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Advertising Amid Crisis

Lessons from the Financial & Automotive Industries in 2009



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2009 Was a Bad Year, Especially for Auto & Financial Industries

The New York Times

- “Bailout Plan: \$2.5 Trillion and a Strong US Hand” – New York Times, Feb. 10
- “AIG Planning Huge Bonuses After \$170M Bailout” – New York Times, March 14
- “AIG Faces Growing Wrath Over Payouts” – Wall Street Journal, March 16
- “US Expands Plan to Buy Banks’ Troubled Assets” – NY Times, March 24
- “US Gets Majority Stake in New GM; Investors Cry Foul” – Washington Post, April 1
- “Rescued Banks Balk at Chrysler Deal; Creditors Pushed to Surrender Claims of Billions” – Washington Post, April 17
- “Judge Attacks Merrill Pre-Merger Bonuses” – New York Times, Aug. 10, 2009
- “GM To Draw Down More US Funds” – Wall Street Journal, Oct. 29, 2009
- “TARP Can’t Save Some Banks” – Wall Street Journal, Nov. 17, 2009

**The
Washington
Post**

**WSJ
.com**

**THE WALL STREET JOURNAL.
ONLINE**

To Advertise or Not to Advertise?

- The crisis raised this critical question for all marketers, especially in automotive and financial industries
 - A desire to save money amid unprecedented financial pressures – not to mention taxpayer ownership – argued against advertising
 - But many arguments existed for continuing to advertise
 - Manage reputations against a storm of negative news
 - Speak to and educate customers with a reassuring voice
 - Capture market share from struggling competitors
- Ultimately, companies made different choices, and these differences provide us with a valuable case study about advertising amid crisis
 - Applies to whole industries during times of national or global crisis
 - May also apply to individual companies facing individual corporate crises

Our Approach

- Two data sources utilized:
 - Keller Fay Group's TalkTrack® monitoring word of mouth about specific companies based on a continuous online survey
 - Nielsen advertising expenditures via Mediavest
- Word of mouth data
 - Over 70,000 interviews in 2008 & 2009 with nationally representative samples of adults 18-69
 - Tracks positive vs. negative polarity of consumer conversations about the brands throughout the crisis, with linkages made to news and advertising as information sources
- Ad spend data
 - Allowed us to group word of mouth data based on brands or companies that maintained ad spending, versus those who cut back a moderate or large amount

Financial Services

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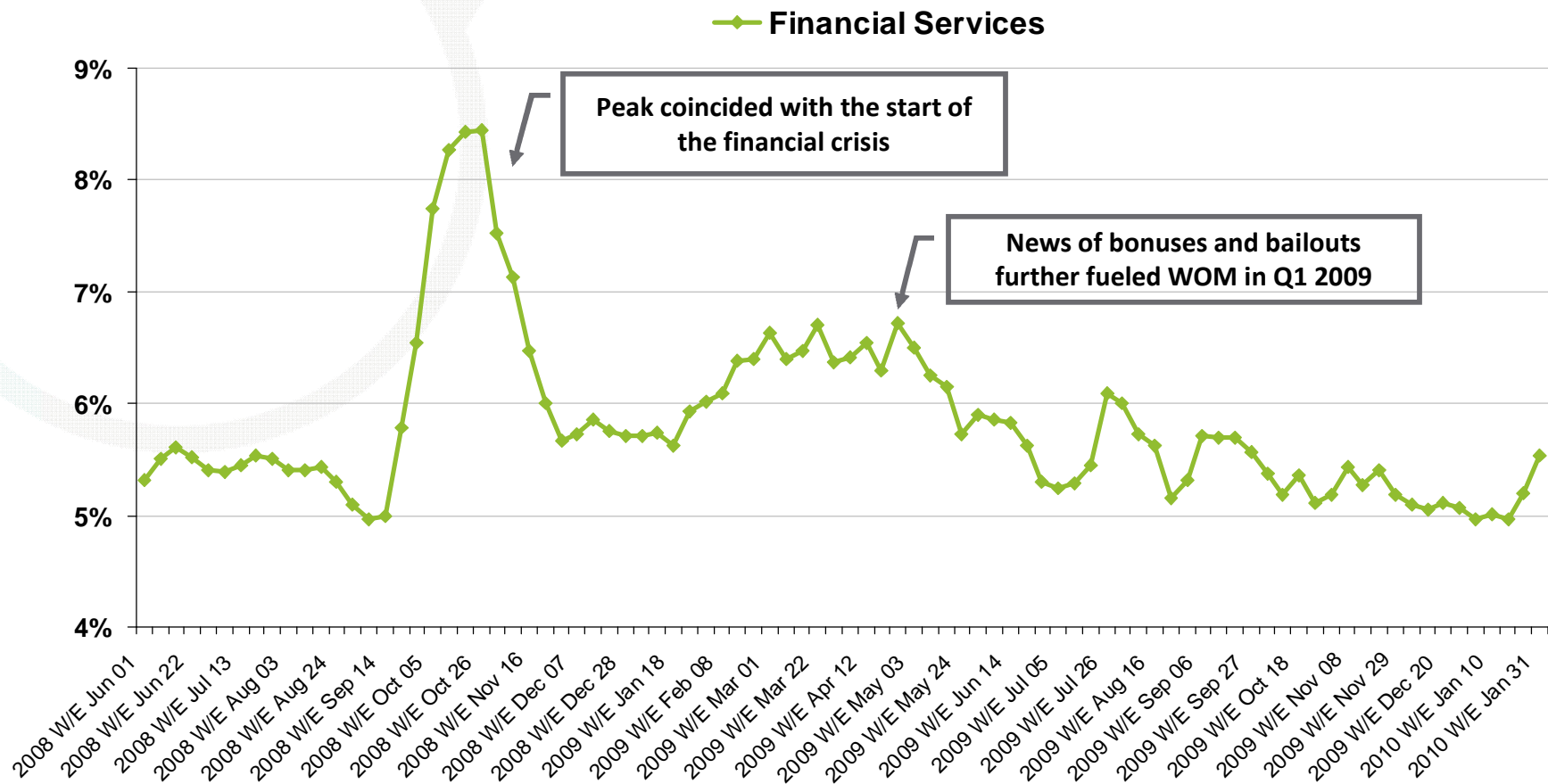


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Financial WOM Quantity Surged During Crisis, But Now at Pre-Crisis Levels

(% of financial brand mentions among all brand mentions, 4-week rolling avg.)

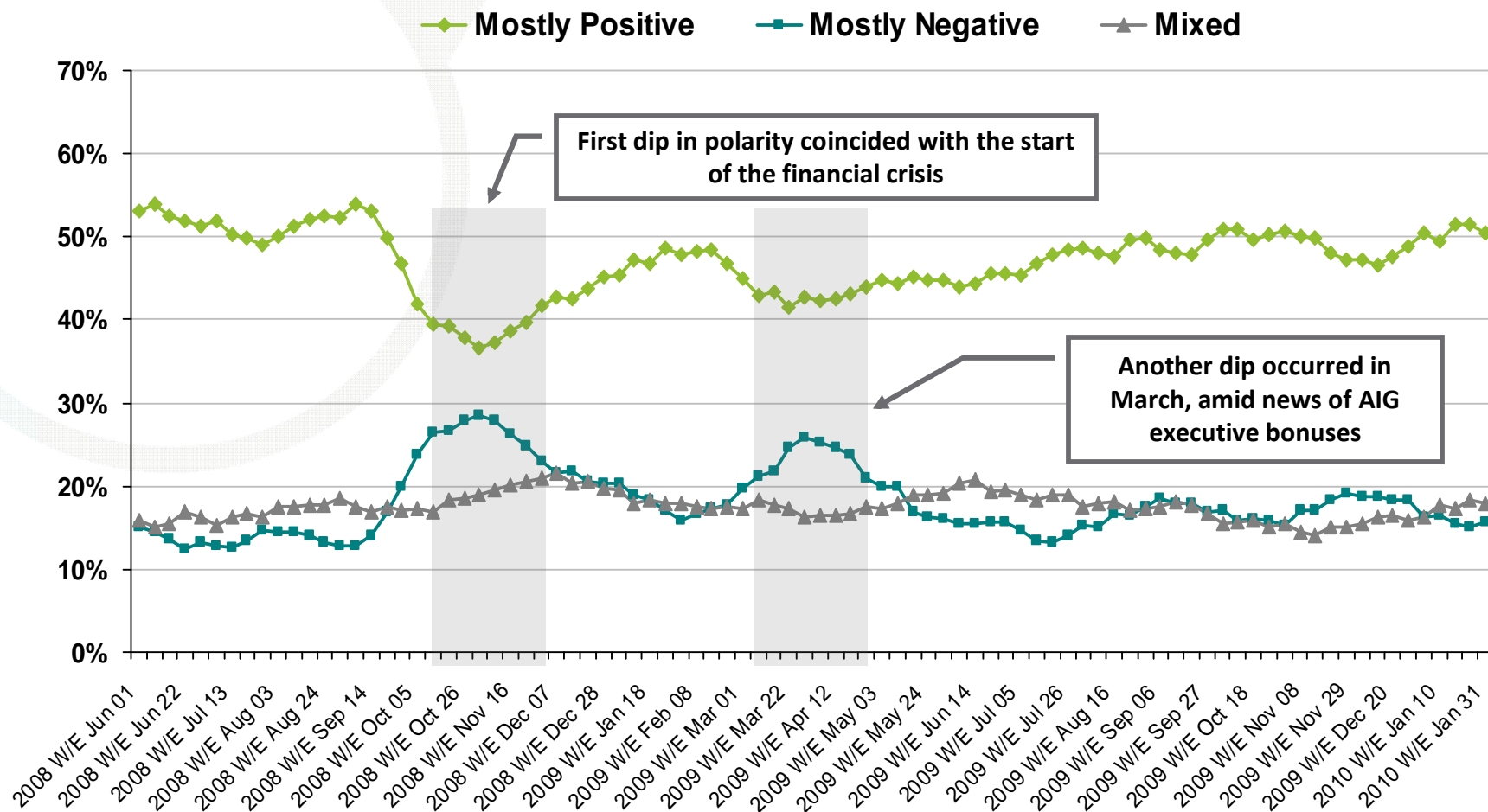
Financial WOM levels have been below average since October



