) and 20 distractor brands

TEST SUBJECTS

3,700 persons interviewed, quota sampling by age and gender, adults 14 years and older

Persons who use TV, online video platforms and Facebook at least occasionally

FIELD PHASE CITIES

March-June 2018 Hamburg, Munich, Berlin, Frankfurt

INSTITUTE

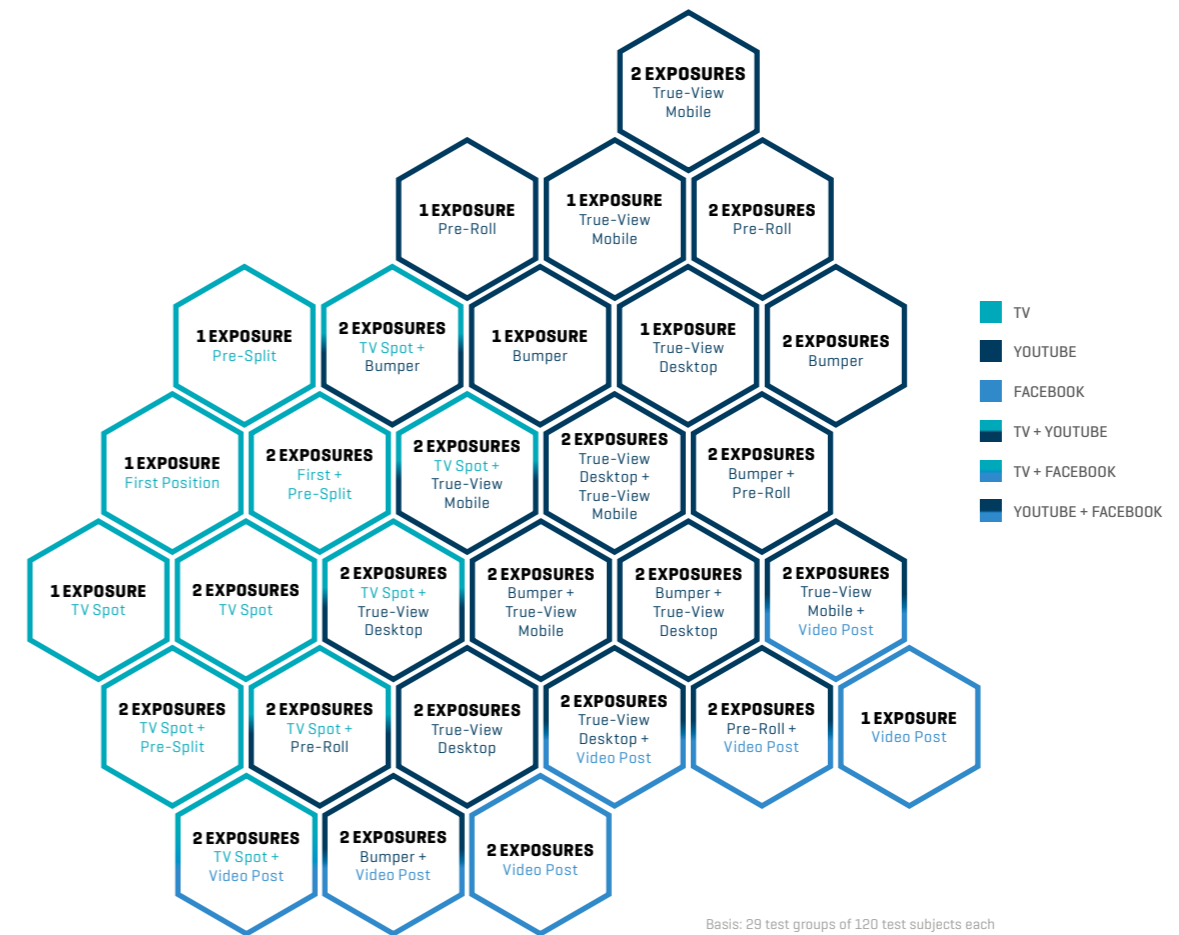
Facit Research on behalf of Google Germany, Mediaplus and SevenOne Media

SURVEYED INDICATORS

Unaided/aided advertising recall, unaided/aided brand awareness, unaided detail recall, channel recall, product recall, association items, first choice/relevant set, engagement

SIGNIFICANCE TABLES

See page 67 for paired comparisons



ADVERTISING MATERIALS

TV

TV spot: Classic TV commercial in a commercial break

First position: Placement of the commercial at the beginning of a commercial break

Pre-Split: Placement of the commercial in an editorial split frame in the program segment immediately before the commercial break

FACEBOOK

Video Post: Commercials that are played in the Facebook feed

YOUTUBE

True-View desktop: Commercials that are played before the video content and can be skipped after five seconds (desktop)

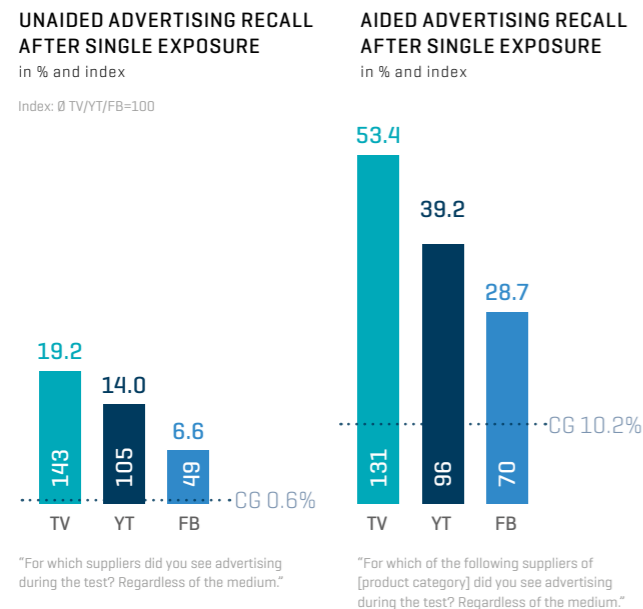
True-View mobile: Commercials that are played before the video content and can be skipped after five seconds (smartphone)

Pre-Roll desktop: Commercials that are played before the video content and cannot be skipped (desktop)

Bumper: Commercials lasting a maximum of six seconds that are played before the video content and cannot be skipped (smartphone)



TV DELIVERS THE HIGHEST RECALL



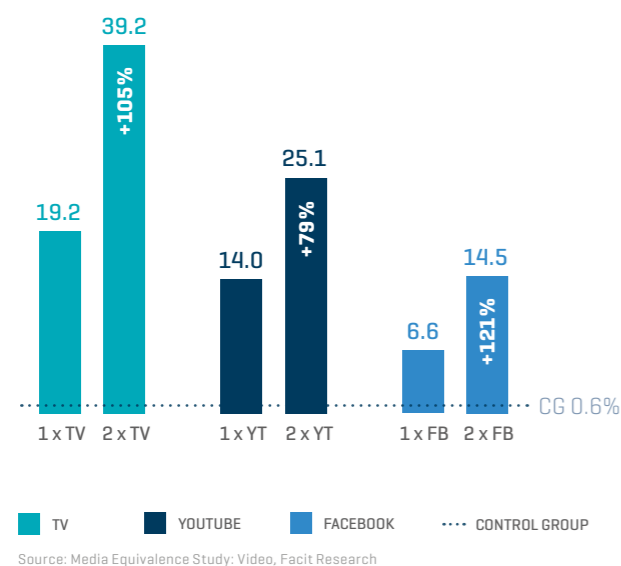
It is undisputed that advertising recall is likely not the ideal measure of advertising effectiveness, as it reveals little about whether and how an advertisement affects brand memories. To obtain evidence for the processing of advertising, alternative metrics, such as verbally prompted recognition, are being discussed among experts⁴⁾. For this reason, many other cognitive indicators have been surveyed in the study, including, for instance, unaided ad detail recall, which is shown at the end of this chapter.

Despite the well-known limitations of recall, we have used it in the following section because it is a very responsive measure for a cognitive reaction that is suitable for comparing different advertising formats and platforms under equal conditions.

All video platforms achieve a high level of spontaneous recall even with one advertising exposure. TV is the most effective, with 19 percent of test subjects spontaneously recalling advertising for a brand. This corresponds to an index of 143, measured by the average of the three media. YouTube and Facebook also generate significantly higher values compared to the control group.

A similar picture can be observed with further effectiveness indicators, such as aided advertising recall. With just one exposure, all platforms generate strong increases compared to the control group without advertising exposure. Slightly over half of the test subjects recall (aided) advertising of a brand

UNAIDED ADVERTISING RECALL AFTER SINGLE AND DOUBLE EXPOSURES



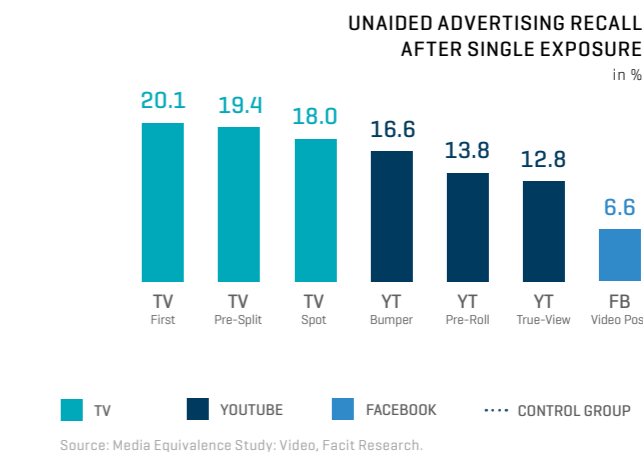
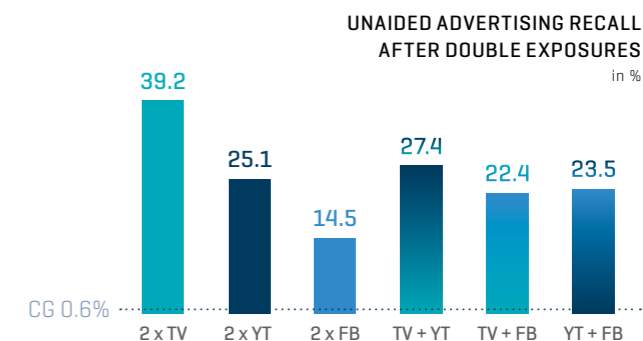
on TV, compared to around 40 percent on YouTube and just under 30 percent on Facebook.

A second exposure within a short time window significantly increases unaided advertising recall on all video channels. On TV and Facebook, a second exposure more than doubles the spontaneous recall. On YouTube, a second exposure increases the impact by around 80 percent. This obvious synergy effect can be used to optimize media planning.

A major benefit of the study is that it allows a comparison of the impact of mixed exposures. This is illustrated in the following example of unaided advertising recall. The greatest impact is achieved with two exposures on television. Furthermore, online video platforms benefit from combinations with TV. This combination is more effective than two exposures on YouTube or Facebook. Single and mixed exposures with Facebook ordinarily do not achieve the impact level of TV or YouTube exposures.

More in-depth analysis at the level of specific advertising formats and their combinations shows that the first position of a TV ad in a commercial break and the Pre-Split special advertising format have the strongest impact. On YouTube, the six-second bumper ads tested on smartphones achieve a comparatively high unaided advertising recall. A further exposure, however, has only a limited additional impact. Two bumper

TV COMBINATIONS ARE MORE EFFECTIVE



⁴⁾ See Sharp (2007)



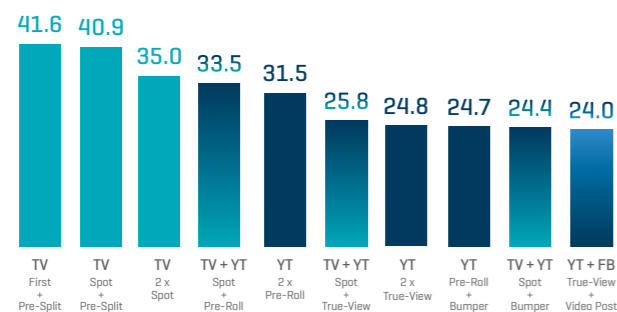
exposures achieve about 40 percent less unaided advertising recall than two TV advertising exposures. With various other indicators such as aided advertising recall, a second bumper exposure has no additional effect beyond the first exposure.

“Short-form ads tend to work best when running alongside longer-form ads.”
 Jim Berridge

As in a commercial break on TV, where short reminder commercials can supplement previous longer commercials, YouTube bumper ads usually also build on existing reminder structures that were previously established by longer commercials. In other words, they refresh an existing advertising impact. This insight is also confirmed by international research. The US media expert Jim Berridge, for example, comes to the conclusion that short ad-vertising forms often work better in combination with longer ones.⁵⁾

The combination of different TV advertising formats is particularly effective with two advertising exposures, occupying the first three places in the top-10 ranking. The combination of a TV commercial and YouTube pre-roll ad follows in fourth place. Among the YouTube advertising formats, two exposures with non-skippable pre-rolls are significantly more effective than double exposures with TrueView commercials or double exposures with bumper ads that are not listed in the top 10.

