

Bang for your Buck

The effectiveness of advertising in international media

Authors

Thomas Hoehn, Andrew Sharp, Alison Sprague, Hsiu Min Lim, Alex Baker

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Introduction

Advertising in international media¹ is a small percentage of total advertising spend, although it is central to a number of categories for which targeting a specific high earning and frequent travelling group of business people is crucial.

But is it effective?

In this study, commissioned by CNN International from PricewaterhouseCoopers LLP (PwC), PwC provides evidence-based answers to this question². We also provide insights into the relative effectiveness of international print, TV and their corresponding online properties.

¹ For the purposes of this study, international media comprise international TV and print only. We include corresponding online properties of these media where relevant data permit. International TV media comprise nine television channels broadcasting to the EMEA region – BBC World, CNBC (Europe), CNN International, Euronews, Eurosport, MTV, National Geographic, Sky News and TV5 Monde Europe. International print media comprise thirteen print titles published in the EMEA region – The Economist, Euromoney, Financial Times, Fortune International, Harvard Business Review, Institutional Investor, International Herald Tribune, National Geographic, Newsweek (Atlantic edition), Scientific American, Time (Atlantic edition), USA Today and Wall Street Journal (Europe edition).

² This is a summary of the findings from a more extensive study, as a result there are additional aspects of our study which are not included in this report.



Who consumes advertising in international media?

We wanted to test the extent to which advertising in international media is effective: how it affects brand attitudes, brand preferences and ultimately product sales.

International media, TV, print and their corresponding online properties, tend to attract viewers and readers who travel relatively frequently and have relatively high incomes and therefore above average levels of discretionary spending power. Such individuals are prime targets for advertisers of specific categories such as travel, luxury goods and financial services.

CNN International is a good example of an international media business that targets such business people who frequently travel and have relatively high incomes, as demonstrated in Figure 1.

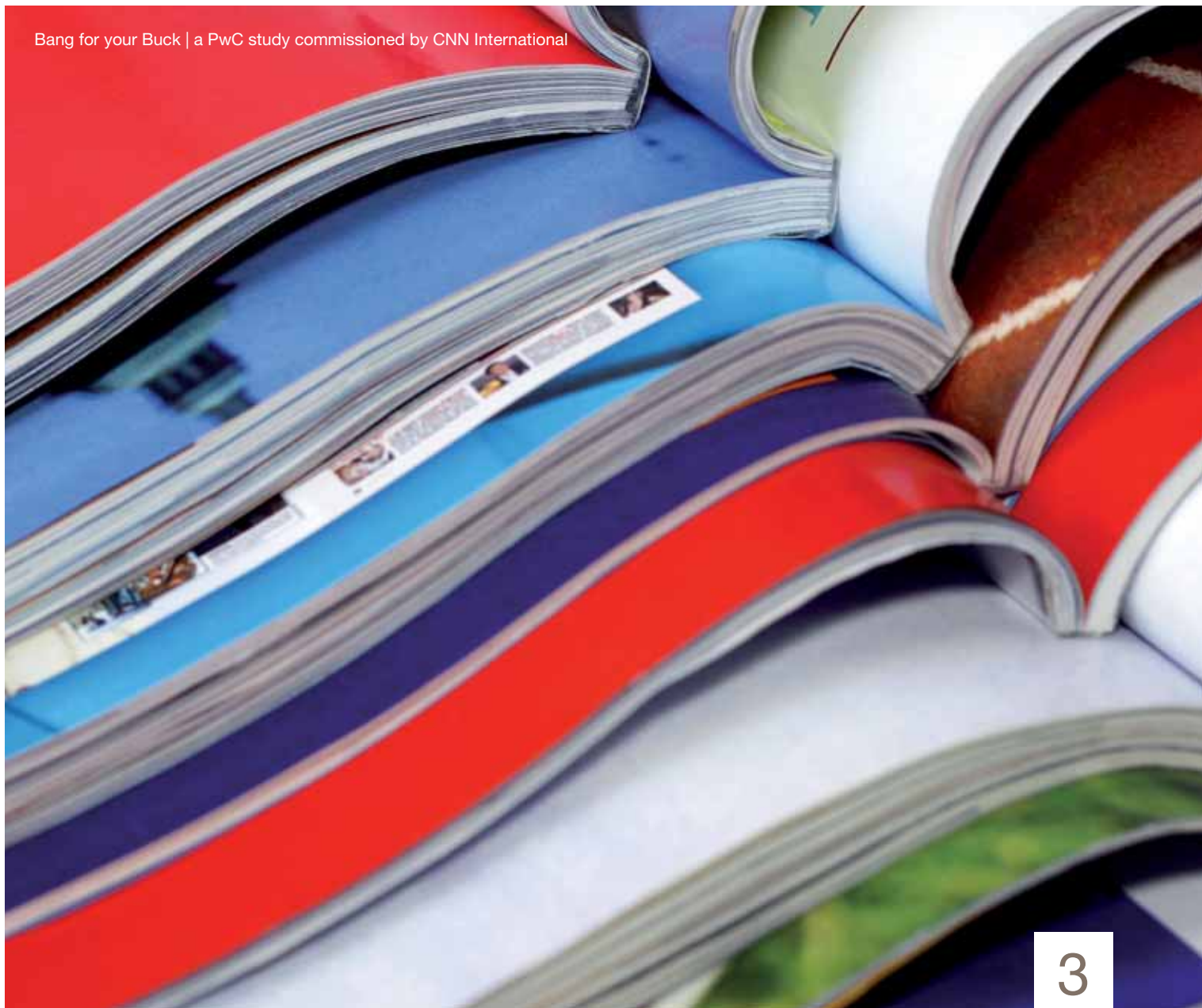
Figure 1: EMS³ profiles – travel and income

