

Illustration 7.1 High-Tech Market Experiments*

The newest buzzword in market research is single-source data—data on both the advertisements received and the purchases made by an individual household. The idea is simple. If a firm wants to know how a consumer will react to a 10 percent increase in exposure to its ads or a 25-cents off coupon, it can actually do the experiment and see what happens. The technology for this analysis was pioneered in 1980 by Information Resources, Inc. (Behaviorscan). More recently, two new competitors have entered the scanning service business: a joint venture between Arbitron Ratings Company and Selling Areas Marketing Inc. (ScanAmerica) and the A.C. Nielsen Company.

For example, Nielsen uses Sioux Falls, South Dakota, as its test site, in part because the demographics of this city of 81,000 population closely match those of the entire country. From this population, Nielsen selected a random sample of 3,500 households who agreed to let Nielsen record their viewing habits and purchases. (The households receive discount coupons and a chance to win small prizes in a sweepstakes.)

Via special devices attached to the television sets of the test households, Nielsen can replace broadcast commercials with test commercials from the same firm. (For example, Nielsen can replace nationally broadcast Campbell Soup commercial with one that Campbell Soup wants to test.) And, given an arrangement with the local newspaper, the test households get special editions of the paper containing test print ads.

When the test households go to the grocery stores, optical scanners at the checkout provide Nielsen with a record of purchases actually made. Thus, by combining data on what commercials and ads the households received with data on what they actually bought, a client firm can determine what happens if it increases or decreases its ad frequency, if it substitutes one kind of ad for another, if it uses a 25-cents off coupon instead of a 10-cents off coupon, or if it combines several of these strategies.

As a case in point, *The New York Times* reported that Campbell Soup used this approach for its Swanson frozen dinners to determine which of two types of ads to run and how large an advertising budget to employ. Using several groups of test households, Campbell Soup was able to evaluate combinations of these strategies for much less than if it had used a test market approach for each of the strategies. (*Fortune* reported that these scanning service tests cost a tenth of the \$2 million for a regional market study.) And the group manager for market research has credited this scanning service test with making a large contribution to improved sales for Swanson.

Source: This illustration is based on the “Test-Market Programs Stir Surprises,” by Richard W. Stevenson, *The New York Times*, July 24, 1986 and “High-Tech Shocks in Ad Research,” by Felix Kessler, *Fortune*, July 7, 1986.