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March 2002

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Volume XVI, Number 3

March 2002



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Craftsman Tools are tops in brand-ranking study



Want a world-class brand? Then have a simple promise — and deliver on that promise for a long time. This old tenet was proven true once

again in the EquiTrend online brand study conducted with more than 30,000 consumers and completed in November 2001. This is the 36th wave of the study, which has been regularly conducted since 1989 by Total Research Corporation, which devel-

EquiTrend World-Class Brands					
Fall 2001 Rank	Brand	Spring 2001 Rank	Quality	Saliency	Equity
1	Craftsman Tools	2	8.21	92	75.5
2	Waterford Crystal	1	8.20	68	55.8
3	Rolls-Royce Motor Cars	11	8.20	53	43.5
4	Discovery Channel	3	8.19	95	77.8
5	WD-40 Spray Lubricant	7	8.12	93	75.5
6	Bose Stereo & Speaker Systems	6	8.09	72	58.2
7	Crayola Crayons & Markers	5	8.06	94	75.8
8	Hershey's Kisses	NR	8.01	99	79.3
9	M&M's Chocolate Candies	4	8.00	98	78.4
10	History Channel	20	8.00	90	72.0
11	National Geographic Magazine	18	8.00	90	72.0

oped the EquiTrend methodology.

Topping the best brands list was Craftsman Tools, with a quality score of 8.21 on a scale of 0 to 10 — just nosing out Waterford Crystal, which had been first in the spring 2001 study. Newcomers into the “world-class” (a

quality score of 8.00 or above) brands list were: #3 Rolls-Royce, #8 Hershey's Kisses, #10 History Channel, and #11 *National Geographic* magazine.

But some other tenets were not continued on p. 65

Sporting goods industry slumping

Consumer caution, excess capacity and a weakening economy are the biggest factors affecting the sporting goods industry, according to the Sporting Goods Manufacturers Association (SGMA) in its annual State of the Industry report.

The core components of the industry — sporting goods equipment, sports apparel, and athletic footwear — are profiled in this report. The only category to show growth in 2001 was athletic footwear and only slight increases are expected in 2002.

In 2001, sporting goods equipment sales were \$16.6 billion — a 4.0 percent decrease from 2000. The top two categories for equipment sales in 2001 were exercise machines and golf. Only two major categories showed positive signs in 2001: soccer gear and outdoor equipment.

Sports apparel sales last year were \$20.0 billion, a 3.5 percent drop vs. 2000. This slow rate of growth is a reflection of the overall clothing market — an excess of retail space, an ever-shifting kaleidoscope of brand names, a con-

stant explosion of new fashion trends, and severe price competition. Despite the overall decline in sports apparel sales, spending for women's apparel has increased at a greater rate than spending for men's. Why?

This is partly due to the rise in sports participation by females.

Athletic footwear sales in 2001 were \$9.5 billion — a 1.1 percent increase over 2000. Sales are expected to increase about 2 percent in 2002. The top two categories of athletic footwear are running and basketball. Through August of 2001, sales of athletic footwear were up by 7 percent vs. 2000.

The terrorist attacks of September 11 had a significant impact on athletic footwear spending patterns, as they did on all spending patterns in the economy. According to The NPD Group, 5.2 percent of athletic footwear sales were conducted online in 2001 vs. 4.7 percent in 2000. According to NPD, when in-store purchases fell in September and October, online purchases jumped 64 percent and catalog buying rose 33 percent. For more information visit www.sgma.com.



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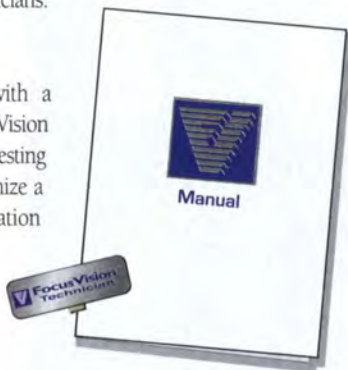
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Names of Note

Walker Information, Indianapolis, has promoted **Brian Kovacs** to chief information officer and senior vice president. In addition, **Sean Clayton** has been promoted to business team leader for one of the company's technology industry teams.



Kovacs

Schmidt

NFO WorldGroup, Northwood, Ohio, has named **Linda M. Schmidt** vice president and general manager for NFO USA's Atlanta office.

San Diego Surveys, Inc., is pleased to announce that **Joyce Coyle** has completed 24 years of service as director of the medical/healthcare department.

Curt Stenger has joined *Research*

International as director, marketing sciences, in the firm's Cambridge, Mass., office. Also at the Cambridge office, **Bob Mills** has been named marketing scientist, and **Lynne Castronuovo** has been named senior research manager. In New York, **Kirk McDonald** has been named senior research manager.

Susan Sternberg has joined New York-based *Visualizer Multimedia Research* as director of client service.

GfK Custom Research Inc., Minneapolis, has named **Roger Brooks** vice president, business development, at the firm's San Francisco office.

New York-based advertising and marketing information firm *CMR* has named **Carl Dickens** senior vice president for the media group.

Consumer Pulse, Inc., Birmingham, Mich., has promoted **Leslie Dyer** to vice president, operations.

Taylor Nelson Sofres has named

Gábor Duránszkai as managing director of TNS Modus in Hungary.

Dan Coates has been named sales director for Chicago-based *SPSS MR* North America.

Opinion Research Corporation, Princeton, N.J., has named **Joel H. Goren** global managing director, brand strategy.

Stephen Palacios has joined San Francisco research firm *Cheskin* as director of business development within the firm's Consumer Goods & Services Studio. In addition, **Greg McHugh** will fill the newly created position of COO at Cheskin in charge of all internal operations. And **Susan Faulkner** has been named strategic director.

Braintree, Mass., research firm *Perseus Development Corporation* has named **Andre M. Boisvert** to its board of directors. Boisvert is chairman of the board of Sagent Technology.

Forrester Research, Inc., Cambridge, Mass., has named **Warren Hadley** chief financial officer and **Timothy J. Moynihan** as general counsel, succeeding **Susan Whirly Maffei**, who will remain as a consultant to Forrester for special projects with the chief executive officer and board of directors.

Cincinnati research firm *Burke, Inc.* has promoted **John Seal** to vice president, advanced methods.

NetRatings, Inc., a Milpitas, Calif., Internet audience measurement firm has named **George Durney** senior vice president, sales; **Manish Bhatia**, senior vice president, product marketing and business development; **Sean Kaldor**, vice president, analytics and corporate marketing; and **Barbara Jarzab**, vice president and chief of measurement science.

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Maritz launches site usability tool

Maritz Research, St. Louis, has launched a Web site usability tool called MindAbility, a software platform that provides an understanding of the online customer experience. Maritz recently acquired the technology assets of MindAbility, which were previously part of a privately-held firm. The MindAbility browser tracks pages viewed, links, scrolling action, click paths, browser interaction, text input, and download/page load time during a user session. During an evaluation, the browser records the online experience of a respondent and captures qualitative thoughts and comments. For more information visit www.maritzresearch.com.

Geography Network adds mapping data from World Bank Group

Redlands, Calif., geographic information system software firm ESRI has announced that the World Bank Group has provided 23 unique layers of worldwide mapping data, or "development indicators," to the Geography Network for inclusion in its collection of georeferenced data. The Geography Network is a global network of geographic information users and providers. The World Bank has indicated that its goal for worldwide development is to permanently improve the welfare of people everywhere. The world development indicators measure the progress toward this goal. The data provided by the World Bank to the Geography Network includes: agriculture share in gross domestic product (GDP), 1999; annual deforestation, 1990-2000; gross national income per capita, 1999; passenger cars per 1,000 people, 1999; and telephone main lines per 1,000 people, 1999. For more

information visit www.geographynetwork.com or www.esri.com.

Consumer Pulse now offers on-site Internet interviewing

Birmingham, Mich.-based Consumer Pulse, Inc. now provides on-site Internet interviewing in mall and pre-recruited settings at its network of 15 U.S. locations. Utilizing multiple networked PCs with DSL Internet connections in each of its U.S. locations, the firm can now complete Web-hosted surveys, downloaded surveys, CD-ROM-with-Internet surveys, and traditional CAPI interviewing. In addition, Consumer Pulse can support any Internet-available software and any computerized interviewing software (including UNIX-based programs like Quancept CAPI) on its network of computers. For more information contact Richard Miller or Patrick Parrott at 248-540-5330 or 800-336-0159 or visit www.consumerpulse.com.

StatSoft adds Six Sigma courses

Tulsa, Okla., research software firm StatSoft, Inc. has added two new Six Sigma training courses to its course offerings. "Six Sigma Statistics - Basic" and "Six Sigma Statistics - Expert" have been designed to provide participants with an overview of the Six Sigma statistical tools. Participants will come away with a working knowledge of the Six Sigma capabilities of StatSoft's STATISTICA software and be able to put the various methods into action at their organization. Both courses focus primarily on the application of statistics within the Six Sigma DMAIC (Define, Measure, Analyze, Improve, Control) methodology. Participants attend "Basic Training"

for three days, while "Expert Training" runs for a full week (five days). For more information visit www.statsoft.com.

System ranks celebrities

Encino, Calif., research firm E-Poll has launched E-Score, a new approach to talent scoring utilizing not only celebrity like/dislike scales, but also "face only" and "name only" recognition scores, 30 personality attribute qualifiers, and open-ended questions which consumer respondents use to rank celebrities. E-Score's list of attributes ranges from "funny" and "attractive" to "can identify with" and "over-exposed." Each celebrity in the E-Score database is ranked up to four times annually. Currently, E-Score offers a database of 400 celebrities, which will increase to more than 1,500 by June 2002. For more information contact Michelle Waxman at 818-995-4960 or visit www.epoll.com.

Survey Sampling joins with iWon to expand sampling

Survey Sampling, Inc. (SSI), Fairfield, Conn., and the Excite Network's iWon portal have joined forces to provide an expanded range of sampling services to the marketing research industry. The partnership will also allow SSI to further grow the SurveySpot Internet Sampling Panel, a multi-sourced Internet research panel representing over a million individuals. The SSI SurveySpot panel provides access to an Internet households on the basis of demographics such as age, gender, and income, and standard marketing geographies such as MSA and DMA. Selections can be balanced to the Internet or general population. In addition, SurveySpot allows special selections including ailments and pre-

continued on p. 73

Peak Performance

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Research Industry News



Frost & Sullivan will hold its fifth annual Advanced Marketing Research Executive Summit, West, on March 10-14 in San Antonio, Texas. For more information visit <http://summits.frost.com/AMR>.

The European Society for Opinion and Marketing Research (ESOMAR) will hold a conference on CRM/data mining on March 17-19 in Prague. For more information visit www.esomar.nl.

Britain's Market Research Society will hold its annual conference on March 20-22 at the Hilton Brighton Metropole, Brighton, England. For more information visit www.mrs.org.uk.

The Advertising Research Foundation will hold its annual conference on April 8-10 at the New York Hilton. For more information visit www.arfsite.org.

The European Society for Opinion and Marketing Research (ESOMAR) will hold a conference on managing

research for profit ("The Client's Perspective") on April 14-16 in Gothenburg, Sweden. For more information visit www.esomar.nl.

Anderson, Niebuhr & Associates will hold a questionnaire design and use workshop on April 18-19 at the Holiday Inn Select - International Airport, Bloomington, Minn. For more information call 800-678-5577 or visit www.ana-inc.com.

The Council for Marketing and Opinion Research (CMOR) will host a forum to discuss improving respondent cooperation and relations on April 22-23 at the Yale Club in New York City and again on April 25-26 at the University of Chicago Gleacher Center. For more information or to register online visit www.cmor.org.

Klein Associates will hold a workshop on capturing and leveraging cognition in context ("Putting Cognitive Task Analysis to Work: Understanding Users, Customers, and Experts") on April 30-May 2 in Dayton, Ohio. For

more information visit www.decision-making.com.

Anderson, Niebuhr & Associates will hold a questionnaire design and use workshop on May 2-3 at the Rosen Centre Hotel, Orlando, Fla. For more information call 800-678-5577 or visit www.ana-inc.com.

Tragon Corporation will hold a workshop titled "Designing Product Success Through Descriptive Analysis" on May 6-8 at the Sheraton Palo Alto, Palo Alto, Calif. For more information visit www.tragon.com.

The European Society for Opinion and Marketing Research (ESOMAR) will hold its Latin American conference on May 12-14 in Buenos Aires. For more information visit www.esomar.nl.

The American Marketing Association (AMA) will hold a conference on applied research methods on May 14-17 at the Palmer House Hilton, Chicago. For more information visit www.marketingpower.com.

News notes

Itracks, a Saskatoon, Saskatchewan, online research software firm, has acquired the patent for online focus groups from **Greenfield Online**. This move will assist in the development of Itracks' Online Focus Group facility. As part of the agreement, Greenfield Online will continue to offer online focus groups and will use Itracks' Online Focus Group facilities to do so. Itracks will purchase sample from Greenfield Online. "We felt that by owning the patent we could best serve not only our clients, but also

the long-term growth potential of online qualitative research. This patent is an excellent fit with our goal of developing and improving our tools for the overall benefit of the market research industry," says Daniel Weber, Itracks president and CEO. "In essence, the deal allows both of our companies to concentrate our energies on our own core competencies."

Access Worldwide Communications, Inc., a Boca Raton, Fla., marketing services firm, has sold its **Cultural Access Group** to Lumina Americas, Inc., an inte-

grated marketing firm, for \$1.2 million in cash, plus the assumption by Lumina Americas of certain liabilities of the Cultural Access Group totaling approximately \$0.5 million. Los Angeles-based Cultural Access Group provides marketing research and consulting services. The transaction was unanimously approved by Access Worldwide's board of directors.

Forrester Research, Inc., Cambridge, Mass., announced a workforce reduction which is expected to result in the elimination of approximately 126 jobs, or about 22

percent of its workforce worldwide.

ACNielsen U.S., Schaumburg, Ill., announced that it has found the University of Michigan's Consumer Sentiment Index to be a good predictor of future changes in consumer purchasing of food, health and beauty aids, and non-food consumer packaged goods (CPG). This is the first time the Consumer Sentiment Index attitudinal findings have been correlated to consumer purchase behavior. The research indicates a nine-month lag between changing attitudes and their manifestation in purchase behavior.

Controlling for other factors that would impact consumer purchasing, ACNielsen compared changes in the University of Michigan's Consumer Sentiment Index with consumer purchasing transactions from the 55,000-household ACNielsen Homescan consumer panel. It found that changes in consumer sentiment impacted purchases of consumer

food, health and beauty aids, and non-food CPG categories, with changes in consumer sentiment leading changes in purchasing behavior by approximately nine months.

"The findings are very important and further demonstrate the Consumer Sentiment Index's broad predictive capabilities," says Richard Curtin, director of the University of Michigan's Surveys of Consumers. "Past work has linked our index with purchasing of durables such as automobiles and appliances. We have also found that the index is a good predictor of changes in unemployment levels that materialize nine months later. But this is the first evidence we have ever seen that the index predicts changes in purchasing of non-durables."

ACNielsen is conducting additional research to examine the impact of changes in consumer sentiment on behavioral changes within specific retail channels and product categories. Surveys of Homescan con-

sumer panel households are providing additional insights into the linkage between consumer attitudes and behavior.

Jon Peddie Associates (JPA) has changed its name to **Penton Digital Media Research**. Operating as a division of San Francisco-based Penton Media since its acquisition in May 1999, Penton Digital Media Research produces market research reports in the areas of digital media, consumer media technology, software, and graphics.

Acquisitions

Redlands, Calif., GIS firm **ESRI** has acquired **CACI's** U.S.-based Marketing Systems Group, a business unit of CACI International Inc. This acquisition involves the creation of the ESRI Business Information Solutions (ESRI BIS) group and the purchase of software, data assets, and methodologies. The new ESRI unit

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War Stories

True-life tales in marketing research

By Art Shulman

Editor's note: War Stories is a semi-regular feature in which Art Shulman, president of Shulman Research, Van Nuys, Calif., presents humorous stories of life in the research trenches. He can be reached at 818-782-4252 or at artshulman@aol.com.

Diane Trotta of Trotta Associates tells about a guy recruited to participate in a focus group. He showed up in the lobby, signed in, and filled out the paperwork the session required. He was then ushered into the focus room. A few short minutes later the moderator asked the guy to leave. Trotta, standing outside, wondered what the guy had said to get himself kicked out. When she approached him and asked, his speech was slurred, and his lips were moving funny.

Turns out that after being recruited over the phone a week earlier, the guy had had surgery, after which his jaw had been wired shut. He recognized that he couldn't talk (and be easily understood), but he came to the group anyway, explaining through a clenched mandible, "I can still listen."

Joel Reish of Next Level Research once was moderating a group of men who were all screened to have a particular radio station in a large southern city as their favorite. The room was a broad mix of guys, including one not-too-polite construction worker in a Cat Tractor cap.

At one point, Reish explored the topic of the disc jockeys on the respondents' favorite station. He asked participants to raise their hand if they could remember the name of the morning show host.

Construction Guy was the only one who raised his hand (perhaps one indica-

tion of why the station's ratings had slipped). The other guys looked at each other sheepishly, finding it a little embarrassing that they couldn't think of the host's name on their own favorite station. As the construction worker held up his hand, he looked around the room in disbelief and then yelled at the top of his voice, "Damn y'all! I do drugs and I know that one!"

The screaming and laughter took a while to diminish — and that was just from the clients in the back room.

Reish was once conducting focus groups among young adults who listen to new-music radio stations. The client wanted to test their reactions to a special vehicle that the station could purchase that was designed to look like a giant compact disc.

Reish showed the group a picture in which the huge 15-foot-high disc was on a trailer hooked to a truck, with people standing in front and trees in the background. Reish explained to the group that it was a mock-up of a giant CD, and a radio station could bring it to remote events or parades and such, and the disc jockey could broadcast live from a booth inside the middle of it.

One earnest young woman squinted at it in confusion and then asked in all seriousness, "Can you play it?"

Sharon Livingston of Executive Solutions reports doing intense one-on-one interviews, delving for deep insight among a group of less-than-articulate consumers. She'd pulled out all the stops on projectives and various exercises that had always worked in the past, but it was still like pulling teeth to get a little beneath the surface with this one segment.

She had a brainstorm: She noticed that respondents were looking at magazines on a coffee table while waiting in the anteroom, so she asked one consumer to bring the magazine she was reading in with her, to use it as a source of pictures for storytelling.

The technique worked to some extent, but Livingston needed individual pictures that could be moved around, in a puzzle fashion, to really tell a complete story.

The next woman happened to be reading a copy of *US* magazine. Livingston asked if she'd like to bring it in to the interview. "Sure," the respondent said. While explaining the set-up, Livingston reached over, nabbed the magazine and started ripping pages out, preparing for the exercise. As Livingston went on talking, the woman's jaw dropped and her eyes opened wide. Finally, she chastised Livingston, "You know, I haven't read that yet!"

Turns out the woman had just purchased the magazine, only to have a stranger grab it and tear it apart.

When Livingston checked in with the back room after the interview, one of the marketing guys was sitting with a copy of *GQ* in front of him. He casually looked up and said, "Sharon, I'm not done with this one yet."

In future issues, we'll report on more quirky, loopy, and strange happenings in the world of market research. If you'd like your story to be told — anything related to research is usable, from spilling soup on your client's new suit to cute answers respondents provide on questionnaires — please e-mail me at artshulman@aol.com. ☎

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Software Review

Uncle tabulation software

By Tim Macer

Editor's note: Tim Macer is a U.K.-based independent specialist and adviser in the use of technology for survey research. He can be reached at tim@macer.co.uk.

Comparing traditional batch-style crosstab packages with the latest generation of end-user interactive tabulation solutions tended to be like telling the tale of the tortoise and the hare. Interactive tab packages are strong on quick results, but short on the versatility and reliability of their more lumbering batch counterparts. During last year, Uncle graduated from being a command-line DOS-style program to full 32-bit Windows app with a kind of hybrid interface that is part hare and part tortoise.

As you would expect from a package 26 years in the making, Uncle will allow you to produce just about any table you want, in any style you want, from data originating from all the typical marketing research sources. Uncle is neither a data collection nor a data

entry tool. You must start with a file containing the data. Several packages, including Ronin and Voxco, will export the data and associated text definitions ready to load into Uncle.

Once Uncle has its hands on the data, it offers heavy-duty support for editing and cleaning, filtering and weighting, and it handles continuous data admirably. It also allows you to make multiple passes on the data file, so you can also "manipulate" results to produce index values, norms, means of means and so on.

An Uncle table is built up as a separate set of definitions for the banner and the stubs. Once defined, these can be reused independently in other tables, saving effort and error. Stubs are built up line by line, specifying texts, definitions and options as a series of single letters or abbreviations in a flexible though, to the new user, somewhat bewildering way.

Wealth of tools

The biggest shake-up in the new ver-

sion is that all of this is carried out in the new Uncle Editor, which provides a more interactive environment for the user to work in, and a wealth of tools to make writing the commands more productive. Syntax is color-coded and a toolbar provides immediate access to cut and paste (which can also be performed with drag and drop), undo and redo and a very useful spellchecker. More is available on the right mouse button menu, and if that is not enough, you can program hot keys with your favorite commands.

The real advantage of this approach is its immediacy. Exiting from the editor, you can run the tables immediately and they will appear either in the same syntax window or in a separate output window. This direct feedback means you know if you are on the right track when defining something complicated, yet everything you enter is saved for you to modify, re-run, or repeat at a later date.

Sadly, table publishing facilities are still somewhat neglected in Uncle. There are some useful options to include some histograms and charts in tables, but don't expect to put together a complete presentation from these.

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Uncle tabulation software from The Uncle Group (www.unclegroup.com)

Pros

- Fast and efficient to use
- Good online help
- Flexible: any table any way you want

Cons

- Steep learning curve
- Still a lot of cryptic syntax to learn
- Table-publishing options limited

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Latent class modeling as a probabilistic extension of k-means clustering

By Jay Magidson and Jeroen Vermunt

Editor's note: Jay Magidson is president of Statistical Innovations, a Belmont, Mass., statistical modeling and software company. He can be reached at jay@statisticalinnovations.com. Jeroen Vermunt is a professor in the Department of Methodology and Statistics, Tilburg University, The Netherlands. He can be reached at j.k.vermunt@kub.nl.