	Proportion of respondents who have taken more than six international business trips by air in the last 12 months	Proportion of respondents whose household is amongst the top 10% of income earners
All respondents	5.4%	53.4%
Respondents who had watched CNN International in the last 30 days ⁴	9.6%	58.5%
Respondents who had not watched CNN International in the last 30 days	3.2%	50.8%

Source: EMS and EMS Select 2008 (copyright Synovate)

3 The European Media and Marketing Survey published annually by Synovate. Amongst other things, the survey examines media consumption and lifestyle of the most wealthy 20% of households across sixteen European countries.

4 The field work for the survey was conducted during 2007.



Our approach

We wanted to determine whether increased exposure to and increased advertising spend in international media leads to stronger brand preferences and product sales.

In analysing the effectiveness of advertising in international media, we developed two key propositions to test:

- Consumers with higher exposure to international media and the advertising they carry are likely to have stronger brand preferences than those with lower exposure; and
- Increased advertising expenditure in international media leads to stronger brand preferences and sales for the advertised products and services.

To test the effectiveness of advertising in international media, in addition to examining sales, we developed innovative measures of effectiveness – brand preferences – based on data from a range of market research sources, some of which was specifically commissioned for the purpose of this study.

Our chosen measures of brand preference include:

- The stated willingness to recommend a brand to a friend;
- The stated intention to purchase a brand in the near future; and
- The relative preference for a brand over a commodity or null brand⁵ (so-called “brand premium”).

In relation to measuring international media exposure, our approach is provided in Box 1.

Box 1: Exposure to international media

What constitutes exposure to international media?

When measuring exposure to international media, account needs to be taken of:

- Number of channels or titles consumed;
- Recency of consumption; and
- Frequency of consumption.

Across our study, we take account of all three and consider exposure to international print, TV and their corresponding online properties combined, as well as each individually.

In the analysis of both the EMS survey and the bespoke conjoint survey, the relative distributions of respondents were taken into account when establishing the boundary between “high” and “low” consumption of international media.

5 A null brand is essentially a proxy for an unbranded product or service.

We employed three separate techniques to test the effectiveness of advertising in international media.

The three techniques employed were:

- Econometrics – to assess the impact on “sales” (travel data);
- Analysis of the EMS survey – to assess differences in brand preferences of consumers with high and low levels of international media exposure;
- Bespoke online survey⁶ (conjoint analysis) – to assess brand value preferences by media consumption.



We analysed advertising effectiveness in three categories that typically advertise in international media.

Box 2: Brand categories covered in our study

Our study covers three major international media advertising categories

- Travel – comprising hotel brands, airlines and seven tourist destinations (Spain, Greece, Cyprus, India, Singapore, Australia, and Malaysia);
- Luxury goods – comprising clothing and clothing accessory brands, and watch manufacturers; and
- Financial services – comprising banking institutions, insurance companies and consultancy firms.

We analysed consumer data from all EU countries. The EMS survey included 16 EU countries and for our conjoint survey we selected three major EU countries (UK, Germany and France) and two smaller ones (Denmark and Portugal).⁷ Our econometrics study of travel data examined visitor trip data from EU27⁸ countries.

⁶ This on-line survey was designed by PwC to observe the effect of international media advertising and therefore targeted individuals who typically consume international media – frequent business travellers with high disposable income. It was conducted in March 2009 in five countries – UK, France, Germany, Denmark and Portugal. The sample (approximately 1,500) was sourced from Research Now plc.

⁷ These five countries account for 60% of the EMS 16 countries by qualifying population.

⁸ Due to the differing methods for compiling visitor trip data, Norway, Switzerland and Russia were also included for some countries of destination in the study of travel data.

We identified consistent evidence across Europe of the effectiveness of advertising in international media.

Our high level findings are summarised in Box 3.

Box 3: High level findings

Advertising in international media: a valuable medium for reaching valuable customers

We found consistent evidence across Europe that international media advertising is effective. Using the three techniques we found that increased consumption of international media and the advertising they carry leads to:

- stronger brand preference;
- more brand recommendations; and
- higher product sales.



In the sections that follow, we provide the evidence that supports these findings.



