A STUDY OF THE EVALUATION OF ADVERTISING MESSAGE EFFECTIVENESS WITH PARTICULAR REFERENCE TO THE LIFE ASSURANCE INDUSTRY IN SOUTH AFRICA

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A thesis submitted in fulfilment of the requirement for a degree of Doctor of Philosophy

UNIVERSITY OF CAPE TOWN 1979
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ABSTRACT

This thesis presents a method of gauging advertising effectiveness through the measurement of changes in purchasing patterns caused by the controlled exposure to advertisements.

The concept is not entirely new, but it is thought that this is the first time that a practical system has been designed and tested. Certainly it is new to the insurance industry in South Africa.

In order to provide a framework within which to measure advertising effectiveness, the thesis proposes certain models of the way in which advertising works for the insurance industry. Although these models provide the basis for the empirical studies, they are not essential to the proposed methodology. Advertising effectiveness can, however, only be measured against agreed objectives and implies a defined scale of values. Those objectives and values must in their turn be absolutely relevant to the true purpose of the advertisement. It is suggested that in certain other measurement systems relevance is forced to yield to expediency.

Essentially the method requires that advertising messages are dispatched by direct mail to random samples drawn from a list which effectively represents the total universe of the target market. Primary results can then be measured by monitoring the
actual changes in purchasing and retention patterns. Effectiveness is measured by comparing results against samples receiving other advertisements and against samples which receive no advertisements. Secondary effectiveness is evaluated by uprating and combining the primary results in terms of interaction formulae developed for the purpose.

The methodology permits advertising messages to be exposed and evaluated using very large samples, but at the same time offers a very cost-economic measurement system.

In chapter 3 the thesis investigates various models of the advertising process, and demonstrates their probable application to the life assurance industry in South Africa. It also explores the ways in which these models cast doubts upon traditional measures of advertising effectiveness.

Finally the thesis reviews the methods currently being applied and their practical limitations in the South African context.

Although the empirical research is specific to the South African life assurance industry, and is in certain instances made simpler by the peculiarities of that industry, the results have far wider significance. It is demonstrated that the methodology can be applied in many other circumstances. It is also suggested that some of the findings that are of importance to the whole advertising industry, could not have been as reliably established through any normal measurement channels.
The thesis is presented as a contribution to knowledge in two regards. It is thought to be the first time that the secondary (motivational) effects of advertising on semi-independent salesmen have been identified, analysed and quantified. It is also thought to be the first time that a fully operational method of tracing advertising effects has been documented for the life assurance industry.

Cape Town
August 1979.
ABSTRACT

PREAMBLE

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- The Effects on Salesmen

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CERTIFICATE OF AUTHORSHIP

SAMPLE OF A BROCHURE
Life Assurance is almost a universal product which is purchased by a very broad spectrum of the population (1). It has however been suggested that it is something of a 'grudge' product in that it requires an expenditure of funds on the part of the purchaser without providing any immediate returns. In fact the raison d'être of the basic proposition is that it should only provide benefits after the purchaser's death.

Life assurance requires a fairly large expenditure, the average monthly premium of policies purchased in 1976 being R17,50. (2) It is also a commitment to maintain the contract for 20-30 years with the prospect of considerable loss if it is terminated prematurely. It is probably the second largest single purchase (after his home) that the average person makes in his lifetime.

Most white males buy several policies during their lifetime, and at any point in time a substantial proportion of them recognise that they should probably buy more assurance. They also say that they would grant an interview to an insurance salesman if he contacted them tomorrow. (3)
The products of the various companies are essentially similar, and the average purchaser, and even the expert, is not really in a position to evaluate the various competitive products objectively. He may be able to look at the past performance of the individual companies, but probably recognises that this is not necessarily a guide to the future. The criterion for differentiation is therefore normally the image of the company and of its intermediaries.

In fact, as we will see later the average purchaser may have different images of the major companies but this will not prevent him from buying from whatever saleman spells out an attractive proposition at an opportune moment.

The South African Life Assurance industry spends some R2 million per annum on advertising in measured media (4), that is the cost of the advertising space utilised in Television, Radio, Cinema, Newspapers and Magazines. It is likely that this figure will be closer to R6 million if one includes production costs, administrative expenses and 'below the line' advertising such as Direct Mail, Brochures and point of sale material.

The major life assurers thus have an acceptable product which is not easily differentiated, and a not unwilling market which does not discriminate very strongly between the suppliers. The various companies however tend to adopt very different promotional strategies. Some do extensive press advertising
whilst other do virtually none. Some present specific products, whilst other talk about life assurance generally. As I shall show subsequently some of these advertisements are likely to be beneficial to the advertiser alone, whilst others will assist the industry as a whole. There are also indications that certain advertisements actually have the effect of depressing that company's sales.

There is an adage 'a half of all my advertising expenditure is wasted. If only I knew which half'. This has been variously ascribed to Henry Ford, Lord Leverhulme, John Wannamaker and others, but it applies equally well to the South African life assurance industry. The problem is that there are currently no really acceptable methods of determining what the actual effects of an advertisement are.

Some of the most telling comments about current methods of research into measures of advertising effectiveness come from two university professors who have tried to relate the research findings to actual results. In their reports on management science research and implementation in the marketing area of Anheuser - Busch Inc. Professors Ackoff and Emshoff make the following comments. (5)

"We began by surveying organisations that offered message-evaluation services. Much information was collected about each. Using this data we selected about six organisations
that most impressed us for closer examination. Each was visited and questioned at length. Finally we selected one agency that seemed to have the soundest procedures ... "

"The message-evaluation agency ... was able to identify the required number of consistently superior and inferior commercials. They were then used in a designed experiment in which a number of market areas were exposed to only the superior commercials, and an equal number were exposed to only the inferior commercials. The amount spent on advertising in these areas were carefully controlled ... the deviation of actual from forecast sales was used as the measure of performance."

"We found no significant difference between the performance of the two sets of advertisements. Therefore we concluded that the message evaluations were not related to the effectiveness or ability of the messages to affect sales. The only positive value of this conclusion was that it led A - B to discontinue its use of such message evaluation services."

This is the position as recently as 1970 in the United States where message evaluation facilities have theoretically reached the highest level.

Advertising Research can be broadly classified into two categories: Message Research and Media Research. The former relates to the way in which the content of a particular advertisement affects the opinions and behaviours of its readers, and will be the subject of this thesis. In the category of Media Research we include all the research into the readership, viewership and reach of the various media available, the way in which it is perceived, and into the image of the medium itself. I do not propose to go into this type of research in any detail, although various aspects will be mentioned in the context of their effect on the efficiency of the message.
5.

PRESENTATION OF THE THESIS

In this thesis I will set out the pertinent facts about the Life Assurance industry in South Africa, and show that it is in fact practical to establish an objective and reliable method of measuring advertising effectiveness for the industry. Thereafter I shall explore various models of the advertising process as they apply in this context, and demonstrate why the traditional measurement systems are not suitable for this purpose.

Throughout the presentation the text will be found on the right hand page, with tables and illustrations being reproduced on the left hand facing page.

I have included in appendix 1 information about South African market research agencies whose reports and surveys have been quoted in the text. I have also included in appendix 2 background information about the unpublished or confidential surveys from which I have drawn in building up this thesis. Where tables quote the responses to specific questions the full question and details of the sample and methodology will be found in this appendix.

Subsequent appendixes give supporting information to arguments used in the thesis, where I consider that the inclusion in the main text would break the flow.
ADVANTAGES AVAILABLE TO THE AUTHOR

This thesis focusses on the measurement of advertising effectiveness for the South African life assurance industry. This gives the researcher several distinct advantages which may not be available in regard to other industries or to other cultures. The most important of these advantages are a numerically relatively concentrated market, detailed records of all sales transactions, and access to a comprehensive list which is reasonably representative of the bulk of the potential market.

For the past few years I have been in the full-time employ of Old Mutual. First in the position of Head of the Marketing Research Department and subsequently as Manager: Marketing Services. This has allowed me to undertake considerable experimentation and research into aspects of advertising, both as a part of my official functions and in regard to this particular thesis.

I would like to thank Old Mutual for the facilities made available to me, and for permission to quote from surveys and the internal records which have not otherwise been published.

Old Mutual is the largest insurance company in South Africa. In world terms, it would rank as about the 50th largest insurance office and it can thus justify having the most
sophisticated computer systems, and can undertake comprehensive research programmes using its own resources.

Old Mutual's Advertising Budget of approximately R1,5 million is on a par with that of the largest insurance advertiser in the United Kingdom.

The insurance industry, because of the nature of its product, collects and maintains a great deal of information about the people who buy from it. The typical proposal form requires, inter alia, full names, date of birth, occupation, residential and business addresses, race, sex, marital status, etcetera.

The particular social, economic and political structure in South Africa also works in favour of the researcher in this instance. With most of the buying power concentrated in the hands of a small number of 'Whites', research may be similarly focussed. The government couples an authoritarian system, which causes it to collect and store the maximum information about its citizens, with a laissez-faire attitude which permits the information to be released and used for commercial purposes.

This researcher has managed to obtain access to a computerised version of the South African (White) Voters' Roll, which nominally contains full information about all White South
African adults. This represents at least 70% of the target market for the life assurance products, although it is a somewhat smaller proportion of the readers of most mass advertisements. I am also working in conjunction with the Coloured Affairs Administration to set up the Coloured voters' roll on a similar basis and hope to be able to utilise this in extending the experimental techniques to other race groups.

The insurance industry has various peculiarities which will be discussed in detail in the following chapters. This means that many of the findings presented will be specific to that industry. I shall, however, demonstrate that the main thrust and techniques used can be applied similarly to various other industries.
REFERENCES

1. Refer to Chapter 1 and Figure 1.2


3. M.R.A. omnibus survey July 1978 - (refer appendix 2c and also Chapter 1)

4. M.R.A. "Research in Action" Xmas 1977 (refer appendix 1)

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CHAPTER 1

LIFE ASSURANCE IN SOUTH AFRICA

THE LIFE ASSURANCE INDUSTRY

There is a total of 45 insurers registered (authorised) to write life assurance in the Republic of South Africa, of which only 40 are in fact active (1). 34 of the active insurers are Domestic insurers, whilst the remainder are controlled from overseas. Amongst the insurers a few of the larger ones are mutual societies, but the majority are limited companies. In this thesis I shall use the term 'company' to include all insurers.

The life assurance industry collects more than R1 000 million from South African residents each year, and the figure is escalating rapidly. In 1976, 415 000 new life assurance policies (excluding annuities) were written with annualised premiums of R86 million. Annuities and deferred annuities probably produce a similar premium income but from a very much smaller number of policies. 228 000 life policies were discontinued prematurely for various reasons. (2)

Old Mutual and SANLAM, the two largest insurers, have between them issued more than half of the business currently in force and the next ten largest a further 40% (3).
One can identify six basic types of life assurance policy and two basic systems of providing for policy growth. These are set out in more detail in appendix 3. The various companies however offer innumerable combinations so that the typical rate-book contains 20 or more separate plans, and the actual programme presented to a purchaser can be specifically tailored to his individual circumstances.

Virtually all the plans sold contain two basic elements - Savings and Life Cover. The build-up of savings within a life policy is tax-favoured, and the premiums also frequently rank as deductions or abatements for income tax purposes. However, by law, the capital gain on a life assurance policy can be taxable, except if the sum assured is paid on death, unless the policy has been in force for more than 10 years. The result of this is that life assurance is an attractive investment medium but only for the person who is prepared to commit himself over a long period. In addition to the tax implications within the first 10 years, the Life Assurance companies usually build in substantial penalties for premature discontinuances, since the bulk of their costs are incurred in the first year of the policy's existence.
The life cover element implies that the policy benefits will be paid out on the death (or sometimes permanent disability) of the life assured. This was the original raison d'être of the life assurance policy, and is frequently the first thing about it that comes to mind. The majority of life assurance policies are taken out, and paid for, by the life assured, and this implies a measure of altruism on the part of the purchaser. In actual fact the cost of providing life cover represents only a very small portion of the premium income received by life assurance companies.

Certain of the plans are specifically presented for business assurance situations and contain special conditions in order to obtain preferential treatment for income tax and estate duty purposes.

In this thesis I shall use the term 'life assurance' to cover all the products sold by the life assurance companies, and will not distinguish between the different classes except when illustrating a promotional campaign for a specific plan.

In spite of their inherent simplicity, life assurance contracts are not very well understood by most purchasers, particularly since the formal policy document is generally couched in legal jargon. Reports (4) indicate that few people actually read the policy document which is frequently filed away in the bank.
### PROCEEDS OF ENDOWMENT PLANS

<table>
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<th>African Eagle R</th>
<th>Legal and General R</th>
<th>Norwich Union R</th>
<th>Prudential R</th>
<th>Old Mutual R</th>
<th>Sanlam R</th>
<th>Southern Life R</th>
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<tr>
<td>Guaranteed Minimum Benefit</td>
<td>10 503</td>
<td>11 930</td>
<td>12 040</td>
<td>11 891</td>
<td>11 501</td>
<td>11 356</td>
<td>11 659</td>
</tr>
<tr>
<td>Original Estimated Benefit</td>
<td>17 635</td>
<td>18 616</td>
<td>17 759</td>
<td>17 598</td>
<td>18 206</td>
<td>18 160</td>
<td>17 610</td>
</tr>
<tr>
<td>Actual Payout Benefit</td>
<td>21 510</td>
<td>23 577</td>
<td>22 322</td>
<td>21 946</td>
<td>25 169</td>
<td>24 109</td>
<td>21 192</td>
</tr>
</tbody>
</table>

These figures are based on a 20 year reversionary bonus endowment plan maturing on 1.7.1978, and have been confirmed by the Companies concerned.
The lack of understanding is compounded by the fact that a salesman normally quotes the sort of benefits that the purchaser can expect to receive, provided that the policy grows at some arbitrary rate - possibly that achieved over the past few years. The policy document however only quotes a guaranteed minimum benefit, and historically most companies have exceeded both the guaranteed minimum benefits and the projected benefit by substantial margins, albeit in currency with reduced purchasing power (figure 1.1).

Because of the intangible nature of the product and the traditional emphasis on the death values of life assurance, most companies have tended to advertise to promote a company image, and to create a generic demand for life assurance. Some examples of recent advertisements are reproduced in appendix 4.

Approximately 10 years ago, Old Mutual broke pattern by 'packaging' and 'branding' their products. That is they took certain of their best selling combinations and presented them as special plans under individual brand names. The key element of each of these presentations is a consumer brochure (see example in pocket inside back cover) which aims to spell out the major consumer benefits of the plan in easily understood terms. In each case the emphasis is on positive benefits, and negative aspects like death are deliberately played down.
CLAIMED OWNERSHIP AND FREQUENCY OF PURCHASE OF LIFE ASSURANCE POLICIES

<table>
<thead>
<tr>
<th>Race/Sex/Income Group</th>
<th>Life Policies</th>
<th>Endowment Policies</th>
<th>Retirement Annuities</th>
<th>Purchased Life Insurance in last year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Any</td>
<td>R0-24</td>
<td>R25+</td>
<td>Any</td>
</tr>
<tr>
<td>White males R1200 +</td>
<td>63,5</td>
<td>16,9</td>
<td>46,6</td>
<td>38,8</td>
</tr>
<tr>
<td>R800 - 1199</td>
<td>65,7</td>
<td>29,9</td>
<td>35,8</td>
<td>48,9</td>
</tr>
<tr>
<td>R300 - 799</td>
<td>59,1</td>
<td>33,3</td>
<td>25,8</td>
<td>36,8</td>
</tr>
<tr>
<td>less than R300</td>
<td>27,3</td>
<td>22,4</td>
<td>4,9</td>
<td>5,6</td>
</tr>
<tr>
<td>White females R1200 +</td>
<td>17,8</td>
<td>10,9</td>
<td>6,9</td>
<td>7,5</td>
</tr>
<tr>
<td>R800 - 1199</td>
<td>23,9</td>
<td>15,3</td>
<td>8,6</td>
<td>11,4</td>
</tr>
<tr>
<td>R300 - 799</td>
<td>18,3</td>
<td>12,6</td>
<td>5,7</td>
<td>9,3</td>
</tr>
<tr>
<td>less than R300</td>
<td>9,8</td>
<td>8,9</td>
<td>0,9</td>
<td>5,8</td>
</tr>
<tr>
<td>Coloured males R500+</td>
<td>50,0</td>
<td>40,0</td>
<td>10,0</td>
<td>8,8</td>
</tr>
<tr>
<td>R250 - 499</td>
<td>31,4</td>
<td>29,5</td>
<td>1,9</td>
<td>7,6</td>
</tr>
<tr>
<td>R 50 - 249</td>
<td>9,4</td>
<td>9,4</td>
<td>-</td>
<td>1,0</td>
</tr>
<tr>
<td>less than R 50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coloured females</td>
<td>13,4</td>
<td>12,8</td>
<td>0,6</td>
<td>2,1</td>
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<tr>
<td>Asian males R700+</td>
<td>37,0</td>
<td>18,5</td>
<td>18,5</td>
<td>11,1</td>
</tr>
<tr>
<td>R400 - 699</td>
<td>34,5</td>
<td>23,0</td>
<td>11,5</td>
<td>8,2</td>
</tr>
<tr>
<td>R150 - 399</td>
<td>25,9</td>
<td>20,3</td>
<td>5,6</td>
<td>8,9</td>
</tr>
<tr>
<td>less than R150</td>
<td>21,9</td>
<td>21,9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asian females</td>
<td>7,2</td>
<td>5,8</td>
<td>1,4</td>
<td>1,5</td>
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<tr>
<td>Black males R200+</td>
<td>)</td>
<td></td>
<td>NOT AVAILABLE</td>
<td>4,2</td>
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<td>R100 - 199</td>
<td>)</td>
<td></td>
<td>NOT AVAILABLE</td>
<td>1,4</td>
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<tr>
<td>R 20 - 99</td>
<td>)</td>
<td></td>
<td>NOT AVAILABLE</td>
<td>0,3</td>
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<tr>
<td>less than R20</td>
<td>)</td>
<td></td>
<td>NOT AVAILABLE</td>
<td>-</td>
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<tr>
<td>Black females</td>
<td>)</td>
<td></td>
<td>1,1</td>
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This has allowed Old Mutual to promote their products as being somewhat different to those of their competitors. It has also permitted them to give two actuarially similar products somewhat different images in the minds of the consumer.

Certain other life offices have followed Old Mutual's lead, particularly in regard to the presentation of retirement annuities, but they have not usually provided the weight of advertising needed to obtain recognition. Surveys have shown that few brand names obtain significant recall or are correctly ascribed (5).

THE MARKET FOR LIFE ASSURANCE

Figure 1.2 shows that white males are the largest purchasers of life assurance products, and some 90% of income earners own one or more policies. The majority of them are described as 'life policies' rather than endowments, although figures returned to the Registrar of Insurance by the individual companies suggest that there is a degree of misreporting since more endowment assurances are sold than life policies.

Approximately one in six of the white males earning over R300 per month has purchased a policy in the last year with the proportion falling only slightly with drop in income to that level. Below R300 per month there is a substantial drop in
DISTRIBUTION OF LIFE ASSURANCE PURCHASERS

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<th>Race/Sex Group</th>
<th>Adult Market ('000s)</th>
<th>% of Total</th>
<th>1978 Sales ('000s)</th>
<th>% of Total</th>
<th>Value of Sales (R'000s)</th>
<th>% of Total</th>
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<tr>
<td>White males</td>
<td>1 457</td>
<td>9,5</td>
<td>226</td>
<td>47,5</td>
<td>90 400</td>
<td>62,7</td>
</tr>
<tr>
<td>White Females</td>
<td>1 505</td>
<td>9,8</td>
<td>75</td>
<td>15,8</td>
<td>20 625</td>
<td>14,3</td>
</tr>
<tr>
<td>TOTAL WHITES</td>
<td>2 962</td>
<td>19,3</td>
<td>301</td>
<td>62,2</td>
<td>111 025</td>
<td>77,0</td>
</tr>
<tr>
<td>Asian Males</td>
<td>206</td>
<td>1,3</td>
<td>13</td>
<td>2,7</td>
<td>3 380</td>
<td>2,3</td>
</tr>
<tr>
<td>Asian Females</td>
<td>210</td>
<td>1,4</td>
<td>4</td>
<td>0,8</td>
<td>800</td>
<td>0,5</td>
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<tr>
<td>TOTAL ASIANS</td>
<td>416</td>
<td>2,7</td>
<td>17</td>
<td>3,6</td>
<td>4 180</td>
<td>2,9</td>
</tr>
<tr>
<td>Black Males</td>
<td>5 186</td>
<td>33,7</td>
<td>62</td>
<td>13,0</td>
<td>12 400</td>
<td>8,6</td>
</tr>
<tr>
<td>Black Females</td>
<td>5 586</td>
<td>36,3</td>
<td>63</td>
<td>13,2</td>
<td>10 710</td>
<td>7,4</td>
</tr>
<tr>
<td>TOTAL BLACKS</td>
<td>10 772</td>
<td>70,0</td>
<td>125</td>
<td>26,3</td>
<td>23 110</td>
<td>16,0</td>
</tr>
<tr>
<td>Coloured Males</td>
<td>600</td>
<td>3,6</td>
<td>23</td>
<td>4,8</td>
<td>4 140</td>
<td>2,9</td>
</tr>
<tr>
<td>Coloured Females</td>
<td>631</td>
<td>4,2</td>
<td>10</td>
<td>2,1</td>
<td>1 700</td>
<td>1,2</td>
</tr>
<tr>
<td>TOTAL COLOURED</td>
<td>1 231</td>
<td>8,0</td>
<td>33</td>
<td>6,9</td>
<td>5 840</td>
<td>4,1</td>
</tr>
</tbody>
</table>

TOTAL 15 381 100 476 100 144 155 100

FIGURE 1, 3

SOURCES
Figures for Adult Market and Sales Volume from AMPS 1978
Value of Sales figures calculated using Old Mutual's internal records
All percentages calculated by the author.
purchasing frequency, largely because the major life assurance companies will only sell policies of over a certain size. The minimum acceptable premium can be as high as R20 per month.

In the higher income groups people tend to buy somewhat larger policies, and there is also a trend towards more retirement annuity policies.

Life assurance plans are also purchased in significant volumes by females and by the other race groups although both the size of policy and frequency of purchase decline rapidly with economic circumstances. Figure 1.3, which I have constructed from the information in figure 1.2 and certain statistics from Old Mutual's own records, indicates the extent to which the purchasing power is concentrated in a relatively small proportion of the market.

Inspite of the huge volumes of life assurance currently in force, there is a general feeling in the insurance industry that the average person is substantially underinsured, probably by as much as 50%. Certainly studies such as those discussed in appendix 2c have shown that there is a recognition of the importance of life assurance. Figure 1.4a on the following page shows that nearly 29% of white males report that they accept that they probably have less insurance than they should, whilst 11% think that they probably have too much or it is not worthwhile at all. Figure 1.4b shows that approximately 25% of
SATISFACTION WITH PRESENT FINANCIAL SECURITY SCHEMES

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should be making considerably more provision</td>
<td>9,0</td>
</tr>
<tr>
<td>Should probably be making a little more provision</td>
<td>18,9</td>
</tr>
<tr>
<td>Satisfied with existing scheme</td>
<td>58,6</td>
</tr>
<tr>
<td>Already providing more than is really necessary</td>
<td>6,3</td>
</tr>
<tr>
<td>Not worthwhile to make any personal provisions of this nature</td>
<td>4,9</td>
</tr>
<tr>
<td>Don't know</td>
<td>2,4</td>
</tr>
</tbody>
</table>

FIGURE 1, 4 a

SATISFACTION VERSUS PROBABILITY OF GRANTING INTERVIEWS

<table>
<thead>
<tr>
<th>No of Co's interview granted</th>
<th>Should make consid. more</th>
<th>Should prob. make more</th>
<th>Satisfied</th>
<th>Already more than necessary</th>
<th>Not worthwhile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>25,6</td>
<td>27,8</td>
<td>32,1</td>
<td>6,5</td>
<td>61,1</td>
</tr>
<tr>
<td>1 Only</td>
<td>51,2</td>
<td>47,2</td>
<td>44,1</td>
<td>67,6</td>
<td>22,6</td>
</tr>
<tr>
<td>2 Only</td>
<td>11,4</td>
<td>13,0</td>
<td>15,7</td>
<td>15,0</td>
<td>16,3</td>
</tr>
<tr>
<td>3 or more</td>
<td>12,8</td>
<td>12,0</td>
<td>5,0</td>
<td>4,7</td>
<td>0</td>
</tr>
</tbody>
</table>

FIGURE 1, 4 b

ACTUAL INTERVIEWS GRANTED WHEN LAST APPROACHED

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted</td>
<td>82,7</td>
</tr>
<tr>
<td>Not granted</td>
<td>17,3</td>
</tr>
</tbody>
</table>

FIGURE 1, 4 c

Source: M.R.A. July 1978 omnijet questions sponsored by Old Mutual. Refer appendix 2c.
all people would be reluctant to grant an interview to a salesman if he called tomorrow even though they recognise the need for more insurance, whereas many people who think that they already hold too much insurance would be prepared to grant an interview. About one half of all respondents indicated a distinct preference for one particular company, although if past experience is anything to go by, they would actually grant interviews far more freely (figure 1.4c).

It is apparent however, that the recognition of the need is rarely sufficient to cause a person to go and seek life assurance. The reasons for these apparent anomalies will be discussed in Chapter 3.

LIFE ASSURANCE SALES CHANNELS

The Life Offices Association of South Africa reports that there are approximately 9 000 salesmen (male and female) employed full-time by the industry (6). Roughly three quarters of these are full-time employees of the individual life assurance companies, whilst the balance are 'Brokers' who claim to represent a number of different companies, but who are often allied to banks and other financial houses. Various companies give certain of their salesmen special titles such as representative, agent, consultant, or adviser, but I will use the term salesman to encompass all those groups.
In addition to these full-time sales employees there are a large number of 'part-timers' or independent contractors. These people normally work in conjunction with a full-time agent, and act as a spotter, or introducer for him. Their employment is often a personal relationship with the salesman who rewards them by giving them a portion of any commission generated.

Virtually all the salesmen in the industry are commission earning and they are controlled by a local sales manager whose remuneration is also largely based on the production of new business by the salesmen under his control. Brokers are also remunerated on a commission basis, and recent government regulations mean that the commission paid to brokers by the various insurance companies is essentially calculated on the same basis.

For almost all types of business the salesman's commission is based on the annualised premium income which he brings in. A salesman employed directly by a life company will receive total commissions equal to about 80% of the first year's premium, although the figure is reduced for shorter-term policies. About 60% of the commission is generated in the first year of the policy's life with the balance payable in the second year. A salesman employed by a bank or broker house will only receive a portion of this as some must go for his employer's overheads. In exchange he often receives more material assistance such as privileged access to bank customers.
If a policy is discontinued for any reason within the first two years, commission is immediately stopped and the salesman may have to pay back some of the money which he has received. These discontinuances within the first two years (known in the industry as lapses) also count against the salesman in other ways, since many of the industry's incentives and 'ego rewards' (International Quality Awards, top writers clubs, etcetera) have minimum retention qualifications.

When a new employee commences a sales career, there will naturally be an initial period during which the salesman receives basic training, and begins to build up his clientele. It also takes a month or more for the company to process any application for insurance before any commission can be credited. If the policy is written on a monthly premium basis the company will also only credit proportionate commission as and when the premiums fall due.

For these reasons, during the early months of his employment, the new salesman will rarely earn anything like the income to which he aspires, or even sufficient to maintain his basic standard of living. Most companies therefore start their new recruits on an 'advance' system. Under this system the company guarantees a minimum monthly income during the initial period. The advance will be regarded as a loan against future commissions. Theoretically these loans must be repaid, but in practice some or all of the amounts will be written off against training allowances and incentive bonuses.
The level of advance is usually negotiated at the discretion of the sales manager who will be penalised if he advances money which is not subsequently recouped from commission, allowances or incentives. It is not usual for the company to recoup money from salesmen who resign whilst still 'owing' against their advances, although the salesman often forfeits any commission which is in the pipeline at the time he leaves.

The sales manager usually bases his week-by-week control over the newer men on their current activity level. Frequently, after the second month, advances are limited to a percentage of the premium income of new applications that they hand in.

The ordinary salesman sells 1-2 policies each week, with the top writers going up to 3 or 4. In order to make each of these sales the average salesman must identify and qualify 10 potential prospects of whom 5 will be contacted for a serious interview and two or three presentations will be made (7). It appears that the broker and the more successful salesman will have somewhat higher success rates in terms of the relationship between contacts and sales, but this is largely the result of much better selection of prospects. He will however, tend to sell much larger policies and have a much lower discontinuance rate.
The Functions of Advertising

"Advertising is paid, non-personal communication through various media by business firms, non-profit organisations and individuals who are in some way identified in the advertising message and who hope to inform or persuade members of a particular audience." (8)

This textbook definition of advertising covers the whole range of advertising objectives. For the purpose of this thesis, however, I am restricting the scope to those advertisements which have as their main, or sole, purpose that of causing members of the audience to hold more life assurance with the company placing the advertisements. Within this scope I include both the promotion of new business, and the retention of existing policies. I deliberately exclude 'trade' advertisements which are aimed at activating salesmen, although I will discuss the way in which an advertisement can affect salesmen through the impact on members of the public.

I also exclude advertisements which are aimed at arousing public interest and thus influencing legislation, consumerism or other environmental factors, even through these might affect the performance of the company.
ADVERTISING AND LIFE ASSURANCE

RE-ENTRY INTO THE MARKET

LATENT PURCHASER

1a

Basic Contact

2

SALESMAN

1b

Attempt to Sell

Prepared to Discuss

FEDEBACK

(ADVERTISING IMPACT ShOWN AS)

Analysis of Circumstances and Needs and Presentation of Solutions

3

After Purchase Doubts

4

Decision to Continue Payments

Contented Policy Holder

5

After Purchase

Doubts

Decision to Continue Payments

FIGURE 1, 5
By inference I also exclude advertisements which aim at influencing purchasers indirectly through opinion leaders. As I will show in Chapter 3 this type of advertising is not well suited to the life assurance industry.

THE SALES PROCESS AND POTENTIAL CONTRIBUTIONS OF ADVERTISING

Figure 1.5 illustrates the process of the creation of a life assurance customer, and the decisions and behaviours that may be affected by advertising.

Position 1(a) represents a latent purchaser. This is a person who is physically and financially able to purchase life assurance, if and when he has been suitably motivated.

Although, as we saw from Figure 1.2 earlier, most White adult males and a substantial proportion of other adults hold life assurance policies, the frequency of purchase is very low.

Insurance has been characterised as an unsought good and, except in very rare occasions, is not an item which is bought off the 'supermarket shelf'. Almost all sales are completed through a face to face discussion, and the adage 'Insurance is sold, it is never bought', is generally true.
### THE INITIATION OF A SALES INTERVIEW

<table>
<thead>
<tr>
<th>Method</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Representative called on me</td>
<td>46,5</td>
</tr>
<tr>
<td>I contacted the Company myself</td>
<td>35,4</td>
</tr>
<tr>
<td>I dealt through an insurance broker</td>
<td>6,2</td>
</tr>
<tr>
<td>Friend / social contact</td>
<td>3,7</td>
</tr>
<tr>
<td>Through Bank / lawyer / broker</td>
<td>2,2</td>
</tr>
<tr>
<td>Compulsory / company policy</td>
<td>3,6</td>
</tr>
<tr>
<td>Work for company</td>
<td>0,7</td>
</tr>
<tr>
<td>other</td>
<td>1,7</td>
</tr>
<tr>
<td>Don't Know</td>
<td>0,3</td>
</tr>
</tbody>
</table>

### Number of Companies considered

<table>
<thead>
<tr>
<th>Scenario</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only had discussions with 1 company</td>
<td>67,7</td>
</tr>
<tr>
<td>Before deciding had look at another Company as well</td>
<td>29,4</td>
</tr>
<tr>
<td>Compulsory / no choice</td>
<td>1,5</td>
</tr>
<tr>
<td>Don't Know</td>
<td>1,4</td>
</tr>
</tbody>
</table>

Mr Victor A. Lutnieki, executive Vice-President of The John Hancock Mutual Life Insurance Company of America, reinforces the view that life assurance is an unsought good. In his address to Old Mutual's 1977 Annual General Meeting he made the following comments about life assurance within the Eastern Block (9).

"A further interesting feature is that as the life assurance industries in these non-capitalistic countries grew, they discovered that a life assurance salesman is not merely an 'order taker'. Salesmen from those non-capitalistic countries, strange as it may sound to you, had to undergo training in the techniques of selling in a capitalistic country - America - where, as in South Africa and other countries, it has been realised that by its very nature life assurance is not bought but has to be actively sold".

Figure 1.6 represents claims as to who initiates the sale, and to what extent people actually shop around or get competitive quotations. Experienced people in the industry have actually suggested that even these figures are misleadingly high.

Certainly for most of the market, the buyer behaviour pattern appears to conform to Cooper's definition of 'Satisficing' that is: "Choosing that solution first encountered which meets minimal requirements" (10).

CONDITIONING THE PROSPECT

Returning to Figure 1.5, the first stage of the customer creation process is a conditioning period during which the
ADVERTISING AND LIFE ASSURANCE

RE-ENTRY INTO THE MARKET

LATENT PURCHASER

1a

Basic Contact

2

Attempt to Sell

1b

SALESMAN

FEEDBACK

(ADVERTISING IMPACT SHOWN AS ↑)

(REPEATED FIGURE 1, 5)

DISCONTINUE

Analysis of Circumstances and Needs and Presentation of Solutions

3

After Purchase Doubts

4

Contented Policy Holder

5

Prepared to Discuss

Signed Proposal

Decision to Continue Payments

Payment

Sold

SALES

(REPEATED FIGURE 1, 5)
prospect may be exposed to a number of insurance stimuli (advertising impacts). These may be deliberately targeted advertising messages or random comments by third persons. In most instances these will lead to no specific action, but they will prepare the ground for subsequent events. Occasionally a stimulus will be so strong that it will cause the prospect to seek specific information, or even to make voluntary contact with an insurance salesman. (Movement from 1(a) – 1(b)).

**ACTIVATING THE SALESMAN**

In position 1(b) we have a salesman who, if left to his own devices, will initiate a number of more or less random contacts with possible insurance purchasers. Advertising can affect this situation in two ways. It may cause a prospect to initiate an enquiry which is handled by the specific salesman; or it may provide the salesman with motivation or guidance so that he seeks out the prospect. A contact initiated by the salesman is shown by the movement (1(b) – 1(a)). At position 2, which may have been reached from a contact initiated by either party, the salesman must make a decision as to whether to attempt to turn the contact with the prospect into a sales presentation.

**OBTAINING A SALES INTERVIEW**

Position 3 represents the prospect's decision whether to permit a sales interview or whether to decline and revert to the
ADVERTISING AND LIFE ASSURANCE

RE-ENTRY INTO THE MARKET

DISCONTINUE

LATENT PURCHASER

1a

Basic Contact

2

SALES MAN

1b

Attempt to Sell

Prepared to Discuss

Analysis of Circumstances and Needs and Presentation of Solutions

4

After Purchase Doubts

5

Contented Policy Holder

Decision to Continue Payments

Signing Proposal

Advertising Impact Shown as ↑

(REPEATED FIGURE 1, 5)

Feedback

PREPARED TO DISCUSS

CONTENTED POLICY HOLDER

3

4

5

Decision to Continue Payments

Signing Proposal

Advertising Impact Shown as ↑

(REPEATED FIGURE 1, 5)
original status of 'potential prospect'. This decision is influenced by a number of factors: the prospect's awareness of his needs, his reactions to the individual salesman who makes the contact, his prior image of the company, and the skills of the salesman. Of these factors only the personal attributes of the individual salesman are beyond the influence of an advertiser.

An advertiser can thus exert an influence to assist the salesman to gain a sales interview. This may be achieved by 'house' advertising promoting the overall image of the company; 'man' advertising promoting the image of salesmen; or 'needs' advertising which arouses the awareness of specific needs for life assurance. Product advertising can also play a small part at this stage if the product is either spelt out in need and benefit terms, or if it helps to promote the overall company image.

It is probable that a 'need awareness' advertisement placed by any company will be equally helpful to any insurance salesman, and is thus most beneficial to the company with the most active sales force. (Refer chapter 3)

POINT OF SALE

Assuming that the prospect accepts the opportunity of a sales interview, the movement from position 3 to position 4 represents the salesman's analysis of the prospect's situation to
ADVERTISING AND LIFE ASSURANCE

RE-ENTRY INTO THE MARKET

LATENT PURCHASER

Basic Contact

1a

SALESMAN

1b

Analysis of Circumstances and Needs and Presentation of Solutions

After Purchase Doubts

Contented Policy Holder

Attempt to Sell

Prepared to Discuss

Signing Proposal

Decision to Continue Payments

Contented Policy Holder

Decision to Continue Payments

After Purchase Doubts

Contented Policy Holder

Signed Proposal

Decision to Continue Payments

Contented Policy Holder

Signed Proposal

5

(REPEATED FIGURE 1, 5)

(ADVERTISING IMPACT SHOWN AS ↑)
highlight needs and the presentation of a plan to meet them.

This leads to position 3 where the prospect decides whether or not to buy.

At this stage advertising impact can subtly change its importance. Advertising messages will be perceived either to reinforce, or to contradict the salesman's presentation. The vector analysis of congruence in Chapter 3 suggests that the strongest positive reinforcement will come from a product/needs advertisement which is exactly in line with the presentation. A product/needs advertisement which is clearly applicable to a different situation will tend to have a neutral effect.

A conflicting product presentation, particularly one from the same organisation, will cause confusion and doubts and often lead the prospect to refuse to complete the sale. An advertisement promoting the company itself or the image of its salesmen will have lesser, but generally favourable effects. Competitive advertisements will tend to have negative effects except where they create awareness of the specific need under review.

AFTER-SALE REINFORCEMENT

A peculiarity of a 'sale' of a life assurance product is that it does not end with the signing of the contract, and payment of the first premium. The purchaser is generally committed to
### DISCONTINUANCES OF S.A. INSURANCE POLICIES

LAPSES AND SURRENDERS AS PERCENTAGE OF NEW BUSINESS FOR THE YEAR 1976

<table>
<thead>
<tr>
<th>Company</th>
<th>By Number of Policies</th>
<th>Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Eagle</td>
<td>68,7</td>
<td>58,5</td>
</tr>
<tr>
<td>Homes Trust</td>
<td>67,3</td>
<td>47,5</td>
</tr>
<tr>
<td>Legal &amp; General</td>
<td>42,7</td>
<td>22,8</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>52,9</td>
<td>32,0</td>
</tr>
<tr>
<td>Sanlam</td>
<td>54,3</td>
<td>34,9</td>
</tr>
<tr>
<td>Southern Life</td>
<td>43,6</td>
<td>27,4</td>
</tr>
<tr>
<td>Colonial Mutual</td>
<td>32,4</td>
<td>30,68</td>
</tr>
<tr>
<td>Prudential</td>
<td>74,8</td>
<td>48,6</td>
</tr>
<tr>
<td>Industry Total</td>
<td>54,9</td>
<td>37,2</td>
</tr>
</tbody>
</table>

**Source:** Registrar of Insurance - thirty third annual Report 1976 Government Printer Pretoria.
paying every month for several years without receiving any tangible benefits.

During the initial period after the signing of the contract, the purchaser is likely to go through spells of doubts, when he wonders if he has in fact chosen the right product or whether he will ever get his money's worth. This appears to be similar to the cognitive dissonance experience investigated by Festinger and others (11).

The presence of this dissonance period and its negative impact on the insurance industry is easily demonstrated by the high discontinuance rates experienced. Figure 1.7 shows that for the South African insurance industry, lapses (discontinuances within the first two years) and surrenders (discontinuances of policies which have been in force for more than two years) in a year are equal to more than 50% by number of the new policies written. Experience varies considerably from company to company and is largely dependent on the markets in which they operate. Typically, particularly in the lower end of the market, one third of insurance policies effected go off books as lapses within one year.

The diagram indicates a position 5 at which the purchaser decides whether or not to continue payments. In actual fact there is unlikely to be a single instance, but it will be a constant review over a considerable period. In the case where
premiums are paid in cash, this review is likely to come up anew each time a payment becomes due. A model of the factors affecting this dissonance period will be presented in chapter 3.

FEEDBACK

The progress from position to position indicates the relationship between the salesman and the prospect. At any point the prospect may decide to 'opt out' and to revert to the position of a latent purchaser. The progress along the chain does not, however, only affect the prospect's knowledge and image of the product and company concerned, it also provides the salesman with feedback which will affect his current and future attitudes and activities.

PRIMARY EFFECTS OF ADVERTISING

We have established that advertising can pre-condition a potential purchaser so that he is more likely to purchase a specific product. It can also reinforce an earlier sales message so as to conserve an existing policy which might otherwise be discontinued. On the other hand the 'wrong' advertisement can interfere and conflict with a salesman's presentation to the extent that a potential sale is lost or an existing policy is discontinued.
One can therefore define the value of a campaign in terms of the value of the change in policyholding which is caused directly. I call this the primary value and can illustrate it as:

\[ V = \sum_{t=1}^{P_t} S + \sum_{D=1}^{D} L + \sum_{C=1}^{F} F \]

Where \( S \) is the 'profit' value of each of the \( P_t \) additional policies sold, \( L \) the 'profit' value of each of the net number \( D \) of lapses avoided, and \( F \) the 'profit' value of each of the net number \( C \) of policies been in force for more than two years and which a potential surrender is avoided.

For most products or services it is possible to calculate a 'profit' or marginal contribution value for each sales gained or lost. In the life assurance industry, and particularly in the case of a mutual office, the nearest we can get to this value will be a theoretical 'promotional loading' used by the actuary in setting the premium rates for the classes of business involved.

In the case of Old Mutual this promotional loading is approximately 6% of the first annual premium for most types of business (12). The marginal contribution value of each change in policyholding can thus be taken to be 6% of the annualised premium for sales gained or lost. This 'profit' value can be determined accurately at the end of a campaign when the actual premium income can be identified. It can however also be estimated in advance with reasonable accuracy by relating it to the average annual premium obtained from the target market.
Where an existing policy is discontinued or a discontinuance avoided, the 'profit' value will depend on the length of time that the policy has been in force before the discontinuance. It will also be a factor of the annualised premium of the plan concerned. Where a policy has been in force for a short time virtually all the initial expenses have been incurred but the company has received few premiums in return. The loss of 'profit' factor of a policy which lapses is approximately equal to that of a new sale lost (refer appendix 6). Where a policy has been in force for more than two years, it will have built up a 'reserve' value, and the company will have recouped virtually all its initial expenses. A surrender is however a loss of future income and I estimate it to be equivalent to the loss of 0.75 of profit value of a sale (refer appendix 6). One can therefore rewrite the formula for primary effects as:

\[ P_t S + D S + 0.75 C S \]

where \( S = 0.06 \times \) the average annualised premium

At this primary level an enquiry or a lead for a salesman has no specific value from the point of view of the company, except to the extent to which it actually promotes a measurable sale.

We can, however, show that these primary results can have considerable motivating (or demotivating) effects on the salesman and that this will mean that the long-term effects are
considerably greater than the mere sum of the changes. We can thus hypothesise that we should modify the measured results by ascribing suitable additional motivational factors to value the secondary effects.

THE EFFECTS ON SALESMEN

In a previous section I have indicated that advertising affects the potential purchaser (prospect) in such a way as to bring about a change in his behaviour. In certain instances this behaviour may be active and self initiated, whilst in other cases it may be passive and require an additional stimulus, for example, a contact from a salesman.

Some of the behaviours are reflected directly in results which may be observed by an external evaluator. These include the extent to which the prospect contacts the office to seek information, or to initiate a sales interview; his actual purchasing pattern; and also his retention pattern of new and existing policies. An advertisement may affect these behaviours either positively or negatively.

In addition to these results the advertisement may change other relevant behaviours such as the way in which a prospect receives a contact by a salesman, and his reaction to a sales presentation. These behavioural changes are only observable to the extent to which they are reflected in purchasing or retention patterns.
Each behavioural change affects not only the prospect and the advertiser, but it also impinges on the salesman. In figure 1.5 this is shown as a feedback which is likely to cause a change in the salesman's future behaviour.

From the point of view of the company the salesman's behaviour that is most important is his propensity to resign. As we have seen earlier the life assurance industry in South Africa, and throughout the world, suffers from a very high turnover amongst its sales personnel.

This problem relates not only to the fact that a company's sales are likely to be a function of the number of active salesmen, but also that the considerable expenditure on training a salesman is wasted if he resigns without having introduced a satisfactory volume of sales. Statistics also indicate that the highest proportion of dissatisfied policyholders and discontinued policies come from those written by salesmen in the six months before they resign (13).