UNAIDED ADVERTISING RECALL AFTER DOUBLE AND MIXED EXPOSURES
 Top 10 advertising material combinations; in %



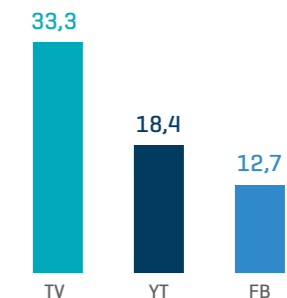
It is notable that the strong communicative performance of television compared to other video platforms becomes even more apparent, if one takes a closer look at the detail recall.

Out of 53 percent of the respondents with a TV exposure who are able to recall advertising for a brand (aided), 62 percent can name details of the spot correctly. Therefore, a total of 33 percent of all subjects (who had a TV exposure of the ad) are able to properly describe specific characteristics of the commercial. Correspondingly, in the group with one YouTube ad exposure, 18 percent can name details correctly of the advertisement they were exposed to. For Facebook the figure is some 13 percent. This represents an 81 percent advantage of TV advertising over YouTube, respectively 162 percent over Facebook.

We think that detail recall may be an easy to collect, but meaningful indicator if you want to get a better picture and to track over time how advertising impacts memory structures. However, advertisers should carefully consider how advertising detail recall supports brand memory.

TV ACHIEVES BY FAR THE HIGHEST DETAIL RECALL

UNAIDED DETAIL RECALL
 in %



„Which details from the [brand] ad can you remember?“
 Share of respondents who remembered specific ad-relevant details correctly.
 Base: all test subjects with single TV / YouTube / Facebook exposure

■ TV ■ YOUTUBE ■ FACEBOOK



KNOW-HOW 

HOW EXPOSURES CAN BE EFFECTIVE

The Media Equivalence Study demonstrates the power of a second exposure within a short time, which nearly doubles the advertising impact on all video platforms. However, the growth of effectiveness declines with each further exposure, including a second exposure that does not follow within a short period of time. Therefore, scaling a campaign's impact requires a maximization of reach along a so-called response function which shows the development of ad effectiveness dependent on the quantity and structure of exposure.

A fictitious example shows the impact of TV exposures on the basis of advertising recall. The response function indicates a value of 20 percent (column "0 contacts") for persons without TV ad contact. This means that one fifth of respondents can remember advertising for a brand even without TV contact (probably due to earlier campaigns). The "base level" is therefore 20 percent. For persons who had one TV contact (column "1 contact"), the value doubles to 40 percent. In the further development, a decreasing rise of the advertising effectiveness indicator can be seen across the individual TV contact levels.

The total height of the columns in the graphic shows the reach within the various TV contact levels. In the example, 20 percent of all persons had no TV contact, so the net reach of the TV campaign was 80 percent. 22 percent of

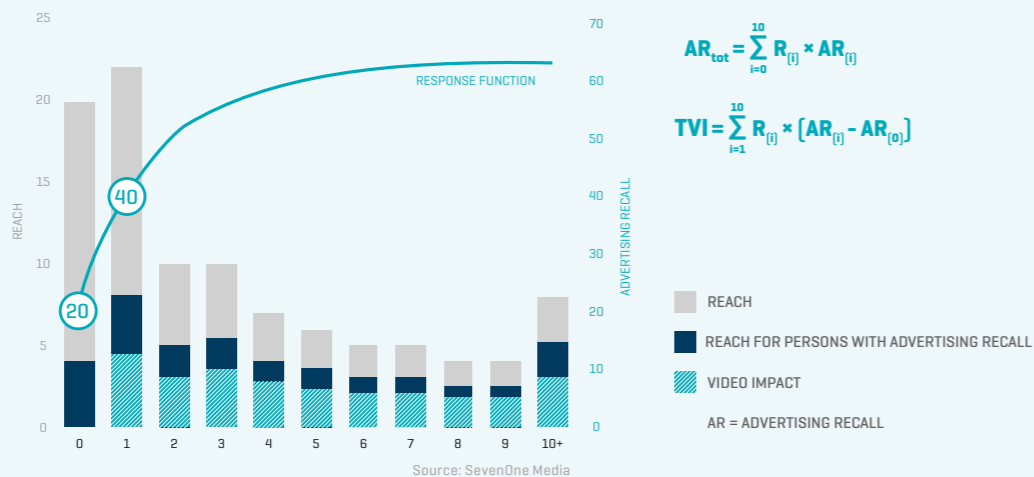
all persons had exactly one TV contact, while 10 percent each had two or three TV contacts.

The reach distribution can now be evaluated with regard to advertising impact using the response function. At each contact level, the reach is offset against the increase in advertising recall beyond the base value in order to determine the actual impact of exposures as a qualified reach. For persons with one TV contact, for example, this results in an impact increase of 20 percentage points – the difference between advertising recall (40 percent) and the base value (20 percent). The increase from 20 to 40 percent is the effectiveness gain that can be explained by the TV contact.

Comparing this increase in the impact indicator with the number of people who had one TV contact yields the campaign impact as a qualified reach value. In the example, 22 percent of all persons had one contact and the effectiveness gain was 20 percentage points. Thus, the campaign was able to generate an advertising impact for 4.4 percent of all people, driven by a single TV contact. In contact level two, the corresponding impact is 3 percent since a gain of 30 percentage points could be achieved in 10 percent of all persons. Adding up the respective impact over all contact levels yields the total effect of the campaign as the Total Video Impact (TVI).

TOTAL VIDEO IMPACT: EVALUATING REACH WITH IMPACT

Effective reach by exposure levels, example of TV, in %



RELEVANCE FOR MEDIA PLANNING



The Media Equivalence Study identifies various impact indicators for cross-platform combinations of different ad formats. On this basis, the synergy potential of multi-channel campaigns can be determined. TV strengthens the interactive platforms in the media mix. However, two TV contacts prove to be the most effective combination by far. For example, they achieve a higher advertising recall than the mix of one TV contact and another on YouTube or Facebook. However, it is to be expected that with larger contact quantities, synergies from a multi-channel approach will become visible. In order to test this hypothesis, further research is necessary to extend the study design to higher contact classes.

In media planning, the question arises as to how impact differences are to be judged from the perspective of cost. It would be wrong to use the cost per mille (CPM) of advertising formats for this purpose because the CPM is calculated as the sum of all contacts and does not distinguish how many people are actually reached with how many exposures. The Media Equivalence Study provides differentiated results exactly for this purpose. The decisive factor for evaluating efficiency is the number of different people in each contact structure. The correct efficiency measure is therefore cost per reach and not CPM.

The Total Video Impact concept opens up new perspectives for practical media planning. One goal could be to control the reach across

the individual contact levels in such a way that they achieve maximum advertising impact at economically optimal costs. Efficiency would be determined by the cost per TVI.

The TVI builds a bridge from the previous Reach & Frequency media planning to a direct planning of advertising effects. This is an important requirement for advertisers: they need to be able to plan effectiveness. The requirements for algorithmic optimization are demanding, but can be met in principle. However, to ensure the correct determination and comparability of the TVI, it is necessary to know the appropriate response function for the respective brand which describes advertising impact indicators as a function of differentiated contact structures on different platforms. The Media Equivalence Study provides such data for contact levels 1 and 2 on TV, YouTube and Facebook. In practice, the progression of the response function will have to be modeled for the differentiated contact structures since it is virtually impossible to take appropriate measurements of advertising impact indicators for all conceivable combinations. A solution could be to ascertain critical interpolation points on the basis of appropriate studies for modeling the response function. For this purpose, the Media Equivalence Study 2020 will provide evaluations for contact levels 3 and 4 for the first time, as well as modelings of response functions for the most important video advertising platforms: TV, Broadcaster Video on Demand, YouTube and Facebook.



HOW VIDEO IS PERCEIVED

The In-Home Video Study uses biometric methods to explore how the reception situation affects the processing of video advertising

The In-Home Video Study was a winning paper at the AUDIENCE x SCIENCE Conference 2019 of the Advertising Research Foundation (ARF)





REASON WHY

- *Even nearly identical advertisements, such as commercials on television and pre-rolls on YouTube, have different impacts.*
- *The In-Home Video Study examines whether the specific reception conditions of the different platforms are responsible for this.*
- *SevenOne Media and Facit Research have used an elaborate biometric approach to examine the implicit reactions to editorial content and to advertising.*

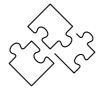
The Media Equivalence Study shows that video advertising works better on television than on social media platforms. In order to find a conclusive explanation for this, it is necessary to gain a deeper understanding of the perception and processing mechanisms.

One of the typical media usage states among TV viewers is the “lean-back” mode – a relaxed reception situation that requires hardly any activity from the users. The program is pre-configured so that viewers do not have to make many decisions. Lean-back mode satisfies the need for relaxation and moments of well-being, but also for distraction and day-to-day structuring. The given program schedule is not a draw-back but rather a core strength of linear television.

The video on demand services of TV broadcasters require a little more involvement. The viewers navigate themselves through the content and search for specific programs. Once they make a selection, they switch into a relaxed lean-back mode, just as with linear television.

By contrast, “lean-forward” media usage is much more active and purposeful. For example, the news feed on Facebook is read in a relatively concentrated and focused manner. YouTube users search for specific content or perhaps simply browse through the offerings, select a video, and watch either all or part of it before jumping to the next clip.

KEY FINDINGS



The In-Home Video Study examines the extent to which these specific situations influence the reception of content and, ultimately, the advertising impact.

To effectively measure and evaluate psychophysiological processes, researchers need to use implicit methods and test conditions that are as natural and realistic as possible. For this reason, the measurements took place in the homes of test subjects while they were viewing video on their own devices and in familiar environment.

One hundred test subjects between the ages of 18 and 59 took part in the study. Each session lasted three hours, including the preparation and the interview. The participants spent 30 minutes watching a television program of their choice. Furthermore, they used a BVOD (Broadcaster Video on Demand) platform for half an hour as well as YouTube and Facebook for 15 minutes each. The sequence was random and the test subjects chose the device themselves. They were also allowed to use other devices at the same time.


While the test participants watched videos, measuring equipment continuously recorded their skin conductance, facial muscle tension, their eye movements and their field of vision. The skin conductance serves as an indicator for activation, while the muscle tension indicates the intensity of emotions.


- *Advertising achieves the highest visual attention in lean-back mode. In lean-forward mode, users are less likely to pay attention to it and more frequently click or scroll away.*
- *TV watching takes place in a relaxed atmosphere. Advertising is part of the TV experience. Content and advertising achieve similar levels of activation and emotion. This facilitates advertising effectiveness.*
- *While using editorial content in lean-forward mode, high levels of activation and emotionality are attained. With advertising, however, both these qualities fall off abruptly, which has an adverse effect on its processing. The level of activation also fluctuates strongly during content use.*




KNOW-HOW 

APPLIED BIOMETRIC METHODS

 **Eye tracking** follows the gaze of the test subject and records both eye movements and where the eyes linger. Two cameras integrated into a special pair of glasses record the subject's eye movements when viewing content. One uses the blink reflex to measure every action and eye movement and the other captures the test subject's field of vision. The program's sound is also recorded during each session. This helps to determine exactly which editorial and advertising content the test subjects saw.

 **Skin conductance** provides insight into the activity of the sympathetic, the part of the autonomic nervous system that stimulates the body's fight-or-flight response. When activated, the sweat glands become active, which can be measured in the palms of the hands, for example. Two electrodes are attached to

the test subject. This technology records responses very precisely even when the test subjects are operating mobile devices. The electrodes emit a weak electrical voltage (0.5 V). If the sweat gland activity increases, the skin conductance does as well. This sensitive physiological measure is used in activation, emotion and stress research as well as in media research.

 At the same time, the strength of the emotional reaction is determined with the help of **electromyography**. Even just a few movements of facial muscles can provide information on the emotional stimulation. Five electrodes are placed on the skin of the face to capture facial expressions in detail by recording electrical muscle contraction signals. This process captures minimal changes in facial muscle activity that are often invisible to the naked eye.

STUDY DESIGN

METHOD

Implicit measurement of test subjects at home. Reception of TV and online video (7TV, YouTube, Facebook – editorial content and advertising in all cases) on different devices and subsequent interview (CAPI)

Implicit methods applied:

- Eye tracking (visual attention)
- Skin conductance response / SCR (activation)
- Electromyography / EMG (emotions)

TEST SUBJECTS

100 adults between 18 and 59 years of age, quota sampling by gender

People who use TV, 7TV, YouTube and Facebook at least rarely

FIELD PHASE

May – June 2018

CITIES

Berlin, Munich

INSTITUTE

Facit Research on behalf of SevenOne Media

The test supervisor observed the activity as passively as possible and monitored the recordings from an adjoining room. Checks were carried out whenever the media changed, such as recalibration of eye tracking, to ensure a consistently high level of data quality. Afterwards, the test supervisor interviewed the test subjects in a computer-assisted, structured interview.

