



action line

occasional news and notes from **action marketing research**

November 2002

Special Heresy Edition!

While we are not cowering in fear of a visit from the Grand Inquisitor, we set forth points of view in this newsletter that run counter to a great deal of accepted thinking. And they imply some changes in our research practice. There are nuances we cannot cover in these brief notes, so we would gladly explain our thinking in more detail where it relates to your research.

How to Measure Utilities

We make no secret of our interest in and practice of conjoint research. For years, our preferred technique has been discrete choice modeling (DCM), also referred to as choice-based conjoint (CBC). This technique requires the construction of numerous "choice sets" of three or so product profiles. Respondents are asked to select one favorite from each set. Statistical analysis of their choices yields a set of "utility" coefficients representing the value of this brand, that feature, this price level, that option, etc.

Using these utility values, we then construct a preference simulation program so we can analyze the trade-offs in more detail (and give our client).

While the results of DCM studies can be very powerful, they are not without their critics. The number of variables that can be included without some compromises is limited. The utility estimates are sometimes counter-intuitive. Designing good choice sets is time-consuming; so is completing them.

We have now studied a radically different method of measuring utilities—and have concluded that it has merit. "Self explanation"

of utilities means that you ask respondents to tell you directly how much value they place on different features. Such methods have been around for a long time, but the state-of-the-art appears to be a technique promoted by Eric Marder (see his book, *The Laws of Choice*). Very briefly, this method uses "unbounded" scales of liking and disliking. Given a menu of feature levels, respondents are asked to write in as many Ls (for Like) or Ds (for Dislike) as they want for each one. These correspond to utility coefficients.

We recently conducted a largely self-financed experiment with a split sample (N=520). One cell completed a set of conventional DCM tasks. The other rated the feature levels using those unbounded scales. A set of Aholdout@ choice sets served as our criterion.

- \$ The predictive accuracy of the two cells was very close (*vis a vis* the holdout sets).
- \$ The unbounded scales took less time for respondents to complete.
- \$ The average utilities from the two cells were highly correlated.

Nevertheless, the substantive implications from the two cell were not identical. Judgment always has a role to play.

We are now comfortable in recommending the use of this method of self-explication in at least some situations. We have convincing statistical evidence that it can be as good as DCM. Where the number factors of managerial interest is high, self-explication would be the clear choice. What we need as an industry is more such methodological research with different substantive areas and different levels of complexity. (A paper about our study will be available eventually).

What Can Advertising Do For You?

It increases sales by building brands, right? Not according to two independent analyses we have read. We highly recommend both to you as they have caused us to reconsider many of our assumptions.

The Fall of Advertising and the Rise of PR is a book by long-time guru Al Ries and his daughter Laura (Harper Collins, 2002). "Brand Advertising as Creative Publicity" is an article by Andrew Ehrenberg and colleagues, and appeared in the July/August issue of the *Journal of Advertising Research*.

What they say must be read critically. They do not agree on everything, nor do we always agree with them. But we found ourselves persuaded on many points.

- ❖ Most advertising, certainly for mature brands, is defensive in nature. The Ries book calls it a kind of insurance, rather than an investment that will have calculable ROI. Brands in fact may spend huge sums on advertising over the years with little change in their shares. They are in reality defending their positions.

- ❖ Advertising is rarely persuasive. The Rieses offer this as a criticism, while Ehrenberg et al. state it as a matter of fact. They note that overt persuasion is largely absent from actual ads. Ads can inform, but after a repetition or two they are not even doing that.

- ❖ Advertising alone cannot build a brand. The dot com world is littered with case histories; the cover character for the Ries book is the ill-fated pets.com puppet. The Rieses say bluntly that advertising has little credibility to consumers. In the absence of other cues and experience, we are inclined to agree. The great brands of the world have mostly been around a long time. If they quit advertising for a year, they would still be great brands.

- ❖ Of crucial importance is brand salience, which advertising can certainly enhance. This concept needs more work and better research operationalization, but has to do with the network of memory traces concerning a brand. The denser they are, the more likely that brand will be considered for purchase.

- ❖ Publicity (unpaid) and advertising (paid) both serve to "throw a spotlight on the advertised brand", which makes it more salient. It may help consumers remember past experiences, memories, or brand associations. Ries and Ries are more dismissive of advertising in general; Ehrenberg and his colleagues are much more supportive. They just contend that it works quite differently than conventional wisdom sometimes holds (viz. by sustaining salience rather than by persuading).

These ideas have us asking research questions such as the following of ourselves:

- ❖ How can we effectively measure "brand salience", especially in the context of survey research? It is not the same as awareness. It does have to do with inclusion in the consideration set. The more a consumer can talk about a brand, the more salience it has, but that would be an awkward measurement procedure.

- ❖ How fair is it to judge a campaign (and its agency) by persuasion scores, first-preference, or brand perceptions as promoted by the advertising? If every other encounter the consumer has with the brand is at odds with what the ads promise, or if the consumer has no experience with the brand other than the ads, why should the ads be believed?

- ❖ Can clients possibly accept the idea that brand maintenance ("standing still") is a legitimate goal of advertising? We have done pre-post studies where the advertised brand did enjoy improvements in image, so it can happen. But we must constantly keep in mind everything that shapes a brand. Ads alone can't do it.