THE TURNOVER OF SALES MEN

Life assurance salesmen are almost always employed on the basis of immediate termination by either party, and the South African industry experiences some 4 000 terminations each year (14). This high termination rate appears to be a world-wide problem.
In a study of a major life assurance company in England, Poppleton and Lubbock investigated the major features of a life salesman's job, and analysed the reasons for the high rate of turnover (15).

Amongst the major features of the job which they identified from interviews were the following:-

(a) The unpleasantness and difficulty of trying to find prospective clients;

(b) The unpleasantness of the rejection situation. Most people who were approached did not buy, and this rejection was often taken personally by the salesman;

(c) Representatives work fairly independently without much assistance;

(d) The work was often described as stressful because of these factors, and the payment-by-results system (16).

Looking at reasons quoted in management reports on resigned salesmen, I found that Old Mutual's sales managers ascribed almost all the early resignations to the fact that the salesmen could not achieve their financial targets, or to the salesman's wife's objection to the amount of night work involved (17). Poppleton and Lubbock's study suggests that these are unlikely to be the only contributory factors.
This study, combined with the analysis of the advertising function leads me to hypothesise that advertising can play an important role in easing the path for the salesman and enhancing his perception of the career. Properly directed advertising can thus have the effect of reducing the salesman's propensity to resign.

In order to investigate this matter further in the South African context I have undertaken a study of contributory reasons for resignations from two major South African life assurance companies.

As the first phase of the investigation I interviewed a number of salesmen and sales managers to identify possible causes of resignations. 22 contributory factors were suggested and defined for further investigation, although there is some overlap between them. These can be broadly grouped into 6 major classes.

Management Attention
Administrative Support
The Work Itself
Company / Job Image
Prospecting and Marketing Support
Finance
### Reasons for Resignations

<table>
<thead>
<tr>
<th>Contributory Reason</th>
<th>Old Mutual</th>
<th>Homes</th>
<th>Trust</th>
<th>Under 6 Months</th>
<th>6 Months - 1 Year</th>
<th>1 - 2 Years</th>
<th>Over 2 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings too low</td>
<td>61</td>
<td>58</td>
<td>32</td>
<td>67</td>
<td>68</td>
<td>68</td>
<td>83</td>
</tr>
<tr>
<td>Problems early in career</td>
<td>45</td>
<td>42</td>
<td>74</td>
<td>30</td>
<td>53</td>
<td>53</td>
<td>28</td>
</tr>
<tr>
<td>Told not suitable job</td>
<td>13</td>
<td>47</td>
<td>32</td>
<td>15</td>
<td>26</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>Company has had image</td>
<td>16</td>
<td>37</td>
<td>21</td>
<td>19</td>
<td>26</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>Caused me to lose sales</td>
<td>16</td>
<td>5</td>
<td>5</td>
<td>15</td>
<td>26</td>
<td>26</td>
<td>6</td>
</tr>
<tr>
<td>People wont talk to salesman</td>
<td>30</td>
<td>32</td>
<td>47</td>
<td>30</td>
<td>37</td>
<td>37</td>
<td>6</td>
</tr>
<tr>
<td>People dont want life assurance</td>
<td>36</td>
<td>47</td>
<td>58</td>
<td>30</td>
<td>42</td>
<td>42</td>
<td>28</td>
</tr>
<tr>
<td>Lack of prospects</td>
<td>38</td>
<td>32</td>
<td>52</td>
<td>33</td>
<td>26</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td>Co should provide prospects</td>
<td>34</td>
<td>21</td>
<td>21</td>
<td>26</td>
<td>42</td>
<td>42</td>
<td>33</td>
</tr>
<tr>
<td>Co provides poor prospects</td>
<td>11</td>
<td>16</td>
<td>5</td>
<td>15</td>
<td>11</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Too much interference by manager</td>
<td>22</td>
<td>21</td>
<td>16</td>
<td>15</td>
<td>32</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>Too much night work</td>
<td>52</td>
<td>63</td>
<td>58</td>
<td>67</td>
<td>26</td>
<td>26</td>
<td>61</td>
</tr>
</tbody>
</table>

For full table and reasons refer appendix 5.
At least ten of the twenty-two factors could be directly affected by advertising and marketing support.

As the second phase of the study I arranged for resigning salesmen from the two companies to complete a simple questionnaire to indicate to what extent any of the 22 factors contributed to their resignations. A total of 170 responses were received for analysis, providing a sample more than three times the size of that used by Poppleton and Lubbock. Further details of this study and the actual questionnaire are quoted in appendix 5.

Figure 1.8, which is an extract from the study, shows that many factors that can be affected by marketing and advertising support are recognised to be features that frequently contribute to salesmen's resignations. Image factors also appear to be a critical area of difference between the two companies in regard to the causes of resignations.

Naturally the way in which various marketing factors will affect the salesman will depend to an extent on his personal circumstances. For the purposes of the further discussion I have identified three groups who are likely to have similar reactions.

(a) The newer salesman. He is generally a man (or woman) with less than one year of service, probably still being rewarded on the advance system, and still needing to
establish a satisfactory, regular volume of business. He will still be feeling his way and is likely to react strongly to image factors.

(b) The Average Salesman. He may be on full commission or clearing off his advance account. His production has stabilized to provide him with a reasonable income, but abnormal events will still cause large fluctuations.

(c) The Top Writer. He is an established fieldman, earning a very substantial income. He will be a member of the top-writer's clubs and regularly aspire to branch and national prizes as well as to the industry's ego rewards. He will be on full commission.

There should be a natural progression between these groups, although at any point in time there will be a number of salesman sharing some of the characteristics of more than one group.

THE MOTIVATIONAL VALUE OF ADDITIONAL SALES

The most obvious measurable behavioural change is a change in the volume of sales. Since most salesmen are rewarded directly on the volume of business that they bring in, this will have an immediate value.
## REASONS FOR RESIGNATIONS

<table>
<thead>
<tr>
<th>CONTRIBUTORY REASON</th>
<th>% RESPONDENTS QUOTING REASON</th>
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<td>26</td>
<td>61</td>
</tr>
</tbody>
</table>

For full table and reasons refer appendix 5.
Where advertising achieves this benefit by 'improving the climate' or by preparing the ground, without actually causing the prospect to return an identifiable coupon, it is unlikely that the salesman will give the advertisement much credit for the additional sales. It will however still tend to affect his future behaviour.

Figure 1.8 showed that for the newer salesman the major causes of resignations include 'Problems with finalising sufficient sales early in career to cover initial financing', 'Earnings too low' and 'People I contacted did not want more assurance'. If advertising promotes additional sales it will tend to reduce the force of these factors.

If, taken across the board, this tends to reduce the rate at which salesmen resign it will, in the longer run, result in additional sales and benefits for the company. I therefore feel justified in crediting an additional sale generated for a newer salesman with an extra motivational value $N_{po}$ equal to the initial value of a sale $S$ for those cases where there is no visible link (such as an enquiry coupon) between the advertisement and the sale. As I shall show later an even higher motivational value may be ascribed where the link is more easily recognised.

As salesmen become more experienced they tend to overcome the initial hurdles and resignation rates reduce steadily. The
(a) (i) Value of a Sale (other than resulting from a lead)

<table>
<thead>
<tr>
<th>Primary Value</th>
<th>Additional Motivational Value</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Newer Salesman</td>
<td>Average Salesman</td>
<td>Top Writer</td>
</tr>
<tr>
<td>$S$</td>
<td>$N_{po} = 1.0 \times S$</td>
<td>$A_{po} = 0.50 \times S$</td>
<td>$T_{po} = 0.25 S$</td>
</tr>
</tbody>
</table>

Where $S = \text{Promotional Loading} \times \text{Annualised Premium}$

For derivation refer text.
successful life assurance salesman is however constantly being offered other opportunities by competitors, brokers, and by sales organisations for other industries.

Additional sales will tend to increase incomes and thus to make competitive offers less attractive. Certain people in the industry think, however, that some salesmen set themselves sales targets just sufficient to provide a comfortable income, and that an additional sale will merely result in less effort elsewhere. Even if this is in fact the case, additional sales make the career more attractive as it requires less effort to be comfortable.

The top writer gains benefits from additional sales even after income has ceased to be a powerful motivator. Each additional sale will make competition targets more attainable, and thus act as a spur to further efforts.

I have therefore ascribed additional motivational values ($A_{po}$ and $T_{po}$) of 0.50 and 0.25 times the value of a sale ($S$) for each additional sale generated for average salesmen and for top writers respectively where the role of advertising is not recognised (figure 1.9).

Where an advertisement or activity actually results in a falling off of sales, without the involvement of the company being too easily recognised, it is likely that it will have a 'demotivational' value corresponding to the 'motivational value' of an additional sale.
In my initial work I differentiated between those cases where the sale was made to a new customer as opposed to those to old clients. This appears logical since a salesman who has established a relationship with his client will be unlikely to ascribe any motivational value to a head office lead to that client.

An analysis of Old Mutual's records suggests that approximately one half of all sales are made to old clients, which was the reason for the initial differentiation. Further analysis, however, shows that the frequency of repurchase amongst the company's existing policyholders is very little higher than that amongst a similar mix of the general insurance-buying population. When one considers the low frequency of purchase, and couples this with the high turnover of salesmen, one discovers that the frequency of repurchase from the same salesman is very small indeed. Where such repeat sales do take place they are limited to the most experienced salesmen, for whom the motivational factors are comparatively low in any case. For these reasons I have abandoned separate ratings for old clients and for new clients.

THE VALUE OF SALES WHICH RESULT FROM ENQUIRIES

In dealing with enquiries (leads) which have been generated by advertisement, and with sales that result from them, it is necessary to consider the motivational effects in somewhat greater depth.
OPINIONS ABOUT LEADS

<table>
<thead>
<tr>
<th>Leads provide a valuable means of activating the newer fieldman.</th>
<th>7.74</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leads have the disadvantage of taking the emphasis out of standard prospecting methods.</td>
<td>-3.90</td>
</tr>
<tr>
<td>Leads make salesmen lazy to prospect.</td>
<td>-3.84</td>
</tr>
<tr>
<td>Leads are seen as last resorts to be used when all else fails.</td>
<td>-5.21</td>
</tr>
<tr>
<td>The experienced fieldman should not receive leads as he has sufficient prospects of his own.</td>
<td>-5.96</td>
</tr>
</tbody>
</table>

FIGURE 1.10

Note: 'Rating' factors based on a scale +10 (strongly agree) – -10 (strongly disagree).

Source: 1979 Leads Survey - Old Mutual Marketing Research Survey (refer appendix 2b).
In order to obtain guidelines I have commissioned a special survey amongst Old Mutual's sales managers to obtain their opinions on the value of 'leads'. This survey is described in more detail in appendix 2b.

Question 5a of the survey asked the sales managers to indicate the extent to which they agreed or disagreed with various statements about 'leads'. Figure 1.10 summarises the results and shows that managers generally agreed, often fairly strongly, with the positive statements, and disagreed with the negative statements.

If a lead is given to a salesman, and he is told to follow it up as a sales call, it is likely to reduce the probability of him resigning because 'Company should have provided more prospects', or 'I could not find sufficient people to contact', and possibly 'Company appeared to have a bad image amongst prospects'. As figure 1.10 shows sales managers find leads particularly useful to activate the newer fieldmen, and also consider that they are valuable for more experienced men.

If an enquiry actually results in a sale, this will generate additional income, and will reduce the resignation factors 'Earnings too low', 'People I contacted did not want more assurance' and in the case of the newer salesman 'Problems in finalising sufficient sales early in career to cover initial financing'.
## SALESMAN'S ATTITUDES TO LEADS

### 1969 Ratings

<table>
<thead>
<tr>
<th>Type of Lead</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>5,0</td>
</tr>
<tr>
<td>Policy-Change</td>
<td>4,7</td>
</tr>
<tr>
<td>Members Registry</td>
<td>4,6</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>4,6</td>
</tr>
<tr>
<td>Coupon</td>
<td>4,6</td>
</tr>
<tr>
<td>Civil Service</td>
<td>3,4</td>
</tr>
<tr>
<td>Baby book</td>
<td>3,4</td>
</tr>
</tbody>
</table>

(6 most favourable - 0 most unfavourable)

**FIGURE 1.11a**

Source: 1969 Leads Survey - Old Mutual Marketing Research Survey
(Refer appendix 2b)

### 1979 Ratings

<table>
<thead>
<tr>
<th>Type of Lead</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIRECT MAIL</td>
<td></td>
</tr>
<tr>
<td>IndependenceMaker</td>
<td>5,20</td>
</tr>
<tr>
<td>ProfitMaker</td>
<td>4,54</td>
</tr>
<tr>
<td>PayBridge</td>
<td>4,32</td>
</tr>
<tr>
<td>Her Own Policy</td>
<td>4,74</td>
</tr>
<tr>
<td>Estate Planning</td>
<td>4,74</td>
</tr>
<tr>
<td>OTHERS</td>
<td></td>
</tr>
<tr>
<td>Birthday</td>
<td>4,12</td>
</tr>
<tr>
<td>Change of address</td>
<td>3,80</td>
</tr>
<tr>
<td>Press Coupons</td>
<td>4,32</td>
</tr>
<tr>
<td>FAS T.V. Enquiries</td>
<td>4,44</td>
</tr>
</tbody>
</table>

(6 = very worthwhile - 0 = very poor)

**FIGURE 1.11b**

Source: 1979 Leads Survey. Old Mutual Marketing Research Survey
(refer annexure 2b).
Since the sale has resulted from a lead, the salesman's attention is drawn to the assistance that he has received from the office, although in some instances the salesman will prefer to give much of the credit for the successful outcome to his own skill and effort. The residual value will help to improve company loyalty through the 'Equity Theory' (18).

I therefore feel justified in ascribing somewhat higher 'motivational' values to sales generated from leads \( (P_e) \) as opposed to other sales created as a result of advertising \( (P_o) \).  

**THE VALUE OF A LEAD**

In a previous 'leads survey' in 1969 (refer appendix 2b) we asked the actual salesmen their opinions of leads, and figure 1.11a shows their ratings on a scale 6 most favourable, 3 neutral and 0 most unfavourable. As can be seen all types of leads were received fairly favourably. In the past 10 years we have also taken active steps to improve the quality of leads generated. In the 1979 leads survey we asked managers to rate the quality of recent leads, and their results, adjusted to a similar scale, are shown in figure 1.11b.

At first glance, looking at these opinions one would tend to ascribe a positive motivational value to a lead.
## MANAGERS' VIEWS OF REQUIRED QUALITY OF LEADS

<table>
<thead>
<tr>
<th></th>
<th>Maximum Leads per Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newer Salesman</td>
<td>14.46</td>
</tr>
<tr>
<td>Average Salesman</td>
<td>9.07</td>
</tr>
<tr>
<td>Top Writer</td>
<td>5.48</td>
</tr>
</tbody>
</table>

**FIGURE 1.12**

If, however, a salesman is given too many leads which do not result in sales, it will cause an adverse reaction and may increase the strength of the factors 'People do not want to talk to a life assurance salesmen', 'People I contacted did not want more assurance', 'Company wasted my time sending me to poor prospects' and even possibly 'Too much interference by manager'.

I hypothesise, therefore, that one should ascribe a somewhat higher value to a sale which has been as a result of a lead, and balance this by ascribing a negative value to an enquiry itself.

This would mean that where a batch of enquiries generates a high proportion of sales, the effects will be strongly positive, but where very few sales are generated the effects could be neutral, or even negative.

In the 1979 survey I asked managers to indicate the proportion of leads that should result in a sale for the various classes of salesmen. Their answers are shown in figure 1.12.

In looking at the newer salesman I have ascribed an additional motivational value of 1.6 S to a sale which is seen to have been assisted by a lead, and a negative value of -0.1 S to a lead (figure 1.13 see over).
THE VALUE OF A BEHAVIOURAL CHANGE

(a) (i) Value of a Sale (other than resulting from a lead)

<table>
<thead>
<tr>
<th>Primary Value</th>
<th>Additional Motivational Value</th>
</tr>
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<tbody>
<tr>
<td>S</td>
<td>[N_{po} = 1.0 \times S]</td>
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<td></td>
<td>[T_{po} = 0.25 \times S]</td>
</tr>
</tbody>
</table>

(ii) Value of a Sale resulting from a lead

| S             | \[N_{pe} = 1.6 \times S\]     |
|               | \[A_{pe} = 1.4 \times S\]     |
|               | \[T_{pe} = 1.2 \times S\]     |

(b) Value of a lead

| 0             | \[N_{e} = -0.15 \times S\]    |
|               | \[A_{e} = -0.14 \times S\]    |
|               | \[T_{e} = -0.20 \times S\]    |

Where \( S = \text{Promotional Loading} \times \text{Annualised Premium} \)

For derivation refer text.
This means that if every lead resulted in a sale the motivational value would be $1.5 \, S; \quad (N_{pe} + N_e) = (1.6 - 0.1)$. If one in fifteen leads resulted in a sale (the minimum level acceptable to managers) the motivational value would fall to $0.1 \, S; \quad (1.6 - 15 \times 0.1)$. Sixteen leads per sale would mean a zero motivational effect, and at over twenty-six leads per sale it would mean that the 'demotivational' value of the leads has more than offset the primary value to the company of the additional sale.

For the more experienced salesman one can ascribe somewhat lesser effects for leads and sales generated from leads, although figure 1.10 showed that most managers do not think that leads make salesmen lazy or that they should not be given to more experienced salesmen.

The more experienced salesman should have overcome any initial problems with the image of the career, but bad leads will tend to increase other contributory causes such as 'Too many difficulties with Head Office', 'Too much interference by manager', and 'Company wasted my time sending me to poor prospects'.

As I have indicated earlier the financial motivation of an additional sale peaks after 2-3 years and then fails off, but the perceived benefits of the assistance from the office will promote loyalty from all levels.
I have therefore ascribed a plus value of 1.4 S to a sale from a lead for an average salesman and of 1.2 for a top salesman and negative values of -0.14 S and -0.20 S for leads respectively.

These figures conform to the manager's guidelines for acceptable leads per sale ratios, but also imply that the adverse effects of giving poor leads to experienced salesmen can rapidly cause totally negative effects.

In most instances these will not be reflected in the resignation rates of experienced salesmen, but in the general attitude to leads.

What appears to happen is that if managers and salesmen feel that a certain class of lead is poor, those leads will not be distributed or followed up, and in time this negative attitude will spread to all leads and will pervade the entire sales force at the branch.

THE PYGMALION EFFECT

The salesman's reaction to a lead is likely to be strongly influenced by the attitude of his sales manager.

Various writers have identified the 'self-fulfilling' prophesy or Pygmalion effect. It has been ascribed to Macgregor's X and
Y theories but investigated most thoroughly by people like Professor R. Rosenthal and Lenore Jacobson who published a book 'Pygmalion in the Classroom'.

In a series of experiments Rosenthal and Jacobson were able to prove that if teachers had high expectations of a group of students, their results would be higher, and if those expectations were low the results would be lower (19).

J. Sterling Livingston, Professor of Business Administration of Harvard University has studied the 'Pygmalion Effect' in management (20) and made the following comments.

"The powerful influence of one person's expectations on another's behaviour has long been recognised by physicians and behavioural scientists and more recently by teachers. But, heretofore, the importance of managerial expectations for individual and group performance has not been widely understood ...

... These cases and other evidence available from scientific research now reveal:

1. What a manager expects of his subordinates and the way that he treats them largely determine their performance and career progress.

2. A unique characteristic of superior managers is their ability to create high performance expectations that subordinates fulfil.

3. Less effective managers fail to develop similar expectations, and, as a consequence, the productivity of their subordinate suffers.

4. Subordinates, more often than not, appear to do what they believe they are expected to do." (21)
### RECOGNITION OF ASSISTANCE

| A sale resulting from a lead is seen by the fieldman as being an extra benefit provided by the organisation. | 5.21 |
| Sales that result from leads can be attributed mainly to the type of lead. | 0.68 |
| Sales that result from leads can be attributed mainly to the salesman. | 3.36 |

**FIGURE 1.14**

Note: 'Rating' factors based on a scale +10 (strongly agree) - -10 (strongly disagree).

**Source:** 1979 Leads Survey - Old Mutual Marketing Research Survey (refer appendix 2b).
"Managers are more effective in communicating low expectations to their subordinates than in communicating high expectations to them, even though most managers believe exactly the opposite. It usually is astonishingly difficult for them to recognise the clarity with which they transmit negative feelings to subordinates." (22)

This negative impact is allowed for in the formulae by ascribing a negative motivational value to leads, and applying this value to all leads. In actual fact a manager who has a bad image of leads will not distribute them, and so they will not have the opportunity of creating a negative motivation. In the 1979 leads survey managers claimed not to distribute between five and fifteen percent of leads depending on the type. The true figure is probably somewhat higher.

THE QUALITY OF LEADS

In the 1979 survey managers expressed the opinion that a good salesman can turn any lead into a sales opportunity, and that sales that result from leads can be attributed mainly to the salesman (figure 1.14). This appears to be in line with the threshold model discussed in chapter 3, and to suggest that there can be no such thing as a bad lead. Closer scrutiny however shows four factors that reduce the value of some leads.
(a) Not all people are prospects for life assurance. Most South African newspapers tend to be read by a broad spectrum of people, and the 'AMPS' readership studies quoted in appendix 2a indicate that all the major 'English language' newspapers have more non-White readers than 'Whites' (23). Experience shows that a very high proportion of coupons, particularly if something is offered free, are sent in by non-Whites and children. A good salesman can sometimes turn an enquiry from a child into an opportunity to talk life assurance to the parent, but even this is of no value if the parent himself cannot afford to purchase the product. Top salesmen tend to be even more selective than the average as to the type of person to whom they will sell, because most of the ego rewards to which they aspire have penalties for discontinuances and for small policies.

Perhaps we should include with 'non-prospects', enquiries which come from competitors and others who are merely monitoring the advertiser's activities.

(b) Some people may not be contactable. As we shall see later, South Africans tend to move around a fair amount, and leads generated from directories and other sources will include a number of cases where the addressee has moved away. This should not apply so much to coupons, where, in most cases, the respondent will provide a sufficient
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<td>61</td>
<td>58</td>
<td>32</td>
<td>67</td>
<td>68</td>
<td>83</td>
</tr>
<tr>
<td>Problems early in career</td>
<td></td>
<td>45</td>
<td>42</td>
<td>74</td>
<td>30</td>
<td>53</td>
<td>28</td>
</tr>
<tr>
<td>Told not suitable job</td>
<td></td>
<td>13</td>
<td>47</td>
<td>32</td>
<td>15</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>Company has had image</td>
<td></td>
<td>16</td>
<td>37</td>
<td>21</td>
<td>19</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>Caused me to lose sales</td>
<td></td>
<td>16</td>
<td>5</td>
<td>5</td>
<td>15</td>
<td>26</td>
<td>6</td>
</tr>
<tr>
<td>People wont talk to salesman</td>
<td></td>
<td>30</td>
<td>32</td>
<td>47</td>
<td>30</td>
<td>37</td>
<td>6</td>
</tr>
<tr>
<td>People dont want life assurance</td>
<td></td>
<td>36</td>
<td>47</td>
<td>58</td>
<td>30</td>
<td>42</td>
<td>28</td>
</tr>
<tr>
<td>Lack of prospects</td>
<td></td>
<td>38</td>
<td>32</td>
<td>52</td>
<td>33</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td>Co should provide prospects</td>
<td></td>
<td>34</td>
<td>21</td>
<td>21</td>
<td>26</td>
<td>42</td>
<td>33</td>
</tr>
<tr>
<td>Co provides poor prospects</td>
<td></td>
<td>11</td>
<td>16</td>
<td>5</td>
<td>15</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Too much interference by manager</td>
<td></td>
<td>22</td>
<td>21</td>
<td>16</td>
<td>15</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>Too much night work</td>
<td></td>
<td>52</td>
<td>63</td>
<td>58</td>
<td>67</td>
<td>26</td>
<td>61</td>
</tr>
</tbody>
</table>

address for material to be delivered, although every campaign generates a few 'jokers' who put in fictitious names.

A secondary problem is that of making a personal contact with the respondent. Many people in South Africa use 'Post Box' addresses, and the salesman may have considerable difficulty in identifying the correct 'street address', particularly as directories are only updated irregularly. Most salesmen are also reluctant to do too much night work (it is one of the largest contributors to resignations - figure 1.8), and they prefer at least to make a telephone contact to arrange a firm appointment. A lead which provides a daytime, or office telephone number is thus more acceptable than one which does not.

(c) Incongruence. If an advertisement builds up very high expectations or makes promises which the salesman cannot meet, it will mean that the recipient must first be 'unsold' on his preconceptions before the salesman can sell the correct idea. This naturally makes the salesman's job much harder, and can result in a lower sales ratio. The problem of incongruent sales messages is discussed in more detail in chapter 3.

(d) People seeking reinforcement or shopping around. People in the process of buying, or who have recently bought,
tend to seek reinforcement to reduce their dissonance (11). This may involve an enquiry for further information which might be passed to a salesman to follow-up. In most instances there will be little opportunity for this salesman to make an additional sale, and at best he might hope to 'switch' a sale to his company from a competitor. The life assurance industry does not regard this as being in the prospect's best interests, and have special agreements which prevent a salesman from getting commission from this type of sale.

THE CONSERVATION OF POLICIES

As we have seen earlier, an unfortunately large proportion of policies are discontinued for various reasons. These can be treated in two categories - policies which have been in force for less than two years (lapses) and policies which have been in force for longer periods (surrenders).

Where a policy is discontinued in the initial period it is a substantial loss to the company as not all the setting-up costs will have been recovered. It may also be a loss to the salesman since future commission will be stopped, and some commission already received may have to be repaid.

This is one of the major factors that cause a salesman's income to fluctuate a great deal. The demotivating effect of a
## IMPACT OF LAPSES

<table>
<thead>
<tr>
<th>Rating</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A lapsed policy is a demotivating factor to the newer representative</td>
<td>+4.45</td>
</tr>
<tr>
<td>A lapsed policy causes an established representative to write extra business to maintain his persistency ratios</td>
<td>+1.78</td>
</tr>
</tbody>
</table>

**FIGURE 1.15**

Notes: 'Rating' factors based on a scale +10 (strongly agree) − -10 (strongly disagree)

Source: 1979 Leads Survey - Old Mutual Marketing Research Survey (refer appendix 2b).
'lapse' will to an extent depend on the length of time that the policy has been in force. Old Mutual's records indicate that the modal average period is 4 months.

Lapses therefore tend to begin to hit the newer salesman just as he is starting to build up his confidence, and at that stage they must have a disproportionately high 'demotivating' value ($N_d$). In answer to question 5b of the 1979 leads survey, most managers agreed fairly strongly that a lapsed policy is a demotivating factor to the newer salesman (figure 1.15). On the other hand statistics indicate that a substantial proportion of the salesmen will already have resigned by the time that their lapses come through (24) and they will thus be beyond demotivation.

For more experienced salesmen the 'demotivating' factor will apply in a somewhat higher proportion of cases, and it will be reflected in fluctuating income, and possibly also in reducing the probability of qualifying for one of the ego rewards.

Managers are more or less evenly divided as to whether a 'lapse' will in fact motivate an established salesman to write extra business to maintain his persistency ratios.

I have therefore ascribed to each lapse a motivational value of 1,5S, 1,0S, and 0,5S respectively depending on whether the lapse affects a newer salesman, an average salesman or a
# The Value of a Behavioural Change

## (a) (i) Value of a Sale (other than resulting from a lead)

<table>
<thead>
<tr>
<th>Primary Value</th>
<th>Additional Motivational Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Newer Salesman</td>
</tr>
<tr>
<td>$S$</td>
<td>$N_\text{po} = 1,0 \times S$</td>
</tr>
</tbody>
</table>

## (ii) Value of a Sale resulting from a lead

<table>
<thead>
<tr>
<th>Additional Motivational Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$S$</td>
</tr>
<tr>
<td>$N_\text{pe} = 1,6 \times S$</td>
</tr>
<tr>
<td>$A_\text{pe} = 1,4 \times S$</td>
</tr>
<tr>
<td>$T_\text{pe} = 1,2 \times S$</td>
</tr>
</tbody>
</table>

## (b) Value of a lead

<table>
<thead>
<tr>
<th>Additional Motivational Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$S$</td>
</tr>
<tr>
<td>$N_\text{e} = -0,15 \times S$</td>
</tr>
<tr>
<td>$A_\text{e} = -0,14 \times S$</td>
</tr>
<tr>
<td>$T_\text{e} = -0,20 \times S$</td>
</tr>
</tbody>
</table>

## (c) Value of a lapse (negative) or new policy conserved (positive)

<table>
<thead>
<tr>
<th>Additional Motivational Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$S$</td>
</tr>
<tr>
<td>$N_\text{d} = 1,5 \times S$</td>
</tr>
<tr>
<td>$A_\text{d} = 1,0 \times S$</td>
</tr>
<tr>
<td>$T_\text{d} = 0,5 \times S$</td>
</tr>
</tbody>
</table>

## (d) Value of a surrender (negative) or established policy conserved (positive)

<table>
<thead>
<tr>
<th>Additional Motivational Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$S$</td>
</tr>
<tr>
<td>$N_\text{c} = 0,1 \times S$</td>
</tr>
<tr>
<td>$A_\text{c} = 0,1 \times S$</td>
</tr>
<tr>
<td>$T_\text{c} = 0,1 \times S$</td>
</tr>
</tbody>
</table>

Where $S = \text{Promotional Loading x Annualised Premium}$

For derivation refer text.
top salesman. For an advertising campaign these values will be negative if the advertising increases lapses, or positive if it reduces lapses (figure 1.16).

If the policy has been in force for more than two years the motivational effect on the salesman will be very low because his pocket is not immediately affected, and he is unlikely to recognise changes in surrender rates as being affected by advertising. The only 'loss' to the salesman is the reduced possibility of a future sale, but the frequency of repurchase from the same salesman is very low. I have therefore ascribed a motivational value of only 0,1 S where an established policy is conserved, or of -0,1 S if it is surrendered and regard these factors as being constant for all three classes of salesman.

THE MOTIVATION OF BROKERS

In the above analysis I have concentrated on the motivational effects on the full-time sales force, and justified much of the ascribed value to the effects which assistance has on the propensity to resign. Whilst Old Mutual obtains the bulk of its business through its own sales force, one cannot totally ignore the effects on brokers.

The measurement of the primary results will cover whatever proportion of business is normally obtained from brokers, and
will be increased (or decreased) by changes in the purchasing habits of people who are exposed to advertising and who are serviced by brokers.

When looking at the motivational effects on brokers the key additional benefit obtained by the company will not be a decreased propensity to resign, but will be a tendency to place a higher proportion of business with the company. Naturally broker salesmen do also have a high turnover rate, but changes in this rate do not affect the insurance company so much, since the broker companies, rather than the individual broker salesman supply continuing service to the policyholders whom they introduce.

Where a broker receives a benefit through a sale which is seen to have been introduced through a 'lead' passed on by the company, he will tend to place more business with that company through the equity theory or norm of reciprocity. On the other hand 'bad' leads that cause him to waste his time will have negative effects.

Where an advertisement has made it easier for him to sell a particular company's products he will naturally tend to sell that particular company's products whenever he thinks the circumstances favourable. This will also apply if he finds that prospects ask about the products of a specific company. He will rarely try to 'unsell' them on their preferred company unless he has a real objection to it.
Lapses and discontinuances will have little demotivational effect; unless a lapse is seen to have been caused by some action of the company, for example the failure to lodge a stop-order. The effects of advertising are unlikely to be recognised to any great extent. In practice, the rate of discontinuance tends to be low in the markets in which the brokers operate, and also because of the continuity of service.

My discussions in the broker market (refer appendix 6) suggest that the motivational effects will cause a short-term fluctuation in business from the broker concerned, and that this will depend on the extent to which the broker has established and stabilised the spread of companies whom he supports. I feel that the net motivational value to the company will be similar to those ascribed to salesmen working in the same markets, and that in view of the fact that brokers appear to be involved in only a small proportion of the measured behavioural changes (26) it is not necessary to obtain separate motivational factors for brokers.

THE MOTIVATIONAL FORMULA

The analysis of motivational values has generated a complex formula involving 15 motivational factors in addition to the three primary values.

Motivational Value = \( P_{on} N_{po} S + P_{oa} A_{po} S + P_{ot} T_{po} S + P_{en} N_{pe} S + P_{ea} A_{pe} S + P_{et} T_{pe} S + E_{n} N_{e} S + E_{a} S + E_{t} T_{e} S + O_{nd} N_{d} S + D_{a} A_{d} S + D_{t} T_{d} S + C_{n} N_{c} S + C_{a} A_{c} S + C_{t} T_{c} S \)
Where \( P_{on}, P_{en}, E_n, D_d, \) and \( C_n \) are respectively, the net number of sales, without and with recognisable advertising support, the number of leads, the net number of lapses and of surrenders which pertain to newer salesmen and which are created by advertising; \( N_{pa}, N_{pe}, N_e, N_d \) and \( N_c \) are the respective motivational values; \( A, \) and \( T \) are similar values applicable to average salesmen and top writers respectively; and \( S \) is the 'profit' value of an average sale. In theory all 15 of these values can apply to every advertising campaign, although in practice it will rarely be possible to categorise all the changes. I have therefore devised some simplified formulae which group some of the values.

**SIMPLIFIED FORMULAE**

From the 1979 leads survey we obtained guidance as to how managers distribute the leads from each of the campaigns undertaken recently. We can therefore use these to calculate an average value \( M_e \) that will reflect the weightings between the classes of salesman receiving the lead.

When dealing with sales (with and without leads), lapses and surrenders we could attempt to identify the true spread from our internal records, or could weight all these factors in the same proportions as leads. In those cases which I have tried to evaluate by both methods, the answers do not seem to be very different, presumably because of the selectivity with which
## THE VALUE OF A BEHAVIOURAL CHANGE

### (a) (i) Value of a Sale (other than resulting from a lead)

<table>
<thead>
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<tr>
<td></td>
<td>Newer Salesman</td>
</tr>
<tr>
<td>( S )</td>
<td>( N_{po} = 1,0 \times S )</td>
</tr>
</tbody>
</table>

### (ii) Value of a Sale resulting from a lead

| S              | \( N_{pe} = 1,6 S \) | \( A_{pe} = 1,4 S \) | \( T_{pe} = 1,2 S \) |

### (b) Value of a lead

| S | \( N_{e} = -0,15 S \) | \( A_{e} = -0,14 S \) | \( T_{e} = -0,20 S \) |

### (c) Value of a lapse (negative) or new policy conserved (positive)

| S | \( N_{d} = 1,5 S \) | \( A_{d} = 1,0 S \) | \( T_{d} = 0,5 S \) |

### (d) Value of a surrender (negative) or established policy conserved (positive)

| \( 0,75 S \) | \( N_{c} = 0,1 S \) | \( A_{c} = 0,1 S \) | \( T_{c} = 0,1 S \) |

Where \( S = \text{Promotional Loading} \times \text{Annualised Premium} \)

For derivation refer text.  

(RePEATeD FIGURE 1,16)
managers distribute leads. Since the method of weighting the values in proportion to leads is relatively simple I have adopted it in the evaluation system which I shall describe in the following chapter.

For most campaigns it has also proven to be impractical to differentiate between sales resulting from leads, and those where the advertising effect is less obvious. I have, therefore, assumed a motivational value for sales $M_{pt}$ to be midway between the values for sales from leads $M_{pe}$ and for sales without leads $M_{po}$.

This leaves us with the simplified motivation formula.

$$\text{Motivational Value} = (P_t M_{pt} + E M_e + D M_d + C M_c) S$$

To which we added the primary values to reach the total formula.

$$TV = (P_t (1 + M_{pt}) + E M_e + D (1 + M_d) + C (0.75 + M_c)) S$$

Of course in non-response-orientated campaigns $P_t = P_o$ and the factors $E$ and $P_e$ fall away.

THE IMPORT OF THE MOTIVATIONAL FACTORS

The values quoted in the text, and in figure 1.16 are assumed rather than actual values, but the assumptions are not
arbitrary. In the first instance as I have indicated I have been guided by the results obtained from the two surveys specifically commissioned for the purpose. As a second stage I have shown my draft text and working to a group of experts and have modified my findings in terms of their combined judgement (refer appendix 6).

The figures are thus specific to one company at one point of time. Under other circumstances one might ascribe other values which are realistic in the new context. Certainly the motivational value of assistance, in so far as it affects a salesman's propensity to change companies within the industry, will depend to a great extent on the relative amount of assistance provided.

The actual multiplier values used will have significant effects on the relative evaluations of different advertising campaigns. They can also be deliberately manipulated to provide direction to the advertising manager and his staff. For example if circumstances demand that particular emphasis should be placed on the conservation of existing business, additional weight can be given to the primary and secondary values ascribed to lapses and to surrenders. This will focus attention on these factors and will mean that test campaigns that obtain the best results in these areas will be evaluated most favourably.
REFERENCES


2. Ibid

3. Ibid

4. Reports by Old Mutual salesmen following-up conservation drives.


7. This is the so-called 'Purdue' formula developed by the Insurance Faculty of Purdue University in consultation with L.I.M.R.A.. Work which I have undertaken in studying management control systems for Old Mutual suggest that the figures also apply in South Africa.


9. Lutnieki V.A. Seconder's speech in reply to the chairman's address at the 1977 Annual General Meeting. Old Mutual Pinelands.


12. Figure supplied by Old Mutual's Actuary (refer appendix 6).

13. Old Mutual's internal records.


21. Ibid p11

22. Ibid p13


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<td>Other Writers</td>
<td></td>
</tr>
</tbody>
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## CONCLUSION

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CHAPTER 2
THE MEASUREMENT OF THE EFFECTS OF LIFE ASSURANCE ADVERTISEMENTS

CRITERIA FOR EVALUATION

I have set out, in this thesis, to provide an acceptable method of evaluating the effectiveness of advertisements. In order to qualify as acceptable, the method must be considered in terms of various practical criteria and against comparative and absolute standards.

RELEVANCE

Any measurement system which purports to compare the effects of different advertisements must do so in terms of criteria which are relevant to the objective of the advertisement. In this thesis I have defined the objective as increasing the life assurance holdings of members of the public. This criterion is thus the most relevant one. Measurement systems which cannot obtain absolute and total results must utilize criteria which are somewhat less relevant. This must reduce their value.

RELIABILITY

Any measurement system, which is not an objective recording of the complete and natural actions of the total universe, will contain errors which will make the results less than 100% reliable.
Brown (1) identifies various types of error which are commonly encountered. I will indicate them briefly here, but explain them in more detail in appendix 7. Errors which relate to the fact that one wishes to measure actual changes in behaviour of people under natural conditions include:

(a) Reporting Errors - These are misinformation given deliberately or unintentionally by informants, and also misinterpretations or misrecording by the person collecting and analysing the answers.

(b) Situational distortions - Any measurement that takes place in a situation that is in any way removed from the one in which the behaviour would naturally occur will include distortions. These may be caused by the fact that the person being observed may be on his mettle, and may react in an unnatural manner. The act of measurement may itself alter behaviour.

(c) Extrapolation error. - Brown defines this as being the error introduced by measuring in the present to predict some future actions. Intervening change agents can make such predictions inaccurate.

Turning to 'sampling errors', that is errors that result from observing less than the total universe, Brown identifies four types.
(a) Frame Errors - These arise from the fact that most samples are drawn from an incomplete and biased population.

(b) Process or selection errors - These arise if a sample is not a true random selection from the sampling frame.

(c) Non-Response Errors - If a study requires voluntary co-operation a certain number will refuse to co-operate, and those that do may no longer be representative of the sample originally selected.

(d) Random errors. - This is the mathematical margin of error that will be caused by random variances wherever a sample is drawn from a total universe.

The standard tables of "sampling" error are only applicable to a true sample drawn correctly from a total universe. The existence of other types of error will increase the probability and range of variation considerably.

COST

Any measurement system involves a cost, and generally the wider and more natural the experiment, the greater will be the cost. Costs must, however, be considered in the light of the potential value of identifying better advertisements and of the risks implied by potential errors.
The complexity of the measurement system, and the nature of the skills required to administer and interpret it will also affect the costs significantly.

TIMING

Textbooks often differentiate between 'pre-testing' and 'post-testing', implying testing before or after the launch of the campaign. This is somewhat simplistic since some tests are suitable for use during the design stage of an advertisement, some require virtually complete advertisements which have not been generally exposed, while others can also be applied to advertisements which have been in use for some time. Much of the expense of an advertising campaign is incurred during the creative stages. Obviously the earlier the tests can be applied, the more the advertiser will be able to avoid unproductive work. On the other hand a finished advertisement will be very different from an embryo idea or initial rough design.

Many advertisements are conceived and launched under extreme time-pressure, and there may not be the opportunity to give them proper 'pre-launch' testing. They may, however, be designed to have a useful life of several years, and the advertiser would want to review their effectiveness from time to time in the light of changing circumstances.
SPEED

Allied to the problem of time, is that of speed. If the results of the tests are to cause a change in strategy, they must be available as soon as possible.

One of the major problems associated with the speed of obtaining results has been highlighted by researchers such as Cox (2), Hovland, Janis and Kelley (3) and Festinger (4) who have demonstrated that the immediate reaction to an advertisement need not be a pointer towards, nor in line with, its ultimate effects. Their models are discussed in more detail in Chapter 3. In the present context we wish to measure actual changes in purchasing habits, and this implies waiting for the changes brought about by advertising exposure to be recorded. Appendix 7b indicates the major causes of delay that are applicable to the sales of a life assurance plan.

EXPOSURE

If a testing method involves the exposure to the public of a new advertisement or an advertisement about a new product, it implies an exposure of strategy. Competitors are often on the look-out for this sort of thing and may be able to prepare a counter-attack before the full campaign is ready to be launched. Cannon (5) highlights the publicity problem of a test launch.
"Placing the product in the market exposes it to public gaze. Part of that public is the firm's competition. They have a vested interest in maximising their information about the tested product while minimising the tester's return. Some form of competitive response is inevitable. This can range from muddying the water for the test through to quickly moving to launch a competitive brand nationally if the lead times are short enough ..."

Few industries in South Africa at present face the fierce cut-throat competition sometimes found in America or Europe, but the possibility of competitive reaction cannot be ignored.

**CREDIBILITY**

One of the problems facing the researcher is his need to 'sell' his advice to management, and the key factor is often the credibility of the method used. Dunn and Barban (6) differentiate between 'experiments' and 'surveys', and state that the credibility of the method is likely to vary inversely with the distance of the test situation from reality.

In the experimental approach individuals are exposed to an advertising message under controlled conditions, and the effects are evaluated in terms of some measurable action or of a recorded change of opinion. Seymour Banks (7) points out that experimental research is mostly aimed at the comparison of alternatives rather than the establishment of absolute values.

Experimental research ranges from laboratory tests with a small number of 'guinea pigs' to the most complicated field experiments.
In surveys information is secured from a sample of the population through interviews or questionnaires. These often relate to reported exposure to a message or medium and to changes in attitudes or actions. Surveys can range from small localised enquiries to a fully representative national sample with tens of thousands of respondents. Many managers find it difficult to put much faith in surveys unless the sample is very large, or the findings conform to their own preconceived opinions.

The major practical objections about most existing evaluation systems have been those concerning the need to expose test advertisements to a large number of people under something approaching natural conditions, and of measuring relevant changes accurately.

It has however been suggested that it should be possible to overcome these objections by providing a controlled distribution of the advertising message, and then following up to record actual purchases.

I hypothesise that this can be achieved by dispatching advertisements by direct mail to random samples from the target universe. Several different messages can be dispatched simultaneously to statistically balanced samples, and the results compared with a control group or additional sample which does not receive any advertising material.
For the test to have validity, it is a prerequisite that the samples be drawn at random from a list which contains the complete universe, or at least a truly representative cross-section of the universe. The criteria which differentiate the list from the total universe must not be such as to introduce any bias.

The samples which are drawn must be constructed on a random basis and must be sufficiently large for the results to be significant and reliable. Since it is expected that variations will be small, the samples must be correspondingly large.

TRACING SALES

Some industries are in the most fortunate position that they maintain a complete record of purchasers. The life assurance industry probably carries this process as far as any, because it must establish without any doubt the identity of any person whose life is to be assured, and also of any person who is to receive any benefit under a policy. Certain other organisations such as financial institutions and companies that offer credit facilities go to nearly as much trouble to identify their customers.

If in this way it is possible to trace the purchasing habits of each person who is on a particular mailing list, direct mail
testing offers what is probably the most effective method of measuring advertising results.

Whilst no system can be absolutely perfect in this complex area, I believe that at Old Mutual I have pioneered a measurement system that avoids many of the pitfalls, and which approaches the ideals discussed above.