To explain differences in advertising impact, first of all visual attention was examined. While editorial content plays on TV, the viewer's gaze remains on the screen for an average of 67 percent of the time. The distraction is relatively high compared to other video platforms – the focus of the gaze on YouTube, for instance, is 94 percent. While commercials are playing, attention drops

drastically on all platforms. With television, however, the gaze lingers for a comparatively long time (33 percent), while it is still 12 percent for video on demand, 6 percent for Facebook, and 5 percent for YouTube. The relatively high active avoidance of advertising on interactive video platforms is also explained by the fact that, in contrast to TV, advertising here can often be simply scrolled or clicked away.

holds true for parallel usage.³⁾ Advertising messages can penetrate and be processed “under the radar.” Content only noticed in passing triggers less resistance to the message.⁴⁾

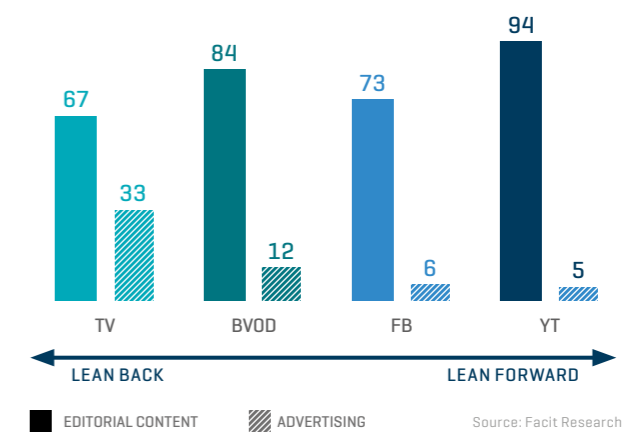
The results are confirmed by other studies. For example, in a recent piece of research commissioned by Facebook, research agency EyeSquare determined a gaze focus of 66 percent for TV content and 37 percent for TV advertising.¹⁾

ADVERTISING IMPACT DOES NOT DEPEND ON VISUAL FOCUS ALONE

Although visual attention for advertising is lower than for content, advertising generates positive effects on all platforms, as the Media Equivalence Study shows. Visual attention is an important indicator of advertising impact, yet it is not sufficient by itself to explain the differences in the advertising success of various media. Many studies have shown that advertising is effective even without consistently focused eye contact.

TV advertising is processed through seeing and hearing. Even if viewers do not look directly at the screen, they can receive the messages through auditory stimuli or signals in their peripheral field of vision. Studies show that distracting activities do not necessarily impair the impact of advertising.²⁾ The same

MORE VISUAL ATTENTION TO ADVERTISING IN LEAN-BACK MODE
Visual focus on the screen in %



1) See Gray / Szukalski (2019)
2) See Baacke et al. (1993), p. 157
3) See SevenOne Media/EyeSquare (2012)
4) See Felser (2007), pp. 138 ff.



KNOW-HOW 

THE POWER OF PERIPHERAL PERCEPTION

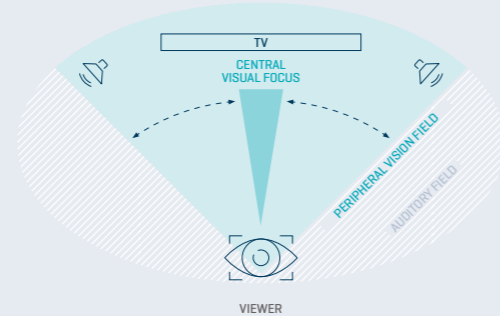
With peripheral vision, objects are not perceived through the central part of the retina, but rather through the adjacent extrafoveal area. The eye is not precisely aligned with an object. Nevertheless, in these situations the brain processes visual impressions, even if viewers think they haven't seen anything.⁵⁾

Peripheral vision influences the perception of advertising in a variety of ways. On the one hand, content can be processed at least in part even if no technically measurable eye contact takes place. On the other hand, peripheral impressions as well as auditory signals frequently cause the gaze to jump back to the television screen when recipients perceive stimuli relevant to them. In this way, TV continuously synchronizes perception, especially when distracting stimuli such as second screens are involved.

Another ability of our brain explains why stimuli are processed even though the technically measured visual viewing time of an advertisement or program on TV may be low. The eye does not move smoothly and fluidly, but in

jumps (saccades). The resulting gaps are filled by our brain, for example by retrieving learned and stored content or auditory information. Thus, it is possible to visually record a 30-second commercial for only 10 seconds but still reconstruct it completely. The 33 percent focus on TV advertising measured in the In-Home Video Study can be the sum of many small-scale eye contacts.

ADVERTISING MESSAGE DELIVERED EVEN WITHOUT EYE CONTACT



In addition to visual attention, other factors play a role in the processing of advertising. Already in the 1960s, advertising research pioneer Herbert Krugman examined how viewers perceive television advertising and how this affects their attitude towards the advertised product as well as towards sales. He determined that advertising messages on TV are usually received passively and that television can therefore be described as a low-involvement medium.⁸⁾

Krugman recognized the importance of learning without involvement and the need to repeat an advertising message frequently.

In 1969, the American researcher used electroencephalography for the first time to measure brain activity when viewing advertising.⁹⁾ His research showed that slow alpha brain waves dominate while watching television advertising in a relaxed, passive setting. By contrast, the faster beta brain waves predominate when looking at print advertising which is more active and concentrated. The differences are significant and are not associated with the content of the advertising.

Numerous other studies have built upon these findings and confirmed that the low-involvement characteristic of television favors advertising impact. For example, Robert Bornstein proved that messages and emotions are better received when the recipients are less involved and less focused. This is because less rejection is built up.¹⁰⁾ In addition, viewers do not become over-saturated as quickly if they are viewing advertising passively.¹¹⁾

The In-Home Video Study also shows that a distinction needs to be made between the reception of editorial content and advertising. Not only is the absolute magnitude of the activation level important but its stability as well. The smaller the differences in activation turn out to be, the less advertising interrupts the specific usage situation and the more likely its messages will get through to the viewer. Evidently, advertising can be received with relatively little resistance when viewers are in a relaxed lean-back mood. The test set-up of the In-Home Study supports this natural TV usage situation especially well. The test

subjects were able to lean back on their sofas at home and watch a program of their choice.

A recent study conducted by researchers of the Ehrenberg-Bass Institute and Media-Science found greater differences in the activation levels for content and advertising. However, the aim of the study was to test attention for different creative devices of TV commercials for which biometric methods in a laboratory setting were applied.¹²⁾

**STABLE
ACTIVATION LEVEL
FAVORS IMPACT**

Because the In-Home Video Study captures TV usage in a real lean-back situation, the activation level is correspondingly low but remains virtually unchanged during the reception of advertising. Advertising is perceived as an integral part of the program and of the personal TV experience. In the subsequent survey, almost half the respondents stated that advertising is “simply a part” of television – compared to only one third on lean-forward platforms. 60 percent of YouTube users felt “disturbed.” TV advertising, on the other hand, simply flows along in the stream of images. This stable activation level forms a favorable basis for advertising impact.

With video on demand content, the activation level is somewhat higher. Viewers selectively search for content before they relax and watch the selected show in a state typical of TV use. Although the activation decreases when advertising is played, the difference between content and advertising is moderate.

“Attention is measurable as the absence of the ‘inattention’ state.”

Duane Varan, MediaScience⁶⁾

The Advertising Research Foundation (ARF) in New York has also explored how attention influences advertising success. Attention can be an indicator of advertising success, but not all types of attention are likely antecedents or prerequisites for ad impact. Thus, clarity about what is meant by “attention” and how it is measured is crucial to make it acceptable as an indicator for impact.⁷⁾

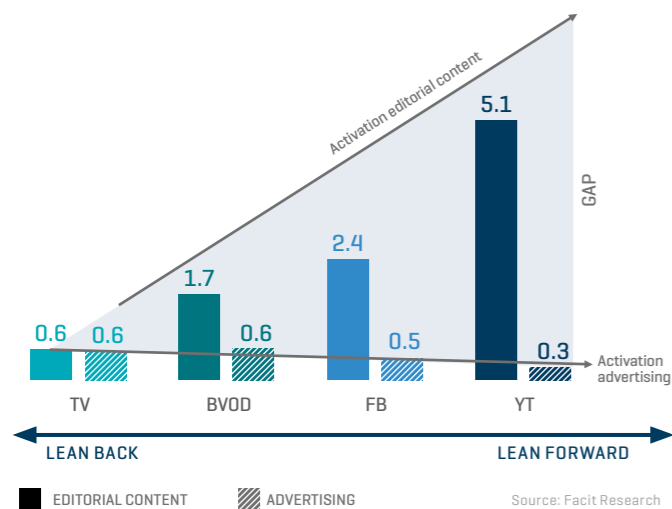
5) See Heath (2012), pp. 81 ff.
6) See Varan/Charron (2019)
7) See Stipp (2019)
8) See Krugman (1965)

9) See Krugman (1971)
10) See Bornstein (1989)
11) See Nordheim (2002)
12) See Bellman et al. (2019)



On Facebook and especially on YouTube, the activation reaches a very high level. YouTube content is consumed in a concentrated manner, has high personal relevance, and ensures greater involvement, which is reflected in a significantly higher skin conductance. On Facebook as well as on YouTube, however, the activation level drops abruptly as soon as the advertising is played. Therefore, advertising does not benefit from the strong activation during editorial content. Quite the contrary: the rapid drop of activation can represent an obstacle for the processing of the advertising message. Studies from the field of neuroscience provide explanations for this. A stimulus is perceived as unattractive if it contradicts expectations, preferences and needs.¹³⁾

TV ADVERTISING DOESN'T DISTURB THE VIEWING EXPERIENCE
Activation in micro-Siemens [μ S]



In addition, the measurements reflect processing activities in the brain. The limited mental resources for information processing play an important role in this context, as the limited capacity theory of cognitive psychology explains.¹⁴⁾ Neuroimaging studies also provide valuable information in this respect.¹⁵⁾ "Due to the high intrinsic relevance of the self-chosen YouTube content, cognitive resources are used up at reception," explains researcher Julia Pannicke from Facit Research: "If there is an interruption without offering relevant stimuli, these resources are no longer available for processing advertising. Activation and memory storage decrease."

¹³⁾ See Sweldens et al. (2014) / Knutson et al. (2007)
¹⁴⁾ See Lang (1995)
¹⁵⁾ See Silberstein et al. (2015)

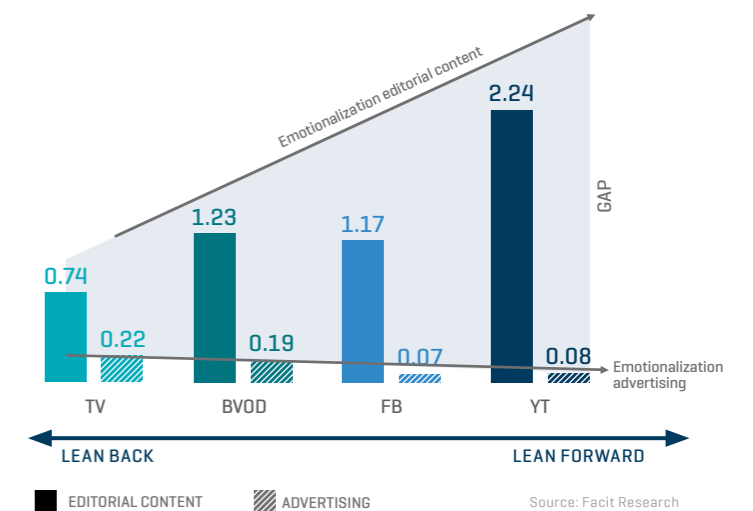
The discrepancy in activation shows how pronounced the break between content and advertising can be. Research based on depth psychology confirms this finding as well: YouTube offers its users quick everyday help and emotional relief in the form of short videos. In these situations, advertising is obviously perceived as an unpleasant interruption because it disrupts a learning situation or mood regulation (Chapter 3).

In lean-back situations, on the other hand, the intrinsic relevance of content is lower and advertising is a learned part of the usage experience. This is why the activation level hardly changes at all when the advertising begins. The barriers to memory storage of messages are much lower.

A similar picture can be observed when it comes to measured emotionality. During editorial content, YouTube reaches the highest values. The videos are personally selected and therefore have high personal relevance. When it comes to advertising, the picture changes. TV commercials trigger the strongest emotions, while the difference between content and advertising is the lowest out of all video platforms.