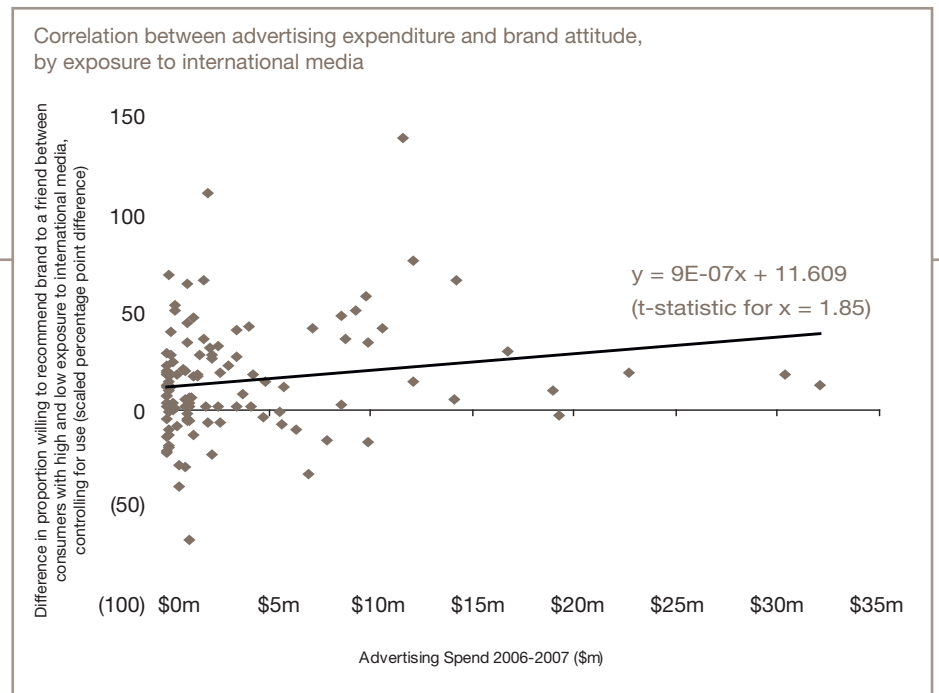
The effectiveness of advertising in international media in the travel sector

Travel brands are more likely to be recommended if they advertise heavily to consumers with a high exposure to international media.

Airlines, hotels/hotel groups and tourist boards are significant spenders on advertising in international media. Based on our detailed empirical analysis of a range of market research data, we showed that:

- The propensity to recommend a brand increases in line with international media exposure.
- The exposure of respondents to the internet sites of international media brands increases further the positive brand preferences.
- For a group of 85 brands in the airline, hotel and financial services sectors we find a statistically significant positive effect of international media advertising on willingness to recommend the brand to a friend (see Figure 2).
- For hotels a positive relationship is identified for print advertising.

Figure 2: Correlation of propensity to recommend a brand with advertising expenditure



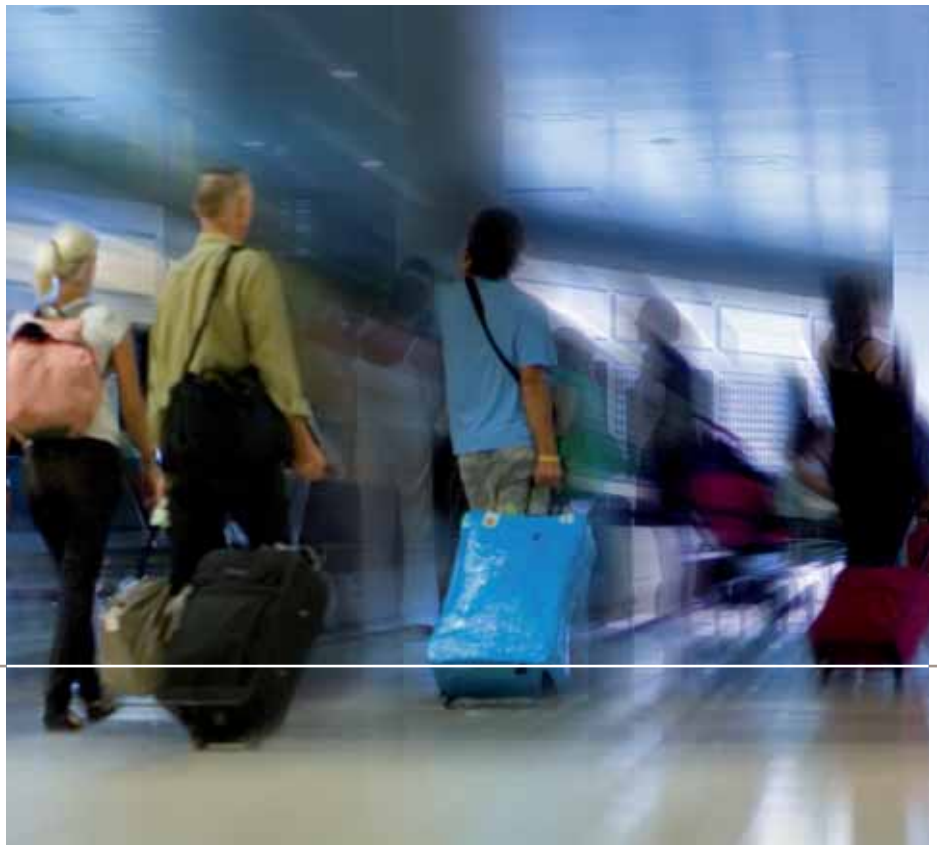
Source: EMS and EMS Select 2008 (copyright Synovate), TNS Media Intelligence, CMR, PwC Analysis

Tourist arrivals increase with advertising by tourist boards in international media.