A PRACTICAL USE OF DIRECT MAIL TO MEASURE ADVERTISING EFFECTIVENESS

THE MAILING LIST

Old Mutual has obtained a copy of the (White) South African voters' roll which is now maintained on our ICL 2980 computer records system. The voters' roll contains the names and addresses of some 2.4 million adult White South African citizens, and also information enabling us to determine the date of birth, sex, occupation and home language of each individual.

This list is not perfect, since, although it represents the very latest official records, it is never entirely up to date. A considerable number of the addresses are likely to be incorrect as the people will have neglected to inform the authorities of changes. Whites are supposed to register as
MOBILITY OF VOTERS

8 MOVED IN THE LAST 12 MONTHS

HOUSEHOLD MONTHLY INCOME

TOTAL
Under R299
R300 - R999
R700 - R999
R1000+

16 - 24
25 - 34
35 - 49
50+

LANGUAGE
Eng/
Other
Afr/
Both

Base 1000 White Urban Adults

Source 'Research in Action' - December 1978
Based on M.R.A. Omnijet Survey August 1978
voters when they reach the age of 18 years, but many omit to do so until there is a general registration drive, and the list totally ignores all non-Whites and foreigners.

A recent study by Market Research Africa (8) showed that 'Registered Voters' represent something over 80% of the adult White population. The balance represents temporary residents, non-South African citizens and younger people who have not yet registered. However, since South African life assurance offices are seeking long-term commitments in South Africa, the 'Registered Voters' are likely to be an even higher proportion of the 'White' target market.

A more important criticism is the fact that there has been no general registration of White voters since 1970, although various political parties have had registration drives, particularly before and during elections and bye-elections.

The M.R.A. study (Figure 2.1) shows that approximately 22% of White adults have moved house in the past 12 months, with the greatest activity amongst the younger age groups. The study also found that 69% had moved since the last general registration. This does not, however, mean that all these cases are excluded from samples drawn from Old Mutual's version of the voters' roll, as we obtain information about approximately 150 000 changes from the electoral authorities each year. In addition Old Mutual can generate a similar number of movements obtained through changes notified to its policyholders records.
As a result of these 'updatings' the sampling list represents 70-75% of the target market and an average of 5% of mailing material is returned 'address unknown' for most campaigns. Old Mutual deletes these cases from the computerised roll if no change of address is available.

The list is least representative of the younger market because of delays in registering as voters, and of females and 'blue collar' workers because they are approached for direct mail purposes only once or twice a year by people using Old Mutual's lists and consequently few changes of address are generated. As we indicated in Chapter 1, however, these groups are not the major target markets for life assurance.

I am working with the authorities to set up the 'Coloured' Voters' Roll on a similar basis to the computerised 'White' roll. It has been suggested that this roll may not be entirely representative of the Coloured population because of the threat of boycotts for political reasons. It is hoped, however, that it will remain adequately representative for our purposes.

Since the basic mailing list contains the names and addresses of the bulk of our target market for most of our products, it is possible to draw reasonably representative samples which will contain proportions of non-members, recent purchasers, satisfied customers, and also dissatisfied (ex-) customers.
In our normal direct mail advertising campaigns we identify a 'target market' in terms of a combination of parameters, using age, occupation and sex criteria. For practical reasons the list is segmented by home language. Geographic information is also available, but is not usually used as a selection criterion.

Samples are drawn from amongst the defined target market on an 'n'th name basis from an alphabetical listing. This means that the selection approaches the status of a true random sample.

SAMPLE SIZE

In theory the only limitation on the size of samples that can be used for this type of test is the size of the mailing list. As we have indicated earlier for the White South African market this is about 3 million people which is roughly 75% of the universe.

In practice however I have been restricted by the availability of computer time for analysis purposes. This has placed an arbitrary ceiling of \( \pm 25,000 \) on the number of cases that can be followed up at any one time.

In a normal effectiveness test we require three samples - the two advertisements to be compared and a control sample. I have therefore aimed at providing two experimental samples each of
SIGNIFICANT DIFFERENCES

MINIMUM DIFFERENCES REQUIRED TO BE SIGNIFICANT BETWEEN TWO RANDOM SAMPLES.

**TABLE 1**

<table>
<thead>
<tr>
<th>EXPECTED VALUE</th>
<th>CONFIDENCE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>95%</td>
</tr>
<tr>
<td>0,38%</td>
<td>68%</td>
</tr>
<tr>
<td>6%</td>
<td>0,19%</td>
</tr>
<tr>
<td>0,65%</td>
<td>0,33%</td>
</tr>
<tr>
<td>10%</td>
<td>0,42%</td>
</tr>
<tr>
<td>0,83%</td>
<td>0,56%</td>
</tr>
<tr>
<td>20%</td>
<td>1,11%</td>
</tr>
</tbody>
</table>

**TABLE 2**

<table>
<thead>
<tr>
<th>EXPECTED VALUE</th>
<th>CONFIDENCE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>95%</td>
</tr>
<tr>
<td>0,48%</td>
<td>68%</td>
</tr>
<tr>
<td>0,81%</td>
<td>0,24%</td>
</tr>
<tr>
<td>10%</td>
<td>0,41%</td>
</tr>
<tr>
<td>1,02%</td>
<td>0,52%</td>
</tr>
<tr>
<td>20%</td>
<td>1,36%</td>
</tr>
</tbody>
</table>

THESE SIGNIFICANCE FIGURES HAVE BEEN CALCULATED APPLYING THE STANDARD FORMULAE FOR DIFFERENCES BETWEEN MEANS AS FOLLOWS:

FOR 95%c \( w_1 - w_2 = \bar{x}_1 - \bar{x}_2 \pm 1,96 \sqrt{\frac{1}{n_1} + \frac{1}{n_2}} \)

FOR 68%c \( w_1 - w_2 = \bar{x}_1 - \bar{x}_2 \pm 0,994 \sqrt{\frac{1}{n_1} + \frac{1}{n_2}} \)

FIGURE 2, 2
10 000 and a control of 5 000. The larger samples are used for the experimental conditions because we expect only small variations between the results obtained by the different test pieces.

In many of the tests I have been able to dispatch much greater volumes of test materials, because the advertising effectiveness tests are of secondary interest compared to the actual advertising effects obtained by the message distribution. This means that if the computer measurement system throws up unexpected results from one sample, they can be checked in a repeat measurement using other samples without having to do a repeat mailshot.

If a test is undertaken amongst White males with reasonable incomes and results are measured over a 6-month period, Old Mutual can expect a normal volume of approximately 6% sales and 2% discontinuances. Figure 2.2 indicates the extent of variation, using the standard-sized samples, that is required at different confidence levels.

IDENTIFYING CHANGES

The ICL 2980 Computer also holds the policyholder records for Old Mutual. These contain the full records of the policyholding of Old Mutual's 700 000 existing policyholders and also information about any changes that have taken place within the past 5 years.
A combination of the surname, initials and date of birth are sufficient to identify an individual with reasonable certainty. Through this means it is possible to ascertain whether a specific voter is a policyholder of Old Mutual, and to measure any changes which might occur to his policyholding.

These observable changes include new sales, all forms of discontinuance as well as adjustments to existing ongoing policies.

SPEED

In this form of test it is possible to measure the intervening changes over any time period within 5 years prior to the date of measurement.

The results must be measured over a substantial period, because the life assurance contract, by its very nature, takes a considerable time to negotiate, and for the contract to be issued (refer appendix 7b). It is also necessary to allow all the test advertisements to obtain a comparable proportion of their effects. There is also the problem that over a short period the number of changes will be small, thus making reliable predictions more difficult.
On the other hand if we wait until all possible effects have been worked through the results may have become of historic interest only. Increasing the time will also increase the volume of sales for both the test sample and the control group. Once the advertising effects have been worked through both samples should continue to grow at the same rate. This means that the difference will become relatively smaller and the predictions less reliable.

In our preliminary testing we have taken three consecutive 3-month periods over which to trace changes, but predict that the optimum period will be 4 or 5 months.

In theory it would be possible to take smaller consecutive time periods and in this way to plot the effectiveness of an advertisement, but the sample sizes required and the inherent delays in the life assurance sales situation make this impractical.

COSTS

At first glance the costs of undertaking a study of this nature, involving as it does substantial samples, could be prohibitive.
I feel however, that if costs are measured objectively it will be found that this system is very cost efficient, particularly in South Africa.

A typical test operation involves the dispatch of 10 000 units of each of two mailing pieces, and the identification of a further 5 000 people as a control sample. The costs of material and postage would be in the order of R1 200. On top of this one could impute a computer and handling charge of ± R1 000. Where the operation is done 'in-house' using what would otherwise be operator's slack time this imputed cost can often be ignored.

For the same cost one would only be able to carry out a traditional measurement survey utilizing a sample of 150 people.

In addition to the material costs of distributing the message it is also necessary to consider the computer cost in tracing changes in purchasing habits. Old Mutual's computer division calculates that to trace the purchasing history of 25 000 cases costs ± R350 in computer expenses and salaries.

By using this research methodology a company is obtaining a meaningful feedback on the effectiveness of the advertisements; it is also exposing one or other of the test messages to 20 000 people from selected target markets. This must have a
## COST OF EXPOSURE THROUGH VARIOUS MEDIA

<table>
<thead>
<tr>
<th>MEDIA</th>
<th>TOTAL</th>
<th>WHITE MALES</th>
<th>WHITE MALE (PROP TECHNICAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COST (R)</td>
<td>EXPOSURE THOUSANDS</td>
<td>COST (R) EXPOSURE THOUSANDS</td>
</tr>
<tr>
<td>Television</td>
<td>3486</td>
<td>1915</td>
<td>1,82</td>
</tr>
<tr>
<td>Radio Good Hope</td>
<td>54</td>
<td>291</td>
<td>0,19</td>
</tr>
<tr>
<td>Springbok Radio</td>
<td>107</td>
<td>389</td>
<td>0,28</td>
</tr>
<tr>
<td>Sunday Times</td>
<td>2415</td>
<td>3079</td>
<td>0,78</td>
</tr>
<tr>
<td>Beeld</td>
<td>300</td>
<td>428</td>
<td>0,70</td>
</tr>
<tr>
<td>Argus</td>
<td>525</td>
<td>493</td>
<td>1,06</td>
</tr>
<tr>
<td>Scope</td>
<td>860</td>
<td>1495</td>
<td>0,58</td>
</tr>
<tr>
<td>Readers Digest</td>
<td>1620</td>
<td>1522</td>
<td>1,06</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>3000</td>
<td>50</td>
<td>60,00</td>
</tr>
</tbody>
</table>

All charges are based on space/publication charges as at 20.10.1978 and make no allowance for creative or administrative costs.

(a) Television cost is based on a 30 second spot in 8.30 - 10 p.m. (averaging English/Afrikaans)

(b) Radio Good Hope is based on 30 second spot 6.30 - 9.30 p.m.

(c) Springbok radio is based on a 30 second spot 5.30 - 6.30 p.m.

(d) Press is based on a 30cm x 5 column black and white advertisement, run of paper.

(e) Magazines are based on a full page black and white advertisement, run of paper.

(f) Direct Mail is based on a single page black on letterhead letter with a 2 colour reply card, posted bulk rates. Mailing list of 50 000.

Exposure is determined according to the definitions used in the 1978 AMPS study.

(a) Readership includes Reading or Paging Through.

(b) Radio listening includes listened to all or part of a programme in the time slot.

(c) Television includes watched all or part of a programme in the time slot.

Source: Calculated from AMPS 1978 and from Old Mutual's internal records.
considerable monetary value which is not obtained by other test systems and which should be set off against the cost of the test.

Figure 2.3 shows the cost per thousand readers of a typical advertisement placed through various media. This indicates that although direct mail is relatively very expensive when a very wide target market is to be reached it becomes more and more competitive as the target market becomes more selective.

Even these figures for costs per reader in other media are underestimated as they include anybody who has read, or viewed, or in any way been exposed to even part of the relevant media channel (refer the discussion of AMPS in appendix 2a). It is obvious that a substantial proportion of the readers/viewers will not in fact be exposed to a specific advertisement. David Glauser (9) quotes American studies which showed that for 40 percent of the time that a television set was on there was either no audience or an inattentive audience only. When an identifiable commercial was on this figure increased, there being either no audience or only an inattentive audience about half the time. On the other hand most people receiving a direct mail piece will obtain a measure of perception because they must at least glance at it before consigning it to the wastepaper basket.

Although the variations in sales caused by even a relatively cost efficient advertisement may be small, they can contribute
considerably to the cost of the test. Thus if a sale has a value of R20 (an average promotional loading), and an advertisement costs R60 per 1 000 to deliver, it only requires to obtain an increase of 0,30% sales per reader to cover its costs. If, as I have shown in chapter 1 of this thesis one ascribes a multiplier value for secondary effects, even this moderate increase need not all be reflected in an immediate increase in measured sales.

It must be recognised that in this regard we, in South Africa, have a tremendous cost advantage over researchers in other countries. South African bulk postage rates can be as low as 2,43 cents per unit although this minimum is likely to be increased to 4c shortly. This compares with 11¢ in the United States and 7P in Britain. Printing costs are similarly in South Africa's favour. On the other hand the average value of a life assurance sale is much the same in all three countries.

TARGET MARKETS AND MEDIA OVERREACH
Advertisements are not always equally effective in different markets, and the order of relative efficiency can change from market to market.

Thus in the case of an advertisement for a retirement annuity it is probable that different factors will motivate those people with only a short time to retire from those that motivate people retiring in forty years time.
Relative efficiencies across different markets can be measured in one of two methods using direct mail. If samples are drawn at random throughout the range of the target market, the results can be segmented and reviewed in terms of the relevant parameters ... in this case into age groups. Any number of such sub-groups can be analysed provided that the sorting information is available on the original list, and that the sample sizes of the sub-groups are large enough to be reliable.

The alternative method is to stratify the basic list and draw a number of separate matched samples from each of the strata to be studied. This requires that the probable determinant parameters are known in advance, but it does ensure that large enough samples can be drawn from the sub-groups. In this form of stratified study, unequal weights can be given to different segments, provided that the results are not simply combined without reweighting to purport to be the true opinions of the total market.

**BEHAVIOURS IDENTIFIED**

Unlike most other measurement systems this method allows us to measure the net change in a number of different behaviours. Specifically for each sample we can identify new sales, changes, and several types of discontinuance. The comparison to the control sample permits us to define net change. Where the advertisement is response orientated or includes a reply
### EXAMPLE OF A CAMPAIGN ANALYSIS

<table>
<thead>
<tr>
<th>SEL</th>
<th>IMPNO</th>
<th>MATNO</th>
<th>NEWNO</th>
<th>NEWVAL</th>
<th>OLDNO</th>
<th>OLDVAL</th>
<th>LAPNO</th>
<th>SURNO</th>
<th>PUPNO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Sample 1A</td>
<td>2 047</td>
<td>1 046</td>
<td>100</td>
<td>4 068 718</td>
<td>2 230</td>
<td>35 967 809</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(511 pm)</td>
<td>(48 85 pm)</td>
<td>(R406 87)</td>
<td>(1 089 pm)</td>
<td>(R161 29)</td>
<td>(7 33 pm)</td>
</tr>
<tr>
<td>Control Sample 1E</td>
<td>2 914</td>
<td>1 456</td>
<td>119</td>
<td>4 621 445</td>
<td>3 019</td>
<td>46 736 569</td>
<td>27</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(500 pm)</td>
<td>(40 84 pm)</td>
<td>(R388 36)</td>
<td>(1 036 pm)</td>
<td>(R154 81)</td>
<td>(9 27 pm)</td>
</tr>
<tr>
<td>Letter 1  2A</td>
<td>4 092</td>
<td>2 115</td>
<td>244</td>
<td>9 815 388</td>
<td>4 423</td>
<td>70 905 113</td>
<td>37</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(517 pm)</td>
<td>(59 63 pm)</td>
<td>(R402 27)</td>
<td>(1 081 pm)</td>
<td>(R160 31)</td>
<td>(9 04 pm)</td>
</tr>
<tr>
<td>Letter 1  2E</td>
<td>5 830</td>
<td>2 944</td>
<td>270</td>
<td>10 697 400</td>
<td>6 050</td>
<td>93 938 350</td>
<td>61</td>
<td>39</td>
<td>34</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(505 pm)</td>
<td>(46 31 pm)</td>
<td>(R396 20)</td>
<td>(1 038 pm)</td>
<td>(R155 27)</td>
<td>(10 46 pm)</td>
</tr>
<tr>
<td>Letter 2  3A</td>
<td>4 101</td>
<td>2 120</td>
<td>224</td>
<td>9 345 280</td>
<td>4 487</td>
<td>72 770 166</td>
<td>13</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(517 pm)</td>
<td>(54 62 pm)</td>
<td>(R417 20)</td>
<td>(1 094 pm)</td>
<td>(R162 18)</td>
<td>(3 17 pm)</td>
</tr>
<tr>
<td>Letter 2  3E</td>
<td>5 821</td>
<td>2 951</td>
<td>265</td>
<td>10 412 575</td>
<td>6 031</td>
<td>93 203 074</td>
<td>25</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td>(507 pm)</td>
<td>(45 53 pm)</td>
<td>(R392 55)</td>
<td>(1 036 pm)</td>
<td>(R154 54)</td>
<td>(4 29 pm)</td>
</tr>
<tr>
<td>-   4A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-   4E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculated Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For description and explanation refer text.
device, the measurement system also allows us to identify responses or enquiries generated and, at least theoretically, sales as a result of those responses.

AN EXAMPLE OF TEST RESULTS

Figure 2.4 shows the results obtained from a test using this system. In this report I have not been permitted to give full details of the letters used, or of the target markets concerned, although I can indicate that it is based on a campaign relating to retirement annuities.

Figure 2.4 shows some of the figures as produced by the computer, and also, in brackets, figures which I have calculated for comparison purposes. It is hoped that the computer programme will be modified later to calculate these figures automatically.

SEL identifies the sample selection number of the data input. The basic programme makes provision for up to 32 selections, each divided into English and Afrikaans. This is designed to permit easy segmentation of the mailing list.

IMPNO is the actual number of names and addresses input for the selection. This is thus the sample size.

MATNO is the number of these cases positively matched against the policyholders file at the time of measurement (July 1979).
This is the proportion of the input who have been policyholders of Old Mutual at any time within the past 5 years. The calculated figure in brackets expresses this per thousand of the input.

NEWNO is the number of policies identified as having been sold in the period under investigation, in this case August 1978 - February 1979. The calculated figure again relates to the number per 1,000 input. As might be hoped the percentage sales are higher amongst those who have received the test material.

Looking at the Afrikaans speaking groups, selection 2 (mailing piece 1) shows a higher proportion of sales than selection 3 (mailing piece 2). There is, however, little difference between the two samples of English speakers.

NEWVAL relates to the premium income (in cents) generated from the policies identified in NEWNO. The calculated figure in brackets is the average premium per policy. In this case it is fairly stable between the samples.

OLDNO is the number of policies identified as being held by members of the selected samples at the date of the campaign. OLDVAL is the corresponding premium income in cents. The calculated figures again relate to the number of policies per 1,000 input and the average premium. The complete stability of
these figures confirms that this conforms to a true random sample at least in terms of policyholding, which was not one of the parameters by which the original sample was selected.

LAPNO relates to the number of policies which have been in force for less than 2 years and which have 'lapsed' (been discontinued) but not 'revived' (been reinstated). SURNO gives a similar figure for policies over two years old which have been discontinued with some withdrawal benefits. PUPNO relates to the number of policies over two years old for which premiums have been discontinued but without any withdrawal.

In this example it can be seen that letter 1 has marginally increased 'lapses' in both the English and Afrikaans segments of selection 2 but that letter 2 has significantly reduced lapses in selection 3. This is presumably caused by the fact that letter 1 promoted a specific plan very strongly and may have created some dissonance in the minds of recent purchasers of other plans. Letter 2 promoted tax savings, a benefit which could generalise to any life assurance plan. In all instances the discontinuances are relatively low because the target market is particularly stable in this regard.

The computer programme also generates figures for LAPVAL, SURVAL and PUPVAL, the premium incomes related to lapses, surrenders and paid-up policies respectively. These values
have been omitted from this presentation since they are subject to distortion from a small number of policies with abnormal premiums.

If we wish to determine which letter was most 'successful' it is necessary to look at the nature of the promotion and to apply the various formulae that we have derived in chapter 1.

This was a reply-generating campaign aimed at improving the situation for the more experienced salesman. Letter no 1 obtained 0,9% responses in Afrikaans and 1,1% responses in English. Letter no 2 obtained 1,3% in each language. In terms of the traditional coupon measurement systems letter 2 would be regarded as the most 'successful' letter.

From figure 2.4 we can obtain the net changes in sales and in the different types of discontinuance, and also an average premium and, consequently, a profit factor for each of the campaigns. If we apply these to the formula which we derived in chapter 1 for primary value: \[ V = (Pt + D + 0,75C) S \]

we obtain the following results

<table>
<thead>
<tr>
<th>Letter</th>
<th>Language</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter 1</td>
<td>Afrikaans</td>
<td>((10,78 -1,71 -0,98 \times 0,75))</td>
<td>24,14 = R201,21</td>
</tr>
<tr>
<td>Letter 1</td>
<td>English</td>
<td>((5,77 -1,19 -0,51 \times 0,75))</td>
<td>23,77 = R 99,77</td>
</tr>
<tr>
<td>Letter 2</td>
<td>Afrikaans</td>
<td>((5,47 +4,16 +0,01 \times 0,75))</td>
<td>25,03 = R241,23</td>
</tr>
<tr>
<td>Letter 2</td>
<td>English</td>
<td>((4,69 +4,98 -0,18 \times 0,75))</td>
<td>23,55 = R224,55</td>
</tr>
</tbody>
</table>
COMPARING TOTAL VALUES

From the example quoted in figure 2.4 and in the text opposite we have obtained response rate, and primary values for two test campaigns in each language.

We can therefore use the information to determine the motivational and total values per 1 000 sample of the campaigns, using the simplified formula.

\[
\text{Total Value} = (P_t (1 + M_{pt}) + E M_e + D (1 + M_d) + C (0,75 + M_c)) S
\]

Step 1. Values of \(E, P_t, D, C\) and \(S\) are derived for each campaign.

Step 2. Leads spread for the type of campaign is obtained from the 1979 leads survey, and the results re-weighted to obtain spread actually distributed.

<table>
<thead>
<tr>
<th>Reported Distribution</th>
<th>Not Distributed</th>
<th>New Salesmen</th>
<th>Average</th>
<th>Top Writers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,40</td>
<td>15,48</td>
<td>35,24</td>
<td>43,90</td>
</tr>
</tbody>
</table>

| Weighted Distribution | -               | 16,36        | 37,24   | 46,40       |

Step 3. Calculate values of \(M_{pt}, M_e, M_d\) and \(M_c\) from weighted average of \(N_{pt}, A_{pt}, T_{pt}\) etc.

\[
M_{pt} = 0,90 \quad M_e = -0,17 \quad M_d = 0,85 \quad M_c = 0,1
\]

Step 4. Substitute in formula to obtain total value of each campaign.

<table>
<thead>
<tr>
<th>Formula</th>
<th>(P_t (1 + M_{pt}) + E M_e + D (1 + M_d) + C (0,75 + M_c)) S = T.V. )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test 1 Afr.</td>
<td>( (10,78 (1,90) + 9(-0,17) -0,71(1,85) -0,98 (0,85)) 24,14 = R392,55 )</td>
</tr>
<tr>
<td>Test 1 Eng.</td>
<td>( ( 5,77 (1,90) + 11(-0,17) -1,19(1,85) -0,51 (0,85)) 23,77 = R153,46 )</td>
</tr>
<tr>
<td>Test 2 Afr.</td>
<td>( ( 5,47 (1,90) + 13(-0,17) +4,16(1,85) +0,01(0,85)) 25,03 = R397,66 )</td>
</tr>
<tr>
<td>Test 2 Eng.</td>
<td>( ( 4,69 (1,90) + 13(-0,17) +4,98(1,85) -0,18(0,85)) 23,55 = R371,17 )</td>
</tr>
</tbody>
</table>
This shows that although letter 1 achieved more sales in both languages, the primary value of letter 2 is more favourable. The difference being 20% in Afrikaans and 125% in English.

Applying the simplified formula (figure 2.5) to take into account the secondary values we find that there is virtually no difference between the two Afrikaans letters, but English letter 2 has nearly two and a half times the effect of English letter 1.

Unfortunately, the current stage of development of the computer programme does not generate enough information to use the more complex multiplier formula from chapter 1.

OTHER PRACTICAL TESTS ALREADY CARRIED OUT

In appendix 8 I have included some examples of material that I have dispatched under these controlled conditions, and whose effectiveness I have been able to measure. The system was originally designed purely for direct mail purposes, and many of the basic presentations are therefore direct mail messages.

In test no 1 we measured the impact of different types of direct mail letter in promoting the concept of retirement annuity plans. The mailing pieces were designed from two almost opposing views of the advertising process. Letter No 1 was written by an advertising agency which believes in long advertising copy and 'the more you tell, the more you sell'
Letter No 2 was written by a direct mail agency which aims at generating enquiries by providing the minimum information to get the reader's interest.

The first part of the test related to coupon enquiries, and, as might be expected letter No 2 pulled many more enquiries than letter 1.

In looking at the effects on overall sales, the results of the campaigns were very similar, and, in addition to the sales effect both had a considerable effect on the retention of existing policies.

In tests 2 and 3 we have been looking at ways of testing advertising messages designed for other media. In test 2, the covering letter enclosed either one of two test advertisements (A and B in the appendix). These were two advertisements which had been designed in connection with the launch of 'Her Own Policy', an endowment assurance plan which highlights specific benefits for women.

The mailing pieces were dispatched in window envelopes, addressed by means of a sticker on a card which doubled as a pre-paid reply device. The covering letter and the reply card repeated the offer of a free booklet on 'Her Own Policy'.

The inclusion of this covering letter, and reply device can be criticised as they are adding something to the test advertisement which is not present in the natural (newspaper) setting,
although both designs make provision for a coupon offering the booklet. The additional devices were included because I wished to justify the cost of the campaign in terms of the traditional direct mail criteria of 'cost per enquiry'.

I do not think that this will have distorted the relative values of the two advertisements in terms of the changes in purchasing patterns, particularly since both produced very similar volumes of enquiries. Advertisement A was shown to have caused more purchases to take place. The test will not, of course, provide a guide to the absolute changes which will be brought about in a newspaper setting, unless we compensate for the additional effects of the responses promoted through the reply device.

As an absolute measure of advertising this particular test also has the weakness that it is concerned with the launch of a new policy, and the advertisements are designed to have a useful life of several years. The projected effects of the advertisement should therefore also relate to the reinforcement and conservation of newly-sold policies, but at the time of the test campaign no such policies existed. It will be interesting to repeat the tests once the plan has become established. In the repeat test we will also avoid the reply device distortion by placing the advertisement in an envelope with no other enclosures.
Test No 3 also relates to the launch of 'Her Own Policy' and was actually dispatched simultaneously with, and as part of Test 2. The mailing piece is a reproduction, in storyboard form, of the television commercial used to promote this product. In order to try and simulate the actual effects of the commercial, the mailing piece was prepared on good-quality paper, with the pictures deliberately slightly fuzzy. We also included the agency sub-titles to try to obtain involvement in the test, although this possibly unjustifiably distorted the results. Once again an address/reply device and covering letter was used.

Test 4 also related to the launch of 'Her Own Policy' and introduced a different approach to the problem of selling insurance to women. In this case we selected a sample of married women from the voters' roll and used the information to generate labels addressed to 'Mr and Mrs'. Two separate letters were put into the same envelope, the one addressed 'Dear Sir' and the other 'Dear Madam'.

In this test we obtained results in terms of the volume of reply-cards returned, and through the computer system results in terms of sales where the woman was either the life assured or the policyowner. We were unable to identify cases where the husband was motivated to alter the insurance coverage on his own life.
The launch of 'Her Own Policy', although the target market was atypical, is an excellent example of the manner in which a large number of different approaches can be tested simultaneously. In addition to tests 2, 3, and 4 described here, four other sets of material were tested for different segments of the market, and each approach was tested in English and in Afrikaans. The mailing grid was so constructed that the different mailing-pieces could be compared against each other, as well as against control samples who received no mailing-piece.

Test No 5 was not carried out as an actual test using the full proposed measurement system, but I have included it as an indication of the way in which the methodology can be used to obtain guidance in an area which is difficult to probe using traditional research tools.

There has been considerable controversy in advertising circles as to whether one should use White, Black or mixed models in advertisements which are aimed at Black audiences, and also their effects when the advertisement will be seen by audiences of various race groups. Most of the advice currently provided is based on politically-motivated rationalisations rather than actual fact.

In this test we have taken a proven, response-orientated letter, and reproduced it in the centre of a folded leaflet.
On the outside of the leaflet we have reproduced various pictures of family scenes. Four versions were produced, the one with all the pictures of 'White' families, one of all 'Black' families, one of all 'Coloured' families and the fourth version made up of pictures from the other three.

Unfortunately we do not have very good mailing lists for non-Whites, so we utilised the charge account customers of a leading clothing store group. The one mailing list was considered to consist almost entirely of 'Black' customers and was further segmented to provide samples from the Transkei and from various cities. The second list was made up of predominantly Coloured and Indian customers from the Western Cape and Durban areas. The 'White', 'Black' and 'mixed' versions of the letter were used for the mailing to Blacks, and the 'White', 'Coloured' and 'mixed' versions went to the Coloured/Indian list.

In this test results were compared on the basis of replies generated, and their eventual conversion into sales, as the original mailing list did not contain sufficient information to allow an accurate match against our policyholders records.

The test demonstrated that the illustrations do cause differences in response rates, and that rankings of effectiveness for Blacks in Soweto, Blacks in Transkei and Coloureds/Indians vary significantly.
If and when more detailed mailing lists become available the test can be repeated more comprehensively.

Other tests which have been carried out include one which showed that the omission of the question on the reply-card concerning the respondents date of birth affected response rates minimally whilst having no effect on the advertising impact.

THE ADVANTAGES CLAIMED FOR THIS TEST SYSTEM

The system exposes the test material to large samples of selected people under controlled conditions. It measures actual behavioural change under natural conditions, and the respondent is not even aware that he is taking part in a test. The unit cost remains constant whether one is considering a sample drawn from one locality or one with the widest possible geographic spread. It is considered therefore that the sampling errors generated will be limited to true random errors.

What is measured is the marginal effect of the test exposure of the advertising message. All other factors of the marketing mix are entirely natural and apply equally to all the test samples. The feedback therefore gives due weight to the congruence of the message to the point-of-sale presentations of the salesman, and reflects the effects on people with all normal levels of predisposition.
All forms of interviewer bias are eliminated, and there is no non-co-operation bias. The computer records all historic changes, and thus the test does not have to rely on human memory.

Very large samples can be used and a complete timelog of purchases maintained, so that at least in theory, one can plot the response curve to an advertisement. Where it is possible to segment the test samples one can measure the effects on a wide range of different publics, and thus simulate the reach of various media.

Finally since actual changes in purchasing and retention are measured, the relevance and actuationality of the results is assured.

**LIMITATIONS**

It must be accepted that although this testing system overcomes many of the weaknesses inherent in other systems, it is far from perfect.

**MEDIA DISTORTIONS**

The fact that in the tests I have undertaken, the advertisement is delivered through the mail and is viewed in what is effectively a solus position, means that the test places little
value on the 'attention grabbing' attributes of advertisements. It also ignores the other media effects, such as the 'endorsement' effect that may be gained from the advertisement being read in the context of a specific medium, (refer chapter 1). Other items in the specific medium may reinforce or conflict with the advertising message, and even the way in which the medium is perused can affect the results.

It is possible however for us to simulate some of these effects.

**Attention Grabbing.** Old Mutual has all the facilities for utilizing a controlled-circulation newspaper. Every few months we prepare a news-sheet which is distributed through the mail to a select target market. It would be quite practical to insert test advertisements in this news-sheet, and to utilise a standard split-run approach - even comparing readers who have been exposed to an advertisement against a similar sample who received the same edition with the advertisement excluded. In this way we can approach the realism of Ramond's motor-car test which will be discussed shortly.

This would give a guide to the 'attention-grabbing' factor, but would introduce other potential distortions from the nature of the other material in the news-sheet.
Endorsement Effects. Various magazines make available run-ons of the magazine cover as merchandising tools for advertisers who can reprint their advertisements on the inside.

In order to test media endorsements a common advertisement can be prepared in two formats, the one with a 'non-commercial' cover and the other backed by the cover of a specific magazine, in a similar manner to test 5 described in annexure 8. The non-commercial cover should have the same (or a similar) illustration to that on the magazine cover, but with no recognisable logo. One can then assume that the difference in advertising effect will be attributable to the influence of the magazine concerned.

In a more complex test it may be possible to run various media covers against each other. This should permit a comparison between the endorsement effects.

Where the overall cover is not available or is not suitable it is possible to reproduce the medium's logo or the standard endorsement 'as advertised in the Readers Digest.' on top of, or across, the advertisement.

Experiments of this nature still contain the distortion that the samples exposed are selected as being representative of a target population rather than being readers of the specific medium. Lucas and Britt (11) have warned that this can cause
considerable distortions. This can be overcome if a subscription-orientated magazine allows a mailing list and matched control sample to be drawn from the subscription lists. Readers Digest have expressed an interest in an experiment of this nature once they have managed to put sufficient sorting information on to their subscription list to permit an accurate cross identification.

UNDERCOUNTING OF EFFECTS

The method of limiting the measured behavioural changes to those of the person to whom the letter was addressed results in an under-counting of effects for several reasons.

Many direct mail pieces are not in fact received by the addressee, and may be opened by someone else ... particularly if the original addressee has left the address. Secondly the addressee may show the letter to someone else, or leave it around for others to pick up. There is no way of tracing the effect that the advertisement may have on casual readers.

Then there is the fact that the letter may precipitate insurance discussions which result in a behavioural change by a third party. As we shall see in Chapter 3 this type of distortion is most common between husband and wife. At present we can only identify these cases if the addressee has some interest in the policy as owner or as life assured. A more
sophisticated computer programme could also identify cases involving the addressee's household.

Another source of distortion occurs if a secretary opens and 'filters' all correspondence. This may result in an advertisement not being exposed, or even in a change in the secretary's behaviour. This should however not be a problem where the material is addressed to a 'home' address, as is done in the tests I have undertaken.

These under-countings are of course common to all advertisements being compared in the specific test.

SEASONAL AND OTHER EXTERNAL VARIABLES

By mailing the test pieces under identical conditions, we more or less equalise seasonal and other external variables. This does not however mean that the effects will still be strictly comparable when extrapolated to other circumstances because seasonal variations do not affect all advertisements equally.

The nature of the test also makes it difficult to pinpoint these variables. In South Africa some letters are delivered the day after they are posted, but others may take a week or more in the post. Of course this can be extended for months for cases "lost in the post" or readdressed several times. If the addressee is on holiday or a business trip when the
material is delivered there may be a delay of several weeks before it is opened. As we have seen from appendix 7b life assurance sales may only be recorded some months after the impact of the advertisement.

SPEED AND EXPOSURE

The test system involves a delay of anything up to six months between the dispatch of the material and the availability of meaningful results. It also involves the distribution of the message to a substantial number of people. It is therefore not really suitable for pre-testing messages where there is either urgency or secrecy. The availability of the eventual feedback will still, however, be useful as experience in preparing future campaigns.

FUTURE DEVELOPMENTS

The initial series of tests have related to individual advertisements which have been exposed once to the test samples. In the case of the advertisement tests for 'Her Own Policy' (annexure 8) we were measuring the marginal impact of one additional exposure of current advertisements.
It is however possible to set up experiments comparing different exposure patterns to test both the impact of repeat advertising, and also to determine the optimal timing between exposures. In this way it should be possible to test the validity and applicability of theories such as those presented by Cox (12) (refer chapter 3).

PREVIOUS EXPERIMENTS BY OTHER RESEARCHERS

The basic concept of the mass distribution of an advertising message to controlled samples is not entirely new, and various researchers, particularly in the United States are known to have looked at the possibilities.

SPLIT-RUN FOLLOW-UP TEST

Ramond (13) has quoted one complex attempt to measure the total sales-generating effects of advertising using advertisements in major magazines in the United States.

"One of the 'Big Three' automobile manufacturers made a direct effort to measure sales and profit related to particular media investments. Campaigns were scheduled in two of the biggest monthly magazines and millions of their subscription circulation were involved. The mailing lists were split so that some households would receive magazine copies containing an advertisement of the automobile, while copies going to alternate subscriber households did not carry the advertisements. Several issues of each magazine were involved in the course of about one year. The manufacturer supplied computer tapes of all purchases of new cars of the advertised make, then each publisher matched these with tapes for samples of alternate households. One of the publishers has revealed that there was evidence of a clear profit from the advertising in his magazine."
In theory this could be considered the 'perfect' way of measuring effectiveness since the advertisements were seen in an absolutely natural setting, and actual sales results are measured. There is also a 'control' sample which does not receive the advertisements to give a measurement of the natural level of sales.

The testers in this instance only measured absolute values as there was no attempt to compare two different advertisements. This would have meant that it would have been necessary to split the printing run three or more ways, which is rarely practical in this type of test.

The measurement system is only valid as a guide to the reactions of the subscription purchasers of the magazine. These are unlikely to be representative of the total universe, or even of the total purchasers of the magazine. There is no way that the company can identify the purchasers of the magazine 'over the counter' through bookshops, etcetera.

Even if the magazine was distributed entirely by subscription, this measurement system would have seriously underestimated the number of sales affected by the advertisement. Readership studies have shown that the claimed readership of most magazines is many times greater than the circulation. The testers would have had no means of tracing the impact on the secondary readership.
One can perhaps simplistically multiply the measured effects by the readership factor to compensate for this under-counting, but this assumes that subscribers and secondary readers have the same purchasing characteristics. This is most improbable.

Starch Inra Hooper have recently released an interesting study into the differences between primary and secondary (or as they call it Passalong) readership (14). Figure 2.6 is reproduced from this study and shows that primary readers frequently have very much higher income than passalong readers, although presumably for some low-quality magazines the reverse could be true.

Figure 2.7 shows that primary readers are more responsive to advertising where advertising effectiveness is measured in terms of coupons, enquiries etcetera.

The subscription list and the list of purchasers are identified in terms of names and addresses, and although the exact details of the matching procedure used in the test described by Ramond are not available, this information (without date of birth) is rarely sufficient for absolutely positive identification.

Many people will have magazines delivered to their homes, whilst their motor-car purchases will be recorded at their business addresses.
Then there is the problem of house/flat names as opposed to street numbers, and also the use of post-boxes rather than home deliveries. In South Africa there is the additional problem of two languages. Thus a person might record his address as P.O. Box 518 Cape Town or Posbus 518 Kaapstad (postal addresses) or as 8 Church Street Salt River or Kerkstraat 8 Soutrivier (his street address in a suburb). The combinations have certainly defied all the matching attempts that I have seen.

The test also only measured net sales across the magazine's readership. Certain firms - notably Packard - learned to their cost that it was possible to get short-term sales improvements by moving down market. In the longer run this destroyed their high-class image and this resulted in a collapse of all sales.

In the motor market where, unlike life assurance, a substantial proportion of purchases are made as a form of conspicuous consumption, the role of word-of-mouth advertising and opinion leadership means that the identification of the people who have decided to buy is critical.

It would therefore be invaluable to be able to identify sales changes across clearly demarcated segments of the market.

The test also only identified buyers of new cars which is the short-term object of the advertising campaign. It may however be suggested that the impact on existing purchasers and on the
second-hand market should also be considered, since these are generally critical to the overall image of the make.

USE OF DIRECT MAIL — DIK WARREN TWEDT’S PROPOSAL

Lucas and Britt indicate that Dik Warren Twedt has put forward a proposal for measuring advertising based on Direct Mail. (15)

They preface their resumé as follows:

"An ingenious way to control most of the extraneous variables which might influence sales (other than advertising) has been proposed by Dik Warren Twedt of BBDO. The method has not been used, and would be very expensive if used. But it is of considerable interest from a theoretical standpoint.

In a direct mail split test, evaluation of different appeals can be objective and immediate. If the sub-samples are unbiased and if the differences in returns are significant, we can usually safely attribute obtained sales differences to the differences in the advertisements."

One may take issue with the comment that it would be very expensive if used, as my analysis earlier indicates that the cost of this type of measurement compares very favourably with most other measurement systems. Twedt's proposals can however be criticized on a number of other grounds.
(a) The study concerned the advertising of certain goods sold through a department store. The list concerned consisted of charge account customers of that store. These people might not have been representative of the total customers of the store, and were almost certainly not representative of the total potential target group. (The existence of a charge account makes them a very select group in relation to total potential customers.) At best the advertising evaluation could purport to be the views of established purchasers.

(b) The test does not envisage any control group who are not subject to any advertising at all. It can therefore only indicate relative efficiencies between test advertisements without any means of knowing what might have happened had there been no advertising.

(c) The measurement of results was to be taken in terms of the return of a coupon which offered some standardised price incentive.

It has however been shown elsewhere that 'coupon returners' and 'bargain hunters' are rarely representative of the total buying public, and this form of measurement ignores all coincidental or direct purchasing.
OTHER WRITERS

Bob Stone has also recognised the potential rôle of direct mail in evaluating aspects of other promotional activities. In his book 'Successful Direct Marketing Methods' (16) he states:

"Direct marketing methods offer perhaps the most accurate means of pre-testing the appeal of merchandise and the most appealing price levels. I have yet to see retailers use direct marketing for the purpose, but it could prove to be imaginative and profitable."

Stone is of course intimately connected with the direct marketing industry, and throughout his book he measures results in terms of direct response sales. He has done a great deal of testing in relation to different ways of improving direct response results, and comparing different direct response advertisements, but to my knowledge has never tried to translate the results from one situation to another ... as the above quotation indicates.

John Caples - another leading American authority on direct mail, and currently a vice president of B.B.D.O. has for some time been using coupon responses for measuring advertising effects in relation to life assurance sales. In a personal letter to the author (17) he admitted that the only guide he had to the value of coupons was the fact that the salesman welcomed them. He has no means of tracing other effects. In his letter he referred to the present work as 'exciting' and 'pioneering', confirming that it is unlikely that anyone has managed to follow-up on Twedt's original proposals.
CONCLUSION

It appears from this discussion, and from the practical experiments which I have already undertaken, that the proposed methodology does provide a useful and valid means of comparing the effectiveness of different advertisements. It also enables us to explore certain relationships which cannot be approached under other methodologies, but which cast considerable doubts as to the validity of traditional findings. Some of these will be covered in more detail in the following chapters.

The research programme has been specifically designed for the needs of the South African life assurance industry and draws some of its features from the peculiarities of that industry. There is however, no reason why the basic methodology should not be adjusted to suit other industries - particularly those that sell all or most of their product on credit or subscription. I have already had discussions with a leading magazine, a chainstore, a bank, and a short-term insurance company about the feasability of using the methodology in their circumstances.

Some of the findings are also not necessarily specific to the life assurance industry - for example those concerning the reactions to the colour of models used in advertisements. These presumably are more specific to the class of person being studied.
In presenting this methodology as an addition to existing knowledge about advertising research I cannot claim that the concept is entirely new. I can however claim to be the first person to be able to present it in a usable form which actually works in practice.
REFERENCES CHAPTER 2

1. Brown R.V. "Research and the Credibility of Estimates"

2. Cox D. "Clues for Advertising Strategists part 1."


6. Dunn and Barban op cit p271.


12. Cox D.F. op cit. (Refer chapter 3)


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In Chapter 1 I have described briefly the peculiarities of the Life Assurance Industry, and in Chapter 2 I have developed a system for measuring the effects of advertising and for estimating the overall values.

In developing these hypotheses, and in the discussion of traditional methods of measuring advertising effectiveness which will follow in Chapter 4, I have looked at many models of the way in which advertising works. In this chapter I will sketch the key features of those models which appear to relate closely to the Life Assurance Industry, and indicate how they apply to the present study.

THE BASIC COMMUNICATIONS MODEL

I will start from an elementary communications model such as that ascribed to Wilbur Schramm and reproduced as figure 3.1. I will gradually expand this model to identify possible indicators of advertising effectiveness, and the various forces that will influence them and consequently distort measurement systems.
In his model Schramm starts with a source which operates within its field of experience to encode a message. This is then transmitted as a signal which must pass into the field of experience of the destination. The destination has its own field of experience in which the signal must be entrapped and then decoded.

To make this model useful we must identify relevant factors within the fields of experience of the source and destination which will determine the way in which the message will be encoded and decoded.