Base: All categories brand mentions, among adults (4-week rolling average, n=20,038)
Source: TalkTrack®, June 2008 – January 2010

Financial WOM Quality Suffered a Pronounced “Double Dip”

(Polarity of financial services conversations, 8-week rolling avg.)



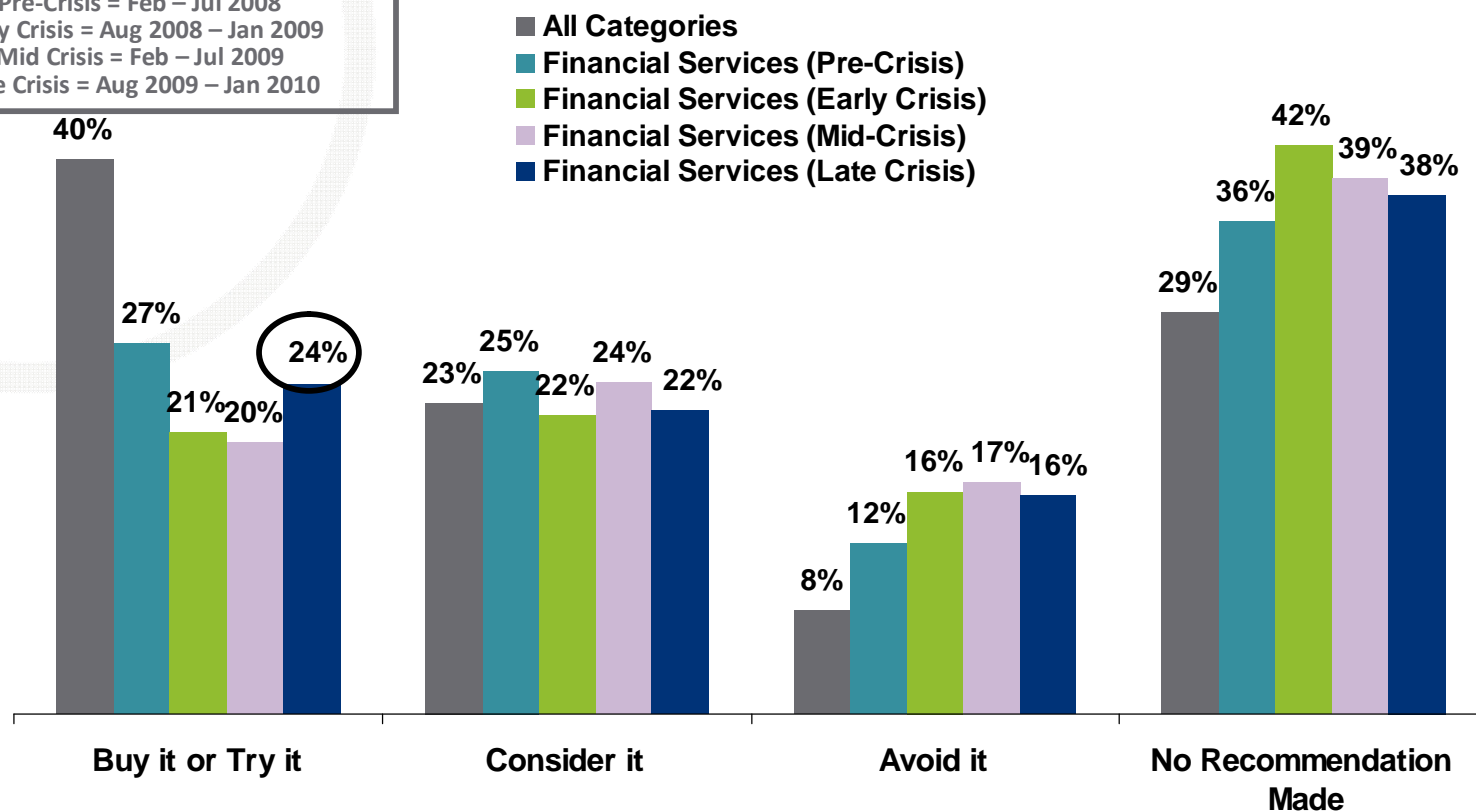
Base: Brand conversations, among adults (8-week rolling average, n=1,335)
Source: TalkTrack®, June 2008 – January 2010

Recommendations Moved from “Buy” to “Avoid,” and Have Not Fully Recovered

(Specific recommendation received in word of mouth conversation)

Recommendations to “buy it or try it” increased 4 pts for the financial services category since the mid-crisis period. “Consider it” and “avoid it” recommendations decreased slightly, along with the percentage of conversations containing no specific recommendation.

Pre-Crisis = Feb – Jul 2008
Early Crisis = Aug 2008 – Jan 2009
Mid Crisis = Feb – Jul 2009
Late Crisis = Aug 2009 – Jan 2010



Base: Brand mentions where someone else provided advice, among adults (All Categories, n=44,542. Financial: Pre-Crisis, n=2,319; Early Crisis, n=2,643; Mid Crisis, n=2,553; Late Crisis, n=2,312)
Note: Most recent period (“Late Crisis”) examined for “All Categories”
Source: TalkTrack®, February 2008 – January 2010