Advertising expenditure in international media is found to be significant in explaining some of the variance in tourist visitor numbers:

- The positive advertising effect occurs with a lag of three months.
- While the data analysis demonstrated an effect for advertising expenditure in international TV alone, it did not reveal an effect for international print.

We conducted a simulation of a 10% increase in advertising expenditure in international media to assess its impact on tourist arrivals (see Box 4 and Figure 3).



Our analysis suggests that additional spend by tourist boards in international media could have resulted in tens of thousands of additional visitor trips each year.

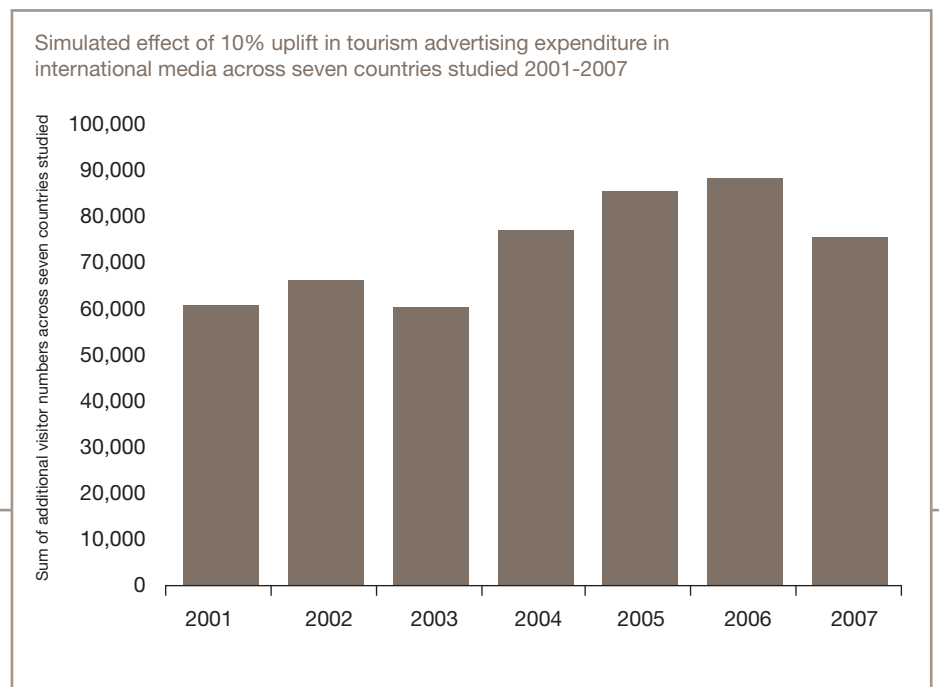
Box 4: Travel and tourism simulation

We simulated a 10% increase in international media advertising expenditure on tourist arrivals.

Our analysis suggests that an additional 10% advertising expenditure by the tourist authorities in international media in the seven countries in the study between 2001 and 2007 – an average of \$3m per year – would have resulted in approximately 70,000 additional visitors each year, all other things equal.

These visitors are likely to be the type targeted by international media – frequent travellers with large discretionary spend.

Figure 3: Additional tourist numbers arising from a 10% increase in advertising expenditure in international media



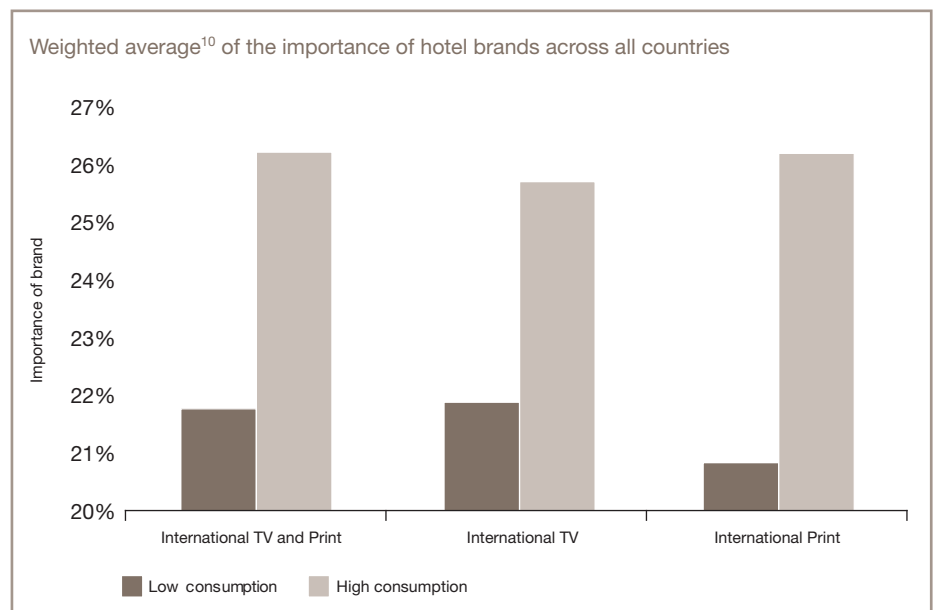
Source: National statistics, TNS Media Intelligence, CMR, PwC Analysis

Consumers that have relatively higher exposure to international media attach greater importance to brand over other drivers of choice.