I have therefore expanded Schramm's Communications Model to provide a specific model of the communication of messages applicable to the life assurance industry, and in figure 3.2 I have illustrated the key factors which I consider relevant to the respective fields of experience.

Writers such as Jagdish Sheth (1), Nicosia (2), Engel, Kollat and Blackwell (3), and Howard and Sheth (4) have designed more general and more complex models for the relationships within the destination's field of experience. These include a variety of exogenous, endogenous and intervening variables. Some of these are not shown in my model as they relate to such factors as overt search and brand selection which I shall show not to be so critical in the field of life assurance. I have tried to limit my discussion to those variables that provide opportunities for measurable feedback, or that cause potential
FIELD OF EXPERIENCE OF THE SOURCE

Company Resources

Market Information

Campaign Objectives

Media Information

Experience

MESSAGE

MEDIA

FEEDBACK

FIGURE 3.3
distortions which will make the correct interpretation of the feedback more difficult.

Theoretical issues are pursued only to the extent that they appear to bear critically on the development of practical methodology.

Similarly I have identified fairly gross groupings rather than more specific subdivisions which, although theoretically discrete, are generally impossible to differentiate in practice.

THE FIELD OF EXPERIENCE OF THE SOURCE

When looking at the field of experience of the source, one can look first at the factors which the advertiser will take into account when planning his communication. In figure 3.3 I have taken management as the central decision maker. Management's decisions are affected by factors such as campaign objectives, market information, marketing mix, competition, media information, and experience.

CAMPAIGN OBJECTIVES

Whilst I have specifically limited this thesis to campaigns aimed at promoting an increase in the volume of Life Assurance held by satisfied policyholders, the objectives of a specific campaign may be somewhat more restricted. For example Old Mutual is not prepared to accept applications from certain
types of person, or to issue policies below certain limits and its advertising objectives are similarly circumscribed. The advertiser might wish to achieve his objective by increasing the holding by established policyholders, or by preventing discontinuances rather than by increasing the absolute number of policyholders.

Alternatively in order to approach these overall objectives an advertiser may frame one or more sub-objectives such as to increase name awareness amongst potential purchasers or to change an aspect of company image. As we shall show later, however, concentration on this type of sub-objective may in fact inhibit the effectiveness of the advertisement in terms of the overall objective.

SELECTING A TARGET MARKET

An advertisement will often have an objective of promoting a certain plan or proposition to a preselected target market. This may be very specific or may be set out in very broad terms. Advertising agencies generally find it easier to frame an advertisement if they have a specifically defined proposition and target market, but the benefit of this may be outweighed if the effects on other markets are not considered.
### PLAN TO MEET SPECIFIC NEEDS

<table>
<thead>
<tr>
<th>Needs</th>
<th>Term</th>
<th>Whole Life</th>
<th>Endowment Assurance</th>
<th>Pure Endowment</th>
<th>Retirement Annuity</th>
<th>Childs Deferred</th>
<th>Permanent Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>-</td>
<td>L</td>
<td>S</td>
<td>S</td>
<td>L</td>
<td>S</td>
<td>-</td>
</tr>
<tr>
<td>Family Protection</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>-</td>
<td>L</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage Protection</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Childrens Education</td>
<td>L</td>
<td>L</td>
<td>S</td>
<td>S</td>
<td>-</td>
<td>S</td>
<td>-</td>
</tr>
<tr>
<td>Retirement Provision</td>
<td>-</td>
<td>L</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>L</td>
<td>-</td>
</tr>
<tr>
<td>Disability Protection</td>
<td>o</td>
<td>o</td>
<td>o</td>
<td>-</td>
<td>o</td>
<td>-</td>
<td>S</td>
</tr>
<tr>
<td>Guaranteed Insurability</td>
<td>L</td>
<td>o</td>
<td>o</td>
<td>-</td>
<td>o</td>
<td>S</td>
<td>-</td>
</tr>
<tr>
<td>Tax Savings</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>S</td>
<td>L</td>
<td>S</td>
</tr>
<tr>
<td>Estate Duty Protection</td>
<td>L</td>
<td>S</td>
<td>L</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**KEY**

- **S** Plan suitable for this need
- **L** Plan suitable for a limited extent
- **o** An option that can be added to the plan
- **-** Plan not suitable for the need

**FIGURE 3.4**
situation for which it could not provide a competitive solution.

COMPETITION

Returns to the Registrar of Insurance and to the Life Offices Association permit a reasonable estimate of competitors' activity. This can be supplemented by surveys to get more current, but somewhat less reliable, information. A marketer can also obtain a good deal of information about competitors' recent and current marketing activities. Once an advertisement or marketing test is released it becomes public knowledge, and competitors will have examples within a short time. They can reinforce this by subscribing to syndicated surveys such as 'Adindex' (the Trade Name used by Market Research Africa (Pty) Ltd) which provides information on levels of advertising and media mix of competitors and also cutting services which collect actual advertisements utilized. Of course competitors' future intentions are less easy to determine.

MEDIA INFORMATION

The advertiser will naturally have to consider the media available to him. In this regard he will probably be guided by media surveys such as 'AMPS' (All Media and Products Survey), an annual survey of reported readership and listenership undertaken on behalf of the South African Advertising Research
The advertiser may not be prepared to put equal value to the readership of different publications, and may prefer to incorporate some form of weighting. These are generally more or less subjective judgements.

Batten, Burton, Dunstine and Osborne, a leading American advertising agency developed a sophisticated linear programming model for media evaluation. In it they have included a rating which represents

"Qualitative factors such as repeated exposure value, quality of printing or broadcast signal, the relative advantages of sight, movement and colour and the general
FIELD OF EXPERIENCE

MESSAGE

ADVERTISEMENT

MEDIA

MESSAGE

PERCEPTION

Situational Variables

Media Image

Seasonal Effects

PREDISPOSITION

Social Norms

Economic Situation

Family Circumstance

Disposition

REACTION

Competing Messages

BEHAVIOUR

FEEDBACK

FIELD OF EXPERIENCE OF THE DESTINATION
that objective knowledge is sadly lacking. It will therefore be the focus of this study.

PRE-LAUNCH TESTING
The advertiser, or more commonly his advertising agency, then devises his advertising campaign and prepares to entrust it to his chosen media.

Before committing this action there are, however, various tests that he can apply to pre-test the effectiveness of his campaign without going beyond the ambit of his own field of experience. These will be discussed in Chapter 4. The results of this pre-testing can provide immediate feedback to permit modifications to the advertisement before it is launched.

THE FIELD OF EXPERIENCE OF THE DESTINATION
Figure 3.5 expands the field of experience of the destination. It illustrates several key elements which help to explain inconsistencies in some of the traditional models. These will be discussed shortly.

THE ENDORSEMENT EFFECT OF THE MEDIUM
In the diagram I have indicated that although the advertiser may have selected a specific message and decided to express it via one or more media, the destination receives it as one advertisement. The elements of the message are viewed in the context of the medium and draw additional inferences from it.
It has been shown that different media have different degrees of reliability in the minds of the public. This is illustrated by the apparent 'endorsement' effect when a retailer can claim 'As advertised on T.V.' or 'As advertised in the Readers Digest'. This is naturally promoted by the media owners themselves.

Ramond (8) states:

"Vehicles may amplify or inhibit response to the advertising they carry; thus media contributions to advertising effectiveness vary in degree from vehicle to vehicle and in kind from medium to medium."

He goes on (9):

"One of the first studies to demonstrate this was done for Fortune magazine by Social Research in 1959. Interviewers showed respondents reprints of some advertisements which had appeared in Fortune, U.S. News and World Report, and Business Week. Three comparable samples were shown all advertisements, but told that one-third of the ads had appeared in a different magazine of the three. Then the respondent was asked to rate the companies advertised on several dimensions, using Osgood's semantic differential. Respondents who had been told the advertisements appeared in Fortune rated the companies more favourably than those told the companies' advertisements had appeared in either of the other two magazines."

This type of endorsement may give stature to an unknown brand or company, but it may not be so relevant when considering a test advertisement for a well-known product or for one which has already obtained recognition through other advertisements.
Many advertisers have learnt from the theory of Image Transfer that it is possible to get considerable extension and reinforcement of a message which has obtained primary recognition through television, through utilising key elements in other media. Most of the published research considered the relationship between Television and Radio (10), but there appear to be many advantages in carrying this through to print media and to point of sale.

When testing a print medium advertisement, or even a television advertisement through a different medium, it is not necessary to sacrifice all the endorsement benefits from the prime medium selected.

In experiment 3 in appendix 8 the television advertisement has been prepared in storyboard form. The introductory sentences and hazy appearance of certain of the pictures reinforce the suggestion that this is an actual television commercial. The device of the covering letter may be criticised in that it does introduce some promotional elements which are not contained in the advertisement itself, but it can be used to pinpoint the prime medium. The covering letter and reply card are, of course, unnecessary in terms of the basic measurement system.

In the reprints of press and magazine advertisements a similar endorsement can be obtained by printing the name of the prime medium at the top or bottom of the advertisement.
Critics of advertising sometimes claim that it is a nuisance and an invasion of privacy. In the United States particularly, the intense inter-media competition for the advertiser's dollar has led to one medium slating the other and deriding its value for advertising purposes.

This has been especially true of the vitriolic attacks on Direct Mail ('Junk Mail') which appear to have been primarily instigated by the newspapers. The use of direct mail to distribute an advertising message could therefore, in theory, introduce a negative bias, although this will apply equally to all the messages being tested.

When we look at evidence of what the consumers actually want, we find that most forms of responsible advertising are welcomed. Newspapers and magazines can refer to the wartime experience when it was decided to cut the advertisements out of material being sent to front line troops and to prisoners of war, as this would reduce the bulk considerably and the readers would not be in the market for the advertised goods. There was such an outcry that the advertisements were hurriedly reinstated.

Direct Mail can point out a similar success story in the United States and Canada where 'consumerist' pressure has forced the Direct Mail houses to publish the fact that anybody can write in and get his name removed from mailing lists. The immediate impact was that the people who wrote asking to be added outnumbered those asking to be removed, one hundredfold.
Television can claim that in Italy, where the television advertising tends to be grouped into half-hour continuous sections, the 'advertising programme' is usually one of the highest rated in terms of listenership.

Notwithstanding Ramond's comments about the experiments using Fortune, U.S. News and World Report, and Business Week, most advertising men seem to think that differential media endorsements are somewhat overrated. They suggest that the medium, its regular readers and the advertising content tend to be a circle, each determining the nature of the others. Providing an advertisement fits into the natural circle for the group, it will tend to get a positive rub-off amongst the regular readers. Most of the contrary research, including that of Ramond, overlooks the fact that a medium may have a very different endorsement effect on readers as opposed to non-readers. It is only the former which has any relevance.

Glauser (11) quotes studies by Dr Daniel Starch in which he has looked at coupon response rates in relation to the readership and circulation of magazines.

His first conclusion is that there was no difference in the coupon response rates for weekly magazines as opposed to monthlies.
### COUPON RESPONSES RELATED TO READERSHIP

<table>
<thead>
<tr>
<th>Magazine</th>
<th>Actual Inquiry Ratio</th>
<th>ABC Circulation Ratio</th>
<th>Primary Readers Ratio</th>
<th>Total Audience Ratio</th>
<th>Primary plus one-fifth Secondary Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>106</td>
<td>100</td>
</tr>
<tr>
<td>B</td>
<td>127</td>
<td>107</td>
<td>114</td>
<td>168</td>
<td>129</td>
</tr>
<tr>
<td>C</td>
<td>129</td>
<td>120</td>
<td>124</td>
<td>137</td>
<td>127</td>
</tr>
<tr>
<td>D</td>
<td>175</td>
<td>151</td>
<td>162</td>
<td>239</td>
<td>184</td>
</tr>
</tbody>
</table>

Ratios expressed as a percentage of those of magazines with smallest circulation.

In further analyses he demonstrates that the coupon response rate for magazines is very close to a factor of primary readers plus one-fifth of secondary readers. The relationship is shown in figure 3.6. Unfortunately this report does not contain sufficient background information about the four magazines studied, or about the stability of results for various advertisements, for us to conclude that there is no 'medium endorsement effect' between different magazines.

Glauser does draw the conclusion that people who read pass-on copies of magazines may not feel as free to tear out coupons for making enquiries. (12)

Lucas and Britt summarise the point of view that media endorsement differentials are overrated:

"In fact, the only proper basis for comparing the effects of two publications on belief in their advertisements is with the common audiences who read both publications; they are the people who are competent to judge and who evidently have something in common with both publications. Preliminary fieldwork, using a common audience, has failed to reveal significant differences. The people who read two or more publications carrying the same advertisement apparently begin with a favourable bias for each medium; and differential is too slight to demonstrate that one publication has more advertising believability than another among common readers of the publications if they are general magazines. There might be different results from a comparison of attitudes of people who read two quite different kinds of specialized publications, for example, 'Popular Mechanics' and 'Playboy'." (13)

Many controlled tests can claim to have a neutral effect, particularly when used to test advertisements which are designed to fit into a specific medium. Lower quality newspapers can be simulated by advertisements on cheap paper
FIELD OF EXPERIENCE OF THE DESTINATION

MESSAGE

ADVERTISEMENT

MEDIA

FEEDBACK

DISPOSITION

PERCEPTION

PREDISPOSITION

REACTION

BEHAVIOUR

Economic Situation

Family Circumstances

Social Norms

Situational Variables

Media Image

Seasonal Effects

Competing Messages
and with poor reproduction, whilst higher quality paper and reproduction simulates a higher class medium.

Any effectiveness test which does not expose the advertisement in the context of that medium will be subject to the same level of distortion if there is in fact a true medium effect. Most press advertisements are designed to be inserted in several newspapers or magazines and even the most complex and natural measurement test will only utilise one or two vehicles.

PERCEPTION

Assuming that the destination is in fact exposed to the advertisement in some way, it must not merely enter his field of experience, but it must also be perceived. In this model I have used the term perception rather than the traditional terms of notice, awareness or attention, because I feel that the latter terms evoke some impression of active recognition. By perception I merely imply that some vestige of the message has passed into the recipient's mind, either consciously or unconsciously.

DISPOSITION

I have called the central feature of the destination's field of experience his disposition. Once again I have deliberately departed from traditional terminology. Various writers on
marketing and consumer behaviour identify internal forces and feelings by such terms as attitudes, opinions and beliefs. It is often difficult to distinguish the subtle shades of meaning between these concepts, particularly as there is no consistency between writers.

I therefore use the term disposition to convey the destinations true attitudes, opinions and beliefs prevailing at a specific point in time.

THE RÔLE OF DISPOSITION

Various researchers have demonstrated that a person will conjure up a disposition about something even though he may have no prior knowledge or information.

For example Ramond (14) reports that George Gallup used to include in his surveys a question about the non-existent 'Metallic Metals Act of 1933'. A substantial percentage of respondents would express an opinion, some quite intensely.

The recipient will not merely have a pre-disposition about the specific product being advertised, but also about the medium
RECALL OF ADVERTISEMENTS VERSUS (PRIOR?) PURCHASES FROM ADVERTISER

Q. Which life assurance companies, if any, have you seen or heard advertised during the past year (last 12 months).

<table>
<thead>
<tr>
<th>Advertisers Recalled</th>
<th>Total</th>
<th>Sanlam</th>
<th>Southern Life</th>
<th>Old Mutual</th>
<th>African Eagle</th>
<th>Liberty Life</th>
<th>Homes Trust</th>
<th>Other</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanlam</td>
<td>46</td>
<td>72</td>
<td>52</td>
<td>53</td>
<td>50</td>
<td>24</td>
<td>56</td>
<td>41</td>
<td>34</td>
</tr>
<tr>
<td>Southern Life</td>
<td>7</td>
<td>6</td>
<td>21</td>
<td>7</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>50</td>
<td>49</td>
<td>59</td>
<td>61</td>
<td>39</td>
<td>48</td>
<td>56</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>African Eagle</td>
<td>7</td>
<td>6</td>
<td>-</td>
<td>5</td>
<td>25</td>
<td>11</td>
<td>-</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Liberty Life</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>9</td>
<td>6</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Homes Trust</td>
<td>6</td>
<td>7</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>7</td>
<td>22</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>15</td>
<td>21</td>
<td>16</td>
<td>14</td>
<td>17</td>
<td>22</td>
<td>26</td>
<td>18</td>
</tr>
</tbody>
</table>

Source Advertising Penetration Study. Van Zijl and Schultze, Lund and Tredoux (Pty) Ltd. Sponsored by Old Mutual, June 1975. (Appendix 2c)
carrying the advertisement, the whole product class, the specific advertiser and even about specific words or illustrations used.

There is much evidence that disposition, and particularly past experience will strongly affect the way in which an advertisement is perceived and interpreted.

This is demonstrated in two ways. Readers tend to take more notice of items which interest them, and purchasers tend to notice advertisements about products which they have recently purchased. As we shall see later this may be the result of a subconscious search for information to reduce dissonance.

Typical results of this intensified awareness are shown in Figure 3.7 which compares the reported recall of various advertisements. In each case the highest level of recall is reported by policyholders of that company.

Judson Mills (15) studying people who had just purchased motor cars, found that a positive interest for advertisements of the chosen product existed although there was no negative interest in advertisements of rejected products.

Assuming that some portion of the message enters the mind of the recipient, he will decode and interpret it in the light of his prevailing disposition. At this stage he may accept the
message fully, or he may accept some parts and reject others. The effects of this rejection are discussed later.

The advertisement thus obtains a reaction (or change of disposition) which may or may not be in the direction desired by the advertiser and in turn this may result in an observable change in behaviour. In most cases however the change in disposition will be latent, and behavioural change will only come about when the recipient receives some additional stimulus.

There may be some controversy as to whether the ultimate change in behaviour must be credited to the original advertisement, or to the specific stimulus that precipitated the behavioural change. As we shall see later this can interfere with many systems that purport to measure behavioural changes. The system proposed in this thesis measures the true marginal impact of the advertisement and gives it full credit for any behavioural changes that it facilitates.

FACTORS AFFECTING DISPOSITION

Disposition is acted upon continuously by a variety of internal and external forces, but may be totally unconscious until it is brought to the forefront by some particular stimulus. Amongst the forces which determine the pre-disposition to life assurance are social norms, the family circumstances of the
FIELD OF EXPERIENCE OF THE DESTINATION

MESSAGE

ADVERTISEMENT

MEDIA

FEEDBACK

PREDISPOSITION

PERCEPTION

REACTION

BEHAVIOUR

DISPOSITION

Situational Variables

Social Norms

Economic Situation

Family Circumstances

Competing Messages

Seasonal Effects

Media Image
recipient, his economic situation and expectations, and competing and complementary messages. There is also a most important feedback from past experience.

All these factors have entered the destination's field of experience, but must be decoded and interpreted before they affect disposition. This means that apparently similar forces will not necessarily have identical reactions in different individuals.

SOCIAL NORMS

Social norms can be considered to be a group of behavioural patterns which are largely determined by upbringing, current environment and peer group influences.

Probably the most important of these forces is rôle perception which, in relation to life assurance, applies particularly to the way in which people view their rôle in providing for their families and for the future. This is seen in the way in which Blacks have traditionally looked to the tribe and to the extended family to look after weaker members, whilst in Europe the tradition has been that of patriarch or family provider. These stereotypes are being challenged by the Welfare State and the emergence of the rôle of women as co-providers.
# SOCIAL NORMS

## PERCENTAGE TREND LEADERS FOR SELECTED SOCIAL TRENDS

<table>
<thead>
<tr>
<th></th>
<th>White (males only)</th>
<th></th>
<th>Black (Both Sexes)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Afrik-aans</td>
<td>English</td>
<td>Zulu</td>
<td>Xhosa</td>
</tr>
<tr>
<td>Blurring Sexes</td>
<td>17,0</td>
<td>36,5</td>
<td>27,0</td>
<td>19,9</td>
</tr>
<tr>
<td>Familism</td>
<td>27,3</td>
<td>12,8</td>
<td>23,1</td>
<td>27,8</td>
</tr>
<tr>
<td>Living for today</td>
<td>17,6</td>
<td>34,6</td>
<td>24,5</td>
<td>25,3</td>
</tr>
<tr>
<td>Materialism</td>
<td>37,9</td>
<td>21,2</td>
<td>27,6</td>
<td>24,4</td>
</tr>
<tr>
<td>National Identity</td>
<td>30,7</td>
<td>12,6</td>
<td>25,5</td>
<td>27,3</td>
</tr>
<tr>
<td>Secure Future</td>
<td>28,5</td>
<td>23,5</td>
<td>26,2</td>
<td>14,7</td>
</tr>
<tr>
<td>Status</td>
<td>34,2</td>
<td>24,4</td>
<td>21,9</td>
<td>24,1</td>
</tr>
</tbody>
</table>

**FIGURE 3.**

Source: "Socio-Monitor 1978" by Market Research Africa (Pty) Ltd.
a fuller description of the trends is included in Appendix 2a
Other norms relate to the acceptance of such things as 'beating the taxman' and the attitudes to the risks of investment on the stock exchange, to gambling, and to the thought of making a 'profit' out of somebody's untimely death ... or of somebody benefiting from your own death.

It can be demonstrated that different demographic groups have different attitudes and norms.

The 1978 Socio Monitor study (16) analyses various social trends in South Africa. As can be expected there are significant variances between the trends for various age and socio-economic groups. To make matters more complicated for advertisers in South Africa there are also significant variations by language group within each race group, and also by area within language groups. Figure 3.8 shows an extract by language group for the seven social trends covered in the study which I consider most relevant for life assurance. The differences between language groups are noticeable for the 'Whites'.

This will be particularly important when constructing samples since the size of each cell will affect the reliability of the results. A diverse population such as that in South Africa often means that a great many cells must be considered separately. Details of the Socio Monitor study and a fuller description of the trend lines examined are included in appendix 2a.
At the lowest level there is the attitude to the Insurance Salesman and the generally negative image of door-to-door salesmen as opposed to the more 'snob' image (in South Africa) often ascribed to brokers.

**FAMILY CIRCUMSTANCES**

Family circumstances are obviously closely tied to perceived rôle. For example the extent to which the parent's perceived rôle in providing for his children's education will result in the purchase of insurance, must depend on the number and ages of his children. Similarly the perception of the need to provide for retirement will depend to an extent on age.

**ECONOMIC SITUATION**

Economic circumstances are important in determining the availability of funds whereby the needs raised by social norms and family circumstances can be met. They also determine the relevance of needs such as tax and estate duty savings. Included in the heading of 'Economic Situation' can be occupational status, which determines whether, for example, an employer is likely to provide adequate pension and basic life cover. In certain circumstances a person's disposition will not merely be influenced by his immediate economic situation, but also his economic expectations. Thus a student or recent graduate may be influenced by the norms and spending patterns of the profession which he is joining.
When looking at the field of experience of the destination it must be appreciated that these forces will vary from person to person, and that an advertisement may have totally different effects on different groups of people.

This is obviously most important when an advertising medium reaches a diversity of people, and particularly if the target market overlaps with those of other products or usages provided by the advertiser.

Probably a classic example of this was Eastern Airlines 'I'm Kate - fly me' campaign which attracted its prime target market - male business commuters - but was an anathema to many women, particularly the women's liberation movement. Whether it was wise for the airlines to use this advertisement would depend to an extent on the target market for the campaign, on the mix of readership of the publications in which it appeared, and on the importance of the people 'outside the target market' who might have been antagonised by the advertisement.

Some types of test which allow sufficiently large and diversified samples enable the researcher to gauge the reactions of representatives of various demographic segments who may see an advertisement. This means that since one can obtain the demographic characteristics of the readers of most newspapers, and provided we are satisfied that the demographic factors are
the relevant way to segment the market, it is possible to simulate the reaction patterns of the readers of any particular newspaper.

There has been considerable controversy as to whether it is acceptable to predict behaviour on the basis of demographic factors, or whether it is necessary to use 'life style' factors. Where demographic functions such as age, occupation, race, sex, industry, etcetera can be used, they have tremendous advantages since they are objective and measurable.

In the life assurance industry we have found that a combination of occupation, age and sex are the major determinants of most purchasing and retention patterns (17). We therefore feel justified in using them to provide target market segmentation. The proposed testing model can use very large samples which can be broken down in this manner. Other methods cannot do this without very great expense.

OTHER FACTORS AFFECTING THE WAY IN WHICH AN ADVERTISEMENT IS RECEIVED

The mere fact that an advertisement has appeared in a newspaper with a certain readership or that it has appeared in a radio or television advertising slot with a given listenership does not mean that it will have obtained equal perception by all members
of the target market, even after adjusting for the bias caused by pre-disposition and information search. It is also necessary to introduce other factors which will affect the attention that is likely to be paid to an advertisement.

SITUATIONAL VARIABLES

Situational variables relate to the actual surroundings in which the advertisement appears.

Other articles or programmes may draw attention to the particular page or timeslot within which the advertisement is exposed.

The intensity with which a particular paper or part of the paper is studied can also be affected by advertising stimuli such as teasers. If these stimuli are initiated by the source, they may be considered to be part of a total advertisement, but they may also be the result of coincidental activity by another advertiser.

In addition to the attention benefits from surrounding matter the advertisement may draw impact or meaning from concurrent articles - for example an advertisement for life cover will be enhanced by an article about untimely deaths, or even about a major traffic accident. An article about tax saving will also affect the appeal of a tax-orientated advertisement.
The third effect relates to the way in which the advertisement gains perception by contrasting or blending with surrounding matter. It has been shown for example that the use of colour in advertisements helps gain perception in an environment where other matter is in black and white, but may be less effective if all other matter is in full colour. Similarly the use of white space, or abnormal type faces can affect perception.

On the other hand certain advertisements rely for their effectiveness on the fact that they blend in with their surroundings, and are therefore not seen to be advertisements as such. (See the 'Plan from the Pru' advertisement in appendix 4)

Another variable that will affect the perception of advertising relates to anything that will affect the intensity with which a particular newspaper or programme is viewed. For example newspapers are often better read if the weather is bad, the television programme poor or the set broken down.

In this regard the 'natural' tests of advertising effectiveness that involve the actual insertion of a test advertisement in a media schedule, may suffer from a distortion through abnormally high or low intensity of exposure. The less natural tests, including the proposed direct mail test, provide more controlled exposure to guarantee that the various test pieces get equal opportunity.
SEASONAL INFLUENCES

The various influences such as social norms, economic situation and family circumstances are relatively constant from day to day, but their influence on pre-disposition may be affected by seasonal factors. This will tend to be reflected in the attention given to specific types of advertisement, and in changes in opinions or behaviour brought about.

In the life assurance industry in South Africa this is manifest in several ways. For example there is a virtual close down of many firms during the peak holiday season from 15 December to 10 January, and readership patterns will be very different from normal.

Retirement annuities are sold in reasonable volumes throughout the year although a large proportion of annual premium cases are sold in the six week period from mid January to the end of February. Retirement annuities are however sold on two different appeals. The one is based on the advantages of providing for a comfortable retirement, whilst the other is based on the tax-saving benefits the member receives when he makes a contribution.

For the past few years Old Mutual has undertaken several campaigns each year promoting retirement annuities, and many of these campaigns have involved the testing of several different letters. An analysis of the results indicates that the former appeal tends to have much the same effect throughout the year,
whilst the 'tax' appeal is particularly strong in February/March and in August since these are the months in which the target market are required to complete their tax returns. Seasonal variations of this nature are predictable and can, and should, be taken into account in survey design.

At a lower frequency and less predictable level we have factors such as changes in tax rates and allowances which may temporarily increase or decrease the relevance and strength of an appeal. It is sometimes possible to predict and therefore avoid this type of distortion, and even when it occurs unexpectedly, the results can be interpreted with hindsight.

Finally at the lowest and least predictable level there are external influences like a particular news story. For example many salesmen have found that a well reported traffic or aircraft accident can have a short-term effect on peoples willingness to talk about life assurance. Some even use such cuttings as aids in the selling situation (13). It is therefore likely that such a report will have the effect of boosting the relative effectiveness of an advertisement which plays on the need to provide family protection. This type of distortion is likely to be at a local level and is therefore the hardest to compensate for.

The importance of these potential distortions on the measurement of comparative effectiveness of advertising will to an
extent depend on the nature of the test. Broadly speaking if a test is likely to be strongly influenced by these seasonal and other external factors, it will be relatively poor at providing a prediction of results when the external factors may be different. This will obviously cast extreme doubt on any test that purports to compare results obtained from different times or places.

Finally however if the test merely looks at the relative effectiveness of two essentially similar appeals which are presented at the same time, under similar conditions, the effect of these distortions will be small.

COMPETING AND COMPLEMENTARY MESSAGES

At any point of time a person has the opportunity of being exposed to a large number of messages some of which will be complementary to the advertisement and some of which will be conflicting. The bulk will of course be completely neutral or irrelevant.

The extent to which these messages will enter the field of experience will depend on the disposition at the time. They may be brought into focus as a result of the test advertisement, or because of a behavioural change caused by it. On the other hand another concurrent message may have created the pre-disposition that caused the test advertisement to be perceived.
In this regard we can identify four major classes of co-incidental messages.

(a) Independent reports that heighten the awareness of the need for insurance. These have already been discussed as external influences.

(b) Competitive advertisements that offer an alternative usage for funds, that offer directly competitive products, or that cast doubts on the point of view espoused in the test advertisement. These will obviously tend to detract from the impact of the advertisement.

(c) The presentation made by a salesman, who may have called coincidentally or whose contact may have been brought about through an information search initiated from the test advertisement. This presentation may clash with, or complement the advertising message.

(d) Advice or comment from a third party which may have been initiated in one of three ways. It may be completely coincidental; it may be in response to information search initiated by the advertisement; or it may be a gratuitous comment precipitated by the advertisement. Again this may reinforce or oppose the particular advertising message.
Whether the effect of a coincidental message is complementary, neutral or negative does not depend on who has sponsored it, but on the degree of congruence between it and the advertisement. We will discuss this more fully later and will show that an advertisement sponsored by a competitor may be very much more complementary to the advertiser's salesmen than one sponsored by the advertiser himself!

An effective advertisement will be designed to operate against the background of the current opinions of the market place, any known or expected competitive activities, and the activities of the salesmen and other intermediaries. The advertisement should also take into account any other known or expected environmental influences.

One can therefore say that competing and coincidental messages are part of the scenario within which the advertising must operate. They will however distort results if they are excluded from a test which purports to measure advertising effects.

AUDIENCE PARTICIPATION

In his book 'Understanding Media' (18) Professor McLuhan has suggested that different media are received in completely different ways. He differentiates between 'Hot' media and 'Cool' media on the basis of the extent of participation or completion required by the audience.
"There is a basic principle that distinguishes a hot medium like radio from a cool one like the telephone, or a hot medium like a movie from a cool one like T.V. A hot medium is one that extends one single sense in 'high definition'. High definition is the state of being well filled with data. A photograph is, visually, 'high definition'. A cartoon is 'low definition' simply because very little visual information is provided. Telephone is a cool medium, or one of low definition, because the ear is given a meagre amount of information. And speech is a cool medium of low definition, because so little is given, and so much has to be filled in by the listener. On the other hand, hot media do not leave so much to be filled in or completed by the audience. Hot media are, therefore, low in participation or completion by the audience. Naturally, therefore, a hot medium like radio has very different effects on the user from a cool medium like the telephone". (19)

Krugman (20) has developed a theory to give a physiological basis to a difference between types of media, which appears to be parallel to that of McLuhan. He bases his theory on the work of Dr Sperry (21). He finds that reading and speaking are left-brain functions while the perception of images is a right-brain function. Therefore the medium of print is a left-brain function, and T.V. largely or relatively a right-brain function. High involvement is a left-brain activity and low involvement a right-brain activity.

The extent of the involvement of the two sides of the brain will depend on a combination of three factors - the nature of the medium, the nature of the message, and the person who is receiving it. Krugman suggests that some people will be more likely to react to high involvement messages than others, and he identifies this with upbringing which is in turn related to socio-economic factors.
Krugman uses the differences in brain function to show that a low involvement advertisement may have a high impact, and possibly a high recognition, but will tend to have a lower recall.

This suggests that advertisements aimed at teasing, obtaining a shallow interest or generating enquiries without involvement should be geared to right-brain activities. On the other hand informative advertisements which either intend to generate a sale, to obtain a commitment or to reinforce, should be aimed at a left-brain function.

It is obvious that the test situation should be designed to involve the same brain functions as the advertisement would in its natural environment.

THE CIRCLE OF EFFECTS

Most traditional advertising models presuppose that an advertisement must initiate the subsequent chain of events. Figure 3.5 however allows many different interpretations.

Behavioural changes, competing messages, supporting messages and even changes in the economic situation, family situation or social norms can all result in a change in disposition. This in turn may precipitate an active search for information which may cause a coincidental advertisement to be perceived. This
TWO-STEP FLOW OF COMMUNICATION

NATIONAL OPINION LEADERS

MASS MEDIA

LOCAL OPINION LEADERS

WORD OF MOUTH

RANK AND FILE

WORD OF MOUTH

RANK AND FILE

FIGURE 3.9

Source: From Krech, Crutchfield and Ballachey op cit p 337.
may cause a further change in disposition and behaviour generating a further circle.

MESSAGES AIMED AT THE THIRD PARTIES

In the basic communications model we have referred to advertising messages which enter the field of experience of the destination and change his behaviour. To be relevant a behavioural change must result in a change in his holding of Life Assurance. Certain advertisements, however, aim to achieve sales objectives in a more round about way. That is they aim to influence the reader so that he, in turn, will influence a potential purchaser.

Many products obtain acceptance and spread through the influence of so-called opinion leaders. These are the people who are the first to try a new innovation and who then spread the message through word of mouth or by example.

Psychologists like Kretch, Crutchfield and Ballachey refer to this as the two-step flow of communication. (Figure 3.9) (22).

If an advertisement aims to work through this means, it is obviously futile to try to measure the advertisement's direct impact on the mass market.

Belk (23) indicates that 'opinion leadership' or discussions are likely to be precipitated by a deliberate cue. This may
take the form of conspicuous consumption of an article or the presence of a 'conversation piece' in a home or office. In other instances the cue will be an advertisement which triggers an information search.

In most instances the only tangible or visible evidence of life assurance coverage is a rather drab-looking insurance policy which is normally shut away in a drawer or in the bank. Life assurance is thus rarely the object of conspicuous consumption or of conversation pieces ... unless they are in the office or home of a salesman.

In view of the low interest level of life assurance it is likely that most discussions will be initiated by the seeker of information who has been prompted by some advertisement or contact cue. Where these discussions do take place they may be with a life assurance adviser or with the traditional information sources - lawyers, bank managers and accountants, or they may be with other members of the family. As I have indicated in chapter 1 they rarely go outside this circle.

In South Africa the traditional advisers have been brought into the channels of distribution, and almost all of them can qualify for rewards on business that they introduce to a life assurance company. They can therefore be regarded as a part of the marketing mix alongside which an advertisement must work.
### INFLUENCE OF PURCHASERS

<table>
<thead>
<tr>
<th>Item</th>
<th>Share of Influence in Brand decision (Wife and Husband influence = 100%)</th>
<th>Weights Reflecting share of influence (More Influencial spouse = 1,00)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Husband %</td>
<td>Wife %</td>
</tr>
<tr>
<td>Beer</td>
<td>77,3</td>
<td>22,7</td>
</tr>
<tr>
<td>Instant Coffee</td>
<td>24,4</td>
<td>75,6</td>
</tr>
<tr>
<td>Yellow Margarine</td>
<td>20,0</td>
<td>80,0</td>
</tr>
<tr>
<td>Private Cars</td>
<td>73,8</td>
<td>26,2</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>50,0</td>
<td>50,0</td>
</tr>
<tr>
<td>Television Set</td>
<td>60,0</td>
<td>40,0</td>
</tr>
<tr>
<td>Bank Current Account</td>
<td>85,4</td>
<td>14,6</td>
</tr>
<tr>
<td>Bank Current Account</td>
<td>35,6</td>
<td>64,4</td>
</tr>
<tr>
<td>Life Insurance Policy</td>
<td>82,9</td>
<td>17,1</td>
</tr>
<tr>
<td>Life Insurance Policy</td>
<td>51,2</td>
<td>48,8</td>
</tr>
<tr>
<td>Retirement Annuity</td>
<td>86,5</td>
<td>13,5</td>
</tr>
<tr>
<td>Retirement Annuity</td>
<td>(47,1)</td>
<td>(52,9)</td>
</tr>
</tbody>
</table>

*Note: basic sample 1 000 people - individual items based on households who owned or had used products in past 30 days. Sample for Retirement Annuity Policy Wife is very small and subject to a high margin of error.

Most product-buying decisions, at least for major purchases, are a joint decision involving both husband and wife. Life assurance is no exception to this, although a recent survey, The Democratic Shopper, (24) showed that wives have comparatively little influence on their husband's purchase of life assurance, but that husbands are very much involved in the decision to take insurance on the wife's life (Figure 3.10).

The bulk of all life assurance in South Africa has the husband either as life assured or as legal owner. Some single widowed or divorced people also effect policies on their own lives, but the concept of a married woman having independent assurance on her own life is of comparatively recent origin.

A measurement system which purports to measure opinion change of one spouse only may in fact be misleading since it may be the impact on the other spouse which is actuational. The relevant behavioural change is however likely to come from the husband or the single person. Old Mutual's recent attempts to sell to married women in their own right may prove to be the exception to this rule, but I feel that the measurements in Annexure 8 tests 2-4 are probably invalid. They do not take into account behavioural changes on the part of the husband which may have been initiated by the wife's exposure to the advertisement. This is certainly likely to be true of the letter addressed jointly to husband and wife.
ATTENTION, AWARENESS AND RECALL COMMUNICATIONS MODELS

Communications models appear to agree that to have any effect, an advertisement must obtain some degree of perception. It then reacts with pre-disposition to change it, and possibly to lead to a change in behaviour. They do not necessarily imply that this perception need be either deliberate or conscious. Some writers equate perception with measurable awareness or recall but recall of a message per se involves a very much greater impact than mere perception.

In order to ascertain the possible relevance of the measurable functions such as attention, awareness and recall it is necessary to explore some other models of the advertising process.

HIERARCHY MODELS

Various writers have proposed models to identify the phases of disposition through which the prospective purchaser must pass and thus to provide defined objectives for advertising communications. These are generally called 'Adoption' or 'Hierarchy of Effects' models.

The best known of these models is the so called 'AIDA' model proposed by E.K. Strong (25). This mnemonic stands for 'Awareness, Interest, Desire, Action'. Similar models have
## HIERARCHY OF EFFECTS MODELS

<table>
<thead>
<tr>
<th>Cognitive level</th>
<th>'AIDA' Model</th>
<th>'Hierarchy of Effects' Model</th>
<th>'Innovation Adoption' Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attention</td>
<td>Awareness</td>
<td>Awareness</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td></td>
<td>Desire</td>
<td>Liking</td>
<td>Evaluation</td>
</tr>
<tr>
<td></td>
<td>Action</td>
<td>Preferences</td>
<td>Trial</td>
</tr>
</tbody>
</table>

**FIGURE 3.11**

From Kotler op cit p 536.

**Original Sources:**


been proposed by R.J. Lavidge and G.A. Steiner, (The Hierarchy of Effects model: Awareness, Knowledge, Liking, Preference, Conviction, Purchase) (26) and by E.M. Rogers (Industrial Adoption Process model: Awareness, Interest, Evaluation, Trial, Adoption) (27).

It can be demonstrated as in Figure 3.11, that the differences between these models are essentially semantic, and that each can be split into three levels - the cognitive level at which the product first gains awareness, the affective level during which the image becomes desirable, and the action level which involves actually testing the product.

These models appear to start from the assumption that the consumer starts with a blank mind, and that the sales function is a logical and continuous process. As Gallup has demonstrated however people rarely start with completely blank minds.

Arndt and Gronhaug (28) demonstrated that when they studied the factors affecting the choice of restaurants there was some tendency for awareness to precede attitude, but attitude failed to meet the basic criteria for causal priority over behaviour (29).

A more recent model, which does not assume an initially blank mind is that put forward by Russell H. Colley in his proposal
'Define Advertising Goals to Measure Advertising Response' (DAGMAR) (30).

In his model he suggested that a consumer could, by advertising, be moved through a spectrum of five different conditions. In the first place the consumer was unaware of the brand; in the second he had been made aware of the brand; in the third place he had formed favourable attitudes to the brand; in the fourth place he had formed a propensity to purchase the brand; in the fifth place he had actually purchased it. Colley suggested that all members of the population fall into one of these five positions and that the task of advertising was to move them steadily up toward the buying end of the spectrum. By measuring the percentages that fell into each section before and after a campaign, he proposed to measure the effectiveness of the campaign. Adams (31) however, concludes: 'A pitfall of many models, and one which is almost certainly shared by DAGMAR, is that they do not represent reality.'

The major criticism of the various Hierarchy of Effects Models is that they assume that consumers pass through a specified set of mental and physical stages. Besides being undirectional all relationships are hypothesised to be positive.

Various writers have challenged these assumptions, and in Figures 3.2 and 3.5 I have hypothesised that disposition and behaviour have two-way relationships.
FIGURE 3.12

In this I have been influenced inter alia by the Model of Advertising Effects designed by W.E. Clement (32).

This model is shown in Figure 3.12. In it, advertising impact reacts directly with awareness, and this is shown as creating dissonance rather than directly influencing attitudes. The amount of dissonance created is a function of the advertising input and of existing attitudes. The model shows that dissonance might have three separate effects:

1. there could be feedback having an effect on awareness;
2. dissonance could affect existing attitudes; and
3. it could induce behavioural changes.

Behavioural experience feeds back into the system affecting attitude, dissonance and awareness. This will in turn affect the way in which advertising messages are received and the probability of future purchases.

Howard and Sheth in their model of Buyer Behaviour (33) use a similar concept of 'stimulus ambiguity' which in turn leads to perceptual bias in the attention given to an advertisement.

Dunn and Barban (34) support this idea of perceptual bias by reporting 'Research indicates that you are more likely to notice it (an advertisement for the product) if you use the product'.
Krugman, in his discussion of Left- and Right-brain functions quoted earlier, suggests that the various 'hierarchy of attitude' advertising models are based on Left-brain functions whereas the 'behaviour before attitude' models are explained by the Right-brain functions.

**DISSONANCE**

The introduction of this dissonance factor provides us with a framework within which to explain some apparently anomalous advertising effects. When a particularly strong and persuasive message is received, it creates dissonance which will in turn set off a reaction. This reaction may be favourable and lead to a positive action, or it may be negative leading to a defence. The defence may be to depress the awareness of the message (leading to an under-reporting of advertising recall); to seek to discredit the initial source; to deliberately misinterpret the message; or even to set up a form of inertia barrier which inhibits movement.

Festinger (35) has re-analysed the results of Janis and Feshbach's classic study of the Effects of Fear-arousing Communications. In this study, groups of students were exposed to different lectures about the proper care of teeth and gums. Three different levels of appeal were used. The 'strong' appeal used personalised threat-references to the effect that 'this can happen to you'; the 'moderate' appeal described the
# Impact of Fear Arousing Communications

<table>
<thead>
<tr>
<th></th>
<th>% Who Felt 'Somewhat' or Very Worried</th>
<th>% Who Changed Toward Increased Use of Recommended Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before</td>
<td>After</td>
</tr>
<tr>
<td>Strong Appeal</td>
<td>34</td>
<td>76</td>
</tr>
<tr>
<td>Moderate Appeal</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>Minimal Appeal</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td>Control Group</td>
<td>30</td>
<td>38</td>
</tr>
</tbody>
</table>

**Source:** Festinger L. "Behavioural Support for Opinion Change"

---

## Indications of Impact of Television Advertising

<table>
<thead>
<tr>
<th></th>
<th>% Heard of Company</th>
<th>% Prepared to Grant Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TV</td>
<td>NO TV</td>
</tr>
<tr>
<td>African Eagle</td>
<td>82.1</td>
<td>73.7</td>
</tr>
<tr>
<td>Liberty Life</td>
<td>24.9</td>
<td>32.2</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>97.1</td>
<td>94.9</td>
</tr>
<tr>
<td>Sanlam</td>
<td>94.4</td>
<td>95.6</td>
</tr>
</tbody>
</table>

**Source:** Financial Advice Study Omnijet July 1978
Market Research Africa Johannesburg 1978
Questions sponsored by Old Mutual (Refer Annexure 2c)
dangerous consequences of improper oral hygiene more factually using impersonal language whilst the 'minimal' appeal had less discussion and used a purely factual style.

Figure 3.13 shows that as might be expected the stronger appeals had more effect in increasing the extent to which the students were 'somewhat' or 'very' worried about tooth decay, but the trendline amongst those who reported a change in their actual practice is exactly the reverse.