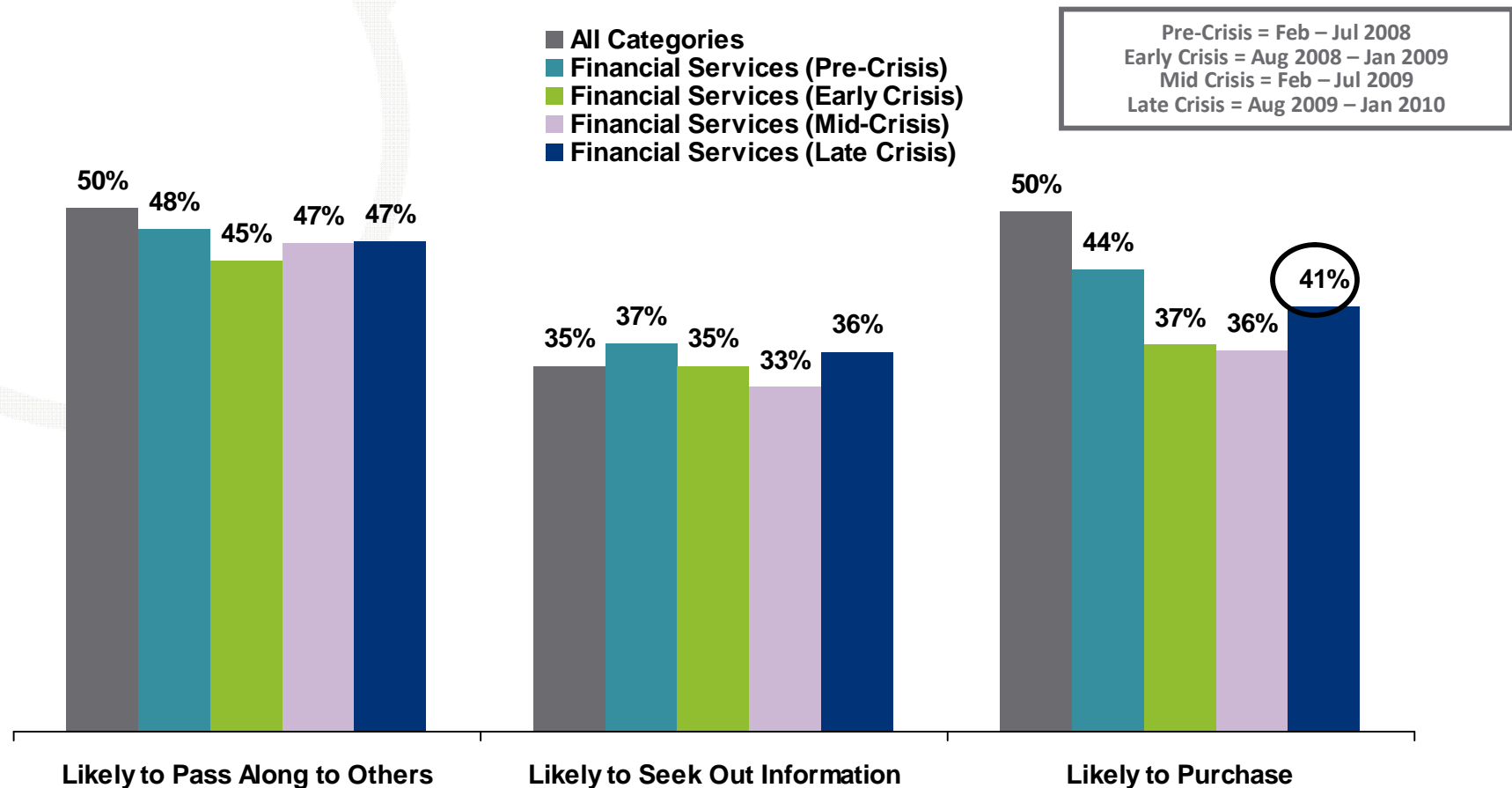


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WOM-Based Purchase Intent Suffered, But Has Recently Improved

(% rating WOM highly likely to inspire action, “9” or “10” on 0-10 scale)

Likelihood to purchase increased 5 pts since the mid-crisis period, while likelihood to seek out information increased by 3 pts.



Base: Brand mentions where someone else provided advice, among adults (All Categories, n=44,542. Financial: Pre-Crisis, n=2,319; Early Crisis, n=2,643; Mid Crisis, n=2,553; Late Crisis, n=2,312)
Note: Most recent period (“Late Crisis”) examined for “All Categories”
Source: TalkTrack®, February 2008 – January 2010

What's Advertising Got to Do with It?

- We correlated ad spend with WOM quality to assess the potential impact of reduced advertising
- In comparing the total amount spent on advertising in 2008 vs. 2009, we split financial brands into three categories: Those that were fairly stable in their ad spending, those that made moderate cutbacks, and those that made very large cutbacks

Ad Spend Category		Average % Change in Ad Spend '08 vs. Ad Spend '09
Financial Brands	Large Cutback	-45%
	Moderate Cutback	-27
	Stable	+7

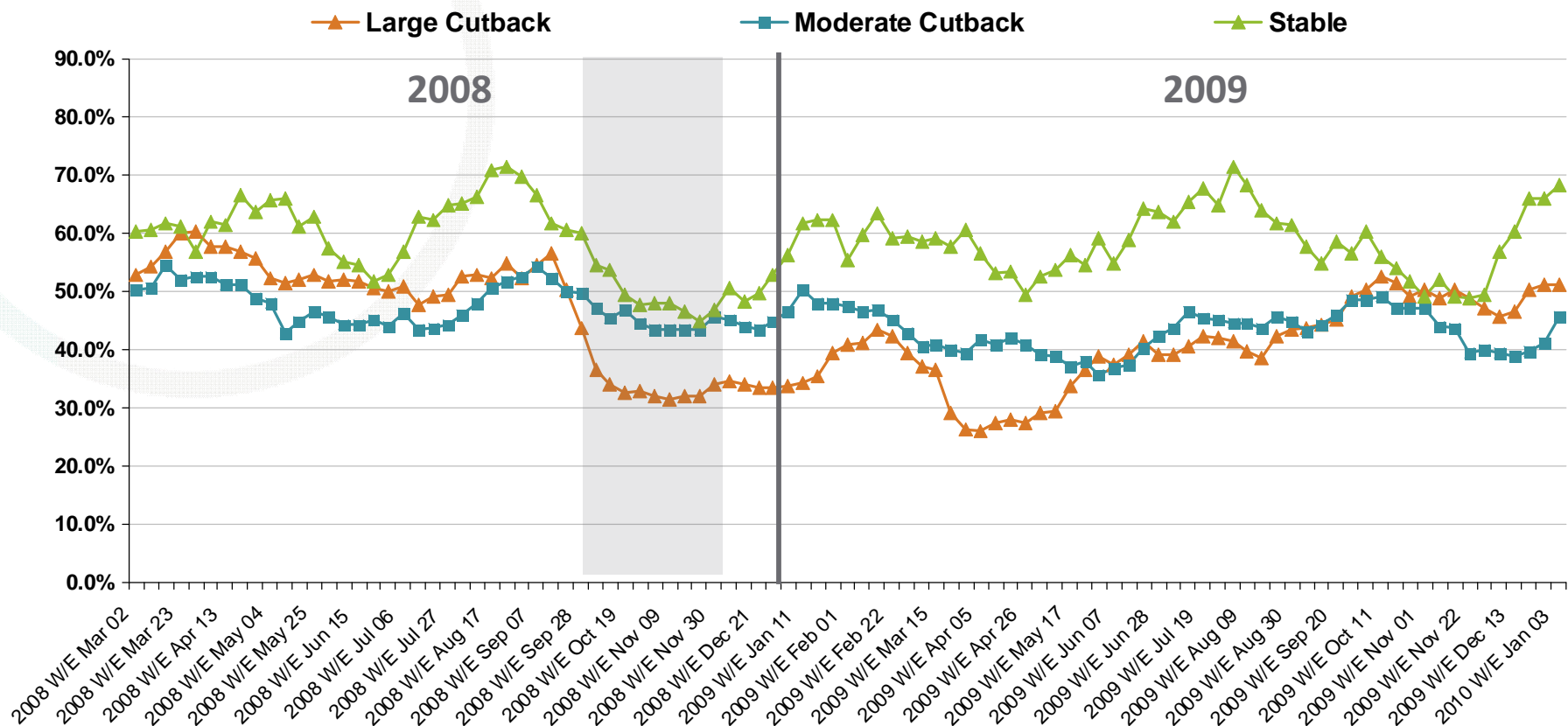
Financial Brands Included

- Large Cutback (>40% reduction in ad spend): AIG, American Express, Ameriprise, Capital One, Citibank, Citizens Bank, HSBC, ING, T Rowe Price, UBS & Wachovia
- Moderate Cutback (21-39% reduction in ad spend): Ameritrust, Bank of America, Charles Schwab, Fifth Third Bank, JP Morgan Chase, MasterCard, Merrill Lynch, Vanguard, Visa & Wells Fargo
- Stable (<20% reduction in ad spend): BB&T Bank, Chevy Chase Bank, E*Trade, The Hartford, M&T Bank, Morgan Stanley, Regions Bank, Scottrade, Sharebuilder, Suntrust, TD Ameritrade & US Bank

Financial Firms that Maintained Ad Spend Experienced a Higher Rate of Positive Talk

(% of positive financial conversations, 8-week rolling avg.)

