



Home Sweet Home

We have probably used that headline before, as we have officed in a number of locations in our 15-year history. The move to new space at the address shown below went smoothly. More sunlight may not bring you more-favorable research results, but it does make your researcher a bit sunnier of disposition.

Changing your address can be an adventure. Curiously, those to whom we send bills have been far better about noting the change than those who send bills to us. Timely change notices went to our vendors, sometimes to several different addresses, yet several managed to ignore them completely.

Onward and Upward

. . . go postage rates. One reason you are getting this newsletter in early May rather than late May is the latest increase on the 12th. We may be inured to annual increases, but philatelists know that the letter rate was two cents from 1885 to 1932 (with a temporary hike during the first world war).

A Jefferson three-center did the job from 1932 to 1958. Some of us even remember them. The first "letter" stamp was issued at the time of the 1978 hike, when the postal service knew rates were going up but weren't sure what the new rate was going to be (it was 15¢).



Grumble though we do, our rates are still significantly lower than they are in Europe. A letter to Berlin costs 90 cents, while a reply costs 1.7 Euros (almost \$2.50 at today's exchange rate). Ach!

When A Dollar Is Not a Dollar

Recent scholarly research confirms that the value of a dollar is quite elastic. Psychologists Alter and Oppenheimer of Princeton asked subjects to guess how many of various cheap objects a dollar would buy. The results varied significantly depending on whether the stimulus was a dollar bill or a dollar coin. Similar results obtained from comparing two one-dollar bills versus a two-dollar bill (which exists but is hardly ever seen).

Their conclusion is that the less familiar a piece of money, the less value it is perceived to have. This could be one of the reasons that tourists spend foreign currencies more freely than they do greenbacks.

This should not be news to marketers, who know that a dollar off a purchase today is much more valuable to consumers than a dollar rebate a few weeks out. We've seen research showing that consumers would much rather have \$10 in cash than a \$10 check—or maybe even a \$12 check. Both are familiar, but then there is a "cost" in converting a check to spendable money.

Knowing that consumers are not robotic calculators has many implications for promotions, pricing, and even incenting research participants. We can't deduce what the most-effective spiff or promotion would be from this research alone, but just because two options carry the same price tag to the manufacturer does not mean they have equal value to consumers. That calls for experimental research, which can be complicated, but doesn't have to be. You want those investments to go as far as they can.

Are Our Ads Working?

Anybody can think up a model, econometric or otherwise, of advertising effects. The difficult part is always getting enough of the correct data to control all the influences. Knowing only your brand's spending levels and sales over time just isn't enough.

A study reported in the April *Journal of Marketing Research* gives us that much more reason for humility. The authors analyzed scanner data for two heavily-advertised categories from a Chicago grocery chain. Not only does advertising by competitive brands depress a brand's sales ("cross-elasticities"), but the effects are strong. The overall levels of advertising matter, and so do the number of brands being advertised.

The good news, they say, is that advertising may actually be more effective than we think because research rarely partials out those cross-effects.

There are both offensive and defensive media buying implications of these findings.

- Buy in short bursts or locally to avoid competitors' national campaigns.
- Buy in markets where the competition is less active.
- Buy when you know competitors are not doing so.
- If you have a share leader, you can blunt competitor's advertising by jumping in when they are on the air.

Our experience is that competitive advertising is rarely considered in pre/post tracking studies. Consumer ad recall is fallible, so the more an agency can learn about competitive activity during a campaign, the better.

Statistical Minimalism

We do not pursue them ourselves, but mega-tracking studies are common enough. These are annual, quarterly, or even monthly waves of research that try to measure trends in awareness, usage and/or attitudes for numerous brands in numerous markets.

Between any two waves there can be literally hundreds or even thousands of possible statistical comparisons. Clients want, and most vendors are happy to provide, hundreds if not thousands of significance tests with each wave. What gets forgotten in wholesale significance testing is that with, say, a standard of $p < .05$, five percent of the comparisons will be significant by chance alone. But no one can say which ones are "real" and which are spurious.

We understand such testing as well as anyone, but are careful not to apply it wholesale.

Measuring Attitudes

And who wouldn't want to? It's a rare study we do without some ad hoc attitude content. In some cases, the measurement of attitudes is central to the study and those require much more careful planning. Segmentation studies are a prime example.

One of our pet peeves is blind empiricism. Just because you ask 48 attitude questions does not mean that people have 48 meaningful attitudes. Little better is the practice of writing dozens of attitude statements and then throwing them into a factor analysis to see what comes out the other end.

We prefer to work with our client to identify a limited number of attitude "domains" that they know from experience and feel they can act on. The next step is to develop several items keyed to each domain. The goal is to come up with multiple indicators of each of the domains, and ultimately a composite measure based on several items. Composite scores are always more reliable than single items.

Factor analysis is a useful tool in getting to those composite scales. We may have been wrong about which items really cohere within a domain, and an hypothesized domain may not hold up to scrutiny. Other domains may even be suggested. But the combination of advance planning and objective statistical scrutiny makes for much more insight into how consumers think.