The apparently low reaction to the strong message could be a reflection of an inertia barrier. This phenomenon is particularly important in the life assurance industry where many policies have been sold on the basis of protecting your family against your own death, an essentially negative and disturbing message. In 1978 African Eagle introduced a television commercial into South Africa and won an award for the best financial commercial. Looking at some figures thrown up by July 1978 omnijet (figure 3.14) we find that the television commercial appears to have done a good job in creating an awareness of the company, but that it has not caused any increase in the reported probability of granting an interview to one of their fieldmen.

Comparison of Sources - Hypothesised Alternative
SOURCE CREDIBILITY

In an article in the Harvard Business Review in 1961 Donald Cox applies a similar concept in reviewing the impact of source credibility (36).

Hovland and Weiss conducted an experiment in which two groups listened to the same persuasive material and were later measured for changes in opinion. The variable tested was the degree of credibility of the communicator. As might be expected groups who had listened to highly credible sources were more affected than those who had listened to less credible sources. When the subjects were retested some four weeks later, the percentage of those exposed to the high-credibility source who had changed their opinions decreased. On the other hand, of those exposed to the low-credibility source, the percentage who changed their opinions actually increased - what the authors termed the 'sleeper' effect.

In their book Hovland, Janis and Kelley portrayed the results graphically in terms of figure 3.15. I find this graph unconvincing since it implies that after a time the less credible source is actually more effective than the more credible source. I am more inclined to redraw it as figure 3.16. This shows that both the positive and negative effects of the source of the communication tend to disappear after some weeks, and that whatever the source, the message effects will also decline after a time.
Cox links this phenomenon to the hypothesis that most readers tend to be sceptical of advertisements, and thus suggests that consumers will tend to have an initial distrust of information transmitted in the form of an advertisement, and that there will be a tendency to follow the lower curve in figure 3.16. This is likely to be particularly applicable to advertisements which create a negative dissonance.

Clement is another writer who has observed an initial negative attitude shift from apparently successful advertising (38). He analysed the results of an advertising experiment undertaken for the American Dairy Association and the U.S. Department of Agriculture and comments:

"Changes in attitudes were not as marked as changes in consumer recall. But the changes that did occur suggested that attitudes improved during the period following rather than during intensified advertising. In fact, the evidence suggests that the initial impact of the advertising was to make attitudes somewhat less favourable."

Others such as Cox and Enis (39) have reported that they have found a significant negative effect of advertising on sales.

The exact shape of the curve for a single advertisement would appear to have little operational significance to an advertiser since his value gained is dependent on the cumulative difference between the 'with' and 'without' advertising curves rather than the exact timing of the divergence. It will, however, have a significant effect on the relevance of any measurement system that relies on any effect before the completion of the cycle.
FIGURE 3.17
TRADITIONAL DIAGRAM OF REPEATED ADVERTISEMENTS

FIGURE 3.18
HYPOTHESES IMPACT OF REPEATED ADVERTISEMENTS
IN LOW-CREDIBILITY MEDIA
The real sting in Cox's hypothesis however comes when we consider the effect of repeat advertising. Traditionally advertisers have considered that repeat advertising leads to a curve on the lines of figure 3.17. Initial advertisements have little effect, but after a few insertions recognition and impact build up, subsequently to reach a plateau. Ultimately over-familiarity can lead to a falling off of recognition.

If Cox's hypothesis is correct the initial slow take-off is caused by the sleeper effect, and if an advertisement is seen again during the build-up phase it will reinforce the source effect and thus lead to a diminution of credibility. (Figure 3.18) This implies that repetition of an informative advertisement in a low credibility source could be counter productive. This could be an explanation of Ackoff and Emshoff's findings that excessive advertising on Anheuser-Busch reduced the sales (refer preamble).

Ray and Sawyer have studied the effect of repetition of advertisements (40). In this study the researchers asked some 168 adult female shoppers to take part in a 'demonstration of a futuristic shopping system'. They were then shown a 10-minute demonstration consisting of the exposure of a set of print advertisements on a screen.

"Half the respondents saw a slide demonstration containing 9 'convenience-goods' test advertisements, and the other half saw a showing of nine 'shopping-goods' advertisements. There were
MEASURED ADVERTISING RESPONSE CURVES

PERCENT RECALL

PERCENT PURCHASE INTENTION

"Grabbers" (4 ads)

Not "Grabbers" (14 ads)

Not "Grabbers" (14 ads)

"Grabbers" (4 ads)

- 56 and 196 Responses, Respectively, per Condition

FIGURE 3.19

Source: Aaker & Myers; Advertising Management p 527.
six repetition conditions of one to six exposures. All the advertisements were systematically rotated so that they appeared in each repetition condition an equal number of times. Twenty filler advertisements also appeared in each showing.

The results indicated that repetition had almost no effect on purchase intentions for shopping goods but had a very positive effect on convenience goods.

In further analyses Ray and Sawyer identified some advertisements as 'grabbers' (hard sell) and others as 'non-grabbers' (soft sell). The results obtained are shown in figure 3.19. From this it can be seen that the hard sell advertisements scored marginally better for recall, but noticeably worse for purchase intention. In fact for a small number of exposures hard sell advertisements had the effect of depressing the intention to purchase.

This test can be severely criticised because the samples for each condition were very small and the test was carried out under 'laboratory' conditions. More importantly the repetitions were during the space of a few minutes which allowed no time for 'sleeper' effects. It is however interesting that the advertisements had little impact on shopping goods where the purchaser would be seeking an 'unbiased' source of information. Hard sell advertisements were also rejected for similar reasons.
One can therefore conclude that awareness and recall of advertisements, particularly ones that attempt to persuade you to take an action which has negative implications, such as making a material sacrifice for intangible future gains, may be unsatisfactory measures of advertising effectiveness.

In fact Cox's hypothesis suggests that they may be relevant as inverse correlations. This however lacks face validity and would probably not be credible to management.

**ATTITUDES IN COMMUNICATIONS MODEL**

'Attitudes' in most communications models relate to a form of reported disposition to a certain factor.

Kerby (41) defines two indicators of relevance for attitude to behavioural change. He calls them 'actuationality' and 'saliency'. The former is defined as the degree of influence that the specific attitude has on behaviour, whilst the latter is the extent to which it is important to the everyday concerns of a person.

It is suggested that saliency will determine the readiness with which an attitude change will be recognised and brought to mind, but it is only actuationality which has importance in the identification of attitude changes which are relevant to behavioural changes.
## COMPARISON AGAINST COMPETITOR

**KEY:**
- **OLD MUTUAL**
- **SANLAM**

<table>
<thead>
<tr>
<th>Modern Old Fashioned</th>
<th>Has Good Reputation Has Poor Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has Good Policies Have Poor Policies</td>
<td></td>
</tr>
<tr>
<td>Have Low Premiums Have High Premiums</td>
<td></td>
</tr>
<tr>
<td>Interested in Average Man Not Interested in Average Man</td>
<td></td>
</tr>
<tr>
<td>Has Good Agents Has Poor Agents</td>
<td></td>
</tr>
<tr>
<td>More Popular with Afrikaans More Popular with English</td>
<td></td>
</tr>
<tr>
<td>Progressively Managed Not Progress Managed</td>
<td></td>
</tr>
<tr>
<td>Fits Policies to Needs Does not Fit Policies to needs</td>
<td></td>
</tr>
<tr>
<td>Helps Build S.A. Does not Help Build S.A.</td>
<td></td>
</tr>
<tr>
<td>Pays Claims Readily Does not Pay Claims Readily</td>
<td></td>
</tr>
<tr>
<td>Would Recommend to Friends Would not Recommend to Friends</td>
<td></td>
</tr>
<tr>
<td>Growing Rapidly Not Growing Rapidly</td>
<td></td>
</tr>
<tr>
<td>Provides Good Pamphlets Provides Poor Pamphlets</td>
<td></td>
</tr>
<tr>
<td>For Me Not for Me</td>
<td></td>
</tr>
</tbody>
</table>

## COMPARISON BETWEEN COMPANY IMAGE AND IDEAL

**Q 22** Which of these Phrases do you think applies to a
(i) First spontaneously mentioned company
(ii) Old Mutual (if known)
(iii) The Ideal Company

<table>
<thead>
<tr>
<th>Old Mutual</th>
<th>Ideal Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Don't Know</td>
</tr>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Old Fashioned</td>
<td>27</td>
</tr>
<tr>
<td>Does not have easy payments system</td>
<td>5</td>
</tr>
<tr>
<td>Long Established</td>
<td>84</td>
</tr>
<tr>
<td>Save Secure reliable</td>
<td>57</td>
</tr>
<tr>
<td>Has best benefits</td>
<td>39</td>
</tr>
<tr>
<td>Is not interested in Bantu Business</td>
<td>11</td>
</tr>
<tr>
<td>Grants loans easily</td>
<td>30</td>
</tr>
<tr>
<td>Is Well Known</td>
<td>86</td>
</tr>
<tr>
<td>Has Honest, trustworthy agents</td>
<td>41</td>
</tr>
<tr>
<td>Is connected with Government</td>
<td>14</td>
</tr>
</tbody>
</table>

**FIGURE 3.20**

Source: "Insurance study 1965" Market Research Africa Ltd. Sponsored by Old Mutual. (Refer Appendix 2c)

**FIGURE 3.21**

Source: Bantu attitudes towards Life Insurance 1972 Consumer Research Services, Sponsored by Old Mutual. (Refer Appendix 2c)
The standard method of identifying the relevance of an attitude is to identify the attitudes of people who perform the desired action, and also the attitudes of those who do not. Factor analysis can then be used to identify the attitudes with the strongest degree of discrimination. Unfortunately factor analysis merely measures the degree of correlation between two factors and provides no judgement as to the causality, sequence or timing of the relationship.

**IMAGE PROFILES**

Figure 3.20 shows typical image profiles obtained for two leading Insurance Companies some time ago. The major problem with this type of profile is to define which criteria are important, and in which direction one should try to move. It is very difficult to define the ideal position on the continuum of 'modern - old fashioned' or 'dynamic - conservative' particularly as these words become more closely associated with 'risk - security'.

In order to overcome this problem it is sometimes practical to ask respondents to rate the 'test' brand, one or more of its competitors and also their 'ideal' brand. This was done in the survey shown in Figure 3.21. This allows the advertiser to see in which categories and in which directions his product moves furthest away from the norm, but it still does not say which criteria are particularly important. It also does not
THE RATED IMPORTANCE OF VARIOUS IMAGE FACTORS
AND THE
CORRELATION TO RECENT PURCHASING BEHAVIOUR

<table>
<thead>
<tr>
<th>Image Factor</th>
<th>Importance Rating (out of 10)</th>
<th>Correlation Factor</th>
<th>90% Confidence interval of correlation factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progressive Company</td>
<td>7,3</td>
<td>0,78</td>
<td>0,49 - 0,92</td>
</tr>
<tr>
<td>Overseas (International) Company</td>
<td>2,6</td>
<td>0,27</td>
<td>0,24 - 0,66</td>
</tr>
<tr>
<td>Large Company</td>
<td>6,8</td>
<td>0,60</td>
<td>0,17 - 0,84</td>
</tr>
<tr>
<td>Good Representatives</td>
<td>7,5</td>
<td>0,74</td>
<td>0,41 - 0,90</td>
</tr>
<tr>
<td>Mutual Society</td>
<td>5,3</td>
<td>0,38</td>
<td>0,12 - 0,72</td>
</tr>
<tr>
<td>Well Known Company</td>
<td>7,3</td>
<td>0,57</td>
<td>0,13 - 0,82</td>
</tr>
<tr>
<td>Reliable Company</td>
<td>9,6</td>
<td>0,63</td>
<td>0,22 - 0,85</td>
</tr>
<tr>
<td>Good for Paying Claims</td>
<td>8,8</td>
<td>0,67</td>
<td>0,28 - 0,87</td>
</tr>
<tr>
<td>Good Service</td>
<td>7,6</td>
<td>0,70</td>
<td>0,33 - 0,88</td>
</tr>
<tr>
<td>Good Investment Performance</td>
<td>8,0</td>
<td>0,74</td>
<td>0,41 - 0,90</td>
</tr>
<tr>
<td>Competitive Premium Rates</td>
<td>7,3</td>
<td>0,74</td>
<td>0,41 - 0,90</td>
</tr>
<tr>
<td>Value for Money</td>
<td>9,0</td>
<td>0,74</td>
<td>0,41 - 0,90</td>
</tr>
</tbody>
</table>

Source: Extract from 1978 Finance Survey undertaken by Market Research Africa on behalf of Old Mutual. Correlation factors calculated by Marketing Research Department Old Mutual. (Refer Appendix 2c)
necessarily overcome the problem of different people using the product in different ways as recognised by Ramond above. As can be seen from the figure not everybody describes the 'ideal' company in the same way.

In a survey undertaken in 1978 Old Mutual attempted to identify key image factors through a 3-stage operation (42).

In one question respondents were asked to rate the importance of various factors when selecting a life assurance company to deal with. In another question they were asked to rate various companies in terms of these criteria. Finally they were asked about policies purchased in the past year.

Figure 3.22 illustrates the 'importance' rating of the various factors, and the correlation between the company's rating in terms of that factor and the policies taken out with that company.

Overall these appear to show that there is a reasonable correlation although the 90% confidence interval band is broad owing to the small size of the sample (500). There was also a 0.78 correlation between the rank order of these coefficients, and the rank order of the 'importance of these factors.' Questions on which company the respondent would be likely to deal with, or would not consider, also provided reasonable
correlations of $+0.72$ and $-0.49$ respectively which were in the expected directions.

In spite of the high correlations the survey did not prove whether the image of the company, or indeed the ranking of the importance of the image factors, was in fact a determinant of from which company a policy would be purchased or whether it was caused by the experience of the company after purchasing.

The correlations become considerably less impressive as predictors when one looks at answers to another question which asked the respondent why he had chosen the particular intermediary for his latest policy. Only about 10% gave the quality of advice they expected as a reason, and less than 5% that they expected a preferable product. The bulk depended on personal friendships or the fact that they were contacted by the intermediary concerned (43).

It appears from this discussion that change in disposition (or attitude) is likely to be related to change in behaviour, but no particular factor or group of factors is likely to be an absolute determinant of change.

It is therefore necessary to explore some models which might explain the phenomenon.
THE EVOKED SET

In their complex model of consumer behaviour, Howard and Sheth introduce the concept of the evoked set (44).

This supposes that when a person is seeking to select a product to meet a recognised need, he will call to mind and consider only a limited number of alternatives. One of the basic objectives of advertising is thus to ensure that the advertised product is one of the set evoked.

As we have seen in chapter 1, however, few people actively seek life assurance and for those who do, the evoked set is not sufficiently strong for more than one or two suppliers to be investigated, although many companies will be known. In most instances the consumer merely decides whether or not to grant an interview to a salesman who has initiated a contact.

This introduces the possibility of three different 'evoked sets'. The first set parallels Howard and Sheth's in that it consists of those companies which have very positive images so that their salesmen will be welcomed or even sought out. The second evoked group have such a negative image that the person would refuse to do business with the company, and would even refuse to grant its salesmen an interview.
GRANTING OF INTERVIEWS

Source: M.R.A, Omnijet July 1978. (Refer Appendix 2c)
The third 'evoked set' is probably the largest and relates to those companies to whom the person's reaction is neutral. In these cases the potential purchaser will not seek out the company, and his decision whether or not to grant an interview will depend largely on the impact that any salesman who contacts him may make.

In July 1978 we utilized an Omnibus survey to explore some of these relationships (See annexure 2c). In this survey inter alia we asked whether the respondent would 'probably grant an interview if a salesman from the specified company called tomorrow' and the negative 'would probably not ...' Figure 3.23 shows the results for 4 different companies, and indicates the way in which they vary in regard to both positive and negative impacts.

When we cross-analysed the answers to these questions against questions about the image of the companies' salesmen, we found that the proportion who answered positively 'would grant an interview' correlated very closely with the proportion who considered that the company concerned had 'well-trained salesmen' \( (r = 0.9984) \). On the other hand the negative 'would not grant an interview' did not correlate well with either the image of training \( (r = 0.0955) \) or with the image of having 'poor salesmen' \( (r = 0.6253) \).
It is also interesting to verify that the good training is an image factor rather than a matter of fact or experience. The Financial Advisory Service is an elite group of Old Mutual salesmen who are selected on the basis of their skills and knowledge. They are, however, a new and little-known group, and consequently have a far wider 'indifference' band than the parent group. In another question respondents were asked how the advice which they received during their last interview compared with their expectations. On a six-point scale with poles of 6 (better than expected) to 1 (worse than expected), 57% gave a score of 6 and 92% a score of 4 or better.

THE INERTIA ZONE

A zone similar to the indifference zone, which we could possibly more accurately call a zone of inertia, occurs in regard to the awareness of the need for life assurance. At one end of the scale the prospect does not know of the need or feels that it does not apply to him, whereas at the other end he recognises it and tries to do something about it. In the 'inertia zone' the prospect appears to recognise his need for an insurance product, and would welcome a contact by a salesman, but he is not prepared to take any action that would precipitate a purchase.
GRANTING OF INTERVIEWS

The relationship between the recognition of a need and the salesmen who would probably be granted an interview

<table>
<thead>
<tr>
<th>No of companies to which an interview would</th>
<th>Should be making considerably more provision</th>
<th>Should probably be making a more provision</th>
<th>Satisfied with the existing provision</th>
<th>Already providing more than is really necessary</th>
<th>Not worthwhile to make any provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIL</td>
<td>25,6</td>
<td>27,8</td>
<td>32,1</td>
<td>6,5</td>
<td>61,1</td>
</tr>
<tr>
<td>1 ONLY</td>
<td>51,2</td>
<td>47,2</td>
<td>44,1</td>
<td>67,6</td>
<td>22,6</td>
</tr>
<tr>
<td>2 ONLY</td>
<td>11,4</td>
<td>13,0</td>
<td>15,7</td>
<td>15,0</td>
<td>16,3</td>
</tr>
<tr>
<td>3 OR MORE</td>
<td>12,8</td>
<td>12,0</td>
<td>5,0</td>
<td>4,7</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: M.R.A. Omnijet July 78 (Refer Appendix 2c)

FIGURE 3.24

IMPACT OF IMAGE OF SALESemen

<table>
<thead>
<tr>
<th>% of those respondents who would grant an interview, who think that the advisers from the company are ...</th>
<th>Well Trained</th>
<th>Reliable</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Eagle</td>
<td>58,3</td>
<td>66,1</td>
<td>-</td>
</tr>
<tr>
<td>Bank Broker</td>
<td>54,2</td>
<td>51,9</td>
<td>-</td>
</tr>
<tr>
<td>Financial Advisory Services</td>
<td>12,5</td>
<td>24,3</td>
<td>-</td>
</tr>
<tr>
<td>Liberty Life</td>
<td>52,8</td>
<td>46,7</td>
<td>1,8</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>75,8</td>
<td>78,1</td>
<td>0,8</td>
</tr>
<tr>
<td>Prosperity</td>
<td>12,4</td>
<td>16,2</td>
<td>-</td>
</tr>
<tr>
<td>Sanlam</td>
<td>77,2</td>
<td>83,2</td>
<td>1,0</td>
</tr>
</tbody>
</table>

Source: MRA Omnijet July 1978 (Refer Appendix 2c)

FIGURE 3.25
This inertia zone may be caused by an element of laziness, by a fear of being exposed to something unpleasant, or by a reluctance to sacrifice some immediate expenditure in order to obtain a long-term benefit.

People in the insurance industry believe that many prospects are reluctant to submit to a medical examination even though they think that they are fully fit. This phobia is not a thing which is likely to be identified through a consumer survey, as it would not be admitted freely, except perhaps to a psychiatrist. There is, however, evidence of its existence through the popularity of 'medical free' insurance, as opposed to the number of people who discontinue negotiations when they are told that a medical report will be required. This is in spite of the fact that in more than 95% of the cases no death hazard is identified.

The 1978 omnibus survey discussed in Appendix 2c confirms that there is a degree of need recognition which does not drive people to immediate action (Figure 3.24). The survey also confirmed that although one company may be perceived to be better than another in terms of various image parameters, this is generally not sufficient to cause an exclusive demand for the 'better' company, or a refusal to countenance the 'weaker' company (Figure 3.25).
IMAGE THRESHOLDS FOR INSURANCE ACTIONS

COMPANY / SALESMAN IMAGE

**Key**
- **II** Look for Information
- **PP** Accept Proposal
- **FF** Reply for Salesman
- **RR** Reply for Information
- **SS** See Salesman
- **DD** Discontinue

**Figure 3.26**
This leads me to hypothesise that the company/brand 'indifference zones' and the need recognition 'inertia zones' can be linked together into a 'threshold' model on the lines of those suggested by Kotler and by Langhoff (45).

**THE THRESHOLD MODEL**

Kotler, working from Peter Langhoff's 'Options in Campaign Evaluation' (46), has proposed a representation of advertising effects as a two-dimensional geometric space. Kotler's axes represent cognition (the amount of knowledge that the person might have about the product), and affect (the person's feeling about the product ranging from acceptability to loyalty).

In dealing with advertising effects for life assurance I have re-defined the axes to bring them into line with the peculiarities of the product. This is shown as figure 3.26.

On the O.N. axis I show the strength of the desire / need aroused by a particular appeal, whilst on the O.C. axis I show the image of the particular company and its salesmen.

Each of these axes can of course be considered to represent composite opinions which may incorporate several, possibly conflicting factors. For simplicity however I have combined them into the two basic factors.
# RECALL AND IMAGE OF LIFE ASSURANCE COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>Heard of</th>
<th>Reliable Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Eagle</td>
<td>92,2</td>
<td>39,1</td>
</tr>
<tr>
<td>Colonial Mutual</td>
<td>73,2</td>
<td>27,7</td>
</tr>
<tr>
<td>Commercial Union</td>
<td>66,6</td>
<td>25,9</td>
</tr>
<tr>
<td>Federated Employers</td>
<td>68,6</td>
<td>23,4</td>
</tr>
<tr>
<td>Guarantee Life</td>
<td>55,6</td>
<td>19,9</td>
</tr>
<tr>
<td>Homes Trust</td>
<td>80,6</td>
<td>26,1</td>
</tr>
<tr>
<td>Legal &amp; General</td>
<td>90,9</td>
<td>40,5</td>
</tr>
<tr>
<td>Liberty Life</td>
<td>86,9</td>
<td>43,0</td>
</tr>
<tr>
<td>Ned Equity</td>
<td>63,2</td>
<td>24,5</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>98,8</td>
<td>70,9</td>
</tr>
<tr>
<td>Prudential</td>
<td>91,8</td>
<td>39,8</td>
</tr>
<tr>
<td>SANLAM</td>
<td>97,0</td>
<td>59,0</td>
</tr>
<tr>
<td>Southern Life</td>
<td>93,8</td>
<td>40,3</td>
</tr>
</tbody>
</table>

**FIGURE 3.27**

Superimposed on these two axes I have shown certain theoretical thresholds.

The 'See Salesman' threshold (SS) indicates that if the combination of the need recognition and the image of the company are sufficiently high, the prospect will be prepared to grant an interview to an insurance salesman from the company if one attempts to make a contact. The threshold suggests that it is a combination of image and need, that is required, and that a strongly recognised need can compensate for a weak image, and vice versa.

In a similar way we can derive a threshold (RR) above which a prospect would be inclined to send in a reply coupon offering advise on a need; a threshold (FF) above which he would respond inviting a salesman to call, and a threshold (BB) above which he would accept an invitation to buy.

The threshold lines become more and more horizontal as the image of the company improves. This implies that beyond a certain norm further improvements in the company's basic image, although doubtless very gratifying to the management concerned, will have very little, if any, effect.

Surveys such as those quoted in Figure 3.27 indicate that the recognition of most major South African Life Offices is already fairly high, as is their image. If this in fact represents a
IMAGE THRESHOLDS FOR INSURANCE ACTIONS

COMPANY / SALESMAN IMAGE

key
II LOOK FOR INFORMATION
PP ACCEPT PROPOSAL
FF REPLY FOR SALESMAN
RR REPLY FOR INFORMATION
SS SEE SALESMAN
DD DISCONTINUE

(REPEATED FIGURE 3.26)
point well up on the OC line as I contend, further name promotion will have only minimal value in creating additional sales.

The II threshold is a horizontal need-related line which indicates that once a need is sufficiently strongly recognised, the prospect will actively initiate a contact. It is however a two-part line. The prospect will naturally contact the most acceptable company which comes to mind. Thus if the company's image is above some point I', this company will be contacted (shown by the solid threshold I'I). However, if the company's image is below this, the prospect will contact some other company with a 'higher' image (shown as the dotted threshold II').

On the chart instead of showing just the positive quadrant NOC I have shown also the negative image/positive need quadrant. Most companies start from a neutral or zero image, which may be improved by advertising or promotion. Adverse press coverage and, to a far greater extent, adverse experience, can however create negative images. It is very difficult for advertising to overcome the effects of adverse experience.
IMAGE_THRESHOLDS_FOR_INSURANCE_ACTIONS

COMPANY / SALESMAN_IMAGE

key
I I LOOK FOR INFORMATION
PP ACCEPT PROPOSAL
FF REPLY FOR SALESMAN
RR REPLY FOR INFORMATION
SS SEE SALESMAN
DD DISCONTINUE

(RePEATED FIGURE 3.29)
There is also a retention threshold. If a person's opinions fall below this minimum confidence level he will actually discontinue existing policies. In figure 3.26 this has been shown to be the lowest line DD, but my researches and readings lead me to hypothesise that there are some factors which cause a person to purchase assurance, and there are other, different, factors which cause him to retain those policies. For want of more descriptive terminology I have called these 'pro-active' and 'retro-active' factors. These are probably different determinants of the composite 'need' factor.

The term pro-active is used to indicate a factor which has a direct effect in causing a sale, whilst a retro-active factor causes or supports a purchaser's subsequent rationalisation of his reason for purchase.

In many instances the true 'pro-active' factors will either be unknown, for example the fact that the salesman's advice may be influenced by a differential reward structure; or distasteful, such as the fact that the policy was taken to satisfy an over persistent salesman. They may also be emotional reactions or purely selfish desires for personal benefits which the purchaser subsequently may think of as 'unworthy'.

The 'retro-active' factors are often factors which a purchaser realises should have been considered, but to which he could not give due weight because he was not in possession of sufficient
### THE RATED IMPORTANCE OF VARIOUS IMAGE FACTORS AND THE CORRELATION TO RECENT PURCHASING BEHAVIOUR

<table>
<thead>
<tr>
<th>Importance Rating (out of 10)</th>
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<th>90% Confidence interval of correlation factor</th>
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<tr>
<td>Overseas (International) Company</td>
<td>2,6</td>
<td>0,27</td>
</tr>
<tr>
<td>Large Company</td>
<td>6,8</td>
<td>0,60</td>
</tr>
<tr>
<td>Good Representatives</td>
<td>7,5</td>
<td>0,74</td>
</tr>
<tr>
<td>Mutual Society</td>
<td>5,3</td>
<td>0,38</td>
</tr>
<tr>
<td>Well Known Company</td>
<td>7,3</td>
<td>0,57</td>
</tr>
<tr>
<td>Reliable Company</td>
<td>9,6</td>
<td>0,63</td>
</tr>
<tr>
<td>Good for Paying Claims</td>
<td>8,8</td>
<td>0,67</td>
</tr>
<tr>
<td>Good Service</td>
<td>7,6</td>
<td>0,70</td>
</tr>
<tr>
<td>Good Investment Performance</td>
<td>8,0</td>
<td>0,74</td>
</tr>
<tr>
<td>Competitive Premium Rates</td>
<td>7,3</td>
<td>0,74</td>
</tr>
<tr>
<td>Value for Money</td>
<td>9,0</td>
<td>0,74</td>
</tr>
</tbody>
</table>

Source: Extract from 1978 Finance Survey undertaken by Market Research Africa on behalf of Old Mutual. Correlation factors calculated by Marketing Research Department Old Mutual. (Refer Appendix 2c)
facts. For example, most people will rationalise that they purchased a specific investment plan because it gave the best return in their situation. In fact the only guidance they received in this regard could be the unsubstantiated word of the salesman, and they would admit considerable scepticism as to his veracity. They will therefore seek retro-active support for example, by interpreting newspaper reports on the progress of the company, although this may have no bearing on the actual benefits that they will receive.

Referring back to Figure 3.22 and the fact that the image factors correlate well with recent purchases, but not with reported reasons for dealing with the intermediary, we can hypothesise that the 'important' image factors are in fact retro-active factors.

The fact that certain factors have more of a pro-active effect and others more of a retro-active effect does not mean that they cannot also have some influence in the other situation.

Ray Bowles, making his keynote address to Equitable Life Insurance Company's 1977 District Agency Conference identified the double effects as Logic and Emotion.

"Some agents can make a presentation that is so logical that it hurts, but they can't close because they are afraid to get the person emotionally involved. But it's emotion that causes a man to take action, and not logic itself. Once he makes a decision and it is logical, he can reflect on it and he will stick with it". (47)
THRESHOLDS IN TERMS OF LOGIC AND EMOTION

\[ PP' = \text{PURCHASE THRESHOLD} \]
\[ DD' = \text{DISCONTINUANCE THRESHOLD} \]
\[ XDP' = \text{UNSTABLE ZONE} \]
These two factors seem to relate very closely to my 'pro-active' and 'retro-active' factors particularly if Bowles had said - 'Once he makes a decision and learns that it is logical he will stick with it'.

THE THRESHOLD ANALYSIS UTILIZING LOGIC AND EMOTION

We can thus break the need factor in the threshold analysis into two constituent parts, 'logic' and 'emotion' which are themselves undoubtedly composite factors. Following Bowles, I hypothesise that the determinants of the 'purchase' curve, and most of the other curves, are far more strongly affected by the 'emotional' factors than by the 'logic' factors. The converse is likely to be true of the discontinuance curve.

In figure 3.28 we see the hypothesis that there is a threshold curve for purchasing P.P'. which at one extreme shows a considerable amount of emotion with little or no logic. At the other extreme even the largest amounts of logic require to be combined with a certain minimum value of emotion.

The discontinuance curve D.D'. does not lie uniformly below this curve, but for most values retention is dependent on logic rather than emotion.

The shaded portion of the graph XD’P' represents an unstable area, in which the emotional content is sufficient to cause a
person to purchase assurance, but the logic content is not sufficient for him to maintain it. A person in this area will normally be a strong seeker for information to move his logic position to a more satisfying situation above D.D'. or below P.P'. At the same time, in the absence of continuous reinforcement, it is likely that the emotional content will slip back towards the neutral axis.

It is sometimes said that the early door-to-door salesmen were able to maintain policies on emotion alone because they could resell it each week or each month when they called to collect the premiums.

Under modern conditions in South Africa, these regular calls-back are not practical, and a policy sold with insufficient logic will lapse sooner or later unless it can be reinforced in some way.

These hypothetical curves are in the mind of the purchaser, and since the 'logic' curves are to a large extent also based on rationalisations, it is impractical to research them in the way that we have researched the enquiry curves. Indications of the relationships can however be seen from the effect of different messages. 'Logical' messages tend to promote conservation, whilst more emotional ones promote sales with only short-term effects on conservation. This hypothesis tends to be supported by some of the confidential research undertaken by Old Mutual.
Life assurance offices can learn from this the benefits of training their salesmen to combine logic with emotion, but many salesmen will find it easier to make a quick sale on emotional grounds, and since a sale is usually a face to face meeting without observers, it is almost impossible to police or to cut out the 'emotion-only' selling.

The retro-active factors can, as we have seen, prove to be very misleading to a researcher who is trying to identify the determinants of purchasing behaviour, and if present will invalidate any factor analysis of opinions of 'purchasers' and 'non-purchasers'. They do, however, become important when aligned to the cognitive dissonance theory. A message - be it an advertisement, press comment or direct mail letter - which can be interpreted to support a policyholder's rationalisation and thus improve the logic content, can have a very significant effect on the persistency of the business. The proposed method of measuring advertising effectiveness can be used to measure both pro-active and retro-active results. In the experiments discussed in appendix 8 I have demonstrated that certain advertisements in fact significantly affect persistency without having any measurable effect on new purchases.
ADVERTISING AND THE THRESHOLDS

FIGURE 3.29

THRESHOLDS AND THE SPREAD OF PROSPECTS

FIGURE 3.30

POSSIBLE EFFECTS OF ADVERTISING
ADVERTISING EFFECTS ON THE THRESHOLD MODEL

Returning to the simpler Image/Need thresholds Figure 3.29 indicates the initial spread of prospects. At any point in time there will be prospects at several points, A1 A2 A3 etcetera. Advertising attempts to increase sales and retention by improving the company's image and/or by generating greater awareness of needs. This has the effect of moving the prospect to a new point in the space - hopefully this will bring him across one or more thresholds.

Figure 3.30 indicates possible different advertising effects. A pure 'need' advertisement or press comment which just promotes benefits of Life Assurance without promoting the company name will tend to cause a vertical movement from A to B1. A pure company advertisement, such as using the name as a sponsor of a sports meeting or on a billboard would cause a horizontal movement to B2. If the name is linked to a need or benefit it is likely to combine the vertical and horizontal components, as for example the movements to B3 or B4.

As we have seen in chapter 1 advertising can also have negative effects. Promoting a need, whilst at the same time denigrating the rôle of salesmen might cause a movement in the direction of B5, whilst a report that a particular company is likely to pay
ADVERTISING EFFECTS

FIGURE 3.31
EFFECT OF SIMPLIFYING THE RESPONSE MECHANISM

FIGURE 3.32
EFFECT OF REPEAT ADVERTISING
out less than originally expected, or has made a bad investment might cause a movement to B6.

REPLY DEVICES

The advertiser may incorporate in his advertisement a reply device or incentive which makes it more convenient or attractive to ask for information or for an adviser. This may have little or no effect on the prospect's position on the space graph but should have the effect of moving the response threshold RR downwards and to the left to a new position R'R' (figure 3.31). This would mean that a larger number of actions will be generated.

REPEAT ADVERTISING

It is well-known that an advertising message does not have a permanent effect, and that after a time, decay (forgetting) will set in and that the image will regress from point B towards point D (figure 3.32). Repeated advertisements and other stimuli could interrupt this decay and provide further improvements, DE, FG etcetera. Cox's suggestions discussed earlier however, show that the advertiser cannot rely too strongly on this favourable additive effect.
Most people have some forms of long-term financial security programme for themselves and their families—though life assurance or retirement funds and/or through schemes provided by their employers. How satisfied are you with your programme at the present time?

| Should be making considerably more provision | 9,0 |
| Should probably be making a little more provision | 18,8 |
| Satisfied with existing scheme | 58,6 |
| Already providing more than is really necessary | 6,3 |
| It is not worthwhile to make any personal provisions of this nature | 4,9 |

Did you grant an interview when last approached?

Yes → 83%
No → 17%

Which organisations have representatives that you would probably grant an interview to if he called tomorrow

| 1 company only | 45,3 |
| 2 companies only | 16,6 |
| 3 or more companies | 4,4 |
| None | 5,3 |
| No answer | 28,4 |

Questions sponsored by Old Mutual (Refer Appendix 2c)
PRACTICAL IMPLICATIONS OF THE THRESHOLD MODEL

It is apparent that in practical terms different people would have different thresholds for the same need, and that the same people would have different thresholds for different needs. It is also obvious that the threshold level for taking an action will vary according to the amount of effort required to take the action.

It is therefore impossible to put quantitative values to these thresholds. It is however most important to consider their relative positions and slopes.

SEE VERSUS ACTION

I hypothesise that the threshold to take an action to obtain information is above and to the right of the threshold of agreeing to see a representative. The threshold to invite a contact is even further above and further to the right.

Evidence to support the hypothesised relationship between the position of the curves comes from surveys such as 1978 Omnibus Survey discussed earlier and in Appendix 2c.

Figure 3.33 tabulates some of the data that shows most people recognise the value of life assurance although many are satisfied with their present protection. Most people actually granted an interview when they were last approached, and most purchasers would welcome another call by a salesman.
However, very few would initiate a contact, and the typical response rate to a promotional direct mail piece is between 2-8%. Direct sales offers rarely exceed 1% response rate (48).

These relationships can be explained to a large extent by prejudices, and a reluctance on the part of the individual to expose himself to the traditional insurance salesman. If the thresholds do take the shapes which I have hypothesised they do have considerable operational significance to the life assurance marketer, and particularly to the marketer who is interested in generating activity.

RESPONSE RATES AND CONVERSION RATES

The fact that the 'reply' line is further from the origin than the 'see' line implies that if a marketer can generate almost any form of enquiry, the respondent would have been prepared to grant an interview. An advertisement would have to work very much harder to generate an invitation for a salesman to visit, but this would do little to improve his already good prospect of an interview if he were to call.

In most insurance sales the advertisement can do little more than pave the way for the salesman, and the final decision whether or not to purchase will depend on the impression and presentation made when he makes his contact. To the extent that this is true, additional preparatory work done by an
advertisement will have little impact on the prospect of a sale.

The importance, and truth, of this hypothesis was demonstrated in an Old Mutual study undertaken in October 1975. In this study (49) the mailing list was divided into two equivalent groups. Each group received an identical letter which promoted the IndependenceMaker plan, and offered a free brochure. There were however two different reply cards. The one offered to 'send' the free brochure, whilst the other indicated that a salesman would 'bring' the free brochure.

The response rate to the 'send' card was 50% higher than that to the 'bring card'.

Following up and measuring results on a sample batch in terms of lead evaluation forms (refer chapter 4), the 'send' letter obtained significantly more immediate sales, and a marginally higher overall rating.

It must however be remembered that in the case of the 'send' letter, the respondent would have been given an additional stimulus because he would have received a copy of the brochure between the time he responded and the time a salesman came to call.
The effect of a reply-generating advertisement cannot however be measured purely on the basis of volume of responses. Although the experiments mentioned above indicate that the conversion rates to the two groups of responses were approximately equal, this does not mean that responses to two different letters will always be of equal value. Three other factors must be considered, the decay factor, the individual following up the enquiry and the congruence with his presentation.

The decay factor in advertising suggests that if a person is just pushed over a threshold, his image might regress below that threshold in the interval before the sale is completed.

The insurance sale is very rarely completed entirely through paper contact, and the image effect is paving the way for a direct contact by a fieldman. In most instances the actual experience of the direct contact will be far more powerful than the advertising effect.

One of the most critical factors in determining the value of an advertisement is the extent to which it complements and coincides with the presentation made by the salesman and with actual experience.

The feedback from behaviour to disposition shown in figure 3.2 earlier is also most important. Clement (50) has shown that
The Congruence of need advertisement $n_x$ to presentation $N$

$= n_x \cos \theta$

FIGURE 3.34
when an advertisement creates strong expectations but performance is only mediocre, the impact is far more negative than if no high expectation had been raised. Thus an advertisement which 'successfully' promotes the expertise of the salesman, or creates expectations about product performance, which will not be realised in practice, will be doing more harm than good, notwithstanding the fact that it has achieved its stated objective of creating a trial.

CONGRUENCE ANALYSIS

In diagram 3.26 I have indicated one need (or desire) on the ON axis. There are however a whole range of needs, some of which complement each other, whilst others compete.

Figure 3.34 illustrates this phenomenon diagramatically.

The vertical axis ON represents the direction of the specific need being promoted by the 'salesman at point of sale. The line On' represents the extent to which an advertisement promotes a need n'. The length of the line n' represents the effective distance of the shift of disposition brought about by the advertisement. The angle between ON and On' (θ in the diagram) indicates the degree of congruence between the appeal created in the advertisement and that presented by the salesman.
CONGRUENCE OF COMPETITIVE ADVERTISING

The congruence of competitor's advertisement $c_1$ to salesman of company $c$

- $\phi_1$ — unique claim
- $\phi_2$ — neutral claim
- $\phi_3$ — Industry or complementary advertisement

*FIGURE 3.35*
The net effect of the advertisement in relation to the salesman's presentation is then given by \( n' \cos \theta \). This will vary between \( +n' \) when it is entirely congruent to \(-n' \) when it is totally incongruent.

A similar effect is likely to occur in relation to the image of a company. In Figure 3.35 the axis \( OC \) represents the direction of the desired image of the company. An advertisement promoting an image \( c' \) will cause a movement along the axis equal to \( c' \cos \phi \) where \( \phi \) is the congruence between the advertisement and the desired image.

An advertisement which shows that the sponsoring company provides the best benefits will tend to have close congruence for the salesmen of that company. It will, however, undermine the image of a competing company, and hence the effect \( c_1 \cos \phi_1 \) shown in Figure 3.35a will be negative to competitors. An advertisement which talks about the fact that the sponsoring company has been in existence for a long time, or about its expertise without implying any uniqueness may be congruent to that company's salesman, but it is likely to be neutral to competitors \( \cos \phi_2 = 0 \) in figure 3.35b. If, however, the advertisement is seen to promote the excellence of life assurance companies and their salesmen generally, it will be fairly congruent to all competitors. \( \cos \phi_3 \) in Figure 3.35c is positive and close to 1.
In appendix 4 I have reproduced some life assurance advertisements, and have tried to evaluate them (entirely subjectively) in terms of these criteria.

The overall effectiveness of an advertisement is therefore given by the formula

\[ f_a n' \cos \theta_b + f_a c' \cos \phi_b \]

Where \( f_a \) represents a function of the distance required to move recipient a over a threshold line, and \( \theta_b \) and \( \phi_b \) being the congruences to any coincidental presentations that may be made by a salesman b.

James A. Ballew, (51) highlights the fact that advertising by insurance companies is often beneficial to competitors.

"Not only does T.V. advertising being done by insurance companies make the public aware of the particular companies and their products and agents, but the advertising also builds prestige for all life underwriters. It increases the public's awareness of the needs for life and health insurance and makes it easier for all agents to get in to see their prospects on a favourable basis."
THE EFFECT OF INCONGRUENT MESSAGES

When different sales messages promote different needs and satisfactions they are likely to create confusion in the mind of the recipient. In traditional consumer behaviour the purchaser is likely to seek further information to overcome this dissonance. However, in view of the negative images already connected with the purchase of life assurance it is likely that the prospect will regard all the information with suspicion and thus break off negotiations.

In the life assurance context the negative impacts of confusion are not limited to the inhibition of sales. They can also have the effect of causing discontinuances amongst recent and established purchasers. As we have discussed in chapter 1 the life assurance industry is plagued by a high discontinuance rate amongst new policyholders, and this is in part due to 'cognitive dissonance' or after-purchase doubts.

Research undertaken in relation to the launch of a successful new class of life assurance product (52) showed that advertising caused a large volume of 'new' sales, and a fairly small volume of substitutions in which the promoted product actually replaced an existing plan. Coincidently, however, there was a sudden upswing in the volume of discontinuances of existing products with no new product being substituted. Hindsight suggests that the advertising was creating a form of confusion.
IMAGE THRESHOLDS FOR INSURANCE ACTIONS

COMPANY / SALESMAN IMAGE

**key**
- II LOOK FOR INFORMATION
- PP ACCEPT PROPOSAL
- FF REPLY FOR SALESMAN
- RR REPLY FOR INFORMATION
- SS SEE SALESMAN
- DD DISCONTINUE

(REPEATED FIGURE 3.26)
which caused discontinuances without creating a search for substitutes. Unfortunately this was not researched fully at the time, and we have attempted to avoid similar situations subsequently. Had the proposed advertising testing model been available and utilized at the time of the launch we would have been able to quantify the negative effects.

THE CURRENT POSITION ON THE GRID

The Threshold analysis (Figure 3.26) indicates that different advertising approaches would be appropriate depending where the bulk of the target market is grouped.

For a comparatively new or small company, the company image is likely to be fairly close to the neutral ON axis. At this stage name promotion and company image may be important, since a neutral image company will only be utilized when need recognition is high. In these circumstances 'need' advertising is less appropriate to the small company as high 'need' recognition is likely to be most beneficial to larger and better-image companies which will be making more concurrent calls on the readers.

Once the secure image has been obtained, name promotion becomes less important until the need/desire approaches the II level,
when it is preferable to be the first company in the mind of the prospect. To an extent this situation has been reached with some aspects of the tax-planning market as is shown by the number of people who initiate discussions on this topic with brokers and companies.

This means that the relevance of any attitude shift will depend on the situation of the individual person, and of the company concerned. Different attitude shifts will prove to be actuational for different companies, and it will be unwise to rely on the reported opinions of a small number of people who may not represent the bulk of the target market in regard to this specific factor.

