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Effective Communication around the World Learning from Best Practice Examples

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Management Summary

No doubt, international communication can be very effective. However, 64% of all advertising campaigns for established brands and 45% of communication for "new" products do not cause a sales effect. Most often they fail due to details that are less than optimal.

Reliable pretests can ensure communication effectiveness. However, most pretests are currently not reliable. "Pretest winners" often fail in real markets. If unreliable pretests are used often the communication budget is wasted and as a result international brands, new products and even executives may be endangered. A solution is a validated pretest approach which incorporates recent scientific progress. Ten short case studies provide more insights, better understanding of the opportunities, risks and validations.

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|----------------------|------------------------------|
| ▪ Aeta Audio Systems | ▪ Efasit |
| ▪ Baileys | ▪ Esselte Leitz |
| ▪ Beck's | ▪ Iglo 4Sterne (4Star) Menue |
| ▪ Birds Eye and Iglo | ▪ Moet & Chandon |
| ▪ Dymo LabelWriter | ▪ WD-40 |

Baileys: The international spot didn't sell. A different execution did.

Dymo Labelwriter: A re-cut and new voice over increased sales by factor 15.

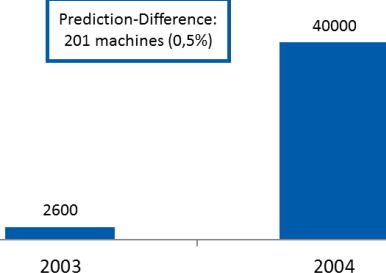


International Bailey's commercial „Float“



Bailey's commercial „Mini-Bar“

Prediction-Difference:
201 machines (0,5%)



Effective Communication around the World – Learning from Best Practice Examples

Many business strategists anticipate a converging world market place for products and services, with transnational marketplaces like the European Union providing intermediate stepping stones. They are therefore intent on making global or at least multi-national regional campaigns. These can offer a number of advantages and build strong and coherent international company and brand images. They promise international effective use of creative ideas and substantial economies of scale in communication development and production costs.

If the objective is to launch, to position or differentiate (new) offers more clearly from competitors, national communication approaches are more typical. In these cases it can be more effective to tailor communication to unique differences in national markets. What people buy, why they buy, when and how they buy and use it - all these motives often depend on the culture of the specific country, its competitive market situation and the brand development status. In addition target audiences can differ from country to country in terms of how they perceive stimuli, respond to humor or emotional appeals. A message may, therefore, not get through to the intended audience because people misinterpret the message by attaching different meanings or associations to words, symbols, situations or body language used.

To provide some examples: Pitfalls can already arise due to differences in color perception. In many tropical countries, green is associated with danger and has negative connotations. Red, on the other hand, expresses happiness in China, while white is associated with sadness. Appeals to humor or sex also need to be treated with considerable care as their expression and effectiveness varies from one country to another. The dry British sense of humor does not always translate effectively even to other English-speaking countries. In some countries such as France, there are strong negative reactions to the imposition of British or US culture, values and use of English in communication. When Western advertising shows sexually explicit situations, men or women in situations considered as inappropriate or immoral, it can cause irritation and may be considered as an attempt to undermine established cultural values, namely in Islamic societies.

Unreliable pretests can endanger international products and executives

No doubt, international communication can be very effective. However, 830 international research cases have proven that 64% of all advertising campaigns for established brands and 45% of communication for "new" products do not cause a sales effect. Most often they fail due to details that are less than optimal. Reliable communication pretests can be used to identify the best strategic route and ensure advertising effectiveness. – That may sound easy but international marketers are faced with a reliability problem.

Admittedly, the promises of all research institutes on communication pretests are quite similar. This suggests high interchange ability and therefore many responsible for market research consider the costs of tests above everything else. – However, if unreliable pretests are selected often the communication budget is wasted and as a result international brands, new products and even executives may be endangered as the first three case studies will demonstrate.

