ARF Original Research: How Advertising Works 2016-2017

Unveiling The ARF Context Effects Model

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What Are Context Effects?

The positive or negative impact of factors surrounding commercial messages.
Why study context effects today?
Changing Marketing Environment

NEW/EVOLVING PLATFORMS

NEW TECHNOLOGIES

MORE ADS

NEW EXPERIENCES
Growth of Programmatic

US Digital Display Ad Spending 2017

$7.7B
Non-Programmatic

$19.8B
Programmatic

Source: eMarketer, 2016
Growth of Programmatic

- More efficient
- Better targeting
- Ad context can often be seen as less important or even irrelevant
Decades of Research: Context Effects Can Make Advertising More Effective
Limits of Context Effects Research

80%

TRADITIONAL MEDIA

COMPLEX/FOCUS ON THEORY

NO DATA ON ROI
How Advertising Works 2017: New Insights on Context Effects

LITERATURE SYNTHESIS

NEW STUDIES NEW INSIGHTS

ORIGINAL GROUND TRUTH EXPERIMENTS
How Advertising Works 2017: Key Questions

1. What are the **different types** of context effects and how do they come about?

2. What are the **best practices** to take advantage of context effects?

3. What is the **ROI** of contextually relevant advertising?
What are the different types of context effects and how do they come about?
THE ARF CONTEXT EFFECTS MODEL:
Three Kinds of Context

DEVICES / PLATFORMS / MEDIA BRANDS

CONTENT

AD IMPACT

ADS
THE ARF CONTEXT EFFECTS MODEL:
Two Key Processes that Trigger Effects

ATTENTION TRANSFER

PRIMING / HALO EFFECTS

AD IMPACT
ATTENTION TRANSFER

Strong research evidence that more attention to / involvement with:

- Content
- Platform
- Device
- Media brand

is likely to improve ad performance
ATTENTION TRANSFER

Nielsen Shows that More Engagement with Content = Higher Ad Recall

Relationship Between Program Engagement and Ad Recall

Correlation = .81

Source: Nielsen, 2010
ATTENTION TRANSFER
New Data Confirm that More Attention to Content = More Attention to Commercials

Relationship Between Program Attention and Commercial Attention

Source: TVision, 2017
ATTENTION TRANSFER
The More the Content is Liked, the More Ads a Consumer Will Watch

Index of Number of Commercials Consumers Will Watch if Show is a Favorite

- Not a Favorite: 100
- Among Favorites: 121
- #1 Favorite: 146

Source: Leflein Associates / Hulu, ARF Annual Conference 2017
ATTENTION TRANSFER
Time Matters: Consumers React more Positively to Ads When They Are Thinking About Those Products

Relationship between Time of Day and Positivity toward CPG Advertising

Source: MESH Experience, 2017
PRIMING / HALO EFFECTS

• Many studies demonstrate that “Priming” generates “Halo Effects” that can improve ad performance

• Alignment/congruence between content-ad can boost impact
PRIMING / HALO EFFECTS
Sports Advertising / Sponsorship = Frequent and Successful Application of Content / Ad Alignment
PRIMING / HALO EFFECTS
Native Ads Can Provide Good Fit Between Content and Ad with Superior Impact

Relative Impact of Native vs. Banner Ads

Cost

100

500

Purchase Intent

100

1000

Source: Mobile Marketing Association / Marketing Evolution / Millward Brown Digital, SMoX: What We Now Know About Mobile, 2015
PRIMING / HALO EFFECTS
Emotional Congruence Between Content and Ads Lifts Return on Ad Spend

Indexed Impact of Emotional Congruence on ROAS

Brand A

Brand A High Congruence

Brand B

Brand B High Congruence

Source: RMT / Turner / Nielsen Catalina Solutions, 2017; High Resonance = 60%+ of Ad DriverTags™ overlap with Program DriverTags™
PRIMING / HALO EFFECTS
“Happy Ad + Happy Content = Big Impact”

Impact of Sentiment Congruency on Ad Persuasion Metrics

<table>
<thead>
<tr>
<th>Sentiment Congruency</th>
<th>Brand Favorability</th>
<th>Purchase Intent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serious Ad + Happy Content</td>
<td>+10%</td>
<td>+3%</td>
</tr>
<tr>
<td>Neutral Ad + Happy Content</td>
<td>+16%</td>
<td>+12%</td>
</tr>
<tr>
<td>Happy Ad + Happy Content</td>
<td>+23%</td>
<td>+17%</td>
</tr>
</tbody>
</table>

Source: ZEFR & IPG Media Lab, 2016
PRIMING / HALO EFFECTS
Special Events Advertising Often Takes Advantage of Context Alignment
Impact of “Neo-Contextual” Matching on Memory Encoding

Unmatched: 0.59
Matched: 0.69
17% lift

Source: NBCU (Bravo) / Neuro-Insight, Rethink, 2012
PRIMING / HALO EFFECTS
News Can Generate Positive ‘Cognitive’ Focus that Facilitates Ad Response

Impact of Content Type on Consumer Behavior

- More Likely to Add Item to Shopping List: 25%
- More Likely to Buy a Product: 30%
- More Likely to Make a Decision: 52%

Source: MediaScience / NBC News, 2014
AD-AD IMPACT: You Are Not Alone

• Other advertisements are usually part of your ad’s “context”

• Strong evidence for negative effects of clutter

• Ads next to your message can affect the impact of your message
AD-AD IMPACT
New Research Shows Impact from Commercials that Evoke Negative Feelings on Ad that Follows

Impact of Political Ad on Subsequent Ad

- Brand Reputation: 8.3 (Not Exposed) vs. 8.1 (Exposed)
- Has a Vibrant Taste: 8.3 (Not Exposed) vs. 8.1 (Exposed)
- Has Long-Lasting Flavor: 8.2 (Not Exposed) vs. 7.9 (Exposed)
- Experts in the Industry: 8.3 (Not Exposed) vs. 8.0 (Exposed)
- Allows You to Relax and Unwind: 8.1 (Not Exposed) vs. 7.8 (Exposed)
- Household Name: 8.2 (Not Exposed) vs. 7.9 (Exposed)

Source: Forethought, 2017
SUMMARY

• Reaching the right target, media/ad costs and ROI are top considerations, but compelling research evidence indicates context effect opportunities.

• Need to find balance, ignoring context is risky.

• Explore making context work for your brand and your ad.
What are the best practices to take advantage of context effects?
### ATTENTION

- Media and platforms that your target consumes attentively and is involved with are likely to produce more ad impact.
- Consider both high-rated, popular content, but also niche content attracting devoted fans.
# BEST PRACTICES

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| PRIMING / HALO EFFECTS | Consider media brands and content that match brand/ad  
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| AD-AD IMPACT | Beware of competing ads that could diminish positive context effects  
|             | • First position, proximity to content may be advantageous |
What is the ROI of contextually relevant advertising?