The proposed measurement system does not rely on reported opinions or on comparisons to other companies, but measures behavioural changes without it being necessary to preconceive the proximate cause.
REFERENCES CHAPTER 3


8. Ramond op cit p57

9. Ramond op cit pp 69-70


12. Ibid


17. Old Mutual Confidential Records.


24. "Democratic Shopper" - Survey conducted by Market Research Africa, Sponsored by Van Zijl and Schultze, Lund and Tredoux; Readers Digest Association South Africa Ltd; and South African Associated Newspapers. Johannesburg 1978. (Refer Appendix 2a)


29. Arndt & Gronhaug op cit p 177.


33. Howard and Sheth op cit p 156.

34. Dunn and Barban op cit p 88.


42. "Finance Survey" Research report by M.R.A. on a study undertaken on behalf of Old Mutual 1978. (Refer Appendix 2c)

43. Ibid


45. Kotler op cit pps 443-6.


48. Old Mutual Internal Records - supported by discussions with leading Direct Mail agencies.


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MEASURING BEHAVIOURAL CHANGE

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CHAPTER 4
CURRENT METHODS OF EVALUATING
ADVERTISING MESSAGE EFFECTIVENESS

In this chapter I shall review the major methods by which researchers are currently attempting to measure advertising message effectiveness.

There has been a great deal of discussion amongst researchers, advertisers and other interested parties to determine the 'best' method of measuring advertising effectiveness. Various methods have been proposed, but each has significant weaknesses which make its value dubious in certain circumstances. The method that is best for one type of problem may not be suitable for another problem.

For this study we are concentrating on the problems associated with effectiveness in connection with the promotion of personal life assurance portfolios.

The various measurement methods must be considered in terms of the same criteria that we have applied in Chapter 2. These are relevance, reliability, cost, timing, speed, exposure and credibility. I will also discuss them in terms of their practical application in South Africa.
Amongst the earliest attempts to measure advertising effectiveness were a series of check-lists of key factors which can be weighted and then added together to form a 'rating'.

One of the most notorious was that introduced with a great deal of ballyhoo by the Townsend brothers in the 1930's. The Townsend system listed 27 points of evaluation (1). In discussing the system in their manual, even the Townsends admitted 'the evaluation method is not accurate .... but to date it is the best that we have been able to do through our researches'.

The system gave great weight to principles like that of putting the name of the product in the headline as a means of getting attention and holding interest, the basic appeals, and ways of impressing memory. These were then well-known to most practising advertising men.

The Townsends subsequently developed a shortened form primarily for rating retail advertisements.
Dunn (2) lists the following 9 'measurement areas':

A. **Headlines and Sub-heads**
   - Identification - Memory
   - Main Appeals - Featured
   - Reason Why - Sub-heads

B. **Copy**
   - Main appeals - Copy Interest
   - Quality - Proof - Belief
   - The Proposition - Action

C. **Layout and illustration**
   - Sequence
   - Main appeals - Illustrated
   - Identification - Style

Melvin S. Hattwick (3) has some good to say about the Townsend system.

"If the Townsend method did nothing else, it moved advertising men to develop check-lists of their own against which to appraise their advertising."

Amongst the later check-list methods were the 'Thompson-Luce' method which identified some 35 'controlled factors' which, in
terms of Starch and Clark readership surveys seemed to differentiate between high and low-ranking advertisements.

Similar techniques were used by Edwards (4) who identified some factors, every one of which 'might exert a direct and appreciable effect upon the productivity of the advertisements'.

Check-lists have some advantages:

(a) They emphasize certain successful advertising techniques - these can act as a reminder to the copy-writer and cause him to include additional pulling material.

(b) They are easy to apply and are quick to provide results.

(c) They do not require the designer to make much of an outlay, and he need not give advance publicity of his approach.

Dunn (5) quotes the following major limitations:

"(a) No rating system is flexible enough to be appropriate for all advertising situations. The objectives of advertisements vary widely. Sometimes these objectives are accomplished through words, sometimes
through pictures, and more often through both. Furthermore, the climate in which advertisements operate varies widely. Check-lists do not take into account the dynamic nature of modern-day advertising.

(b) Despite their facade of objectivity, check-lists are, in actual practice, highly subjective. The ratings are based on the personal opinion and individual interpretation of the person who does the ratings. ... It is almost impossible for any copy-writer to be an objective judge of his own creations.

(c) There is some danger of the check-lists curtailing the creative originality of the writer.

Of course there is an even more serious criticism against most check-lists, which is that the whole basis may have little validity. The 'controlled elements' have usually been identified by factor analysis from 'successful' against 'unsuccessful' campaigns, but the original definition of successful or unsuccessful was determined by such factors as recognition, reader interest or, at best, pulling power for coupons. As we shall show later these may have little or no relationship to what is actually important or effective.

MEASURES OF READABILITY AND INTELLIGIBILITY

The so called 'Prose Engineers' have, since the 1920's, been looking at ways of measuring the readability of a piece of work. The best known of these systems is the Flesch system which was first introduced in 1946. In his book 'The Art of
<table>
<thead>
<tr>
<th>SCORE</th>
<th>DESCRIPTION</th>
<th>TYPICAL MAGAZINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 30</td>
<td>Very Difficult (VD)</td>
<td>Scientific Professional</td>
</tr>
<tr>
<td>30 - 50</td>
<td>Difficult (D)</td>
<td>Academic, Scholarly</td>
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<tr>
<td>50 - 60</td>
<td>Fairly Difficult (FD)</td>
<td>Quality - Harpers - Atlantic.</td>
</tr>
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<td>60 - 70</td>
<td>Standard (S)</td>
<td>Digests - Time</td>
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<td>70 - 80</td>
<td>Fairly Easy (FE)</td>
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</tr>
<tr>
<td>80 - 90</td>
<td>Easy (E)</td>
<td>Pulp Fiction</td>
</tr>
<tr>
<td>90 - 100</td>
<td>Very Easy (VE)</td>
<td>Comics</td>
</tr>
</tbody>
</table>

**FIGURE 4.1**

**SOURCE**  Flesch R 'How to Write, Speak, and Think more Effectively'. Harper and Row, New York 1960. p 310
Plain Speaking' (6) Rudolf Flesch taught what was claimed to be a scientific method of achieving plain understandable prose.

Flesch measurement of reading ease is essentially based on the average number of syllables per word and the average number of words per sentence. The actual formula is complex: $206.835 - (0.846 \times \text{average number of syllables per word}) - (1.015 \times \text{average number of words per sentence})$, but once computed can easily be compared to standards to determine the theoretical understandability of a message. (Figure 4.1)

Flesch has also developed a 'human interest' score based on the number of 'Personal Words' and 'Personal Sentences'. These can be put into the formula: $(\text{number of personal words per 100 words times } 3.635) + (\text{the number of personal sentences per 100 sentences times } 0.314)$. Personal words are defined as all first-, second-, and third-person pronouns except the neuter ones, all words which are masculine or feminine, and group words. 'Personal Sentences' are spoken sentences, questions or requests directed to the reader, exclamations, and grammatically incomplete sentences (8).

The score determined from the formula can be compared against a scale which ranges from 'Dull' to 'Dramatic' and which also
READABILITY AND INTEREST SCORES

FLESCH HUMAN INTEREST SCORES

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<th>DESCRIPTION</th>
<th>TYPICAL MAGAZINE</th>
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<tr>
<td>60 - 100</td>
<td>Dramatic (D)</td>
<td>Fiction</td>
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<tr>
<td>40 - 60</td>
<td>Highly Interesting (HI)</td>
<td>New Yorker</td>
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<tr>
<td>20 - 40</td>
<td>Interesting (I)</td>
<td>Digests - Time</td>
</tr>
<tr>
<td>10 - 20</td>
<td>Mildly Interesting (MI)</td>
<td>Trade</td>
</tr>
<tr>
<td>0 - 10</td>
<td>Dull (Du)</td>
<td>Scientific, Professional</td>
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</table>

Source Flesch R 1960 op cit p312.

GUNNING 'FOG' INDEX

<table>
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<th>SCORE</th>
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<td>17</td>
<td>College Graduate (CG)</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>College Senior (Cse)</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>College Junior (CJ)</td>
<td>None</td>
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<td>14</td>
<td>College Sophomore (CSo)</td>
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<td>High School Sophomore (HSo)</td>
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<td>6</td>
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indicates typical magazines for which that type of prose would be suitable (Figure 4.2a).

Although Flesch's original proposals were made more than 30 years ago they still have some appeal. In the Summer 1977 edition of Marketing Research and Media (p 13) C.L. Koekemoer advises readers to consider the Flesch human interest formula. Flesch's books have been reprinted many times. In 1974 there was a 25th anniversary edition of his book 'The Art of Readable Writing' (9).

There are other formulae such as the Gunning 'Fog' index (figure 4.2b) which is based on average sentence length and the number of words with 3 or more syllables (10) and the Dale Chall formula which is based on identifying the proportion of words which are not on Edgar Dale's list of 3,000 words which are well-known to children (11).

In spite of the original claims made for these formulae they are no longer considered as measures of advertising efficiency. They can however be used as measures of 'inefficiency' in that a piece of writing that scores worse than the cut-off point for the target market is unlikely to be read or understood. 'Improvements' in scores which are already better than the cut-off point may well not result in any improvement in 'efficiency'.
<table>
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<td>Score Grade</td>
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<td>Score Grade</td>
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<td>'Mass Market'</td>
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<tr>
<td>1</td>
<td>54,643 FD</td>
<td>53,165 HI</td>
<td>11,299 HJ</td>
<td>0,5-2,1</td>
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<tr>
<td>2</td>
<td>57,338 FD</td>
<td>69,225 D</td>
<td>11,881 HJ</td>
<td>4,5-9,7</td>
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<td>3</td>
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<td>56,194 HI</td>
<td>11,115 HI</td>
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<td>'Upper Market'</td>
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<tr>
<td>1</td>
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<td>47,691 HI</td>
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<tr>
<td>2</td>
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**Notes**  
Refer text for description of methodology and figures 4.1 and 4.2 for explanation of grades.  
'Mass Market' letters were aimed at White males aged 25-45 in clerical, sales and artisan occupations.  
'Upper Market' letters were aimed at White males aged 35-55 in professional, executive and managerial occupations.
There are also many situations in which more complicated copy is more suitable, and also in which longer words are better at chrystallizing an idea than shorter ones.

Figure 4.3 shows the results of the application of some of these formulae to certain direct mail letters used by the author, and the lack of correlation to effectiveness measured in terms of responses. One of the apparent problems is that the scores for very different letters come out to be remarkably similar.

Another major criticism of the check-list type of measurement is the fact that they focus attention on specific parts of the advertisement. The 'Gestalt' school of psychologists have highlighted the fact that the impact of the advertisement is caused by the total impression created, and the whole may be very different from the sum of the parts (12).

Once again however, these tests can be done before the advertisement is complete, give rapid results at low cost and do not require any exposure of strategy.

NAME TESTING

I have read of one very simple method of pre-testing the 'name' impact of a particular advertisement. You take a razor and cut around the name each time it occurs in the material. The text is then held up to the light and it immediately shows up the extent to which the name comes through. I am not sure whether
This method has ever been used as a serious method of measurement of effectiveness, but it would focus attention on advertisements which have no possibility of getting the company name across.

**PRE-TESTING BY OBTAINING THE OPINIONS OF OTHERS**

Most copy-writers know that they cannot look at their own creations objectively. They are, therefore, likely to discuss their work with their friends and colleagues. Many agencies have made this slightly more formal by constituting a 'review board' which discusses all copy and presentations. The problem with these 'in house' reviews is that the people concerned are completely atypical and are unlikely to look at the advertisement from the point of view of the consumer.

Consumer jury or controlled opinion tests attempt to overcome this weakness by selecting a sample of potential customers and asking them questions about the product or advertisements.

Consumer juries can range in size from a sample of ten or twenty in one location to a full-scale survey which theoretically covers the full spectrum of potential consumers. The surveys can be carried out by researchers who call on the sample and ask the questions in face to face interviews, or through written questionnaires posted to the sample.
One of the major problems associated with any form of personal opinion survey is that of collecting large and representative samples. The importance of this has already been discussed in Chapter 2 and appendix 7. Because of cost considerations the norms in South Africa are small samples which are not fully representative either geographically or in terms of other relevant criteria. In the discussions of the various procedures which follow I will indicate the sampling generally used in South Africa for the technique concerned.

**CONSUMER JURIES PROVIDING OVERALL EVALUATIONS**

Consumer jury tests, in their basic form ask the respondents to evaluate a series of advertisements, with the objective of identifying the one (or ones) with the most consumer appeal.

Dunn (13) describes the process as follows:

"The jury member is asked which of several advertisements - usually in rough rather than finished form - he would be more likely to read. Or the question may be 'which advertisement would be most likely to make you buy the product?' Then he is asked which advertisement he considers next best until all are ranked ...

Another approach is to show the proposed advertisements in pairs. The respondent picks the one he thinks is the better advertisement in each pair, thus eliminating one."

"
This appears to be a reasonably cheap and rapid way of getting the views of the potential consumers, and their attention is being focussed on the advertisement itself. It does however have distinct disadvantages.

It is relatively difficult to identify true opinions because the jury are being put in the position of advertising experts.

Melvin H. Hattwick (14) states:

"This method (consumer jury) is not too successful for rating the effectiveness of advertisements for things occasionally purchased by a small number of people ..."

Dunn (15) quotes the result of a test concerning a leading dentifrice. Two advertisements were considered: the one using a positive appeal; and the other a negative (avoidance) appeal. The positive appeal scored most highly in a consumer jury test. The advertisements were also subjected to a 'split run' test in a metropolitan daily newspaper. Deep in the copy of each advertisement was the offer of a large tube of toothpaste free if readers would merely send in their names and addresses. The 'negative' appeal caused almost three times as many enquiries as the 'positive' appeal.
Dunn draws the conclusion that this method is not good for negative appeals.

Lucas and Britt (16) suggest that consumer opinion measurements are not reliable as a guide to the effectiveness of a goodwill type of advertisement.

Dunn (17) also suggests that this measurement system puts undue emphasis on noticing and first impressions.

"Regardless of the wording used (in questioning) the reader tends to choose that advertisement which makes the best first impression. However, the real communication and sales impact of an advertisement often lies deep in the body copy. The advertisement which is easily noticed may be very poor in accomplishing the basic advertising objective."

Hattwick (18) sites an experiment for Pepsodent health products using a psychogalvanometer. Four themes were tested - bad breath, dandruff, colds, and a composite three-way protection. The bad breath theme showed up most strongly on psychogalvanometer readings. This coincided with the results of a split-run test. However, when subjects were asked after the psychogalvanometer test which advertisement had aroused them, none of them would admit an interest in bad breath.

Unfortunately life assurance advertising is likely to incorporate most of the features that make Consumer Juries unreliable: the
frequency of purchase is low, many advertisers use fear or negative appeals, they promote goodwill for the advertiser and his salesmen, and may also use long copy rather than short 'first impression copy'.

MOTIVATIONAL RESEARCH

Krech and Crutchfield (19) and other psychologists have told us that much of what we know is repressed and cannot, or will not, be produced in response to direct questioning.

Researchers have therefore drawn on the tools of psychologists and psychiatrists to try to find the deeper motivators that cause a person to act in a particular way.

Two types of tests are included under the overall heading of motivational research. These are unstructured discussions and projective techniques.

The basis of most unstructured discussions is the Depth Interview. These are personal interviews in a one to one situation with co-operating respondents. The interviewer is given a loose interview guide, but no formal questionnaire.

The interviewer introduces the general subject and lets the respondent talk around it as freely as possible, the interviewer being careful not to lead the respondent in any way. In
the ideal interview the conductor does nothing more than provide encouragement and occasional probes such as 'Could you explain a bit more' or 'Why do you say that?' (20). It is not unusual for a depth interview to last for two to three hours, which obviously strains the co-operation of respondents.

The scope and duration of the depth interview can be restricted by asking the respondent to focus only on certain aspects of the problem (called a Focussed Interview). This may, however, inhibit his freedom of thought.

A modification of the depth interview is the group discussion in which several respondents participate simultaneously. This has the advantage that one person's thinking may stimulate a response from another person, thus creating a snowball effect. There is, however, the risk that some people will feel inhibited and thus not participate fully, whilst others may be swayed by a particularly forceful member.

The second group of tests are the so-called Projective tests in which the respondent is asked to react to ambiguous stimuli.

Some of the most common Projective tests are word association tests, in which the respondent is asked to say the first word that comes into his mind on hearing the stimulus word; sentence completion tests in which, as the name implies, the respondent is asked to complete a large number of part sentences; and cartoon tests in which the respondent is shown
A SIMPLE CARTOON TEST USED TO MEASURE THE ACCEPTABILITY OF LOW COST AUTO-INSURANCE. THE RESPONDENT IS ASKED TO INDICATE THE MAN'S PROBABLE REPLY.

a cartoon depicting an ambiguous situation and asked to
describe one or other of the character's reactions or comments.
In each of these projective tests spontaneous reactions are
sought as these are believed to be the best reactions to a
person's real thinking. In the sample cartoon in figure 4.4 an
American company attempted to gauge reactions to a proposed
offer of cut-price motor insurance.

Somewhat more elaborate tests of this nature are the Thematic
Apperception Test (T.A.T.) and story completion test in which
the respondent is asked to create a total story from similarly
ambiguous stimuli. One of the most famous examples of this
type of test is the Mason Haire shopping list test which
attempted to measure the reaction to instant coffee by asking
respondents to describe the characteristics of a person who
included this item in her shopping list (21).

Almost all these tests are done in a one-to-one situation with
a trained observer. They must also be interpreted by a
qualified psychologist. They are generally limited to small
samples of volunteers who are drawn from a restricted popula-
tion located in the vicinity of a test centre. These criticisms
can of course be overcome in a properly constructed test
situation but this would be very expensive and time-consuming.

Even well constructed motivational research studies carried out
by 'experts' are not without their controversies.
Kotler (22) summarises the problems associated with motivational research in practice.

"Motivational research has produced some interesting and occasionally some bizarre hypotheses about what may be in the buyer's mind regarding certain purchases. Thus, it has been suggested at one time or another that:

* Many a businessman doesn't fly because of a fear of posthumous guilt - if he crashed, his wife would think of him as stupid for not taking a train.
* Men want their cigars to be odoriferous, in order to prove that they (the men) are masculine.
* A woman is very serious when she bakes a cake because unconsciously she is going through the symbolic act of giving birth.
* A man buys a convertible as a substitute 'mistress'.
* Consumers prefer vegetable shortening because animal fats stimulate a sense of sin.
* Men who wear suspenders are reacting to an unresolved castration complex."

I feel that motivational research may have an important role in providing initial pointers to underlying motivations and feelings about a concept or a product. As such it may be very useful when considering the strategy to launch a new product, or a new advertising campaign.

It may also be used to judge consumer reactions to features of an advertising programme, such as the associations of a proposed brand name, illustration or caption. These are valuable guides to avoid potentially damaging reactions, and may pinpoint choices with favourable associations. This is however not necessarily a positive guide to advertising effectiveness.
Charles Brower, Executive Vice-President in charge of creative services at B.B.D.O. (23) as long ago as 1955 warned against measurement systems which rely on unqualified opinions and which purport to measure against past standards.

"If Christopher Columbus, the well-known sailor from Genoa, had applied modern advertising research methods to his proposed voyage, a consumer jury test would have told him in advance that the world was flat; depth interviews with expert seamen would have revealed the impressive monsters that awaited him hungrily at the end of the sea; Motivational studies would have shown that his crew were interested in money; Ferdinand and Isabella would have cancelled the appropriation; America would never have been discovered ..."

CONCEPT TESTING IN SOUTH AFRICA

Concept testing is often done in South Africa to decide which of a small number of advertising concepts are worthy of further development. The larger advertising agencies arrange their own concept testing, but many of the smaller ones use the resources of the professional research houses.

Testing can be done using group discussions or individual interviews with semi-structured questionnaires. The material for testing is frequently in the form of verbal descriptions of
each alternative concept, and visuals are often omitted because rough visuals may be ambiguous. It must be stressed therefore that this only looks at the concept of an advertisement and does not represent the effect of the finished product.

Group discussions have a great advantage for this purpose, particularly if they are recorded or can be viewed through one-way glass. This permits the maximum involvement from agency creative staff. It is important, however, that observers should watch a good cross-section of groups to avoid too strong an impression from one group which may be atypical. Unfortunately only the larger agencies have proper viewing facilities, and these are only located in the major centres. Corder (24) has indicated that group discussions are almost always limited to the centre in which the advertising agency has its base, and only a small number of groups are held. A single group discussion using a group of 6-8 people in a major centre costs R450 - R550, to which travelling and other costs must be added if it is in an area away from the agency's home base. (25)

Where more qualitative results are required, personal interviews are required, and M.R.A. recommend small samples of approximately 100 people representing the target market. Unfortunately Corder (26) indicates that the norm is to use two groups of about 30 people. These tests are almost always done in the Johannesburg area or in the home town of the advertising agency. A draft questionnaire prepared by M.R.A. is included
in appendix 9a. Individual interviews using this technique cost about R14 each with an additional allowance if difficult targets are involved.

LABORATORY SYSTEMS

In my expansion of Schramm's model (figure 3.2) I have accepted that the advertisement must pass into the field of experience of the destination by obtaining some degree of perception. Researchers therefore often equate this to attention and attempt to measure the 'attention-grabbing' value of an advertisement.

In the pre-test situation the researcher may resort to a Laboratory type test whereby he can enlist the aid of mechanical tools to provide comparative measurements. In this way he accepts the potential situational and medium biases, but has the advantage of apparently objective measurement systems.
ATTENTION MEASUREMENTS

Various forms of complex mechanical tests have been applied particularly to try to measure the attention value of an advertisement. The best known of these are the eye cameras and the psychogalvanometers.

The 'eye camera' is a camera focussed on a reader's eyes whilst he is reading a newspaper or magazine. It allows the researcher to measure the length of time that the eye dwells on a particular page or part thereof. This technique has proven to be very useful for determining how a person reads, and will probably be a reliable method of identifying advertisements which attract attention, and words or phrases which stop the reader.

The psychogalvanometer, which is essentially the lie-detector used by certain police forces, takes this one stage further by measuring the emotional effects caused by an advertisement or message. If an item arouses the emotions it causes a change in conductivity of the skin, and this can be measured.

The mechanical measurement of effectiveness may be very valuable in telling if an advertisement does not get read, or if it 'leaves the reader cold', but this is a far cry from measuring effectiveness. These measurements do not show the direction of the emotions involved, nor do they provide much clue as to the extent of involvement.
It has been shown that a picture of a very beautiful girl will attract the attention of most males. It may however have little to do with the message being transmitted. It is admitted that the naked girls at certain motor shows have gained large crowds for the exhibits but one wonders if they have sold many cars! Many of the more conservative readers say that they are revolted by these pictures, and claim that such an advertisement would put them off ever buying the product.

STOPPING POWER

Pomerance (27) has introduced a new measurement concept called 'stopping power' to challenge the relevance of 'attention' in advertising measurement. "Stopping power is measured by exposing advertisements from slides onto a magazine-size rear projection screen, for 1.25 sec unless stopped by respondent. The number of persons who stop an advertisement is its score (28)."

In various tests Pomerance has demonstrated that this system produces very different results from those given by recognition and attention measurements, and he attacks various sacred cows of the advertising industry. For example he 'proves' that words like NEW, NOW and INTRODUCING neither stop the reader nor communicate.
The reported variances between the 'stopping' measurements and the more traditional 'attention' measurements highlight the unreliability of these measurement systems, and as I have indicated in chapter 3 none of these factors is necessarily linked to perception or change in disposition.

Finally these tests are very expensive, and when used overseas tend to be restricted to small and probably unrepresentative samples. The machinery is complex and it requires much skill to administer and interpret the results. It is not practical to carry out these tests over a scattered area.

They do however, have the benefit that results are available fairly rapidly, and there is minimal exposure of strategy.

Certain of the larger research agencies have equipment such as tachiscopes to provide controlled exposure of an advertisement, but the more complex mechanical systems are not used in South Africa.
The most common methods of testing advertisements are based on personal interviews amongst members of the target market. The two most used are recall and communications tests, and opinion change tests. These tests may be undertaken with finished or nearly finished advertisements in 'prelaunch' situations, or they can be used soon after the advertisement has been launched in a 'post-test'.

In these tests, advertisements are prepared in finished or nearly finished form, and then shown to a sample drawn from the target market. The respondents are then asked a number of questions about the advertisements that they have just seen. In the Appendices, I have reproduced two pro forma questionnaires, the one (Appendix 9b) used by a leading advertising agency, whilst the second one (Appendix 9c) is used by a market research agency.

In the advertising agency questionnaire the respondent is shown a number of advertisements and then asked questions about each of them. In theory this system can be used to compare directly several possible advertisements, although it is rarely used for this purpose (29). The research agency format concentrates on only one advertisement which is measured against past experience and preconceived standards (30).
Testing in this manner introduces several problems. If the advertisements are shown in rough form, the results may well be affected by the quality of the rough. If they are in finished form the cost of producing the advertisement must already have been incurred, and this will militate against making alterations. If more than one advertisement is to be compared they must be presented in the same stage of development.

Pre-testing is always undertaken in an unreal situation, and attention is focussed on the test material. The results may thus not reflect the true effect in the material environment.

The advertising agency's questionnaire first seeks to measure how the advertisement is recalled. It then probes the respondent's reactions, how well the advertisement has achieved various communications objectives, and various attributes of the product as perceived after the advertisement has been read.

The research agency's questionnaire measures recall after a brief exposure, rather than competitively. It then looks at the overall impact of the advertisement, and finally looks at various elements such as the visual and the headline.

In his paper on stopping power Pomerance (31) investigated two other measurement criteria: The IC (intended communication) score which is the proportion of respondents who, after selecting an advertisement and then reading it, could - moments
later - play back a previously defined 'Intended Communication' with the advertisement removed from view. The MRI (Most Recalled Idea) score is the single idea played back by the largest proportion.

For pre-exposure recall and communications tests MRA recommended a minimum sample of at least 100 from the target group with at least 50 people in each breakdown category (English/Afrikaans - Male/ Female etcetera). Corder, however, reports that the norms in South Africa are samples of 30-50 people and that they are almost always drawn from one area only (32).

The relevance of this type of measurement system will be discussed together with similar post-exposure measurements later. The tests do, however, involve minimal exposure, and the costs are only those involved in preparing the test material and carrying out the survey. Individual interviews cost about R15 - R20 each, and the results will be available within about 3 weeks. They can be available even more rapidly, especially when an advertising agency is doing its own research and when complex analyses are not required.

**POST-TESTING RECALL AND INTERPRETATION**

In the United States of America an advertisement is frequently pre-tested in a fully prepared form by placing it in a newspaper and then testing it under real-life conditions. This is however, rarely done in South Africa, where they tend to do
post-exposure tests soon after a campaign has been launched, and whilst it is running.

STARCH TEST

The Starch test aims at measuring the impact of an advertisement and is commonly used for print media. In this test the researchers seek out readers of the publication in which the advertisement appeared, and ask them about page readership, and whether they noticed the advertisement in question. If they did, they are asked to indicate what they saw and read.

Three standard measurements are used. (33).

"'NOTED' - This is a measure of the power of an advertisement to secure the attention of readers. It is the percent of readers of the current issue who remembered, when interviewed, that they previously had seen the advertisement in the particular publication.

'SEEN-ASSOCIATED' - This is a measure of the power of an advertisement to make brand or sponsor impressions. It is the percent of readers who have seen or read any part of the advertisement which clearly indicates the product (or service) advertised.

'READ MOST' - This is a measure of the power of an advertisement to arouse and hold reader interest. It is the percent of readers who read 50% or more of the written portion of the advertisement."

These scores can be based on all respondents in the target market, all readers of the publication, or all readers of that particular page.
In practice where a survey is being done for only one advertiser (syndicated surveys are also available) the interview is often extended to cover the impact of particular aspects in the advertisement, such as copy points, visuals, trade marks etcetera. Reactions, as in a communications check, can also be obtained (34).

The Starch type tests have the advantage that exposure is under natural conditions, and that one can obtain views of members of the target market, and of people outside the market who may have been exposed. The major problem however, is to obtain comparative measures since MRA (35) reports that results vary considerably according to the page on which the test advertisement appears. They also differ considerably by product class and often different results are obtained for males and females.

MRA recommend samples of 150 male and 150 female readers of the publication, but Corder reports that total samples of about 100 are the norm (36). Testing is almost always limited to one centre. Costs are in the region of R15 - R20 per interview but vary according to the difficulty of contacting suitable readers of the publication.

**DAY AFTER RECALL TESTING**

Day after Recall Testing (D.A.R.T.) is commonly used in South Africa and overseas to measure television and radio advertising. It attempts to measure the impact, communication playback, product recognition and reaction to an initial or early showing of a radio or television commercial.
The method used is street or telephone interview with samples from the target group who watched the programmes immediately before and after the commercial break in which the particular advertisement appeared.

A typical T.V. questionnaire is quoted in Appendix 9d. This questionnaire checks the past day's viewing, what advertisements are recalled spontaneously, and after prompting, and then consumer reactions to the advertisement.

Tests of this nature are commonly carried out on samples of about 100 viewers who were exposed to the advertisement time-slot. They cost about R10 per interview, and the results can be available within days of the commercial appearing.

**TELEVISION ADVERTISING PROBE**

A more in-depth form of testing the effectiveness of television advertising is the Television Advertising Probe (T.A.P.). In this test, members of the target market are invited to group discussion sessions. At the discussion they are exposed to all the current T.V. advertisements in a particular product field.

After each advertisement exposure participants are asked to write down what they considered to be the main message of the advertisement.
They are then invited to discuss the advertisement in terms of clarity of communication; any aspects considered unclear, unbelievable or confusing; anything particularly liked; etcetera.

This procedure is repeated for each of the other advertisements. Finally the advertisements are screened again without a break between them and participants express their views on which advertisement was considered the best, which the worst, and reasons for saying this.

T.A.P. tests can be conducted for a single advertiser on an exclusive basis or can be syndicated among all advertisers in a particular product field.

Results are available within about 7 days and costs are in the region of R500 per group discussion. (37).

LIVE TELEVISION TESTING IN SOUTH AFRICA

As I have indicated above the D.A.R.T. and T.A.P. methods are used to measure the recall and effectiveness of television (or radio) advertisements after they have been exposed in real situations. There are however, practical problems in utilizing these methods to compare different propositions or to use them to identify and rectify weak parts of an advertisement.
We have only one television channel, and whilst it does carry advertising, and allows the advertiser some choice as to the time-channel of his advertisements, the opportunity for 'live' testing is very slight.

Advertisements must be individually approved by the S.A.B.C. some months before broadcast. Spots are allocated up to a year in advance, and the advertiser must nominate the actual advertisement for a specific time-slot two to three months ahead.

The Television Advertising Probe method of testing obtained its initial acceptability when South Africa first launched commercial television. At this stage audience reactions were something of an enigma, and all advertisers were starting from scratch in terms of design and exposure.

Now that television advertising is established, the system has a major weakness in that the different advertisements being screened will have very different levels of previous exposure. 'Familiarity' will undoubtably affect recall.

THE SCHWERIN TEST

One well-known form of consumer jury test which is particularly used in the United States of America for testing cinema, radio and television commercials is the Schwerin test, named after its now defunct originator the Schwerin Corporation.
In this test respondents are solicited by mail from a random sample of homes. Each person contacted receives a number of tickets and an invitation to 'see previews of new films or shows and to participate in helping to improve programmes and commercials'. Prizes are offered to encourage participation. Before exposure to the commercials, participants are asked to fill in a questionnaire, and inter alia to indicate which brand of product they would like to receive as a prize if they are a 'lucky winner'. After exposure they are asked a number of recall and interpretation questions, and then again asked to select their 'prizes'. Apart from the standard advertising measurements, the comparison between the 'before' and 'after' selections gives an indication of 'opinion change' which is apparently relevant to the objective of the advertisement.

This method of testing does introduce the problem of an unreal situation, and the viewers attention is focussed on the advertising as they know that they are taking part in a test. This need not however totally invalidate the findings.

Van Zijl and Schultze (38) quote some interesting evidence from over 300 T.V. commercials tested by Tele-Research Incorporated in Los Angeles. Their findings were:
(a) Recall data obtained by various measures showed almost perfect correlation with similar data obtained by other methods. 'Forced' viewing methods provided consistently higher level values, but the specific elements recalled and the degree to which each of these elements was mentioned correlated very well.

(b) Commercials which performed poorly on recall measures tended to perform poorly in sales effectiveness although the correlation was far from perfect.

(c) Among the commercials that performed in the average and upper ranges on recall measures however, there was no meaningful correlation with sales performance.

This method of testing can either be applied to gauge the effect of a new commercial, or the marginal impact of an existing commercial.

The Scherwin type test is, however, little used in South Africa, as it has been replaced by the 'Television Advertising Probe', notwithstanding the fact that the latter is only used for post-evaluation of advertisements that have already been exposed.
THE RELEVANCE OF RECALL MEASUREMENTS AND IMMEDIATE REACTIONS

In Chapter 3 we have discussed various models of the way in which advertising works, and indicated that although a measure of perception is required, it may be subliminal.

Cox's hypothesis of source effect suggests that where an advertisement generates fear in the mind of the reader, it may have a negative effect on sales for the period that it is remembered as an advertisement, although it may have a positive effect once the source of information is forgotten.

This indicates that under certain circumstances recall, and the recognition of a brand, can even be inversely correlated to advertising effectiveness. This may be particularly relevant to a product such as Life Assurance which has traditionally been promoted through arousing a guilt complex.

THE LINK BETWEEN REPORTED RECALL AND REPORTED SALES

Starch (39) and others have tried to validate the use of recall studies as measures of advertising effectiveness by asking complementary questions to measure actual purchase behaviour. Starch then asserts that when users are divided into those who recall and those who do not recall the advertisement, the difference between them can be attributed to advertising. Typically, Starch claims, those who recall buy more than those who do not.
Rotzoll (40) has pointed out that high purchase and high recall could both be present without one necessarily being the cause of the other.

"(a) Product interest could affect willingness to be exposed to advertising for a product.

(b) Post-purchase doubts about the wisdom of choosing a product could lead to exposure to that product's advertising in order to allay such doubts.

(c) 'Yea-saying' tendencies may inflate readership-purchase correlation.

(d) Starch tests rely on the assumption, possibly unsound, that perceiver - buyers closely resemble non-perceiver - non-buyers in all significant aspects except for exposure to the advertising message and purchase of the brand."

To these Palda (41) adds the following:

"(e) The possibility that many factors, other than the advertisement in question, were not eliminated from the test situation, frequency of exposure to previous advertisements of the brand, similarity to previous or other advertisements, number of claims in advertisement, etc.

(f) Purchase of the brand may be better 'rememberers' because it may be easier to associate recent experience with recent perception."

Winton and Nelson (42) in their report of usage of financial services comment on the problem of obtaining accurate feedback of actual purchase of financial facilities. In one study when following up actual names supplied by an insurance company they found that 10% of the people refused to admit that they had actually used the facilities. Whilst this study was specific to a financial service it raises a question in regard to any reports of purchase where confidentiality is involved.
RECALL AND REPORTED READERSHIP

Most post-exposure recall studies compare effectiveness on the basis of reported recall as a percentage of respondents who claim to have viewed the relevant media.

Any form of readership survey suffers to a greater or lesser extent from the misreporting of readership and misassociation.

The South African Advertising Research Foundation, in common with most other organisations attempting to do media research, have been struggling for years to establish an acceptable definition of readership or viewership. I have touched on this problem earlier, but do not propose to enter the controversy. Suffice it to say that there can be no adequate measurement of attention or recall unless it is linked to a standardised and acceptable definition of 'opportunity to see'.

A questionnaire which tries to determine whether a person saw a particular advertisement in a specific medium can lead to incorrect results for several reasons. A person might recall an advertisement which he has seen in some other medium, and incorrectly ascribe it to the test medium. He might mistake a new advertisement for some similar (or not too dissimilar) advertisement which has appeared in the past. On the other hand he might forget that he saw an advertisement or not be conscious of one which has affected him subliminally.
Some people have a phobia about certain types of advertisements, and will not admit having noticed them, even though they do in fact remember them very well.

The other problem is relating the measured recall to the depth of readership. The results of a test advertisement will be very strongly influenced by its position in the publication concerned, by the nature of other items in the publication, and even by completely independent matters which will affect the depth of readership of the issue concerned.

Finally if two different advertisements are to be compared in terms of post-exposure recall it is necessary that the two advertisements are given exposure in identical situations. This can be done under laboratory conditions but is not usually possible in normal press media in South Africa.

CREDIBILITY AND ACCEPTABILITY

The value of interpretation measures is also questionable, if they do not also measure believability, or do not indicate the extent to which the message is relevant to the advertiser's objectives.

In the pro forma questionnaires the designers have attempted to find out whether the advertisement and its various parts are believable, and whether they are liked or disliked. This does
not however say whether they are relevant to the reader, or are in any way likely to help towards the advertisers actual objectives.

Although recall and interpretation measurements have theoretical weaknesses as I have indicated, they have face validity and a fair amount of credibility in the eyes of less sophisticated managers. They therefore tend to be the most commonly used measures of advertising effectiveness, although they are not without criticisms from leading advertising executives.

Amongst these experts are two of the best known names in the United States advertising industry - David Ogilvy and Reva Korda, respectively chairman and creative director of Ogilvy and Mather.

David Ogilvy has commented:-

"All this recall research that is being done - I am trying to find someone who believes in it. Our clients don't seem to believe in it. We don't believe in it. Our creative people don't believe in it. But everybody goes on doing it. I don't know why. But there it is.

There's very little room for judgement nowadays. You know there's no research procedure ever been invented which can measure the long-term effect of an advertising campaign. It's pretty important. But you can only judge the long-term effects of a campaign.

You know, all this recall stuff exhausts creative people. You're a writer and you're asked to do a campaign for some product. Well you have to do a whole series of what's called 'executions for testing'. You're pouring the stuff out all the time, an immense output, for research purposes. It's pretty difficult not to get exhausted and to go dry." (43)
Reva Korda is as critical, but with somewhat more explicit reasons:-

"But please remember that commercial research is still in its Neanderthal. And Neanderthal surgeons operated with an axe instead of a scalpel.

While research is a tool we must use - chiefly to avoid homicidal fights with each other - I cannot regard it as a science yet, because it doesn't answer many important questions.

One of my problems with research is that we know the power of non-verbal commercials. Commercials without any words at all. Yet these commercials often are yanked off the air, because the viewers aren't provided with a set of words to play back in recall tests - only strong emotions to play back in the supermarket." (44)

**OPINION CHANGE**

The objective of most advertisements is to affect consumer opinions, attitudes and beliefs in such a way that their buying practices change in a positive direction.

Many people therefore attempt to evaluate advertising effectiveness in terms of changes in reported knowledge, attitudes, and intention or preparedness to purchase.

The measurement of opinion change implies evaluations 'before' and 'after'; or 'with' and 'without' exposure. This can be achieved by obtaining the opinions of a group of people immediately before they are exposed to the advertisement, and
then retesting them some time after exposure. Alternatively one can compare the opinions of two groups, the one who has been exposed, whilst the other who has not been exposed.

In a typical pre-launch test, the respondent is asked a battery of questions before being exposed to one or more advertisements under laboratory conditions. He is then again asked the same battery of questions after exposure. In any one test there will only be one advertisement relating to the subject under test. Other advertisements are sometimes included to disguise the real test. Occasionally test advertisements for other (non-associated and non-competing) products are included thus making the test do double work. Similarly not all the questions asked are relevant to the advertisement under test. A typical pro forma questionnaire used by M.R.A. in the pre-test situation is included as appendix 9e.

The statistical significance of changes that occur are measured by the Sign Test and Wilcoxon Test for ordinal measurements of matched pairs from two related samples.

Where the researcher does not accept these laboratory conditions it is necessary for him to arrange some degree of natural exposure and then to follow-up to measure opinion change. Usually, unless it is done on a regional basis, or the advertisement is distributed by direct mail, the researcher must measure opinions before a campaign, and then follow-up
some time after the campaign has been running to find post-campaign exposure. Alternatively he can try to identify reading habits as in the communications survey, and compare readers who claim to have read the particular publication with people who claim to be non-readers. This introduces all the potential distortions of reported readership. It also makes it almost impossible to measure the comparative effectiveness of two different advertisements.

The simultaneous exposure of different campaigns is possible using regional analyses, although this is open to some biases as I shall show later.

DIRECT MAIL LEADING TO OPINION SURVEYS

Using direct mail to distribute advertising messages to matched samples can lead to a simplification of some of the subsequent stages of measurement. By maintaining a duplicate copy of the mailing list the advertiser has the names and addresses of the people who have been exposed to the various test operations.

These can then be followed up by a direct mail questionnaire or by personal interviews to obtain information on opinion change, etcetera.

There is a fundamental objection to using direct mail questionnaires for market research: only a proportion of those asked
through the mail to fill in and return a market research questionnaire will actually do so. That proportion is almost certainly not representative of the universe to whom the questionnaire was sent, and this unrepresentativeness may well be crucial to the answer given. The problems of the representativeness of co-operating samples in direct mail are extreme examples of the difficulties of any voluntary reporting systems discussed earlier.

Robin Fairlie in his Booklet 'Direct Mail Testing and Measurement' (45) states:

"But there is one field in which this criticism of Direct Mail techniques in market research is not valid: where the object of the research is to predict the behaviour of people in a Direct Mail selling situation. Then Direct Mail is in fact the ideal medium of research since those prospects who do not respond to a Direct Mail questionnaire are precisely those who are least likely to respond to a Direct Mail sales approach. So that the answers one does get from respondents will accurately mirror the future behaviour of one's potential market."

Fairlie does not quote any research to support this hypothesis, but as he was the Business Services Director of the Readers Digest, it is likely that he would have researched the problem.

Direct mail questionnaires are thus particularly useful to advertisers who are interested in direct response, coupon responses and sales emanating from these means. An advertiser
who is interested in other types of results, and who wishes to measure opinion change will be more likely to resort to personal interview techniques. The technique of distributing a message through the mail, and of evaluating results through personal interviews or through coupon responses is sometimes referred to as the 'Dodge' technique.

Where opinions are to be obtained by personal interview after exposure, the distribution of the advertising message by direct mail can save the researchers a considerable amount of money because the interviewers can be directed to the correct people on whom to call, with the minimum wastage. The probability of exposure to the message is known in advance and the researcher is therefore less dependent on the respondent's recall of whether or not he read a specific publication.

If the advertiser is prepared to consider cluster sampling the direct mail list can provide him with access to suitable clusters which have been exposed, and thus obtain a broad spectrum of market opinions with minimum cost.

The fact that ordinary press advertisements are not normally delivered through the mail, and that the follow-up questioning will draw particular attention to them will cause the unnatural-ness of the situation to introduce potential biases.
Direct mail is not normally used in advertising research studies in South Africa.

THE ADVANTAGES OF PRODUCT ATTRIBUTE AND OPINION CHANGE SURVEYS

Company or product profile measures are much favoured by advertisers and advertising agencies as they are easy to understand and they give practical direction to the advertisement.

The measurement of opinion change also has the advantage that it can often be done under controlled experimental conditions. Whilst this opens the door to the problems inherent in any 'unreal' test, it does allow a very rapid feedback of results. It also permits the pre-testing of an advertising message without the full expense and publicity of a newspaper campaign. This type of survey costs R18 - R20 per interview, and the results take 4-6 weeks to analyse.

THE RELEVANCE OF THESE MEASURES

Since we are measuring reported opinions we have the problem of expressed opinions rather than true disposition. It has been shown by psychologists that opinion surveys, particularly those obtained through face to face interviews tend to elicit answers which are considered to be socially acceptable. Conversely this can mask motivators which are considered undesirable. It will also be easier to measure gross changes in salient attitudes
rather than small changes in more latent ones. Krugman (46) states:

"It is usually the lightly held opinion, not the deeply ingrained attitude or belief, that we are trying to influence through advertising."

In order to get the opinions of all the relevant segments of the market, and to separate them to be able to provide weightings in terms of the reach of the media concerned, it is necessary to sample a large number of people who are widely spread both geographically and socio-economically. This raises four problems: cost, representativeness, co-operation and accuracy of reporting, which are discussed in Appendix 7.

Corder (47) has indicated that surveys of this nature in South Africa are usually restricted to about 100 respondents from one location only.

Advertisers and researchers attempt to identify and promote those attributes which are most relevant to the potential customers; Ramond (48) points out however that this contains an important weakness.

"The technique for identifying such dominant attributes assumes - wrongly - that all purchasers use the same determinant attributes in evaluating and choosing a brand. The consumer is asked how much each brand possesses each attribute and these ratings are correlated with overall preference. But it ignores the simple fact that different people use products in different ways."
Similarly Britt has commented:

"Contrary to most popular beliefs, Behavioural Scientists demonstrate that:

1. There is no such thing as a universal set of explanatory motives.
2. There are many different levels of motivation.
3. Consumer decisions are relatively changeable.
4. Consumer decisions are based on both unconscious as well as conscious factors.
5. Useful information from consumers needs to go far beyond mere question-and-answer procedures." (49)

Finally there are the problems associated with identifying which changes are relevant and actuational. Most tests of actuationality depend on comparing the opinions of purchasers with those of non-purchasers. We have however shown that disposition is at least in part determined by behaviour and experience. This is compounded by the problems of pro-active and retro-active motivators, after-purchase search for further information and the selectivity of human memory.