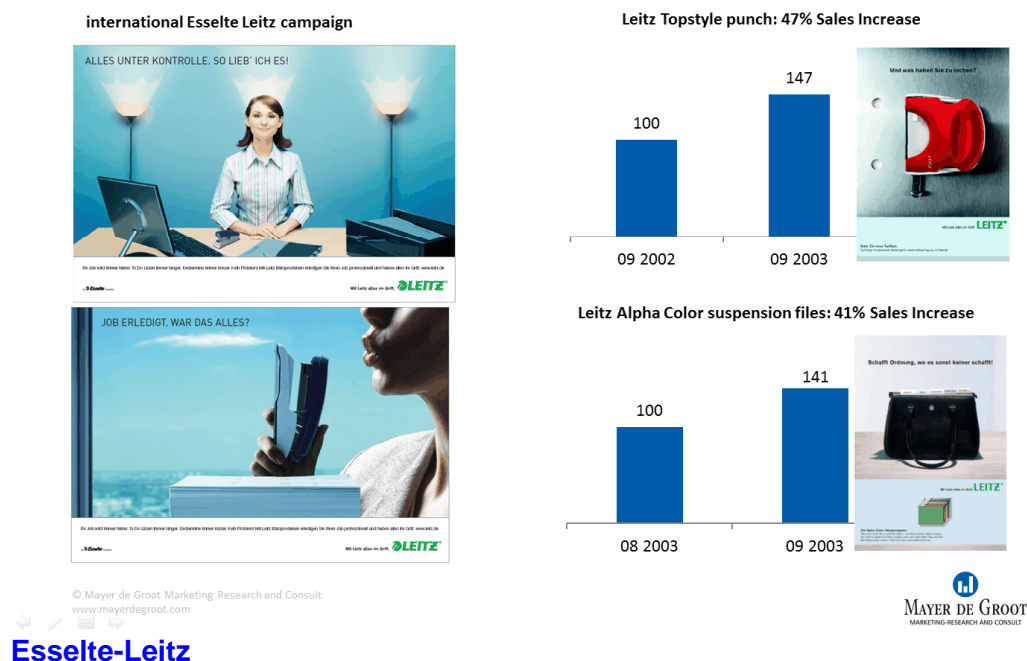
We are convinced that communication pretests are only as good as their proven ability to predict future market realities. Many pretests are carried out by large tracking institutes. Therefore, validations should be relatively easy. However, the worldwide Admap Conference 2004 came to the following conclusion: *"There is still no evidence in the public domain that it [pretesting] is predictive."* Even worse considerable research has proven that most advertising pretest methods are NOT able to live up to expectations. We have summarised and proven this for all widespread international methods in several publications (Mayer de Groot et al. 2000/2001/2004/2010) – without receiving any real protest in this matter. - Other prominent researchers have come to the same conclusion: Broadbent argues that "pretesting is not predictive, largely unhelpful and mostly misused. Nothing has changed in the last 40 years. ... It ought to be emphasized that no reliable pre-testing technique exists for assessing the sales effectiveness of a specific advertisement."

And the Corporate Vice President and Global Market Research at Henkel, Schroiff states: „We are faced with a wide spread validation vacuum. ... Even so called leading agencies and research companies have lost any orientation if it comes to concepts and methods to predict advertising effectiveness.

It should not be a real surprise that communication pretests which have been standardised internationally a decade or more ago are not up-to-date. If core premises such as “homo oeconomicus” or the AIDA-formula (Attention, Interest, Desire, Action invented in 1894 !) are proven wrong by new scientific findings, it follows, that traditional communication pretest results and benchmarks are wrong. – Professor Ambler has summarized the essence of more than 250 AIDA scientific studies: „First, it ignores experience, and second, the brain just does not work that way”.

Therefore marketing definitely requires a new generation of communication pretests with proven validations of communication effect forecasts in real market conditions. One option is the Ad \$ales Effect Test which is one of the first pretests to incorporate and transfer recent findings of brain research, psychology of emotions and behavioral economics in measures and analytical tools. Its recall, image shift and sales forecasts have been validated several hundred cases in numerous categories. – The following ten short case studies will provide more insight along with better understanding of the opportunities, risks and validations.