Cluster analysis has been one of the primary tools that marketing researchers have used to analyze their survey and other data to help identify different market segments. According to Kaufman and Rousseeuw (1990), cluster analysis is “the classification of similar objects into groups, where the number of groups, as well as their forms are unknown.” Recent developments in model-based clustering, especially using latent class (LC) modeling offer major improvements in the ability to identify important segments and to classify persons into the relevant segment (Vermunt and Magidson, 2001). This article introduces the

LC cluster model and compares its performance with traditional cluster analysis in various simulated settings.

In LC analysis, a k-class latent variable is used to explain the associations among a set of observed variables. Each latent class, like each cluster, groups together cases that are similar (homogeneous) with respect to the classification variables (attitudes, preferences, behavior, etc.). In fact, from a statistical perspective, persons in the same latent class are indistinguishable from each other in that the response patterns that describe their attitudes, preferences, etc., are assumed to be characterized by exactly the same probabilities. This differs markedly from the traditional approach used in cluster analysis of grouping together persons whose responses are “close” according to some ad hoc measure of distance (hierarchical approaches) or those that attempt to minimize within-cluster variation (e.g., k-means clustering).

The fundamental assumption underlying LC models is that of local independence, which states that objects (per-

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Qualitatively Speaking

Qualitatively Speaking is a regular column in which a revolving cast of authors offers their thoughts on various aspects of the multifaceted world of qualitative research — in 1,000 words or less! Submissions are welcome. Send your ideas or manuscripts to Quirk's Editor Joe Rydholm at joe@quirks.com.

Firsthand experience or secondhand information?

Client participation in ethnographic and observational research

By Cara Woodland

Editor's note: Cara Woodland is director, discovery and innovation, Innovation Focus Inc., a Lancaster, Pa., consulting firm. She can be reached at cwoodland@innovation-focus.com.

The competition is fierce for a job opening. The human resource director has a choice between two candidates. Candidate 1 has had successful job experience in this kind of position and Candidate 2 is well-versed in books written by top performers in the field. Which one do you think was chosen?

A similar situation occurs with ethnographic market research, the study of consumers in their natural or home environment. If the sponsoring company is not directly involved in the site visits and analysis of the data, it is easier for it to disregard and not apply the research.

How many times has research been conducted, a report written, and then the report sits on a shelf? For the most effective ethnographic research, it is imperative that the sponsoring company be involved in the research.

The death of good research is not in implementing the results. If involved, the sponsoring company will live and breathe the life of their consumer and hear the stories and words directly from the mouth of their consumer. Not only does this produce buy-in for the consumer's perspective in the organization, but those conducting the research feel more obligated to represent their consumers accurately. The consumers' stories become the company stories, and there is a greater likelihood that the research will be implemented and bring change to the organizational culture.

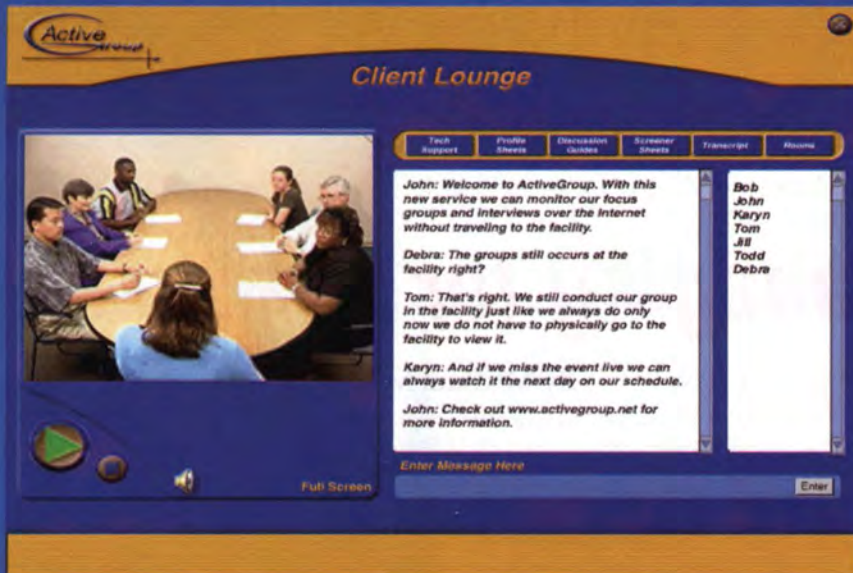
If the sponsoring company is not involved in the research, it is easier for it to be influenced by its biases when reading a research report. Even if verbatims are included, the sponsoring company was not there to understand the environmental context of the quote. Personal and company biases can influence the reading of the report and make discounting the research, research company, or consumer that much easier. Firsthand experience always makes a stronger case.

Involved in a number of ways

A sponsoring company should have more than an advisory role in ethnographic research and could be included in a number of ways. First-level participation includes representatives of the sponsoring company as observers during site visits.

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Supplier Side

Managing for profitability

By Michael Mitrano

Editor's note: This is the first installment of a regular column aimed at owners and managers of marketing research companies. Michael Mitrano is a principal at the Pennington, N.J., office of Transition Strategies Corporation, a management consulting firm. He can be reached at mmitrano@transitionstrategies.com.

Profitability is a painful topic at many research companies these days. Although some firms saw higher revenues and profits in 2001, quite a few were down from 2000. Aside from the generally bad economy and the research hiatus that followed the September 11 attacks, several segments of the research business were hit by specific problems: the decline in ad volume, a collapse in the tech sector, and consolidation in client industries. In this environment, it's easy to fixate on these outside forces and, by implication, distance company owners and managers from bad business performance.

Still, many people made a decent profit in 2001. More importantly, some companies show consistently good results over the years while others are inconsistently profitable at best. What separates the companies with strong results from those with weak ones? When I look at different firms across the industry and talk with owners and managers, I see three factors that explain most of the difference. One is extrinsic to a company: the kind of work it does. The others are intrinsic.

The kind of work you do

At a recent financial conference I attended, one investor who funds middle-market buyouts said that he likes to fund businesses that have "the wind at their back." In that sense, it's easier to have good profitability in some segments of the research business because they are favored by market conditions — at least for now. For example, all other things being equal, it's easier to have strong profitability if you do mostly continuous tracking rather

than ad-hoc work. It's easier still if you have established syndicated products. Among the syndicators, you are likely to do better if you have a moderately consolidated client industry with many mid-sized players who can afford research but are willing to share it to reduce cost. It's not so easy if your target market is mostly small companies that can't afford research, or an oligopoly that won't tolerate shared data. These days, it's easier to have high profits if you're in pharmaceutical research than telecommunications.

If you're a qualitative shop, you'll likely have higher-percentage profit margins than your quantitative neighbor — but find it more difficult to scale the business up. Social research firms have low-percentage margins but can grow very big in absolute dollars. We can all think of more examples like these.

Why bring up these built-in handicaps? I have two reasons. First, you should give them serious thought

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The heart of the matter



Using motivational research to
shape a cardiac center's ad campaign

By Jennifer Hirt-Marchand

Editor's note: Jennifer Hirt-Marchand is vice president and director of research for Marcus Thomas LLC, a Cleveland advertising and public relations agency. She can be reached at jhirt-marchand@marcusthomasad.com.

In late 2001, St. Elizabeth Health Center, a division of Humility of Mary Health Partners in Youngstown, Ohio, began planning an advertising campaign with Cleveland-based Marcus Thomas LLC for The Heart and Vascular Center at the hospital. While St. Elizabeth's rates highest among all competing facilities in terms of perceived quality of care for heart problems, the hospital faced competition from nationally renowned facilities in larger metropolitan areas nearby. The objective of the advertising campaign was to increase consumer preference for St. Elizabeth's and decrease out-migration for cardiac treatment.

Moving beyond left-brain logic

What messages would strike a chord with the consumer audience? What are the underlying emotional reasons people choose one cardiovascular care facility over another? To answer those questions, Marcus Thomas employed nontraditional motivational research techniques to detour around respondents' "left-brain logic" and uncover their underlying or unconscious motives. Our research team knew that traditional survey techniques would not yield the information needed.

Most often, when people try to put their feelings or impressions into words, they tend to relay logical and rational statements that protect their dignity, self-perception and beliefs about what others expect of them. But most decisions are made emotionally, not rationally. By trying to get to the root of a person's influences and factors, motivational research makes it

possible to unravel the mystery behind consumer behavior as it relates to specific products or services. It tries to grasp and discover what consumers do not fully understand and/or realize about themselves. It attempts to identify forces and influences that consumers may not even be aware of, such as cultural factors and sociological forces. But most important, the insight gained from motivational research techniques gives a company a better understanding of its target audience and what needs to be communicated in order to influence that audience.

Non-traditional methodologies

To determine why consumers choose one cardiovascular care center over another and confirm prior research and anecdotal impressions, Marcus Thomas conducted more than two dozen in-depth, one-on-one interviews with target audiences.

Research participants were defined by one of two criteria — their likelihood to require cardiovascular care and their role in influencing patients on where to receive that care. The sampled audience included a mix of residents from St. Elizabeth's tri-county target area who were between 40 and 62 years of age. Half of the participants had previous experience in choosing a cardiovascular care program for themselves or for family members, and half did not. Participants also had used a mix of hospitals in the past for cardiac care.

The in-depth interviews were conducted during a seven-day period and lasted approximately 45 minutes each. Participants were asked to take part in a number of projective techniques. First, they provided top-of-mind associations with heart/cardiac care programs, including names of specific hospitals or care programs. Then, participants were asked which hospital or program would be their first choice for heart/cardiac care.

Next, participants were asked to

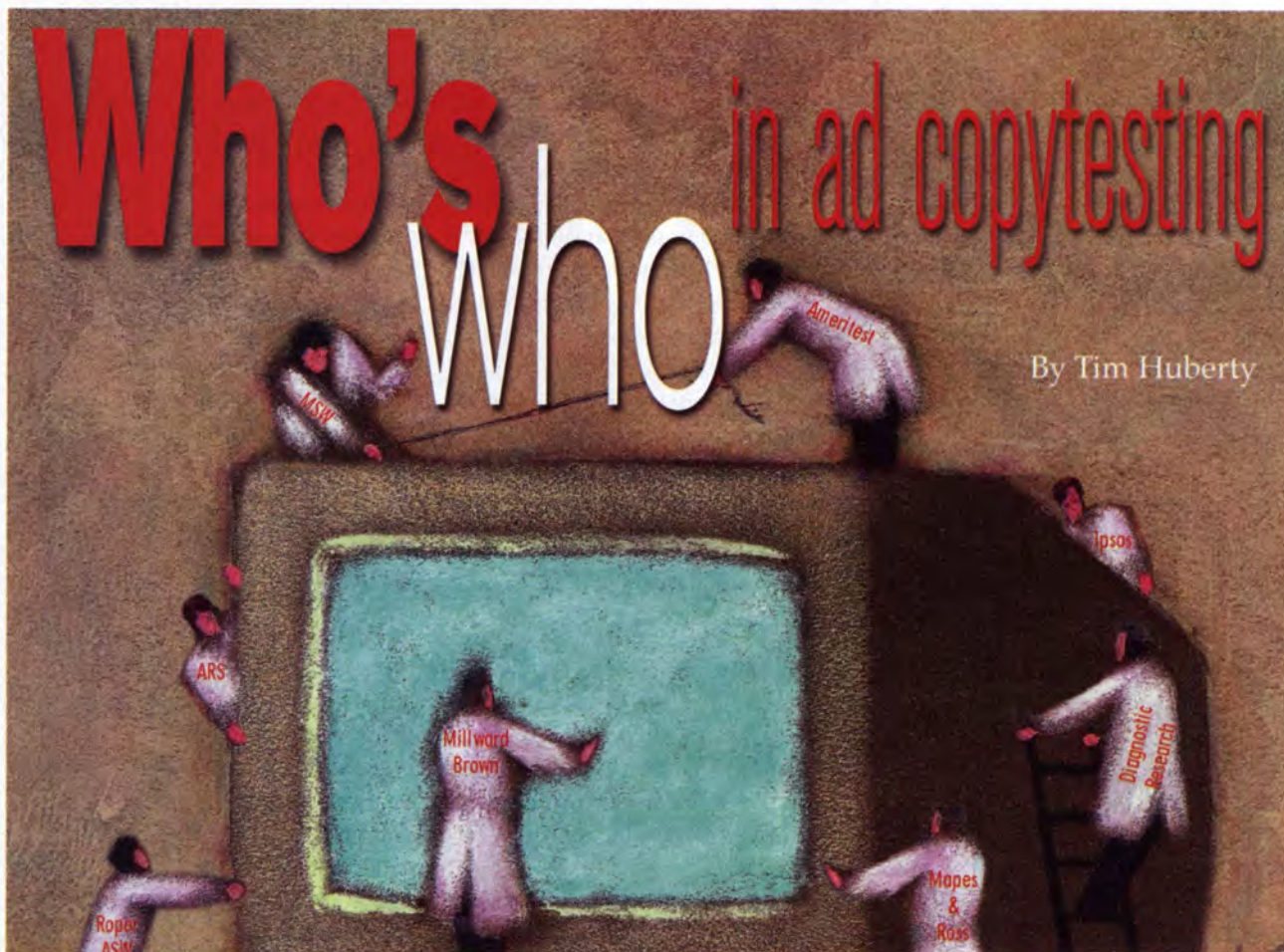
direct their attention to an easel displaying incomplete sentences. They completed the sentences by verbally filling the blanks. This task forced participants to reveal their beliefs, value sets and/or past experiences that influence their selection of a cardiovascular care program.

They were then shown a series of 23 pictures or illustrations and asked to choose those that best characterized their ideal cardiac or heart care program. They were then queried about why they chose each one and asked to explain how it characterizes the ideal program for meeting their or a loved one's cardiac/heart care needs. If explanations were not clear to the interviewer, participants were asked to provide an example illustrating their association between the picture and what they want from a cardiac/heart care program. Selected pictures were then used to aid participants' recall of hospitals/programs they associated with each ideal characteristic.

Last, from the remaining pictures/illustrations that weren't chosen, participants identified images that were farthest from their ideal. In other words, pictures were identified that characterized a program/hospital they definitely would not want to go to for cardiac care. Again, participants explained their choices — providing examples of what they didn't want and/or naming hospitals/programs they readily associated with undesirable program characteristics.

During the in-depth interviews, our research team strived to create an empathic relationship with each respondent, as well as a feeling of rapport, mutual trust, and understanding. A climate was created in which we attempted to make participants feel free to express their feelings and thoughts, without fear of embarrassment or rejection. We constantly observed partici-

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By Tim Huberty

An overview of the major players

Editor's Note: Tim Huberty is president of St. Paul-based Huberty Marketing Research. He can be reached at tim@hubertyresearch.com or at 651-698-8776.

“L et's test it.”
Without question, those are the three words that strike the most fear into the hearts of agency account executives, creatives, and researchers. All that heavy upfront investment in account planning (“getting into the soul of the consumer”) has just had its credibility torpedoed once again. The scenario further unwinds when the agency finds out that they can't just “run it by a few focus groups.” The agency has to turn over its “baby” to the cold-hearted, detached, objective expertise

of an outside copytesting research supplier.

After the mandatory protests and brief periods of mourning, the next greatest challenge is to select the “bad guy,” the company that will perform the testing. Many an assistant research manager on the agency side or an assistant product manager on the client side has had to find out who expertly performs this sort of atrocity. Usually, this entails determining who's out there and then painstakingly compiling a chart of what is done, how, when, where and for how much.

After reading this article, you'll never have to delegate that task again. Indeed, what I will do here is identify those companies and highlight their strengths and weaknesses, playing the role of detached matchmaker myself.

There are a couple of rules of thumb to keep in mind. First of all, these are the major players. They specialize in copytesting. Typically, they don't do tracking studies and customer satisfaction research. Copytesting is their bread and butter. Of course, there are countless other companies out there that do copytesting. But those generalists also do tracking studies and customer satisfaction research. I mean, I can do copytesting. Of course, I can also perform lobotomies, but haven't had too many takers calling me for that service.

Second, the thing which separates the specialists from the generalists is the fact that the copytesting experts have quantitative norms. Norms are those comparative numbers which indisputably measure how well your



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ads or campaign actually do stand up against others. Norms are the objective evidence that their systems work. And obviously, those norms are much more credible than the anecdotal, "Yeah, that good-looking woman wearing the silk blouse, sitting in the corner of the third focus group in Minneapolis, sure got upset over the second storyboard."

Third, testing an ad or campaign is not cheap. However, the old axiom of "you get what you pay for" certainly plugs in here. You could probably find some guy who works out of his basement to drive to Huron, S.D., to interview the local yokels about print ads for a regional chain of banks for \$2,500 (I've done that!). But with ad production running into the hundreds of thousands of dollars, an amount which itself is dwarfed by the media spending, why would you want to try to save a few pennies on the most important step, i.e., determining if you've got anything worth producing or showing to anybody?

Fourth, the more "help" you can give these specialists, the more opportunity your baby has. Just look at the effectiveness of intense lobbying upon clueless legislators! I very strongly recommend passing on all creative briefs, brand profiles, and strategies to the copytesters beforehand. Help put them in the "proper mood." The more they can come to think like you do, the more likely they are to sympathetically interpret the results with you in mind. Some years ago, a campaign my agency had worked on for many, many months was turned over to one of these testing services. The only thing we (very, very grudgingly) sent to the copytesting service was the required videotape. That's it. Even today, I recall the horrifying screams of rage from the creatives when they found that the ad garnered a negative persuasion score. (In other words, not showing any advertising would have been more effective than showing this ad!)

Finally, I have chosen not to include the "physiological" testing services in this article. I acknowledge some companies have been touting eye tracking, galvanic skin response (*Ed.*

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- House Market Research

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- Boston Field and Focus Performance Plus-GroupNet
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- Fieldwork Waltham
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- Peters Marketing Research

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note: for a look at GSR research see "Unconscious influence" on p. 46), voice pitch analysis, and even brain-wave analysis for several years. I have tried several of them, but they've never worked.

Years ago during my agency days, I allowed several ads to be eye-tracked. Trouble was, each time I went to the mall to observe, the interviewers could never synchronize the machine to the respondents' pupils. (I pray they were more successful when I wasn't there!) Last fall, I had an individual trying to show me the potential of brainwaves. He enthusiastically told me how well the technique worked on his fellow employees. Problem was, the headpiece "measured" more brainwave activity when it was just sitting on an empty chair.

So, what follows is a brief synopsis of each service. This overview is meant to complement the attached comparison chart. Ultimately, however, both the description and the chart are to help you decide which supplier you actually want to call. Consequently, the most important row on each chart is probably the last one, the one which lists the name, phone number, and e-mail of a contact person at each company. Obviously, that person can provide much more in-depth information about the company — and attempt to "correct" some of my candid observations.

Ameritest

Ameritest is a company which is in love with the science of how — and why — advertising works. Interestingly, the company was founded by a former agency researcher who cut his teeth on the Leo Burnett Company pre-testing system but has made quantum improvements upon those early techniques. Ameritest claims to be a "fast-growing research company with major multi-international clients."

Data collection is done much like some of the other copytesting systems. Respondents are recruited via mall intercepts. They are shown the commercial in a clutter reel of five ads. However, unlike other systems which conduct clutter testing for the

sake of clutter testing, Ameritest uses the clutter test as the first indication of brand linkage. This top-of-mind mention is the handle for retrieving recall of the advertising. Ameritest has found that "the top-of-mind measure of brand linkage is more discriminating across commercials and more predictive of in-market results." In addition to brand linkage, attention and motivation are also measured following this initial exposure.

Again, like other copytesting systems, respondents are shown the commercial a second time. Here, a battery of both open- and closed-ended questions and attitudinal statements provide additional learning. As testament to the sensitivities of its agency origins, Ameritest shuns "reports cards" and instead reports results under "What's Working" and "Opportunities for Improvements." The focus of the system is on actionable diagnostics, highlighted by visual communication. Ameritest has a slew of case histories demonstrating how ads with problems were re-edited for improvement.

Finally, respondents are shown the commercial a third time, but this time the ad has been "sliced" in picture-frame segments. Viewing the commercial over a computer, the respondent "clicks through" the degree to which each and every picture is attention-getting — which leads to Flow of Attention scores — and emotion-generating — which leads to Flow of Emotion scores. These two charts literally become a map of what is working within the execution. "It is a diagnostic tool designed to help you understand how well the viewer has processed the visuals in your commercial," the company's literature states.

The "deconstruct" technique is also applied to print advertising. However, this time, the ad is divided into smaller boxes. The respondent is exposed to the ad three more times — in half-second, one-second and four-second increments — and again he or she indicates what individual parts of the ad are attention-getting and emotion-generating.

The ARS Group

The ARS Group of rsc, the quality measurement company, is the largest copytesting organization in the United States. Over the past 25 years, they have tested over 40,000 television commercials! The ARS Group is passionate about copytesting. Their overall philosophical approach is that the advertising process is an investment that can be managed and should ultimately pay out in an identifiable ROI to the advertiser. Moreover, The ARS Group views itself as a "copy management" partner whose goal is to help the advertiser and the agency improve the odds of success.

The ARS Group recruits a nationally representative sample of approximately 800–1,000 men and women to come to a central location. Before viewing two half-hour television pilots, respondents are asked to select the branded products that they would like to receive, should they win the prize drawing. This measurement becomes "Pre-Choice." Prize winners are then drawn, and respondents are shown the television pilots (with the commercials, of course).

After viewing the shows, respondents are asked a series of questions to critique the television material, and a second set of product choices are made. This measurement becomes "Post-Choice." The difference in brand preference between "pre" and "post" is known as the ARS Persuasion metric. This measurement has been validated to actual business results more than any other advertising measurement in the business.

Finally, after exposure to the television material, a sample of respondents is called back to obtain the ARS Related Recall and Key Message Communication measurements. A validated diagnostics profile is provided along with the ARS Persuasion score.

The ARS Group offers a complete line of services as part of their "Best Practice Approach" to advertising development and management. Measurement is applied at pivotal stages to ensure success. These services help advertisers make decisions in such diverse areas as the selection of a selling proposition, projection of

wearout effects (using proprietary outlook planning software), the monitoring of competitive activity, and the evaluation of storyboards and concepts (using the Interactive Diagnostics service).

Diagnostic Research

Diagnostic Research (DR) believes that, "Advertising research should focus on the integration of copy and execution in order to provide insight about the relevancy of the creative

idea." DR is philosophically opposed to copytesting systems which are strictly evaluative (single numbers-oriented) since they believe that "the best advertising research technique must provide a comprehensive assessment across a variety of performance areas as a means of optimizing the advertising."