An analysis such as the indifference curve model discussed in chapter 3 or Simon's more general zone of acceptance (50) suggests that there is a breakpoint between acceptability or
unacceptability for factors which are difficult to assess or measure. In these circumstances small changes in disposition may be actuational when they are in the vicinity of a breakpoint or threshold, but even gross changes would be irrelevant under other circumstances.

The congruency analysis also suggests that the degree of actuationality of an advertising message will depend on the extent to which it diverges from the point-of-sale presentation.

The analysis of the decay of source effects suggests that the timespan between exposure to the message and measurement of 'after exposure disposition' will be critical. A short-term dispositional change may be in the reverse direction to a longer-term change. It has also been shown that the impacts of repeated exposures are not necessarily additive.

Finally even the apparently relevant criterion of intention to buy, or even expressed willingness to discuss the matter with a salesman may not, in the case of an unsought good like life assurance, be directly related to changes in sales.

**MONITORING ONGOING CAMPAIGNS**

Where an advertising campaign has been running for some time, it is common for the advertiser to commission routine surveys to monitor the success of the campaign.
These surveys take the same form as the post-exposure communications check and the opinion change measurements.

By monitoring progress over time, the advertiser can measure the respondents' views of the company, and in this way establish whether the advertisements are successfully generating the required image. They also identify problem areas.

This type of measurement system suffers from all the relevance and actuationality problems discussed under the general opinion change tests, but they are also subject to a very high degree of contamination. It is obvious from Chapter 3 that advertising is not the only factor impinging on the respondent and causing changes in his disposition. This type of measurement system is also unsuitable for comparing different campaigns because of the difficulty in obtaining comparable exposure.

The system is however, used commonly in South Africa. A communications check normally uses samples of about 200 from one centre, whilst a more general evaluation will use a sample of 500 spread throughout the country (51). Interviews cost R15 - R20 each depending on the distribution, and results are available after 4-6 weeks.
The Mahogany Affair

After months of frenetic publicity (including a grand "choose the new magazine's name" competition) Mahogany magazine made its debut in mid-August. Within days of it hitting the streets, what seems to be set to be a major media controversy has erupted around the new Black publication. Insight has investigated the situation extensively, and it seems to us that the proprietors of Mahogany have some explaining to do.

Since early 1978 the proprietors of Shopper's Voice, (the give-away woman's magazine) have been trumpeting their intentions of producing a superior quality Black give-away magazine. After a competition held amongst advertising agency personnel to find a name it was duly christened Mahogany. Potential advertisers were informed that something of the order of 300,000 copies of the magazine would be produced. 200,000 were to be given away through major chains such as Edgars, Sales House and so on and the remaining 100,000 would be sold to get an additional circulation bonus. All of this has been previously reported in the financial press.

The offer was an attractive one. The biggest selling Black magazine is Bona, whose proprietors, Republican Press, claim is selling approximately 160,000. Mahogany gave advertisers 200,000 give-away circulation in the Black market plus the sales bonus. Advertisers responded by booking 37 pages of advertising, most of which came from five major South African agencies.

Mahogany appeared on street, and was well received by the advertising world. But it was then established that only 200,000 copies had been printed, a fact admitted to by the proprietors of Mahogany. Furthermore approximately 90,000 magazines, not 200,000 were given away. The balance were put on sale in various outlets. The outlets through which the give-aways were distributed were in most cases not the major retail outlets promised as distribution centres eg. Edgars and Sales House. Instead they were largely Soweto stores; the only "big" names that appear on the give-away list are Greatermanns, Scotts and Etkinds.

Armed with this information Insight approached the advertising agencies that had placed the major business and asked them whether they were aware of the situation, and what action they proposed to take. Insight also enquired what checking the agencies had done off their own bat. We found the answers to be alarming, and to a certain extent an indictment of the agency media departments involved.

Two agencies seem to have done some probing. Armed with information from Insight they rapidly took up the cudgels on behalf of their clients. The two media directors concerned not only demanded and got a full statement of the situation from Mahogany, but have taken the whole matter to the AAPA for its consideration. The media directors, Mr. Frank Muller of McCanns and Mr. Dick Reed of J. Walter Thompson feel very strongly about the whole affair. One of the major questions they are asking the AAPA to debate is whether advertisers should pay a proportion or indeed anything for any ad they booked in Mahogany.

They point out that advertising was bought on the basis of a substantial guaranteed give-away which had not materialised. Total circulation of the first issue of Mahogany is not known. 90,000 were given away but no one yet knows how many more were sold. Certainly, judging by the piles at news agents there is quite a considerable return. Equally significant is the admission by Mahogany that their next print order is in the region of 110,000. Of the other agencies contacted none had taken any definitive action in investigating whether Mahogany was delivering what it had promised, and none to the best of our knowledge at the time of writing have taken the sort of vigorous follow-up stance adopted by McCanns and J. Walter Thompson.

What is the future of Mahogany? With a print order of 107,000 it becomes a relatively small Black publication. At 40c cover price it is unlikely it will sell substantial numbers.

At R1.60 per page the present asking rate for a full colour ad, it is extremely expensive when ranked alongside Bona with a circulation of 160,000 at R1.80 per colour page. Insight believes that the proprietors of Mahogany need to be taken further to task. It seems to us that the latest sales documents issued by that Company still begs some questions, and could be considered misleading. The document states that 107,000 copies of Mahogany have been sold to Allied Publishers. This is not quite the situation. Allied are not a retail organisation, they are the company that distributes many newspapers and periodicals. They have not bought the copies of Mahogany, they are merely distributing that number of copies. Obviously the real sales figure will be below the number of copies given to Allied for distribution. Why is the Mahogany document phrased in this ambivalent fashion?

Insight believes that Mahogany is not a "bad" publication editorially. Surely the dictum in advertising is to sell openly and honestly on all general strengths. Furtiveness is something an industry can do without.

As predicted earlier by Insight, the give-away market is now in total disarray. Checker's Value is now on sale. Standard Bank's Forth has been discontinued. The spotlight now focuses on major survivors such as Mahogany and Shopper's Voice; will they last or wilt under the glare? Regrettfully, the answer seems fairly evident.

Reprint from 'Insight' September 1978 page 38.
MESSAGE DISTRIBUTION

Once the message has been entrusted to the chosen media, there is an immediate feedback available as to the distribution. The advertiser will naturally call for tear-sheets or other evidence that prove that the advertisement did appear on the chosen occasion, and can even call for audit figures of circulation. The importance of this has been amply demonstrated by the recent controversy over the magazine 'Mahogany' (figure 4.5) which failed to achieve its promised distribution.

Whilst this information is reasonably objective it does not provide real information as to how many people viewed the media, saw the advertisement or how it was received. It is not therefore a measure of advertising effectiveness. The information is, of course, also only available after the expense has been incurred and full publicity given to the particular message.

MEASURING BEHAVIOURAL CHANGE

It is natural that most managers and researchers accept that an objective method of measuring the actual behavioural changes brought about by an advertisement is the 'ideal' standard by which advertising should be evaluated. It is however generally very difficult to identify final actions and to pin-point the actual causes of them. Various tests are however commonly in use.
COUPON RESPONSES

Coupon responses are probably the most used of the action measures. Essentially all that is required is that somewhere, usually at the end of the advertisement, there is an encouragement to the reader to ask the advertiser for something. The 'something' may be information about the product, literature, a sample, or even a free gift apparently unrelated to the product. In many instances the coupon has the primary function of generating names which may form the target for further sales promotion action.

In press advertisements it is usual to have an actual coupon which can be cut out and mailed back. This coupon contains in code form information on the advertisement and the medium being used. Alternatively the respondent may be asked to reply to a non-existent department XYZ the name of which identifies the advertisement concerned.

Another form of coupon is the 'cents off' coupon which can be taken into a retailer and 'cashed' against the purchase of the item advertised. Ultimately the coupon is returned to the advertiser, who can assess the comparative results by the volume of coupons cashed and the channels through which they are returned.
The biggest problem with measuring advertising effectiveness in this manner is that the only thing to which coupon responses is a reliable guide, is the ability to draw coupon responses.

It has been demonstrated that there are certain types of people who are inclined to fill in coupons, whilst other people would never respond in this fashion, nor would they demean themselves to take a 'cents off' coupon into the store.

Another problem with coupon responses is that they are usually sweetened by the incorporation of an offer of something free. In many instances the response rate is a reflection of the attractiveness of the 'free offer' rather than of the value of the advertisement.

In most advertisements there is only one coupon which should be detached and returned. This means that only one person can utilize the coupon from one copy of a newspaper, although there may be many 'readers per copy' who may have been affected.

If response rates are to be the sole action criterion for measuring effectiveness it denies that the advertisement has any effect in preparing the ground for a subsequent action, or for a sale through another channel.

In many advertisements it appears that the coupon has been added as an afterthought, and it would be of little value in
indicating to what extent opinions had been changed by the bulk of the advertisement. Finally using response rates on their own assumes that a response to one advertisement is exactly equivalent in value to a response to another advertisement. This is not valid as was shown by my studies of the reception of leads (appendix 2b).

This is not to say that coupon responses have no part to play in measuring advertising effectiveness. They are sometimes used as a guide to media effectiveness when one response-orientated advertisement is used in several different media, although some of the work by Starch (52) suggests that the response rates between media are merely a factor of primary and secondary readership.

Adams (53) summarises his reservations about the use of coupon responses as a measure of Advertising Effectiveness.

"A subsidiary problem is that of getting so interested in direct response campaigns that he tries to apply lessons to normal advertising which cannot be applied.

It is perhaps worth spelling out the essential difference between the two types of campaign. With normal consumer advertising the purpose of the campaign is either to consolidate the behaviour of existing users of the brand, and/or to persuade infrequent users to increase their frequency of use at the expense of other brands. Once this objective has been achieved, it is felt likely that the consumer will make a considerable number of purchases over a considerable period of time."
Direct response advertising is quite contrary to this. In the majority of cases, once the consumer has responded to the advertisement he is likely to be out of the market for some time. Even if the response is at as low a level as an enquiry for a leaflet, then the advertiser has little interest in him applying for another.

(It is, of course, true that some advertising has a hybrid rôle, attempting not only to get people to write in for information concerning a product, but also in continuing to interest them once they have written. Our view is that such hybrids are less likely to succeed than a mixture of straightforward coupon getting advertisements and straightforward persuasive advertisements.)

Adams (54) then concludes

"...It is true that the medium's ability to attract direct response may not prove its effectiveness with attitude changing campaigns..."

Assuming that coupon responses are considered to be satisfactory guides to the relevant behavioural changes brought about by an advertisement, there are still practical problems in obtaining statistically equivalent exposure to permit reliable comparisons between different advertisements or formats.

SPLIT RUN TESTS

Some overseas newspapers, which print two copies side by side, on the same press, offer facilities to permit an advertiser to
put two different advertisements in the different halves of the printing. This is called split-run advertising and means that the advertiser can ensure that two test advertisements get equal exposure under the most realistic test conditions.

In theory split-runs, where they are available, permit the measurement of the relative power of different advertisements to generate coupon responses. The differences between the advertisements may relate to small variations in the headline, to changes in text, or to completely different advertising platforms. It is also theoretically possible to measure differences in size and format of advertisements, and in positioning within the newspaper.

There may however be a problem in getting the co-operation of the media owner.

Adams (55) has made some interesting suggestions as to the use of split-run advertisements for testing advertising effectiveness. In this case he was looking at direct response advertisements.

"Very few newspapers are willing to run an A/B split on different sizes of advertisement. This is quite simply because extra editorial has to be provided to fill up the remainder of the space, and this will cause editorial problems."

(Advertisers can however fill up space with a neutral advertisement for a friend or subsidiary and thus ensure minimum bias).

"Positioning tests too are very difficult to mount since whilst many newspapers do not mind varying factors on behalf of a particular advertiser, they are reluctant to
vary factors affecting other advertisers, and this is inevitable in position testing. At worst it is sometimes possible to supply two advertisements from the same advertiser (or the same agency) and switch these around."

Split-run advertising appears to have a very low level of abstraction from reality, although the extent to which the results can be extrapolated to other situations will be affected by the extent to which the sample frame (the readership of the newspaper) reflects the target market for the advertisement, media influences, and seasonal and other time influences. (see appendix 7)

In South Africa the newspapers do not offer the facilities for a true split-run of this nature, and the advertising researcher has to make do with varying his messages in different regional issues of the major national papers, or with using different issues say some days apart.

This introduces the possibility of interregional biases, differences because of the time schedule, and differences because of the impact of other matter which may have appeared in the particular issues concerned.

If the advertisement is not full-page it is obvious that the extent to which the advertisement will be read must be partially dependent on the matter or advertisements surrounding it and on the opposing page. Even if it is a full-page or double-page advertisement, the results will be affected by news
stories or other features which can greatly affect the diligence with which the edition is perused.

A split-run test can avoid most of these problems, but even this assumes that all the remaining material in the newspaper remains constant. Those overseas media that do permit split-run tests usually make the facilities available to several advertisers at the same time, and for practical reasons the split-run advertisements are usually grouped in one section of the newspaper. This can introduce a bias if another test advertisement is particularly striking.

Naturally a split-run advertisement involves considerable exposure of the two messages being tested, and will command a considerable cost-premium over normal insertion rates. It is also not possible to test more than one variation at a time.

DIRECT MAIL COUPONS

Direct Mail is an advertising medium which came into its own on a channel for direct marketing. That is to say through promoting purchases through the mail, without the intervention of a shop or salesman. It therefore rapidly became known as the medium for measurable results.

Most people in the insurance industry think that the types of life assurance product which we are considering in this thesis
The Pre-coding on this reply card gives the following information:

A. A composite code indicating the date, list and split for test purposes

B. The reference number on the basic list to allow background information to be matched

C. The name and address of the respondent and addressee. This is dispatched in a window envelope, and ensures that the respondent can be reached at the address quoted.

D. This name is deliberately misspelt and is included in all mailing lists drawn from the computer. It serves the following purposes -

i. It ensures the list is not pirated or used for unauthorised purposes

ii. It allows me to monitor the timing and content of mailings using the list

iii. I can check that all tests are properly carried out by the operating departments.
are too complicated to sell through the post, since they need to be tailored to the individual's peculiar circumstances. There have been a few, unsuccessful, attempts to sell major life assurance products through the mail in South Africa, and some more successful attempts to sell term assurance. Life assurance has been sold fairly successfully through the post in the United States. It is obviously relatively easy to trace and measure the impact of these campaigns but they are somewhat beyond the scope of this thesis.

Direct mail is also a major medium for generating coupon enquiries since it is easy to include a reply-card in the mailing package. Figure 4.6 shows a typical reply-card and indicates the way in which it can be coded to identify the specific mailing list and letter used. The device of pre-printing the name and address on the card also helps to ensure that enquiries are restricted to the target market.

Most of the reservations about the use of coupons as guides to advertising effectiveness which we have discussed earlier also apply to this medium. The disadvantages if it is used to measure advertisements designed for a totally different medium have been discussed in Chapter 2.

In direct mail it is usually relatively easy to break any specific list down into statistically equivalent sub-samples. This is particularly so if the list is available on a powerful computer.
The question of extrapolating the results of one campaign to another will, of course, be dependent on the media effects, seasonal and timing effects, and particularly on the representativeness and available segmentation of available lists.

As I have indicated in chapter 2 the South African voters' roll provides a reasonably satisfactory mailing list and permits considerable segmentation. Various other lists are available—subscribers to certain magazines, members of professional bodies and even television licence-holders, but these lists do not usually provide very much opportunity for segmentation. They are also not usually fully representative of any particular target market as even magazine subscribers are somewhat different to the total readers of the magazine.

ENQUIRY CONVERSIONS

One major criticism against coupon responses (see above) is that they may have no relevance to the major purpose of creating sales. Many companies are in a position to obviate this criticism by following the enquiries through and measuring conversion rates from coupons to sales, and often to returns and to bad debts as well.

To the direct marketer whose sole function is to sell through enquiries generated by advertisements, this is an ultimate and valid measurement provided that, when used for comparison purposes, each advertisement is given equal exposure.
When the sale must be completed by an intermediary however there are further complications. As I have discussed earlier, responses themselves can have a positive or negative motivational value apart from their immediate sales results. Obviously an advertisement which draws ten enquiries which become ten sales, has a very different value to one which requires one hundred enquiries to be followed up to obtain ten sales.

Also as I have mentioned above any measurement which is restricted to coupon enquiries is only valid if there is no outside advertising effect.

The tracing of sales back to responses can also be something of a problem if there is an intermediary involved unless it is possible to obtain results independently. It has been proven that many salesmen given incorrect feedback when instructed to complete routine reports.

There are various reasons for this. Many fieldmen are reluctant to acknowledge the assistance given by head office since to do so reduces their own rôle and this might be reflected in their reward structure. Sales may only take place some time after the original contact, and the salesman cannot judge where the advertising effect wore off, and where his own skill took over. There are also many cases in which the response comes from an existing client of the salesman, who might have purchased in any case.
TURPIN'S MEASUREMENT SYSTEM

Turpin (56) has therefore devised a system which measures the quality of leads by means of salesmen's predictions as to their probable outcome, and arrives at a numerical quality rating.

In Turpin's measurement system the salesman is required to complete the form as shown in figure 4.7 as soon as he is in a position to estimate the possibility of a sale. In reporting (usually within two weeks of receiving the lead) the salesman is asked to make some very easy judgements about the enquirer. Turpin describes his evaluation system as follows.

"If the salesman believes a sale is possible, he first checks the appropriate box on the report form. He then makes an evaluation, in 'points', of the prospect in three different qualifications:-

How possible is the sale?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fair</td>
</tr>
<tr>
<td>2</td>
<td>Good</td>
</tr>
<tr>
<td>3</td>
<td>Excellent</td>
</tr>
</tbody>
</table>

How soon will the sale be made?

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>More than 60 days</td>
</tr>
<tr>
<td>2</td>
<td>within 30-60 days</td>
</tr>
<tr>
<td>3</td>
<td>within 30 days</td>
</tr>
</tbody>
</table>
How much will the sale be worth?

- Less than $500 score 1
- $500 - $1 000 score 2
- $1 000 or over score 3

When the salesman decides that there is a possible sale, the inquirer can be considered a qualified prospect. The score the salesman gives the prospect becomes a numerical reference for its relative value. Every prospect gets a score between 3 and 9 points; the higher the score, the better the prospect. This scoring system is one that can be adapted to meet the particular conditions of any business.

Branch managers return the completed report cards to the home office advertising department which records and files them by source of lead (source code). Every month a report is prepared for each source showing:

1. the date of the mailing
2. number of pieces mailed
3. number of enquiries received to date
4. percentage of returns
5. cost-per-lead to date
6. percentage of leads reported as 'prospects'
7. the cost-per-prospect (which is derived by dividing the cost-per-lead by the percentage of leads reported as prospects)
8. the average prospect score.

Thus, if a particular source develops leads for $5 each and reports on these leads indicated that 50% were prospects, the cost-per-prospect would be $10 -- the most important figure produced by the evaluation system.

Not all the leads sent to the field are reported on; the actual figure is about 70%. Concluding that the average per cent of prospects on reported leads is the same as
that for unreported leads, is not accurate by the statistical rule book. But the cost-per-prospect figures provides a comparable evaluation for all source codes. In this one meaningful figure both the concepts of rate-of-return and quality-of-leads are combined, constituting an excellent basis for comparing the relative merits of various mailings.

A LIFE ASSURANCE LEAD EVALUATION SYSTEM

Whilst I agree with the basic system developed by Turpin, and have in fact utilised a derivation of it, as described below, I must take issue with his simplistic solution that the cost-per-prospect is the most important figure produced by the evaluation system.

The most expensive part of almost any sales activity which involves personal salesmanship is the actual salesman's time. In my derivation of the measurement system I have attempted to connect the quality rating into an evaluation of the likelihood that the lead will result in a sale in the following way.

I have separated the possibility factors from the estimated value, and have then converted them into a numerical 'probability' factor. I have done this by assigning a weight of 10 to an actual sale, and 3, 2 and 1 to the answers to 'How possible is the sale?', and 'How soon?'.

A possible future sale can then have a weight varying between 6 (excellent, within 30 days) to 2 (fair, more than 60 days away). A definite 'no' prospect has a weight of zero. Adding all the weights together and dividing them by ten times the number of leads converts this to a probability factor.

Initial experiments that I have been able to undertake and follow-up using my derived system (figure 4.8) seem to suggest that this 'probability factor' approximates reasonably closely to the actual proportion that will eventually become sales.

One can therefore suggest that the cost-per-sale caused by the leads is equal to:

\[
\frac{\text{Cost of campaign}}{\text{Leads} \times \text{probability factor}} + \frac{\text{Cost-per-call}}{\text{Probability factor}}
\]

It is the latter factor which is often omitted by commentators (including apparently Turpin!)

Where a company pays its salesman on a call basis it must obviously cover the cost of unsuccessful calls. Where it pays only on results (as with the life assurance industry) unsuccessful calls will have powerful 'demotivational' costs. These were discussed in Chapter 1.
4-63.

THE ACCEPTABILITY OF COUPON MEASUREMENT SYSTEMS

Coupon measurements have at least some degree of relevance, and they have face validity. The systems are therefore acceptable to most managers. They do, however, involve the full exposure of the message to a wide target market.

As far as costs are concerned the absolute costs of this measurement system are those involved in obtaining the necessary exposure. These should be set off against the advertising value of the exposure and also the sales and motivational value of any enquiries generated.

Although many advertisers have reported that they continue to receive coupons months and even years after an advertisement has appeared, the bulk are generally received within days for a newspaper advertisements, and within a month or two for direct mail and magazine advertisements. Coupons can be 'scored' as soon as they are received, and sales indications should be available within a further month.

The final results are therefore available to the advertiser 1-3 months after the campaign. Even this may be too late to make tactical changes to the contents, although some actions may be precipitated by immediate coupon response - particularly if the volume of responses to a 'response-orientated' advertisement is unacceptably low.
Sales are often the ultimate objective of an advertising campaign, and even to those managements who have the foresight to look beyond immediate sales, they are still a relevant measure. This means that any measurement system that is based on demonstrable sales has an inherent credibility. Sales are also the major source of contributions to profit, and most managers will be prepared to offset some measure of profit against the cost of a campaign.

As we have indicated it is sometimes possible to get a guide to the volume of sales obtained from reports by the salesman; however, the greater the independent work required, the less reliable will tend to be the results. Most advertisers would rather trace sales without being dependent on coupons, hence the emphasis in Chapter 2 of this thesis.

Comparisons Against Past Results

Even where a company cannot specifically identify the people who have actually been exposed to an advertising campaign, it is sometimes possible to study sales trends from an area or group, and to ascribe changes in the trend line to the advertising campaign.
If a company undertakes a single campaign and then compares the sales trend against the projection of the previous trends they are assuming that the following items have constant effects.

(a) Competitive activity
(b) Seasonal trends
(c) Economic cycles
(d) The other factors of the marketing mix
(e) The wear-out of past advertising

These problems are associated with the extrapolation of results and predictions from one period to another regardless of the measurement system used.

ADVERTISING EXPENDITURE AND MARKET SHARE

Many Research Agencies attempt to measure advertising campaign effectiveness through a comparison of advertising expenditure and changes in sales volume or market share.

In the crude form offered by certain South African research agencies, advertising expenditure of competing companies is estimated by monitoring the 'below the line' expenditure in easily recognised media such as national newspapers, radio and television.
This system obviously depends on there being no other major factors in the marketing mixes of the companies concerned. It also assumes that the measured 'below the line' advertising for each company bears the same proportion to its total advertising budget. Finally it assumes that advertising effectiveness is measurable in terms of concurrent sales.

The A.C. Nielsen Company in Germany have developed a very much more sophisticated system which they claim obviates many of these problems.

The service is at this stage limited to the food distribution sector and consists of a promotion index, an action turnover analysis, measurement of 'below the line' advertising in newspapers and an action control index. (57)

Even this degree of sophistication does not obviate many of the criticisms inherent in the system. It cannot therefore be regarded as a practical proposition for the type of message-effectiveness system which we are seeking.

The system also evaluates the total marketing mix over the given period, and although theoretically one element can be manipulated whilst the others are held constant, it is impossible to do a simultaneous test of two or more different approaches.
The other problem is that the normal presentation of the results measures the change in market share. This compensates for overall fluctuations and external influences, but it implies that each percentage change of market share is equal to each other. In many industries where there are many similar-sized competitors this may be valid, but in the South African insurance industry the effort for Old Mutual to move from 25% to 26% (a 4% increase in market share) is definitely not the same as that for say Protea to move from 1% to 2% (a 100% increase).

**INTERREGIONAL SALES COMPARISONS**

The measurement of advertising effectiveness by means of interregional sales comparisons has been used in various studies and it is the method used by Professors Ackoff and Emshoff to validate the Anheuser-Busch Tests quoted in the preamble.

In this test the writers selected a number of cities in America to set up what they considered to be two equal samples. Different groups of cities were then exposed to different advertisements and the 'True' effects were considered to be the differences in the sales experiences of the regions.

Whilst I have no doubt that the authors of this particular study went to a great deal of trouble and expense to make the
FACTORS AFFECTING REGIONAL SALES RESULTS

- REGIONAL INCOME TREND
- LOCAL COMPETITIVE EFFORT
- ADVERTISING SUPPORT
- DISTRIBUTION SUPPORT
- QUALITY OF EFFORT
- QUANTITY OF EFFORT
- WEATHER
- FADS
- OTHER CHANCE FACTORS

Source: Kotler P. 'Marketing Decision Making'
Holt Rinehart and Winston New York 1969
p.628.
test as unbiased and as valid as possible, I question whether interregional sales comparisons can ever be regarded as practical and reliable measures of advertising effectiveness.

Kotler (58) shows that the sales \( S_a \) occurring in sales territory \((j)\) at time \((t)\), \( (S_{ajt}) \), are the result of four factors shown in figure 4.9.

For interregional sales comparisons to be valid in measuring the advertising effects it implies that the predictable and controllable variables are correctly determined, and that the unpredictable and uncontrollable factors are in fact common to all the territories under review. Finally 'Advertising Support' is taken to be the only independent variable.

Given sufficient background information, and a sufficiently large number of independent regions it should be possible to balance out the environmental factors. Provided care is taken to avoid or balance out obviously biased factors such as climatic regional variances, the laws of large numbers might also cause the various Random Factors to have equal effects on both samples.

If however there are only a few regions that can be considered, the presence of a strong regional competitor can so distort the results from his 'home' areas that the impact of test advertisements is submerged.
Salesman's Effort is another determinant of results which is very difficult to control in interregional comparisons. If there is a large and stable sales force, with no particular pressures being brought to bear on the salesmen or their managers, it may be possible to measure and to control these factors.

Advertising Support implies the relative quality of the message (which is what we are trying to measure), but this is modified by the degree of exposure, which is possibly quantifiable, and also the media effects. We have earlier discussed the problems of extrapolating the results in one medium to predict effectiveness in another.

If we bring these theoretical problems down to a South African context, the impracticability immediately becomes apparent. The major national newspapers have 4 or 5 regional printings, and only reluctantly permit variations in advertising in the different editions. Of the commercial radio channels only one is regional, and this only has 3 regions. Commercial television is not available on a regional basis at all. A few of the major cities have reasonably prestigious newspapers, but particularly on the Reef, the overlap is so great that it is almost impossible to identify separate circulation areas. The local and country press have very poor images.

Local market research companies have suggested that it is possible to isolate Port Elizabeth as a reasonable test market,
but that it is impossible to create any similarly autonomous area against which to measure it. To do the type of balancing envisaged in the Anheuser-Busch experiments would require 50 or more independent regions that can be evaluated and grouped.

Kotler's third group of factors relate to the quality and quantity of effort by salesmen. Most companies can measure the number of salesmen, the number of salesmen hours available in an area, but the quality of the work done will depend on skill, experience and motivation as well as on regional variances.

Motivation is the hardest of these items to control, and Old Mutual's records show several examples where one branch is doing particularly well, whilst another, adjoining, branch is doing badly. There have been cases where two teams operating within the same metropolitan area, and with no canvassing limitations, have shown totally different trends. There has also been an example where two managers from struggling branches have exchanged positions, and both teams have shown immediate improvements in results.

Even if the problems of obtaining and controlling the various regions could be overcome the absolute cost of the test would be very high, although this may be partially offset against the value of sales. Results would not be available very rapidly, and it would involve very wide distribution of the various messages.
REFERENCES

1. Dunn S. Watson "Advertising Copy and Communication"

2. Ibid p 326


5. Dunn op cit p 329.


11. Dunn op cit p 336.


13. Dunn op cit p 494.

14. Hattwick op cit p 278

15. Dunn op cit p 496.


17. Dunn op cit p 495.


19. Kretch and Crutchfield op cit p 648


28. Ibid p 199.

29. Questionnaire and information obtained from the Research department of Van Zijl and Schultze, Lund and Tredoux Ltd.


31. Pomerance op cit p 201.

32. M.R.A. discussions as above.

34. Ibid

35. Ibid

36. Corder C.K. as above.


44. Korda R. quoted ibid.


47. Corder C.K. as above.


51. Corder C.K. As above


54. Ibid p 126.

55. Ibid p 131-5.


CHAPTER 5

CONCLUSION

Current research into advertising effectiveness in South Africa is generally based on small samples with inadequate geographic spread. This is not a purely South African problem, but is compounded by the fact that the comparatively small life assurance buying sector of the South African population is widely dispersed, and significant differences appear between the various regions and population groups.

The criteria by which advertising is normally evaluated are also of very doubtful relevance, although some of them have face validity and credibility to management. It is rarely possible to make reliable comparisons between competing advertisements.

The proposed method of measuring effectiveness uses large samples, and provides quantitative results which can be compared directly, or which can be inserted into somewhat subjective formulae to provide overall guides.

The system also provides the basis through which many marketing enigmas can be investigated.

It is however, not without its faults, and is only suitable for comparing advertisements which have the objective of causing members of the target audience to maintain or extend their
holdings of items for which all ownership transactions are recorded. The costs of setting up and undertaking the tests are high, although the bulk may be offset against the value of the advertising obtained. Results are only available several months after the initial message distribution, and the system involves considerable exposure of tactics although the latter may be masked by testing competing presentations.

Finally the system is only suitable for those organisations which identify their purchasers accurately, and which have the sophisticated computer facilities to undertake the research.
Appendix 1

SOUTH AFRICAN MARKET RESEARCH AGENCIES REFERRED TO IN THIS THESIS

OLD MUTUAL'S MARKETING RESEARCH DEPARTMENT

Old Mutual has, for the past 15 years, had its own 'Marketing Research Department' with a staff that has varied between 6-12 members, the majority of whom have been university graduates.

This department is responsible for co-ordinating and interpreting research into all aspects of the marketing of Old Mutual products.

Where consumer surveys are required, the department normally commission an independent research agency to do the field-work, and work with the agency in developing the questionnaire. They have themselves undertaken postal surveys amongst Old Mutual's own policyholders, and amongst the sales force.

Appendix 2b gives more information about some of the surveys undertaken by the department, where I have quoted results to substantiate the hypotheses in this thesis. Appendix 2c similarly discusses surveys commissioned by the department.

I was a member of the department from 1965 - 1973, and for the last 5 years of this period was the Department Head. During
this time I was responsible for organising and co-ordinating virtually all the work done. Since 1974 I have had less direct control over the department, but in my capacity as 'Manager - Marketing Services' I have commissioned and directed various studies, particularly those relating to advertising.

In addition to the work in regard to surveys, the department is responsible for much of the statistical analysis of Old Mutual's results, and maintains comprehensive analyses in many sectors. They are also responsible for the ad hoc analysis of direct mail campaigns undertaken under my direction.

**VAN ZIJL AND SCHULTZE, LUND AND TREDOUX**

Van Zijl and Schultze, Lund and Tredoux (Pty) Ltd is currently Old Mutual's main advertising agency. They claim to be the agency with the largest billings in South Africa and are a part of Ogilvy and Mather, the international advertising group. VZ, as they are commonly called, have their own research team based in Johannesburg and will undertake research work on behalf of clients.

They have undertaken some concept testing and general research work on behalf of Old Mutual, but I believe that it is inherently unsound to utilize an agency's research department to evaluate its own creative achievements.
Market Research Africa (Pty) Ltd (M.R.A.) is South Africa's largest market research agency and it is also a subsidiary of the international group, Lopex International.

M.R.A. undertake ad hoc research studies on behalf of individual clients, and also major routine projects such as 'Socio Monitor' (a survey covering social trends which is discussed in Appendix 2c) 'Adindex' (A measurement of all 'below the line' advertising) and 'AMPS' (the major South African readership survey discussed in appendix 2c).

They also have routine surveys each month under the names 'Omnibus' 'Omnijet' etcetera which sample the opinions of standardised segments of the population. These surveys include questions on a large number of different topics and for many different sponsors. They are also used by the research agency itself to investigate areas of special interest.

 Syndicated surveys of this nature have been criticised in the past because there is no common thread, and because some of the questions have been very badly phrased.

I feel that they can provide a very valuable medium for the researcher who wishes to obtain limited information without the expense of a full scale survey. They also have the advantage
that since there are many sponsors, the individual fieldworker
is less likely to be motivated to bias results 'to please the
sponsor'.

Although there will be a degree of non-response bias since some
people are uncontactable or refuse to co-operate, this is
unlikely to be specific to the particular problem being
investigated by an individual sponsor.

I have used these surveys from time to time, and further
details of two such studies are set out in appendix 2c.
Various tables in the text have been taken from these and other
'omnijet' reports. These sources are acknowledged.

Market Research Africa also produce a regular newsletter
"Research in Action" which includes readings from international
research reports as well as extracts from those of their
surveys which are not confidential to the sponsors.

The agency is based in Johannesburg, but also has offices and
research facilities in Cape Town and Durban.

Wally Langschmidt, referred to in chapter 3 is chairman, and
C.K. Corder, quoted in chapter 4, Managing Director of this
company, and I am indebted to them for permission to quote from
their records.
SOUTH AFRICAN ASSOCIATED NEWSPAPERS

South African Associated Newspapers (S.A.A.N.) are a major newspaper group which publishes most of South Africa's English language morning newspapers as well as certain magazines. Like most publishing houses they have their own research departments which are available to assist potential advertisers and agencies.

The research group, currently under the direction of D. Glauser, publish a regular newsletter called "S.A.A.N. Marketing and Advertising Journal".

This contains readings from published research as well as extracts from their own surveys. These results should be treated with some reserve since they are likely to be selected to encourage advertisers to place business with the newspapers and magazines in the group.

The research department is based in Johannesburg and conducts its research from that centre.

MEDIA AND CONSUMER RESEARCH

This company was a major Johannesburg research agency in the late 1960's and early 1970's. It had international connections and was particularly strong in certain fields such as

The research agency was subsequently taken over by a South African group, and closed down a few years later.

CONSUMER RESEARCH SERVICES

Consumer Research Services are the Durban based research arm of the international Unilever group. The South African company specializes in consumer surveys, particularly amongst Black respondents. In addition to the work which they undertake for their parent organisation, they accept commissions from outside companies.

They have undertaken certain studies amongst Black target groups on behalf of Old Mutual, and one such study is outlined in appendix 2c.

THE BUREAU OF MARKET RESEARCH

The Bureau of Market Research is a group operating under the auspices of the University of South Africa. Major companies who are interested in research are invited to become members of the Bureau which acts as a co-ordinating body for much of the research work undertaken in South Africa. The Bureau runs various market research study courses on behalf of the University of South Africa, and also undertakes research projects.
Most of the published research undertaken by the Bureau relates to the income and expenditure patterns of various population groups in South Africa, although they will also undertake ad hoc surveys on behalf of members. I have used various of the Bureau's surveys as background to this thesis although none of them have been specifically quoted.

The Bureau also publishes a regular reading list of recently published papers and abstracts. I have drawn on these from time to time, but in each case I have acknowledged the original source of the papers.
In this appendix I will give background information on unpublished or restricted surveys from which I have quoted in this thesis. These will be grouped into surveys available to subscribers only, internal surveys undertaken by Old Mutual's Marketing Research department, and surveys undertaken by research agencies but specifically sponsored by Old Mutual.
SYNDICATED SURVEYS

ALL MEDIA AND PRODUCTS SURVEY (AMPS 78)

'AMPS' is a regular media reach study undertaken each year by M.R.A. on behalf of the South African Advertising Research Foundation. In this thesis reference is made to the 1978 survey which is the latest study that has been fully reported.

The study attempts to measure the reach of all major newspapers and magazines, television, radio and cinemas. The requirements for inclusion of publications are membership of the Audit Bureau of Circulations and a minimum circulation of 20 000 copies.

The universe for this study is defined as all persons 16 years or older living in the Republic of South Africa, although in the case of Coloureds and Asians sampling is limited to those areas with concentrated populations of those race groups. A multi-stage area probability sample grid is used and for the 1978 study obtained 14 690 interviews. (7722 Whites, 2 422 Coloureds 1 508 Asians and 4 036 Blacks.)

Field-work was undertaken between mid-January and June 1978 and consisted of personal interviews using a structured questionnaire and aided recall methods. 10-15% checks back were made
on each interviewer via letter, telephone or personal contacts.

The following questions are used to establish readership.

"I would like you to go through these cards (mastheads) and tell me whether or not you personally have READ or PAGED THROUGH any copy of that publication during the past 12 months.

By Reading or Paging Through we mean that you personally have read or paged through all or part of a copy. It does not matter if it was your own copy or someone else's and it does not matter where you read or paged through it."

"Here are all the publications that you have read or paged through in the past 12 months. I would now like you to tell me, excluding today, when last you personally read or paged through each of these publications."

"Now I would like to find out how often you personally read or paged through these magazines or newspapers.

Here are the monthly magazines. In the past 6 months how many different issues, if any, of each of these magazines have you personally Read or Paged Through." (For other frequencies of publication, time period adjusted to cover 6 issues but not more than past year).

Thoroughness of readership was obtained by the respondent categorising the publication.

I read all of it
I read most of it
I read some of it
I only glance at it

Radio Listenership is measured in terms of listenership 'yesterday' and half-hour time-spans are identified. The
questionnaire defines opportunities to hear a programme as follows.

"By Radio listening we mean that you have personally listened to the radio - it may be all of a programme or only part of it - it doesn't matter if it was your own radio or somebody else's - nor does it matter where you listened to it".

Television was covered in a similar manner.

"And now for the last medium - Television. By T.V. watching we mean that you personally have watched all or part of a programme, it doesn't matter where you watched it".

In addition to the media reach questions, the survey identifies levels of product usage for various products.

The following 'Product' questions are relevant to this thesis, and the answers have been utilized in figures 1.2 and 1.3.

"Here is a list of some things that people do now and again. Can you tell me which, if any, of these things have you personally done during the past 12 months.

... Took out life insurance policy ...

"Here is a list of different financial institutions or services. Which, if any of them, do you personally have or make use of?

... Personal Life Insurance
... Funeral Insurance
... Pension Fund with Employer"
"With the cost of living going up all the time we would like to get a rough idea of South African living costs. Please indicate how much, on average, you personally spend per month on each of the following items. All you have to do is circle the code under the appropriate expenditure heading for each item."

(Nothing up to R3 R4 R5 ... R40-R49 R50+)

... 6 Life insurance
7 Endowment Policy (or policies)
8 Retirement Annuity Policy (or policies)
9 Pension Contributions through Employer
10 Savings and Investments ...

This question is not included in the questionnaire given to Blacks.

The results of the survey are analysed by a wide variety of demographic factors and are available to members of the Foundation in the form of a nine-volume report. It is also possible to obtain access to the computer tapes for special analysis. The information in figures 1.2 and 1.3 required such a special extraction.

Figure 2.3 was constructed from media data from the survey.

This description of the survey and the questions used have been drawn from Volume VIII Technical Report.
Socio Monitor

Socio Monitor is a research project undertaken by Market Research Africa (Pty) Ltd on behalf of a number of different subscribers. The aim is to keep a record, at regular intervals, of social trends in South Africa. It is a part of a larger study being undertaken internationally. A social trend is defined in the study as an area of human concern about which people hold beliefs and attitudes.

The study in South Africa presently covers two race groups, and the same 31 social trends are investigated amongst Whites and Blacks every two years. Blacks were covered for the first time in 1978 and the study has yet to be extended to Coloureds and Asians.

Among the trends investigated several have particular importance for the sale of life assurance, and I have referred to seven of them in figure 3.8 which is repeated opposite. Fuller descriptions of these trends are as follows:-

The Blurring of the Sexes. This deals with the way in which the roles that men and women play in society are becoming less and less clearly defined.
Familism deals with the belief that the essential life satisfactions occur within the family rather than outside it.

Living for Today. The attitude of enjoying oneself as much as possible in the present rather than worrying about, or planning for the future.

Materialism. This refers to the desire to continually improve upon one's standard of living.

National Identity. The feelings persons have towards the country in which they are living, in this case South Africa.

Secure Future. This deals with people's optimism with respect to their future in South Africa.

Status. This is defined as the desire to be looked up to by other people.

The 'White' sample consists of males and females aged 16 and over, living in cities, towns and villages throughout South Africa. It is area stratified and uses a combination of a personal interview and a self completion questionnaire. The sample was drawn on the basis of households and the selection procedure inside the household was biased towards young people. A total of 1 320 households were selected with the expectation that 10% would drop out before completion. In the event 1 239 surveys were completed. Separate analyses have been prepared for males and females.
The standard interview portion consists of a structured questionnaire covering demographic factors, media and product usership. The self completion portion requires the respondent to indicate agreement or otherwise to more than 150 statements each relating to a particular social trend. Unfortunately because of international copyright regulations I am not permitted to include extracts from the questionnaire in this thesis.

The 'Black' sample consisted of males and females aged 16 and over, living in townships, in cities and towns in South Africa. Respondents had to be literate in either English or Afrikaans. An area stratified sample of 2,250 households were required to obtain 1,257 completed surveys. No deliberate bias was introduced into the selection within households because the literacy test automatically favours young adults. The 'Black' questionnaire was the same as that used for Whites, except that in most instances the interviewer worked through the self completion portion of the survey with the respondent in order to explain meanings. This may have inhibited some of the replies, although this is not discussed in the survey report.

This study was undertaken by M.R.A. as a joint project sponsored by Van Zijl and Schultze, Lund and Tredoux, Readers Digest and South African Associated Newspapers.

It attempted to measure the relative share of influence of husbands and wives in the White market on the purchase of a cross-section of advertised goods and services, and also on decisions that lead to the purchase of products and services.

From the results it aimed to develop weights reflecting the relative influence of husbands and wives on purchases of each product.

Measures were made of influences upon purchases of 34 packaged products and 34 durable goods and services. Measures were also made for the purchase of petrol and decisions affecting 'taking a holiday' and 'painting the home'.

The methodology used is based on experience gained from similar research undertaken in Europe, North America and Australia. The findings were based on a national survey using M.R.A.'s 'White' omnijet during April 1978, (1 000 respondents) and an additional sample of 300 fringe rural interviews. For further discussions of the use of 'omnijet surveys' refer to appendix 1 and the notes on other omnijet surveys in appendix 2c.
The following key terms were defined in the survey.

**Purchaser:** The individual who personally took the product off the shelf, placed the order for it, or in the case of financial products, owned the product.

**The base:** For packaged goods, products used within the last 30 days.
- For consumer durables, products in use within the home.
- For financial products or services, owned or in the consumer's name.

**Brand decision:** The decision to select a particular brand the last time that type of product was purchased; the decision to select a particular financial company for its services or products.

**Share of Influence:** Total spouse influence on each decision aspect of the purchase was defined for the purchaser by these Decision-Making statements. (The scale of points was not seen by the respondents but was agreed to by the sponsors and M.R.A.)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>I play / have no part in the decision</td>
<td>0</td>
</tr>
<tr>
<td>I play / have some part in the decision</td>
<td>1</td>
</tr>
<tr>
<td>It is a joint decision with members of my family</td>
<td>2</td>
</tr>
<tr>
<td>I play a fairly important part in the decision</td>
<td>3</td>
</tr>
<tr>
<td>I decide completely on my own</td>
<td>4</td>
</tr>
</tbody>
</table>

The number of respondents agreeing with each statement was multiplied by the appropriate figure in the scale, and the total divided by the sample size. The resulting individual score for male and female respondents was added together. The percentage share of influence was then found by dividing this figure by the individual male or female scores and multiplying by 100.