In early 2008, all of the companies had fairly similar WOM quality, but their fortunes separated sharply in Q4, and especially by spring and summer 2009 when those maintaining advertising did much better than the other groups

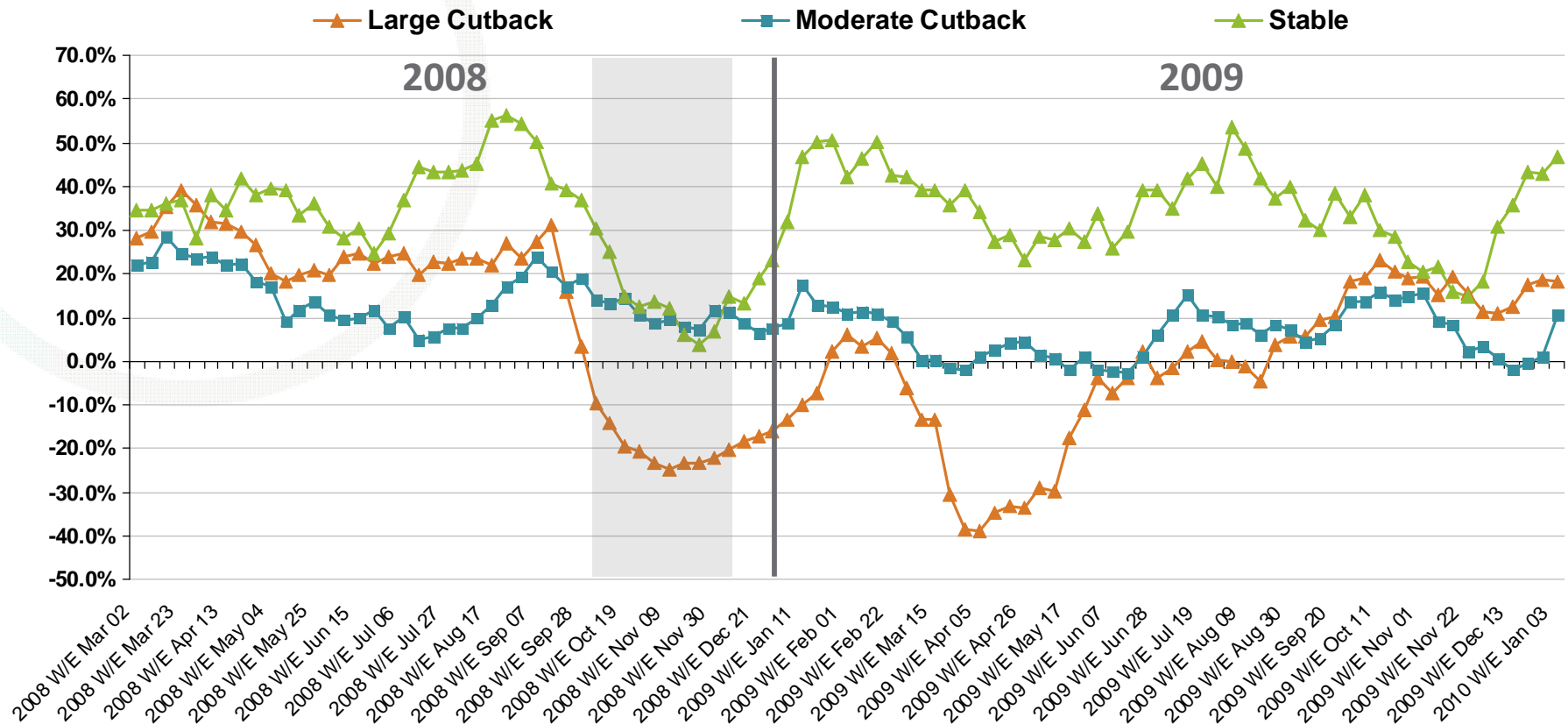


Base: Financial brand conversations, among adults, 8-week rolling average (Large Cutback, n=201; Moderate Cutback, n=347; Stable, n=90)
Source: TalkTrack®, March 2008 – January 2010

Factoring Both Positive & Negative, the Trend for “Net Advocacy” Illustrates Large Difference in WOM

(Net advocacy of financial conversations, 8-week rolling avg.)

Net advocacy for all financial companies cutting back spending were very different from those that were stable in ad spend



Base: Financial brand conversations, among adults, 8-week rolling average (Large Cutback, n=201; Moderate Cutback, n=347; Stable, n=90)

Note: Net advocacy is positive less mixed and negative conversations

Source: TalkTrack®, March 2008 – January 2010

Which Came First?

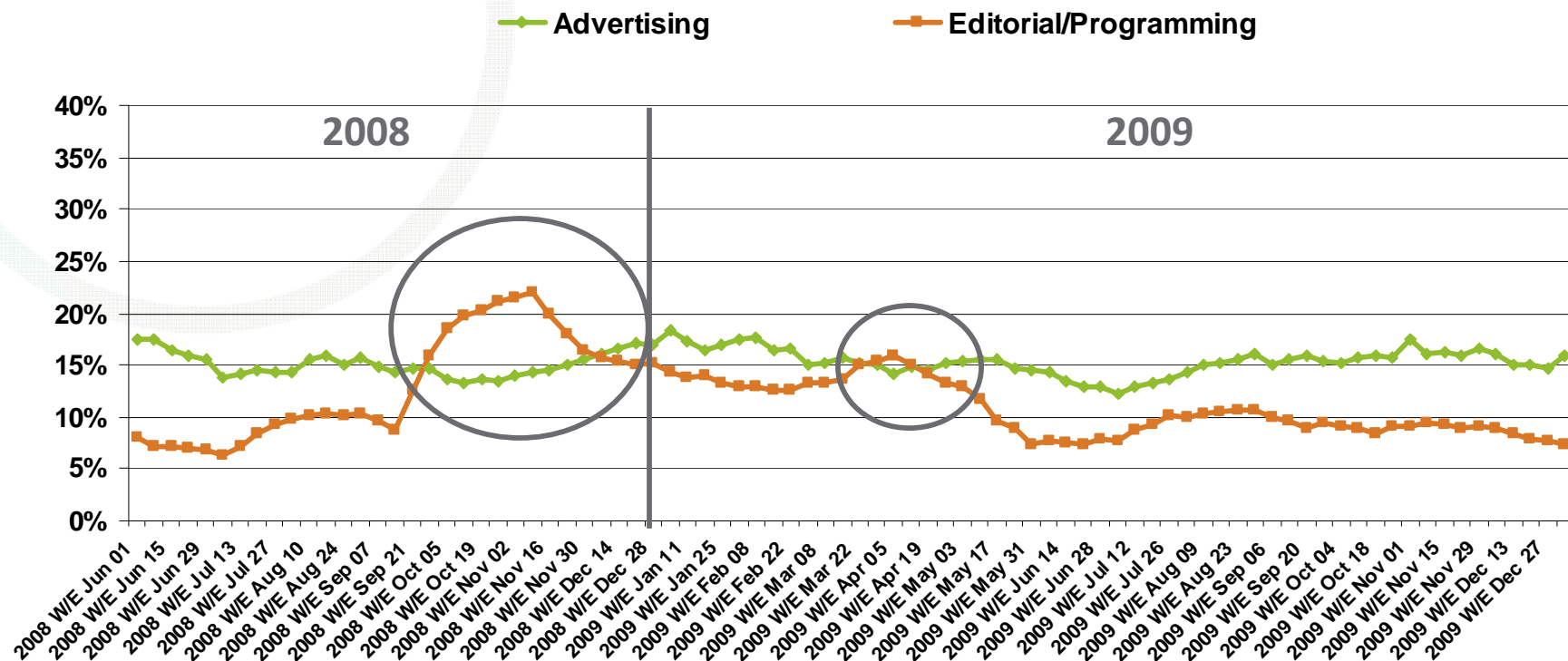
- Our analysis shows that companies that cut back advertising had the worst outcomes in terms of WOM
 - But we have a causation problem. Did WOM turn negative due to the underlying facts that also forced advertising to be cut?
 - Or did the decision to cut advertising cause word of mouth to go more negative than it needed to?
- TalkTrack® helps sort out this question because respondents reported whether conversations were related to news or advertising
 - We can compare WOM related to news (the underlying “facts”) and those related to advertising

In Late '08 and Early '09, News-Driven WOM Surged for All Financial Brands

(% of financial brand conversations containing media/marketing references, 8-week rolling avg.)