The differentiated analysis of content explains why a higher degree of activation is measured during YouTube use. Users are particularly activated while searching for videos because

DISCREPANCY BETWEEN CONTENT AND ADVERTISING
Emotionality in microvolts [μ V]

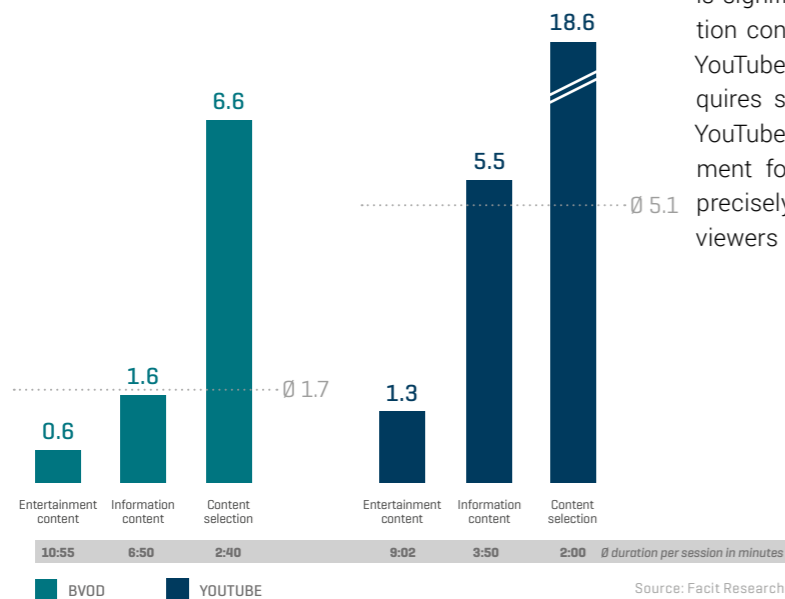


DECISION-MAKING PHASES ARE RESPONSIBLE FOR HIGH ACTIVATION

they must concentrate and make a selection decision. Activation soon diminishes when they watch tutorials. Also in this case, the relatively high level is indicative of the focused engagement with informative formats. When watching entertaining videos, by contrast, the activation level is much lower and more closely resembles a relaxed lean-back situation.

The same can be said of video on demand platforms. The activation of viewers rises steeply during the program selection. These decision-making phases are somewhat longer than on YouTube but the skin conductance is significantly lower. When viewing information content, the activation is lower than on YouTube. This type of content obviously requires significantly less concentration than YouTube tutorials. When watching entertainment formats, however, activation reaches precisely the level of linear television. The viewers have then arrived in lean-back mode.

RESEARCH AND SELECTION BOOST ACTIVATION
Activation in micro-Siemens [µS]



RELEVANCE FOR MEDIA PLANNING



The In-Home Video Study provides a conclusive explanation for the different advertising impact of TV and interactive platforms. The specific reception situations vary greatly and influence the reception and processing of editorial content and advertising.

As a result, every medium offers individual impact prerequisites. When viewers watch television in a lean-back mode, they are comparatively weakly activated. That does not change when advertising is broadcast. They watch video on demand in a similarly relaxed manner. On interactive platforms, however, completely different activation patterns are evident, especially on YouTube. Attention increases during research and selection, it decreases while editorial content is being viewed, and drops abruptly when advertising is played. The usage scenario is thus characterized by frequent and strong fluctuations in activation. The editorial

environment in which advertising is placed is decisive for YouTube. The activation level of users is relatively low when watching entertainment content. This more relaxed situation creates more favorable conditions for advertising impact on YouTube.

In lean-forward mode, on the other hand, advertising can impair the interaction with the platform. There is a risk that it will be actively avoided. This is a challenge for creation. The user must be picked up and kept at a very high activation level. Advertising should be designed to fit in with the different reception situations if it is to reach its full impact potential.

A qualitative study that allows for an even deeper understanding of the personal motives and mental conditions of media usage has been conducted to validate the results of the biometric In-Home Video Study.

LEAN-FORWARD AND LEAN-BACK MODE

LEAN-FORWARD	Activation	High involvement	Large discrepancy in activation between editorial content and advertising	Advertising is perceived as an interruption: greater avoidance of advertising
LEAN-BACK	Relaxation	Low involvement	Low discrepancy in activation between editorial content and advertising	Advertising flows along with the program: less avoidance of advertising



03

HOW VIDEO IS SEEN

The Deep Insights Study based on depth-psychological research shows personal motivations and mental states when people use video platforms and how advertising is perceived





REASON WHY

- *The In-Home Video Study shows that different activation levels influence the processing of content and advertising.*
- *The qualitative Deep Insights Study builds on these findings. Based on depth-psychological interviews, the research institute Rheingold Salon identifies different mental states formed by the different personal motives using TV and video platforms and investigates how they influence advertising perception.*
- *Based on the results, recommendations can be made for the creation of video ads and TV commercials.*

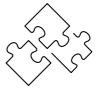
The previous studies have demonstrated that video platforms are not equal in terms of perception and impact of advertising. A commercial works better on television than on YouTube or Facebook. If viewers are leaning back on the couch at home to watch TV, they are more relaxed than the active online user who is searching for a video, checks it out, and jumps to the next one. It is obvious that specific reception states are influencing advertising impact. The biometric methods used in the In-Home Video Study, such as the measurement of skin conductance, can demonstrate changes in activation. Yet they do not provide any information on the feelings, motives and attitudes relating to media use. Additional qualitative research is necessary to fully understand the perception and processing of advertising.

Studies based on depth-psychological research are an important tool for media and advertising research. They make a key contribution to an understanding of impact mechanisms. For television, wide-ranging research is available in this field, for example on the psychological role model function of advertising¹⁾, on how brands are given meaning²⁾ and on how advertising is perceived in parallel use situations.³⁾

The qualitative Deep Insights Study provides an understanding of the decision-making processes involved in the use of video as well as the impact of different reception states on advertising effectiveness. In particular, the comparison of YouTube and TV shows how the reception of advertising varies according to the user's mood.

1) See Ziemis [2006]
2) See Ziemis [2012]
3) See Schiessl / Ziemis [2014]

KEY FINDINGS



The study is based on a mix of different qualitative methods. It combines diary surveys and depth-psychological interviews at home and in focus groups.

Initially, 129 people were selected to keep a structured online diary of their video usage over the course of seven to ten days. They recorded concrete usage situations as well as their associated moods and motives. The survey used mainly open-ended questions.

Following the completion of this phase, an initial evaluation took place. The researchers integrated the insights gained into the subsequent survey. For this, a small group of participants was visited at home and their media usage observed in their accustomed setting. They were subsequently interviewed. The researchers invited other participants for interviews in focus groups. In both groups, an in-depth analysis of the decision-making processes, usage states and advertising perception took place.

The Deep Insights Study confirms the findings of earlier research, namely that people use media to bring about certain mental states and experiences. The media "normalize" the mood: At the beginning of a movie, television viewers may still be in very different moods. After they have watched for a while, the medium "normalizes" their usage constitution. The state that occurs during the media usage is the reason for choosing the medium and/or content.⁴⁾

4) See Melchers [1995]

- *The Deep Insights Study confirms the stable activation of viewers during TV usage.*
- *Many people use TV as a motivator when dealing with tiresome obligations, to watch big TV events with excitement, and as a reward and a way to relax in lean-back mode after their work is done.*
- *In these moods, those surveyed accepted TV advertising to a great extent. Advertising flows along with the program and is a learned and integral part of the TV experience.*
- *YouTube users are looking for everyday help or emotional relief. They want to find a quick explanation of how something works (tutorials) or they want to briefly escape their current situation, for instance by watching a funny video. They are looking for a cognitive or emotional shortcut.*
- *When viewers are taking a shortcut, advertising forces them to take a detour. In these usage states, YouTube users consider advertising to be disruptive. This reinforces the findings of the In-Home Video Study, which showed an abrupt loss of activation as soon as advertising started.*



The L.A. Council established by the Advertising Research Foundation in 2018 deals intensively with changes in the behavior of users as well as their attitudes and preferences for different video platforms. The latest results of research commissioned by the L.A. Council show that most viewers appreciate diversity and use both traditional and new video offerings equally. However, Horst Stipp, Executive Vice President Research & Innovation at ARF, points to a "paradox," saying that the wider selection also forces viewers to make more decisions.

"Most also complain that they find it hard to navigate all the sources available to them and to decide which programs they want to watch."
Horst Stipp, ARF ⁵⁾

From the depth-psychology-based interviews, a number of usage states can be identified that are typical for the video platforms examined.

MEDIA USAGE STATES

TV	VIDEO ON DEMAND	YOUTUBE	FACEBOOK
GET THINGS DONE	CATCH UP WITH THINGS	HOW TO DO THINGS	WHAT THINGS TO DO
HAVE THINGS DONE	LEAVE THINGS AND LIFE BEHIND	HOW TO FEEL SOMETHING	CONNECT WITH LOCAL THINGS
SEE THINGS HAPPEN	KEEP THINGS ALIVE	THINGS TO LISTEN TO	FOLLOW THINGS
		WHAT THINGS TO SEE	

Source: Rheingold Salon

STUDY DESIGN

METHOD

Morphological study with online diaries, depth-psychological individual interviews and group discussions

TEST SUBJECTS

Online diaries. 129 adults, 18 to 59 years, 50/50 percent gender split

33 of whom were given interviews based on depth psychology (15 individual interviews, 18 group interviews)

Study participants recruited according to media use (predominant/relatively frequent linear TV use, predominant online, video on demand use, equally frequent linear TV and online use)

FIELD PHASE

March-April 2019

CITIES

Cologne, Munich

INSTITUTE

Rheingold Salon on behalf of SevenOne Media

TV	VIDEO ON DEMAND	YOUTUBE	FACEBOOK
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MEDIA USAGE STATES WHEN WATCHING TV

1. GET THINGS DONE

The majority of those surveyed watch TV while doing other activities such as household chores, cooking, eating or while using other screens. In these situations, television fulfills a variety of functions. In terms of housework, it helps to motivate and makes it easier to do things. This also applies to cognitive work such as studying for college. Some of those interviewed need TV as an accompaniment to help them get started. Many of them indicated that they leave the TV on all the time in the background because it enables them to avoid a silence that they perceive as stressful. In this way, they "don't feel as lonely."

"When I'm at home, the TV is on all day long - simply because I like it and it energizes me."

Typical programs for this kind of usage state do not require much attention and involve everyday situations. These include soaps and infotainment formats.

In this context, advertising is often a head-turner that pulls people out of focusing on their everyday tasks and redirects them to the TV screen. Viewers expect interesting tips or new products. Psychologically speaking, this situation is similar to chatting with a neighbor who recommends a new cleaning product, for example. Since television is not the main activity and the viewer's involvement remains

low overall, there are few defensive mechanisms against advertising. This makes it easier for advertising to penetrate to viewers and be processed by them.

"When I hear advertisements I don't know, I look to see if there's anything interesting."

2. HAVE THINGS DONE

In this state, television serves as a reward for completed tasks. When work is done, users deliberately take a break. This kind of targeted relaxation is often accompanied by users setting the scene with personal touches to indulge themselves - lighting a candle, preparing snacks, putting up their feet. Eating and drinking are the only secondary activities; potential sources of distraction, such as smartphones, are deliberately set aside. The aim is to create an atmosphere similar to a movie theater, often together with friends and family.

This type of reception helps to structure everyday life. Favorite programs become a ritual. Formats that support this state should be captivating but may also have depth. Shows as well as series and docutainment are mentioned by those surveyed.



Have Things Done corresponds to the classic lean-back situation. In this context, advertising breaks are learned and accepted. They do not affect the relaxed usage state. Brand stagings, image commercials, and storytelling are met with interest and are evaluated positively. "We have found with no other medium and in no other state a greater willingness to engage intensively with the stories of the brands," says study director Ines Imdahl, Managing Director of Rheingold Salon.

"When I'm done in the afternoons and the kids aren't home yet, I like to curl up in front of the TV."

3. SEE THINGS HAPPEN

In this very emotional state, TV is the medium for being there and enjoying the excitement. This is true for live events, such as sports events, and shows which viewers are really looking forward to. The main thing is to experience it in real time and at the original pace. Viewers usually watch in company,

rarely alone. Typical examples include sports events, such as the Soccer World Cup, but also the series finales of major shows, such as *Germany's Next Topmodel*. Watching it live at the time of the broadcast is important to viewers – preferably on the "big screen."

"I had to watch it on my tablet while I was out and about because it was only on live – but I'd still describe it as television."

If viewers are unable to do this, they choose alternative means of access, for instance via livestream on a smartphone or via services like SkyTicket or DAZN. Advertising is accepted as long as it does not disrupt the experience, for example during halftime of a soccer game. The survey participants like sponsorships because they fit in with the event character of the broadcasts.