DR always recommends testing in some rough/pre-finished format as it affords the best opportunity to test multiple ideas and apply insights

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when they can be most useful. However, many of their clients test in finished form, and apply the learning to future executions. For both TV commercials and print ads, qualified respondents are recruited via a camouflaged screener in mall locations and escorted to the interview location, where a one-on-one in-depth interview is conducted. For TV tests, respondents are exposed to a clutter of seven television commercials, all in the same level of finish as the test commercial. The test commercial is always in fourth position. Immediately after this first exposure, brand name recall and main idea is gauged. Then, respondents are re-exposed to the test advertising and questions take on a "diagnostic" focus. This begins with questions regarding viewers' comprehension of the advertising (message takeaway, relevance, clarity), then on to evaluative measures that address viewers' emotional response to the stimuli (thoughts and feelings, likes/dislikes, credibility, tonality and distinctive-

ness). Ultimately, the interview focuses on consumers' response to the advertising (brand imagery, personality, opinion and purchase interest).

Print testing follows much the same procedure. Again, respondents are recruited at a mall location. This time, they see the test ad within a clutter of 19 print executions of noncompetitive products. The 20 ads in the clutter portfolio are rotated from respondent to respondent to avoid order bias. There is no editorial content except for the constant filler copy that appears opposite single-page ads in the print portfolio. After that, the interviewing format is essentially the same as for television testing.

Ipsos-ASI

Ipsos-ASI's copy testing portfolio includes multiple products marketed under the brand name "Next." Ipsos-ASI believes "Next represents the most comprehensive set of pre-testing tools in the industry."

The flagship product is Ipsos-ASI Next*TV, a copy test system that

measures television advertising's impact among both general and targeted adult audiences. The Ipsos-ASI Next*TV system exposes test advertising to consumers in their homes embedded in a 30-minute TV program under the guise of television program research. The method also includes a forced exposure to the ad at the end of the interview for in-depth diagnostic assessment.

Respondents are pre-recruited via telephone and asked to participate in a TV program evaluation. The program is held constant to control content effects. Test materials are mailed to consumers, including instructions and a patented, self-erasing videotape. At a specified time, consumers view the program. The test ad appears in the program, providing a natural exposure to the advertising. The next day respondents are called back. After the Recall interview, they participate in the diagnostic part of the study.

Ipsos-ASI Next*Print is the in-home, in-magazine ad testing system. This system's comprehensive measures and testing environment parallel Next*TV in terms of general approach, sample, and key measures. Tests are conducted in current issues of general distribution magazines (such as *People*, *Newsweek*, or *Better Homes and Gardens*) that are purchased prior to newsstand distribution. Consumers are recruited to evaluate a magazine, in which ads have been "tipped-in." Consumers read the magazine and the advertising in their homes, providing a natural exposure to the ad. Their responses are collected one day after exposure. Finally, a forced exposure is also provided for diagnostic questions.

Other members of the Next family include Next*Print, Next*Kids, and ASÍ Es (Hispanic pre-test methodology), along with Next*Idea and Next*Print Express for early-stage ideas.

Mapes and Ross

Mapes and Ross (MR) provides two complementary copy testing services. For both television commercials and print ads, MR offers Natural Exposure, which "tests advertising in

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the most realistic environment available" and CoreSearch, "a forced-exposure, immediate response method." Both systems can accommodate various production stages, including reels of all animatics, all photomatics, and all finished commercials.

Natural Exposure determines how one's message is perceived under "realistic conditions." Either 150 or 200 respondents are recruited in geographically dispersed markets via door-to-door interviewing and asked to read and give reaction to the current issue of a magazine or by telephone to watch a prime-time television program. At the time of recruitment, pre-exposure levels of preference for the client's category and five other categories are taken. All respondents are recontacted by telephone the next day and then interrogated about the advertising. This allows MR to compute Day-after Preference Change, Day-after Recall and Idea Communication.

CoreSearch resorts to good old-fashioned mall intercepts. One hundred respondents (n = 100) are recruited off the mall and taken to a "secure location." Clients have the option of including both clutter exposure as well as a subsequent re-exposure to just their own advertisements. Following ad exposure, respondents are asked intensive diagnostic questions. CoreSearch is designed "to provide a strong and varied diagnostic assessment of how respondents perceive and react to a message at the time the communication takes place."

Both Natural Exposure and CoreSearch can be modified to include customized questions to address specific concerns. In addition, MR offers a proprietary approach, Profile, to determine the impact an ad has on a brand's image, and EquiMax, a proprietary method for evaluating the effect of advertising on brand loyalty. Finally, MR has applied their techniques to other media, including radio, newspapers, newsletters, etc.

Millward Brown

Because Millward Brown (MB) recognizes that copy research must do several different jobs, they have a

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variety of products, all of which are very diagnostic in nature. MB evaluates both animatic and finished ads using their LINK copy testing system. MB is adamant that "LINK is not a one-number system." Test elements combine to produce strong feedback on how the ad will perform in real life, giving evaluative and diagnostic information on 1) creative breakthrough, 2) brand linkage, 3) communication, and 4) how the ad accomplished what it did. "In this way the LINK copy test provides pass/fail sorts of insights with deeply diagnostic feedback on possible improvements for the ad," the company says.

MB's TV LINK is a central location test conducted in malls across the country. A total of 150 interviews are conducted with a standard questionnaire. Respondents are shown a clutter reel of four commercials, in any stage of production from animatic through produced execution. A "practice ad" is shown and "practice questions" are asked so that respondents get comfortable. The test ad is then shown again. After the second exposure, the full interview is conducted. Finally, the respondent sees the ad a third time and then completes the "interest trace."

MB's Print LINK methodology consists of a customized sample of 100 respondents. The ads are placed in a portfolio designed to replicate the type of environment where they will ultimately be seen. Tests are typically conducted on a national basis (which translates into eight sites across four geographic regions). The interview lasts 20 minutes, during which time a myriad of information is collected from the ad's ability to "pull the reader in" to its "relationship with the brand."

MB has been around for over 20 years and obviously knows its stuff. They preach that, "Branded memorability is the key." Brand memorability is "different from traditional 'recall' or 'persuasion' measures," since "it has been correlated with short-term and longer-term sales effects using statistical, sales allocation modeling."

RoperASW

Until being acquired last September

and then later merging with a third company, RoperASW was known as Roper Starch. Roper Starch had been testing advertising for so long that its name has evolved into a verb. Starch invented print ad testing in 1923, a heritage which has caused many a product manager to instruct its agency to "Starch" an ad. This would consist of a through-the-book interview with issue readers, in which respondents were asked whether or not they had seen or read each ad. Then, three degrees of reading were recorded: 1) noted, 2) associated, and 3) read most. They still do this.

But now RoperASW has evolved into bigger and better things. Unlike other services, RoperASW believes that television commercials should be tested monadically, to "determine respondents' top-of-mind response, which can only be achieved in a non-clutter environment." Their pretest methodology, ADD+IMPACT, is designed to go beyond "win" or "lose" test results.

For both television and print testing, respondents are recruited to a central location. The actual interview itself is a one-on-one, semi-structured in-depth interview with many open-ended questions. These responses are tape recorded to ensure complete fidelity of recording and complete transcripts are provided as part of the final report. The interview concludes with an in-depth, self-completed questionnaire relating to attitudes and feelings about both the creative and the advertising product.

ADD+IMPACT uses a modified norm which compares test results with those of effective ads. The thinking behind this approach is that the most important questions that an advertiser wants answered are: Will my ad attract attention and hold the audience's attention? And will it increase/maintain brand use?

While norms are available by ad type, country, and product type, this system downplays the use of traditional norms because an ad may perform considerably above a given norm, but still not be effective (particularly if the norm is low to begin with). This "effective norm" does not

Company	Ameritest	The ARS Group	Diagnostic Research	IPSOS-ASI	Mapes and Ross	Millward Brown	RoperASW
Method	Mail locations, TV. Clutter of five ads. Test ad in second position. Print: Portfolio of 15-20 ads.	Central location theatre setting. Ads in half-hour programming.	Mail locations and pre-recruits to central location. One-on-one interviews, typically in a rough/pre-finished format. TV: Tested within a clutter of seven commercials. Print: Tested within a portfolio of 20 ads.	In-home exposure. Respondents recruited to evaluate program, magazine. TV: Respondents view one-play videotape and are called the next day. Print: Respondents view magazine with ads "tipped in" and are called the next day.	Natural Exposure -Door-to-door or telephone recruiting -In-home view of designated program or in-home readership of the current issue of the actual magazine. -Telephone callback CoreSearch Mail intercepts (Biz-to-biz is done via telephone recruiting.)	Mail locations. TV: Clutter of four ads: Test ad in second position. Print: In the book-kind, portfolio of ads. 20-Minute interview.	Central location testing. Monadic testing via in-depth one-on-one interviewing.
Sample Size	125	800-1,000 men and women	100	TV Print Recall 275 150 Diagnostics 120 120	Natural Exp: 150-200 CoreSearch: 100	TV Print 150 100	75
Cost/Ad*	\$20,000	Not provided	Not provided	Not provided	Not provided	TV LINK \$24,000 PRINT LINK \$20,000	\$18,000 - \$25,000
Timing	21 days	13 days	17 days	Two weeks - ad to top line	Negotiable	20 days	28 days
Key Measures	First Viewing within Clutter -Brand Linkage -Attention -Motivation Subsequent Viewings -Diagnostics -Attribute statements -Flow of Attention ⁶ -Flow of Emotion ⁶ -Communication	ARS Persuasion ⁶ Measure, ARS Related Recall, Key Message Communication Also, flexible diagnostic metrics.	First Viewing within Clutter: -Brand recall -Main idea Second Viewing: -Diagnostics -Attribute statements -Importance -Uniqueness -Believability	Related Recall -Measured Attention -Brand Linkage -Persuasion -Brand Switch Persuasion -Purchase Probability Copy Effect Index Equity Measures Communication Diagnostics Reaction Diagnostics Results compared to category norm	Natural Exposure Day-after Pref Change Day-after recall Ideas communication CoreSearch Clutter recall Key Message Delivery Equity Measures Believability Comprehension Desire to take action Communication/Ad attributes Strategic attributes Both: Customized diagnostics	Branding Employment Involvement Understanding Ad Flow Brand Integration Feelings to Ad Main Stand-out Likes/Dislikes Impressions Persuasion New News Believability Relevance	Overall reaction Strengths Weaknesses Understanding Clutter-cutability Attention Main message Relevance Appeal Persuasiveness Motivate trial Purchase intent Many diagnostics
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*Pricing example is for project involving respondents who are women 25-54 who purchase breakfast cereal.

change by product category, medium, or country.

MSW Group

Finally, there's at least one other company out there, the MSW Group (formerly McCollum Spielman Worldwide). According to A.B. Blankenship and George Edward Breen in *State of the Art Marketing Research*, 400 respondents are recruited to a central location under the guise of reviewing a proposed television show. Respondents answer questions about brand/product usage before viewing a half-hour variety show (including a station-break clutter sequence of commercials with the test commercial). Then questions are asked about reaction to the show and unaided brand recall and copy recall. Next, the test commercials are shown alone, followed by specific questioning about a "market basket choice" or a constant-sum question where the respondent allocates a given number of points to one or more brands.

At least, I think that's the way it works. The MSW Group never returned my phone calls.

The next generation

What I have presented is an overview of the major players specializing in testing advertising copy. Interestingly, a few hinted that they are currently investigating "other venues." The one which came up

most frequently is testing over the Internet. A few companies have even tried it (*Ed. note: see "High-touch vs. high-tech" on p. 38*), but most are not yet ready to "go public." I personally feel that's where things are headed, given the ongoing problems with quality control in mall intercepts and/or the challenge of luring

people out of their homes to review proposed television shows with a bunch of strangers. Maybe Internet copytesting is a methodology which just needs more championing from the client side. Perhaps next year I'll be writing the same review of major players who perform copytesting over the Internet! **74**

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High-touch vs. high-tech

Can you test print ads on the Internet?

By Chuck Young

Editor's note: Chuck Young is CEO of Ameritest/CY Research, Albuquerque, N.M. He can be reached at chuck@ameritest.net or at 505-856-7999.

There are three reasons why most advertisers don't bother to pre-test print ads. The first is simple economics. The second is a function of time management in the creative development process. And the third reason is an attitudinal barrier — agency skepticism of pre-testing research that reflects the anxieties and doubts of creative people, such as the widely-held belief that research on creative work homogenizes their product and leads to bland, "vanilla" advertising.

Why are clients more likely to spend the money to test a television commercial than they are a print ad for the same brand? The risk associated with running an ineffective television commercial can be counted in the millions of dollars. To manage that risk by spending a few thousand on testing commercials, therefore, is eminently sensible. In contrast, the risk associated with running an ineffective print ad is an order of magnitude less, involving perhaps a few hundred thousand dollars at most. Yet today most quantitative print tests cost about the same amount of money as a television commercial test. As a result, the premium for the "insurance" provided by ad research is much higher for a print test than it is for a television

commercial test. In other words, the cost/value relationship of the research to the decision-making process is out of whack.

The second reason advertisers don't test print ads is time. The lead times for submitting an ad to a national magazine can be quite long, usually several months in advance of the issue date. Planning the production schedule for the print advertisement, therefore, involves coordinating a great many pre-production steps that must come together simultaneously within a fairly narrow window before the deadline. Unlike television, time for a research step involving several weeks of data collection and analysis is usually not built into the print ad development calendar.

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The Internet beckons advertising researchers with the promise of a cheaper and faster way of putting advertising — as research stimulus — in front of the eyeballs of consumers. This new data-collection channel seems to provide a technical response to the first two reasons clients don't test ads. And while, if you want to test a television commercial, you might have to wait a little bit longer for solutions to be worked out with regard to the bandwidth issue, download times are not an issue with print ads. Moreover, on a more philosophical note, computer screens are, at least in one sense, a natural environment for testing print ads because computer screens are, after all, designed to be read.

There is, however, an obvious difference between an ad seen on a computer screen and the same ad seen in a magazine. Magazines are meant to be handled, held, bent, folded — in a word, touched. What happens to the validity of the research when the tactile experience of reading an ad in the context of a physical magazine is transported to cyberspace?

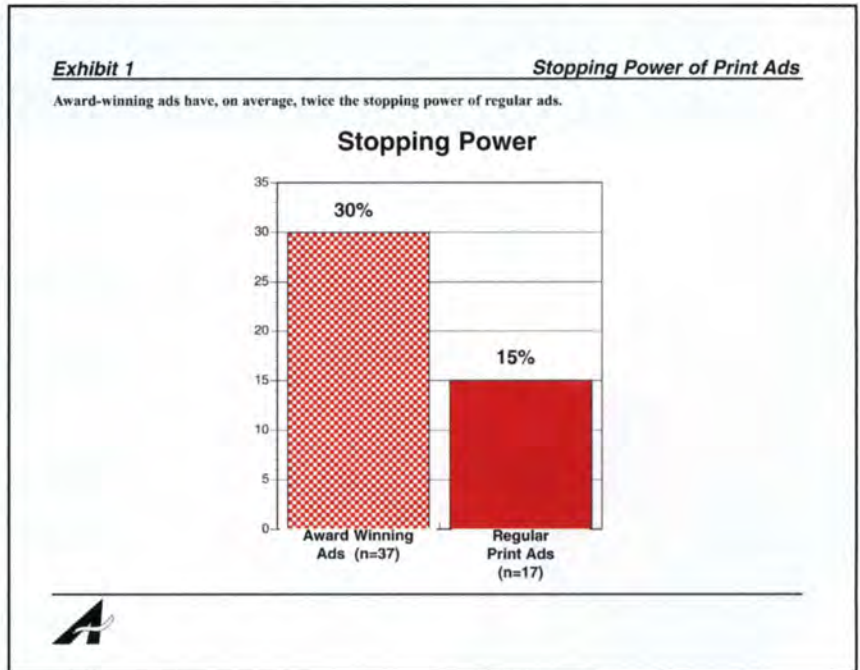
Validating a measure of breakthrough creative

Creatives are correct when they say to us researchers, "You can always measure something, but are you measuring the right thing?" The issue of validating measures of print effectiveness is a difficult one and is not restricted to Internet measurement.

In developing a print testing methodology, one of our concerns was making

sure that our measurement system had face validity in the eyes of the creative "end-users" of our system. We asked ourselves, "Can we take a quantitative

print advertisements that had won major creative awards (e.g., winning first or second place medals in the One Show, The Directors Show, etc.,



measure of the attention-getting performance of print executions and produce results that replicate the judgment of seasoned creative directors as to whether or not the advertising has breakthrough power?" Creatives, after all, tend to define creative excellence in terms of the judgment of their peers, rather than by research numbers. Consequently, we decided to find out how print ads that had won major creative awards would fare in our print-testing system.

For that reason we performed the following validation experiment. We tested 54 print ads in our system: 37

during the preceding 12 months) and another 17 "regular" print advertisements from similar product categories that appeared in a national publication but had not, to our knowledge, won any creative awards.

Each of the ads was tested among a sample of 25 adult consumers in a regular "live" interviewing environment. The interview procedure began with respondents looking at paper booklets containing a set of 10 print executions. Each booklet's ads were in rotated order. After looking at the booklet, respondents were asked our standard set of questions.

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The measure of attention-getting power which we use in our firm's print-testing system is parallel to the one we use for testing television commercials — a measure which has been validated to in-market sales for several of our packaged-goods clients. The measure is produced by showing the test ad in a clutter environment of competing ads, described above, and asking the respondent the question, "Which of the ads you just saw did you find interesting?" (It is important to note that we are not performing a memory test here; rather we are simply ascertaining whether or not an ad is interesting to its target consumer.)

The results of our experiment are shown in Exhibit 1. We found, on average, that award-winning ads had twice the attention-getting power as regular ads.

Said another way, ads that professional creatives themselves judged to be clever, entertaining, fresh, unique, or edgy performed better on our measure of breakthrough than "regular" advertising!

Based on this finding we concluded

Exhibit 2

Stopping Power Comparison

Stopping power scores are similar for Internet and for mall-based interviews.

Ad	A Internet* Test Stopping Power (150) %	B Mall Test Stopping Power (150) %
	A	29
B	28	26
C	27	22
D	24	27
E	22	29
F	20	30 A
G	19	27 A
H	11	15
I	9	8
J	8	10
	----- 20	----- 22

Capital Letter A = 95% Confidence Level





that we could reassure creatives that this particular research measure of breakthrough does not penalize creativity. We also concluded we could tell our clients, the people actually buying the advertising, that if they want evidence their new print advertisement


is likely to do an efficient job of attracting the attention of their consumers they could a) submit the ad for a creative award (a slow process), b) hire an independent panel of experienced creative directors to judge the work (an expensive process), or c) conduct a

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simple piece of research.

(By the way, I should remind you that so far we are only talking about attention-getting power or breakthrough. Our experiment taught us something quite different about the ability of award shows to predict branding or persuasion — but that's another story.)

Replicating the executional performance measure on the Internet

Our next step was to prove that



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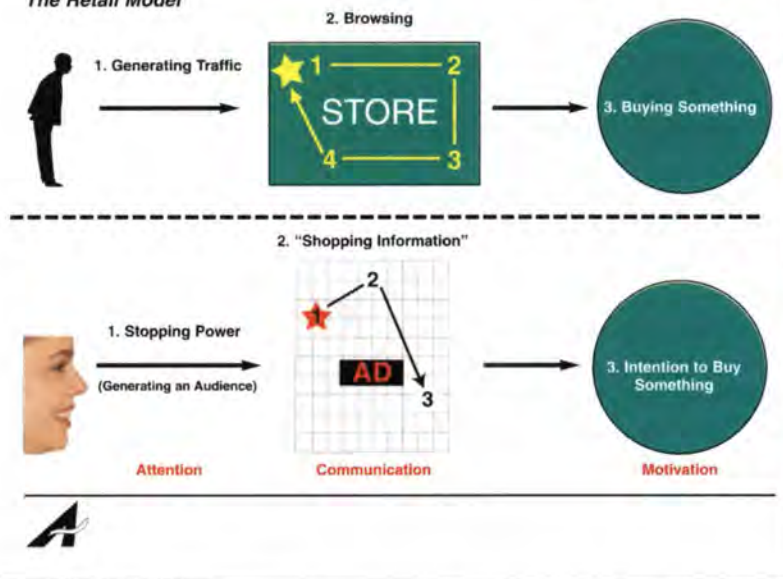
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Exhibit 3
The Retail Model

The Retail Metaphor



what we had done on paper could be translated into the world of the Internet. Consequently, we programmed a Web-based interview that would replicate our mall-based interview procedure.

In this experiment conducted with the Consumer Insights division of General Mills, we compared the results of a print study conducted among 150 target audience consumers with a matched sample of another 150 consumers who had been recruited to a site for the Web-based interview.

In the first part of the Web-based interview consumers were given the opportunity to "page" through (forwards and backwards) a series of 10 test and control ads that had been electronically scanned for the interview — a process designed to replicate the experience of the paper version of a clutter book in the mall-based interview.

The results of the experiment are shown in Exhibit 2. On average, the attention scores ("found the ad interesting") are the same regardless of whether the ads were shown to respondents in a paper or in an electronic format. Eight of the 10 ads generated virtually identical measures, while the Internet version generated slightly lower scores for two of the less intrusive ads.

So it appears that this measure of

reader interest, which has been found to correlate with executional creativity, can be obtained with an Internet-based interview. Actually touching the paper the ad has been printed on does not seem to be important. It's the creative idea that matters!

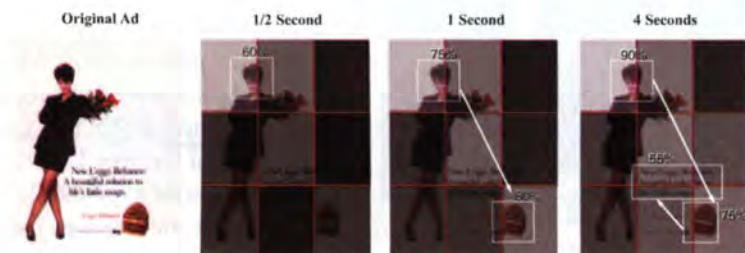
Eye-tracking without an eye-tracking camera

Just as it is useful from a research standpoint to stop thinking of print ads as tactile objects, so it is important to not think of them as static objects. While it is true that, unlike television commercials, print ads do not move, the mind of the reader does move — through the ad.

Indeed, from the standpoint of diagnostic research, one of the more useful ways to think about the experience of print advertising is the retail metaphor (see Exhibit 3). If you were managing a retail store there would be three variables you would be trying to control to run your business effectively. First, you would try to be as creative as possible to generate traffic or get shoppers through the door. Second, you would lay out the products in the store in such a way as to either a) make it easy for shoppers to find what they came in the store to buy or b) maximize the chances that shoppers will discover something they want that could lead to an impulse

Exhibit 4

Flow of Attention™



After each exposure, the respondent is asked to record what she saw and where she saw it.



purchase. Third, you would focus on making sure that shoppers actually buy something before they leave the store.

