MADISON MEDIA

June 5, 2006

CHALLENGES BEFORE THE GLOBAL MEDIA COMMUNITY IN MULTIMEDIA MEASUREMENT

Thank you Bernhard and Giovanni for inviting me to be a keynote speaker at this important ESOMAR Conference supported by the World Federation of Advertising being held in this fascinating city, which is the toast of Mumbai. Those of you in this room who have been to Mumbai would know that today Mumbai and Shanghai have very little in common and yet it is a dream, perhaps a pipe dream of our city planners to turn Mumbai into a Shanghai.

Use of multimedia is a subject that is close to my heart and I am a strong proponent of it. Unfortunately, in the last decade when media became centre stage in India and most parts around the world, my voice was a bit drowned in the cacophony of TVRs, GRPs, exposure, reach-frequency curves, CPRPs and what not.

In the early 80s I know of no respectable brand in India that would **not** use a multimedia plan. Unilever, one of India's oldest and even today the largest advertising spender and the most prominent FMCG Company in detergents, soaps and toiletries, built its brands on the back of multimedia advertising plans. Consistently for years, Lever used newspapers, magazines, cinemas, outdoor and radio. And I believe I am not wrong when I say that they used this approach consistently over decades, virtually for <u>all</u> their brands.

However, the 90s brought about a major change in thinking on the back of growing influence of television and low CPRPs.

Why did brands in the olden days use multimedia plans? I believe the basis was more experiential, and intuitive rather than based on hard data. The approach, if you think about it was that you needed to confront the prospect's mind in different ways and at different times to make an overall holistic impact. A typically Indian meal has always consisted of several courses of small portions of highly varied fare with varying tastes – sweet, sour, salty all in the course of one meal. So probably is the Chinese meal. And you balance a meal in terms of taste, calories and what not and not just choose the courses based on the lowest cost. So it should be with a media plan. Even in a Western meal, the main course always has some garnish or side order which considerably enhances the enjoyment of the meal.

Early marketing men who did not have the benefit of volumes of data on reach and frequency and viewership and readership, I believe knew that the result of advertising was dependent on the quality or intensity of impact that the advertising makes on the prospect's mind, and not just on the largeness of the number of people exposed, because pinpricking a large number of people with your message would be meaningless.

In India today, over 70% of brands use single media and in most cases it is television. The share of the medium in the total advertising pie today has grown from 0 – 42% share in just two decades. At Madison the agency that I am involved with, television accounts for 65% of the agency's billings. Many of my friends from the press call me a Traitor.

Two months ago when I was little under the weather and on bed at home a personal experience reinforced my belief on the value and impact of multimedia. Lolling on my bed, inflicted with viral fever, aimlessly watching TV, on an English news channel I saw a bunch of the ubiquitous Mumbai dabbawallas (those who deliver millions of home made lunches to office goers at lunch time and return the empty dabbas by evening to their respective homes), dressed in Saffola T-shirts (Saffola is a cooking oil positioned for the healthy heart), mumbling something, not about Prince Charles to whose wedding they were invited but about looking after one's heart and taking a pledge to do so and how they are happy to do their little bit for the cause.

The next morning I saw 20 celebrities plug Saffola on Page 3 of the Times of India, the country's largest newspaper and as I read my fortune in Sunday Midday, even Marjorie Orr urged me to take the pledge. The afternoon found me hearing a similar message on FM Radio and in the evening since I was over-rested(!), when I went to see a movie, I again saw a message of Saffola on the excuse of World Heart Day. I whispered to my wife Homai, "What oil do we use?" I was reassured, when I heard the answer "Saffola". I thought to myself when was the last time that I had seen a Vanilla 30-second commercial which provoked me to think or ask, if we were using the brand featured in the commercial in our home.

We now have coined a new buzz word "Engagement" not "Exposure". We have a new research company in India whose tagline is "From exposure to engagement". Clever and successful marketing and advertising people have always sought to **engage** their target audience and not just **expose** them to their message. Now that we live in a world that is data savvy and with the stakes being so high on every advertising decision, I am delighted that there are several impressive studies being done around the world, to define and measure engagement. I have no doubt that all these studies will conclusively prove that from a quantitative point of view or from an impact point of view, use of multi media leads to better engagement than single media.