"When it comes to sports, I don't want long advertising breaks – I don't need them breaking in right before a goal. But I'm well aware of the sponsors. Those are the brands that know what's important right now."

MEDIA USAGE STATES – TV

GET THINGS DONE	HAVE THINGS DONE	SEE THINGS HAPPEN
<ul style="list-style-type: none"> Active secondary activity Function: companionship, community; motivating, supportive, participating in life Advertising: open to product information, interesting and new products 	<ul style="list-style-type: none"> Lean-back state: deliberate setup, downtime, movie theater atmosphere, relaxation Function: reward after activities, ritualization in daily life Advertising: open to brand messages, storytelling 	<ul style="list-style-type: none"> Central, very emotional state of mind; original time and livewatching are important Function: enjoying the excitement, immediacy, being there Advertising: open in breaks of the event; sponsoring accepted

Source: Rheingold Salon

- TV
- VIDEO ON DEMAND**
- YOUTUBE
- FACEBOOK

USAGE STATES WHEN WATCHING VIDEOS ON DEMAND

1. CATCH UP WITH THINGS – BVOD

The main reason for using Broadcaster Video on demand (BVOD) content is to quickly catch up on missed programs. Viewers don't want to lose track of their favorite format, they want to be able to talk about the show, and most of all they don't want to see any spoilers before they have seen the actual episode. The contents are only somewhat independent of the time of broadcast, and viewers do not wait long because of the self-imposed pressure they feel to catch up.

When watching previously selected content, the state is identical to the *Have Things Done* mode of television viewers. Viewers settle in, create a comfortable atmosphere, and allow themselves to become immersed in the content. Those surveyed usually describe watching BVOD content as "watching TV." This classification is also confirmed by the In-Home Video Study. After the selection phase, viewers are in a relaxed and weakly activated reception mode (Chapter 2).

"I want to catch up on The Voice of Germany and find out who is continuing before the next episode is broadcast."

In this usage state, viewers are basically open to brand messages, similar to linear television.

2. LEAVE THINGS AND LIFE BEHIND – NETFLIX

Viewers often watch the streaming service when there is nothing on TV that supports their current mood – which is usually the *Have Things Done* state. After they have decided to watch Netflix, viewers have to make a selection; those surveyed usually mention series and, less frequently, movies. The viewing experience is staged as a reward or as valuable time spent with partner and family. Many of those surveyed, however, feel it is tiring to choose formats or try to agree on a program with others.

Netflix especially supports escapism, which means the need to get out of everyday life. It allows viewers to escape into colorful, perfect and exciting parallel worlds. However, the freedom of choice is not always as great as the offerings might suggest. Many viewers need a certain amount of time before they can let themselves get involved in a new series because they feel that it will be a longer time commitment. There is a strong urge to watch series through to the end; users accept the fact that there may be individual episodes that are dissatisfying. Once they find a favorite series, they sometimes binge-watch it excessively. The elation that comes with watching numerous episodes one after the



other, however, is strongly dampened as soon as a season has ended and the next season is nowhere in sight. Self-determination is clearly limited in the *Leave Things and Life Behind* state and the task of selecting programs is overly demanding for some viewers, as the research conducted on behalf of the ARF has also shown.

“Netflix cuts you off from the world dramatically. You can’t escape.”

3. KEEP THINGS ALIVE – AMAZON PRIME VIDEO

Amazon Prime is also generally consumed in the relaxed *Have Things Done* state and is regarded as a cinematic alternative to TV and Netflix. In the in-depth interviews, those surveyed credit the platform with greater movie expertise. Viewers also watch series, however. Many think of Amazon Prime as the right place to go for classics in particular. The profile of the offerings there is less clear compared to Netflix. In fact, viewers tend to perceive Amazon Prime Video as a modern, digital form of a video store.

“When I see the movies offered there, it often reminds me of the old days at a movie theater.”

MEDIA USAGE STATES – VIDEO ON DEMAND

CATCH UP WITH THINGS: BVOD	LEAVE THINGS AND LIFE BEHIND: NETFLIX	KEEP THINGS ALIVE: AMAZON PRIME VIDEO
<ul style="list-style-type: none"> Deliberate setup, quick catch-up Close gaps, join in Advertising: open to brand messages, but poorly placed, frequently repeating commercials are annoying 	<ul style="list-style-type: none"> Deliberate setup, escapism, ritualization Removed from reality, withdrawal, supposed self-determination, high degree of self-reference 	<ul style="list-style-type: none"> Deliberate setup, movie theater atmosphere Modern family TV viewing Keeping old favorites alive

Source: Rheingold Salon

USAGE STATES WHEN WATCHING YOUTUBE

1. HOW TO DO THINGS

In the interviews, the most frequently named reason for using YouTube is when people are looking for fast assistance: practical tips and immediate support which is provided via educational videos and tutorials. Users want to know how to repair, operate, clean, cook, or style something. In just a few minutes, video tutorials show them how to do it.

Speaking in terms of depth psychology, this content offers a cognitive or emotional “shortcut.” Instead of spending a lengthy period of time learning something or laboriously acquiring knowledge, users find that YouTube makes it at least feel faster and easier. The platform functions as an assistant in a variety of situations.

“I often use YouTube when I’m getting ready. I need the tutorials for my hair or makeup.”

In this usage state, those interviewed consider advertising to be disruptive. When users want to take a shortcut, the interruption instead forces them into a detour. Instead of supporting the learning state, it is disrupted, and the solution to the problem is postponed. This reinforces the findings of the In-Home Video Study, which showed an abrupt loss of activation as soon as advertising started (Chapter 2).

Furthermore, advertising is in “cognitive competition” with the learning state because the commercials are often also about learning something, for instance about a new product. For this reason, respondents find advertising attractive only if it’s a perfect fit, for example for a tool in a do-it-yourself video or for ingredients in a cooking tutorial.

“I use tutorials to learn how to program music, for instance, and I have to really concentrate on that. Advertising is a huge disruption because it pulls me completely out of the topic.”

2. HOW TO FEEL SOMETHING

Funny, emotional and exciting videos are popular with users. They just want to take a short break, distract themselves, and laugh. After hard work, they turn to YouTube to recharge their batteries or catch their breath to prepare for what comes next. The viewing often takes place alone and in private, usually on their smartphones.

Here, too, YouTube offers a shortcut – in this case an emotional one. It is intended to evoke emotions immediately, whether in the form of excitement, surprise, emotion, disgust or fun. Instead of the slow development of emotions as might be found in a movie, YouTube promises immediate relief. Typical formats include animal or gross-out videos, slapstick, and pranks.



Here, too, advertising forces viewers into a detour and thereby disrupts the emotional shortcut. In addition, there is a logical aspect to take into consideration, namely that commercials that are too long consume too much data volume on smartphones. Advertising has to get to the point quickly while also offering “instant emotions” that fit into the state.

“For me, YouTube videos are a way to relax for a moment. I don’t want to wait a long period of time to feel that way; I want videos to make me laugh right away or to give me a scare. It’s good for short breaks or while I’m out and about.”

3. THINGS TO LISTEN TO

Music accounts for about 30 percent of YouTube usage.⁶⁾ It is often running in the background while users are doing something, but users also watch music videos and concerts. Some events are really celebrated. When this happens, the large TV screen becomes a stage upon which viewers can experience a concert after the fact.

“I just let the YouTube music videos play, kind of like radio.”

MEDIA USAGE STATES – YOUTUBE

HOW TO DO THINGS	HOW TO FEEL SOMETHING	THINGS TO LISTEN TO	WHAT THINGS TO SEE
<ul style="list-style-type: none"> • Tutorials, assistance • Cognitive shortcuts • Advertising: often annoying, should match the specific content 	<ul style="list-style-type: none"> • Emotional short videos, memes • Emotional shortcuts • Advertising: open to brand messages, storytelling 	<ul style="list-style-type: none"> • Music and concerts • Background use, watching music videos, concerts and events 	<ul style="list-style-type: none"> • Trailers/ films • Advertising: trailers themselves are perceived as advertising

Source: Rheingold Salon

Here, too, advertising can be problematic. Although it does not force listeners into a detour, it can affect the music experience. Unlike on the radio, here listeners themselves actively choose the music. For advertising not to be disruptive, it has to fit in well with the mood and the music.

4. WHAT THINGS TO SEE

“YouTube helps me to decide whether or not I’ll go to the movies.”

Viewers use YouTube as a decision-making aid for their next evening of television or trip to the movies. Trailers and program tips are especially popular. In this regard, YouTube serves as a kind of program guide and a way to plan leisure time activities, like Facebook. In this role, viewers again want to take a shortcut and find all the relevant information as quickly as possible so they can make decisions.

“The movie trailers on YouTube are a separate advertising category for me. I never go to the movies without watching the trailer.”

USAGE STATES WHEN USING FACEBOOK

1. WHAT THINGS TO DO

People often browse on Facebook when they are waiting for something. The platform is considered as a practical resource when it comes to organizing recreational activities. Users can make sure they don’t miss anything that might be interesting in their local area. Users appreciate finding information about concerts and other events.

“I mainly look for events. You can get tips in the groups.”

2. CONNECT WITH LOCAL THINGS

For many users, Facebook is a digital marketplace. They can chat, look for or offer support, and give away or sell things. Local news is always available right away, and users always stay up to date. In this state of mind, local offerings and information are met with interest.

“You can post when you need something or have something to offer – it’s surprising how well that works.”

3. FOLLOW THINGS

Facebook often serves as a news channel. Users are as likely to see news about world affairs and political events here as they are to see the latest from their circle of friends and acquaintances. Users follow people, companies and brands. In this usage state, image advertising enjoys the highest acceptance. There is a risk, however, of falling into the context of negative content such as hate and “shitstorms.”

This social media network satisfies different functions from those of traditional media and video platforms. Users have different expectations and motives than with television or video on demand services. Advertising on Facebook has a more polarizing effect: those surveyed perceive it as either particularly helpful or as particularly annoying.

“I hear about world events almost exclusively via Facebook.”

MEDIA USAGE STATES – FACEBOOK

WHAT THINGS TO DO	CONNECT WITH LOCAL THINGS	FOLLOW THINGS
<ul style="list-style-type: none"> • Organize everyday and especially leisure activities, look for and plan events • Advertising: open to event tips 	<ul style="list-style-type: none"> • Orientation on location • Stay up to date • Buy and sell • What is happening right now in my city / community? • Advertising: local offers, more interest in products than in brands 	<ul style="list-style-type: none"> • Observe world affairs • Follow brands • Follow friends • Advertising: corporate and brand advertising

Source: Rheingold Salon





RELEVANCE FOR MEDIA PLANNING AND CREATION

The Deep Insights Study supports the hypothesis that different reception states influence the advertising impact of lean-back and lean-forward media. The stable activation level of TV viewers observed in the In-Home Video Study matches the statements from the diaries and interviews. The attitude towards advertising is similarly open and responsive in all three TV usage states (Chapter 2). Viewers have learned and accepted that it is part of the program flow. Sometimes advertising is an advisor, sometimes a storyteller, and sometimes even a suitable companion to a sports event. Advertising ties into the respective state.

On the other hand, the loss of the measured activation among YouTube users can be a sign that the delivered ad is highly disruptive. Since users are looking for cognitive and emotional shortcuts – i.e. for quick everyday help and relief – they often perceive advertising as annoying in these states.

In order to identify initial criteria for what kind of advertising resonates with viewers and users, the researchers also tested a series of commercials as part of the study. Participants watched a total of nine commercials of various creative designs from different industries. They were asked to evaluate the advertising and its suitability for the respective platform. The analysis provides useful information for the design of advertising on TV and YouTube.

The tests have shown that belonging to a certain industry is not the key factor. Those surveyed believe that industries such as insurance and cars are more suitable for TV, while games, fashion, and cosmetics are more likely to be associated with YouTube. Ultimately, however, other criteria appear to be more important for success.

The **length** of commercials is important. Commercials on YouTube have to be significantly shorter and get to the point faster. Commercials should cut to the chase in the first five seconds because YouTube users are looking for the cognitive and emotional shortcut and do not want to be interrupted by long advertising stories.

The **structure** of commercials needs to be different as well. TV commercials can develop a story and wind it up. The creators can take their time to tell a story. With YouTube, on the other hand, it is necessary to ramp up the suspense quickly and then immediately “discharge” it.

Viewers spend a lot of time watching TV. The embedded advertising can convey a relatively large amount of **information**. For this reason, more product information can be conveyed as well. On YouTube, information needs to be pared down to the essentials.

The **players** are also important. TV is often a partner and companion or is used with others. As a result, viewers enjoy seeing people interacting with each other in advertising: families,

couples, and friends are the typical protagonists of television advertising. By contrast, YouTube is more personal and private and is mainly used alone. This is reflected in the advertising as well, where people are expected to be depicted as individuals operating on their own.

