

MEASURING EFFECTIVENESS OF ADVERTISING IN A COMPARATIVE STUDY OF A RECENTLY PRIVATIZED AND A FOREIGN BANK IN PAKISTAN*

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I. Objective of the study

The purpose of this study is to identify techniques for measuring effectiveness (returns) of advertising in a comparative study of two commercial banks.

In this context, I studied the environment of these banks, their marketing activities and the methods used for the measurement of the effectiveness of their advertisement.

The mode of data collection used was questionnaires; which were developed after a literature survey. On the basis of this survey the detailed questionnaire was developed.

Then, I went for pilot testing of the questionnaire. In this, I tested my questionnaire on a test sample which comprised of PAF-KIET faculty members and some senior employees of a bank. The questionnaire was finalized after the pilot test.

** The author gratefully acknowledges support from Mr. Salman Mazhar, Sheikh Sarfaraz Ahmed, Syed Salman Hasan, Mr. Nasir Irshad, Col. S. Raza Kamal and Dr. Javed A. Ansari.

II. Company Profiles:

Bank A is one of the largest commercial banks in the country established in 1959. Its net assets in 2005 approached Rs. 200 billion.

With an integrated network of over 1056 branches in Pakistan as well as overseas, Bank A provides a comprehensive range of banking facilities and services.

Recently introduced products include:

- Credit/Debt Cards
- Car Loan
- Home Loan
- Mortgage Loan
- Personal Loan
- ATM Cards

Bank B was established in Pakistan in 1948 and was the first foreign bank to be granted a license by the Government of Pakistan. With total assets of over Rs. 46 billion, equity of Rs. 2.9 billion, and deposits of almost Rs. 38 billion, Bank B is positioned as one of the larger foreign banks in Pakistan.

Over the last four years, Bank B has significantly enhanced its product profile in Pakistan. Recently introduced products include:

- Credit/Debt Cards
- Home Loan
- Mortgage Loan
- Personal Loan
- ATM Cards

III. AD Effectiveness Measurement Techniques

This study discusses the measures taken by marketers to calculate the results they have achieved after investing on advertising. Marketers use different techniques for measuring the returns depending on the nature of products advertised.

Marketers can use several techniques to measure the effectiveness of advertising expenditure. These include measuring conversion rate, return on ad spend (ROAS), return on investment (ROI) etc. Conversion rate measures, involve calculating how many visits to your site convert to a sale or action; Return on ad spend (ROAS) shows how much revenue you generated per rupee you spent on an advertising method, and return on investment (ROI) tells you how much profit is generated per rupee you spent on an advertising method.

Conversion Rate = Visitors who purchase/Total Visitors

Return on Ad Spend = Revenue/Advertising Spend

Return on Investment = Profit/Advertising Spend

According to Newman (1998), to capture the number of leads generated by advertising, marketers need to setup up a toll free number specifically designated for incoming leads. Or marketers may use coupons that you later count when mailed or redeemed. If doing direct mail, you may use a postage paid card or return envelopes.

T. Gordon, Kim (1997), argues that the best way to track advertising responses is to key each ad with a unique code, so every sale or lead can be identified according to its original source. Ways to make every lead identifiable can be Applying Keycodes, Provide a Unique Number or URL and Track Online Responses.

By tracking all the responses according to their sources, marketers can test individual ad campaigns to see which marketing approach and offer produces the most profitable results.

Lesonsky (1999) believes that effectiveness can be measured by running the same ad in two different publications with a different identifying mark on each. Ask customers to clip the ad and bring it in for a discount or free sample. Or, if you're running an ad that asks customers to order by mail, put a code in your company address such as "Dept. SI." By looking at the marks on the clipped ads or the addresses on the mail-in orders, you'll be able to tell which ad pulled well.

You can offer a product at slightly different prices in different magazines. This has the added benefit of showing whether consumers will buy your product at a higher price.

Advertise an item in one ad only. Don't have any signs or otherwise promote the item in your store or business. Then count the calls, sales or special requests for that item. If you get calls, you'll know the ad is working. Stop running an ad that you regularly run, see if dropping the ad affects sales. Check sales results whenever you place an ad for the first time.

Eisenberg, Bryan (2005) mentions there includes some other types of techniques for measuring effectiveness of advertising.

Scenario conversion rate: Total number of visitors starting a specific scenario divided by total number who complete it. Scenario conversion rates enable you to quickly identify specific conversion processes that require improvement or ones whose successes should be modeled.

Conversion over time: Several measures that reveal an ad's effectiveness in generating conversions over time. Use this for situations where conversion is likely to occur over time or multiple visits.

To understand conversion over time for your advertisement, the following visitor history measures are useful:

Days between first visit and first purchase. "This involves collecting lead-generation information. How quickly does your advertisement generate conversions?"

Number of visits between purchases. How many visits occur before more purchases are made? Use this to understand repeat buying behavior of audience segments.

Days since most recent purchase. How recently have visitor segments made purchases? Have most visitors made purchases in the past 30 days? Has a significant portion of your audience not made a purchase in the last 90 days?

Number of total purchases (purchase count) and lifetime value. How many purchases have visitors made, and what is their lifetime value?

You can also examine visitor frequency, recency, and latency by purchase count and lifetime value to understand the effect more recent or frequent visits or shorter time between visits have on conversion. Also consider whether visitors who convert once return to convert again.

