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Benchmarking Insert Advertising Effectiveness Metrics

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A Research Monograph of the
Printing Industry Center at RIT

No. PICRM-2008-04

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With Thanks

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Executive Summary

Periodic print promotions by retailers are still a popular means of advertising. However, the continued use is being questioned by retail advertising managers who are looking to justify their spending on these forms of advertising. What are they getting in return? The purpose of this research is to determine the advertising metrics used to measure the impact of inserted media advertising.

The main research objective was to benchmark the advertising measurement practices of retailers that use inserted media. Descriptive research will assess:

1. The types of inserted media used in the last year,
2. The proportion of inserted media versus ROP (run-of-press ads),
3. The likelihood that the budget allocated for inserts will increase or decrease in the next year,
4. How the retailers assess the impact of inserted advertising, and
5. How effective inserted advertising is when compared to the other advertising media being used.

In addition, hypotheses tests investigated whether those retailers who measure results of their advertising make different kinds of decisions than those who do not.

In May, 2007, 263 retailers were contacted by e-mail and asked to participate in a study on the impact of advertising inserted media. The individuals contacted represented marketing, advertising, and print production managers for these retailers. The e-mail soliciting their participation included a link to an online survey. Participants were offered a copy of the final results as an incentive. A total of 78 retailers completed the survey. The participants represented a variety of store types, ranging from grocers to auto parts stores.

The descriptive statistics revealed that:

- Almost all (94%) used newspaper inserts or circulars, with a somewhat smaller percentage (82%) reporting that they used in-store distribution as well.
- On average, 80% of the expenditures for newspaper advertising went into inserts or circulars. When asked if this level of expenditure would change in the coming year, 64% said it will remain the same.
- When compared to the other advertising media in use, 45% of respondents reported that inserted advertising performed better, 40% reported it performed the same, and 15% reported it performed worse than other advertising media.
- A large proportion (81%) indicated that they measured the effectiveness of

inserted media advertising. The most frequently mentioned metrics were change in same-store sales (75%) and sales on advertised items (73%).

- The hypothesis test determined whether retailers who measured inserted media would be more likely to change their proportion of spending in the coming year. A chi-square test revealed that there was not a significant difference between those who measure ad effectiveness and those who do not in terms of their plans to change their spending in the coming year.

Introduction

Internet search advertising continues its double-digit annual growth. This new advertising medium is attractive to advertisers for three reasons: it is lower in cost to distribute advertising content than most mainstream media; it uses a “pull” strategy where the media user clicks on the advertising for products of interest to him or her; and it has an immediate feedback measure built-in. All of these benefits provide the medium with unsurpassed return on investment (ROI), and, by contrast, places great pressure on mainstream media to demonstrate their ROI.

There are two ways in which the traditional media are making their cases: they are either trying to prove that advertising in their media is more “engaging” and/or they are trying to improve their metrics of advertising effectiveness. The focus of this research is on the advertising metrics used to assess one long-standing advertising medium: inserted advertising.

There are a variety of formats that fall under the classification of inserted advertising. These include:

1. Shopping circulars distributed by the US Postal Service
2. Shopping circulars distributed by newspapers
3. Coupons distributed by US Postal Service mail (such as Carol Wright packs)
4. Free Standing Inserts (FSI) distributed via Sunday newspapers
5. Statement stuffers such as those found in credit card bills
6. Package stuffers (in shipping bags or boxes)
7. “Blow-ins” such as the subscription postcards that fall out of magazines.

Most people think of the national brands’ use of FSIs when the topic of inserted advertising is discussed. The DMA estimates that \$12.6 billion was spent on direct newspaper advertising, which includes FSIs and local newspaper inserts. TNS Media Intelligence (2007) puts advertising expenditures for local shopper circulars at \$11.1 billion and advertising expenditures for FSIs at \$1.6 billion. According to the DMA’s “Power of Direct Marketing” report (2007), approximately another \$1 billion was spent on statements, card deck mailings, and magazine blow-ins in 2006.

While these advertising expenditures are dwarfed by the annual expenditures on direct mail and television advertising, this still represents a large source of revenue for printers who print weekly grocery and drug circulars and for newspapers who sell delivery services. Moreover, these shopping circulars remain an important part of retailers’ advertising media. In a 2006 report, the Electronic Document Systems Foundation (EDSF), in collaboration with Gartner and George Mason University (Basiliere &

Mehta, 2006), found that the use of print for periodic promotions dominated all other promotion methods for the 90 retailers surveyed. Table 1 details these results.