In TV commercials, the **tonality** can be explanatory, for example when the use of products is being shown. This works particularly well in the *Get Things Done* state. Commercials suitable for YouTube may even be dreamlike or irrational.

The same applies to the **language**. With TV commercials, off-screen narration is common. With YouTube, suspense has to build up without words.

Production value is another distinguishing factor. Elaborately produced commercials with a cinematic feel and changes of perspective in the camera work are more likely to be expected on television. Authentic commercials, executed simply, fit in well with YouTube.

The study makes it clear that different design criteria apply to advertising in lean-back and lean-forward media. Simply shortening a TV commercial is not enough to adapt it for online use. Depending on the platform, the commercials have to be tailored to specific states in order for them to be effective.



*The Field Test was a winning paper at the
AUDIENCE x SCIENCE Conference 2018
of the Advertising Research Foundation (ARF)*

04 HOW VIDEO SELLS

The Field Test compares the impact of TV and online campaigns
on branding and sales under real-life conditions





REASON WHY

- *Specific reception states influence the impact of video advertising on different platforms.*
- *The Field Test complements these findings with the factor reach and determines sales and brand effects.*
- *In a controlled experiment, SevenOne Media and Kantar TNS examine the impact of TV and online video under real-life conditions.*

The preceding In-Home Video Study and Deep Insights Study document why advertising works differently on different platforms and which intrinsic processes are responsible for this. The objective of the Field Test is to mirror the media planning reality. With an A/B test design, real campaigns in real markets were evaluated.

What impact do online video and TV have on sales and branding under identical conditions? Thanks to the innovative approach, it was possible to isolate the effects of targeting and mass marketing.

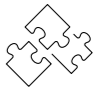
The Field Test was based on two campaigns for fast-moving consumer goods. One product, Emmi's Caffè Latte, had not been advertised on TV for a long time. The second product was a new yoghurt brand that was examined immediately before its market launch. This made it possible to minimize any depot effects of previous campaigns, respectively a brand history. For both products, TV advertising was placed in one test area and online advertising in another. A

third test area served as a control market without advertising. Afterwards, the effects were examined in all three areas.

The test markets were Hanover, Bremen and Hamburg. As the locations are all in the northern part of Germany, regional consumption habits do not distort the results. In addition, the cities have a similar retail and

“When all else is equal, I wondered at the time, which channels perform the best at the top of the funnel?”¹⁾ Samuel Scott

KEY FINDINGS



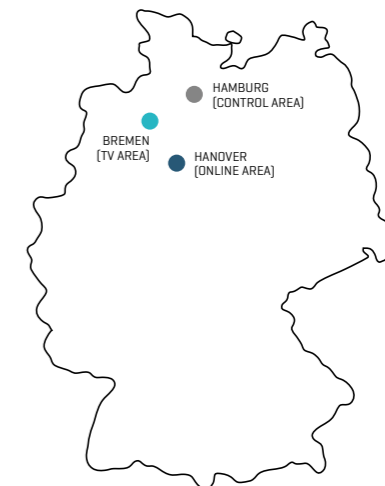
demographic structure. Both campaigns were based on an identical media net campaign spend. The commercials were adapted to the respective platforms.

The cold coffee beverage was advertised in the Bremen test market in a TV campaign of 20-second commercials over a period of almost four weeks. During the same period, an online video campaign was conducted for the product in Hanover on publisher websites, as well as on YouTube und Facebook. In addition to sales data, cognitive advertising impact indicators were also examined.

For the new yoghurt brand, TV spots ran in Bremen and online video commercials were played in Hanover for three weeks. In contrast to Caffè Latte, no cognitive indicators were examined in this case because the national advertising campaign was launched immediately after the test phase.

For the field test in the TV area, regular ads were replaced by the test commercials. Regional targeting was used to address the online area.

- *The experiment confirms the strong impact of video advertising. Both online video and TV have a considerable influence on recall. However, television has stronger branding effects.*
- *Both media increase the sales of the advertised products. Yet, the impact of television advertising is many times higher. This particularly applies to the launch product which was seeking large and diverse audiences.*
- *The findings underscore the strengths of mass marketing and point to the possible limits of targeting. Television advertising appeals to many potential buyers outside the core target group within a short period of time and therefore achieves greater sales effects.*



¹⁾ Scott (2019)



STUDY DESIGN

METHOD

Controlled field experiment with three test regions
 - Bremen: TV advertising
 - Hanover: online video advertising
 - Hamburg: no advertising

Playout of platform-adapted commercials with the same net media budget in the same time period

Determination of cognitive indicators (Emmi Caffè Latte) in an online survey

Sales data were collected in selected shops in the test areas and the control area

TECHNICAL COVERAGE TV (BREMEN)

Emmi Caffè Latte: DVB-T and cable households (63% of households),

Yoghurt brand: cable households (50% of households)

SAMPLE

Online survey (Emmi Caffè Latte): n=300 adults 18-39 years per test area

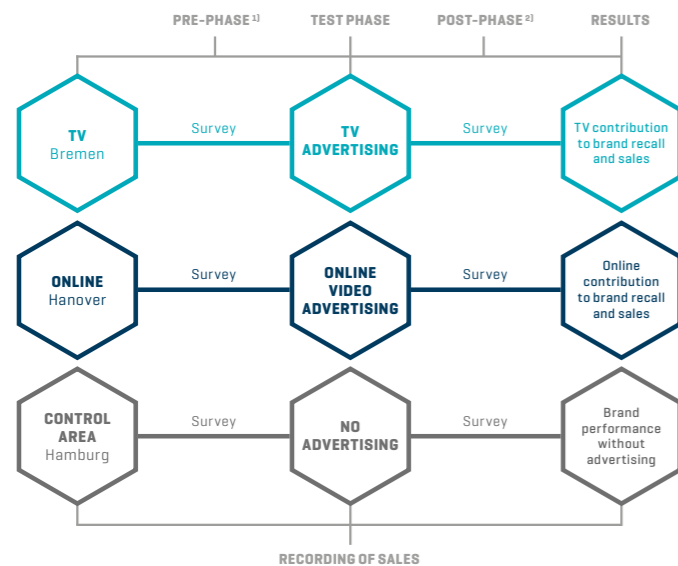
FIELD PERIODS

Emmi Caffè Latte: May – June 2016,
 Yoghurt brand: May 2017

INSTITUTE

Kantar TNS on behalf of SevenOne Media

STUDY PROCESS



1) Pre-phase (Emmi case only): Sales from comparable period in previous year, survey immediately prior to campaign
 2) Post-phase (Emmi case only): Sales in the 4 weeks after campaign, survey immediately after campaign

Both media strategies have strong branding effects. However, TV is more successful compared to online video. With Emmi Caffè Latte, the TV campaign increased top-of-mind brand awareness by 67 percent (online: 21 percent). The TV campaign increased unaided brand awareness by 71 percent (online: 4 percent). Ad recall also increased considerably more in the TV test market.

The video campaigns also contribute to brand image. In both areas, the cold coffee drink is perceived more strongly as the market leader. TV advertising led to a 24 percent increase in agreement with the statement that it "is the market leader for cold coffee beverages" (online: 7 percent). Television advertising not only ensures more attention, it also makes brands appear more important in the perception of viewers.

The Field Test provides strong evidence for the sales effects of video advertising. Online increases sales by 11 percent, while the TV effect is around three times as high at 31 percent. Sales also increased slightly in the control area, therefore the above figures represent the net effect after taking this base effect into account.

By extrapolating the net effects in both test areas to a national basis, the additional sales that the campaign would have generated can be determined. The ratio of the additional revenue to the net advertising investment yields the return on investment (ROI). The online ROI is 0.5, which is a very good result considering the short-term view. The result for TV is even better. The campaign already achieves an ROI of 1.3 after eight weeks.

RELEVANCE FOR MEDIA PLANNING



The field test confirms the results of the Media Equivalence Study. Both TV and online video advertising increase awareness and sharpen the image. The impact of television advertising on cognitive indicators is particularly strong.

In addition, the study reveals the strong effects of TV on sales and proves a fundamental advantage of mass marketing compared to targeting. The selective playout of advertising in the online campaign focuses on a previously defined target group which carries the risk of systematically excluding potential buyers. By contrast, advertising in the high-reach medium TV generates a large number of additional exposures outside the core target group which obviously generates additional sales. Since most brands have a broad base of potential buyers, overly narrow targeting can be a disadvantage.

A similar situation can be seen with the newly launched yoghurt brand. Sales in Hanover, the area with online advertising, were 8 percent higher than in the Hamburg control area. This growth can be seen as a campaign success. In Bremen, TV advertising actually increased sales by 80 percent in only three weeks.

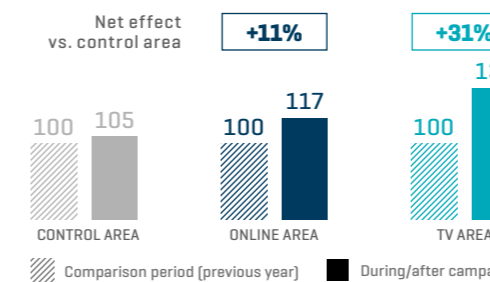
BRANDING AND SALES BENEFIT MOSTLY FROM TV

Emmi Caffè Latte: Post-Phase vs. Pre-Phase

	ONLINE	TV
Top-of-mind brand awareness	+ 21%	+ 67%
Unaided brand awareness	+ 4%	+ 71%
Aided brand awareness	+ 13%	+ 35%
Aided advertising recall	+ 20%	+ 167%
Image to be the market leader	+ 7%	+ 24%

Source: Kantar TNS

Emmi Caffè Latte: 0 sales per week, Index



Basis: 20 retail shops per area
 Comparison period: Week 20-27 2015
 During/after campaign: Week 20-27 2016
 Source: Kantar TNS

Newly launched yoghurt brand: 0 sales per week, Index



Basis: 14 retail shops per test area,
 12 retail shops in the control area
 Source: Kantar TNS



The ROI Analyzer was a winning paper at the 2013 Audience Measurement 8.0 Conference of the Advertising Research Foundation (ARF)

05 WHY BRANDS NEED REACH

The results of the ROI Analyzer show how brands benefit from addressing broad groups of consumers



Using real campaigns as examples, the Field Test shows that television advertising achieves greater branding and sales effects than online video advertising. The particular strength of TV can be explained by the specific reception situation and the typical lean-back state of its users (Chapters 2 and 3). In addition, TV achieves high levels of reach within a short period of time while also addressing consumers outside narrowly defined online target groups.

In contrast to mass marketing, targeting is based on the idea of avoiding advertising waste and reaching only “relevant” people. Online video advertising is intended to combine the emotional power of video with precise audience targeting. Ideally, the right message will reach the right person at the right time. These three Rs – the right message, the right person and the right time – are considered to be the promise of brand success.

Of course, it is efficient to target only those people for whom a specific advertising message is relevant. In practice, however, such an approach rarely goes according to plan. This is because, in targeting models, the target audience is often so narrowly defined that the message reaches only existing customers who regularly purchase the brand anyway. In fact, however, purchasing motives are so varied that it is technically impossible for all potential customers to be identified and included in a set of targeting criteria for placement of the ads. The majority of

consumers tend not to be brand-loyal but instead behave opportunistically, also purchasing competitor brands. It is precisely these fickle “light buyers” and new customers who are fundamental for brand growth, however.

Brands grow by expanding their customer base. This offers much stronger leverage than increasing purchase frequency among existing customers. The aim of an ad campaign should be to reach all potential

“Brands should always think about inclusion first, rather than exclusion.” Byron Sharp¹⁾

buyers, rather than limiting the potential customer base when formulating the targeting criteria. Media planning should include all potential buyers and only exclude those who can definitely not be considered as potential buyers. In this way, targeting can improve efficiency without restricting growth. Alternatively, we can try to reach broader audiences right from the outset, something made possible by the use of mass media such as TV, radio and outdoor advertising in particular.