If we conceptualize the reader of print advertisements as “shopping information” we will see that a simi-

lar process applies here. The first job of a print ad is to stop readers and attract the attention of an audience — the equivalent of generating store traffic. Second, the layout of the ad should be such that readers assemble information and images in the correct

order or sequence so as to place a compelling selling proposition in the shopping basket of the mind. Third, at the “virtual checkout counter” of the ad — the brand logo — readers should make a virtual purchase and leave the ad with an intention to buy something.

This dynamic way of thinking about how print advertising works can be a very powerful framework for providing insights during the creative development and optimization of a print ad. But importantly, research is needed to test creative assumptions about how a reader will actually enter and read through the ad. Currently, the gold standard for providing this kind of research is provided by eye-tracking cameras. Unfortunately, eye-tracking cameras and the Internet cannot easily be combined.

Developing an alternative technique that will work on the Internet actually requires that we look back to a time before eye-tracking cameras. We need to update, for the Internet age, an earlier methodology developed by cognitive psychologists.

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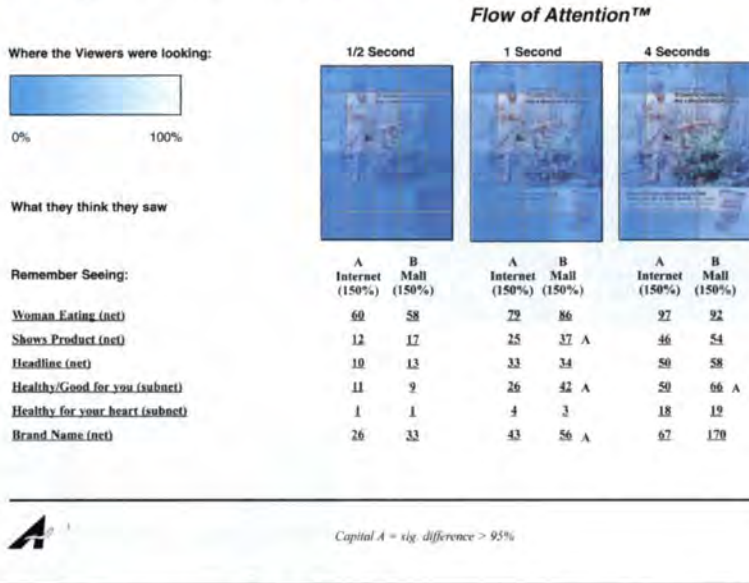
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Exhibit 5

A food ad generates a similar communication playback for the Internet and for mall-based interviews.



time periods: 1/2 second, 1 second, and 4 seconds. After each exposure respondents are asked what they think they saw. Then a response grid is shown on the screen and the respondents are asked to click on cells in the grid to report which part of the ad they were looking at. The results are then shown in a graphical display, as in Exhibit 4.

The first brief exposure is usually so short that the average reader has only enough time to see one thing. This helps to identify the “door” to the ad — the entry point of the mind — which is usually the key to attention-getting power. Notice that in our illustration the first thing the average respondent looks at is the face of Jamie Lee Curtis — not, interestingly enough, her legs. The second, a one-second exposure, shows that the reader next looks down at the visual of the L’eggs package. The third, a four-second exposure, shows the reader fish-hooking back to read the headline announcing the new hosiery line from L’eggs. In other words, the reader, shopping the information in this ad, appears to be answering the following sequence of questions: Who is it? What is it? What about it?

The probability distribution produced by the response grid can be displayed as flow graphs similar to those produced by eye-tracking cameras. But this approach actually has an advantage over eye-tracking. We are not measuring where the eyeball is pointing. We are measuring what the mind sees. And that’s what we care about when we are analyzing advertising.

To gain insight into what the readers were thinking as they looked at the ad, the verbatims collected in the timed-exposure questions (What did you see?) are coded as part of the communications check of the advertisement. Exhibit 5 shows a comparison of the verbatims collected in the mall and those collected over the Internet as an add-on to the attention-getting power experiment reported above for one of the test ads. As you can see, the results obtained

Remember tachistoscopes? A test using a sequence of controlled, time exposures to a stimulus ad provides a practical solution to the problem of measuring the path of the mind through the ad. Fortunately for us,

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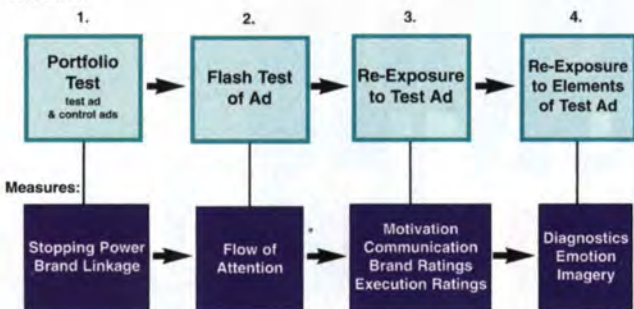
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- Interview is approximately 20 minutes in length.

Procedure:



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over the Internet are quite similar to those obtained in a live, personal interview.

Putting it all together


As a prescription for advertising research practitioners, a complete set

of pre-testing measures should combine "report card" measures of overall advertising impact, such as attention-getting power and motivation, communication and branding, as well as diagnostic measures for fine-tuning the creative, such as ratings of

liking, entertainment value, relevant news, and the more diagnostic flow measures such as the one described above.

All of these measures should be collected in an interview that is short enough for a respondent to reasonably complete. We have found that it is practical to do so, as shown in the procedure described in Exhibit 6.

More importantly, the measures should make sense for the people who are going to use them. In our case, we have tried to demonstrate face validity for one of the most important target audiences for advertising research: the agency creatives whose work is being measured.

Finally, the current state of print research is neither cost-effective nor time-effective for the vast majority of advertisers who spend large sums of money to touch their customers with magazines and other print media. But the high-tech world of the Internet has the potential to change all that. 

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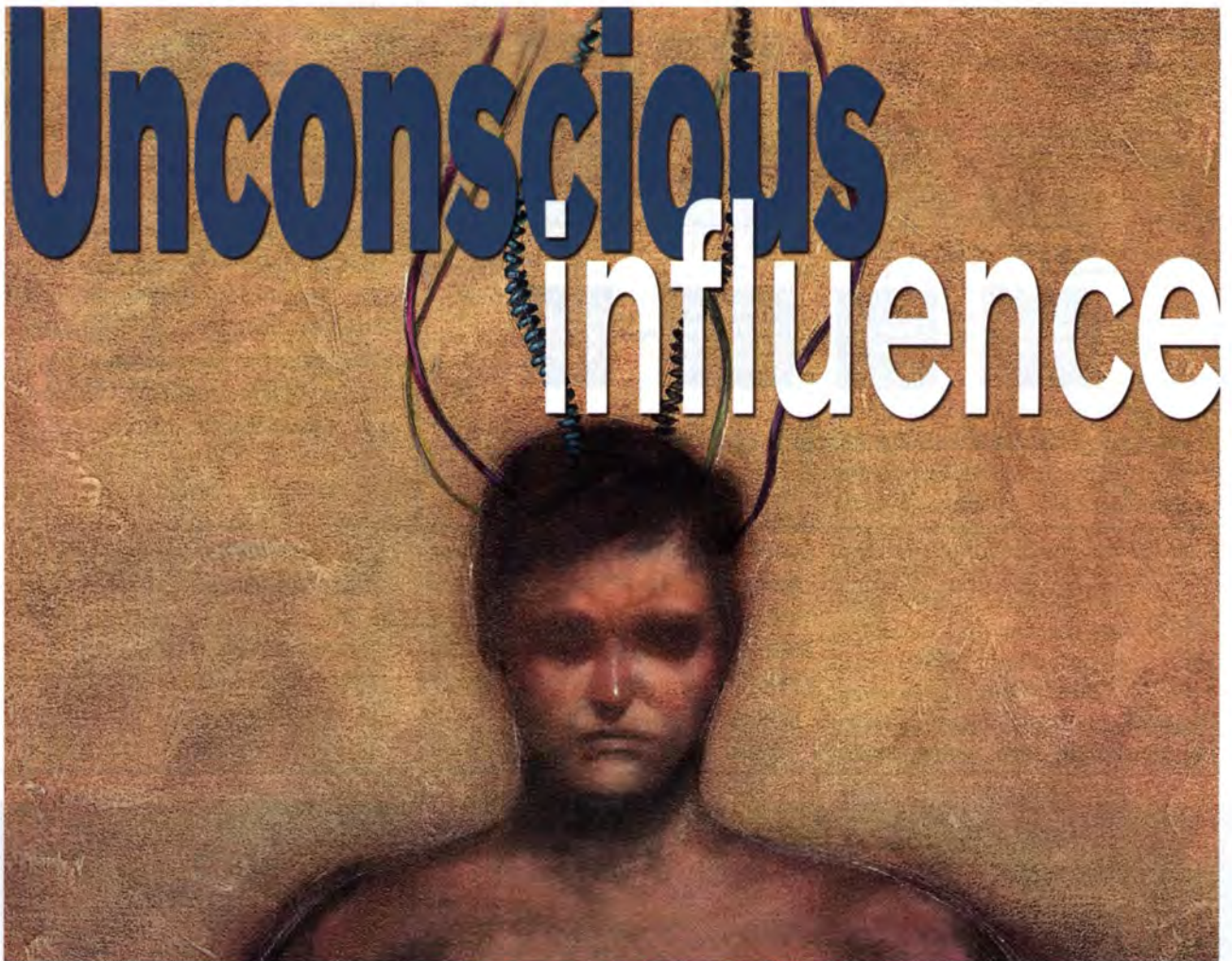
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Testing ads using galvanic skin response measurements

By Jack Shimell

Editor's note: Jack Shimell is president of Inner Response, Inc., a Charlotte, N.C., research company. He can be reached at jackinnerresp@att.net or at 704-375-4473.

For over 70 years, advertisers and their agencies have been attempting to evaluate the effectiveness of advertising. During the 1920s this was mostly done in a simple and straightforward manner. Print was the dominant medium. Most ads at that time contained open or hidden calls to action (e.g., asking consumers to send in a coupon). Effectiveness was measured by simply counting the numbers. Legendary copywriter Claude

Hopkins may not have invented this technique but he used it extensively.

In the late 1920s and through the 1930s radio advertising became significant. As a consequence somewhat more indirect forms of measurement began to emerge — phone surveys to measure listeners and ad awareness, mostly by various recall measures. By the late '40s and particularly the early '50s, television began its climb, with concurrent interest in measuring both audience and ad effectiveness. On-air recall became the dominant means of doing this. The recall score began to be the brand manager's mantra. "Did it beat the norm?" was the common question. It wasn't long, however,

before agency creatives began to complain about recall not measuring what they were trying to do. Weak, if any, correlations with sales results supported their complaints.

Coincident with this was the rise of motivation research, pioneered by Ernest Dichter, who in 1960 said: "Human motivations are frequently unconscious and represent intertwined and complicated mechanisms. Modern psychiatry and all other social sciences could not exist without the acceptance of this fact." (1)

Many agency creatives and others latched onto this in the hope of getting rid of recall, but to no avail. It had become too entrenched; and the retort



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"If people can't remember it, it can't be any good" was hard to refute. Dichter was often criticized for shoddy research design, as others were unable to replicate his findings. They missed the point. His techniques were not his strong suit; his intuitive insights were often brilliant, but so were his misses.

Further, developing a technique to measure unconscious cognition proved elusive, although Horace Schwerin and others who followed were gradually able to demonstrate that indirect measures of unconscious influence such as pre/post and post-only attitude measures did often evidence correlations with sales results and/or reported brand usage.

In relative terms, these attitude change measures were significantly better than on-air or off-air recall measures. But old habits die hard and conscious recall and copy playback measures are still commonplace today, despite their history as poor predictors of marketplace per-

formance.

Measuring unconscious influences

As early as the 1950s, a small but significant number of researchers attempted to introduce physiological measures as a means of overcoming the limitations of direct questioning. Principal among these was galvanic skin (resistance) response (GSR), the primary component, then and now, in lie detection equipment. The equipment was crude, results could not readily be integrated with a subject's questionnaire response and practitioners too often relied on the stress component, phasic response, as opposed to the underlying tonic or attention component. The biggest hurdle though proved to be establishing that unconscious cognition was both a precursor and a continuous parallel to conscious cognition. Behaviorist psychologists, led by B.F. Skinner, dismissed unconscious influences as being trivial at best. Neurologists and most brain

researchers at the time agreed.

In the 1970s non-verbal techniques such as dials and button measurement devices became popular in an attempt to get past the limitations of language. They appeared to be as reliable as direct questioning in measuring attitude changes and also proved useful as a diagnostic device in measuring likability and other attitude attributes. Since response was consciously controlled, they could not get into the realm of unconscious affect, despite some claims to do so.

"Discovery" of unconscious attention

In 1983, the famous medical researcher Jonas Salk said: "We all have many more sensitivities than we know. More things affect us without our conscious awareness or concern and make a difference to us than we know." (2)

According to a February 1996 *American Psychologist* article:

"Unlike explicit memory, which depends critically on paying adequate attention to the information to be learned, implicit memory can be robust even without full attention." (3)

Thanks to advances in medical examination technology such as MRI, PET and CAT scan techniques, neuropsychologists and other brain researchers have been able to establish that cognition is a dual function, with both conscious and unconscious attention occurring simultaneously. Several researchers have also established that unconscious attention/awareness almost always occurs in fractions of a second before any conscious awareness begins.

T-scope experiments are the easiest to perform. A slide is exposed in hundredths of a second, which falls below conscious perception, yet cognition generally occurs, but at an unconscious level and is only determined by indirect questioning.

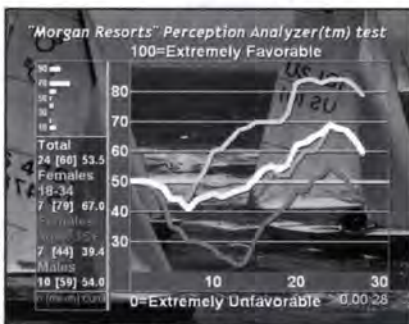
Evelyn Wood, the speed-reading firm, used subliminal techniques to persuade students that they can read at very high speed, often in excess of 1,000 words per minute. One cannot silently mouth the words at these



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speeds, yet comprehension is often greater than when read at much slower speeds. To read at high speed, greater concentration is required. The unconscious mind at this point is doing almost all the work. In comprehension reviews students often score better after reading at high speed than at slower speeds.

(The author took the Evelyn Wood speed reading course years ago and recalls that one of the slides shown at high speed seemed to say: "The dog chased the cat." Everyone in the class agreed that that's what it said, but when the slide was shown again we discovered it really said, "Chased the cat the dog." Our unconscious minds had simply unscrambled the words and put them in the right order.)

Measuring emotion and unconscious processing

In 1996 in *The Emotional Brain* Joseph LeDoux said: "Emotions are notoriously difficult to verbalize. They operate in some psychic and neural space that is not readily accessed from consciousness... Yet, much of our understanding of the way the emotional mind works has been based on studies that have used verbal stimuli as the gateway to emotions or verbal reports to measure emotions. We will not likely begin to fully understand the workings of human unconscious processes until we turn away from the use of verbal stimuli and verbal reports."(4)

Psychiatrist and brain researcher Rhawn Joseph said in his 1992 book *The Right Brain and the Unconscious*:

"When one is listening to music, the left brain attends to rhythm (i.e., temporal sequences) and the words, and the right brain to the melody and the emotion conveyed. Similarly when one is talking to a friend, a loved one... the right brain attends to the way things are being said and the left brain attends only to what is being said. Two different messages may be perceived."

"Interestingly, whereas the left frontal lobe maintains inhibitory control over the left brain, the right frontal lobe exerts inhibitory influences on

what is processed in either half of the brain. Indeed, the entire right brain appears to be dominant in regard to attention and arousal." (5)

Note: Not all brain researchers believe the rational/emotional, conscious/unconscious are so cleanly delineated by left brain/right brain descriptions Joseph employs; nonetheless, many find it a convenient way to figuratively, if not literally, describe the differences.

Recognition of the need for a mea-

surement beyond recording conscious responses is not new. A few researchers were experimenting back in the 1950s and 1960s. Some employed galvanic skin response, others pupil dilation, eye movement, voice stress, and brain waves. Pupil dilation and voice stress have, to our knowledge, never been found useful for evaluating time-based or broadcast material.

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niche as a useful tool in evaluating print, billboard, and other static material. One example is a study (6) conducted at The University of Georgia which evaluated the efficacy of cigarette warnings in print ads and on cigarette packages with eye movement cameras for the National Cancer Society.

Brainwave measurements have started to come into their own. Recently Rossiter and several peers offered evidence as to how brainwave analysis can isolate and evaluate key themes in a commercial (7). Many more researchers have been experimenting with brainwaves with, no doubt, more reports to follow.

Much has been and continues to be learned by studying brain patterns to see how the brain functions. However, in evaluating external stimuli, such as television commercials, brainwave measures do not provide any more useful information than do skin conductance measures, which are simpler and easier to operate and less intrusive on the test subject.

Galvanic skin response

Probably more research, academic, medical and commercial, has been conducted with GSR than all other physiological measures combined. With regard to advertising, substantial supporting evidence of the predictive capability and validity of GSR has been reported, e.g., LaBarbera and Tucciarone (8). Many other reports have described the arousal or attention responding character of this measure, e.g., Watson and Gatchel (9), Hopkins and Fletcher (10), and Kroeber-Riel (11), to name a few.

GSR or electrodermal responses (EDR) are electrical signals that emanate from the brain through the autonomic nervous system to all parts of the body. When we take in stimuli through any of the senses, the mind decides in fractions of a second whether to pay more or less attention (be it conscious and/or unconscious). These signals are constantly changing and are recorded as an analog signal which will appear as a wave across a screen. As the mind requires more

attention, the signals increase in intensity and the analog recording rises; as the brain requires less attention, the analog recording declines.

These electrical signals can be digitized and stored in an ASCII file for later integration with the individual's questionnaire response. The analog signal can also be indexed and superimposed over a commercial to provide a visual guide to the second-by-second changes in attention. The electrical signals are measured in microsiemens, a standard measure of electrical activity. They are obtained by placing two small sensors on the upper palm of one hand.

The origin of EDR resides in the old or limbic brain, a part of the brain we share in common with warm-blooded animals. This area of the brain seems to contain most of the base emotions. (For a fuller description, go to the M.M.M. Brain Tour on the Web at www.uib.no/med/avd/miapr/arvid/UiB50/syracus/biology.htm.)

Today almost all psychophysicologists and other brain researchers use skin conductance response (SCR), a more stable form of EDR than GSR.

The history of GSR as an advertising measurement tool is mixed, despite some strong empirical evidence (8). There are several reasons for this:

1. Until the 1980s recording equipment was largely cumbersome pen-and-ink recorders on graph paper, which had to be manually rescaled quite frequently. This made collecting large samples very expensive and time-consuming.

2. The amount of data to be recorded was sizable, often 10 samples per second. Software to record and digitize the analog signals didn't exist.

3. The GSR data could not readily be integrated with a test subject's questionnaire responses, making interpretation much more difficult.

Given the foregoing, and other technical issues that need to be controlled, it is not surprising that most early practitioners ran into problems. Today, thanks to improved physiological measuring equipment and

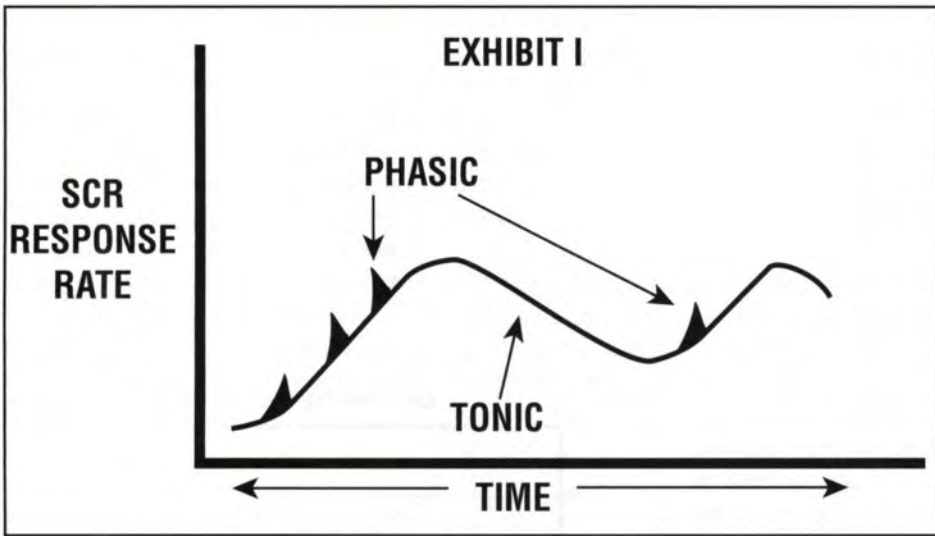
computers that can crunch large amounts of data, these issues no longer apply.

However, the biggest drawback was and is the widespread lack of knowledge about the importance of implicit (unconscious) awareness and processing and its profound influence on our judgments and actions.

Adapting skin conductance response measurement to time-based advertising

Antonio Damasio, a brain researcher at the University of Iowa Medical School, said in 1994 in his book *Descartes' Error*:

“Among the autonomic nervous



system responses that can be investigated in the laboratory, the skin conductance response is perhaps the most useful. It is easy to elicit, it is reliable, and it has been studied thoroughly by psychophysicologists in normal individuals of various ages and cultures.”

“The response is recorded as a wave, which takes time to rise and fall. The amplitude of the wave can be measured (in microsiemens) as can

its profile in time. The frequency with which responses occur relative to a particular stimulus, over any specified time interval, can also be measured.”

“... we knew from previous studies...that

when we are exposed to stimuli with a high emotional content, they reliably produce strong skin conductance responses.” (12)

Our work over the past 13 years has involved a much greater learning curve than we imagined. We had to get past the accumulated “knowledge” of past practitioners and endure much trial and error.