Table 1. Percent of retailers using certain types of marketing promotions

Type of promotion	Usage rate
Periodic print promotions	98%
Direct mail	76%
Print coupons	71%
Internet promotions and coupons	56%
Print catalogs	51%

Periodic print promotions by retailers are still a popular means of advertising. However, their continued use is being questioned by retail advertising managers who are looking to justify their spending on these forms of advertising. What are they getting in return? The issue of measuring the return on advertising investments is increasingly important in this cluttered media climate.

The old-fashioned clipped coupon delivered by FSIs still provides a built-in measure of its effectiveness. It is a popular medium for shoppers, as indicated by the findings that 142 million consumers used coupons in 2006 (CMS, Inc., 2007). However, popular as there are with consumers, coupon distribution declined by 12% in 2006, with a corresponding 13% decrease in the redemption rate on the approximately 286 billion coupons distributed (CMS, Inc., 2007).

In addition, grocers' use of coupons distributed via printed inserts has declined with the advent of shopper loyalty programs. The loyal shopper gets all of the price discounts on the advertised merchandise with a swipe of their retailer-specific loyalty cards without having to clip and redeem store coupons. The retailers benefit because they do not have to handle paper coupons, which greatly improves checkout efficiency. However, they lose a mechanism for the direct assessment of the impact of their printed circulars, since every loyal shopper receives the discount on the advertised item regardless of whether they saw the promotion or not.

The purpose of this research is identify the threats to the continued use of printed inserted media by assessing retailers' perception of the effectiveness of printed circulars and their plans to increase or decrease the amount of advertising they will commit to this medium in the near future. One factor in the continued use of these media is the ability (or inability) of the retailer to assess the direct return on the investment in these media forms. Advertising effectiveness measurement across all forms of media is addressed in the next section.

Measuring the Impact of Advertising

The measurement of advertising effectiveness has been a focus of the conversation of media planners and buyers for the last few years. The historic ways that advertising impact is measured by primary research firms such as Nielsen and Arbitron have been called into question. These firms measure audience composition and circulation figures to assess the opportunity to view the ad by medium, and they use diary methods to assess the opportunity to view the ad within a program on TV or channel on the radio. But, as media users ourselves, we know that there is a huge gap between the opportunity for exposure and whether or not someone actually pays attention to an advertisement.

As an example, the number of people who receive a newspaper on any given day is much greater than the number who read a specific advertisement in a specific section of the paper. Also, the number of households that have a certain TV program turned on does not mean that all household members are present during the airing of a particular commercial message within that program. Moreover, the widespread adoption of digital video recorders and the easy availability of video and DVD movies have reduced the opportunity to see ads within recorded television programs.

Media measurement firms are responding to these criticisms. One example is the introduction of “Portable People Meters,” which have improved how TV audiences are measured by Nielsen (Neff, 2006). This technology can determine the number of people who actually have been exposed to specific ads aired during TV programs. Nielsen’s latest change is to assess the viewership of the average commercial within a program by also including “time-shifted” viewing. This includes the audience that records a program but views it later for that program, which is then averaged over all commercials shown within (Steinberg & Hampp, 2007). The results from the initial report of this method show that commercial ratings are somewhat higher than the program ratings (percent of the audience that viewed the program live). Media buyers remain critical of this new metric because it does not report ratings for individual commercials within the program and still does not account for the viewers who skip or fast forward through the ads.

For printed media, the measurement challenge is similar. Circulation figures for many printed publications have been inflated by some publishers who include “waiting room copies” in their circulation figures. In addition, magazines report circulation figures as the average of some time period, such as a six-month average. This has prompted a few media buying firms to require publishers to guarantee the circulation of each issue (Ives, 2007).

Mainstream media such as television and magazines struggle with the challenge of linking advertising exposure to consumer purchases from the businesses that buy advertising. Retail advertisers who use local newspaper run-of-press or ROP ads (space ads on the news pages of the newspaper) are also faced with this challenge, albeit in a different way, as they have historically used this medium to announce sales and special

events. The effectiveness of this advertising is then measured in store traffic and sales. In a recent advertising strategy change, Macy's reduced their investment in this form of promotion by reducing the number of coupons distributed in run-of-press advertisements (Barbaro, 2007). They found, however, that retail sales fell dramatically in a four-month period without these types of sales-oriented advertising. They are planning an about-face in strategy by returning advertising dollars to this form of advertising in the coming year.