Empirical studies such as those conducted by the Ehrenberg-Bass Institute in Adelaide demonstrate that addressing a broad audience can stimulate brand growth much more effectively than concentrating on a narrowly defined customer segment. The whole market must be targeted.²⁾

1) Sharp [2017], p. 259
2) See Romaniuk, Sharp [2016], p. 23

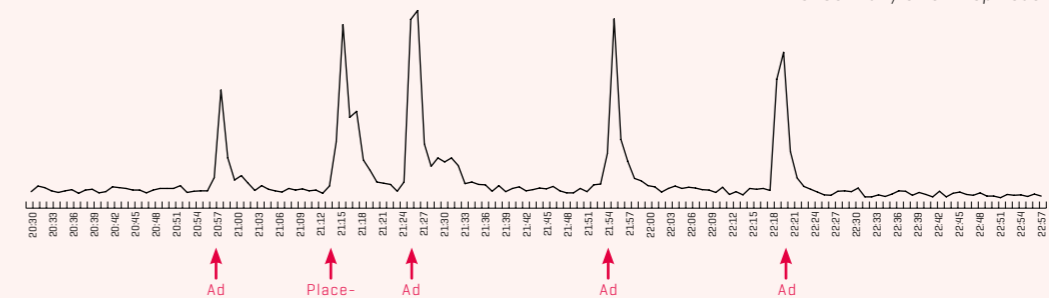
KNOW-HOW

WHAT TELEVISION ACHIEVES AT THE MOMENT OF NEED

As a mass medium, television plays an important role in the customer journey. Among the mass of contacts generated, reactions can be elicited from all those people for whom a particular advertising message is relevant at the time of the contact. This can be shown using the example of a Mydays campaign. This provider of experience-type gifts ran a variety of ads and included product placement of its helicopter flights within the “Germany’s Next Topmodel” TV show. The number of hits on the provider’s website demonstrates that the advertising message was relevant for a large number of viewers at

the time of broadcast. Whenever the commercials or product placement were shown on the program, the number of visits to mydays.de increased substantially. This is because the advertising appealed to people who were interested in a helicopter flight at that very moment – women, men or couples who either wanted to book a flight experience for themselves or as a gift. In other words, television activated all those for whom the ads had relevance at that very moment, guided them to the supplier’s website and thereby triggered the “first click” on the customer journey.

VIEWERS REACT IMMEDIATELY
Visits to mydays.de during the broadcast of Germany’s next Topmodel



Source: SevenOne Media, D&A Media&Analytics

In a year-on-year comparison, consumer researcher Raimund Wildner analyzed changes in buyer numbers and sales volumes for more than two thousand consumer goods brands.³⁾ This demonstrated a clear correlation between sales volumes and the size of the buyer base, as 69 percent of the variation in volume growth and decline could be attributed to a change in the number of customers. Although buying intensity, meaning the volume per buyer, also contributes to brand success, it only accounts

for 31 percent of the changes in volume growth and is therefore the weaker variable.

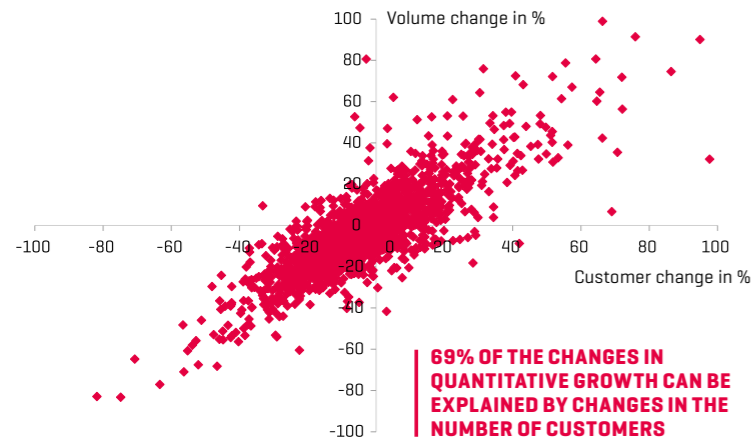
Numerous researchers worldwide have investigated the relationship between buyer penetration, loyalty and market success. With regard to consumers’ brand loyalty, marketing scientist Andrew Ehrenberg comes to the sobering conclusion:

“Your customers are mostly other brands’ customers who occasionally buy you.” Andrew Ehrenberg⁴⁾

3) See Wildner [2015]
4) Ehrenberg [1999], p. 57



BRANDS GROW WITH THE ACQUISITION OF NEW CUSTOMERS
Changes in sales volumes and customer numbers are closely related

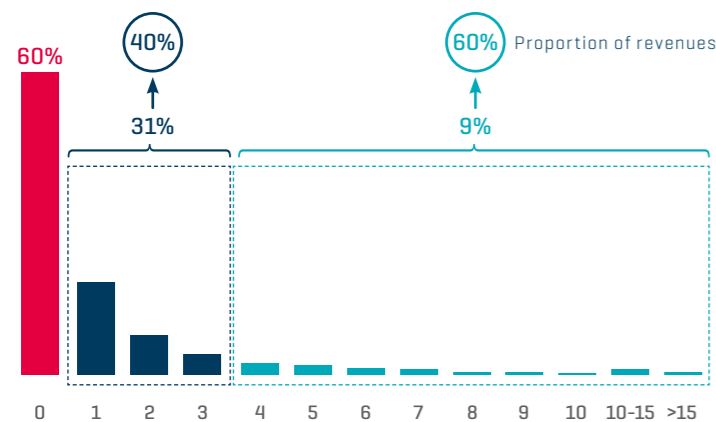


Basis: 2,205 brands; 12 brands saw an increase in sales quantities and/or customers of more than 100% and have been hidden
Source: GfK household panel ConsumerScan 7/2012 to 6/2013 and 7/2013 to 6/2014

Byron Sharp, Director of the Ehrenberg-Bass Institute, builds on Ehrenberg's research and demonstrates with numerous empirical analyses that buyer penetration offers a much stronger explanation for brand strength than purchase frequency. This can be illustrated by the example of the frozen pizza market in Germany. Whereas the "market leaders" have the highest customer penetration and purchase frequency, the "laggards" have a significantly lower customer reach and a lower average purchase frequency. At the same time, buyer penetration has the biggest influence on market share. Therefore, while large brands have many buyers, small brands have few buyers. They also differ in terms of purchase frequency, but here the differences are significantly lower.

"Light buyers contribute to the bulk of brand growth."
Karen Nelson-Field⁵⁾

MOST BUYERS OF A BRAND ARE OCCASIONAL BUYERS
Number of buyers of a frozen pizza brand based on purchase frequency during one year



Basis: Buyers of frozen pizza
Source: GfK ConsumerScan 2016

Most brands are bought only occasionally. A large number of potential customers do not buy them at all. Purchase frequency has a negative binomial distribution pattern, as is shown in the example of a large German frozen pizza brand. In 2016, it was not purchased at all by 60 percent of frozen pizza buyers. A further 31 percent purchased the brand between one and three times while only 9 percent purchased it on four or more occasions. These "heavy buyers" are responsible for 60 percent of the brand's annual sales. To grow the brand, it is more promising to aim for more sales in the large group (91 percent) of non-customers and occasional buyers rather than trying to encourage the smaller group of heavy buyers (9 percent) to make even more purchases.

THE MOST SUCCESSFUL BRANDS HAVE THE LARGEST CUSTOMER BASE
MARKET FOR FROZEN PIZZA IN GERMANY

	MARKET SHARE (VALUE) WITHIN PRODUCT GROUP IN %	BUYER PENETRATION IN %	PURCHASE FREQUENCY Ø PER YEAR	Ø PRICE	CLASSIFICATION
Brand A	17.1	24.2	3.6	4.28	Market leaders Market share >15% Penetration >20%
Brand B	15.3	26.8	3.2	4.30	
Brand C	10.0	17.3	2.9	4.10	Followers Market share 10-15% Penetration 15-20%
Brand D	5.3	11.2	2.6	3.86	Medium-sized brands Market share 5-10% Penetration 10-15%
Brand E	3.8	7.6	2.6	3.67	
Brand F	3.6	9.4	2.3	3.97	Laggards Market share <5% Penetration <10%
Brand G	3.3	8.5	2.1	4.10	

Basis: Market shares and KPIs for the seven largest producer brands in 2016.
For ease of viewing, brands have been classified on the basis of market share and customer penetration into four types.
Source: GfK ConsumerScan

This has practical relevance for brand communication and media planning. In order to reach the heterogeneous segment of non-buyers and light buyers with advertising, the use of broad-scale media is essential.

This is where the power of television as an advertising medium comes in. Due to its high levels of reach, not just existing and regular purchasers can be addressed but also potential new customers and light buyers. If the advertising exposure leads to a purchase, this can be the foundation for an increasing degree of brand loyalty.

These findings underlie the development of the ROI Analyzer study, which SevenOne Media published for the first time in 2013.⁶⁾ Since

2015, the modeling tool has been taken forward by the Screenforce industry body.⁷⁾ The ROI Analyzer determines the efficiency of TV advertising based on purchase figures and TV usage data. It examines not just short-term but also long-term sales effects and spillover effects on sales of other products within an overall brand family.

The inclusion of repeat purchase probability is a unique characteristic of the ROI Analyzer. A simulation over a period of five years into the future is applied to identify long-term advertising effects. When TV advertising stimulates a purchase, there is not only an immediate, short-term effect. Rather, the likelihood that a consumer will choose a brand again increases with each purchase.

5) Nelson-Field (2014), p. 82

6) See Modenbach / Wildner (2013)
7) See Screenforce (2017)



KNOW-HOW



ROI ANALYZER

The ROI Analyzer examines the connection between TV advertising exposures and brand purchases. Every single purchase is scanned in 30,000 households of the GfK household panel over a period of 18 months. Since this panel does not collect TV usage, data from the AGF/GfK TV panel is merged with the purchasing data. Using this dataset, the correlation between contacts from TV advertising and purchasing behavior can be reliably modeled. In this process, the purchasing behavior of consumers with and without advertising exposures is simulated. The differences between the sales figures calculated in this way are used to ascertain the additional revenues that can be attributed solely to TV advertising and thus used for calculating the ROI figure.

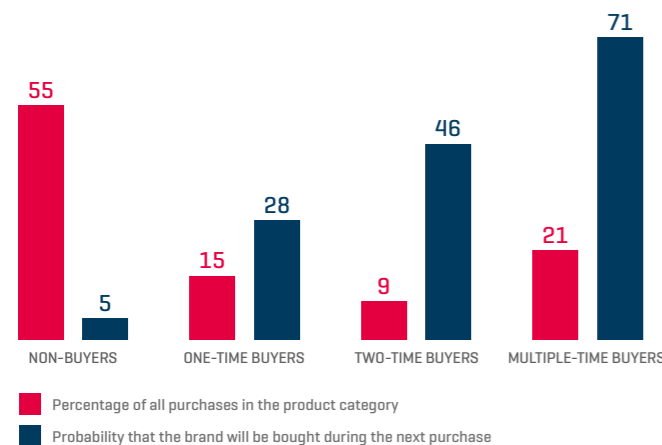
The ROI Analyzer is a decision model based on a logistic regression. Accordingly, for each household, a prediction is made as to whether – at the time of the household's next purchase within a product category – a particular brand or a competitive brand will be selected.

The dependent variable in the model is the purchase of the brand. Independent variables are TV advertising exposures, shopping locations, price promotions and socio-demographics. The most important control variable in the model, however, is the individual purchase history, since this has the greatest influence on the subsequent purchase. It allows us to distinguish whether a purchase has arisen as a result of shopping habits or as a result of advertising contacts and to precisely isolate the effect of TV advertising.

The results from three survey waves since 2011 confirm that TV advertising increases sales in an efficient and long-term way and that its effectiveness over the last few years has not declined. For the 318 consumer product brands investigated, the ROI has remained high and stable throughout the period. This equates to an average 1.13 ROI over the short term (one year) and 2.60 overall (after 5 years).

SHORT-TERM EFFECTS DRIVE THE PROBABILITY OF REPEATED BUYING

Purchase frequency and probability of a subsequent purchase in %



Basis: FMCG brands, share of purchases (204 brands), purchase probability (318 brands)
The last three purchases in the product category are included

Levels of brand loyalty take into account current brand purchases on the basis of purchase history. A differentiation is made as to whether a brand was purchased not at all, once, twice or three times as part of the previous purchases in the product category

Source: ROI Analyzer, GfK/Screenforce

Consequently, short-term effects of TV advertising bring about changes in purchasing behavior that generate substantial increases in revenues over the long term.

The analyses show that a large proportion of buyers in a product category (55%) have not purchased the specific brand in their last three purchases within the category ("non-buyers"). The probability that these non-buyers will purchase the brand the next time they shop in that product category is only 5 percent. For "one-time buyers," the probability of a repeat purchase is already 28 percent, while for customers who buy a brand on two consecutive occasions, the figure is 46 percent. For "multiple-time buyers," the probability of a subsequent purchase increases to 71 percent.

For every brand, the ROI Analyzer takes into account the fact that each purchase increases the probability of a subsequent purchase. It identifies future additional revenues that would not have been generated without a successful advertising campaign and includes these in this calculation of the total ROI from TV advertising. This methodology is fundamentally different from so-called sales modeling, which only takes short-term advertising effects into account.

