

TV ADVERTISING REACH & FREQUENCY IMBALANCE:

How It Hurts Sales And What You Can Do To Prevent It.

In 1992, a company had to run about 15 TV advertisements to reach 100 gross ratings points, or GRPs. Today, they'd have to run 47 spots, which means that to achieve the same volume of impressions, they'd need to run three times as many ads without increasing their budget. Impossible? We'll come back to that.

Before we get there, though, it's important to note that this statistic only represents half the story about how much things have changed in the last 25 years. The more critical change is the need for advertisers to understand how to efficiently allocate impressions to garner more audience reach.

Marketers often don't know what makes up their GRPs. For example, did they acquire 100 GRPs by reaching 50% of the audience 2 times each? Or did they reach 2% of the audience 50 times each? Both scenarios would show 100 GRPs, but a marketer rightly would assess each one very differently.

It's an extreme example, but a necessary one to illustrate the importance of balancing reach and frequency within a TV advertising campaign.

An ad's first exposure is the most powerful and effective—after all, people can't buy a product they're not aware of. Most marketers agree that there's value in exposing consumers to repeated messaging, but at what point does additional frequency negatively impact sales? If an advertiser is aware of that threshold, is there a better way they can deploy their TV ad budget?

Simulmedia's Business Insights team researched the TV ad campaigns of 28 national advertisers across five categories and examined a month in which those advertisers spent a total of \$300 million on TV advertising. Our team then compared the ad exposure data and credit card purchases of 118,000 households to explore the impact of frequency on sales.

For the purposes of this study, 2-5 exposures is considered low frequency, 6-10 exposures is considered medium frequency, and 11+ exposures is considered high frequency.

How Does Frequency Affect



5.7%

The first exposure has the greatest impact on conversion rate.

A person's first exposure to an ad had the greatest impact on conversion rate. Seeing an ad once made people 5.7% more likely to make a purchase than not seeing it at all. Between the first and fifth exposure, conversion rate lift still increased, but not by as much—with those who saw an ad 2-5 times being 4.4% more likely to convert than those who saw the ad once.

As people saw the ad more frequently, however, the change in conversion rate began to decline. Seeing an ad between 6-10 times made people 4.1% less likely to make a purchase than those who saw the ad between 2-5 times. The declines get more severe as frequency increases: people who saw the ad 11 or more times were 4.2% less likely to convert than those who saw it 6-10 times.



-4.2%

Conversion rate decreased when people saw an ad 11 or more times.

This tells us that after about five exposures, each subsequent impression becomes less valuable and each additional dollar spent becomes more inefficient. Unfortunately, those less valuable impressions cost the advertiser the same as the first five, so the marginal rate of return on these impressions gets pretty ugly.

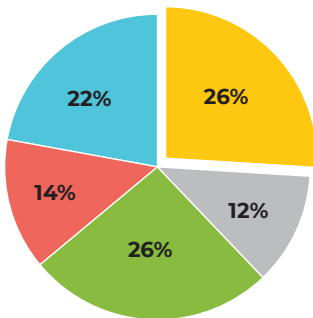
It stands to reason, therefore, that shortly after those five ad exposures, any incremental dollars spent by advertisers in our study would be spent in a manner that results in inefficiencies because they'd buy impressions that decrease the likelihood that a customer seeing that ad makes a purchase as a result.

For brands looking to make their advertising dollars work harder, the first step is to be aware of how many times their audience is being served ads on average and to identify areas of over-frequency.

Over-exposing parts of your audience? You're not alone.

Using the same data set, our team also examined the average percentage of audience reached by frequency level. As you can see, the advertisers in this study did themselves a huge disservice, missing out on incremental lift from nearly half their audience—with some not being exposed at all, and others being on the receiving end of so much exposure that the result was an incremental lift near zero.

Average A18-49 Reach by



Unexposed	26%
1 Exposure	12%
Low (2-5)	26%
Medium (6-10)	14%
High (11+)	22%



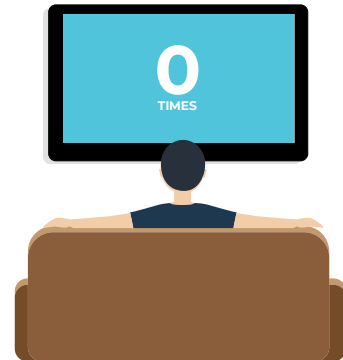
22%

of TV viewers A18-49 were exposed to high levels of ad frequency

WHILE...

26%

of TV viewers A18-49 were not exposed to the ad at all





Why the frequency disparity?

Typically, there are three reasons why advertisers can find themselves in this predicament.