Using our bespoke survey, we conducted analysis to determine the importance of a hotel’s brand amongst a range of other characteristics when business travellers decide between hotels for business trips⁹.

We found that higher consumption of international TV and print media generally increases the level of importance of hotel brands across our survey group (see Figure 4).

Figure 4: Importance of brand in consumer choice of hotel



Source: PwC / Research Now survey, PwC Analysis

We also conducted some econometric analysis of the bespoke survey data. This indicates:

- Watching one more international TV channel every day or almost every day increases the importance of hotel brands relative to the weighted average by 4%.
- Similarly, reading one more international newspaper every weekday raises the importance of hotel brands relative to the weighted average by 2%.

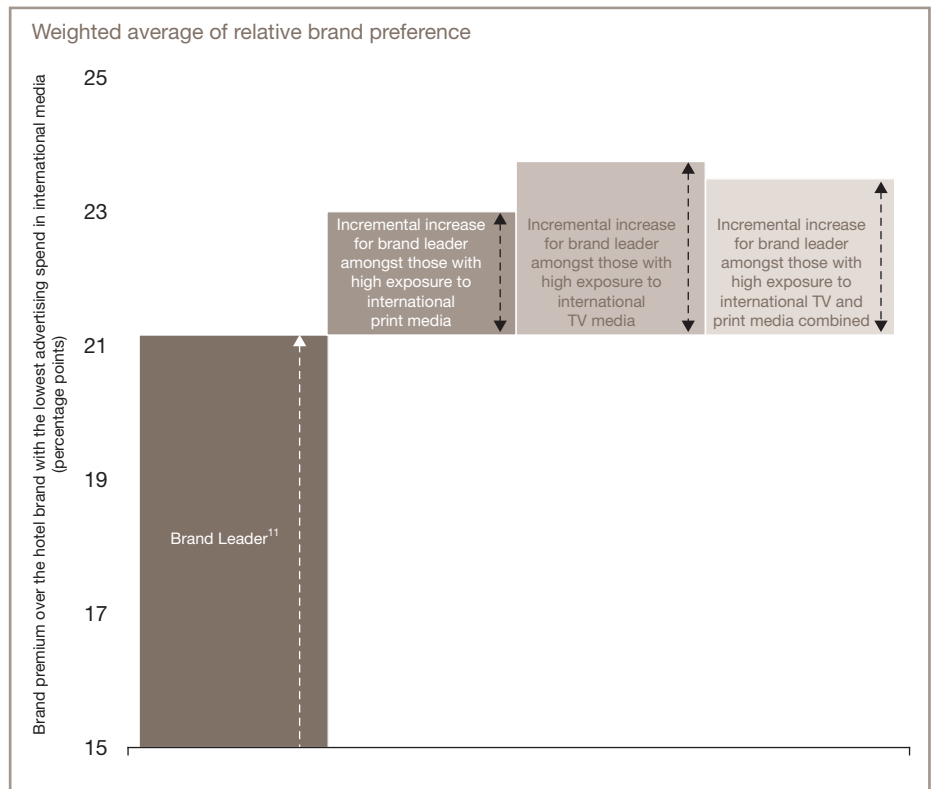
9 In this analysis the importances for each individual product characteristic sum to 100%.

10 That is, a weighted average across the five countries, where the weights are determined by qualifying population, based on EMS.

Advertising in international media has a positive impact on brand preferences.

- Our bespoke conjoint survey suggests that hotels with high advertising expenditure in international media elicit stronger brand preferences compared to hotels with low advertising spend in international media.
- For the respondents' top rated hotel brand, there is a positive effect of advertising expenditure in international media on brand preference. In addition, consumers with high exposure to international media exhibit a stronger positive brand preference effect for this brand (found for four of the five countries) (see Figure 5).
- This positive effect was identified with respect to exposure to international print and TV separately¹². The effect for exposure to international TV was found to be slightly stronger than the effect for international print.