The international Esselte Leitz campaign achieved unsatisfactory pretest results. A new German execution generated high image and sales effects.



In 2003 an international Esselte-Leitz advertising campaign was developed showing secretaries who have already finished their jobs due to the high quality of Esselte-Leitz products. A conventional pretest forecasted positive image and sales effects internationally.

In Germany, however, our tough pretest predicted unsatisfactory results. Therefore a German execution was developed using qualitative insights to full advantage. In line with our pretest predictions, the more product-focused German advertising generated growth momentum for established and new products and enhanced the overall Leitz image significantly. The Leitz Topstyle punch was awarded „product of the year 2004“ in Germany.

The international Esselte-Leitz campaign, however, turned out to be a worldwide flop. Unsatisfactory sales results led to international management change.

Baileys Minis

In 2005 Baileys Minis was launched worldwide. A very creative commercial performed well in conventional pretests internationally, in which attractive people chase Bailey liquid drops, floating in a bar room without gravity. (see figure 1 on page 1)

In Germany, however, this spot achieved nearly no sales effects despite high attention and attractiveness values. Therefore a German commercial "Mini Bar" was developed, in which an attractive man takes Baileys Mini during a party from a fridge. It communicated the small product size better, convinced new target groups and forecasted sales effects were high. These pretest predictions proved to be true and Baileys Mini was awarded "product launch of the year 2005" in Germany. – The product, however, was discontinued due to unsatisfactory global sales development, because the creative international commercial did not sell.

Iglo 4 Sterne (4Star) Menue : From Advertising Flop to Market Leadership in 3 Months

Iglo, the Birds Eye sister brand in Europe, achieved high advertising recall and public relation impact when it started a creative TV commercial with the first homosexual advertising couple in Germany. These TV spots were initially the talk of the town amongst consumers. Creative people in agencies as well as leading marketing and communication magazines were excited.

A leading international market research company's traditional advertising pretest predicted one of the best ever sales effects worldwide (amongst the Top Five worldwide ever achieved for grocery goods). - Based on that prediction Unilever invested more than 20 million Euro in 18 months in advertising. However sales performance was poor and Iglo 4 Sterne Menue was threatened to be delisted by major trade organizations.

Innovative qualitative and quantitative analysis told a different story. The commercials achieved high impact but relevant emotional details were wrong. A few subtle but important execution changes – whilst maintaining the attractive creative key idea and the actors – led to the following result: Iglo 4 Sterne Menue doubled its initial market share and gained market leadership within 3 months – with less than 10 percent of the advertising budget previously invested. This case study proves again how important it is to communicate the right emotions and how dangerous it can be to use advertising pretests which are unreliable due to old fashioned assumptions such as "homo oeconomicus" or "AIDA".

Dymo LabelWriter

The innovative Dymo LabelWriter had already been launched with varying degree of success in Belgium, France, Sweden, Great Britain and the US. In the German Saarland test market, however, the sales volume in the first year was 62 percent below its objective. This was despite intensive TV advertising support. The reasons were that key motivations for using the innovative product were not properly communicated in the translated international commercial copy and the advertising message was too complex.

Projective techniques unearthed the real market drivers for the innovative label writer. Based on these insights existing international commercial film material was re-cut and voice over completely changed. Our tough advertising effect pretest forecasted that the improved advertising commercial would achieve great sales success. This proved to be true: National sales volume increased by a factor of 15. DYMO LabelWriter became a great success and "product of the year 2006". The advertising effect pretest had predicted a sales volume of nearly 40.000 machines during the first advertising period.