The percent of WOM participants who referred to news in their conversations moved ahead of those referring to advertising they had seen, most dramatically in late 2008

ALL Financial Brands



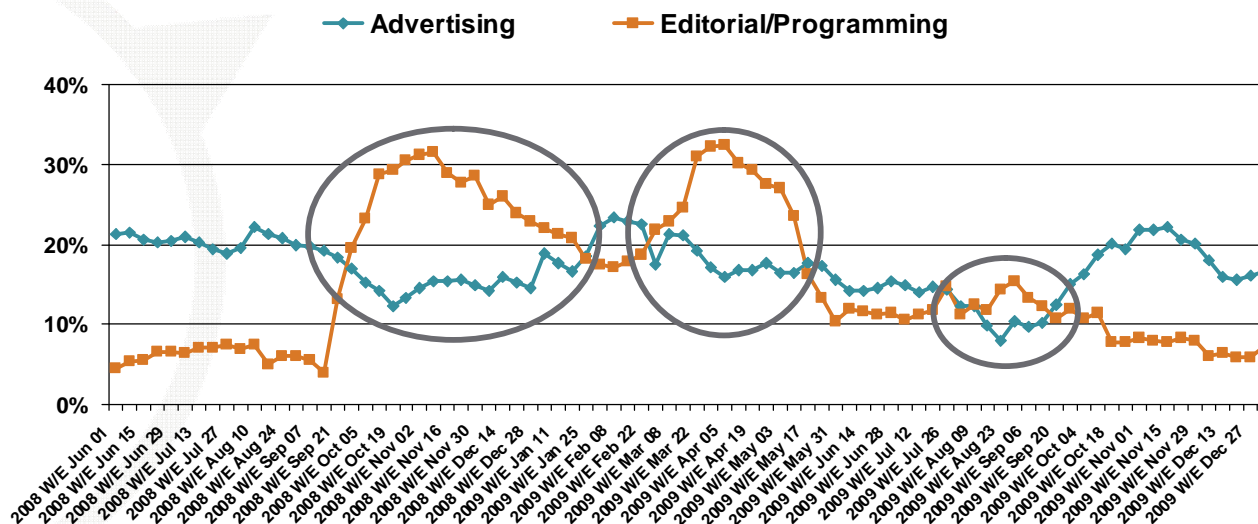
Base: Financial Branded Mentions (8-week average, n=1,328)
Source: TalkTrack®, June 2008 – January 2010

Ad-Driven WOM for 'Stable' Spenders Held Up Quite Well During & Especially After Crisis

(% of financial brand conversations containing media/marketing references, 8-week rolling avg.)

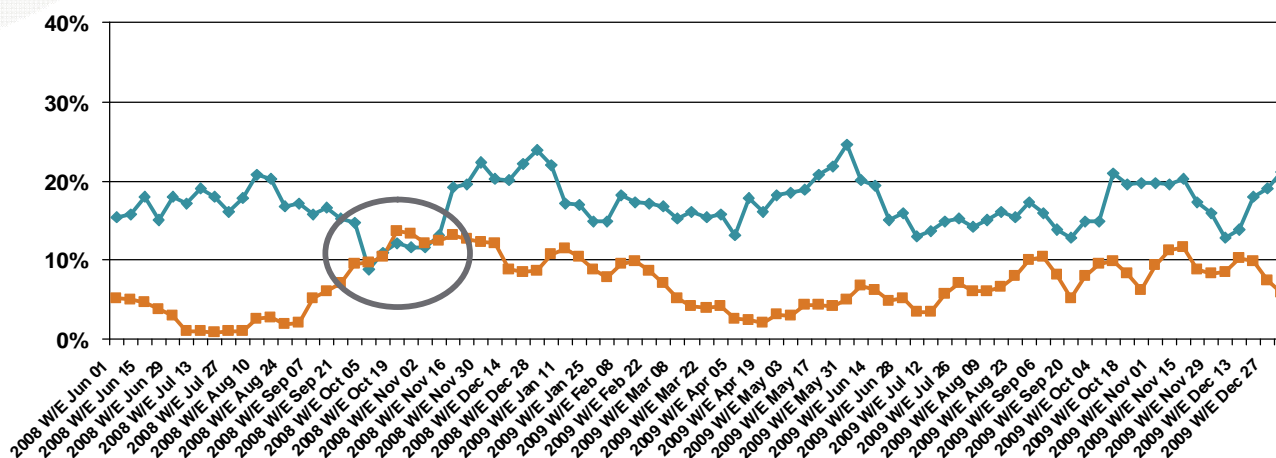
Financial Brands

Large Cutback in Ad Spend



Financial Brands

Stable Ad Spending



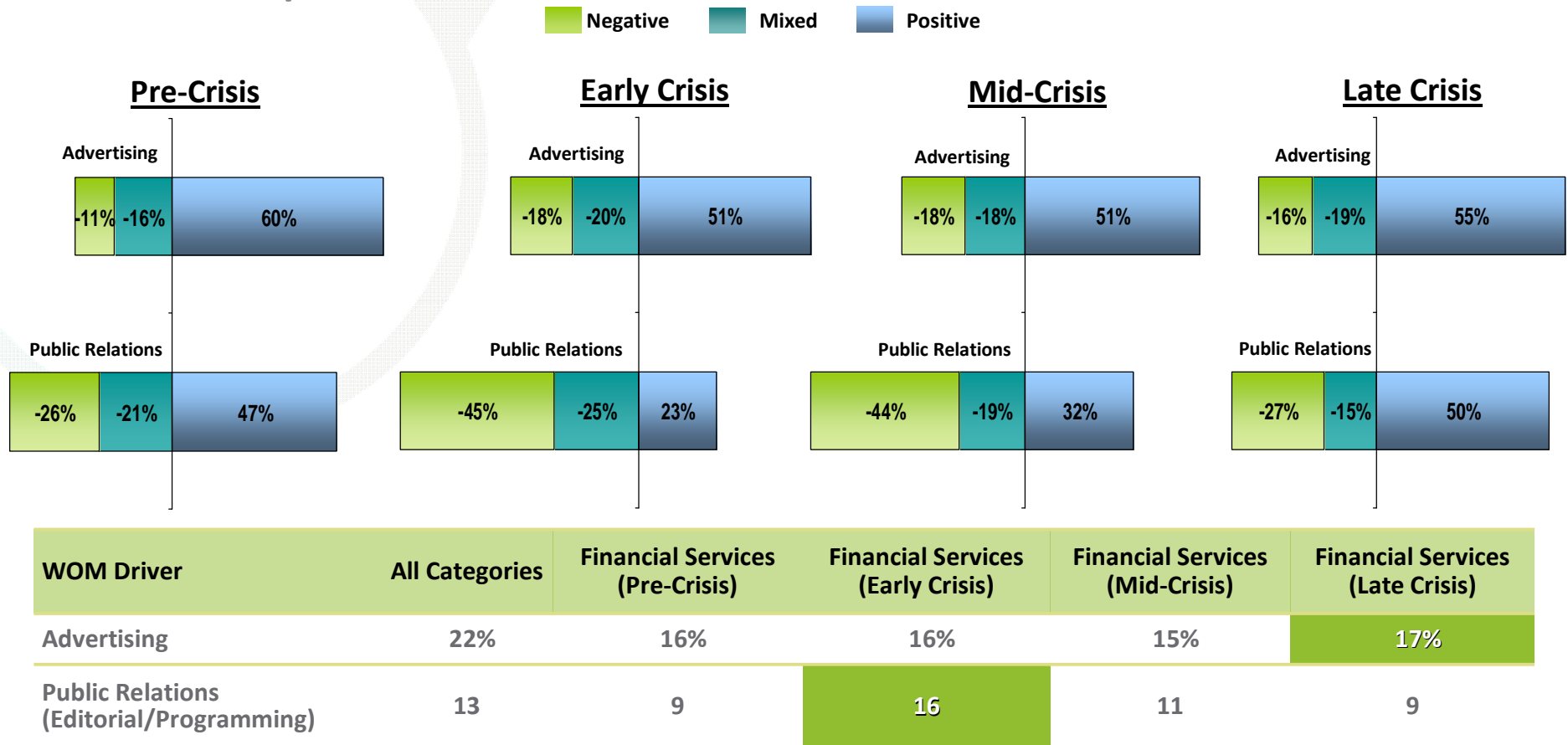
Base: Branded Mentions (Large Cutback, 8-week average, n=201; Stable, 8-week average, n=89)

Source: TalkTrack®, June 2008 – January 2010

Ad-Driven Financial WOM Remained Fairly Consistent, and Positive, Throughout Crisis

(% of financial conversations citing marketing or media)

Meanwhile, news-driven WOM turned very negative during the early and mid-crisis periods



Base: Brand conversations, among adults (Polarity for Advertising/Public Relations: Pre-Crisis, n=650/372; Early Crisis, n=721/720; Mid-Crisis, n=662/512; Late Crisis, n=689/387; WOM Drivers: All Categories, n=71,829; Financial: Pre-Crisis, n=4,128; Early Crisis, n=4,549; Mid-Crisis, n=4,404; Late Crisis, n=4,140)
Source: TalkTrack®, August 2009 – January 2010