Some of the lessons we have

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learned are:

a. Most early GSR researchers focused on the “phasic” component (short, episodic spikes, used to measure arousal, as in lie detection), in preference to the underlying, continuous “tonic” response (Exhibit I). Since the tonic is continuous, it is a more reliable measure that replicates well. It also is essential for second-by-second analysis, which the phasic, being episodic, cannot do. However, both play useful analytical roles.

b. Absent a specific (or random) stimulus, the tonic response tends to slowly decline to some resting point

Exhibit II	
Average Persuasion Change By Microsiemen Value*	
Less than 5.0	+ 6
10.0 to 20.0	+11
Over 25.0	+ 8

*At-rest values

near its (sleep) bottom.

c. The mind, through the brain, only exerts as much electrical energy to attend to a stimulus as it needs to in order to satisfy its curiosity, interest or whatever the motivating influence was, before going back to its “journey of rest.” (We have concluded that the human mind is either very efficient in this regard or very lazy — take your pick.)

d. However, the human spirit, through discipline, restless curiosity and/or desire, can frequently overcome this natural tendency.

e. Observing a test subject’s tonic and phasic patterns to a control video and a series of commercials tends to reveal much about the individual’s personality and temperament.

f. The very young tend to have the highest tonic levels, which decline with age (along with everything else, some would say).

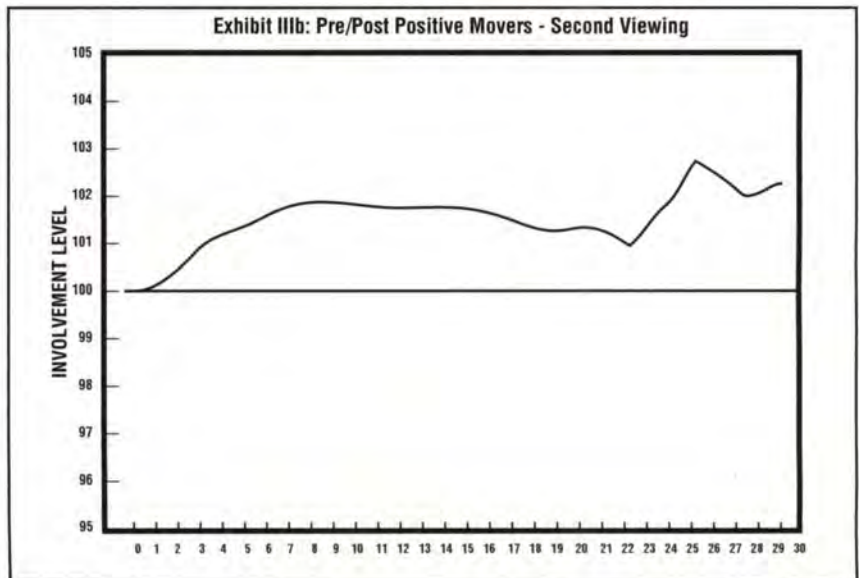
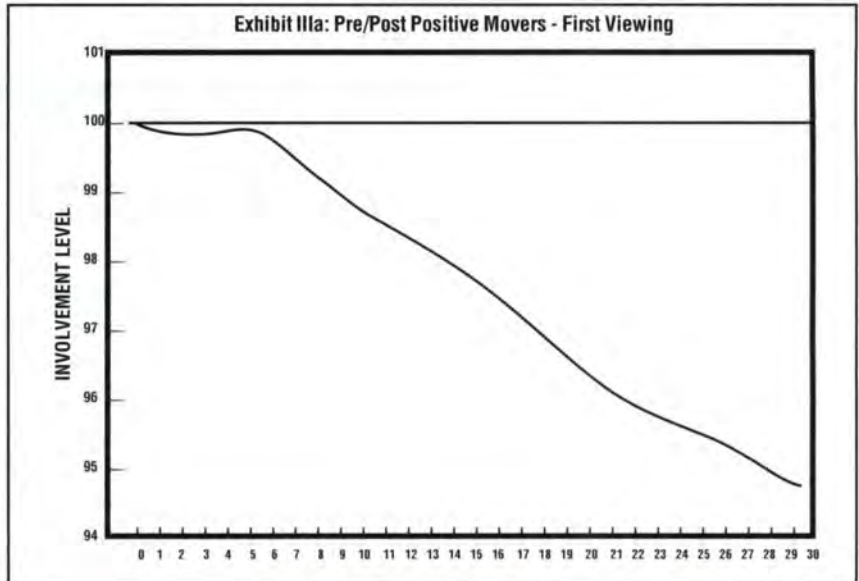
g. To obtain the most analytical benefit from SCR measures, it is important to combine each respondent’s questionnaire response with his/her SCR responses. This provides a synergy of insight that either type of measure alone cannot offer.

Examples of analytical enhancement from combining SCR measures with questionnaire data

1. Personality and temperament play a key role in determining how an individual will react to various stimuli (13). For example, the level of electrical activity, as measured by microsiemen values (MSV) at rest, prior to stimulus onset, provides a good indication of how likely a target

ments, tend to register very low MSVs and are generally the most difficult to persuade. Extroverts, with mid-range values, seem to be relatively more open to being favorably influenced, while those with very high values appear to be relatively less likely to be influenced than those with mid range values, but more so than those with very low MSVs. (13)

2. Commercials with lots of quick



audience subject will react to a given commercial. Exhibit II shows the results of a test based on 40 commercials (in a mix of beer, soft drink, fast-food, food, and several other categories), using a pre/post attitude/persuasion measure.

Introverts, particularly those with insecure and suspicious tempera-

cuts generally score poorly on one-exposure recall measures such as day-after recall. We routinely use two exposures, in a pod of four, separated by a control piece. Often, for this type of commercial, tonic response, which we call viewer involvement profile (VIP), shows a continuous declining pattern during the first exposure, but

reverses during the second exposure, among those with a positive pre/post persuasion score. An example from a

what to do with the stimulus information already received moments before.)

ond to second or over several or more seconds is important, direction of change, however small, is more important. By examining the questionnaire ratings responses between SCR gainers and decliners for each second, we can determine the importance of each second to the overall effect and affect of the commercial.

An example of this is a fast-food commercial which featured a two-for-\$2 promotion. While the seconds with beauty shots of the sandwiches with a voiceover sales pitch were important, the four seconds of the company's long-time musical jingle were even

Exhibit IV	
Average Commercial Ratings Difference Per Second Between MSV Gainers and Decliners	
During Seconds With:	
- Musical Signature	+15
- First Mention of Price Promo	+10
- Beauty Shots of Product	+6

sales-successful snack spot (one that increased sales in a controlled test according to the client), with over 40 cuts in 29 seconds, demonstrates this (Exhibits III A and III B).

We believe that there was cognitive processing overload during the first viewing. In other words, after the first few seconds, the mind is struggling to absorb what it has just seen and doesn't really catch up until the second viewing. (Skin conductance response increases only as the mind is focused on taking in external stimulus information. As it internalizes, SCR decreases, while the mind decides

3. By taking 10 SCR measures per second and averaging to one, we obtain a stable value for each second. While magnitude of change from sec-

Exhibit V		
Net Pre/Post Persuasion Change		
	Commercial "A"	Commercial "B"
<u>Overall</u>	+12	+6
Among:		
Extroverts*	+20	+9
Introverts*	+7	+17
Stable respondents*	+16	-5
Neurotics*	+3	+20

*These profiles were confirmed by a condensed version of the Berkeley Personality Profile in the form of a self-administered questionnaire.

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more important (Exhibit IV).

We hypothesize that the jingle reminded many respondents' unconscious memory of how much they liked this company and the many pleasant moments they had spent eating its popular sandwiches. These accumulated favorable memories gave the conscious mind permission to react favorably to the two-for-\$2 offer.

Many creatives intuitively know the power of music, both with and without

lyrics, but have never had a means to prove it. SCR measures we have taken of commercials where music was involved have demonstrated that power.

4. Earlier we mentioned that SCR could identify certain personality characteristics such as extraversion/introversion and stability/neuroticism. One example of the use of this occurred when we compared two beer commercials. (The major beer companies all tend to target primar-

ily young males of legal age who drink a certain minimum number of beers per week.) We examined two commercials that had a strikingly different affect on different personality types (Exhibit V).

There were twice as many extroverts as there were introverts in each sample. Hence, the stronger overall preference change for commercial A. (In the population at large, Myers-Briggs estimates there are two to three times as many extroverts as there are introverts.)

We hypothesize that the more relevant the subject matter of the commercial is to the consumer's interests/needs, generally, the more effective is the commercial. Similarly, the more alike the commercial's characters are to the personality of the viewer, the more favorable the results are likely to be.

In commercial B the principal character was boastful, which was obviously masking an insecure personality; yet the predicaments his pals got him into created some sympathy, and more importantly, empathy, among viewers who were similarly insecure. In commercial A the principal character was outgoing, assertive, and sure of himself, but not in an offensive way.

Being able to identify effective and affective results by personality differences would seem to offer fertile ground for advertisers with high-image brands.

Valence

The most common question researchers ask about SCR is: How do you know if an inclining graph is favorable and a declining graph unfavorable?

The short answer is that we simply look at the questionnaire response for those respondents with an inclining and conversely for those with a declining graph. (See Point 3 above.) A better answer is when it comes to advertising, it is almost always true that the more attention, the better. A more technical answer is that any real negative generally evokes a phasic response that will be sharper,

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stronger, and shorter than favorable or neutral responses. Ironically, SCR will usually provide a more definitive answer to this question than the often middling responses to survey questions.

Summary

I. It is evident that more and more brain researchers have established beyond question that cognition is a dual function of both conscious and unconscious processing. And that of the two, unconscious processing is usually the more dominant and, in effect, controlling. (For a more in-depth discussion of the levels of unconsciousness, the reader is referred to John Kihlstrom's *The Cognitive Unconscious*. (14)

II. Further, brain researchers have found skin conductance to be a reliable and useful tool to aid their investigations.

III. In view of this, employing a physiological measure such as skin conductance is necessary in order to obtain a more complete understand-

ing of the dynamics that are at work in a television commercial or any time-based visual or auditory stimulus. Our work in combining SCR and questionnaire responses clearly support this contention.

Answer is obvious

What does all this brain research evidence have to say to advertising creators, approvers, and researchers? The answer seems obvious. Advertising research needs to develop techniques that incorporate measures of both conscious and unconscious reaction. The conscious part is easy; the need for measuring the unconscious part has to be brought to the attention (pun intended) of the creators and approvers of advertising. **74**

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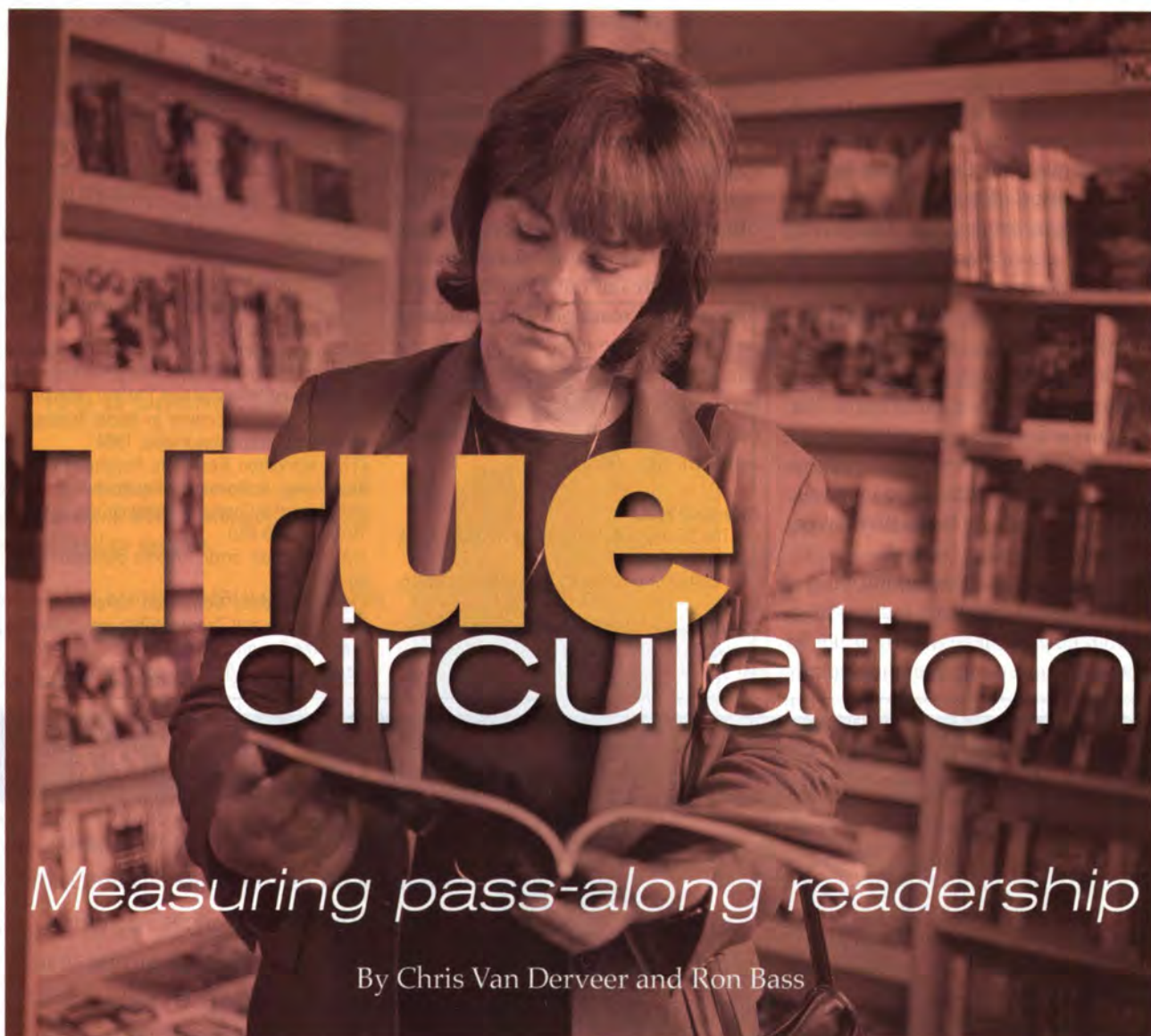
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True circulation

Measuring pass-along readership

By Chris Van Derveer and Ron Bass

Editor's note: Chris Van Derveer is senior project director and Ron Bass is senior research director at ORC Macro, a New York research firm. They can be reached at 212-941-5555 or at cvanderv@macroint.com or bassr@macroint.com, respectively.

One of the major challenges facing magazine publishers is to determine exactly how many people actually read their magazines. Simply looking at the number of subscribers would seem to be the obvious method of determining total readership. But this is not the best method, and it also provides data which is

wildly inaccurate. To rectify this situation, a market research technique for developing highly accurate total readership figures has been developed. This method is called pass-along research. When magazines clearly establish that they have high pass-along numbers they can bill greater fees for advertising space.

The origins of the process go back to an event encountered by The Audit Bureau of Circulations (ABC). Almost 15 years ago, one of the business publications audited by ABC decided to profile subscribers by conducting a market research survey. Pass-along questions were later added

to this survey, which is now referred to as a "Pass-Along Study."

Since ABC had promised to audit and publish the results, the Bureau was asked to help design a study which would be able to stand up to the closest scrutiny in terms of statistical validity. ABC solicited advice from leading individuals and foundations in the marketing research field and, from their suggestions, the current "officially sanctioned" sampling procedures and techniques for collecting and projecting the data were designed.

Following is a step-by-step description of the optimum procedures

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which should be employed to produce a valid pass-along result.

1. The magazine first decides what its pass-along statement should include, i.e., what industries, job titles, and other categories it wants to report. The research supplier, in consultation with ABC, determines the minimum number of interviews necessary to deliver stable and representative data. Typically, the research employs one of two sizes of random samples, 1,000 or 1,667 subscribers.

2. The magazine delivers a copy of its last ABC- or BPA-audited circulation file to the research supplier. The research supplier then re-sorts the file into industry and job title categories previously chosen and sorts the subscribers in each category into zip code order. This ensures that any random selection of respondents will also be geographically representative. International addresses are included as well.

3. Using random starting points, the vendor selects every *n*th name for inclusion in the survey. If 1,000

names are selected, this is the primary sample. From this total random group of 1,000 names, the research supplier must complete interviews with 60 percent of them, or 600 respondents, to produce a statistically valid result.

4. A mail survey is employed as the first method of contact. The entire primary sample of 1,000 or 1,667 names is first sent a mail survey questionnaire along with a cover letter and a small token of appreciation (\$1). A period of two to three weeks is required to close this wave of the mail survey portion of the study, as most returns will have been received in that time. Following this first wave of mailings, a second wave is sent out to those who have not responded to the first request. For those who have not completed the mail survey after the second mailing, the research supplier will then attempt to complete the interview via a telephone survey. The supplier will make as many attempts as are required to reach at least 60 percent of the primary sample; some-

times, eight, 10, or even more attempts are required. Unless interviews are completed with at least 60 percent of the primary sample the resulting data will not be judged representative and will not be accepted by ABC or BPA.

For the contact method to be accurate, the mail survey and the follow-up telephone surveys must also be conducted with all overseas readers.

5. All data are edited for accuracy, coded, and keypunched. The mail survey and telephone survey data are merged and then tabulated. Weighting procedures are applied to put the various subscriber categories into their known proper proportions and to "project" the sample to the full subscription base.

6. ABC or BPA verifies the result and issues an official statement showing the total verified pass-along audience plus the subscriber base.

The involvement of ABC or BPA is integral to the success of the project. The auditor reviews, monitors, and/or verifies every aspect of the study. The auditor verifies the research sample selection; that is, if the sampling design indicates that the 405th name on the subscriber file is to be part of the selected sample, the auditor verifies that the 405th name on the file has, in fact, been selected as a primary name contacted.

Interviews are monitored on a random basis throughout the interviewing period to ensure that they are conducted with the designated respondent and that the respondent's answers are accurately recorded.

In addition, ABC or BPA performs the following:

- validates that the information on the questionnaires has been accurately coded and keypunched;
- verifies the accuracy of the data in the computer tabulations by checking against counts generated by hand-tabulating actual questionnaires;
- verifies the accuracy of a "projection" of the data to represent the entire subscriber base.

Questions about validity

Many questions have been raised about the validity of the pass-along

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vs. other types of readership studies. One question asked often is "Isn't a census better than a sample projection"? This is not necessarily true. A census attempts to speak to everyone. (In this case, every subscriber to a particular magazine.) In practice, many people are unreachable or refuse to answer at least some part of whatever survey form they are asked to complete, and then the so-called census is actually completed by far less than everyone. The data reported in a census are often distorted due to the fact that there are no controls over who is and who is not answering all questions. Sample surveys, however, can always be controlled to represent every type of subscriber segment. Therefore, the results are accurately projectable to the total subscriber list.

Another alternative to our stated pass-along method would be to develop pass-along counts by tabulating the results of a pass-along question printed on their qualification/re-qualification cards. There are four major problems with this method of mea-

suring a pass-along audience.

1. The pass-along counts are not profiled by title, making the data less useful to media buyers.

2. It is reasonable to suspect that many of the pass-alongs are going to non-qualified recipients, since a qualified reader could order a personal copy at no cost. (Why would an interested reader wait for his turn on a routing list if he could have his own copy for free?)

3. The qualification method can exaggerate the pass-along total, since it allows the same reader to be counted twice, with no mechanism for eliminating duplication. Take the case of Mr. Jones, who indicated on his qualification card that he passes his copy along to a new person, Mr. Smith. After receiving his second-hand copy for a few months, Mr. Smith decides he'd like his own copy, so he sends in his own qualification card. Since data from qualification cards are kept for three years, the records now count Mr. Smith twice, once as a pass-along recipient and

once as a subscriber.

4. Qualification card information (for the primary reader as well as for pass-along readers) is usually reported from cards collected up to three years ago. In that period, many individuals have changed titles or jobs, or their companies might have gone out of business. Therefore, statements based on this type of data are undoubtedly out of date.

Powerful tool

The issuance of an ABC- or BPA-audited number for total readership is a very powerful tool in the hands of the magazine publisher. If the pass-along data can verify that the total readership for the magazine significantly exceeds the subscriber base, then the magazine can use this data to request higher advertising fees from its advertisers. In slower economic times, strong pass-along data can be employed to retain advertisers who might be considering a reduction in their advertising budgets. **TM**



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Research Industry News

continued from p. 15

will retain all of the CACI Marketing Systems Group staff and will serve existing CACI customers in addition to new customers. The companies have also agreed on a joint partnership to pursue future business opportunities.

Taylor Nelson Sofres has agreed to acquire the broadcast division of U.K.-based **BMC News** and will combine the division's activities with those of its broadcast monitoring firm **TNS Tellex**.

Wilton, Conn., research firm **Greenfield Online** has sold its custom research division to **TNS Intersearch**, a member of the Taylor Nelson Sofres group of companies. The Greenfield Online custom division, including the custom research staff, will be fully integrated into TNS Intersearch. Greenfield Online, Inc. will continue to focus on providing online data collection and infrastructure support to research companies. Under the acquisition agreement, Taylor Nelson Sofres group companies will be able to access the Greenfield Online research panel and other sample sources at

preferential partner pricing. In the year ending December 31, 2001, the custom research business to be acquired had sales of \$7.0 million.

Alliances/strategic partnerships

New York-based advertising and marketing information firm **CMR** has announced an agreement with **Mediamark Research Inc. (MRI)** to deliver MRI's demographic data through CMR's Strategy2 and Target2 ad-tracking applications. Clients who subscribe to MRI can connect MRI demographic data with CMR's advertising occurrence information.

Executive search firms **Stephen-Bradford Search**, New York, and **Career Consulting Group, Inc. (CCG)**, Stamford, Conn., have merged. Stephen-Bradford Search specializes in the placement of senior level marketing, sales, and IT professionals across a range of industries including market research. CCG specializes in executive recruiting in the fields of market research, marketing information, market modeling, sales analysis and database marketing.

Spatial Insights, a Vienna, Va.,

GIS firm, has formed a strategic alliance with **Spatial Re-Engineering Consultants (SRC)**, an Orange, Calif., provider of integrated micromarketing systems, under which Spatial Insights will act as a value-added reseller for SRC and its products, including Allocate, Solocast, Pinpoint, and Portfolio.

Association/organization news

Leaders of the market research industry, gathering in Geneva for the second consecutive year on January 14 and 15 to discuss ways to strengthen the position of market research, agreed to take action on a number of key priorities. The 50 leaders attending the global Research Leaders Summit, also called **RELEAS 2**, organized by the **Advertising Research Foundation (ARF)** and the **European Society for Opinion and Marketing Research (ESOMAR)**, decided to establish a global lobbying body for the market research industry.

The global lobbying organization is earmarked to address privacy legislation and any other legislative proposals that could have a detrimental effect on market research. Market research companies, client companies and market research trade organizations are expected to fund the global initiative.