The media measurement challenge is different for retailers who use printed advertising circulars. Circulation measures for circulars distributed by newspapers and those via direct mail provide a measure of the "opportunity to see" the ad. For many grocery retailers, the weekly circular is a long-standing form of advertising, and there is often total market coverage of local households surrounding the store. Unlike TV ratings or magazine circulation figures, the "opportunity to see" is 100% when everyone in the market area has received the circular by mail or found it inserted in the daily paper. Metrics for retail circulars must move down the consumer buying process and assess how these ad forms are using in shopping decisions and actual purchasing.

Some publishers and print vendors annually survey a sample of consumers to see if they read the circular or use it to plan shopping trips. Research published using these results finds that people use these forms of advertising routinely. For example, in a Vertis Communications (2006) study of 2,500 adults, researchers found that:

- 52% of respondents use inserts for deciding where to shop for groceries.
- 66% of respondents use inserts for making grocery-shopping lists.
- 44% "regularly" use and 33% "occasionally" use coupons from ad inserts.

When asked about their grocery shopping decision, 31% reported that ad inserts/ circulars influenced their buying decisions. The next highest medium reported was TV, at 18%.

Similar findings come from a study of newspaper readers sponsored by the Newspaper Association of America (NAA). 78% of respondents reported that they use newspaper inserts to plan shopping, and 76% said that these inserts have helped them save money (NAA, 2006).

While these survey findings are compelling, they do not show the true impacts of circulars on consumers' shopping behavior. However, a recent academic research study has done just that. In a study of the impact of feature advertising on store choice, Srinivasan and Bodapati (2006) of Stanford University's Graduate School of Business developed a predictive model employed to discern the relationship between whether a grocery item featured in weekly store advertising circulars affected grocery store choice. They measured the purchases of 19 product categories made by customers in major shopping trips over a two-year period using store scanner data. The competitive environment was

one where competing retail chains distributed their printed shopping circulars weekly. The results revealed that almost 10% of sampled shoppers chose a store different from their normally preferred stores for a major shopping trip based on the week's feature ads in the circular. Ads for cereal, chips, pizza, cookies, and hot dogs influenced their choices most.

However, most advertising managers do not have the ability to apply this methodology to determine the impact of shopping circulars on the store choice behavior of their own and their competitor's customers. They use simpler metrics, such as tracking sales on featured items. For retailers who use circulars less frequently (e.g., every other week), they can track store traffic by the day the insert was distributed. These measures often depend on retail scanner data. When the data is married to an individual shopper as they use their loyalty card at check-out, this provides a new means of tracking the promotional impact—if the distribution of the advertising can be connected to an individual shopper's buying. Are stores using this powerful means to track advertising performance? What about other retailers who do not use printed weekly circulars? What about retailers without loyalty programs (e.g., furniture stores) given the relatively infrequent purchases by individuals? How do they track the impact of printed circulars?

The research objectives were to benchmark the advertising measurement practices of retailers who use inserted media. Descriptive research will assess:

1. What types of inserted media have been used in the last year?
2. What proportion was used for inserted media versus ROP (run-of-press) ads?
3. Will the budget percent for inserts increase or decrease in the next year?
4. How do they assess the impact of inserted advertising?
5. How effective is inserted advertising in comparison with the other advertising media they are using?

In addition, two hypotheses will be tested to determine if the measurement of advertising has an effect on future advertising spending. Specifically:

Hypothesis 1: Retailers that measured the impact of inserted media would be more likely to indicate they are changing the proportion of spending in the coming year.

Hypothesis 2: Retailers who found inserted media more effective would be increasing the proportion of inserted media used in the coming year.

The rationale for these hypotheses is that those retailers who measure the results of advertising are able to use facts to make business decisions, and these facts will be used to determine future advertising media decisions.

Methodology

In May of 2007, 263 retailers were contacted by e-mail and asked to participate in a study on the impact of advertising inserted media. The sample was provided by a leading vendor of printed inserted media, and included current and prospective retail customers. The individuals on the list represented marketing, advertising, and print production managers for these retailers. The e-mail soliciting their participation included a link to an online survey. They were offered a copy of the final results as an incentive to participate.