- 1 Reach and frequency imbalance can easily occur when brands are focused on delivering GRPs and minimizing CPMs, rather than optimizing for how those impressions are allocated among audience reach and frequency.
- 3 Brands continue to target consumers the same way they have for decades.

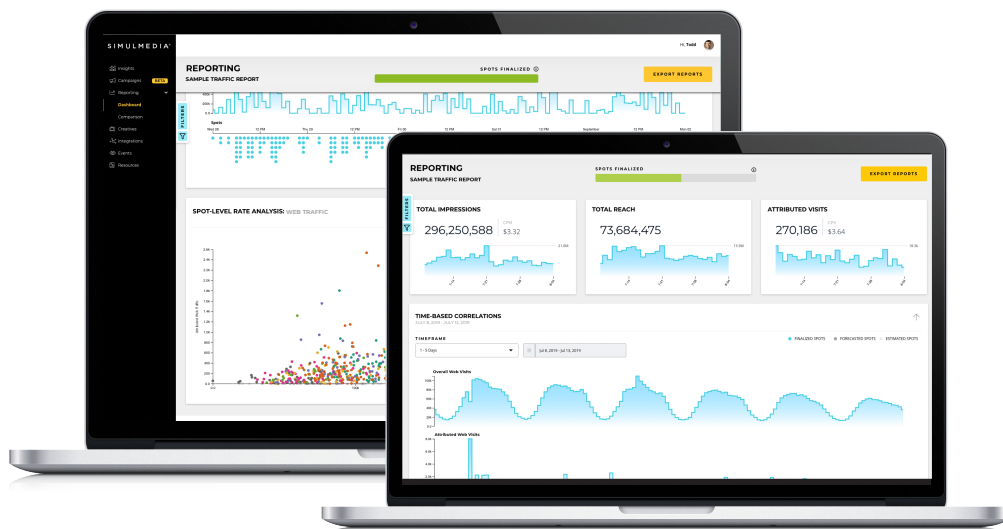
- 2 TV viewers have more options than ever before. Whereas advertisers once could reach most of their viewers on just a handful of networks, the average household now receives almost 200 networks.

In spite of changes in the market, they still rely on context, indexes, and age/gender demos rather than optimizing against specific target audiences created from 1st and 3rd party data.

As a result, many advertisers have no idea how much of their target audience they're actually reaching—or how many times people are seeing their ad. Another way to put it: for any given campaign, many marketers don't know how efficient or inefficient their TV advertising is.

Simulmedia Can Help

The good news is that there's a way for marketers to make their advertising more efficient by re-allocating impressions from the highest frequency to the lowest, ultimately driving superior business outcomes. However, given the fragmentation of today's TV viewer, doing so requires technology.



That's why Simulmedia created its data-rich and intelligent platform for TV advertising. It lets marketers quickly, easily and efficiently avoid reach-frequency imbalance while improving overall campaign performance across linear TV, connected TV, and games.

