

Warne's Marketing

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Relating Advertising to Sales

How to estimate the direct sales
generated by your advertising

A SIMPLE, PRACTICAL PROCEDURE for calculating direct payback from your advertising has been developed by Cahners Publishing Co. (A).

We've adapted it to better fit the realities of advertising in Canada. The procedure takes into account your current market position, or share, and how thoroughly your people follow up inquiries.

In practical terms, market share approximates the percentage of qualified leads that your sales people should be expected to convert into sales. So the procedure results in a reliable measurement of sales generated from advertising.

The technique can also be used to measure sales from direct mail - just read "direct mail" for "advertising"

throughout the example. It can be used to measure results from any program.

Continued measurement of the sales generated from your advertising can help you determine advertising's place in, a share of, your marketing mix. In short, whether you should be running more advertising or less... or perhaps, advertising in a different way.

To quantify payback from your advertising, turn to the worksheet. Go through it step-by-step. Refer to the numbered notations whenever you're tempted to ask: "Where do I find that out?"

Advertising to Sales Worksheet

	Example	Your Estimate
1. Period of time being evaluated.....	1992	_____
2. Number of advertisements involved (2)	12	_____
3. Total number of publication reader service card inquiries generated during period (3).....	780	_____
4. Total number of electronic inquiries received during period (4).....	460	_____
5. Total number of inquiries generated	1,240	_____
(line 3 plus 4)		
6. Percentage of inquiries followed up (6)	90%	_____ %
7. Total number of prospects generated	1,116	_____
(line 5 x line 6)		
8. Estimated percentage of these prospects who will buy within one year (8)	45%	_____ %
9. Total number of sales to be made within one year (line 7 x line 8).....	502	_____
10. Your share of this market (10).....	30%	_____ %
11. Estimated total sales generate for your company as a result of this advertising (line 9 x line 10)	151	_____
12. Average gross revenue per sale for this product (12).....	\$3,000	\$ _____
13. Estimated partial revenue realized as a direct result of this advertising	\$451,980	\$ _____
(line 11 x line 12) (13)		
14. Average revenue per advertisement (line 13 ÷ line 2)	\$37,665	\$ _____

Worksheet Notations

(2) Include only advertisements for a single product or related set of products.

(3) These are inquiries that are provided by publications.

(4) You can try to track the source of all phone or fax inquiries, or use a survey of a random sample of phone and fax inquiries to determine the percentage responding to your advertisements.

(6) To guarantee follow up of most inquiries, you should have a tele-qualification procedure or service in place.

When inquiries are sent to sales representatives without qualification, only 16.8% on average are ever followed up (Warne's Marketing, No. 3, 1992).

(8) Cahners claims that 45% is the average. The surveys quoted in Warne's Marketing found 29% of inquirers had purchased within one year, 43% by 16 months, and 57% by 25 months.

(10) Many companies have access to sales data for their industry so they can track market shares by product classification. If you don't, a simple brand awareness of preference study can provide a good estimate. Some publications offer them, or your agency should be able to do one for you at low cost.

In such studies, you should include all product types and brands that meet the same end-user needs that yours do, even if their products are technically different.

(12) Revenue per average sale can be calculated from your marketing or accounting records. Remember this is a total per sale average, not a per unit selling price.

(13) This estimate will be understated by those sales prompted by your advertisements but made directly with local sales representatives or distributors.

How to Measure the Impact Made by Your Advertising Programs

If you're selling a one-time product - like a 1992 World's Series T-shirt - sales generated through inquiries is the only advertisement effectiveness measurement you need.

But, if the life-cycle of your product is longer, you should be concerned with the total impact of your advertising. Advertising is communication. Its primary purpose is to lead prospects from unawareness to awareness, comprehension, and even to conviction and purchase.

The type of research we're recommending can reveal the extent to which your advertising has changed prospect attitudes about your product and your company.

It's communications research and it has far greater value than calculating rating points or advertising message exposures.

Such research can also indicate:

1. Your position in the market relative to your competitors.
2. How well your product rates on key qualities (like cost, required maintenance, ease of operation, etc.).
3. How your customer support is rated (strong technical support, speed of response, etc.).
4. How your company is perceived (technological leader, financially secure, etc.).
5. Buying intentions of the market (how many prospects intend to purchase products like yours in the next six to 12 months).
6. To what extent your products will be considered when prospects next purchase.
7. What your prospects most frequently read, watch or listen to - by publication and station or show.
8. The recall of the main points that your advertising has been communicating.

Bear in mind that the figures are not absolutes. They're a relative measure of your position vis à vis your competitors. So comparisons between

one study and the next should be on positions or percentages.

When to Measure

When and how often should you conduct such studies?

Ideally, you should have a benchmark study before your new campaign starts. Then a comparable follow-up study at the end of the program.

If you're on a continuing program, consider an awareness or preference study every 12 to 15 months.

Such studies can be conducted by telephone or mail to a sample of prospects. Some publications offer simple versions of such studies to their own lists. A random sample to an independent list removes publication list bias.

Both telephone and direct mail research techniques have different strengths relative to sample control, what can reasonably be asked, and costs.

If you'd like to measure the payback from your advertising, Warne is ready to help. Just call Scott Warne at 416-927-0881.



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