A total of 78 retailers completed the survey. They represented a variety of store types, as shown in Table 2.

Table 2. Profile of respondents by store type

Store type	Number
Office supply, furniture, electronics and camera	19
Drug, party, dollar and variety	7
Clothing, sporting goods, shoes	16
Grocery	27
Home and hardware	5
Auto parts	4
Total	78

Questionnaire

A copy of the questionnaire is given in Appendix A. The questions on the survey were designed to fulfill the following objectives:

1. What types of inserted media have been used in the last year?
2. What proportion was used for inserted media versus ROP (run-of-press) ads?
3. Will the budget percent for inserts increase or decrease in the next year?
4. How do they assess the impact of inserted advertising?
5. How effective is inserted advertising in comparison with the other advertising media they are using?

The first two questions were for descriptive purposes. The last three questions were used to test the hypotheses.

Results

The overall frequency of responses for each question is presented in Appendix A and cross-tabulated by store type in Appendix B. We will first present the descriptive statistics on the nature and amount of inserted advertising and then report the assessment tools used.

Use of Inserted Advertising

The respondents were heavy users of inserted advertising. Almost all (94%) used newspaper inserts or circulars, with a somewhat smaller percentage (82%) reporting they used in-store distribution as well. Just over three-quarters of the respondents used direct mail distribution (78%), and 71% used online distribution. These retailers were also users of run-of-press newspaper advertising, with 77% indicating they used this kind of advertising. However, on average, 80% of the expenditures for newspaper advertising went into inserts or circulars.

When asked if this level of expenditure will change in the coming year, 64% said it will remain the same. Of the approximately one-third who indicated it would change, 33% indicated they would increase the spending for inserted media, while 67% reported a decrease. In other words, 75% (52 of 69) will maintain or increase the proportion of spending for this medium in the coming year. Factors that correlated with the increase and decreases will be discussed later in this section.

When compared to the other advertising media the retailers were using, 45% of respondents reported that inserted advertising performed better, 40% reported that it performed the same, and 15% reported that it performed worse than other advertising media.

Assessment Tools

A large proportion (81%, or n=55) of the 68 respondents who answered this question indicated that they measured the effectiveness of inserted media advertising. They used the following metrics:

Table 3. Most frequently used advertising effectiveness measures

Type of measure	Usage rate
Change in same-store sales	75%
Sales on advertised items	73%
Response rate to a coupon distributed in insert/circular	40%
Media mix modeling	18%

We also asked them to describe in detail their methodology as an open-ended question, and a number of respondents provided a good level of detail. A few examples are

presented below. These indicated that a number of retailers are employing rigorous methods to assess advertising effectiveness.

- “We measure the lift in sales and customer transactions for each retail location for each advertising period. We also measure the performance of each advertised item against historical data and current performance projections, identifying the lift by category/department.”
- “We measure advertised items sold vs. a control group ... as well as total store sales lift vs. a control group.”
- “Sales lift by geographic zone against cost of insert.”
- “Same period sales over a two week window (from previous year) for advertising cost/benefit analysis + a multiplier coefficient of effectiveness (customers returning to our stores instead of competition).”
- “Store sales increases against same store’s previous year, campaign, etc., and against ‘control’ group of stores with differing media plan.”
- “Sales lift of advertised items. Customer surveys conducted through in-store and telecommunications. Coupon redemption analytics. Itemized breakout of various media effectiveness (both quantitative and qualitative). Focus Group studies.”
- “Cost to print and distribute vs. dollars spent in-store on a zip code of card holders.”
- “RFM analyses; same-store sales; average order size; media efficiency (ad-to-sales ratio); brand tracking studies.”
- “We measure online traffic and faxed information request forms and Amex spending.”

These quotes also indicate the variety of methods being used, which ranged from sophisticated statistical modeling that includes the cost of the advertising medium used to simple traffic measures. Eleven of the respondents (20% of the 55 who answered the question) indicated that their stores used an enterprise-wide supply-chain management software system such as AD Works, Imagine, SAP, and Logility. These systems are capable of generating a sales analysis by item and by store that could be used to correlate with specific advertising campaigns used.