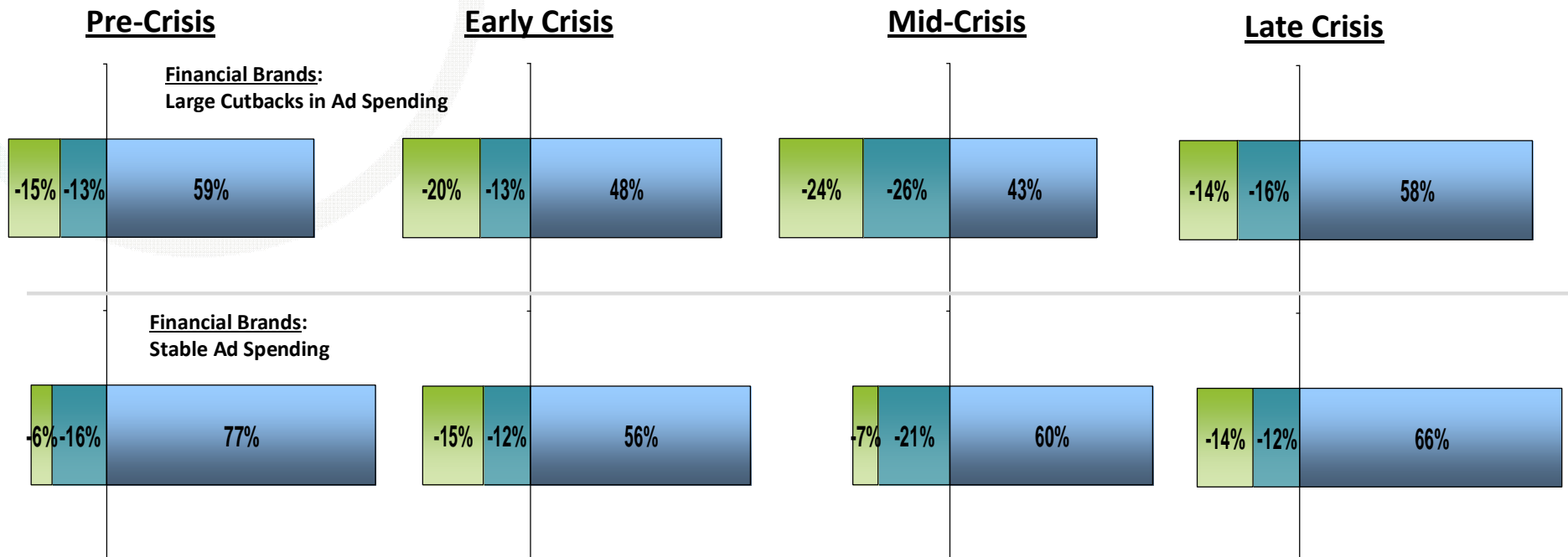
Even for the Troubled Companies that Reduced Ad Volume, Ad-Driven WOM Stayed Fairly Positive

(Polarity of financial conversations citing advertising)

- Ad-inspired WOM started more positive for the “stable” ad spenders and recovered more quickly
- Ad-inspired WOM stayed surprisingly positive for the companies that cut spending the most, suggesting that advertising helped to offset the negativity driven by developments and news coverage

Word of Mouth Referencing Advertising

■ Negative
 ■ Mixed
 ■ Positive



Base: Financial brand conversations citing advertising, among adults (Large Cutback: Pre-Crisis, n=113; Early Crisis, n=113; Mid-Crisis, n=110; Late Crisis, n=106. Stable: Pre-Crisis, n=50; Early Crisis, n=47; Mid-Crisis, n=57; Late Crisis, n=60)*

*Red denotes small base size

Source: TalkTrack®, February 2008 – January 2009

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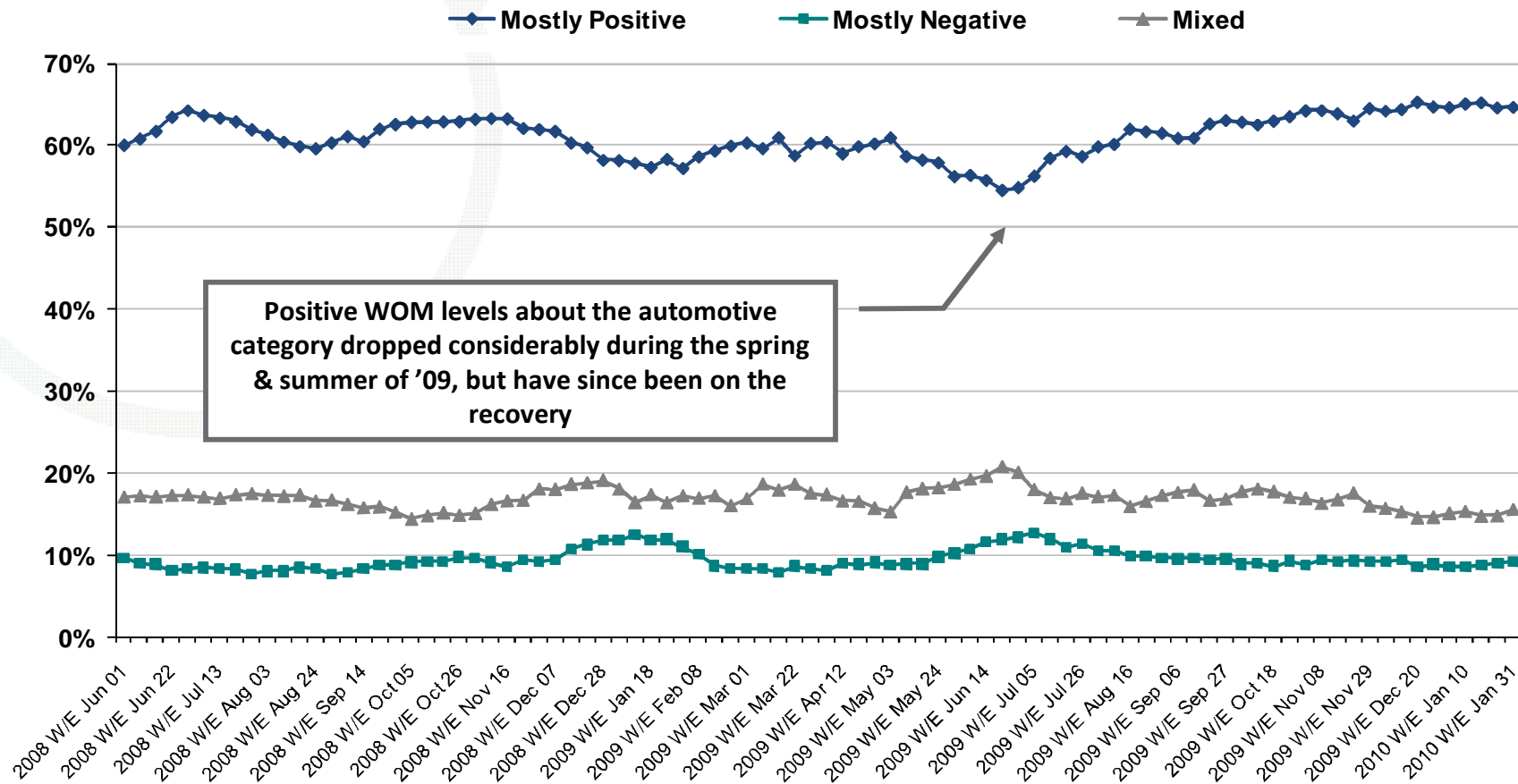


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Automotive WOM Quality Suffered During First Half of '09, But Has Since Recovered

(Polarity of automotive conversations, 8-week rolling avg.)

Levels of positive talk were below average during Dec '08-Feb '09 and again during May-Jul '09



Base: Brand conversations, among adults (8-week rolling average, n=1,473)
Source: TalkTrack®, June 2008 – January 2010

Ad Spend Breakdown

From '08 to '09, auto brands in crisis either maintained advertising, cut back moderately, or slashed spending

- We correlated ad spend with WOM quality to assess the potential impact of reduced advertising
- In comparing the total amount spent on advertising in 2008 vs. 2009, we split auto brands into three categories: Those that were fairly stable in their ad spending, those that made moderate cutbacks, and those that made very large cutbacks

	Ad Spend Category	Average % Change '08 vs. '09
Auto Brands	Large Cut	-55%
	Moderate Cut	-28
	Stable	-1