Establishing the global lobbying body will be a step-by-step process. This year, the U.S.-based trade association **CMOR** (the Council for Marketing and Opinion Research) will be expanded to include Canada and Mexico. A European pilot effort, initially funded by ESOMAR, will be established this spring. Commitments for additional funding are already in hand. Similar regional efforts covering Asia-Pacific and Latin America will be set up after 2002.

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Seminar Dates and Locations from January–December 2002

101. Practical Marketing Research

New YorkJan 7-9
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 ChicagoMar 18-20
 DenverApr 22-24
 CincinnatiMay 29-31
 Los AngelesJuly 8-10
 New YorkAug 12-14
 AtlantaSept 23-25
 ChicagoOct 28-30
 BostonDec 2-4

104. Designing Effective Questionnaires: A Step by Step Workshop

New YorkJan 23-25
 AtlantaApril 2-4
 DenverJune 4-6
 ChicagoAug 20-22
 CincinnatiNov 5-7

106. Fundamentals of Internet Marketing Research Methods and Applications

Las VegasMar 12-13
 New YorkMay 14-15
 AtlantaAug 6-7
 ChicagoOct 31-Nov 1

201. Getting the Most Out of Traditional & Online Qualitative Research

DenverApril 25-26
 New YorkAug 15-16

202. Focus Group Moderator Training

CincinnatiJan 22-25
 CincinnatiMar 12-15
 CincinnatiApr 30-May 3
 CincinnatiJune 18-21
 CincinnatiAug 27-30
 CincinnatiOct 15-18
 CincinnatiDec 10-13

203. Specialized Moderator Skills for Qualitative Research Applications

CincinnatiJan 28-31
 CincinnatiJune 24-27
 CincinnatiOct 21-24

205. Qualitative Research with Children

ChicagoApril 16

301. Writing and Presenting Actionable Marketing Research Reports

New YorkJan 30-Feb 1
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 Los AngelesJuly 17-19
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401. Managing Marketing Research to Enhance Accountability and ROI

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 Los AngelesJuly 15-16

501. Applications of Marketing Research

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 ChicagoMar 21-22
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 BostonDec 5-6

502. Product & Service Research

New YorkMar 4-5

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504. Advertising Research

New YorkMar 6-7

ChicagoAug 7-8

505. Market Segmentation Research

New YorkFeb 5-6

ChicagoJune 4-5

Los AngelesSept 30-Oct 1

506. Customer Satisfaction Research

New YorkFeb 25-26

ChicagoSept 10-11

507. Analysis and Interpretation of Customer Satisfaction Data

New YorkFeb 27-28

ChicagoSept 12-13

508. Positioning Research

New YorkFeb 7

ChicagoJune 6

Los AngelesOct 2

509. Pricing Research

New YorkFeb 8

ChicagoJune 7

Los AngelesOct 3

601. Data Analysis for Marketing Research: The Fundamentals

New YorkJan 28-29

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Los AngelesJuly 15-16

CincinnatiOct 28-29

602. Tools and Techniques of Data Analysis

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DenverMay 7-10

AtlantaJuly 23-26

ChicagoSept 24-27

Las VegasNov 12-15

603. Practical Multivariate Analysis

CincinnatiJan 14-17

New YorkMar 18-21

DenverMay 13-16

AtlantaJuly 29-Aug 1

ChicagoSept 30-Oct 3

Las VegasDec 3-6

604. Translating Data Into Actionable Information: A Hands-on PC Based Workshop

CincinnatiMar 25-27

CincinnatiOct 8-10

605. Practical Conjoint Analysis and Discrete Choice Modeling

New YorkApr 3-4

ChicagoOct 15-16

701. Conducting Research in International Markets

New YorkApr 30-May 1

ChicagoSept 18-19

801. How to Use Marketing Information for Better Decision Making

New YorkMay 21-22

ChicagoSept 5-6

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tive regulatory efforts, but only if we organize collectively and that's what we've done today. It's groundbreaking," says Jay Wilson, executive chairman U.S. of NOPWorld and one of the initiators of setting up a lobbying effort.

At the RELEAS 2 summit, the industry leaders also agreed to take initiatives aimed at giving market research an increased profile in the business world, relaunching the industry and empowering it to take new future business opportunities.

In addition, the leaders agreed to take steps to strengthen cooperation between clients and providers in the industry, with especially strong focus on initiatives to optimize the role of market research at the client side.

The leaders endorsed starting the "Marco Polo" initiative, an industry research project aimed at collecting up-to-date, in-depth knowledge of corporations' needs regarding market research. Industry leaders also approved the outlines of a plan to create an industry forum earmarked to continue the industry reform process started at RELEAS on a permanent basis.

The RELEAS 2 summit was attended by industry leaders from both market research provider organizations and corporate clients rep-

resenting the global industry. RELEAS 2 is the second stage of a three-stage process aimed at redefining and strengthening the market research industry. The third and last RELEAS Global Leadership Summit will be held in January 2003.

Awards

Arbitron Inc., New York, has been listed among *Fortune's* Top 100 Best Companies to Work For in 2001. From a pool of 279 companies, Arbitron was ranked number 52 on the overall list of best companies and number 25 on the list of best companies for women. The annual list ranks companies that scored high on anonymous employee surveys evaluating trust in management, pride in work and the company, and on-the-job camaraderie.

New accounts/projects

Opinion Research Corporation, Princeton, N.J., announced that its U.S. Market Research Group has been awarded a series of contracts with a combined value of \$7 million. These contracts, with global technology organizations, will be completed over the course of 2002.

ACNielsen U.S., Schaumburg, Ill., has announced that CVS/Pharmacy,

Longs Drug Stores Corporation, and Eckerd Corporation have signed on to use Category Business Planner (CBP), ACNielsen's Web-based category management intelligence system.

New York research software company **FIRM Inc.** has signed **ACNielsen** to a global contract for FIRM's flagship confirmit software application. The first phase of confirmit's deployment is in support of Asia-Pacific operations, with deployment to all others to follow. Additionally, confirmit technology is being considered by ACNielsen as the foundation for future proprietary solutions.

CSM, Inc., an Atlanta-based research and consulting firm, has been selected by **Lodestar Corporation** to conduct a company-wide customer satisfaction and loyalty analysis, a competitive analysis, a win-loss analysis, and a post-implementation evaluation. Zesearch, Inc., an Atlanta-based competitive intelligence firm, had been conducting win-loss research for Lodestar Corporation and now that CSM and Zesearch have merged, Lodestar will continue its program through CSM. Over a 12-month period CSM will implement an ongoing research program designed to evaluate the satisfaction of prospects and customers, from initial introduction through their long-term customer experience.

Wilton, Conn.-based **Greenfield Online** has reached agreements to provide online data collection solutions to **Wirthlin Worldwide**, **Convergys Marketing Research Services**, **Harman Atchison Research**, and **Rothstein-Tauber**, adding to its partner program through which it serves the online data collection needs of research companies.

Nuremberg, Germany-based **GfK** has won two multi-year contracts in Belgium and Austria. Together with **Audimétrie**, a subsidiary of the

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Intomart GfK Group, GfK will carry out TV audience research in Belgium for the next seven years from 2002 to 2008 inclusive. The total contract volume amounts to EUR 17 million. Audimétrie, which has been commissioned by CIM (the Joint Industry Committee for media research in Belgium) for the last five years to measure TV ratings in Belgium, will supply the 1,500-member panel with new metering equipment in 2003. This will measure the reception of both analog and digital broadcast. GfK has also won a contract from Österreichischer Rundfunk (Austrian radio) and the marketing companies for private broadcasters RMS and RMC, under which GfK will carry out continuous radio audience research from 2002 to 2004. The volume of this contract totals EUR 1.5 million. The survey known as Radiotest has been carried out regularly by FESSEL-GfK, GfK's Austrian subsidiary, since 1993.

New companies/new locations

ICR / International Communications Research has moved its corporate headquarters to a new location at 53 West Baltimore Pike, Media, Pa., 19063-5698. Phone 484-840-4300. Fax 484-840-4599. The new location includes a state-of-the-art focus group facility.

Joel Reish, formerly vice president/director of market research with Eagle Research, has founded **Next Level Research**, a full-service research company at 130 Ridgeland, Atlanta, Ga., 30305. Phone 404-261-9565. E-mail joel@nextlevelresearch.com.

Millward Brown Precise, a media analysis division of the WPP group, has opened up in Millward Brown's Fairfield, Conn., office, to take its U.S. presence to three offices. Stephen Debruyne will relocate from London to run the team.

Market Directions has moved to 200 Walnut, Suite 100, Kansas City,

Mo., 64106. Phone 816-842-0020. Fax 816-472-5177.

Company earnings reports

Wilton, Conn.-based **Greenfield Online** announced that Q4 2001 was its first profitable fiscal quarter in company history. The company first achieved profitability in September 2001 and remained profitable through the end of the year. The firm has refocused its business to accelerate the development of the outsourcing services division and concentrate on serving the online data collection needs of research companies.

New York-based **Arbitron Inc.** has announced results for the fourth quarter and year ended December 31, 2001. For the fourth quarter, the company reported revenue of \$51.4 million, an increase of 9 percent over revenue of \$47.2 million during the fourth quarter of 2000. Earnings before interest and taxes (EBIT) for the quarter were \$9.3 million, com-

pared with EBIT of \$11.9 million during the same period last year. Net income for the quarter was \$2.6 million, compared with \$7.2 million for the fourth quarter of 2000. Cost and expenses were higher than last year because of increased spending related to the RADAR service, Webcast measurement, the Portable People Meter initiative, royalties, data collection, and research and development. Interest expense related to the debt incurred in connection with the reverse spin-off from Ceridian on March 30, 2001 also contributed to the year over year increase.

Net income per share for the quarter was \$0.09 (basic and diluted), compared with \$0.25 (basic) and \$0.24 (diluted) per share during the comparable period last year. The 2000 earnings per share amounts have been adjusted to reflect the one-for-five reverse split, which became effective following Arbitron's reverse spin-off from Ceridian.

For the year ended December 31, 2001, revenue was \$227.5 million,

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an increase of 10 percent over revenue of \$206.8 million reported for the same period last year. EBIT was \$75.5 million, compared to \$74.8 million during the same period last year. Net income was \$36.5 million, or \$1.25 per share (basic) and \$1.24 per share (diluted), compared with \$45.3 million, or \$1.56 per share (basic) and \$1.54 per share (diluted), last year. The decline in net income as compared to 2000 is the result of the interest expense related to the \$250 million in debt incurred at consummation of the reverse spin-off.

Forrester Research, Inc., Cambridge, Mass., announced its fourth-quarter and year-end 2001 financial results. Fourth-quarter 2001 total revenues were \$34.7 million, compared with \$47.9 million for the fourth quarter of last year. Net income was \$4.9 million, versus \$7.3 million for the fourth quarter of 2000. Net income per diluted share was \$0.21 in the fourth quarter of 2001, compared with \$0.30 for the same period a year ago. Total revenues for 2001 were \$159.1 million, compared with \$157.1 million in 2000. Pro forma net income was \$20.2 million in 2001, versus net income of \$21.6 million in 2000. Pro forma net income excludes a \$3.1 million third-quarter charge related to a workforce reduction. Including the charge, Forrester reported net income of \$18.1 million for 2001. Pro forma net income per diluted share was \$0.84 for 2001 compared with net income per diluted share of \$0.88 in 2000. Pro forma net income per diluted share excludes a \$3.1 million third-quarter charge related to a workforce reduction. Including the charge, the company reported net income per diluted share of \$0.76 for 2001.

St. Petersburg, Fla.-based **Catalina Marketing Corporation** reported third quarter results for

the period ended December 31, 2001. Revenue in the quarter grew 6 percent to \$114.7 million, compared to \$108.7 million in the third-quarter of the prior year. Quarterly net income was \$17.4 million, or \$0.31 cents per diluted share, versus \$16.8 million, or \$0.29 cents per diluted share for the comparable prior year period. The company's research operations, conducted by Alliance Research, reported revenue approximately equal to revenue in the comparable prior year period. Earnings for the research operations were equal to approximately \$0.01 per company common diluted share.

Milpitas, Calif.-based Internet audience measurement firm **NetRatings, Inc.** announced financial results for its fourth quarter and year ended December 31, 2001. Revenues for the fourth quarter of 2001 were \$5.1 million, compared with \$6.6 million reported in the same period one year ago. Pro forma net loss for the fourth quarter of 2001 was \$868,000 or a loss of (\$0.03) per share on approximately 33.1 million shares outstanding. (The pro forma results exclude amortization of non-cash stock-based compensation and charges related to joint venture expenses.) This compares with pro forma net income in the same period one year ago of \$1.1 million or \$0.03 per share on approximately 32.4 million shares outstanding.

For the year ended December 31, 2001, revenues were \$23.5 million, up 15 percent from revenues of \$20.4 million in fiscal 2000. Pro forma net loss for 2001 was \$2.1 million, or a loss of (\$0.06) per share, compared with a loss of \$222,000 or a loss of (\$0.01) per share in 2000.

On a GAAP basis, which includes the amortization of non-cash stock-based compensation and the loss on joint ventures, net loss for the fourth quarter of 2001 was \$4.5

million, or a loss of (\$0.14) per share on approximately 33.1 million shares outstanding. This compared with a net loss of \$2.7 million, or a loss of (\$0.08) per share on approximately 32.4 million shares outstanding during the same period one year ago. Including the amortization of non-cash stock-based compensation and the loss on joint ventures, net loss for fiscal 2001 was \$17.6 million, or a loss of (\$0.54) per share on approximately 32.9 million shares outstanding. This compared with a net loss for fiscal 2000 of \$14.3 million or a loss of (\$0.45) per share on approximately 32.0 million shares outstanding.

Harris Interactive, Rochester, N.Y., reported results for the fiscal 2002 second quarter ended December 31, 2001. The company reported revenue of \$24.8 million in the second quarter of fiscal 2002, in line with previous projections. The revenue includes \$7.6 million derived from two months of operations from Total Research, which merged with Harris Interactive on November 1, 2001. For the second fiscal quarter, the company reported a pro forma net operating loss of \$4.3 million or (\$0.09) per share. The company also reported a restructuring charge of \$6.2 million or \$0.14 per share. Of this amount, \$1.2 million or \$0.03 per share represented current cash items, principally severance costs. The balance of the charge (approximately \$4 million or \$0.09 cents per share) consisted of write-offs of abandoned fixed assets and real estate, due mainly to the consolidation of the two companies' telephone data collection centers. Reported combined loss for the quarter was \$10.5 million or (\$0.23) per share. At December 31, 2001, Harris Interactive reported \$30 million in cash and marketable securities on its balance sheet, with no long-term debt.

Survey Monitor

continued from p. 8

reinforced in this post-9/11 study. "We expected to see some major changes in the scores of brands," says John Morton, senior vice president and founder of EquiTrend at Total Research/Harris Interactive. "Usually, a recession has a substantial impact on equity scores, let alone recession plus 9/11. In past recessions, quality scores of brands tended to drop in general — luxury brands more than everyday brands. But most well-known brands were stable through this period, with the quality scores of most brands that had 60 percent or higher salience changing by less than a tenth of a point on our eleven-point scale."

Other surprising insights:

- Comfort- and escape-brands tended to do well. For instance, Jack Daniel's had the 3rd best improvement from March to November 2001, with Miller Beer and Fox Sports also on the 10-most-improved list.

- Travel brands did not generally lose equity during this period. Surprisingly, most of the major airlines experienced an increase in perceived quality. Westin Hotels ranked 15th in quality improvement, and Southwest Airlines (9th) and Japan Airlines (14th) did even better. While there are many possible interpretations and explanations of these results, there seems to be no evidence of any permanent damage to consumer goodwill toward travel brands. Automotive brands also tended to do well on the most-improved quality list, with Michelin (7th), Goodyear (18th), and Exxon (19th).

- Media brands, perhaps due to the "stay-at-home syndrome," or by virtue of their special value during risky times, tended to do well. For instance, CNBC (2nd), BBC (8th), and The History Channel (10th), all made the 10-most-improved in quality list. AOL, which could broadly be considered a media brand, was the brand with by far the greatest quality improvement from March to November 2001.

- Luxury brands also tended to improve their quality standing unlike in other recessions. Among the top

gainers are brands like Ferrari (4th), Michelin (7th), Rolls-Royce (11th), Coach (21st), Porsche (22nd), Plaza Hotels (23rd), *The Wall Street Journal* (24th), and Lord & Taylor (27th).

Less familiar brands generally lost ground. All of the 65 worst-performing brands (i.e., biggest decrease in quality) had salience levels below 50 percent. "In other words, people went for familiarity, comfort and quality. It is probably no coincidence that ominous-sounding Prophesy Apparel was

the single biggest loser in quality during the study," Morton says.

The EquiTrend Fall 2001 brands were rated by 30,935 consumers ages 15 and over. The survey was conducted online October 31 through November 6, 2001, and rated 950 brands, including 215 media (print and broadcast) brands. Each respondent was asked to rate 100 brands (out of the total 950 brands) — 20 "core brands" (asked of everyone) and 80 randomly-selected brands from the

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San Francisco - Nichols Research, Inc.

San Francisco - Concord - Nichols Research, Inc.

San Jose - Nichols Research, Inc.

Seattle - Consumer Opinion Services, Inc.

Tampa - The Herron Group of Tampa, Inc.

Washington, D.C. - Shugoff Research, Inc.

United Kingdom - London - MORPACE International

remaining 930 brands. All respondents were asked to rate the 20 core brands in order to calibrate the data. Two thousand respondents (minimum) were asked to rate each of the remaining non-core brands. The study measures: quality — on a scale of 0 to 10 with 5.00 being very acceptable, 8.00 or above is considered world-class; salience — the percentage of people who feel aware and informed enough to rate the brand; equity — quality X salience. For more information call 877-919-4765 or visit www.harrisinteractive.com/total/.

Sleep, eat, drink beer?

Worries abound for parents who send their children off to college. Financial irresponsibility, skipping class, and even binge drinking and drug experimentation are all fears parents face. A study released by Questia Media reveals how college students actually spend their time.

The good news: Most parents need not worry that their student is abusing his or her college education. Rest assured, today's college student is aware of the importance of attending class and mindful of spending too much money.

Following are some highlights from Questia's survey of 1,500 college students and parents.

On leisure time:

- 53 percent of students watch less than two hours of television per day;
- 49 percent of students go out socially one to two nights per week, but 63 percent rarely or never drink, and 64 percent have never experimented with drugs;
- 69 percent of students admit to catching more than seven hours of shut-eye per day;
- 19 percent of students admit to not calling home enough.

On study habits:

- 66 percent of students deny skip-

ping class even once a week;

- 40 percent of students spend one to two hours online per day;
- 87 percent of students polled prefer to conduct late-night research via the Internet from home or in their dorm room rather than trekking to the library, and 81 percent spend three hours or less at the library per week.

On finances:

- 28 percent of students claim to sometimes ask for a handout from mom and dad, while 53 percent of students pay for at least half of their college life;
- 75 percent of students spend \$50 or less per week on entertainment such as dining out and shopping.

Questia's survey was conducted online and analyzed by Greenfield Consulting Group. Sixty-four percent of the survey participants were freshmen or sophomores; 20 percent were juniors; and 16 percent were seniors.

AOL names top 10 teen wired cities

America Online, Inc., has announced the top 10 teen wired cities in America based on a national survey of more than 6,700 parents of teens and teens conducted by Digital Marketing Services, Inc. (DMS). The results are based on the amount of time that teens, ages 12-17, spend online on a weekly basis and also reveal what teens do while they're online, including e-mail, homework, instant message, listen to music, research current events, play games, and more.

According to the study, the top 10 teen wired cities in the U.S. are No. 1 Pittsburgh, No. 2 New York, No. 3 Cleveland, No. 4 San Diego, No. 5 Miami-Ft. Lauderdale, No. 6 Hartford and New Haven, No. 7 Los Angeles, No. 8 Detroit, No. 9 Philadelphia, and No. 10 Milwaukee.

Teens aged 12-17 years living in Pittsburgh are online an average of 15.82 hours per week and teens living in the No. 10 teen wired city — Milwaukee — are online an average of 12.85 hours per week.

The DMS survey also reveals that the Internet is increasingly becoming

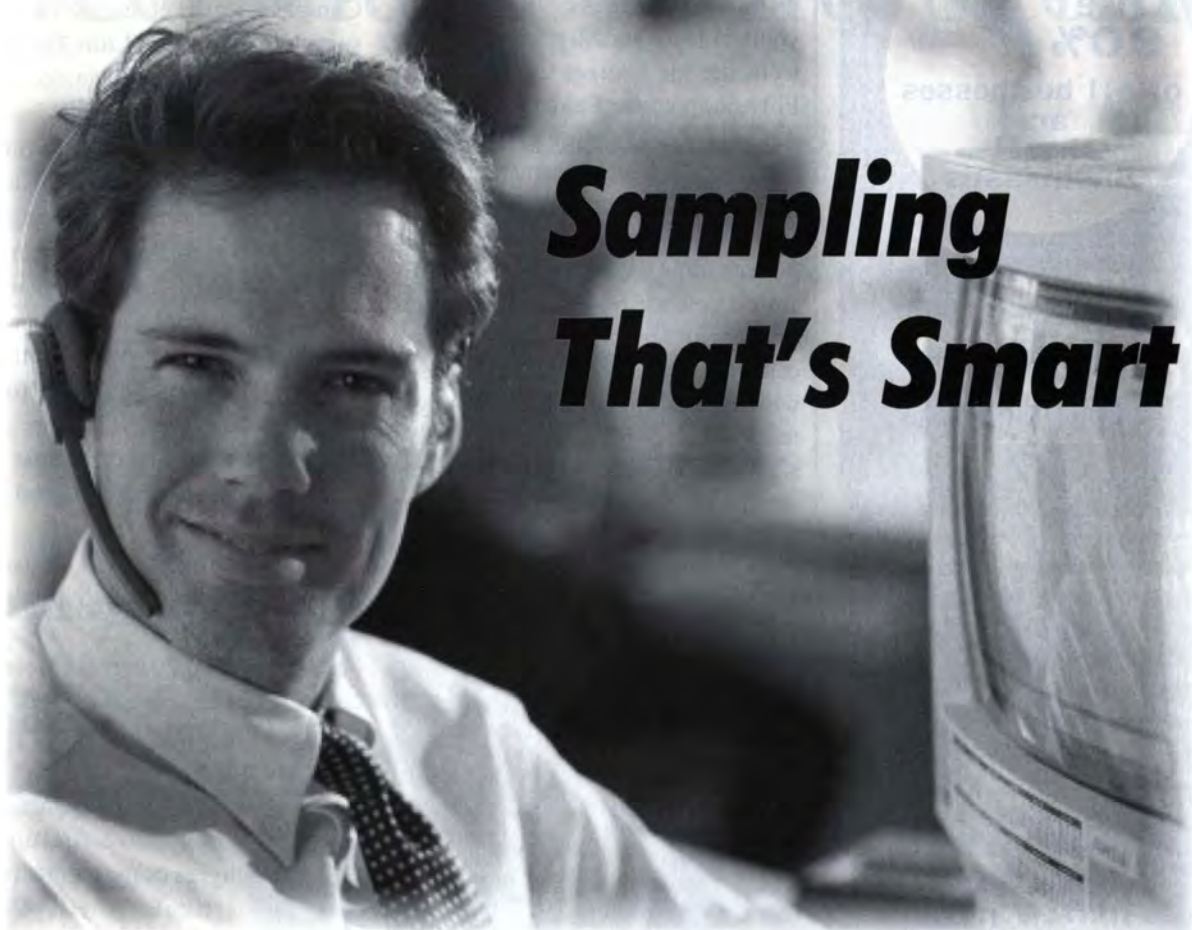
an integral and essential part of teens' daily lives, spanning the full range of their everyday activities. Here is a snapshot of what teens are doing online.