Hypothesis Testing

The first hypothesis tested was that retailers who measured inserted media would be more likely to indicate they are changing the proportion of spending in the coming year. The results are shown in Table 4. A chi-square test was used to test whether this relationship was significant. The test revealed that there was not a significant difference between those who measure and those who do not ($\chi^2 = .144$, $df = 1$, $p = 0.704$).

Table 4. Cross-tabulation of measurement by planned change in media

Change in proportion of insert ad spend	Yes, they measure (n = 55)	No, do not measure (n=11)
Yes, will change	36%	30%
No change	64%	69%

That is, of the 55 retailers who measure inserted media effectiveness, 36% will change their media spending on inserts proportionately in the coming year. A similar percentage of those who do not measure (30%) will also be changing their media expenditures on inserts.

The second hypothesis tested whether retailers who found inserted media more effective would be increasing the proportion of inserted media used in the coming year. As noted above, 82% (45 of 53) reported that inserts perform the same or better than other media, while 15% (8 of 53) responded that they performed worse. We first tested whether performance perceptions were related to a planned change in media expenditures in the coming year. Table 5 presents these data.

Table 5. Cross-tabulation of insert performance by planned change in media

Will change % of budget next year for inserted media	Inserts perform better (n=24)	Inserts perform worse (n=8)	Inserts perform the same as other media (n=21)
Yes	50%	25%	19%
No	50%	75%	81%

Half (50%) who think inserts perform better will be changing their media plans, as opposed to 25% of those who believe inserts perform worse than other media. Though the trend supports the hypothesis, it is not a statistically significant difference at the 95% level ($\chi^2 = 5.12$, $df = 2$, $p = 0.07$).

For those who are changing the proportion of the media mix for inserted media, are those planned changes resulting in an increase or decrease? As noted above, 36% (25 of the 69 who answered the question) reported they anticipate a change in proportion of the advertising budget spent on inserted media in the coming year. One-third (8 of the 25) plan to increase their expenditure, while two-thirds (16 of the 25) will decrease their expenditure. (There was one non-respondent, which accounts for the difference in n between Tables 5 and 6.) Table 6 shows the data by store type:

Table 6: Raw number who plan to increase or decrease use of inserts by store type

Do you anticipate a change in the proportion of your advertising budget you'll spend on inserted media NEXT year? (% Yes = 25/69 or 36%)	Raw #	Office supply, furniture, electronics & camera	Drug, party, dollar & variety	Clothing, sporting goods, shoes	Grocery	Home and hardware	Auto parts
Increase	8	2	1	0	3	1	1
Decrease	16	4	1	4	4	1	2

Results

Since only 18 respondents answered both questions, the sample size was too small to use the chi-square test to assess whether the relationship was significant. We can examine the raw data for trends to see if those who feel inserts perform better plan to increase their budgets for this medium and if those who feel inserts perform worse plan to decrease the proportion they spend. The raw numbers indicate that, of the six stores that will increase their expenditure proportion next year, five felt inserts performed better. This is supportive of our hypothesis. All of the stores who perceived inserts performing worse planned to decrease their use of the medium in the coming year. However, of the twelve stores that will decrease the proportion of their budgets for inserted media next year, ten of them felt that inserts performed better or the same as other media. While these numbers are too small to conduct statistical tests, the trend indicates that planned decreases in media expenditures for inserts were not related to performance perceptions. What might explain this counter-intuitive result? This question will be explored in the following section.

Table 7: Cross-tabulation of increase or decrease in insert by performance perceptions

Expected change in proportion of advertising with inserts	Inserts perform better (n=12)	Inserts perform worse (n=2)	Inserts perform the same as other media (n=4)
Increase proportion	5	0	1
Decrease	7	2	3

Discussion

The purpose of this research was to benchmark the methods used by retailers to assess inserted media advertising impact. We found that approximately 80% of the retailers surveyed measured the effectiveness of inserted advertising. In this age of accountability, we expected this figure to be 100%. The two most popular methods used were the assessment of a change in same-store sales and in the sales of the featured item. For same-store sales, the detailed responses revealed that the retailers used comparison figures from sales in the same week as last year or in the week prior to the distribution of the inserts.

The details provided by the respondents showed that many retailers are quite sophisticated in their analytical approaches. However, only a small proportion (18%) of retailers used media mix modeling, one of the more statistically sophisticated methods of determining advertising impact that often includes other advertising media in the models. We checked to see if this was related to the use of an enterprise-wide inventory management system, but found that only two of the ten who used media mix modeling also had an inventory management system. We did not ask if the retailers used any campaign management tools, but, judging from the open-ended responses, some retailers in the sample were using these tools.