Figure 5: Impact of international media advertising and exposure on relative brand preference



Source: PwC / Research Now survey, PwC Analysis

11 This was determined by the survey respondents.
 12 Excludes corresponding online properties.



5

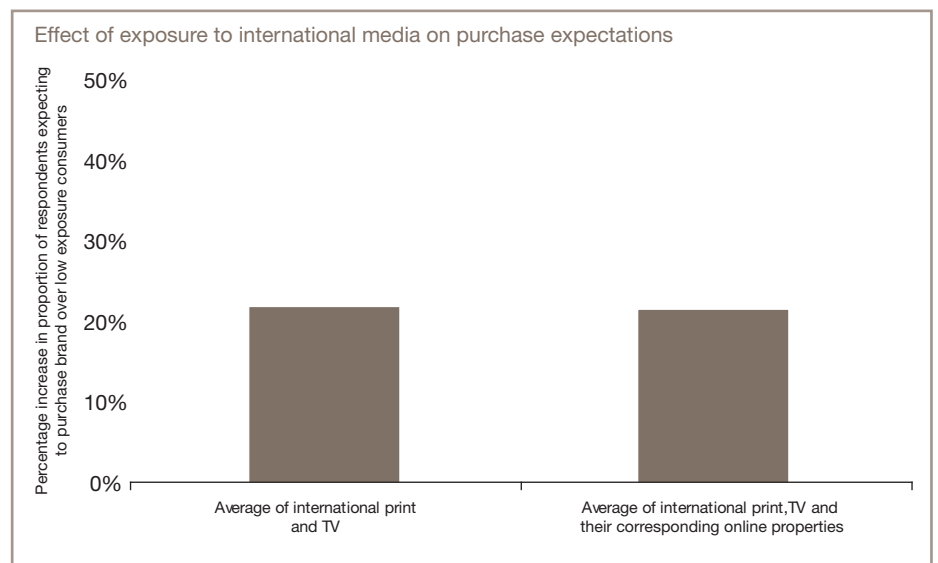
The effectiveness of advertising in international media in the luxury goods sector

Consumers with relatively high exposure to international media tend to have a greater propensity to purchase heavily advertised luxury brands than those with lower exposure.

Luxury goods are one of the categories that are more heavily advertised in international media (especially print). Our research found that:

- The expectation to purchase a wide range of luxury brands increases in line with international media exposure (see Figure 6). This pattern prevails when their corresponding online properties are excluded.

Figure 6: Impact of international media exposure on luxury goods purchase expectations



Source: EMS and EMS Select 2008 (copyright Synovate), PwC Analysis

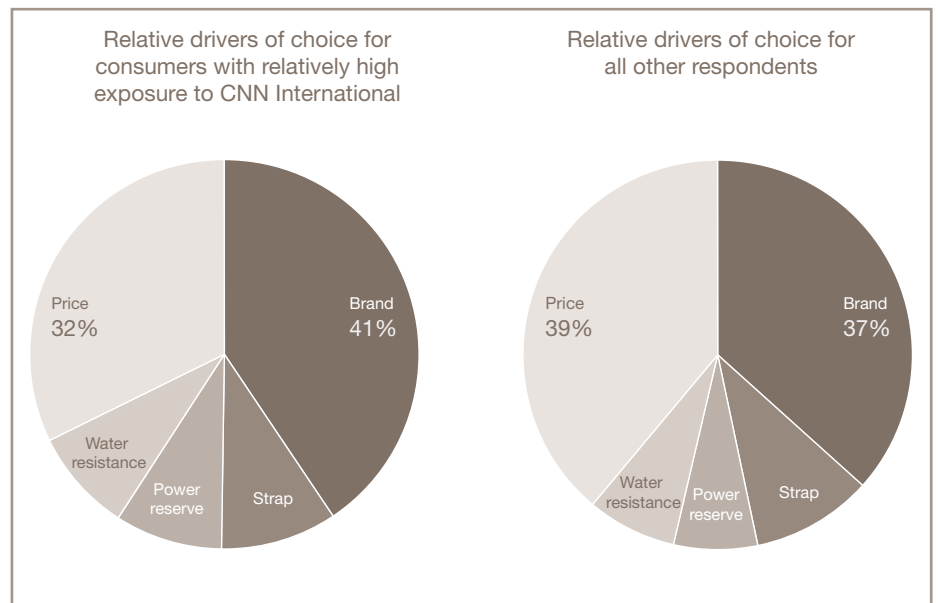
Consumers with high exposure to international media attach greater importance to brand over other drivers of choice – for watch brands this effect is found with respect to the TV channel CNN International.

In our bespoke conjoint study, we focused on a specific luxury good category – watches – in order to probe further the relationship between exposure to international media and brand preference.

We found that:

- Exposure to international media tends to increase the level of importance of brands for watches across our bespoke survey group with a corresponding decrease in the importance of price. Within our survey group, this is mainly accounted for by relatively high exposure to CNN International. In other words CNN International viewers appear to be less price sensitive than all other viewers (see Figure 7).
- Our econometric model based on the bespoke survey data also indicates that the average brand importance for watches among females exceeds that of males by five percentage points.