Whilst, I cannot say that we have made good progress in this area in India, I would like to briefly highlight to you the result of several studies that have been conducted in the past few years that:

1. Demonstrate that multimedia works better for brands.
2. I also want to share with you some attempts being made to quantify exposure of multimedia plan and the challenges thereof, given the lack of single source data and given that readership, viewership and listnership data are most often thrown up by completely independent studies.
3. And lastly I want to share with you my thoughts on the metric that we should use for paying for TV time.

The Indian Newspaper Society (INS) alarmed at the rapid growth of television's share in the advertising pie; (Remember, I mentioned to you that it grew from 0 – 42% share in just two decades; and more alarmed at the near total exodus of FMCG advertising from print) sought to institute, what it called a "Impact Multiplier Study".

The objective here was to assess the additional impact; the addition of Print, to a TV plan would have on Brand scores. I understand that almost all the studies done worldwide on this subject are based on control experiments, i.e. exposing a limited set of respondents to TV alone and a matched sample to both TV and Print in a controlled environment. However, we were more ambitious and the study done in India sought to replicate a real life scenario by convincing 6 FMCG brands who were heavy advertisers on TV, to spend additionally in Print. In order to encourage them to do so and participate in the study, these advertisers were offered space in Print at heavily discounted rates. I was delighted with the findings and want to share the highlights with you.

Before we look at the result, a little bit on the methodology to understand the multiplier effect. Two markets were selected. One was treated as a control market and another as a test market. A benchmark study was done in both markets to establish score on key parameters like Brand Salience, Ad Salience, ITP, etc. After this in the control market a TV alone plan was run, whereas in the Test market, a TV plus print plan was run. A study was again done in both the markets to see the shift in brand scores. A total of 14,300 individuals were covered in the 2 markets.

Let us see the findings for Sanitary Napkin brand WHISPER. In terms of Ad Salience, in the control market where there was TV-alone, scores went up from 4 to 6 giving an index of 150. But in the test market where both TV and Print input were given, Ad Salience went up from 3 to 25 registering an Indexed increase of 833. On Brand Salience in the control market the score went up from 15 to 28 recording an Indexed increase of 187. But in the test market where both TV and Print inputs were given, the score went up from 10 to 45 giving an Indexed increase of 450. Equally dramatic was the finding in one parameter, that marketers love; Intention to Purchase. Whereas in the control market, TV took the score up from 5 to 22 registering an Indexed increase of 440, in the test market, with the additional input of print, ITP score went up from 4 to 30 registering an indexed increase of 750. So it does seem to suggest that brand Whisper could benefit dramatically by adding print to its TV plan. But, does it? Well that's another matter.

	Control Market (TV Only)			Test Market (TV + Print)		
	Pre	Post	Index	Pre	Post	Index
Ad Salience	4	6	150	3	25	833
Brand Salience	15	28	187	10	45	450
ITP	5	22	440	4	30	750

Let us take another brand from a food category – Cooking Oil. The increases here are not so dramatic for Ad Salience and Brand Salience. But look at the scores on ITP. The addition of Print to a TV plan took the ITP score up dramatically from 5 to 19 registering an indexed increase of 380. It was also found that the Ad Message Comprehension score also goes up dramatically when print is added to TV. In the control market where TV alone was used, no doubt the score went up dramatically, but not as dramatically as when print was added to the TV plan, when indexed increase was 1525.

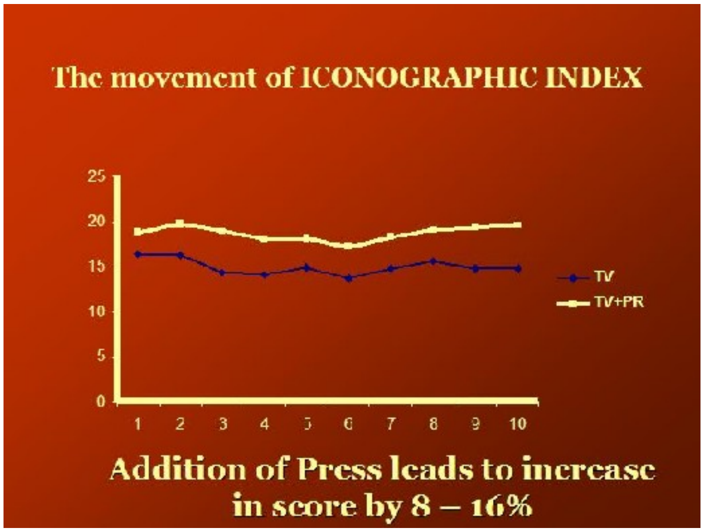
	Control Market (TV Only)			Test Market (TV + Print)		
	Pre	Post	Index	Pre	Post	Index
Ad Salience	26	53	204	19	51	268
Brand Salience	50	82	164	35	72	206
ITP	5	5	100	5	19	380
Ad Message Comprehension	5	48	960	4	61	1525

The test also showed that Brand Properties be they quality, health, freshness, ingredients etc. are all better recalled in a TV plus Print plan, than in a ‘TV alone’ plan.