Our hypothesis tests investigated whether the proportion of the advertising budget in the coming year devoted to inserted media would change based on whether the stores measured the effectiveness of the inserts and by their performance perceptions of inserts compared to other advertising media. The rationale for both hypotheses was that those retailers who manage by fact will be more likely to change their advertising expenditures than those who do not.

For the first hypothesis, stores that did not measure insert effectiveness were equally as likely to plan a change in their advertising budgets as the stores that did measure insert effectiveness. While this data may suggest some arbitrary decision-making, follow-up interviews with two stores that were maintaining their proportion of the budget for inserts revealed a great deal of management acumen behind their plans based on the overall growth patterns in their businesses. One store was increasing their number of retail outlets (Store A), while the other was decreasing the number of outlets (Store B). In the case of Store A, their overall advertising budget was increasing as new stores were opened. The advertising manager of Store A was also very proactive in testing new options for the insert campaigns. He reported that they test-marketed changes in the design and frequency of the program in the previous year in addition to changing the product mix featured. The pilot program proved successful, and they are planning to build on that success in the coming year. The maintenance in proportion of advertising spending for inserts will result in an increase in the circulation of printed circulars.

Store B had decreased the number of stores they managed. They also changed the overall advertising message in all of the media from a brand-building approach to a sales-promotion approach. The printed circulars also reflect that theme. The advertising director reported a big improvement in sales with the change in themes. However, the initial improvement has now leveled off. Both of these cases provide evidence that, even though a store might be maintaining their budgets, this is an active choice built from solid marketing planning and outcomes assessment. Clearly, in both cases described above, the retailers were managing by fact.

The second hypothesis tested if stores that found inserts to perform better than other media would tend to increase their advertising budgets for inserts and if those that found it to perform worse than other media would plan to decrease the proportion for inserts in the next budget cycle. While the sample sizes were too small to conduct a chi-square test, the raw numbers indicated that, of the six stores that will increase their expenditure proportion next year, five felt inserts performed better. The two stores who reported that inserts performed worse than other media were planning to decrease their spending, proportionately, on inserts in the coming year. These findings were supportive of our hypothesis.

However, of the twelve stores that were going to decrease the proportion of their budgets for inserted media next year, ten of those felt that inserts performed better or the same as other media. Why might the retailers decrease the proportion of their advertising budgets for inserted media when they view advertising in this medium to perform the same or better than other media? One explanation is that it may be a sampling error or a response error due to the very small sample that were going to change their spending who answered the performance question at the end of the survey.

A second explanation is that others in the company (others than the respondents) are making the decisions about the advertising media expenditures. To explore that possibility, we examined the responsibilities of the people who completed the survey. Nearly three-quarters (41 out of 57) indicated that they are responsible for tracking advertising media effectiveness. Does this percentage differ for the ten who say inserts perform the same or better but still planning to decrease spending? It does not, as 80% of those who will both increase and decrease spending are the decision makers.

A third explanation is that the retailers are reconfiguring their advertising budgets based on the increases they expect in media rates. If the ad budget stays the same but the costs for printing are increasing at a greater rate than other media, then the allocation for printed circulars will decrease relative to the other media.

A fourth possibility is that the retailers may be adding another medium to the advertising mix. If another medium is added and the budget stays the same, then the distribution to all other media will decrease proportionately. We attempted to gain more insight by contacting a number of the retailers in this group, but were either unable to reach them or they were unwilling to share their strategies with us.

We also assessed the differences between those who will increase versus decrease the proportion of advertising spending for inserts on the other questions in the survey. We did not find a lot of differences. The profiles of the stores were quite similar except on two measures—those that reported they were going to decrease their spending:

- Tended to buy proportionately more ROP ads (63% of decreasers vs. 38% of increasers).
- Were more likely to use an enterprise-wide inventory management system (23% of decreasers vs. 0% of increasers).

In summary, this exploratory study revealed that the majority of retailers sampled do assess the effectiveness of inserted media using a wide range of methods. However, changes in media expenditures for the coming year were independent of whether or not they measured the impact of inserted advertising. The changes in advertising expenditures by retailers are affected by many more business factors than the use of good metrics. As is usually the case in business research, the environment proves to be much more complex than the models we initially test.