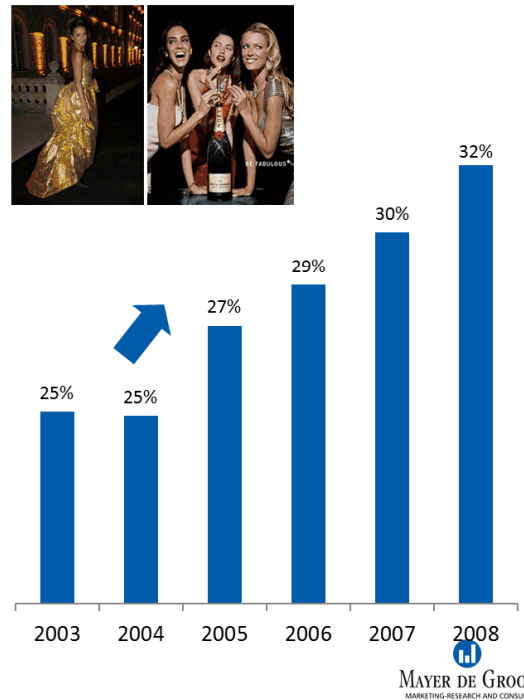
This forecast proved to be very reliable. It was exceeded only by 201 machines or only 0.5%. – This is another example of predictive reliability. (see figure 1 on page 1)

BECK'S: Higher image and sales
with new commercials

MOET & CHANDON: New insights
and communication led to success



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BECK'S

In 2003 the TV-campaign *Green Sail* featuring a green sailing ship and young, attractive people was aired in Europe. BECK'S managed to use this succinct brand world to generate a continuous increase in its market share, both in terms of revenue and units sold.

In other countries such as the USA a new so called *Global Campaign* had been introduced successfully. Four black and white commercials were communicated at that time, only the final pack shot of the BECK'S bottle was green. One commercial showed a young couple kissing in a discotheque. Two commercials featured a couple or a group of attractive people having fun on the beach and in the sea. The fourth TV spot was product focused.

International management wanted to know which of the alternative TV-campaigns was the most efficient and appropriate route for future Beck's advertisements in Italy. - In our tough pretest the four black and white commercials of the *Global Campaign* and the newest *Green Sail* spot were analysed monadically. Both campaign alternatives performed well. But the *Global Campaign* caused even higher image and sales effects and was therefore recommended for future Beck's communication in Italy.

Moët & Chandon

Experience and high flop rates prove that re-positioning of well established brands is a challenging marketing task. The market share of the champagne market leader Moët & Chandon had stagnated in Germany over a period of several years. It was decided to use qualitative market research in order to identify new growth opportunities and to start right from the beginning. Some of the key questions were: Why does the target group actually drink champagne and not sparkling wine? What exactly makes champagne so fascinating? Why do some consumers prefer Moët & Chandon, while others choose different champagne brands?

Recent brain research findings have proven that more than 95% of all human decisions are taken subconsciously. Therefore projective techniques were used, because they dig deeper than traditional

psychological methods in order to unearth hidden knowledge and unconscious cause-and-effect-chains. Projective techniques are designed to elicit rich data from this realm of unconscious category and brand choice criteria.

The new international *be fabulous* communication and PR campaign addresses the identified emotional core market drivers in a well-targeted way. The result: Moët & Chandon's market shares increased significantly after some years of stagnation. (see figure 3 on page 5)

Getting a thorough understanding of current and potential consumer (or other stakeholder) is not easy, but it is essential to gaining and sustaining competitive advantage.

WD-40

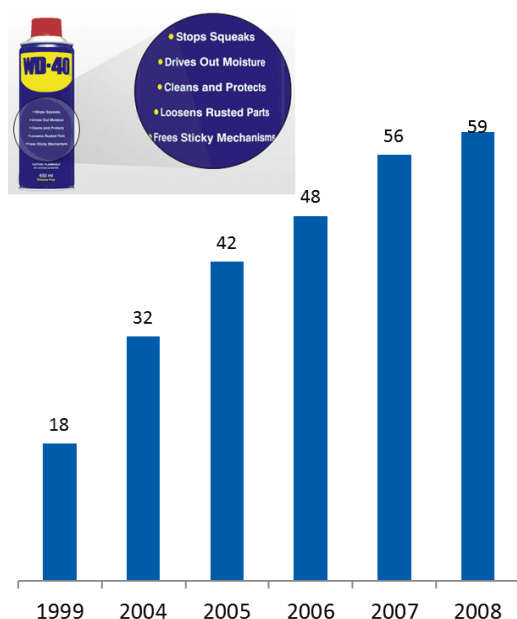
No doubt, very few brands will ever be able to match the popularity of WD-40 in the US. However, WD-40 in Germany was initially in a different position. Caramba had been marketed since 1874 and was in 2002 still the dominant market leader with a market share of nearly 50 percent. At that time WD-40 had less than 20 percent share.