Communication: The survey found that the Internet has, in many ways, become the primary communication tool for teens, surpassing even the telephone for some teenage groups. Eighty-one percent of teens between the ages of 12-17 use the Internet to e-mail friends or relatives while 70 percent use it for instant messaging. When you look at older teens, age 18-19 years, these statistics jump to 91 percent for e-mail, 83 percent for instant messaging. Fifty-six percent of teens aged 18 and 19 years prefer the Internet to the telephone.

According to the recently released AOL Roper ASW Youth Cyberstudy, the Internet has become such an essential communication resource that the majority of today's youth (55 percent) would rather bring a computer with them to a deserted island over a telephone or television. The same survey shows that most teens agree that more people will know their e-mail address rather than their phone number within 10 years.

Education: In addition to communicating with friends and participating in online recreational activities, the DMS survey reveals that teens depend on the Internet as an educational resource, relying on online resources to complete school assignments and research news and current events. Fifty-eight percent of younger teens (12-17 years) consult online resources for guidance on their homework assignments while 61 percent of older teens (18-19 years) turn to the Internet for help completing their schoolwork. Additionally, more than a quarter (26 percent) of younger teens go online to access news and current events while almost two-thirds (61 percent) of older teens do the same.

Recreation: The study also demonstrated that teens turn to the Internet when they want some downtime from their busy lives. Fifty-five percent of younger teens between the ages of 12 and 17 years go online to listen to and download digital music; this figure



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jumps to an impressive 65 percent for older teens aged 18 and 19 years. Playing games online is another fun distraction for teens; 70 percent of younger teens and 60 percent of older teens use the Internet to play games. Fifty-one percent of older teens rely on the Web when planning vacations and searching for travel information. Other online recreational activities that register with the teen audience include downloading the latest news and gossip on celebrities and music groups (40 percent for younger teens, 35 percent for older teens), participating in online chats (36 percent for younger teens, 46 percent for older teens), and accessing sports information (25 percent for younger teens, 19 percent for older teens).

As teens continue to rely more and more on the Internet for their everyday activities, they are also beginning to take advantage of wireless devices. Twenty-five percent of parents surveyed indicated that their teens currently use cell phones with instant messaging and/or e-mail capability. When asked which wireless devices their teen would most like to own, 51 percent responded a cell phone with messaging capability.

Consumption of personal care products rises

Annual consumption of personal care products has jumped to 40.5 packages per person in 2000, up from 38.4 packages per person in 1990, and, according to a newly released study by Kline & Company, changes in the demographic composition of the U.S. are largely responsible for this growth.

The first part of the research study series, titled Demographic Series For The Personal Care Industry, states that while the U.S. population grew by 13.2 percent from 1990 to 2000, the unit volume sales of cosmetics and toiletries expanded by 19.3 percent during the same period. "These numbers indicate that, on average, each American is using 5.4 percent more

personal care products now than in 1990," says Lenka Contreras, manager of consumer products at Kline & Company, a market research and consulting firm based in Little Falls, N.J.

Skin care product usage, for example, experienced a 22 percent increase over 1990 levels to reach 4.8 skin care products per person in 2000. The category was driven by the ongoing search by aging Baby Boomers for products that will help them maintain a youthful appearance. Another contributing factor to growth in this category is the large population of teenagers purchasing skin care products for the first time to address their concerns for oil-free skin and pore size.

Another category that registered high consumption growth is hair coloring products. On average, Americans used 70 percent more hair coloring products per person in 2000 than in 1990. This surge is attributed in part to trend-setting teens entering the user base and aging Boomers covering gray hair. Also fueling the increase is higher usage among ethnic groups, particularly Hispanics. According to the report, more than 55 percent of Hispanics purchased hair-coloring products in 2000 — the highest percentage of any race or ethnic group. This tendency, along with a 58 percent jump in the U.S. Hispanic population over the last decade, has contributed significantly to the sharp rise in hair coloring product consumption.

Not every category experienced such robust growth during the 1990s. In fact, several categories reported stagnant or declining per capita usage from 1990 to 2000, including fragrances, nail care products, and bar and liquid soaps. "Marketers will need to better understand how shifts in diversity, household structure, and population distribution will affect consumer demand for these and other personal care products in order to gain an accurate perspective of the market," says Contreras. For more information visit www.klinegroup.com.

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St. Elizabeth

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pants for non-verbal cues, and used follow-up questions to probe deeper into their beliefs and value sets. Insights obtained from these techniques provided key rational and emotional motivations, perceptions and potential barriers that affect the selection of a cardiovascular care program.

Audience insight

Competence and comfort (both physically and mentally) were identified as the two most important criteria for a cardiovascular center. Participants' top-of-mind associations with cardiac/heart programs were based more on personal experiences — focusing less on specific program names, services, equipment, or benefits. Further, there was consensus among participants regarding the fear that goes along with heart or other cardiovascular problems.

Pictures chosen by participants to convey competence included a brain, test tubes, gears, an oil can, a Swiss army knife, and folded hands. Characteristics participants associated with the pictures reflected their values as well as their beliefs about what

makes a facility well qualified or competent. The ideal program would be up-to-date in terms of technology, procedures, and equipment or tools.

Though not the most determinant factor in the selection of a cardiac/heart care program, comfort — on both a physical and a spiritual level — is a mandatory element of the ideal cardiac/heart care program. Pictures that most often conveyed physical comfort were a warmly decorated living room and a comfortable



Using findings from the research, Marcus Thomas created a TV spot that communicated competence and comfort.

armchair. Some participants described these pictures as bright, colorful, cheery, comfortable, warm, and homey.

On a spiritual level, pictures of hands and candles symbolized the comfort patients would like to experience in the ideal cardiac/heart program. The staff would have “caring hands,” and all elements of the program (the people, the surroundings, the care) would work together to create a tranquil or peaceful environment for the patients. A chapel also characterized the ideal cardiac program for those who are spiritual in a religious sense.

The creative process

Research findings were incorporated into planning and creative brainstorming activities to assist in the development of an advertising campaign that created the emotional landscape supporting St. Elizabeth's desired positioning.

The objective was to develop an


advertising campaign (television and print) to increase consumer preference for St. Elizabeth's as a place to have more advanced cardiovascular procedures like open-heart surgery. The research findings set the stage for all cardiovascular communications moving forward, and the television ad was the first in a series to introduce the Humility of Mary Health Partners' overall brand position.

Based on the motivational research findings, the advertising needed to convey an image of competence and comfort. According to Joanne Kim, a partner and creative director at Marcus Thomas, a high-tech component was necessary for the television spot to demonstrate the clinical expertise of The Heart and Vascular Center to the target audience.

The television spot visually communicates the high-end cardiovascular technology (competence) contrasted with an emotional Tony Bennett song, “So Beats My Heart For You” (comfort). The commercial takes place in a clinical setting where a medical team is conducting open-heart surgery. The lighthearted song draws the viewer's attention because of its extreme contrast to the serious, fast-paced visual.

Campaign evaluation metrics

Elements of the advertising campaign are being introduced in phases. The television spot was launched first, and a print ad is in development. Both ads will be running through June 2002 in St. Elizabeth's target market.

Consumer perception and preference will be measured by an outside research firm in 2002 and beyond, and Marcus Thomas will review targeted changes in out-migration and market share. 

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Software Review

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Exports to Word and Excel will save you having to type in data again, but without the ability to influence layout or styles, they do not provide a viable means to publish results electronically. Perhaps these will come along with the improvements Uncle Group is planning with the introduction of a new end-user table viewer program, and improved Excel support.

Been a 'lifesaver'

I spoke with two users who had recently opted for Uncle. Holly Brannon founded Holly Stark Brannon Associates in Saugus, Calif., in 1999 as a means for her to work from home when a disability was making employment difficult for her. Having used several DP packages, she opted for Uncle. "I am not a computer person," she explains. "I have a market research background, but I've been able to pick this up by myself. Uncle has enabled me to work on my

own and create a business. It has been a lifesaver."

Brannon is delighted with the new Uncle editor. "I love it," she says. "You can do more in this scrolling window than you could before. It's very easy and user-friendly."


Her favorite improvements include distributions on-screen and improvements in ranking which make it easier to handle open-ended data, plus simplified significance testing. "I've got these down from about 30 minutes to five minutes now," she reports. She reckons the new online help has saved many a call to support, as most questions can be answered on-screen.

Compared to other tab packages, Brannon says, "Maybe the easier things are a bit clunkier, but the difficult things are so much easier. It is very flexible."

Two years ago, when Ken Hartley and Paul Mackiewicz set up CIDR Systems, a Philadelphia data processing and reporting company, the relatively low one-off cost of an Uncle license was a major attraction, says

Hartley. "It's easy enough for a novice to use, but powerful enough for an expert to use and not feel bogged down going through operations that a novice would have to."

Like many data processing professionals, Hartley feels that a full GUI interface can get in the way, and the hybrid approach in Uncle brings the best of both worlds. "I was skeptical there was going to be a Windows version and that everything was going to be point-and-click. I don't like that—it slows me down. But by using both environments you can shave off a fair amount of time on every job."

Both Hartley and Holly Brannon independently estimated it takes about three months to learn Uncle properly, so ease of use is relative in this case, but par for the course. "In a program like this," Hartley says, "you don't get to use all the functions because you don't have clients that want them all at once. But sometimes, when you get the hard jobs, you learn some new things that make the easy jobs even easier!" 

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Product & Service Update

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scriptive remedies, shopping preferences, and automotive ownership. The Excite Network's iWon.com, a registration-based loyalty portal, is a consumer destination with personalized and targeted content. The addition of Excite's iWon portal with 36 vertical channels and specialized centers will add to Survey Sampling's ability to reach low-incidence population segments based on interests, behaviors, and demographics. For more information visit www.surveysampling.com.

Online gamers panel debuts

Communique Partners, a San Rafael, Calif., online panel and consulting firm, has launched The Gamer's Voice, an online panel of gamers. Created by a team of market researchers, the panel will consist of over 5,000 gamers, representing a cross-section of platforms, genres, ages, and genders. The panel will be tapped for online surveys and discussion groups that will provide answers to a variety of industry and vendor issues. These include: 1) product, title and plot tests, 2) future purchase plans, 3) platform acceptance, hot buttons, and their future role as digital entertainment centers, 4) broadband connectivity potential, and 5) marketing bundles that will drive volume. An annual subscription service will include quarterly reports, tele-briefings, and analyst queries. Subscribers will also be able to tap the panel for custom proprietary surveys covering usage and attitudes, purchase intentions and influences, satisfaction and loyalty studies, online focus groups and discussions, as well as product and promotion testing. For more information contact Chris Yalonis at 415-453-9030 or visit www.communiquepartners.com.

Survey monitors work-life employee benefits

Fisher Vista, a Capitola, Calif., marketing services firm serving the life management employee benefits industry, is

now offering a new Web-based survey designed to monitor and identify trends in the field of work-life employee benefits. To be conducted quarterly, Fisher Vista's work/life survey series will target specific areas that are most pressing to HR professionals and, by extension, to life management employee benefit vendors. HR professionals will be invited to recommend the questions to be asked. Results of the surveys are free to public and private sector human resource professionals who agree to participate in the opt-in surveys. Once a quarter, an e-mail containing a link to the Web-based survey will be sent to participants who may complete the online survey and view the results. Surveys will take less than 15 minutes to complete. Results will also be shared with clients of Fisher Vista. The theme of the initial survey, planned for the second quarter of 2002, is elder care and what types of benefits and policies employers are currently offering, and plan to offer to employee caregivers. HR and work-life professionals interested in participating in these free surveys may register at www.fishervista.com/surveys.htm.

New online store from Sage

Sage Research, Inc., Natick, Mass., has introduced the SageStore, a new

online venue to sell research reports as well as data in single charts. Features of the online store include: delivery of current research reports and individual charts via e-mail; specific details about the charts including exact question asked, basic information identifying the sample population, and the number of participants in the study; a variety of topics to choose from, including IP telephony, mobile IP, network cabling and fiber-to-the-desktop. The SageStore lists the specific charts and reports for sale in each category. For each report, the store provides the table of contents, basic demographic information and a link to the report's electronic brochure. For more information visit www.sageresearch.com/reports.htm.

Cheskin offers free media report

Cheskin, a Redwood Shores, Calif., research firm, has released the third report in its Market Insight Series. The 18-page report, "Media Content: The Place Where We Live," proposes a model that includes five key factors in developing media experiences which are meaningful to consumers. Previous reports in the series have covered youth and digital experience, and life sciences. The report describes the current

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nature of the media business, from broadcast to newspapers and the Internet, and the business and technological developments that are transforming it. It describes means by which customers can be more fully engaged by focusing on the principles of media experience. Overview data on market trends provide the foundation of the report with the company's broader insights from its proprietary client research elucidating current consumer trends. The heart of the report outlines the five key components of compelling media experience. These include meaningfulness, relevance, accessibility, identity, and medium appropriateness. The report can be downloaded free of charge at www.cheskin.com/think/thinking.html.

New analysis of quick-casual food service segment

Chicago-based Technomic has launched an in-depth, industry-wide

analysis of the quick-casual food service segment. The analysis, "Capitalizing on Growth Opportunities in the Quick Casual Segment," will assess factors for success, consumer drivers, unit economics, and long-term potential.

Early consumer research supports the theory that success relies heavily on creating the right "experience." Operators must evaluate every aspect of their concept, including menu, decor, service systems, and trade dress, in order to provide a positive sensory experience. Manufacturers, on the other hand, have an opportunity to build business with quick-casual operators by providing solutions related to food and food preparation, equipment, and packaging.

In addition to evaluating consumer attitudes and behaviors, the study will also provide insights into related trade issues such as size and composition of the market, most prevalent cuisines now and in the future, typical unit economics, and criteria for

success (including site requirements, market characteristics, building types and sizes). For more information contact Joyce Baird at jbaird@technomic.com or visit www.technomic.com.


Briefly...

IMS Health, Fairfield, Conn., has announced the U.S. launch of Xplorer.Web, a **turnkey business intelligence platform** that provides pharmaceutical companies with answers to sales and marketing questions via the Internet. Xplorer.Web integrates IMS Health's pharmaceutical sales and prescription data with a pharmaceutical company's detailing, sampling and call data to help clients better assess sales and marketing effectiveness. For more information visit www.imshealth.com.

Public relations firm Burson-Marsteller and market research firm Millward Brown have created a **specialist travel and tourism consulting practice focused on Asia-Pacific markets**. The Asia-based practice will offer clients the services of travel and tourism industry strategists as well as marketing and research professionals.

Houston-based MindSearch has launched its **interactive interviewing kiosks** nationwide. A 90-day beta test at a mall in San Antonio resulted in 12,000 completed surveys. By this summer, the company plans to have its kiosks in malls in 15 major markets. For more information visit www.mindsearchinc.com.

New York-based SponsorClick has released "Sponsorship 2002 Market Analysis," a **study of the global sponsorship market**. The study examines the market as a whole as well as the key players and analyzes long-term trends, including the growth of sponsorship compared to other communication channels. For more information visit www.sponsorclick.com.



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Marketing Research Review

Qualitatively Speaking

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Their responsibility is to observe the research, take notes and possibly ask a question or two of the consumer.

With increased involvement, company participants share equal responsibility with an outside research vendor in conducting site visits. In this case, the outside party acts as a coach to work with the sponsoring company in conducting interviews, recording observations and debriefing.

The method with highest company involvement is to have the sponsoring company conduct the research independently. In this case an outside party may not be involved at all or may only be involved in helping to manage the logistics of the research. If this method is used, it is important that the sponsoring company is adequately prepared to enter its customer's world. Training those who will be involved in conducting the


research is imperative and should cover topics such as personal and company biases; phrasing open-ended, non-leading questions using consumer vocabulary; and observation and memory skills essential to ethnographic research.

It is also as important to get the right mix of people from the sponsoring company involved in the research. A cross-functional team allows multiple perspectives to interpret the information gathered. Diversity in skills will balance the team and more depth in the research will be gained if at least two pairs of eyes and ears are watching and listening. It is also important that those responsible for implementation of the research results be involved. This allows them to have input from the very beginning and creates buy-in to the outcomes.

In a recent study with Western Union, the executive committee was not involved in conducting the research, so the internal team brought

the research to them. The Western Union team thought it would be much more powerful if the Western Union consumers from the research study presented the recommendations to the executive committee, and it worked. The committee gave an overwhelmingly supportive response; implementation of the research results and product concepts are in progress.

Always preferred

A research report is only good if it is read and believed, and a company directly involved in the consumer experience is more likely to have buy-in and implementation of the results. Firsthand experience is always preferred over secondhand information. 

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Supplier Side

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when you set direction for your business. Second, once you've done this and made decisions about the markets you will serve, you shouldn't use your markets as excuses.

Two other key intrinsic factors separate profitable firms from the not-so-profitable ones: financial systems and business acumen. They go hand-in-hand.

Financial systems

I am still amazed that, as focused and sophisticated as most researchers are with quantitative survey data, many have a hard time getting a grip on quantitative financial data about their own business. Many companies that make big investments in people and software to analyze their clients' data skimp when it comes to their own business information. Some companies that do invest in financial systems end up with disconnected pieces that do not tell a story.

The kinds of financial systems that you need to manage for profitability vary with the nature of your business. Custom research companies with more than one senior person selling and directing studies need a job cost system that tracks project labor and expenses. Syndicated companies may instead track cost by product or product group. Traditional data collection businesses will be focused on production, and should have production systems that track cost per interview by project. Technology-based companies often capitalize

substantial investments in intangible assets like software and databases. They need strong analytic capabilities to track the cost of building these assets and make sure that revenues cover these costs.

All companies, of course, need traditional income statements and balance sheets. Many companies with revenue below about \$5 million will do these quarterly — bigger firms should have monthly profit and loss information unless they have very predictable revenue and cost streams.

What many companies lack, sadly, is something that brings all this information together. A project cost system may show that every study is making money when the company in total is losing it. A production system may show jobs coming in on budget when the call center or company overall is not. These false signals can mislead frontline people into thinking that all is well when it isn't. They will then not understand the owner's dissatisfaction with business results when everything seems OK to them.

The key here is integration. Costs and revenues must be measured the same way in your project or production systems as they are in your profit and loss statement. The sum of study information must equal the company total. If pricing assumptions depend on key data like a cost per interviewer hour or an overhead rate, you have to continuously track the actual metrics to see how close they come to your assumptions.

Business acumen

Good financial systems are very helpful in managing for profitability, but they aren't sufficient. Even more important, in my experience, is business focus. There are some very profitable businesses in this industry that have fairly basic financial information, and many companies with extensive financial data and even more extensive losses. The

key is what you do with the information you have.

Owners of most profitable research companies manage them for profit. That doesn't mean they are bad researchers, or ruthless, or cheap. It does mean that the CEO or partners recognize that they are running a business first and foremost. How does this show?

- They hold senior staff accountable for project or account profitability in a firm but fair way.

- They accept unfavorable financial information and act on it, rather than trying to argue it away or change the metric so that unprofitable activity looks profitable.

- They are willing to make the hard decisions to let people go who can't deliver acceptable sales or manage a study on budget. They will make the even harder decision to exit a client relationship that can't be made profitable rather than hanging on forever in hope.

- They know what their findings and recommendations are worth to clients, and price to that value rather than looking solely at cost.

- They believe in the value of their company's work and the fairness of its prices, and don't back down quickly when faced with price pressure.

This isn't everyone's style. Some top researchers are more comfortable with client management and study design than tough people decisions. In successful companies, those people bring in a strong financial or operational person to provide business strengths that they lack — and then stand behind him or her when push comes to shove.

One way or another, most research companies with strong profitability have someone at the top with business acumen who will demand and then act on financial information. If you don't behave in this way, can you learn to do so? If not, you should take steps to bring someone with these skills into the top management of your business. **14**

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Data Use

continued from p. 20

sons, cases) in the same latent class share a common joint probability distribution among the observed variables. Persons are classified into that class having the highest (modal) posterior membership probability of belonging given their responses. Bayes theorem is used to compute class membership probabilities, and all LC model parameters are estimated by the method of maximum likelihood (ML). Thus, the LC approach to clustering and classification moves traditional cluster analysis onto a solid statistical framework.

LC is most similar to the k-means approach to cluster analysis in which cases that are "close" to one of k centers are grouped together. In fact, LC clustering can be viewed as a probabilistic variant of k-means clustering where probabilities are used to define "closeness" to each center (McLachlan and Basford, 1988). As such, LC clustering provides a way not only to formalize the k-means approach in terms of a statistical model, but also extends the k-means approach in several directions.

LC extensions of the k-means approach

1. Probability-based classification. While the k-means clustering algorithm utilizes an ad-hoc approach for classification, the LC approach allows cases to be classified into clusters using model-based posterior membership probabilities estimated by maximum likelihood (ML) methods. This approach also yields ML estimates for misclassification rates.

2. Determination of number of clusters. K-means provides no assistance in determining the number of clusters. In contrast, LC clustering provides diagnostics such as the BIC statistic, which can be useful in determining the number of clusters.

3. Inclusion of variables of mixed scale types. K-means clustering is limited to quantitative variables having interval scales. In contrast, LC clustering can be performed on variables of mixed metrics. Classification variables may be continuous, categorical (nominal or ordinal), or counts or any combination of these.