Figure 7: Drivers of choice for watches



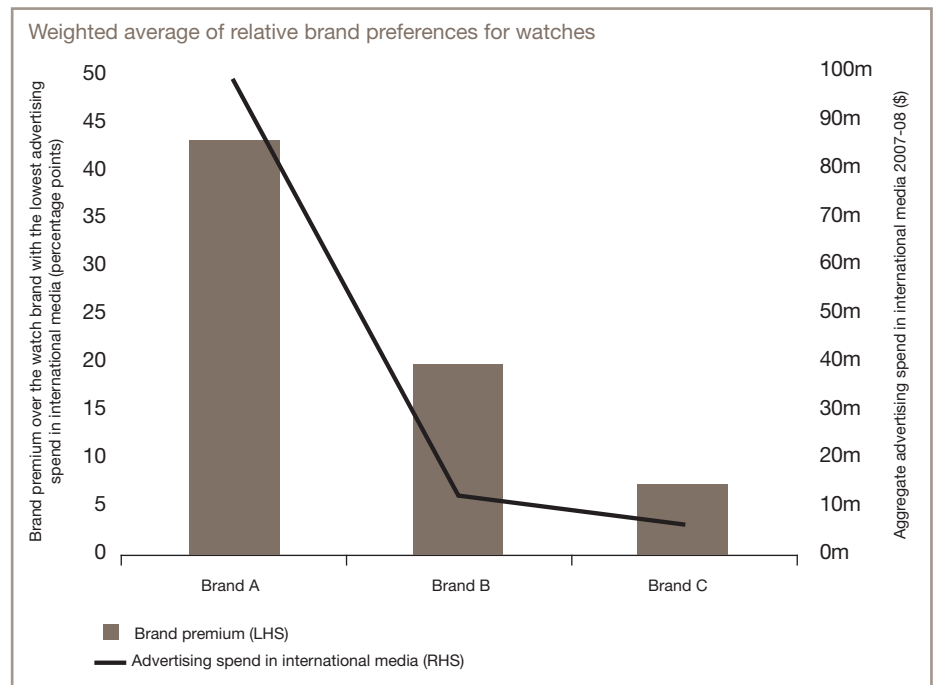
Source: PwC / Research Now survey, PwC Analysis

Higher advertising spend in international media is correlated with increased brand preferences for watches.

In addition we found that the level of consumption of international media, and the amount of advertising expenditure in international media, affect the brand preferences of respondents.

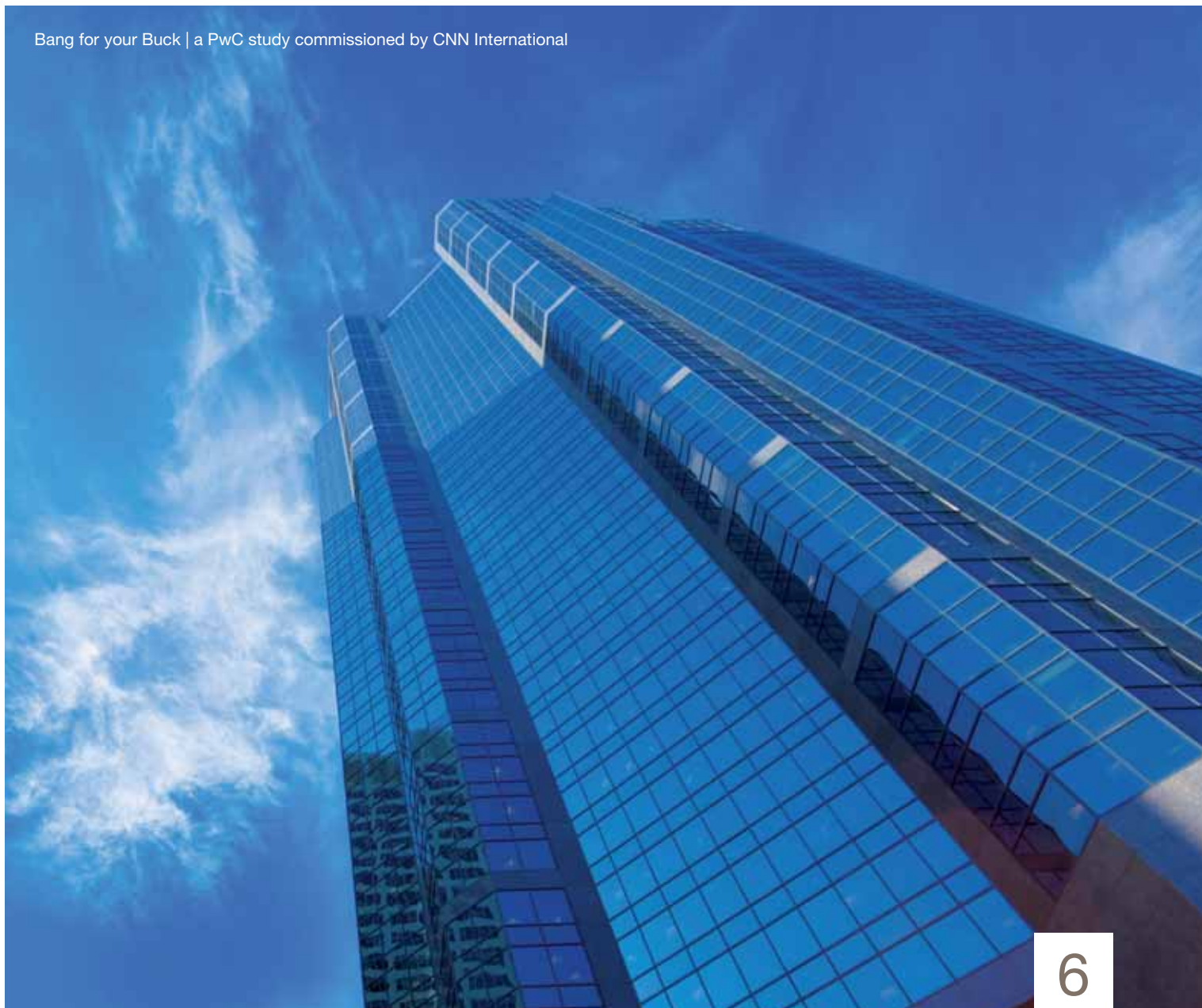
In Figure 8 we show the relationship between advertising expenditure in international media and a consumer's relative preference for a brand compared to the brand with the lowest advertising expenditure in international media.