German professional and DIY target groups reacted somewhat skeptically to a product which used the well proven US-claim "more than 1001 uses". This sounded too much like a fairy tale promise for a brand with limited awareness at that time.

Qualitative research insights led to a re-positioning as "five products in one" capitalising on the core five functions of WD-40, which are prominently communicated on the can. The re-positioning was successful despite nearly no advertising support: WD-40 market share increased from approximately 20 percent in 2002 to 59 percent in 2008 in Germany. WD-40 sales volume increased by 500 percent during that time. This outstanding success was relatively accurately predicted by a sequential significance test.

WD-40 + Efasit: Different executions perform better due to different brand development stage

AETA: success with new global communication



Inconsistent global communication before the relaunch



New global AETA communication increases interest and sales

Efasit

The brand Efasit has been on the German market for more than 50 years. The company Tegal wondered some years ago if Efasit could be launched successfully in Great Britain with a very limited budget. A market simulation including an advertising pretest predicted a larger market potential. Efasit was perceived by a sizable market segment as innovative and superior to competitive offers.

Efasit was distributed at Boots, the leading drugstore in the UK. Trial activities were conducted at the point of sale. Additionally only two ads were used in the five most cost effective women's magazines due to budget constraints. Each ad carried a trial sample.

Efasit's launched success was accurately predicted. Its sales volume during the first year deviated only by 0.4 percent from the forecast.

AETA AUDIO SYSTEMS

AETA AUDIO SYSTEMS is a leading international developer of portable sound recording units, mixers and advanced audio codecs. AETA's products are tried and trusted all over the world. Most of them have unique and other great features. With its strong commitment to innovation, the French company has an outstanding history of industry firsts.

However, a market situation analysis in 2011 showed that AETA needed not only superior products but also superior marketing in order to increase sales further. The author developed as external Chief Marketing Officer a new marketing strategy. The new logo capitalises on AETA's heritage and is easily recognisable. (see figure 4) The new claim "superior sound since 1978" communicates a relevant core benefit and competitive advantage. AETA's new corporate design is unique, innovative, attractive and now consistent throughout its marketing mix. AETA'S innovative products are the heroes and communicated to full advantage.

The relaunch package worked well and caused a lot of interest. Page impressions on AETA's website increased by 319 percent in the first relaunch month compared to the pre-relaunch period. Even more important AETA's sales increased 63 percent compared to previous year in the first 3 months after the relaunch started. In the following month demand even exceeded production capacity.