Auto Brands Included

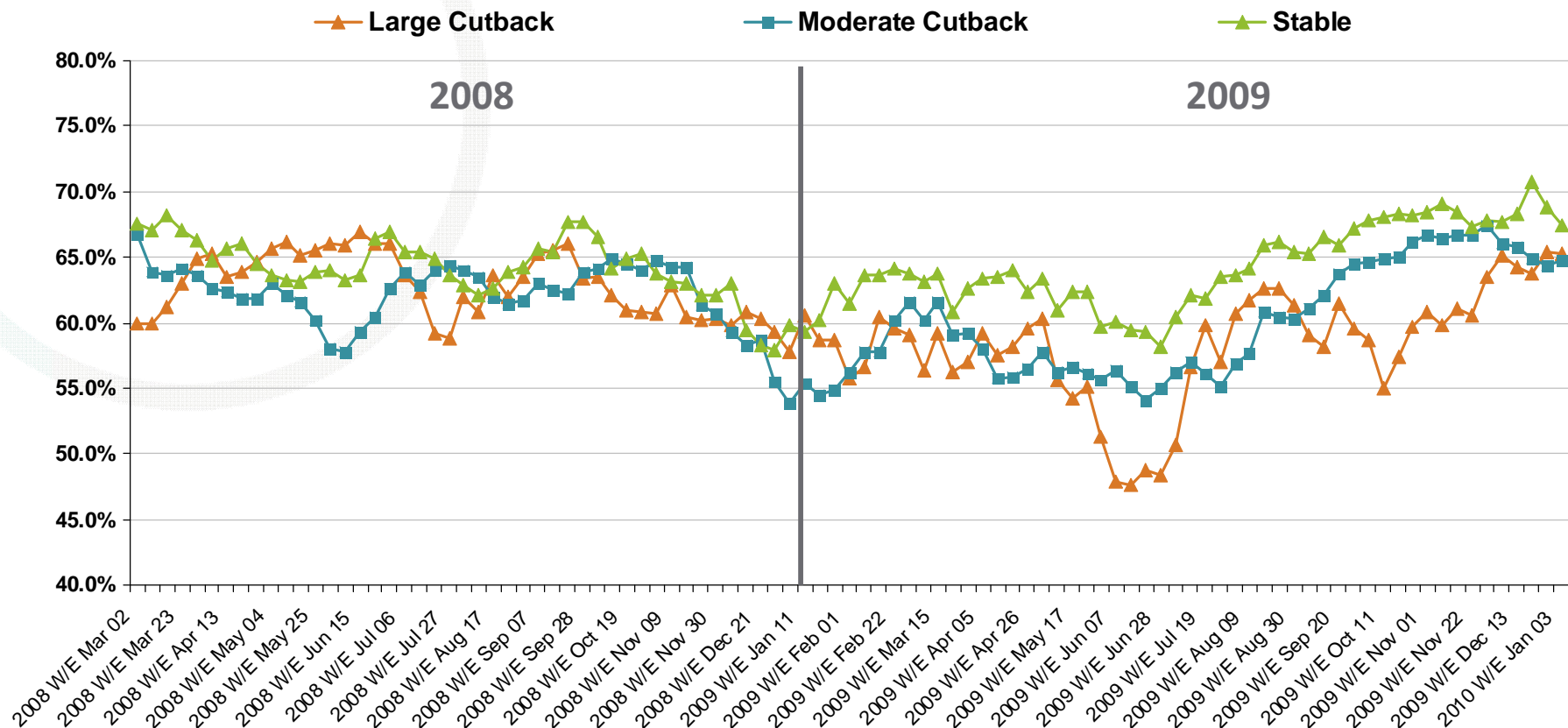
- Large Cutback (>40% reduction in ad spend): Acura, Chrysler, Hummer, Infiniti, Jaguar, Land Rover/Range Rover, Lincoln-Mercury, Mazda, Mitsubishi, Nissan, Pontiac, Porsche, Saab, Saturn, Suzuki & Volvo
- Moderate Cutback (21-39% reduction in ad spend): Chevrolet, Dodge, GM, Hyundai, Jeep, Kia, Mercedes-Benz, Scion, Toyota & Volkswagen
- Stable (<20% reduction in ad spend): Audi, BMW, Buick, Cadillac, Ford, GMC, Honda, Lexus & Subaru

Source: Nielsen, January 2008 – December 2009

Positive WOM Much Lower in '09 for Auto Brands That Cut Back on Advertising

(% of positive automotive conversations, 8-week rolling avg.)

Auto brands that maintained a steady level of ad spending on 2009 benefited from the highest levels of positive WOM

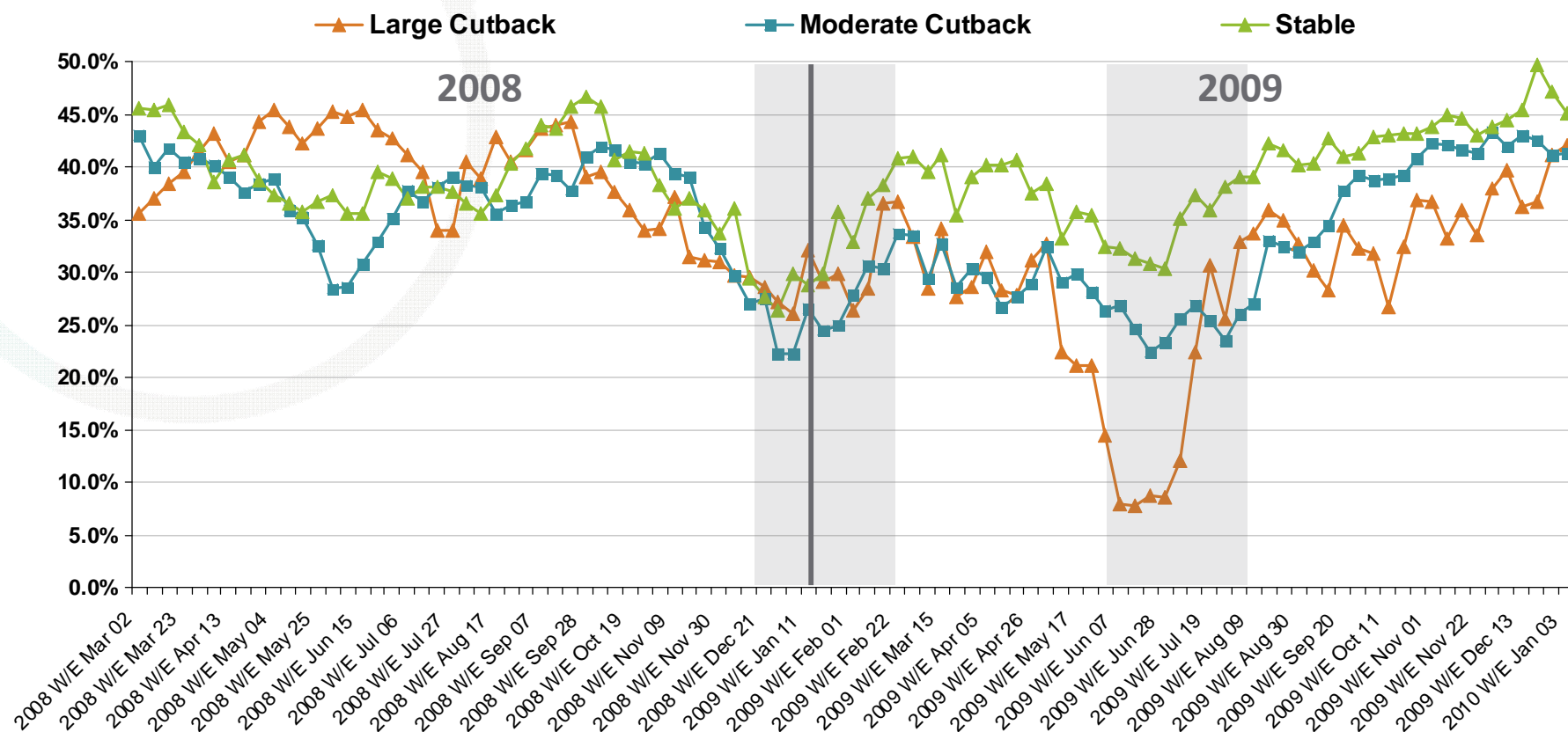


Base: Automotive brand conversations, among adults, 8-week rolling average (Large Cutback, n=247; Moderate Cutback, n=554; Stable, n=498)
Source: TalkTrack®, March 2008 – January 2010

Auto Brands that Maintained Ad Spend Levels in '09 Enjoyed Best Net Advocacy, Even in Crisis Periods

(Net advocacy of automotive conversations, 8-week rolling avg.)

