ARF Original Research: How Advertising Works 2016-2017
Unveiling The ARF Context Effects Models & ROI

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Why Study Context Effects Today

- Growth of Programmatic with strong emphasis on targeting, little interest in ad environment
- 50+ years of research shows impact of ad environment factors on ad performance
- Some contradictory findings, no data on ROI, most studies about TV, very little on new platforms

Need to establish value of ad environment factors under today’s conditions
ARF Context Effect Project

Positive Impact of Context
Identify Opportunities to take Advantage of Contexts to Increase Ad Impact, Maximize ROI

Negative Impact of Context
Brand Safety, Fraud
ARF Context Effect Project

- LITERATURE SYNTHESIS
- NEW STUDIES FROM MEMBERS/SPONSORS
- ORIGINAL ARF STUDIES
Many Different Kinds of Contexts can Impact Ad Performance

- Time
- Place
- Seasons
- Economy
- Culture
- Politics

MEDIUM
DEVICE
PLATFORM
MEDIA BRAND

CONTENT

AD Environment
Context effect
ATTENTION TRANSFER

• Strong research evidence that more attention to Context is likely to transfer to ad, can improve ad performance

Opportunity: Place ads in content, medium, platform, etc. that your target pays attention to
Context effect

PRIMING / HALO EFFECTS

• Many studies show that Context generates “Priming” or “Halo” effects that can influence ad performance

• **Alignment/Congruence** between context and ad can amplify Halo Effects, improve ad impact, lessen ad avoidance

*Opportunity: Explore Alignments between Context and Ad*
Different kinds of **ALIGNMENT**

• Endemic, thematic alignment
  • Sports – Sports, Food - Food

• Cognitive alignment: Both context and ad focus on information

• Emotional alignment: Emotional appeal of context matches emotional appeal of ad and brand

*Which kinds of alignment work best for my ad and my brand?*
Alignment Opportunities
Develop Ad Creative that aligns with Consumer Needs, perceptions of Context and Brand image
Alignment Opportunities

Understanding the true emotional drivers of content for your target
Alignment Opportunities
Exploring the meaning of “Holidays” for my consumer target?
Summary

- Compelling evidence for context effects
  - Ignoring context is risky
  - Benefits from understanding consumers’ emotional connections to ad context
- No simple one-size-fits-all rules
- More research needed to
  - Assess ROI of contextually relevant advertising
  - Understand exactly how effects come about
New Original ARF Studies

• What are the Halo Effects of video content on advertising and is there an Alignment bonus?
  • MediaScience Neuro experiments

• What is the ROI of contextually relevant advertising?
  • IRI Digital Lift
  • Pinterest On-Line Conversion Lift – July 13

• Are the context effects found in video advertising also present in audio?
  • Nielsen Consumer NeuroScience experiments – August 1
Program-Ad Context Effects

Dr. Duane Varan, CEO
Dr. Amy Rask, EVP
Within-subject design whereby participants were exposed to seven clips eliciting specific emotions (pre-tested). Each clip was then followed by one of seven rotated ads.
Within-subject design whereby participants were exposed to either an emotionally aligned cell or an emotionally misaligned cell.
What is the impact of different video contents on the ad that follows? Which metrics are affected – positively or negatively?

Does Alignment provide benefits? If so, which content offers the best effects: humor, sentimental or informative?

Do context effects in a video environment impact the ad in the first position more than the ads that follow?
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What is the ROI of contextually relevant digital advertising?
Hypothesis: Ads placed on sites with:

1) higher thematic alignment with the brand and

2) high consumer attention

will have higher ROI than less aligned ad buys
If the theory holds, then Sales Lift and ROI should increase with greater alignment and attention.
But does the price spread between more and less aligned ads deliver a higher ROI?
Scope of the Study

- 3 major CPG brands and 20 breaks
- Desktop and mobile ad placements
- Display and video ads
- Time period varied by brand, but generally between Q3’16 and Q1’17
- Number of matched and modeled data breaks varied by brand + campaign
IRI Lift assesses media performance by linking ad exposure to offline sales at the household level – our focus is on digital spend.

1: Collect exposure data
Collect media exposure data at the household level via an IRI partner.

2: Match HH databases
Send exposure data to IRI matching partner to create a common HH ID and load into IRI Frequent Shopper Program sales database.

3: Create test/control groups
Identify non-exposed households to comprise the control group matched to the exposed group on PreScores™ and category spend.

4: Calculate diagnostics
Calculate descriptive statistics on media delivery and consumer behavior.

5: Run GLMM/ANCOVA models
Analyze uplift due to media exposure across key metrics such as sales, units, and visits via GLMM/ANCOVA methodology.

6: Project lift to total US / ROAS
Extrapolate uplift to the total United States from sample population via a projection factor and calculate ROAS.
Approach to the Study

- For the included campaigns, publishers were grouped as H-M-L* based on alignment and attention using alignment of publisher to brand and average time spent on publisher site, respectively
  - Alignment was given more weight and sorted first based on past learnings and as data was available at HH level, followed by attention which was at publisher level
- IRI Lift measured sales impact and return on ad spend (ROAS) by publisher
- For each brand and publisher, sales lift impact and ROAS were indexed to the average for each campaign
- Cross brand campaign index was determined across H-M-L groups

*H= High; M=Medium; L=Low
Aggregating across campaigns – the hypothesis appears to hold...

Sales Lift Index

Attention

Alignment

ROI Index

Attention

3.05

1.03

0.74

0.85

1.21

1.32
However, in looking at individual campaigns shows high variability of lift and ROI results.
Based on historic benchmarks we know that adding insights from targeting can boost up campaign performance.

**Demographic**
- Life-stage data collected by the census

**Contextual**
- Online behavior data (clicks, views) collected by cookies

**Behavioral**
- Purchase propensity data collected by surveys, search history, etc.

**Purchase-Based**
- Household-level transaction data collected passively through loyalty cards

3-4x Lift
What does it all mean?

• Context matters
  • Emotional and cognitive alignment shows promise
  • Greater ad-content alignment can bolster sales lift and ROAS in aggregate but...
  • Campaign and publisher/network level results show variability that require further exploration

• Fundaments are still key:
  • Right message
  • Right target
  • Impactful creative
More Context Effects Research in 2017

• Pinterest On-Line Conversion Lift Study – July 13
• More insights from MediaScience Study
• Audio “Neuro” experiment – August 1
  • Do effects found in video studies also apply to audio?
• More data from ARF member research
  • Benefits from different kinds of Alignment
  • More on value of different “contexts”