Birds Eye and Iglo

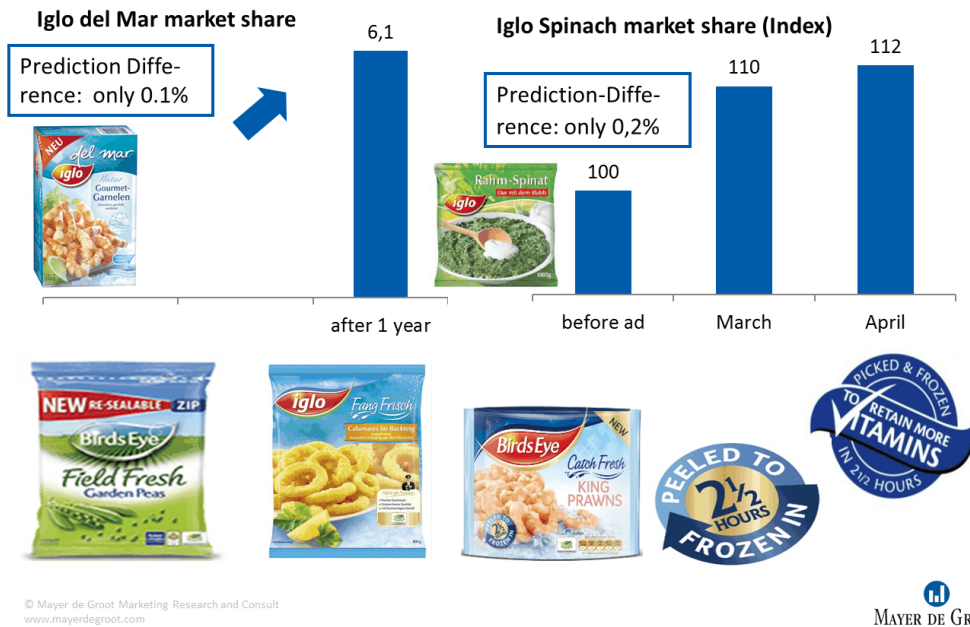
Iglo, the Birds Eye sister brand in Europe, is a well-known and well accepted brand with a long history. However due to other Unilever business priorities, Iglo lost top of mind awareness, brand strength and sales volume. Market shares in the German frozen food business decreased in the last Unilever decade from 15 percent to 8 percent. Therefore it was decided at the end of 2006 to sell the Birds Eye Iglo Group to the private equity company called Permira.

At the beginning of the brand turn around program, market research was carried out with the objective of achieving better brand positioning for Birds Eye and Iglo. In Limbique Emotional Explorer the true reasons for brand choice were identified in the British and German market. Birds Eye's and Iglo's brand strength was increased via addressing the real market drivers in different frozen food segments. Communication effectiveness was ensured in tough Advertising Sales Effect Tests. Precise optimisation advice was used effectively to increase significantly the sales impact caused by commercials.

Iglo's core spinach business in the frozen vegetable market succeeded in achieving two digit growth rates during the advertising period for the first time after more than ten years. This advertising success had been predicted reliably with only a deviation of 0.2 percent.

Innovations in established core business segments such as Omega 3 fish fingers as well as new offers played a key role to strengthen the Birds Eye and Iglo brand even further. A significant example is the seafood range Iglo del Mar which was launched in 2008. Market research insights helped to triple its success via superior positioning and well-targeted optimisation of advertising. The new seafood range achieved a market share of more than 6 per cent after ten months. Again the predicted market share deviated only by 0.1 percent from real market figures

Birds Eye / Iglo: Larger market success due to dominant positioning on core category benefits and well-targeted communication optimisations



In another smart strategic initiative Birds Eye and Iglo launched the new umbrella sub brand *FieldFresh*, thus communicating the core category driver and a key competitive advantage on pack. The name defines the program: The new *FieldFresh* vegetables are actually “fresher than fresh”. Birds Eye and Iglo guarantee to freeze their vegetables within hours of picking. That is important because vegetables rapidly lose their nutritional value from the moment they’re picked. Consumers of *FieldFresh* can be confident that their vegetables are packed with goodness and bursting with flavour. – In 2012 this great initiative was extended with *CatchFresh* and *SeaFresh* to seafood and fish, guaranteeing the freshest taste and highest quality.

The Birds Eye and Iglo brand turn arounds are great successes: New insights, initiatives and communication paved the way for further growth. Just to quote some published facts and figures:

- In Germany Iglo gained market leadership in the frozen fish segment with a share of more than 20 percent. – The same is true in the frozen vegetable market with a share of more than 33 percent.
- In the UK nowadays a remarkable one in every five pounds spent on frozen food is spent on a Birds Eye product. Birds Eye won the award as most revitalized brand in 2008 and in a recent survey conducted by the Reputation Institute of the top 200 UK companies, consumers voted Birds Eye the number one food company.
- And even better: The overall value of the Birds Eye Iglo Group has doubled since November 2006 (FAZ 14.08.2011).

The ten case studies prove that brands can be developed systematically to greater successes – using innovative and reliable methods.

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