Auto brands that made the largest cutbacks in ad spending in '09 vs. '08, however, suffered from some of the worst net advocacy levels that year



Base: Automotive brand conversations, among adults, 8-week rolling average (Large Cutback, n=247; Moderate Cutback, n=554; Stable, n=498)

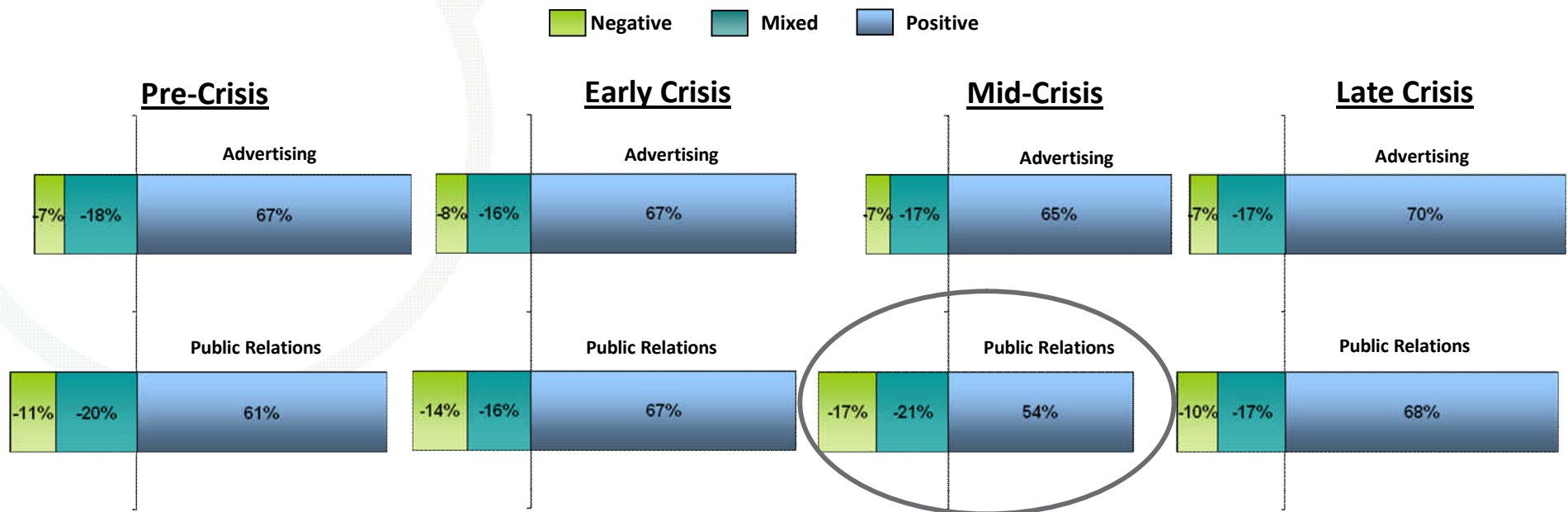
Note: Net advocacy is positive less mixed and negative conversations

Source: TalkTrack®, March 2008 – January 2010

Ad-Driven Auto WOM Remained Very Positive Throughout the Crisis

(% of automotive conversations citing marketing or media)

WOM driven by news, however, decreased in positivity (and simultaneously increased in negativity) during the Mid-Crisis period



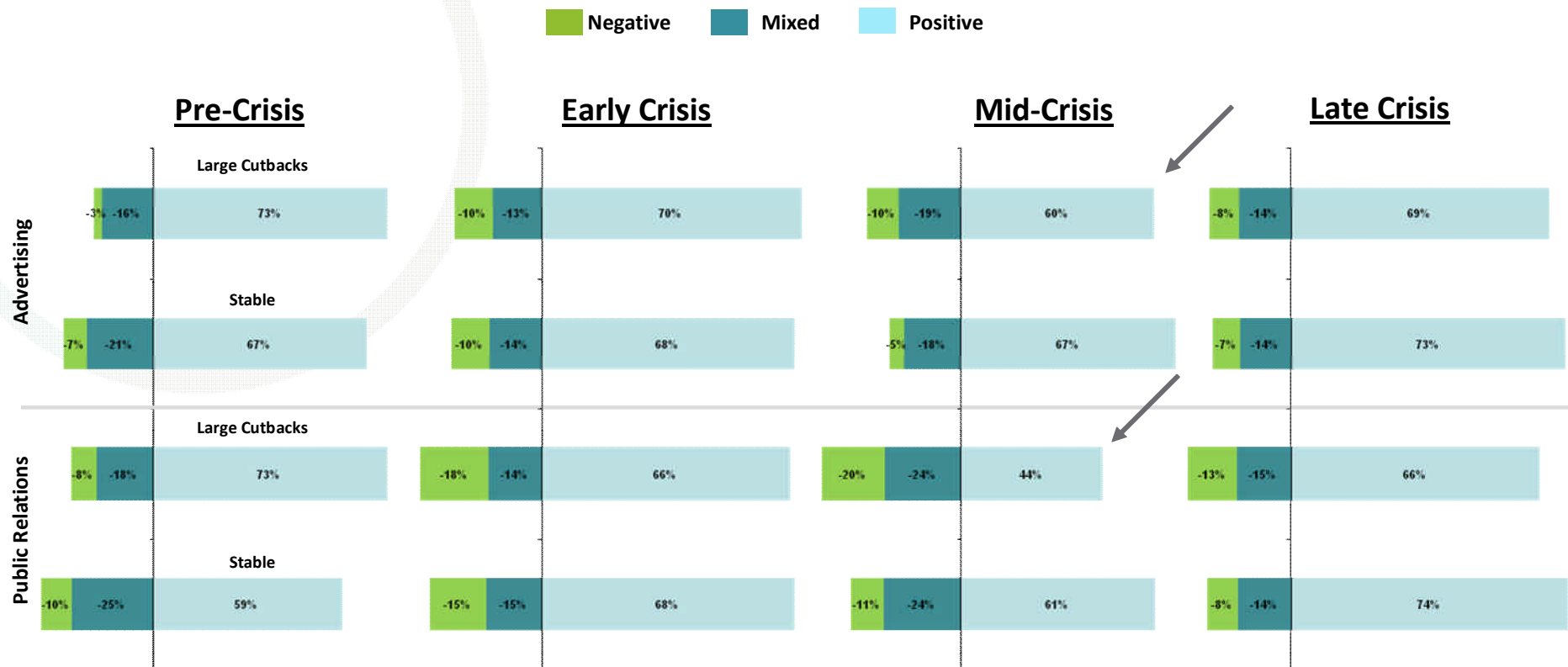
WOM Driver	All Categories	Automotive (Pre-Crisis)	Automotive (Early Crisis)	Automotive (Mid-Crisis)	Automotive (Late Crisis)
Advertising	22%	22%	22%	20%	23%
Public Relations (Editorial/Programming)	13	10	11	12	13

Base: Brand conversations, among adults (Polarity for Advertising/Public Relations: Pre-Crisis, n=1,010/506; Early Crisis, n=950/495; Mid-Crisis, n=959/591; Late Crisis, n=1,161/656; WOM Drivers: All Categories, n=71,829; Automotive: Pre-Crisis, n=4,916; Early Crisis, n=4,404; Mid-Crisis, n=4,762 Late Crisis, n=4,892)
Source: TalkTrack®, August 2009 – January 2010

Ad-Driven Auto WOM Stayed Fairly Positive, Even for Troubled Companies That Reduced Ad Volume

(Polarity of automotive conversations citing advertising/PR)

Companies making large cuts in ad spending had a very pronounced differences between ad-stimulated WOM and news-stimulated WOM



Base: Automotive brand conversations citing advertising,/PR among adults (Large Cutback: Pre-Crisis, n=161/90; Early Crisis, n=142/88; Mid-Crisis, n=152/133; Late Crisis, n=173/105. Stable: Pre-Crisis, n=372/191; Early Crisis, n=369/197; Mid-Crisis, n=363/186; Late Crisis, n=471/269)
Source: TalkTrack®, February 2008 – January 2009

Take Aways

- Advertising plays a substantial role in driving positive word of mouth for major brands
- Even during a major crisis, ad-driven WOM continues to be nearly as positive as during normal times
- Cutting back ad spend during a crisis diminished the impact of a valuable tool for offsetting negative news
- Cautions
 - We believe message is important: Advertising creative needs to reflect new realities and changing consumer perceptions
 - Other drivers of WOM also are critical, such as customer service, public relations, social media, etc.

TalkTrack® Methodology

- Data collected through an online survey
 - Sample drawn from largest online consumer panels
 - Demographically balanced to Census for ages 13-69
- Conversations counted with assistance of 24-hour diary
 - Respondents recruited to take notes on conversations in 15 marketing categories over next 24 hours
 - Re-contacted a day later to answer standardized questions about brands/companies talked about



- Sample sizes support time series analysis
 - 700 respondents per week; 36,000 per year
 - Yield 7,000 conversational brand mentions weekly;
 - ~ 350,000 per year

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