The experiment did not show dramatic results in the case of a soft drink and this left everybody wondering, when it was discovered this was because there was absolutely no synergy between the TV ad and the Press Ad. Leading to an important tip, that in a multi-media plan, all creative execution must have synergy with each other, be developed at the same time, in order to reap the benefits of multi-media.

	Control Market (TV Only)			Test Market (TV + Print)		
	Pre	Post	Index	Pre	Post	Index
Ad Salience	98	98	100	99	99	100
Brand Salience	98	98	100	99	99	100

Whilst the first study was a good starting point, the INS's Impact Multiplier Study has now gone into the 2nd stage, where we are attempting to understand the impact of using multi-media on the entire Brand Equity. Whilst the earlier study was conducted by IMRB, this study is being handled by ICON ADDED VALUE. In this study about 20 brands who use both TV and Print were selected and brand scores were determined from a large number of respondents who had seen advertising for the brands. Respondents were then segregated in two lots, one who were exposed only to TV and another who were exposed to both TV and Print advertising over a 12 week period. The agency tracked the respondent's responses on what it calls Iceberg Measures – brand equity measures like brand likeability, brand loyalty and brand confidence. Media input data in terms of GRPs of TV and Print were also inputted using a 4 week moving average. A total of 264 brand weeks with 63,360 observations were analysed. An attempt was then made to compute a Iconography score for the 2 sets of respondents. The result clearly showed that over the weeks (show graph) the Iconography score consistently moved ahead amongst those respondents who were exposed to TV and Print versus those who were exposed to TV alone. The increase in score varied from between 8% to 16%.



Another interesting project that we have been working on in India is the **Virtual TV Diary**. The attempt is to offer to users a set of data on TV viewership that could offer the solidity and robustness of the readership data given its huge sample size, combined with the recency of the peoplemeter data which is now available with a lag time of just 24 hours. One of the most common and potent arguments of channels which don't show up well on the peoplemeter data, has been, how could a system that covers just 4,555 homes accurately estimate the viewing behaviour of 58 million urban homes spread across 5,700 towns. On the positive side the peoplemeter data throws up information on viewership of almost 300 channels by the minute, though viewer classification is restricted to just socio-economic class, age and gender. The National Readership Survey, on the other hand covers as many as 2,70,000 homes and throws up respondent information on 20 demographic variables, 95 product categories and 23 psychographic statements. Since the NRS data also throws up information on TV viewership, though only by day part, weekday/holiday, number of hours spent on viewing TV and channels watched – though this information is available only once a year, for a point in time, an attempt is being made to calibrate the peoplemeter data against the readership data which would allow users to evaluate a TV schedule by user / non-user, occupation, education and many other variables hitherto not possible. A beta version, we hope would be released later this month. Peter Masson of Sesame who is speaking at this conference later today, I hope will touch upon this in some detail. The availability of this set of data will enable media planners to do adequate justice to highly segmented and well-defined target audiences on demographic and psychographic factors which brand managers now provide and will result in less similar media plans for say motor cars and two wheelers or household washing products and shampoos or premium brands and regular brands.

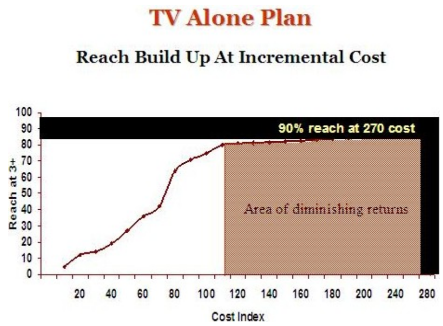
Given the findings of the IMPACT MULTIPLIER STUDIES on the one hand and the increasing fragmentation of TV on the other, the need for multimedia plans has never been greater, but alongwith it comes the challenge of evaluating multimedia plans. The most adventurous brands and I dare say those who were either less data savvy or less data dependant have moved back to using print and television. But how does one arrive at a reach/frequency of print and television plan when viewership and readership data come out from completely independent studies. At Madison we developed a tool which we call "M-SPECTRA" that enables us to get a rough and ready fix on the combined reach of upto 4 media. M-Spectra uses the principles of probability to estimate the multi-media reach/frequency. It starts by using data available from independent studies and calculates a combined probability of the reach of a multi-media schedule. The M-Spectra estimates have been validated against data taken from large scale readership studies such as NRS and it was found that the difference in estimate is well within 5 reach points.