Figure 8: Relationship between advertising in international media and brand preference



Source: PwC / Research Now survey, TNS Media Intelligence, CMR, PwC Analysis





The effectiveness of advertising in international media in financial services

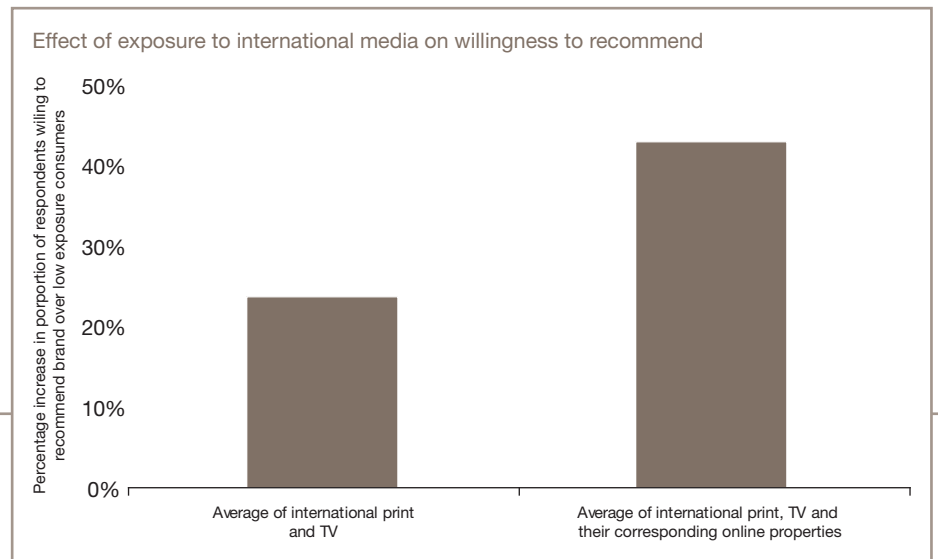
Our analysis of the EMS survey data shows that the propensity to recommend brands in the financial services sector is higher for respondents with high exposure to international media.

Financial services (banking, consulting and insurance) companies are also major advertisers in international media.

Our research using the EMS survey data shows:

- The relationship between exposure to international media and propensity to recommend holds for TV as well as for print.
- The propensity to recommend tends to be much stronger when exposure to corresponding online properties is taken into account (see Figure 9).

Figure 9: Impact of international media exposure on propensity to recommend financial services brands



Source: EMS and EMS Select 2008 (copyright Synovate), PwC Analysis

We did not include financial services brands in our bespoke conjoint survey owing to two factors:

- Many of the product characteristics of financial services products relate to money, which makes it hard to establish a consumer's sensitivity to price.
- It is difficult to establish brand preferences for consumers who are acquiring products or services for the companies for which they work, which is likely to be the case for many financial services brands.

However, our analysis of the EMS survey data has produced positive results.

Conclusions

Advertising in international media: *a valuable medium for reaching valuable customers*

We used three separate techniques and together they 'triangulate' the case that international advertising is effective.

Using an insightful combination of existing and newly researched data on travel, luxury goods and financial services, we demonstrated that advertising in international media affects brand preferences, brand recommendations and ultimately product sales.

The flexible and robust approach we have developed can readily be adapted to investigate the impact of advertising in international media on consumer preferences for other categories of interest.



More bang for your buck? *Yes!*

We found consistent evidence across Europe that advertising in international media is effective.

Consumers with relatively high exposure to international media tend to:

- Attach greater importance to brand over other drivers of choice (travel, luxury goods).
- Have greater propensity to recommend or purchase heavily advertised brands (travel, luxury goods, financial services).

International advertising effectiveness results for key sectors:

- Travel
 - The level of international media advertising expenditure influences brand preference *and* the propensity to recommend.
 - Tourist arrivals increase with advertising by tourist boards in international media.
- Luxury Goods
 - Increased advertising expenditure in international media has a positive impact on brand preferences.

Contacts

Thomas Hoehn

+44 (0) 20 780 40872
thomas.hoehn@uk.pwc.com

Hsiu Min Lim

+44 (0) 20 780 46882
hsiu.min.lim@uk.pwc.com

www.pwc.co.uk/economics

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