4. No need to standardize variables. Prior to performing k-means clustering, variables must be standardized to have equal variance to avoid obtaining clusters that are derived primarily by those variables having the largest amounts of variation. In contrast, the LC clustering solution is invariant of linear transformations on the variables; thus, no standardization of variables is required.

5. Inclusion of demographics and other exogenous variables. A common practice following a k-means clustering is to use discriminant analysis to describe differences that may exist between the clusters on one or more exogenous variables. In contrast, the LC cluster model is easily extended to include exogenous variables (covariates). This allows both classification and cluster description to be performed simultaneously using a single uniform ML estimation algorithm.

The general LC cluster model

The basic LC cluster model can be expressed as:

$$f(y_i) = \sum_k p(x=k) f(y_i|x=k)$$

while the LC cluster model with covariates is:

$$f(y_i|z_i) = \sum_k p(x=k|z_i) f(y_i|x=k)$$

or

$$f(y_i|z_i) = \sum_k p(x=k|z_i) f(y_i|x=k, z_i)$$

where:

y_i : vector of dependent/endogenous/indicators for case i

z_i : vector of independent/exogenous/covariates for case i

x : nominal latent variable (k denotes a class, $k=1,2,\dots,K$)

and $f(y_i|x=k)$ denotes the joint distribution specified for the y_i given latent class $x=k$.

For y_i continuous, the multivariate normal distribution is used with class-specific means. In addition, the within-class covariance matrices can be assumed to be equal or unequal across classes (i.e., class-independent or class-dependent), and the local independence assumption can be relaxed by applying various structures to the within-class covariance matrices:

- diagonal (local independence)
- free or partially free — allow non-zero correlations (direct effects) between selected variables

For variables of other/mixed scale types, local independence among the variables imposes restrictions on second-order as well as to higher-order moments. Within a latent class, the likelihood function under the assumption of independence is specified using the product of the following distributions:

- continuous: normal
- nominal: multinomial
- ordinal: restricted multinomial
- count: Poisson/binomial

LC cluster vs. k-means – comparisons with simulated data

To examine the kinds of differences that might be expected in practice between LC and k-means clustering, we generated data of the type most commonly assumed when using k-means clustering. Specifically, we generated several data sets containing two normally distributed variables Y_1 and Y_2 within each of $k=2$ hypothetical populations (clusters). For data sets 1, 2 and 3, the first cluster consists of 200 cases centered at (3,4), the second 100 cases with center at (7,1).

In Data Set 1 within each cluster the variables were generated to be independent with standard deviation equal to

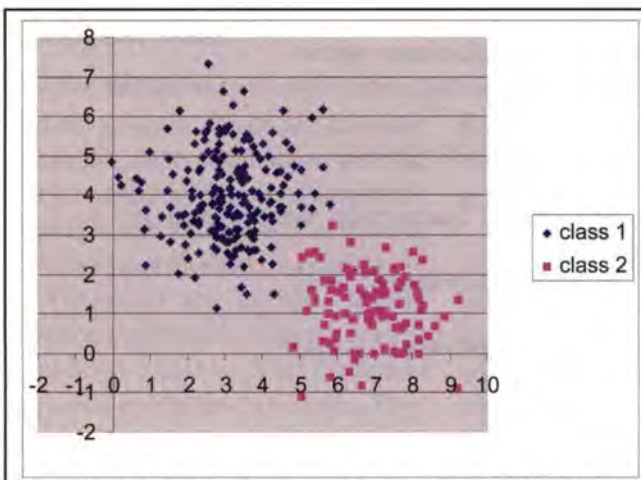


Figure 1: Data Set 1 — within each class, variables are independent with std. dev. $\sigma = 1$

one. By fixing the variables to have the same standard deviation, Data Set 1 was generated to be especially favorable to the k-means approach where the variables are typically standardized to have the same variance prior to analysis.

We used the Latent GOLD program (Vermunt and Magidson, 2000) to estimate various latent class models for each data set. Table 1 shows that the LC models correctly identify Data Set 1 as arising from two clusters, having equal within-cluster covariance matrices (i.e.,

Model	LogLikelihood	BIC	Number of Model Parameters
1-Cluster equal	-1226	2475	4
2-Cluster equal	-1057	2154 *	7
3-Cluster equal	-1051	2159	10
1-Cluster unequal	-1226	2475	4
2-Cluster unequal	-1053	2157	9
3-Cluster unequal	-1048	2175	14

the “two-cluster, equal” model has the lowest value for the BIC statistic, the criterion most widely used in choosing among several LC models). The ML estimate for the expected misclassification rate is 1.1 percent. Classification based on the modal posterior membership probability resulted in all 200 Cluster 1 cases being classified correctly and only

one of the 100 Cluster 2 cases, $(y_1, y_2) = (5.08, 2.43)$, being misclassified into Class 1. For Data Set 1, use of k-means clustering with two clusters produced a comparable result – all 100 Cluster 2 cases were classified correctly and only one of the 200 Cluster 1 cases was misclassified, $(y_1, y_2) = (4.32, 1.49)$.

Data Set 2 was identical to Data Set 1 except that the standard deviation for y_2 was doubled so the standard deviation for Y_2 was twice that of Y_1 , to reflect the more usual situation in practice of unequal variances. Figure 2 shows the greater overlap between the clusters which is caused by increasing the variability in the data.

Table 2 shows that the LC models again correctly identified these data set as arising from two clusters and having equal within-cluster covariance matrices (i.e., the “two-cluster, equal” model has the lowest BIC). The ML estimate for the expected misclassification rate is 0.9 percent and

Table 2: Results from estimating various LC models to Data Set 2

Model	LogLikelihood	BIC	Number of Model Parameters
1-Cluster equal	-1333	2689	4
2-Cluster equal	-1256	2552 *	7
3-Cluster equal	-1251	2558	10
1-Cluster unequal	-1333	2689	4
2-Cluster unequal	-1252	2557	9
3-Cluster unequal	-1247	2573	14

classification based on the modal posterior membership probability resulted in only three of the Cluster 1 cases and one of the Cluster 2 cases being misclassified.

For Data Set 2, k-means performed much worse than LC clustering. Overall, 24 (8 percent) of the cases were misclassified (18 Cluster 1 cases and six Cluster 2 cases). When the variables were standardized to have equal variances prior to the k-means analysis, the number of misclassifications dropped to 15 (5 percent), 10 of the Cluster 1 and five of the Cluster 2 cases, but was still markedly worse than the LC clustering.

Data Set 3 threw in a new wrinkle of constructing different amounts of variability in each clusters. To accomplish

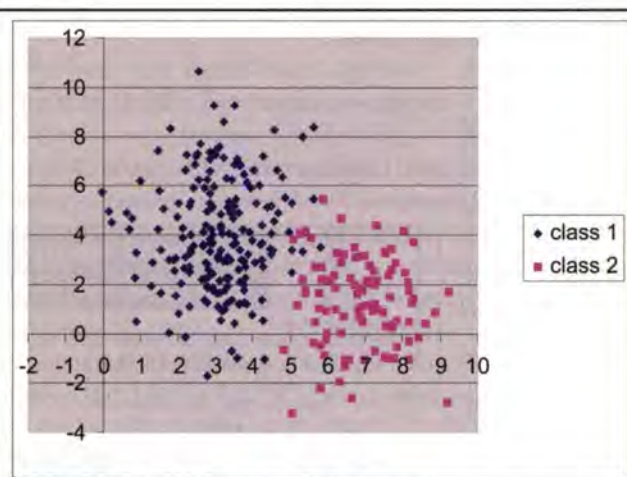


Figure 2: Data Set 2 — within each class, std. dev. for $y_2 = 2\sigma$

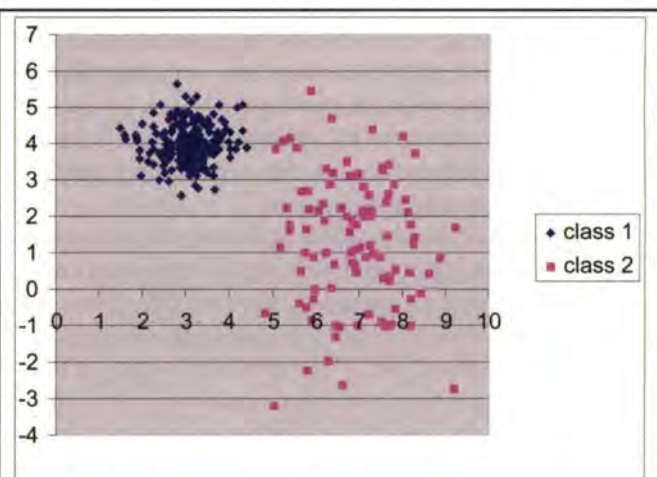


Figure 3: Data Set 3 — within Class 1, std. dev. for y_1 and $y_2 = 0.5\sigma$

Table 3: Results from estimating various LC models to Data Set 3

Model	LogLikelihood	BIC	Number of Model Parameters
1-Cluster equal	-1209	2440	4
2-Cluster equal	-962	1964	7
3-Cluster equal	-906	1868	10
1-Cluster unequal	-1209	2440	4
2-Cluster unequal	-849	1750 *	9
3-Cluster unequal	-845	1770	14

this and to remove the overlap between the clusters, for Cluster 1 the standard deviations for both variables were reduced to 0.5, while for Cluster 2, the data remained the same as used in Data Set 2.

Table 3 shows that the LC models correctly identify this data set as arising from two clusters and having unequal within-cluster covariance matrices (i.e., the "two-cluster, unequal" model has the lowest BIC). The ML estimate for the expected misclassification rate was 0.1 percent, and use of the modal posterior membership probabilities results in perfect classification. K-means correctly classified all Cluster 1 cases for these data but misclassified six Cluster 2 cases. When the variables were standardized to have equal variances prior to a k-means analysis, the six cases misclassified based on the analysis with the unstandardized variables remained misclassified.

For Data Set 4 we added some within-class correlation to the variables so that the local independence assumption no longer held true. For Class 1 the correlation added was moderate, while for Class 2 only a slight amount of correlation was added.

In addition to the usual LC models, we also estimated models that allowed a "free" covariance structure which relaxes the local independence assumption. While such models were not required for the earlier analyses (i.e., for the earlier analyses the BIC values were higher than that obtained using comparable models having

a fixed covariance structure), such models provided an improved fit to these data. Table 4 shows that the LC models

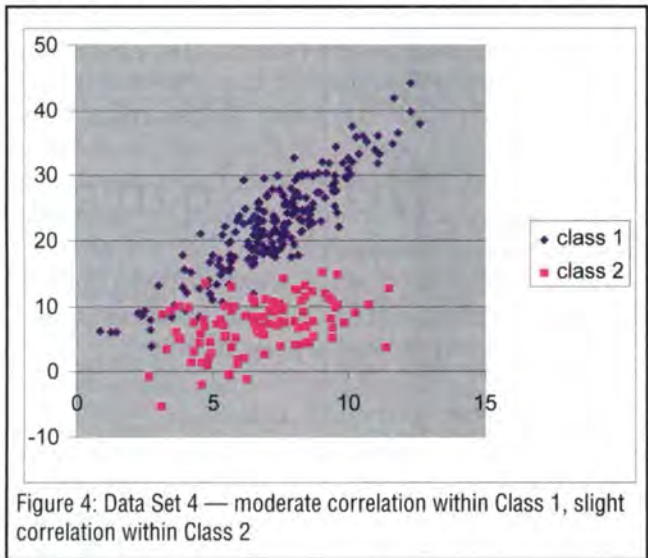


Figure 4: Data Set 4 — moderate correlation within Class 1, slight correlation within Class 2

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Table 4: Results from estimating various LC models to Data Set 4

Model	LogLikelihood	BIC	Number of Model Parameters
1-Cluster diagonal	-1750	3522	4
2-Cluster diagonal	-1700	3450	9
3-Cluster diagonal	-1645	3369	14
1-Cluster free	-1686	3400	5
2-Cluster free	-1600	3263 *	11
3-Cluster free	-1595	3287	17

correctly identify this data set as arising from two clusters, having a “free” covariance structure (i.e., the “two-cluster, free” model has the lowest BIC). The ML estimate for the expected misclassification rate was 3.3 percent, and use of the modal posterior membership probabilities resulted in 10 misclassifications among the 300 cases.

K-means performed very poorly for these data. While all 100 Cluster 2 cases were classified correctly, 44 Cluster 1 cases were misclassified, for an overall misclassification rate of almost 15 percent. If the recommended standardization procedure is followed prior to a k-means analysis, the results turn out to be even worse — 14 of the Cluster 1 and 66 of the Cluster 2 cases are now misclassified, an error rate of over 26 percent!

Comparison with discriminant analysis

Since Data Set 2 satisfies the assumptions made in discriminant analysis, if we now pretend that the true class membership is known for all cases, the linear discriminant function can be calculated and used as the gold standard. We computed the equi-probability line from linear discriminant function and appended it to the data set in Figure 5. Remarkably, it can be seen that the results are identical to that of latent class analysis — the same four cases are misclassified! These results suggest that it is not possible to obtain better classification results for these

data than that given by the LC model. For a more detailed analysis of these data see www.latentclass.com.

Summary and conclusion

Recent developments in LC modeling offer an alternative approach to cluster analysis, which can be viewed as a probabilistic extension of the k-means approach to clustering. Using four data sets, each generated from two homogeneous populations, we compared LC with k-means clustering to determine which could do better at

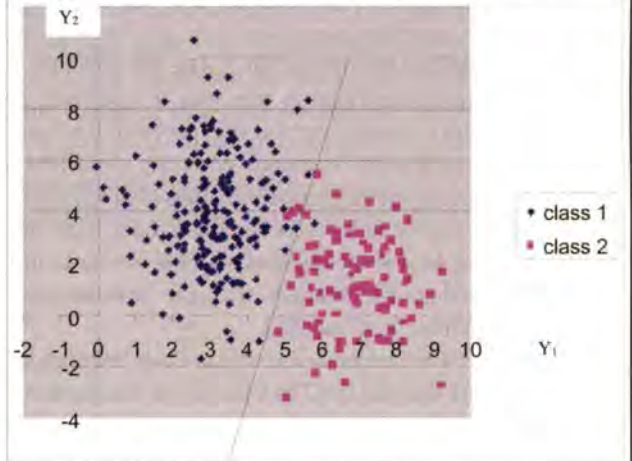



Figure 5: Data Set 2 with equi-probability line appended

classifying cases into the appropriate population. For all situations considered the LC approach does exceptionally well. In contrast, the k-means approach only does well when the variables have equal variance and the assumption of local independence holds true. Further research is recommended to explore other simulated settings.

While this article was limited to the use of LC models for cluster analysis, LC models have shown promise in many other areas of multivariate analysis such as factor analysis (Magidson and Vermunt 2001), regression analysis, as well as in applications of conjoint and choice modeling. Future articles will address each of these areas.

Note: Interested readers may obtain a copy of the simulated data used for these examples (including the formulae used in their construction) at www.latentclass.com. 

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Trade Talk

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ring company receives a fee from the providers for a guaranteed minimum number of referrals each month.


The study used data about ads that were shown in 23 of the 62 markets in which the company advertises (the ads had been showing in the markets in a range from eight to 144 months). Two paid coders analyzed the 72 TV ads, coding for content and the executional cues of each ad. During the period covered in the research, the firm did not systematically vary the executional cues used in the old versus new markets.

The authors began with a number of hypotheses:

- Argument-based ads are more effective in younger markets than in older markets.
- Emotion-based ads are more effective in older markets than in younger markets.
- Ads in which key attributes (in this case, a toll-free number to call) are prominent are more effective in younger markets than in older markets.
- Negatively-framed ads (those showing how a product or service can avoid or solve a problem) are more effective in younger markets than in older markets.
- Positively-framed ads (for example, an ad for a cleaning product that focuses in its fresh scent) are more effective in older markets than younger markets (in the cleaning product example, an ad touting the new scent would give consumers who are aware of and convinced about the product's cleaning abilities a new reason to consider trial).
- Expert endorsers are more effective in younger markets than in older ones.
- The relationship between market age and ad effectiveness follows an inverted U shape.

The findings supported all of the hypotheses, in varying degrees. The number of referrals provided in response to the argument-based ads in the younger markets declined as the market aged, and the response to ads using emotional appeals increased as the market aged. Also, ads in which the toll-free number was visible longer were more effective in the younger markets.

More work is needed

The researchers acknowledge some limitations — for example, they studied a market in which competitive pressures were limited — and certainly more work is needed (e.g., how do you define what makes a market old or young?), but the study raises some interesting points and provides evidence that it's wise to number "age of market" among the factors that influence how an ad campaign is developed, rolled out, and ultimately judged. 

What to Say When: Advertising Appeals in Evolving Markets (No. 01-103; \$18) is available from Marketing Science Institute (www.msi.org).

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Trade Talk

By Joseph Rydholm, QMRR editor

With ads, is timing everything?

A recent Marketing Science Institute working paper makes a compelling reminder to consider “age of market” when planning an ad campaign.

In *What to Say When: Advertising Appeals in Evolving Markets*, authors Rajesh Chandy, Gerard Tellis, Deborah MacInnis, and Pattana Thaivanich argue that in young markets — those where a product or product category is new — advertising that educates consumers rather than appealing to their emotions is likely to be most effective. Since consumers don’t know much about the product and what differentiates it from others on the market, they are more likely to seek out and soak up the information contained in what the authors call “argument-focused” ads.

In such markets, the authors write, “...if ads are to be persuasive, they need to provide compelling arguments that reduce purchase risks and differentiate the product from competitors. Since consumers are motivated to process ads when prior knowledge is lacking, they should find ads more compelling when the ads provide a credible reason for buying the product.”

By contrast, older markets — where the product or category is well-known — may demand use of a more emotion-based approach. “(W)hen consumers are already aware of the product, and have pre-existing attitudes toward it, they are less motivated to process information about it. Indeed, they may negatively respond to argument-focused ads because of satiation, boredom, or irritation...”

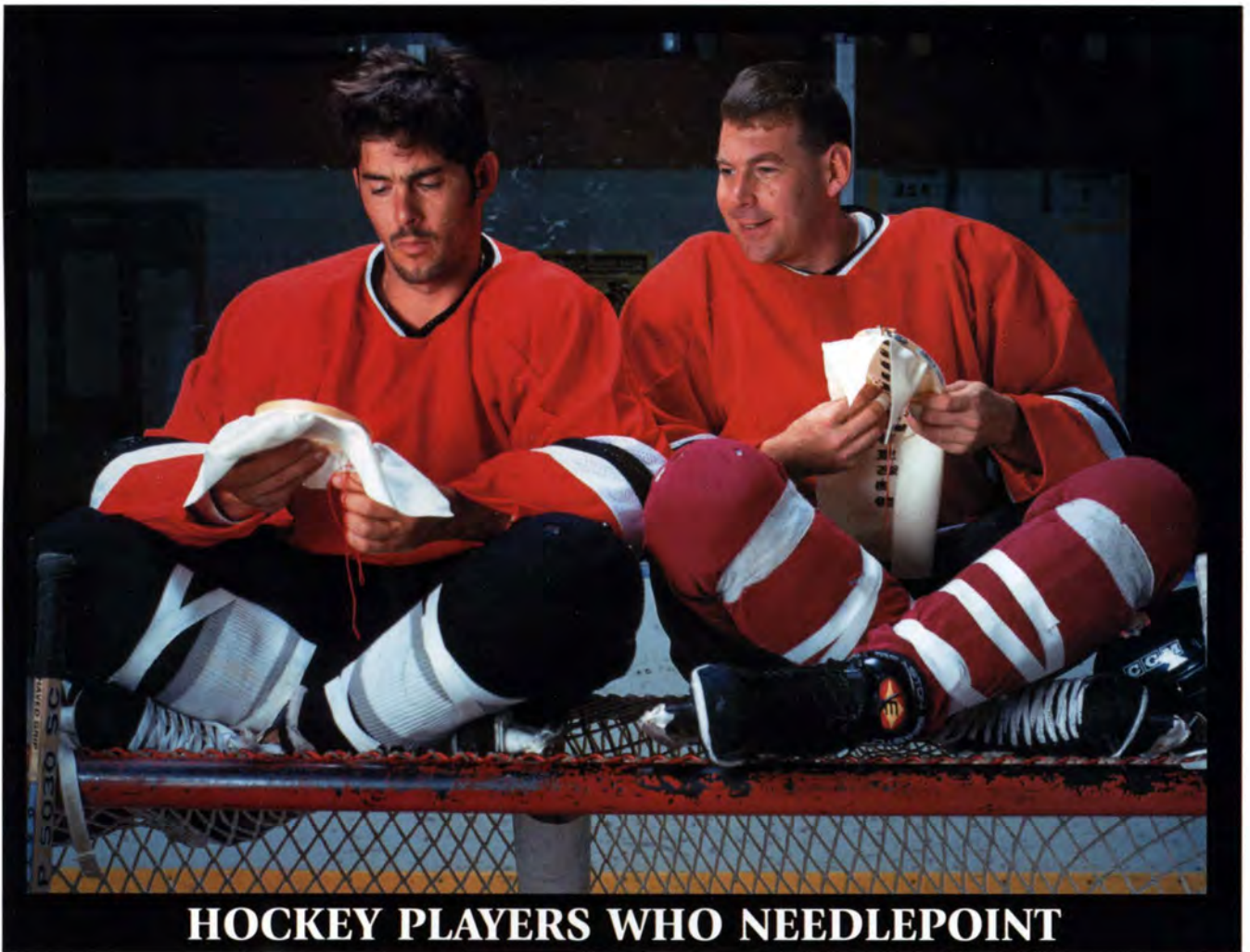
Thus an ad using some kind of emotional appeal may better capture attention, helping consumers retrieve positive product knowledge from memory and spurring them into action.

Similarly, running a campaign based on emotional appeals and following up with informational ads may short-circuit the process by which a consumer forms beliefs toward and feelings about the product. “While emotions may convey warm feelings and stimulate favorable brand attitudes, attitudes formed by such processes may not lead to choices of products about which consumers are not well informed. The reason may be that such ads may neither provide a credible reason for buying the product nor change fundamental beliefs about it. Furthermore, when consumers lack product knowledge, emotional ads may distract consumers from critical product content (Moore and Hutchinson 1983). Thus, consumers are less likely to encode or transfer product information to long-term memory.”

Study of ads

As a basis for their paper, the authors conducted a study of responses to 30-second TV ads for a medical referral service. In the ads, consumers are urged to call a toll-free number to talk with a service advisor, who connects them to a third-party provider that matches their needs and preferences. The service is free to consumers. The refer-

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