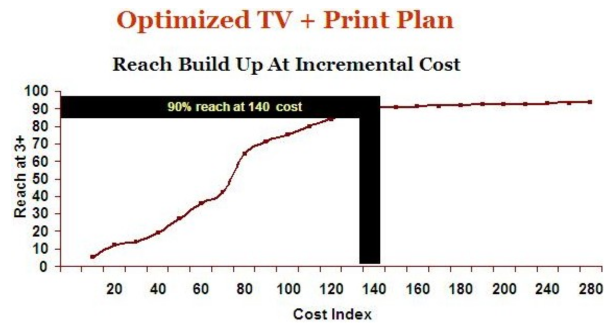
Telecom today is one of the largest spenders around the world and so it is in India. Before the advent of M-Spectra our telecom client's spend on television and print was in the ratio of 37:63. The media objective was to maximize reach at 5 plus. With the help of M-Spectra we could generate an 18% savings and yet meet the same objective. The same objective could be reached through print alone with a 9% overrun of budget or with an 18% overrun of budget with television alone.

M - SPECTRA Optimization

	Cost Index
Original Mix TV: Print (37: 63)	100
TV + Print Plan TV:Print – 52:48	82
Print Only Plan	109
TV Only Plan	118

In yet another case this time when a new variant of a soft drink was to be launched in summer with an objective of 90% at 3 plus, we found that TV alone was inefficient to achieve the media objective as, diminishing returns set in as reach objectives move up. Using TV alone to reach the objective would cost 270. Optimization, using M-Spectra indicated that by adding print we could achieve the same media objective at almost half the cost – 140.





I would now like to touch upon a subject that is not exactly multimedia, but nevertheless a subject that is of prime importance to both the advertiser and the media owner. I am encouraged to talk on this subject because the theme of our conference is “TIME TO FOCUS ON THE CONSUMER”. As an industry we do a pretty good job of estimating audiences and estimating TRPs and Reach/Frequency curves, but the issue that has been engaging my attention for quite sometime is: **Is TVR or TRP, the right metric based on which channels should be paid?** There is a growing awareness in almost all fields that the basis for price determination should be: what the buyer receives and not what the seller sells. I submit to you that exposure is more a function of what the seller gives and not a good metric of what the buyer receives. All advertisers, after all resort to advertising to ultimately induce a sale and given the competitiveness of most markets around the world, reducing profit margins and lowering of returns on investments, I think the time is right for us to seriously question whether it is mere exposure that we are after, and whether we should not incentivise a media owner or a channel owner who offer us a more favorable environment under which if an exposure is given, the probability of completing a sale is higher in the ultimate stage or in the interim, enables the message to be received by the viewer with greater impact leading to better message retention and conversely penalize that media owner who does not offer a favorable environment that is conducive to meeting the advertiser's objective.

At Madison, in the course of the last decade, working with some of the largest and most enlightened and media savvy advertisers, we have seen that exposure or TRP is in many cases an inadequate measure and does not always fully correlate to sale or message retention. Questions that have consistently played on our minds are:

- Is it more profitable to address an active viewer or a passive viewer?
- Is it better to advertise in a high involvement programme or low involvement programme?
- Is it better to reach the respondent when he is involved in appointment viewing OR at the time of channel surfing?
- Which genre of programming is best suited to message retention?