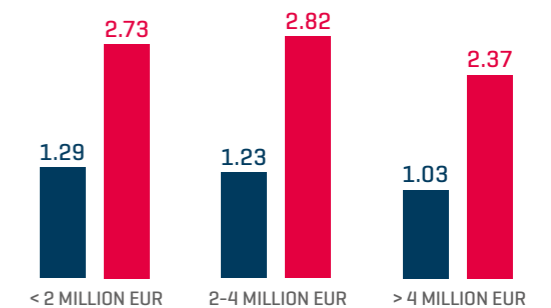
The results prove that brand growth is stimulated most strongly among new and occasional buyers. If a brand manages to acquire a non-buyer, the probability that that person will make a further purchase increases by a factor of more than five. Increasing buyer penetration delivers a strong lever for sales growth. Many consumers have not purchased the brand before and those who have made one purchase are more likely to make a repeat purchase. The same effect is also observed, albeit to a weaker degree, among occasional buyers. If, for example, a brand manages to nudge a one-time buyer to make a further purchase, it is then almost twice as likely that the person will purchase the brand again.

TV campaigns for brands with a high proportion of first-time buyers are particularly efficient. They achieve an average long-term ROI of 3.22. Campaigns for brands with a low proportion of first-time buyers have an ROI of 1.68.

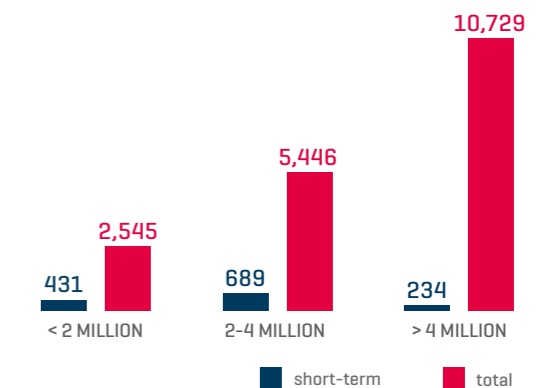
The efficiency also depends on the size of the advertising budget, since low TV budgets pay for themselves faster than high ones, as might be expected. This is especially evident

TV ADVERTISING IS PROFITABLE ACROSS ALL BUDGET CATEGORIES

SHORT-TERM AND TOTAL ROI BY NET TV SPEND
Ratio of total revenues as a result of advertising and TV spend



SHORT-TERM AND TOTAL PROFIT BY NET TV SPEND
Difference from incremental revenues as a result of advertising and TV spend in thousand €



Net ROI is shown (estimate of net investment based on Nielsen Media Research, ZAW)
Total ROI/profit: ROI simulation for five years, based on effects arising only from TV spend in the first year

Basis: 71 FMCG campaigns in 2017
Source: GfK/Screenforce



“TV delivers the most profit because its scale and popularity enable it to deliver efficient profit return at high volumes of spend.” – Ebiquity⁸⁾

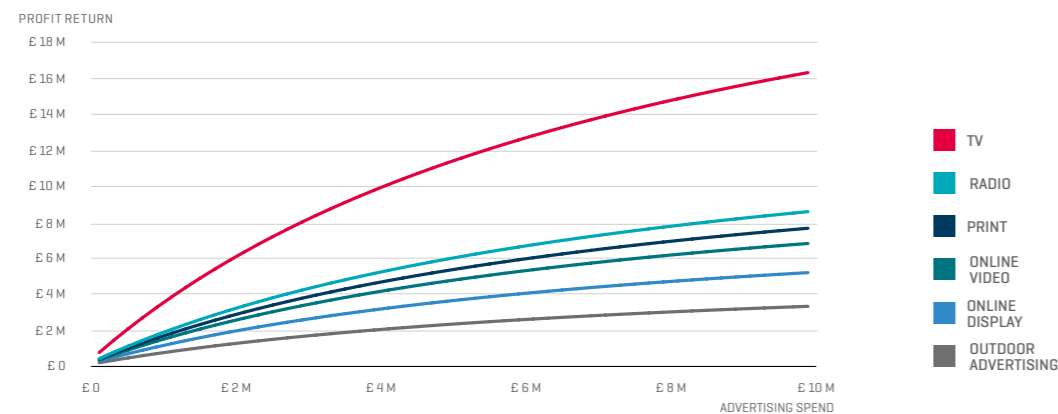
with regard to short-term effects. Accordingly, lower-budget campaigns achieve an ROI of 1.29 after only a year, while for high investments the figure is just over 1.

The ROI only is a relative indicator. In absolute terms, high budgets can generate a higher return over the long term, despite the fact that the actual ROI may be lower than in campaigns with smaller budgets. The profits achieved by a large-scale campaign – in other words the additional revenues minus the advertising spend – can exceed the profits from a small campaign many times over. TV advertising is particularly efficient because it maximizes profit even in high-budget campaigns.

If we compare the performance of different media, we see that online video and search engine advertising, for example, often generate high additional revenues even for a comparatively low level of spend. However, with a further increase in the budget, sales cannot be increased to the same extent. By itself, a high ROI is not the key factor of success.

An analysis by Ebiquity shows that the scalability of the impact is decisive for the success of advertising. Even for higher levels of investment, television continues to deliver additional profits and therefore offers the highest headroom for advertising spend among the media examined.⁹⁾

HIGH SCALABILITY OF TELEVISION
Incremental profit return and net advertising spends in GBP



Basis: Ebiquity ROI campaign database. Example from the finance sector.
Source: Profit Ability; the business case for advertising, Ebiquity/Gain Theory/Thinkbox, Nov. 2017

RELEVANCE FOR MEDIA PLANNING



In order to manage brands successfully over the long term, we need to reach as many potential customers as possible with advertising. These include not only loyal customers but, above all, non-buyers and occasional buyers of the brand. After all, increasing buyer penetration is a much stronger lever for brand growth than increasing the buying frequency. Targeting can be useful and effective when it is possible to identify a precisely defined group of people as unequivocal non-buyers of the brand and then address the counter-group with advertising. If there are no such clear criteria for exclusion of clear non-buyers, however, we need to communicate as broadly as possible in order to expand our customer reach – for instance via mass media such as TV, radio and outdoor advertising.

Television builds high levels of reach quickly and efficiently. The advertising budgets invested are repaid relatively quickly in the form of the additional sales achieved and, over the course of several years, generate revenues several times higher than the original spend. The return on investment from TV advertising has remained stable and high for many years now. Television advertising is able to maximize profit even when high-value budgets are involved. When comparing the performance of different media, we should always consider exactly to what extent ad spendings can be invested reasonably and what absolute effects might be achieved by it.

⁸⁾ See Ebiquity (2017), p. 4
⁹⁾ See Ebiquity (2017), p. 14



OUTLOOK

The studies in this publication demonstrate the value of television advertising. The Ephron formula defines reach as a central factor for the value of a medium for advertising success. Additionally, reach is necessary for brands' growth. Persuading loyal customers to make even more purchases adds little value. This is because brand growth comes from the heterogeneous group of opportunistic buyers within a product category. Brands must address those who may not have considered them before. Precisely this is the strength of television: it reaches not just those who are already loyal customers but also all potentially interested persons. From the full range of exposures, it aggregates all those for whom an advertising message is relevant at the time of viewing. This effect of advertising at the moment of need cannot be achieved using conventional targeting criteria.

This should result in a certain caution regarding the selective power of targeting. The question of whether the percentage of "in target" is a suitable indicator of campaign performance must be fundamentally rethought in marketing. The key to commercial success is reach. It is the inclusion – not the exclusion – of persons outside the core target group that generates additional profit.

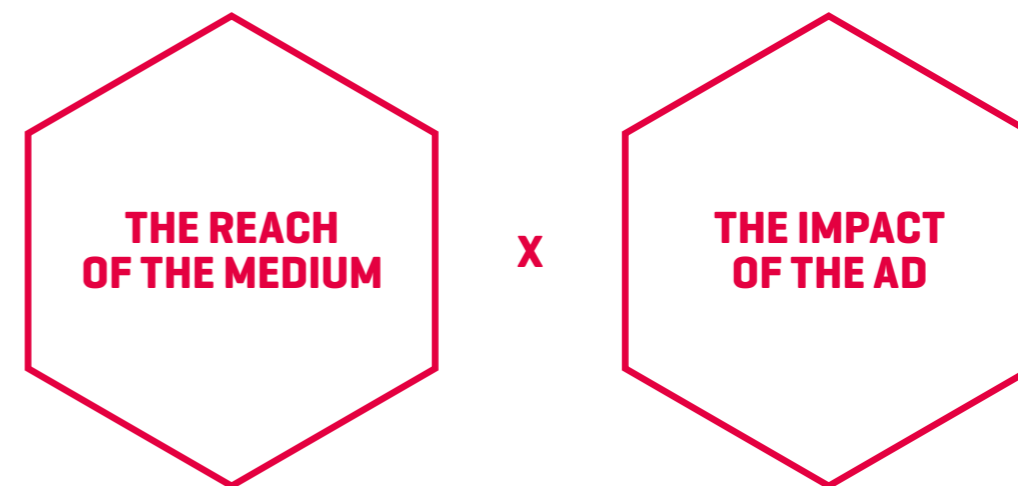
In future, nonetheless, complementary video platforms will be needed to add further reach to the base medium of TV. Research of advertising devices provides the basis for assessing and evaluating the effectiveness of the various video platforms – after all, not all reach is equal in terms of advertising impact.

Therefore, the second part of the Ephron formula is just as vital for the future of the advertising medium TV as the reach achieved by television transports enormously successful advertising formats. In the analysis of all standard indicators of advertising effectiveness, TV performs better than online video. Our research has confirmed that this is at least in part due to the moods and motives of the audience involved.

The relaxed lean-back mode characteristic of TV viewing facilitates the reception and processing of advertising messages. Conversely, the lean-forward interactive mode associated with the consumption of online media encourages users to avoid advertising actively. Engagement with interactive platforms is more likely to result in advertising being clicked away. Those who lean back are more likely to let the messages pass.

Reach and impact of television will therefore continue to ensure its value for advertising in future. After all, marketers are investing in the medium that guarantees long-term market growth. Currently, this finding is also reflected in the rethinking of big companies – away from over-emphasizing performance marketing and towards branding. This reconsideration may result in a swing back to those media that achieve broad reach.

/// *"A medium's advertising value is the product of its probability of exposing the average ad and its contribution to the impact of the message."*
Erwin Ephron¹⁾



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P-VALUES TO ASSESS STATISTICAL SIGNIFICANCE, USUALLY:

≤ 0.05 significant | ≤ 0.01 very significant | 0.00 highly significant

Advertising recall single exposures [p.16/19]

	UNAIDED	AIDED	DETAIL
TV / YT	0.00	0.00	0.00
TV / FB	0.00	0.00	0.00
YT / FB	0.00	0.00	0.01

Unaided advertising recall single and double exposures [p.16]

	1 x TV	2 x TV	1 x YT	2 x YT	1 x FB
2 x TV	0.00				
1 x YT	0.00	0.00			
2 x YT	0.00	0.00	0.00		
1 x FB	0.00	0.00	0.00	0.00	
2 x FB	0.04	0.00	0.80	0.00	0.00

Unaided advertising recall double and mixed exposures [p.17]

	2 x TV	2 x YT	2 x FB	TV + YT	TV + FB
2 x YT	0.00				
2 x FB	0.00	0.00			
TV + YT	0.00	0.12	0.00		
TV + FB	0.00	0.28	0.01	0.06	
YT + FB	0.00	0.32	0.00	0.03	0.68

Unaided advertising recall single exposures [p.17]

	TV FIRST POSITION	TV PRE-SPLIT	TV SPOT	YT PRE-ROLL	YT BUMPER	YT TRUE-VIEW
TV Pre-Split	0.82					
TV Spot	0.48	0.63				
YT Pre-Roll	0.03	0.05	0.12			
YT Bumper	0.25	0.35	0.63	0.32		
YT True-View	0.01	0.01	0.04	0.63	0.13	
FB Video Post	0.00	0.00	0.00	0.00	0.00	0.00

Unaided advertising recall double and mixed exposures [p.18]

	TV FIRST POSITION + PRE-SPLIT	TV SPOT + PRE-SPLIT	2 x TV SPOT	TV SPOT + YT PRE-ROLL	2 x YT PRE-ROLL	TV SPOT + YT TRUE-VIEW	2 x YT TRUE-VIEW	YT PRE-ROLL + BUMPER	TV-SPOT + BUMPER
TV Spot + Pre-Split	0.86								
2 x TV Spot	0.10	0.12							
TV Spot + YT Pre-Roll	0.03	0.04	0.69						
2 x YT Pre-Roll	0.01	0.01	0.36	0.06					
TV Spot + YT True-View	0.00	0.00	0.01	0.01	0.07				
2 x YT True-View	0.00	0.00	0.00	0.00	0.03	0.64			
YT Pre-Roll + Bumper	0.00	0.00	0.00	0.01	0.06	0.71	0.75		
TV Spot + Bumper	0.00	0.00	0.00	0.01	0.05	0.63	0.93	0.93	
YT True-View + FB Video Post	0.00	0.00	0.00	0.00	0.02	0.46	0.80	0.82	0.90



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