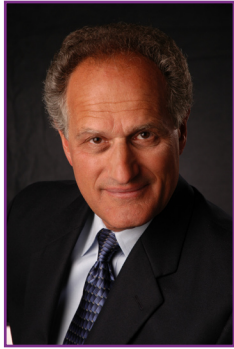




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Plus Over Normal: Accurately Measure Advertising Effectiveness

[By Robert Gordman, author of *Secrets of the Super Sweet Spot*]

When I was the president of a mid-line regional department store company, I wanted to know if our advertising was effective. What I quickly came to realize was that the word “effective” had a different meaning to me than to our advertising agency. They talked about advertising effectiveness as an increase in brand awareness or share of mind. I wanted to know if our ads were increasing our sales and profits.

During the past 17 years, I have been a consultant working mainly with Fortune 500 companies. And I’ve continued to see the frustration that management experiences in trying to get their own advertising departments and outside agencies to produce ads and campaigns that actually increase sales and profits. So I want to share with you how you can help clients by creating advertising that positively affects the bottom line.

The goal of advertising is to:

- Give your core customers a reason to keep buying from you
- Attract must-have customers to try your products or services
- Increase your sales and profits (Note: Core customers are a company’s most loyal customers who are willing to pay a fair price for a product or service. Must-have customers are people who could become core customers, but they currently do business with the competition.)

Advertising effectiveness can be measured by an analysis process called, “Plus Over Normal.” To determine Plus Over Normal results, every ad is benchmarked against the normal business baseline. The lift from the ad in sales dollars, units, and gross margin

dollars can then be evaluated.

A word of warning: it’s essential that you track sales *and* margins. It’s quite possible to increase or maintain sales levels while actually decreasing profits. Items can be put on sale, but if unit sales stay flat, margins drop by whatever the price reduction was, times the number of units sold. Now you might think this type of performance is unusual. However, the unfortunate fact is that based on a number of analyses my consulting firm has conducted, negative results based on faulty advertising are more the norm than the exception.

Advertising executives know there are ways to track the sales generated by advertising, such as ad coding (“Call this 800 number and ask for Operator 123.”) or running a print or television ad for an item and not doing any other promotion. However, the best way to discover if advertising is working is to do research.

There are two requirements to get useful information that will guide you on your quest to create effective advertising: you must only talk to the right people, and you must only ask the right questions. I can’t emphasize enough how important it is to confine your research to your core and must-have customers. Asking anyone else will taint your data and could send your company down the completely wrong — and potentially very dangerous — path. For instance, your client is

a high-end electronics store selling expensive components for home theaters. You need to conduct research with people who buy this type of merchandise, not consumers who buy \$100 boom boxes at Best Buy.

In order to formulate the research questions, you need to have a good idea of the kind of answers you’re looking for. In the case of your electronics client, you might want to know where people who purchase high-end electronics are actually buying now and why they aren’t buying from your client’s store. You also want to know what it would take for them to switch stores. With these as your goals, you can structure the research questions in a way that will give you that information.

A word of caution: be sure to ask your “knock-out” questions as early as you can. Getting all the way through your survey, only to find out that the person you’ve spent the last half-hour with isn’t a core or must-have customer, is a tremendous waste of time and resources.

There are only three measures of advertising effectiveness:

- Did core customers increase their spending with the company after seeing my advertising?
- Did any must-have customers start doing business with the company after seeing the advertising?



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- Did the ads generate a net profit?

When the answers to these questions are "Yes", you know that advertising is effectively building a company's sustained, profitable growth year after year. Over 600,000 businesses close their doors each year. Effective advertising campaigns are major factors in keeping businesses from becoming another failure statistic.

About the Author

Robert Gordman is president of The Gordman Group. He is the author of *The Super Sweet Spot: Building Sustained Profitable Growth* and *The Must-Have Customer: 7 Steps to Winning the Customer You Haven't Got*, which was named one of the "10 books you should have read in 2006" by *Ad Age* magazine. His clients have included senior management of Fortune 500 companies,

including Berkshire-Hathaway Retail, IBM PC Company U.S., IBM PC Company Canada, Kmart Corporation, KPMG, Saks Inc., VF Corporation, WeightWatchers International, and Whirlpool Corporation.

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