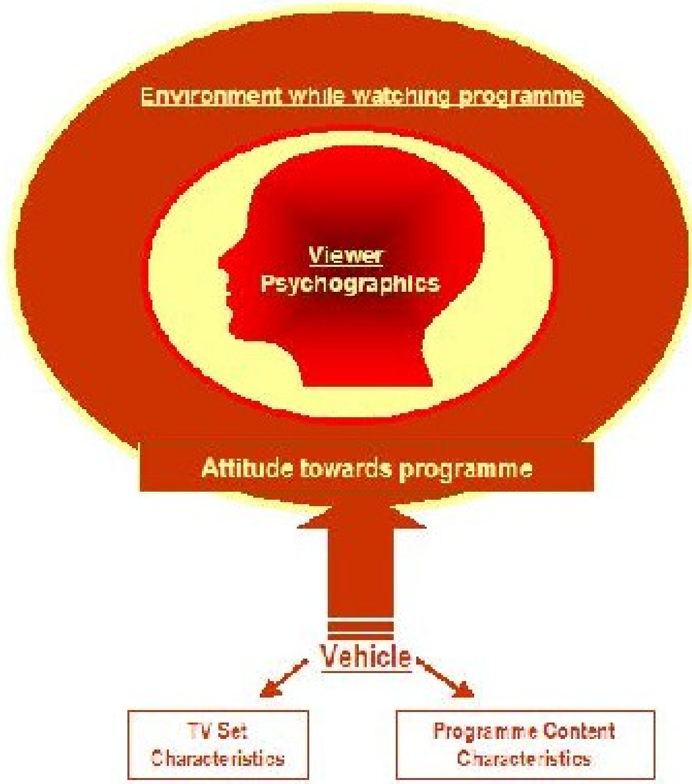
Basically, we felt that we needed to understand our consumers and their interactions with different programs/viewing situations better. The assumption that higher the TVRs, the better for the brand, seems too simplistic in today's complex world.

To answer some of these nagging and difficult to answer questions, we initiated a pilot research in Mumbai to arrive at what we call *Madison Engagement Correction Factor* – **M:ECF**, which when applied to TVRs would provide a more accurate basis on which TV time could be paid for.

We did a study across 541 housewives and males in SEC A & B in Mumbai.

The starting point of this research was to focus on identifying the possible parameters that can influence M:ECF. We listed 65 such parameters that were categorized under the following heads:

1. Environment while watching the programme
   - Was the individual multi tasking? Was she watching the programme by herself?
2. Viewer psychographics
   - What is her attitude towards advertising?
3. Attitude towards programme
   - What is the respondent's attitude towards the programme? Her image of the programme? Attention level etc
4. TV Set characteristics
   - Color or B/W ? Remote vs. non-remote? Still relevant in India
5. Programme Content characteristics
   - Genre? High drama or low drama? Episodic or long running? Heavily promoted vs. non-promoted etc?



52 of these 65 parameters were collected through the questionnaire while the balance 13 parameters primarily in the area of programme content characteristics were post coded.

All respondents were asked to recall "Advertisements watched yesterday". Out of the 65 parameters we found that 27 parameters best explained Brand Recall. What were these? Take a look. **(PAUSE)** These 27 were then grouped into 8 factors to arrive at a predictive model for brand recall.

Which genres work best for the advertiser? The pilot study blew our belief that Soaps do. Infact soaps got a negative correction factor of 0.93, whereas reality shows got a positive correction factor of 1.08. Movies on the other hand have to be hugely discounted by as much as 0.5. I must clarify that this huge discount factor has emerged, not intrinsically because movies as a genre don't work for advertisers, but in India movies have too many breaks and each break again has too many ads. I must also tell you that in the absence of data that we now have, when a leading channel offered movies with very few breaks and few ads in each break and wanted a small premium for it, no advertiser came forward to pay that premium and the channel went back to its ways.

Let's move to another area "REPEATS AT OFF PRIME TIME". Most advertisers have a fascination for original programming at prime time. But our pilot study shows that the correction factor for the top rated soaps for both the original airing at prime time and repeat airing at off prime was identical at 0.98.

Should an advertiser pay more for a top cast and how much? Channels want to demand huge premium for those programmes featuring very well-known and highly billed stars. But our pilot study shows that the correction factor to be applied to such programmes can be no more than 1.11.

Specials and finales are other favourite excuses of channel owners to demand higher costs and it is true that advertiser demand for such programmes is generally high. But how much premium should an advertiser be willing to pay for such specials. Our study determines a correction factor of only 1.06.

Given, the continuing decline in technology costs, good profitability of media companies and free availability of cash either from the market or their own resources, I have no doubt there is going to be media proliferation of a magnitude that is unimaginable. Given this, the advertiser and the buyer would have to institute systems to strictly buy and pay for what actually helps lead the prospect to a sale rather than get carried away by the hype and hoopla that generally accompanies new channels and new programmes. This approach if adopted on a wider scale would also help focus media investments into such programming and at such times, which lend themselves to higher return on media investments for the advertiser, without sacrificing the media owner's profitability.

Thank you for listening to me. I hope to learn from all you scholarly people in this room over the next 3 days and wish you a very educative and successful conference.