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Appendix A: Questionnaire and Response Frequencies

1) What types of inserted media did you use over this last year to advertise your firm?

- | | |
|---|-----|
| a. Newspaper inserts/circulars | 94% |
| b. Direct mail-delivered inserts/circulars | 78% |
| c. Inserts/circulars distributed in the store | 82% |
| d. Online inserts | 71% |

2) Do you also buy space in local newspapers, in the run of press ads?

- | | |
|-----|-----|
| Yes | 77% |
| No | 23% |

a. If so, what percent of the newspaper advertising budget is for inserted media versus run of press?

- | | |
|----------------|-----|
| - Insert | 80% |
| - Run of press | 20% |

3) Do you anticipate a change in the proportion of your advertising budget you'll spend on inserted media NEXT year?

- | | |
|------------------------------|-----|
| a. Yes | 36% |
| b. No | 64% |
| i. If yes, will there be an: | |
| 1. Increase | 33% |
| 2. Decrease | 67% |

4) Does your firm assess the effectiveness of inserted media advertising?

- | | |
|-----|-----|
| Yes | 81% |
| No | 19% |

Appendix A: Questionnaire and Response Frequencies

- a. How does your firm assess the effectiveness of inserted media advertising
 - i. Change in same-store sales 75%
 - ii. Amount of sales on advertised items 73%
 - iii. Response rate to a coupon distributed in insert 40%
 - iv. Do not measure inserts alone – assess whole campaign in store’s region 7%
 - v. Media mix modeling 18%

5) Does your firm use an enterprise-wide supply chain management software system such as PROFITLogics?

- Yes 20%
- No 80%

6) Compared to the other ad media you are using, is inserted advertising performing better, the same, or worse than other advertising media?

- a. Better 45.3%
- b. Worse 15.1%
- c. The same 39.6%

Appendix B: Cross-tabulation by Firm Type

Question/Answers	Overall responses	Office supply, furniture, electronics and camera (n=19)	Drug, party, dollar and variety (n=7)	Clothing, sporting goods, shoes (n=16)	Grocery (n=27)	Home and hardware (n=5)	Auto Parts (n=4)
1. What types of inserted media did you use over this last year to advertise your firm?							
Newspaper inserts/circulars	94%	89%	100%	100%	96%	80%	100%
Direct mail-delivered inserts/circulars	78%	73%	100%	75%	78%	60%	100%
Inserts/circulars distributed in the store	82%	73%	100%	75%	89%	60%	100%
Online inserts	71%	68%	100%	56%	67%	80%	100%
2. Do you also buy space in local newspapers, in the run of press ads?							
% Yes	77%	63%	71%	94%	82%	60%	75%
a. If so, what percent of the newspaper advertising budget is for inserted media versus run of press?							
Insert	80%	67%	96%	67%	86%	92%	91%
Run of press	20%	33%	4%	33%	14%	8%	9%
3. Do you anticipate a change in the proportion of your advertising budget you'll spend on inserted media NEXT year?							
% Yes (n=25/69 total)	36%	33%	43%	33%	30%	40%	75%
Increase	33%	33%	50%	0%	43%	50%	33%
Decrease	67%	--	--	--	--	--	--
4. Does your firm assess the effectiveness of inserted media advertising?							
% Yes	81%	74%	71%	69%	69%	100%	100%
a. How does your firm assess the effectiveness of inserted media advertising?							
Change in same-store sales	75%	57%	80%	81%	88%	60%	75%
Amount of sales on advertised items	73%	64%	80%	73%	81%	60%	75%
Response rate to a coupon distributed in insert	40%	14%	60%	45%	56%	20%	50%
Do not measure inserts alone – assess whole campaign in store's region	7%	7%	0%	0%	6%	20%	0%
Media mix modeling	18%	21%	20%	18%	13%	40%	50%
5. Does your firm use an enterprise-wide supply chain management software system such as PROFITLogics?							
% Yes	20%	21%	20%	20%	20%	33%	0%
6. Compared to the other ad media you are using, is inserted advertising performing better, the same, or worse than other advertising media?							
Better	45%	21%	66%	50%	45%	100%	45%
Worse	15%	21%	30%	10%	15%	0%	15%
The same	40%	57%	0%	40%	40%	0%	40%



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