1. Connecting Data Sets For Strategic Targeting

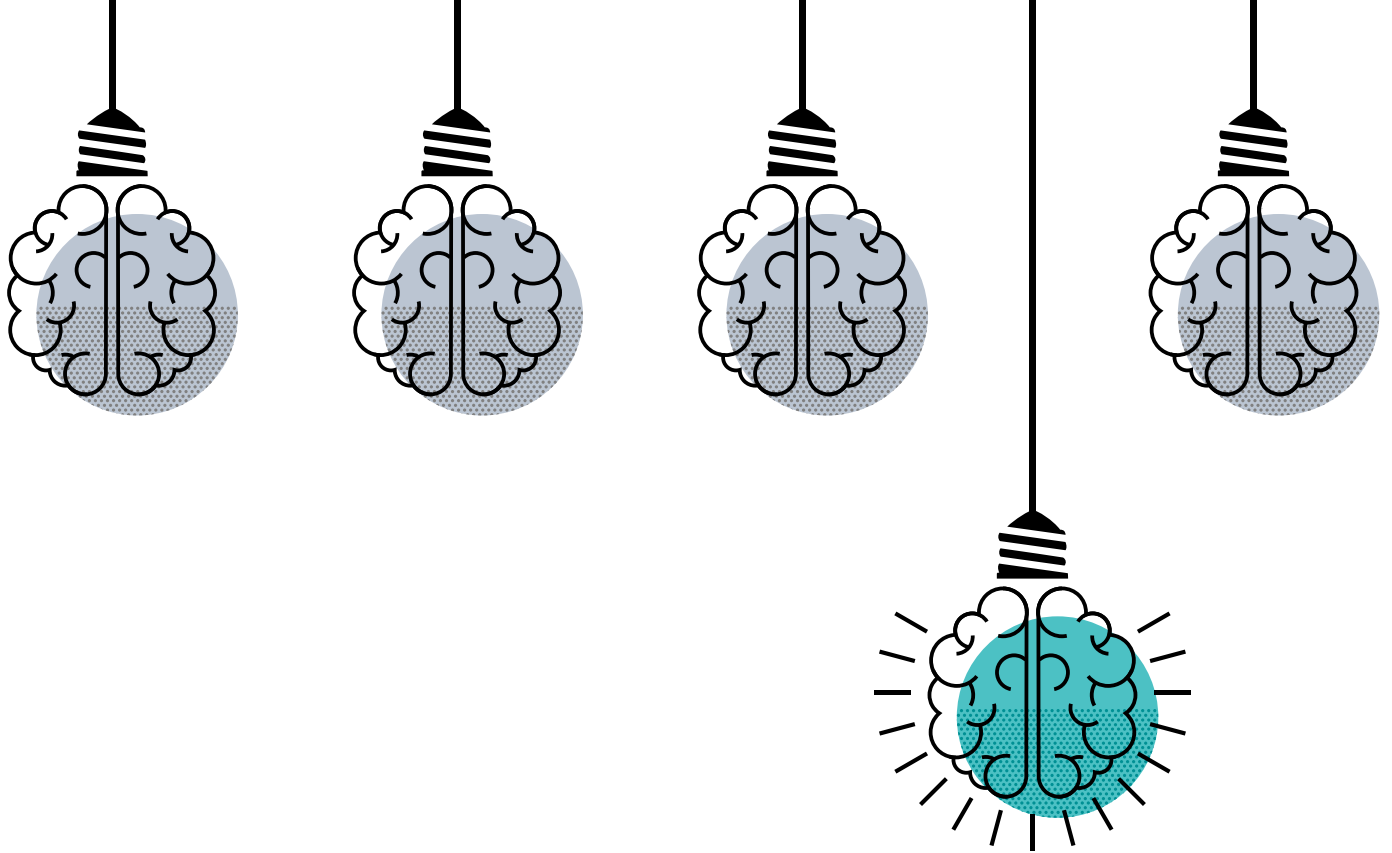
Our software platform lets marketers easily integrate 1st and 3rd party data sources to create strategic audience targets who are more likely to respond to their message. Users can define over 700M audiences based on attributes alone, and even more when using syndicated audience data from our best-in-class partners including Nielsen/MRI, Experian, LiveRamp and others. These granular audience definitions are then connected with our TV viewing panel in a privacy-safe manner—the better the audience definition, the easier it becomes to reach them on TV.

2. Optimizing For Target Audience Reach

Simulmedia then analyzes the past viewing behaviors of the respondents in a target audience and uses a patented algorithm to predict what they'll be watching during the flight of a campaign. In just minutes, our technology processes more possible spot combinations than there are atoms in the universe, to produce the one media plan that most efficiently maximizes target reach, while simultaneously minimizing excess frequency. With spots that find an audience all over linear TV, Simulmedia plans have been shown to deliver 20% more reach than traditional media plans of equal budget.

3. Measuring Campaign Results

Using Simulmedia's online dashboard, advertisers can instantly see the target audience reach, cost per reach, and average frequency for any of their campaigns from the past year—as well as how it compared to a competitor's campaign. By knowing how much of an audience they reached, or how much they missed, marketers will have a better understanding of how to optimize their next campaign. Additionally, Simulmedia provides closed-loop reporting, which enables marketers to know who saw an ad and what subsequent actions they took. By knowing which audience segments were most responsive, and the best networks and times for reaching them, marketers can get more value out of every future advertising dollars spent.



Adopt A Performance Mindset

In this era of audience fragmentation on TV, it has become harder for marketers to avoid falling into reach-frequency imbalance. Avoiding this imbalance requires a new approach.

Traditional, index-based planning was ideal for a world in which the TV audience was concentrated on a handful of networks. Today, viewers have hundreds of options, and without a technological solution, reaching them at scale while minimizing instances of over-exposure (i.e. too much frequency will continue to be a challenge for advertisers).

Remember the question we asked at the beginning about how it would be possible to run 3x as many ads without increasing the cost of media? The right technology can make your TV advertising much more efficient. Simulmedia turns fragmentation into a marketer's friend, rather than a foe, by quickly, easily, and efficiently optimizing performance for TV campaigns. It also gives advertisers instant access to reports that show how much of their audience they've reached and how they can reach more of them while avoiding ad over-exposure.

TV advertising works, and reaching more of a target audience inevitably leads to better business results. Marketers who are willing to re-think a traditional approach and take advantage of technology can lead their company into the future—turning TV advertising from data-deprived to a data-enriched driver of growth.

For more information about how Simulmedia can help you reach more of your target audience and drive growth for your business, visit www.simulmedia.com and contact us today.