

for Affiliates this month in Center research:

Benchmarking Insert Advertising Effectiveness Metrics

This month's research monograph, a survey-based study entitled *Benchmarking Insert Advertising Effectiveness Metrics (PICRM-2008-04)*, is authored by Patricia Sorce, administrative chair of RIT's School of Print Media and co-director of the Printing Industry Center. The purpose of this study was to determine the advertising metrics used to measure the impact of inserted media advertising by retailers. In addition, hypotheses tests investigated whether those retailers who measure results of their advertising make different kinds of decisions than those who do not. (The hypotheses test details are not included in this summary, but may be found in [the full monograph available here.](#))

Introduction

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

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

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

- Shopping circulars distributed by the US Postal Service
- Shopping circulars distributed by newspapers
- Coupons distributed by US Postal Service mail (such as Carol Wright packs)
- Free Standing Inserts (FSI) distributed via Sunday newspapers
- Statement stuffers such as those found in credit

Center Spotlight

New Center Publication Now Available!



Printing Occupational Employment, High-Wage Jobs, & Industry Sources of Growth – 2001 to 2005

by Maryellen Kelley

The Printing Industry Center at RIT is pleased to present this comprehensive analysis of core occupational employment within the U.S. printing industry.

This report synthesizes the data collected by the U.S. Bureau of Labor Statistics' Occupational Employment Statistics (OES) program in their nation-wide surveys and surveys of government agencies.

Core printing-related occupations, industries of employment, occupational earnings, and employment growth are all analyzed during the survey period of 2001 to 2005.

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Print in the Mix

Print in the Mix is "a unique site demonstrating the role

card bills

- Package stuffers (in shipping bags or boxes)
- “Blow-ins” such as the subscription postcards that fall out of magazines.

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

While these advertising expenditures are dwarfed by the annual expenditures on direct mail and television advertising, this still represents a large source of revenue for printers who print weekly grocery and drug circulars and for newspapers who sell delivery services. Moreover, these shopping circulars remain an important part of retailers' advertising media. In a 2006 report, the Electronic Document Systems Foundation (EDSF), in collaboration with Gartner and George Mason University, found that the use of print for periodic promotions dominated all other promotion methods for the 90 retailers surveyed. Table 1 details these results.

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

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

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

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

of print as a viable information medium in the marketing mix." This freeresource is published by the Printing Industry Center.

Sample Fast Fact:

A Magazine Publishers of America study reconfirms prior studies that show including URLs in magazine ads drives readers to advertiser Web sites. The biggest lifts came in the women's service, home, and travel categories, where ads featuring web addresses were 98%, 103% and 186% more likely to boost web site visits.

[Read the full fast fact here.](#)

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forms of media is addressed in the next section.

Methodology

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

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

Table 2. Profile of respondents by store type
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Store type	Number
Office supply, furniture, electronics and camera	19
Drug, party, dollar and variety	7
Clothing, sporting goods, shoes	16
Grocery	27
Home and hardware	5
Auto parts	4
Total	78

Results

Use of Inserted Advertising

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

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

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

The eReview

The *eReview* is a monthly publication of the Printing Industry Center at RIT for registered Affiliate companies. Articles are also published in the quarterly printed publication *PrintReview*.

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About the Center

Dedicated to the study of major business environment influences in the printing industry precipitated by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach and research initiatives.

Support for the Center comes from:

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Assessment Tools

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

Table 3. Most frequently used advertising effectiveness measures

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

We also asked them to describe in detail their methodology as an open-ended question, and a number of respondents provided a good level of detail. A few examples are presented below. These indicated that a number of retailers are employing rigorous methods to assess advertising effectiveness.

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

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Xerox Corporation

- “We measure online traffic and faxed information request forms and Amex spending.”

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

Discussion

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

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

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

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

In summary, this exploratory study revealed that the majority of retailers sampled do assess the effectiveness of inserted media using a wide range of methods. However, changes in media expenditures for the coming year were independent of whether or not they measured the impact of inserted advertising. The changes in advertising expenditures by retailers are affected by

many more business factors than the use of good metrics. As is usually the case in business research, the environment proves to be much more complex than the models we initially test.

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