Jones, (1995) prefers to use the following techniques for measuring internet ad returns:

a) Caching servers. When an internet user requests the page, many ISPs deliver the page from a caching server to speed delivery. Server log-based ad trackers cannot measure what happens on other servers including caching servers.

b) Dynamically generated Web pages. Server log files have difficulty identifying and tracking dynamic pages.

IV. Methodology/Data:

A questionnaire was developed and issued to

- Six senior advertising executives of Bank A
- Five senior advertising executives of Bank B

Questionnaires were filled by the senior executives related to the marketing of different products of both banks.

Interviews were also conducted with the top management of both banks to get an insight and clarify ambiguities. A summary of the interview was created and used in the data analysis process. Besides the interview summary and the questionnaire secondary data sources were also used to support the research work.

V. Results

Data Analysis of Bank A Employees:

Six employees filled questionnaires, one from each product division of Bank A. For the purpose of analysis, each question asked has been analyzed in sequence.

Q1: Usage of Techniques for Measurement of Effectiveness of Advertising.

Response Type	No. of Responses
Yes	6
No	0

All product divisions are using some specific techniques in order to measure effectiveness of advertising. The result tells us that Bank A is focusing on measurement techniques so that management should be able to estimate advertising returns.

Q2. Specific Techniques used to measure effectiveness of advertising.

Techniques	Total No. of Responses from all the Divisions
Return on Investment (ROI)	6
Return on Ad Spend (ROAS)	2
Conversion Rate	4
Scenario Conversion Rate	1
Conversion Over Time	3
Online Ad-Tracking techniques	0
Keycodes	1
Others	0

According to the respondents all the divisions of Bank A are using ROI techniques. Only two departments are using Return on Ad Spend techniques. The usage of conversion rate technique is also significantly high. None of the division are relying on Online Ad-Tracking techniques for the measurement of effectiveness of advertising. One department uses Keycodes.

Q3. Methodologies for measuring effectiveness of advertising.

Methodologies	Responses
Days between first visit and first sale	0
Number of visits between sales	2

Days since most recent sale	1
Number of total sales (sale count) and lifetime value	6

The respondents reported that no department is focusing on the methodology of calculating the difference between first visit and first sale. Two departments do calculation of number of visits between sales. One department is calculating number of total sales and life time value.

Data Analysis for Bank B:

Five employees filled the questionnaires, in Bank B. For the purpose of analysis, each question asked in the questionnaire has been analyzed in sequence.

Q1: Usage of Techniques for Measurement of Effectiveness of Advertising.

Response	No. of Responses
Yes	5
No	0

All the divisions are relying on techniques for measuring effectiveness of advertising.

Q2. Techniques used to measure effectiveness of advertising.

Techniques	Total No. of Responses from all the Divisions
Return on Investment (ROI)	5
Return on Ad Spend (ROAS)	3
Conversion Rate	5
Scenario Conversion Rate	2

Conversion Over Time	2
Online Ad-Tracking techniques	3
Keycodes	1
Others	0

The result shows that all the divisions are using ROI and conversion rate techniques. Three divisions are focusing on Return on Ad Spend and Online Ad-tracking techniques. Scenario Conversion is used in two divisions and keycodes are used in one division only.

Q3. Methodologies for measuring effectiveness of advertising

Methodologies	Responses
Days between first visit and first sale	1
Number of visits between sales	2
Days since most recent sale	5
Number of total sales (sale count) and lifetime value	5

Calculation of days between first visit and first sale is being done by one division only. Whereas calculation of days since most recent sale and number of total sales and lifetime is done in all divisions. Two divisions are focusing on calculating number of visits between sales.

Conclusion:

Both the banks are focusing on measurement of effectiveness of advertising. Both the banks have serious concern regarding the returns they were getting after spending money on advertising activities for each product. Most of the techniques are used in these banks, for assessing ad effectiveness. However Bank B is making more

intensive use of measurement methodologies for estimating the effectiveness of advertising. Although the marketing activities of Bank B are fewer as compared to Bank A it appears to be the more efficient in the calculator of return on advertising expenditures.

Appendix

Sample Interview Summary

1. Interview with VP-Product Manager Bank A:

Bank A has achieved good results in credit card business. More than 100000 credit cards have been sold in the last two months of 2005. Bank A is also focusing on usage of credit cards, which is actually the main area of earnings. The promotional activities include free gifts on usage of cards, reward points and discounts.

Marketing department has collected information from all the companies for which they have offered discounts and gifts. Bank A was able to get information about the responses of people and their spending.

Further more, Bank A also records each call they have received regarding any advertisement they have placed. Their call centre executives collect this information.

2. Interview with Sales Manager Consumer Banking Cards Bank B:

Bank B does not rely completely on ROI or conversion rate techniques but they also take other measures depending on the type/mode of advertising.

Bank B sponsored a major cricket cup in 2005 which was a success. They have counted the number of audiences in all the matches to get an idea about ads exposure.

Bank B's major source of information is their call centre staff on which they rely most. They have developed questionnaires which their call centre executives ask from the callers to get an idea about the attractiveness of their advertisements, if the caller says he doesn't know anything this clearly tells then that the person is unaware about the product and hasn't seen the advertisement.

They also take into consideration the total leads and total sales to forecast the future results of advertising activities.

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