These notes, and the table quoted in figure 3.10 have been taken from the summary report on the survey.
MEMBERS OPINION SURVEY

The Members' Opinion Survey was undertaken by Old Mutual's Marketing Research Department in 1966 in order to obtain guidance for sales operations and to improve the training and direction of the sales force. I was personally responsible for designing the questionnaire and controlling the survey.

The survey was undertaken by mail amongst members of Old Mutual of all race groups and from all parts of South Africa, South West Africa and the (then) Protectorates. Only people who had taken out policies between 1.7.1961 and 1.7.1965 were considered. The computer selected every sixth policy in the range to provide a sample of 23,360 cases. From these certain duplicates and incomplete addresses were removed and a total of ± 21,000 individual cases were available.

The questionnaire was prepared as a single sheet of paper incorporating a request for co-operation from the then Marketing Manager as the introduction. This was personally addressed by means of a computer printed gummed label which, in addition to the name and address, included a policy number to permit background information on the respondents to be obtained from internal records.
The survey was mailed in May 1966, and a total of 4 200 replies (20%) were received before 29.7.1966. These were incorporated in the final report. Applying Karl Pearson's correlation formula to the comparison between the percentage policies held by respondents per branch and the actual spread of policies, we found that the correlation was 0.945. This was the only direct comparison that was reasonably easily accessible. Responses were analysed in terms of the following parameters Race, Sex, Language, Marital Status, Province, Occupation and Age of the policyholder at entry.

Answers to the following questions have been utilised in this thesis.

Q3. Were any of the following present when the policy was discussed with the representative

- Wife/Husband
- Parents
- Other members of your family
- A friend or adviser
- No one else
- Cannot remember / no reply

Q8. From your experience how could the service received from our Society be described

- Very good
- Satisfactory
- Poor

If the answer to this question is 'Poor' please give any reasons or comments on the reverse of this form.
The full results of the survey were produced in a limited circulation report dated 1967. These notes have been based on the introduction to this report.

1969 LEADS SURVEY

This study was undertaken by Marketing Research Department of Old Mutual under my direction. The basic objective was to investigate the opinions of the field staff on the subject of leads.

At the time of the survey, lead generation was a haphazard affair, and there had been little or no attempt to qualify or segment the leads. The most common leads were those generated from Old Mutual's own records on the member's birthday, and enquiries for free booklets which had little relevance to life assurance.

In February 1969 the survey was sent to all members of the field staff in South Africa and Rhodesia. Different variations were sent to sales managers and to salesmen.

Managers were sent all the questionnaires for distribution amongst their sales staff. Each sales manager received a
A2-14.

personalised covering letter and a sufficient number of questionnaires to give each salesman a form in his own language.

The field staff were asked to complete the questionnaire and to post it back to Head Office within three weeks. A reminder circular was dispatched fourteen days after the dispatch of the questionnaires. 80% of the managers and 55% of the salesmen replied within a 5 week time span.

All responses were officially anonymous but all sales managers either signed their replies or otherwise identified themselves.

Salesmen were asked to categorise themselves in terms of length of service, production per month and whether they worked in an urban or rural area. These results, together with the language in which they completed the questionnaire were used as parameters for the subsequent analysis.

Sales managers were asked to categorise themselves by whether their branch was urban or rural, and by the average size and volume of business written by their salesmen. Certain of the managers inserted incorrect answers to these latter questions, but because the respondents were identified it was possible for Head Office to categorise them correctly.

The full results of the survey were published in a confidential report to management from which this summary has been drawn.
Figure 1.1lb in chapter 1 of this thesis has been constructed from responses to the following question:

Q4. "What is your attitude or feeling about these various types of leads from Head Office. Indicate your attitude by making a mark on the favourable - unfavourable scale at the appropriate point. The more favourable your attitude, the closer your mark should be to the favourable end of the scale; the less favourable, the closer to the unfavourable end. If you do not know anything about the type of lead, place a mark in the Don't Know box."

<table>
<thead>
<tr>
<th>Favourable</th>
<th>Unfavourable</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coupon-leads (replies to newspaper and magazine advertisements)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Policy-change leads (claims, expiries, vestings i.e. names of policyholders whose policies alter in some way)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Direct-mail leads (replies to direct letters from the office e.g. High Sum Assured market, Your Security Programme, Annual Report)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Civil Service leads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) 'Specific Market' leads (leads from specific groups e.g. teachers, posts and telegraphs)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NEW POLICYHOLDERS IMAGE SURVEY

This survey was undertaken in 1972 by Old Mutual's Marketing Research department under my direction.

The objective of the survey was to try to find any image factors which might be critical in determining whether or not a policy will lapse.

The survey was undertaken by direct mail, and after pre-testing, a total of 9 614 questionnaires were sent to policyholders who had effected policies 6-7 months before the date of the survey, and whose policies had not then lapsed. A total of 1 026 responses (10.7%) were received.
The questionnaire was made up as the inside pages of a sheet of A3 paper folded to A4, with a covering letter on the outside front page. This letter stressed that we were trying to ensure that policyholders receive the service they want.

The image of Old Mutual was measured in terms of some 20 criteria using a 7-point semantic differential, with the positive and negative poles being scattered at random. The original intention was to compare the opinions of those people who do not lapse their policies with those that do. At the time of the survey it was thought that the modal time for lapses was $\pm 8$ months after the policy had been taken out, and it was expected that a sample of 1,000 responses would include about 250 lapse cases.

In the event 1,026 replies were received, and these appeared to correspond to the spread of Old Mutual's policyholders in regard to the measurable criteria. Only 36 of these cases subsequently lapsed, which made any follow-up survey unreliable. Part of the difficulty was found to be the timeperiod chosen as a subsequent projection showed that the modal time for lapses was only about 4 months, and that 150 lapses would have been projected after 6-7 months.

It is not however certain whether the further reduction to 36 was caused by the fact that respondents were atypical in terms of some relevant, but unidentified criterion, or whether the act of completing the questionnaire was sufficient to cause a change in behaviour.
1979 LEADS SURVEY

In 1979 I commissioned a special survey to obtain guidance on sales managers' reactions to leads and the way in which leads are handled. One of the basic objectives of this study was to obtain information to help me to derive the secondary or motivational factors described in chapter 1 of this thesis.

The study was an official research programme undertaken by Old Mutual's Marketing Research department, although I personally devised the basic questionnaire and directed the work. After pre-testing, questionnaires were sent to all Old Mutual's managers controlling salesmen in the Republic of South Africa. These managers have various titles such as 'manager', 'sales manager' and 'production manager' according to their status in the organisation. For this purpose however they are regarded as 'sales managers' as their primary function is to control salesmen.

Fourteen days after the initial distribution of the questionnaire through official channels, the managers were sent a reminder circular requesting their urgent co-operation.

At the end of a six-week period we had received a total of 81 replies which were officially anonymous. A small number of these replies were received from sales managers who had only a few months service in this capacity, or who only controlled
special staff who did not participate in Old Mutual's normal lead distribution. These replies were excluded from the sample to leave 73 usable answers. This represents more than 80% of eligible managers.

The initial four questions in the questionnaire established the manager's experience, status, home language and the nature of his branch. These answers were used as parameters for the analysis of subsequent questions.

The following questions from the survey relate to this thesis and were used to derive figures 1.10, 1.11b, 1.12, 1.14 and 1.15 and the relevant parts of the motivational formulae in chapter 1.

"Q5 (a) Below are a series of statements concerning leads. We would like you to indicate on the scale alongside each statement your opinion regarding that statement. Thus, if you strongly agree with a statement, the cross must be placed on the extreme left-hand side of the scale. If you strongly disagree, it must be placed on the extreme right-hand side. Otherwise the cross must be placed anywhere on the scale to reflect your opinion.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

Leads provide a valuable means of activating the newer field-men

Leads have the disadvantage of taking the emphasis out of standard prospecting methods
Leads make fieldmen lazy to prospect.

A sale resulting from a lead is seen by the fieldmen as being an extra benefit provided by the organisation.

Leads are seen as last resorts to be used when all else fails.

The experienced fieldman should not receive leads as he has sufficient prospects of his own.

Good salesmen can turn any lead into a sales opportunity.

Sales that result from leads can be attributed mainly to the type of lead.

Sales that result from leads can be attributed mainly to the salesman.
Although the following statements do not relate to leads, please answer them on the same basis as Q5(a).

5(b) A lapsed policy is a demotivating factor to the newer representative

A lapsed policy causes an established representative to write extra business to maintain his persistency ratios

"PLEASE READ THROUGH THE FOLLOWING CAREFULLY:

In answering the rest of the questionnaire, please keep the following definitions in mind:

(a) The newer man: Generally with less than one year service, still on stipulated advance and needing to establish a satisfactory, regular volume of business.

(b) The average fieldman: He may be on full commission or clearing off his advance account. His production has stabilised to provide him with a reasonable income.

(c) The Top Writer: He is an established fieldman — possibly a member of FAS. Regularly aspires to branch awards, the 51 Club and IQA. Full commission.

Q9. How many of the leads that each of these groups of representatives receive should result in a sale, e.g. one out of every 20 or one out of every 3, etc.

<table>
<thead>
<tr>
<th>Representative</th>
<th>Number of leads that should result in a sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newer man</td>
<td>one out of every ...........................</td>
</tr>
<tr>
<td>Average fieldman</td>
<td>one out of every ...........................</td>
</tr>
<tr>
<td>Top writer</td>
<td>one out of every ...........................</td>
</tr>
</tbody>
</table>
"Q10. During the last year approximately what proportion of each of the following types of leads did you distribute to each category of representatives?

<table>
<thead>
<tr>
<th></th>
<th>NOT DISTRIBUTED</th>
<th>NEWER SALESMAN</th>
<th>AVERAGE SALESMAN</th>
<th>TOP SALESMAN</th>
<th>WRITER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct leads:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IndependenceMaker</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>ProfitMaker</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>PayBridge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Her Own Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Estate Planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Computer Sprockets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SARAF - orphans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>BIRTHDAY - orphans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Change of Address</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Press coupons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Enquiries - e.g.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAS TV advertisements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

"Q12 Here is a list of the types of leads that your branch may have received recently. Some might have better results than others. Please indicate what you think of the QUALITY (not quantity) of these leads.

<table>
<thead>
<tr>
<th></th>
<th>VERY WORTHWHILE</th>
<th>FAIR</th>
<th>POOR</th>
<th>VERY POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Mail leads:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IndependenceMaker</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ProfitMaker</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>etcetera</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other questions in the survey relate to the way in which leads are physically distributed, and the nature of the controls exercised and reports-back required.
SURVEYS UNDERTAKEN BY OUTSIDE AGENCIES ON BEHALF OF OLD MUTUAL

1965 INSURANCE STUDY

This survey was the first full market research survey commissioned by Old Mutual, and was undertaken in 1965 by M.R.A.

The survey covered an area stratified sample of 700 (White) males and 350 (White) females in representative cities, towns and villages throughout the Republic. Interviews were selected from a pre-controlled random grid of all persons aged 16-59 years.

Personal interviews were conducted by experienced investigators under the direction of full-time field supervisors, during July/August 1965. All forms were checked and a standard 10% back-check was carried out on the work of each investigator.

Although the results of this survey are of historic interest only, I have quoted the methodology of attempting to measure the image of the company against a competitor. Figure 3.20 was constructed using responses to the following questions:

I would now like to get your views on a well-known Insurance Company - Old Mutual / Sanlam (Rotate sequence). All I want you to do is to place a tick or a little cross
on the lines between these words (Demonstrate on
semantic) to show where your opinion of the company falls.
For example if you think it is a modern company you place
your tick here (show), if you think it is an old-fashioned
company you place your tick here (show), if you think that
it is neither modern nor old-fashioned you place your
tick in the middle - in this way you can range your
opinion anywhere from here to here. Here is the pen,
will you please fill in your opinion of Old Mutual / Sanlam.

I would now like to get your views on another well-known
Insurance Company - Old Mutual / Sanlam.

Modern Old-fashioned
Has good reputation Has poor reputation
Have good policies Have poor policies
etcetera for 15 image factors.

NATIONAL FINANCE SURVEY 1969

This survey was undertaken on behalf of Old Mutual by Media and
Communications Research (Pty) Ltd, to investigate basic
concepts of how life assurance was perceived and used in South
Africa.

The universe for the sample was defined as White males, 20-55
years old in the A, B and C socio economic levels throughout
the Republic in towns of 200 or more White inhabitants.

The sample was an area quota sample, stratified by province,
and within province by community size. Each stratum was
controlled in terms of demographic characteristics.
A total of 3,000 interviews were completed at the respondents' place of work, by trained interviewers in the full-time employ of the agency. A 10% back-check was carried out on each interviewer. A structured questionnaire was used.

Field work was undertaken during the months July - October 1969. Figure 1.6 was constructed from the answers to the following questions:

Please try to think back to the time you took out this (last) policy. How did you originally come into contact with ...

- I contacted the company myself
- I dealt through an insurance broker
- I dealt through my bank/lawyer
- A representative called on me
- Other (specify)

Which of these statements is true as regards how you finally selected ... as your insurance company (show card).

- I actually only had discussions with the one company with which I took out the policy

Before deciding on this company I looked at what another company had to offer

BANTU ATTITUDES TOWARDS LIFE ASSURANCE 1972

This survey was carried out by Consumer Research Services (Pty) Ltd in an attempt to find out the then current attitudes of Blacks living in Soweto towards life assurance.
The survey was undertaken by personal interview amongst some 500 Black males, who were aged between twenty and forty-five, earned over twenty rand per week and who had been in permanent employment for the past two years. This target sample was selected as being the prime target market for life assurance. Interviews were carried out during October 1972.

The survey is of interest because of the way in which the agency attempted to measure the image of the company and of the 'ideal' company.

Figure 3.21 is based on the answers to the following series of questions:

Which life assurance and other financial companies have you heard of? By financial companies I mean Building Societies, Banks and other savings schemes.

Record verbatim answers in order of mention ... 

Prompt as to whether they have heard of the following major companies (if not spontaneously mentioned).

- African Life
- Old Mutual / S.A. Mutual
- Sanlam
- Southern Life
- Homes Trust / African Home Trust

Ask for life insurance companies only

(i) The first spontaneous mention
(ii) The Old Mutual (if known either spontaneously or after prompting)
(iii) The ideal company.
(In other words if the Old Mutual is the first mention or if they have never heard of the Old Mutual, then only 2 ratings will be required. If no insurance companies are known, then only rate for the ideal company.

Which of these phrases do you think applies to ...?

Applies very much (Yes) Neutral Does not apply much (Don't Know) (No)

Old Fashioned
Does not have such
good benefits
Long established

... a series of 23 statements mixing positives and negatives.

ADVERTISING PENETRATION STUDY JUNE 1965

Shortly after VZ were appointed as Old Mutual's main advertising agency, they were commissioned to undertake a benchmark study to establish future directions.

The sample for this particular study was limited to White males aged 25-49 earning over R300 per month and living in the Johannesburg / Pretoria / Reef area.

The survey was undertaken through face-to-face, door-to-door interviews with target market respondents. The sample was area stratified and quota controlled according to target market specifications. Interviewers followed a semi-structured questionnaire allowing for the maximum flexibility with regard to open-ended questions. Field work was conducted April / May 1975.

Figure 3.7 has been extracted from the report on this survey.
JULY 1976 OMNIJET SURVEYS

Old Mutual sponsored some questions in M.R.A.'s July 1976 omnijet surveys to 'White', 'Black', 'Coloured' and 'Asian' males. The primary objectives of the surveys were to measure the reported priorities for various life assurance appeals and to measure the way in which these vary between race groups, and by socio-economic class within each race group.

Questions were also included in the 'White' survey to determine the recognition of various 'brand' names used by life assurance companies, and to which companies they were ascribed.

The results showed that few of the brand names obtained any significant recognition, and that in certain instances, the majority of people who claimed to recognise the brand name, identified it with the wrong company.

The samples for the 4 surveys used were:

'Whites' - 500 males aged 16 and over in all cities and a representative selection of smaller towns and villages.

'Black' - 500 males ages 16 and over living in townships in the Johannesburg, Pretoria and Reef areas of South Africa. Coverage did not include mine compounds.
Representation was obtained amongst hostel dwellers. In terms of adult Black male population the area of coverage is representative of 17% of the total population. In terms of Black adult males living in main metropolitan areas, the area of coverage is representative of 64% of the total main metropolitan Black adult male population.

'Coloured' - 400 males aged 16 and over living in Coloured areas of the Western and Eastern Cape. The sample includes all cities and major towns, representative towns and villages and rural areas.

'Asian' - 250 males aged 16 and over, living in Natal, including all cities and major towns, representative towns and villages and rural areas.

The relevant questions were:

Here is a list of some things that people might plan for, and I would like you to tell me whether you think that they are very important, fairly important or not important.

- Ensuring that money is available to pay for your children's education.
- Ensuring that your family would have sufficient to live on should you die prematurely.
- Saving to be able to purchase your own home.
- Ensuring that you would have enough money to live on should you be permanently disabled.
- Saving several hundred rand to buy something, in a few year's time.
- Providing the money to ensure that you get a proper funeral.
- Providing money for your old age when you may no longer be able to work.
- Saving money to buy or extend your own business.

Some companies have been presenting types of life assurance under special names. Which of the following have you heard of.

- ProfitMaker
- Hundred Plus (100+)
- IndependenceMaker
- V.I.P.
- Inflation-Fighter
- Family Protector

With which company do you associate ...

For further discussions on 'Omnijet' surveys refer to notes on M.R.A. in appendix 1 and on the July 1978 Omnijet survey in this appendix.

**JULY 1978 OMNIJET SURVEY**

In order to explore the extent to which the image of a company affects the way in which its salesmen will be received, the author commissioned Market Research Africa to include certain questions in its July 1978 'Omnijet' survey amongst White males in the Republic.
"The European Omnijet is a monthly syndicated survey which covers a range of different product categories to be research for several individual clients.

COVERAGE

The survey covered European adults aged 16 and over, living in cities, towns and villages throughout South Africa and is representative of 86% of the total adult population.

SAMPLE

An area-stratified probability sample of 1,000 households was drawn from the MRA dwelling unit census. This sample includes all cities and major towns and a representative selection of smaller towns and villages. The sample is divided into 500 males and 500 females. In each household the male or female to be interviewed was chosen using a random selection grid, and 3 calls were made on each sample before substitution. (The particular questions sponsored by Old Mutual were only asked of male members of the sample).

METHOD

Personal at-home interviews were conducted in the respondent's home language, using a structured questionnaire.

INTERVIEWING

All interviews were carried out by trained, experienced interviewers working under the direction of regional super-visors and the Field Manager. 10% validation checks are carried out on the work of each interviewer.

FIELD WORK

Field work was done during the period July 1978."

The following questions were asked as Section F of the survey:

Fl. I would like you to think about the people who sell life assurance and other related services. Here is a list of some of them; which have you ever heard of?
African Eagle
Brokers employed by the major banks
Financial Advisory Service
Financial Planning Service
Liberty Life
Old Mutual
Prosperity Insurance Company
Sanlam
None / Don't Know

F2. Now I would like you to think of the representatives / salesmen of these organisations.

Which organisation or organisations have representatives / salesmen that ...

(i) are particularly poor advisers
(ii) are reliable advisers
(iii) are particularly well-trained
(iv) can personally answer the technical questions that you may have
(v) can offer the range of products (services) to suit your particular needs
(vi) have the back-up service to get you the technical information that is necessary
(vii) would you probably grant an interview to if he called tomorrow
(viii) would you probably not grant an interview to if he called tomorrow

F3. Have you been contacted by an adviser from any of these companies in the past year?

YES NO

F4. Which company was he / were they from?

F5. Did you grant the adviser an interview?

F6. IF YES:
How would you rate the quality of the advice given on this scale?

Worse than expected Better than expected
F7. **IF NO:**

*Why did you not grant the adviser an interview?*

**PROBE FULLY:** Any other reasons?

F8. Most people have some form of financial security programme for themselves and their families - through life assurance or retirement funds and/or through schemes provided by their employers. How satisfied are you with your programme at the present time? Show card -

(i) should be making considerably more provision
(ii) should probably be making a little more provision
(iii) satisfied with the existing provision
(iv) already providing more than is really necessary
(v) it is not worthwhile to make any personal provision of this nature.

The answers to the survey are analysed in terms of the standard parameters of Income group, Age group, home language, community size, Province, marital status and whether there is a T.V. in the home. Special extractions also permit the cross-analysis of the answers to the various questions.

These notes have been taken from the sponsor's report dated July 1978.

The discussions in chapter 3 page 51 and figures 1.4, 3.14, 3.23-25, and 3.33 are based on information from this survey and from special extra analyses which I commissioned.

The correlation co-efficients quoted in chapter 3 have been calculated in terms of Karl Pearson's formula using a pre-programmed Cannon electronic calculator.
1978 FINANCE SURVEY

This study was commissioned by Old Mutual, and undertaken by M.R.A. as the second of a series of biennial studies of specific market segments.

The sample for this study are White male heads of households living in upper income suburbs of the metropolitan areas of Johannesburg, Reef, Pretoria, Cape Town and Durban. To be included in the sample the household had to claim a monthly income in excess of R1 000.

The sample was selected by probability sampling as follows:-

The total sample was stratified pro rata to the White population in each metropolitan centre. Within each centre, sampling points in upper income suburbs were drawn randomly by selecting every Nth dwelling unit from M.R.A.'s card index of dwelling units.

At each sampling point up to 6 households were selected by random methods based on the street or flat number and at each selected house the male head of household was interviewed. If there was no male head of household, a substitute household was taken.
A contact sample of 750 was drawn to yield a final sample of 563 informants. Field-work was carried out in October and November 1978.

The questionnaire included questions about purchases of life assurance, and about the image of various companies. The relevant image questions used to construct figure 3.22 and 3.27 were as follows:

Q24. Now here is a list of some factors which some people think are most important when selecting a life assurance company to deal with. As far as you are concerned would you tell me for each one whether you would consider it to be very important, fairly important or not very important?

- Standard of service
- Investment performance
- Its bonus record
- A Mutual Society
... a total of 15 image factors.

Q33. Here is a list of the main life assurance companies in South Africa which of them:-

Q34. Have you heard of

Q35. Have you dealt with on life assurance matters

Q36. Which of them would you consider to be:-
(8 of the image factors from list in Q24)

Q37. Which of them would you consider to have:-
(remaining 7 image factors)

The answers to these questions were analysed in term of companies from whom a policy had been purchased within the past year.
Earlier in the Questionnaire in discussing policies taken out in the past year the following questions had been asked:-

Q13b When you took your last policy, with whom did you deal?
Q14 Why did you deal with ...

PROBE

The description of the survey and questions have been extracted from the sponsor's report.
The oldest and most basic type of life assurance is the so-called 'term' policy. This is simply an agreement whereby the life office agrees to pay a sum of money (the sum assured) if the life assured dies within a given period. In exchange, the policyholder promises to pay a regular 'premium' for the period.

This is a relatively low-cost product which is now normally only sold in combination with other products. The policy does not build up a reserve value, neither does it participate in profits. No withdrawal or loan benefits are normally available.

The low premium and correspondingly low commission make it unattractive to the company and to the salesman, whilst the limited nature of the cover and the absence of any return if the 'life assured' survives the term mean that a great deal of sales persuasion would be required to market it effectively.
WHOLE LIFE ASSURANCE

The logical extension to term assurance is 'whole life assurance'.

In this product the sum assured is made payable on the death of the 'life assured' whenever it occurs, and the proposition is made even more attractive by the inclusion of 'bonuses' or profits. These are additions to the sum assured which provide the policyholder with a share in the life office's profitability. Originally bonuses were very small additions, but they have now grown in importance to the extent that the 'sum assured' will double itself every 15 years or so. Different profit distribution systems are discussed later in this appendix.

The fact that the life office must build up a substantial reserve for the ultimate payout means that, after a period, the plan will acquire a residual value which can provide loan or surrender values.

This plan is mostly sold to heads of families to provide basic security whilst the family is young, or to older men to provide estate liquidity and estate duty protection. Old Mutual presents this type of plan under the brand name 'EstateMaker'.
ENDOWMENT PLANS

Endowment plans are essentially savings plans whereby the life office promises to pay the sum assured on a predetermined maturity date. Almost all these products incorporate 'profits', and most are combined with term assurance to make the sum assured and accrued bonuses payable at maturity, or on the earlier death of the life assured.

A typical endowment assurance contract provides an investment return of 6-8% per annum compound interest. The changes to the abatement system announced in the 1979 Budget Speech can turn this into an effective yield of 10-20% per annum tax-free for higher income earners.

These are generally the most popular type of assurance plan especially amongst the younger market in the clerical and similar occupations. They are frequently sold as savings plans to provide for specific needs.

Old Mutual markets this type of plan under the brand names of 'ProfitMaker' and 'MoneyMaker' depending on the basis of funding. 'Her Own Policy' is a more recent presentation of the basic 'ProfitMaker' plan with special features built in to make it attractive to women. 'FutureMaker' is another endowment combination presented to provide children with funds for higher education and to start them into adult life.
The fact that endowment plans are savings plans which build up substantial withdrawal benefits make them most attractive to the unsophisticated purchaser. They tend to have the highest discontinuance rates.

DISABILITY PLANS

Disability plans parallel term insurance in that the sum assured (or a regular monthly income) will become payable in the event of the life assured suffering a major, temporary or permanent disability within the given time period.

As with term assurance these plans are relatively low-cost, and are not particularly attractive to the life office or to the salesman. They do however provide a useful talking point which is less distasteful than death.

Most long-term disability plans are sold as 'riders' or additions to other plans, although Old Mutual does offer a range of disability plans under the brand name of 'PayBridge'.

ANNUITIES

Annuities are essentially the exact opposite to a life
assurance plan. The purchaser hands over to the life office a lump sum, and the office agrees to pay a regular income for the annuitant's lifetime. Various guarantees can also be built in to provide for a minimum payment period, or the substitution of a second 'annuitant' if the first annuitant dies soon after effecting the contract.

These plans are now usually sold in connection with pension schemes although Old Mutual does market an individual annuity under the name 'Guaranteed Income Plan'. Individual annuities are mostly sold to older people and widows who fear that they will outlive their ordinary income.

RETIREMENT ANNUITIES

These are not really a separate type of plan, but are a combination of an endowment plan and an annuity. They are however, specially structured to take advantage of tax concessions under section 11 of the South African Income Tax Act.

They are essentially personal pension plans which provide the purchaser with a very high, tax-favoured, return. Many additional features may be built into these plans although withdrawal benefits are closely circumscribed by the Act.
These plans are most attractive to the person with a high income and to the self-employed. They are also attractive to life offices and to salesmen because of the large contributions and commissions.

The combination of the restrictions on the withdrawal of benefits and the sophistication of the purchasers, leads to very low discontinuance rates amongst this class of policy.

Old Mutual markets these plans under the brand name of 'IndependenceMaker', and has recently introduced a special presentation of benefits for women under the name 'Her Own Retirement Plan'.

**PROFIT DISTRIBUTION SYSTEMS**

Life assurance policies are either 'non-profit' or 'with profits'. In the former case the final amount to be paid out at death or maturity is a fixed guaranteed sum. In the latter case provision is made for some form of profit-sharing over and above a guaranteed minimum. In arriving at the premium rates to charge, the actuary includes an estimate of expected expenses and mortality costs, as well as a very conservative projection of investment returns. Profits arise from the fact that expenses are often lower than those included in the calculations and investments normally outperform the projections.
In recent years virtually all whole life, endowment and retirement annuity plans sold have included some form of provision for growth. There are two basic systems currently in use.

**REVERSIONARY BONUSES**

These are the traditional way of providing for growth. Reversionary bonuses are declared by the life assurance companies every year, or every three years, and constitute additions to the sum assured or guaranteed payout values. These bonuses are usually expressed as percentages of the sum assured, and once declared cannot be withdrawn.

The full face value of the bonus is normally only payable at the time of a claim (either by death or maturity) but can be surrendered for a very much reduced cash value at an earlier stage. Bonus rates for the leading companies are currently something over 3% per annum compounded on the sum assured, and the face amounts frequently exceed the contributions made in the period.

Reversionary bonuses were traditionally based on the excess return generated in the form of investment income, but in recent years companies have increased their investments in
assets showing the possibility of capital gains (or losses). In order to give policyholders the benefit of capital profits made in inflationary periods many companies have introduced 'capital' or 'final' bonuses which are additional amounts added at the time of a claim. These are based on asset values and the duration of the policy, but are not guaranteed in advance and are likely to be subject to much greater fluctuation than the reversionary bonuses.

LINKED POLICIES

With the boom in stock exchange values in the 1960's many companies introduced policies for which much of the ultimate payout value depends on the realisable value of the investment portfolio at the time of payout. These policies may be linked directly to a Unit Trust Portfolio or to Stock Exchange or property portfolios. These policies were launched with the prospect of more spectacular growth than that achieved by reversionary bonus contracts which at that time did not provide for 'final' bonuses.

In the long term it is to be expected that reversionary bonus contracts will show fairly steady growth, whilst the various 'linked' contracts will tend to fluctuate more or less around this norm. Most of the older life assurance companies offer the choice of reversionary or linked policies, and for some products also a choice of the type of investment portfolio.
BONUSES IN CASH

Certain companies have, in the past, sold policies which provide for bonuses to be paid out in cash each year or every few years. The effect of this is very similar to that of surrendering ordinary reversionary bonuses. This type of plan appeals to the unsophisticated purchaser who likes to see an immediate return, and also has application in certain business and tax-planning situations. Few 'bonus in cash' policies are currently sold in South Africa.
Appendix 4

LIFE ASSURANCE ADVERTISEMENTS

In this appendix I reproduce certain recent life assurance advertisements which have appeared in mass media in South Africa. These are included to illustrate the way in which life assurance companies are currently promoting themselves.

In respect of each advertisement I have indicated my subjective judgement of how the advertisement is likely to complement or compete with coincidental presentations made by salesmen from the company concerned, from brokers and from competitors. These are discussed in terms of the congruency analysis set out in chapter 3 of this thesis.

'THE MAN FROM THE Pru'

'The Man from the Pru' is a long-running series of advertisements which have appeared in the Readers Digest for many years. The advertisement in figure A4.1 on the following page covers two full pages and is designed to merge with the editorial matter of the magazine. In terms of editorial policy it is required to have the word 'Advertisement' at the top of each page.

In this particular issue the advertisement is on a right-hand page and the following left-hand page, and the word 'Advertisement' on the first page is virtually hidden in the bleed of the illustration.
Sometimes when you're young and just starting out in life, you need a little help to get your priorities right.

FIRST met John Cameron at a soccer match which was to decide whether or not a local team would be promoted in the league. John and I were both keen supporters and we started discussing our team's chances of success. Getting into a more general conversation, he told me that, although he was only 24, he was a senior radio technician and while he no longer played soccer himself, he looked forward to attending matches at the weekends as a form of relaxation from his very demanding job. He asked me what I did and I mentioned that I was a representative of the Prudential.

"I suppose I really ought to think about insurance now that my wife and I have a baby on the way," he said. I was shocked to hear that he had virtually no insurance at all, and I told him so.

We arranged that I should go to John's home the following Wednesday so that I could give him my advice and meet his wife, Noreen. "I'm so glad John asked you to call," she said. "I know we need insurance badly."

"I agree," said John, "but I really haven't a clue as to what a reasonable amount would be for a man in my position."

“Well,” I said to Noreen, "what do you think John is worth, in monetary terms?"

She laughed and made a few wild guesses.

ADVERTISEMENT

"In actual fact he's worth about a third of a million rand," I said. The couple were astounded until I explained that, even if John's income remained the same as it was now, by the time he retired he would have earned that amazing figure.

"That's incredible until you start thinking about it," said John, "but obviously I can't afford to insure my life for that amount."

"No, that's not necessary. Rather start by covering your present needs and building towards what you may require in the future," I replied.

John and I then discussed what immediate protection he should arrange for his wife. As their home was already covered by bond protection, there was no need to consider that any further. His first wish was that, unless it were absolutely unavoidable, there should be no necessity for his wife to have to go out to work. My suggestion was a policy which would provide in the event of his death that Noreen would receive a fixed, tax free, monthly income for the balance of a period of 25 years. This would relieve her of financial difficulties while the children were growing up and being educated.

John agreed to a further plan which would give Noreen a monthly income for a period of two years, in a sense a continuation of his salary, in case during that period she had to face additional expenses while adjusting to her new circumstances. This would also give her executors time to invest the proceeds of the estate in the best possible way without any erosion of her capital.

In these policies I included a large amount of accident cover that would be paid out in the event of John's death as the direct result of an accident.

Realising the importance of providing overall coverage, I added a disability benefit in case for any reason John became disabled.

I told John that we would review his plan periodically because as times and circumstances change, so do needs change.

Both the Camerons thanked me for setting them on the right course to a secure and protected future and, as I left, John called out to me, "I'm very glad we support the same team, otherwise I might never have met my 'Man from the Pru'."

Perhaps you should reconsider your own insurance needs. Consult the 'Man from the Pru' at your nearest Prudential office or use the Reader's Digest Enquiry coupon on page 204.

The Prudential Assurance Company of South Africa Limited
Head Office: Prudential Assurance Building, 94 Main Street, Johannesburg.
Branches in all main centres.
The advertisement sets out the fact that many families are hopelessly underinsured, and will welcome a call from a salesman to provide them with peace of mind. It also shows the way in which a good salesman will look at several needs, rather than concentrating on only one or two. The advertisement makes no particular claims about the company in its products.

I feel that this advertisement will assist any life assurance salesman by making him and his services more welcome. It is particularly helpful to competitors in South Africa as the Prudential has a comparatively small field staff in this country, and personal contacts by a 'man from the Pru' are rare.

The overall need presentation is also likely to be congruent to any sales presentation provided that the salesman concerned appears to have done a comprehensive job of work. It will however, be incongruent to a presentation that has only looked at one aspect of the prospect's position.

SANLAM'S FORESIGHT ADVERTISEMENT

For the past few years SANLAM has utilized a series of advertisements on the back page of telephone directories. These advertisements have a common theme on the way in which various animals, birds and fish protect their young.
Voorsorg
Gemsbok-Oryx Gazella

Elke lewende wese het ingeboude eienskappe om die voortbestaan van sy spesie te verseker.
Die Kalahari-gemsbok staan sy man met behulp van lang, Vynskerphorings wat met die tyd verskyn en vermut van "naafordvleer" gebruik word. Die horings het al meer as een leeu sy moses laat teekom. As ekstra veiligheidsmaatregel trek "n Gemsbokkunde saans, "laer", met die sterkste bulle horings na vore, aan die buitekant. "n Roofdier sal twee keer dink voor hy 'n Gemsbokkalle as maal oorwees.

Die mens tref ook voorsorg: beskerm ook sy afhanklikes. Hierin speel lewensversekering die sleutelrol.

Sanlam sal u help om seker te maak dat u voorsorg tred hou met u veranderende behoeftes. Skakel Sanlam vandag nog.

Foresight
Gemsbok-Oryx Gazella

Every living creature has a built-in capacity for ensuring the survival of its species.

With the precision, timing and judgement of a sword-fighter, the Kalahari-Gemsbok defends itself with long razor-sharp horns. These have proved fatal to many animals, including the lion.

As an extra safety precaution, a herd of gemsbok will form a laager in the evenings, the strongest bulls on the outside, their horns forming a formidable protective barrier. A predator will think twice before attempting to make a meal of a gemsbok calf.

In the same way, man must protect his future. For this life assurance is a vital necessity.

With Sanlam's help, your provision can keep pace with your needs. Make a call to Sanlam now.
The advertisement (figure A4.2) is bilingual and incorporates a list of all SANLAM offices in the area covered by the telephone directory concerned. It is presumably hoped that this will encourage people who are seeking life assurance advice to contact the local SANLAM office and thus initiate a sales call. These enquiries would assist the sales force directly and would also motivate them by making their advice appear especially sought.

The basic theme of family protection promotes life assurance generically and is not specific to any need or class of policy. To the extent to which the message is read and remembered it is likely to be fairly congruent to most presentations by salesmen of any life office.

The advertisement makes no specific claims on behalf of SANLAM except for the unsupported slogan "SANLAM gives you the best". This claim will be totally congruent to the approach and presentation of a SANLAM salesman, or the presentation of a SANLAM product by a broker. The extent to which it will be incongruent to a competitive presentation will depend on whether the claim is believed or dismissed as 'puffery'.

**NORWICH UNION’S LANGUAGES ADVERTISEMENT**

The advertisement in figure A4.3 on the following page has appeared in various publications and is an interesting combination of name and defensive advertising.
Amsterdam or Toronto, Paris or Melbourne, you name it, our name's the same. And so is our investment policy. Whatever country we operate in, we also invest in. For instance, every cent South Africans invest in insurance with us, we invest in South Africa. Because wherever we are, we aim to stay. For good.

Norwich
Pronounced 'Norridge'
in fifteen different languages.
(Insluitsende Afrikaans)

We've been insuring the future since 1810
(Not getting pretty good at it)

The Reader's Digest, October 1978
The main headline is the company name and the sub-heading indicates that it operates internationally, and also in the Afrikaans market.

The small text goes on to demonstrate that although the name is the same in all countries, each investment area is treated as an entity, presumably to allay fears that the money is being taken out of the country.

This advertisement makes only minimal mention of insurance, but presents Norwich as an investment house.

Almost all Norwich's business is written through insurance brokers, and as such the advertisement should reinforce the presentation of the company's products. It will however, be incongruent to any presentation based on the total international nature of the company.

The advertisement is slightly geared to investment needs, but is neutral to any other need presentation. It makes no claims that cannot be made by many other companies. It is therefore likely to be neutral to any approach or presentation by a competitor.
Could you use R102 958?

To put a 6-figure capital sum in your future, all you need is your youth and the capital building power of OLD MUTUAL's IndependenceMaker Plan. For example: starting at the age of 26, with an investment of R40 p.m., you could look forward to retirement capital of R102 958 at age 60*. Youth is most decidedly on your side!

Your Plan will be structured to suit you.

You can have every meaningful option with your IndependenceMaker. Life and disability cover at a particularly favourable rate; up to R45 000 in tax-free cash at retirement or the full end-value used to purchase your retirement income; payout commencing at any age between 55 and 69.

A total deduction of up to R3 500 p.a. from gross taxable income is allowed in respect of contributions to approved pension and retirement annuity funds. An unmarried man, earning R9 000 per annum, would get back more than 31% of his annual IndependenceMaker contribution in the form of tax relief!

You'll be amazed how IndependenceMaker rewards you for being young.

These examples show the IndependenceMaker retirement capital yielded at age 60 by various rates of contribution.*

<table>
<thead>
<tr>
<th>Entry age</th>
<th>Monthly Contribution to an IndependenceMaker Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>R80</td>
<td>R60</td>
</tr>
<tr>
<td>23</td>
<td>R279 446</td>
</tr>
<tr>
<td>26</td>
<td>R209 101</td>
</tr>
<tr>
<td>29</td>
<td>R156 945</td>
</tr>
<tr>
<td>32</td>
<td>R117 134</td>
</tr>
</tbody>
</table>

*The illustrated benefits quoted are not guaranteed and are based on the assumption that emerging performance profits will result in a 10% p.a. compound rate of accrual.

Talk IndependenceMaker with an OLD MUTUAL adviser or broker. From that moment on you could be worth a lot more.

OLD MUTUAL
Your Anchor in Life
OLD MUTUAL'S YOUNG MAN ADVERTISEMENT

In this advertisement (figure A4.4) Old Mutual are promoting the benefits of their 'IndependenceMaker' retirement annuity for the younger man. The advertisement is a deliberate attempt at broadening the traditional market, and was inserted in various media read by young professionals.

IndependenceMaker is presented as a special plan, and this relatively 'long copy' advertisement spells out the benefits that can be obtained from the plan. In fact all the claims made in this advertisement could, equally correctly, be made in respect of any approved retirement annuity plan. The advertisement closes with the injunction to talk IndependenceMaker with an Old Mutual adviser or broker.

This advertisement obviously aims at getting the young man to ask specifically for an Old Mutual plan, and will be congruent to any such presentation. It will be fairly incongruent to any presentation of a competitor's plan unless the alternative can demonstrate even more favourable figures.

By trying to broaden the market for retirement annuities, Old Mutual is to an extent competing with its own endowments and whole life policies which are traditionally sold to the younger purchasers. By adopting a 'family' of brand names, IndependenceMaker, ProfitMaker, EstateMaker, etcetera, Old Mutual hopes to obtain a measure of transfer and congruence between the different products.
SOUTHERN LIFE’S “CHEATING” ADVERTISEMENT

"On our tenth anniversary I told my wife I’d been cheating her...”

For ten years my wife had thought of me as a responsible husband. And then I told her that I’d been a fool.

On our tenth wedding anniversary I discovered that inflation had hit my plans for a six. The amounts of the life policies I took out just after our marriage looked so large then but now just aren’t big enough. If anything had happened to me, the family would have been in serious trouble.

I got myself some much-needed advice and a proper Inflation-Fighter Policy. With Southern Life I know my family is safe. If anything should happen to me, they’re covered.

If it doesn’t, we’re rich! It’s a nice feeling.

SOUTHERN LIFE
The Southern Life Association.

The Reader's Digest, August 1975

A 4.5
SOUTHERN LIFE'S "CHEATING" ADVERTISEMENT

In the advertisement in figure A4.5, Southern Life are using the erosion of values through inflation to justify the need to provide additional insurance. The advertisement suggests that by taking Southern's 'Inflation-Fighter' plan, this problem can be overcome.

I feel that this advertisement is fairly negative about traditional insurance plans, and can only lead to doubts in the minds of existing purchasers. It is therefore likely to have generated a number of lapses amongst recent purchasers. The 'Inflation-Fighter' policy was relatively new at the time of the advertisement, and as far as I have been able to ascertain has never been popular with salesmen or brokers. It is thought to be an interesting gimmick, but one with no real benefits.

I feel, therefore, that while this advertisement will be congruent to any presentation of an 'Inflation-Fighter' policy, it will be incongruent to life assurance generally, and to any other plans. It is also likely to antagonise brokers and the salesmen who do not favour this plan by casting doubts on their past advice.

AFRICAN EAGLE'S "LINKED" PLANS

African Eagle's advertisement in figure A4.6 on the following page starts by boasting of the age of the company and makes a claim that they are the only 'old established South African
AFRICAN EAGLE'S "LINKED" PLANS

When the world's first aeroplane took off...

so did we.

We wrote our first life insurance policy about the time Orville Wright made history with the first sustained powered aeroplane flight. The aircraft industry has come a long way since then. So have we. Our investments and our policyholders have prospered abundantly. In fact, we're the only old established South African insurers who've never reduced our bonuses. Now offer more than 70 years' solid investment experience and development. African Eagle Life is again proud to introduce something new...

The most comprehensive, flexible range of "linked insurance" in South Africa.

Now we offer you a choice of HOW your money's to be invested, to give you the maximum benefits arising out of the three investment portfolios:

PROPGROWTH.
A portfolio which is property-oriented and includes African Eagle Life's multi-million rand investment in properties. The sort of properties that have changed the face of South Africa during the last half century - African Eagle Life Centres, blocks of flats, shopping complexes, and now African Eagle's mammoth new Life Centre right in the heart of Johannesburg's new financial district.

EQUIGROWTH.
An equity investment-oriented portfolio including shares in substantial and successful companies that show good prospects of future growth.

OMNIGROWTH.
A balanced and diversified spread of investments representative of a cross-section of African Eagle Life's total investment portfolio. We believe that Progrowth, Equigrowth and Omnigrowth offer the best insurance value in South Africa today - whether applied to life or retirement annuity policies.

The kind of insurance your future demands.
insurers who have never reduced their bonuses'. The advertisement then introduces a series of new 'linked' insurance portfolios to offer a choice of how premiums are to be invested. It closes with the statement 'We believe that Propgrowth, Equigrowth and Omnigrowth offer the best insurance value in South Africa today'.

If this advertisement with its long copy, and small type-size in the introduction, is read and believed, it will be congruent to any presentation of these products. It will however be incongruent to any other plans, and will cause considerable doubts amongst people who have bought other plans from the company. It will be less incongruent to presentations by salesmen from other companies because the statement 'we believe' is very easy to counter.

In fact this advertisement contains many features that will raise doubts in the minds of people who are reasonably conversant with the South African insurance industry. African Eagle Life is a relatively new combination of two established companies, African Life, a South African company, and S.A. Eagle, the South African arm of the international Eagle Star group. Both companies are considered to have relatively poor histories of payout values and investment expertise. In 1976, when this advertisement appeared, there was very little 'new' about the choice of 'linked' plans being offered, and, since the stock market and property markets in South Africa had
the future...
urban sprawls
In the next 25 years South Africa will have to build more homes than it has since the time of Jan van Riebeeck.
Make your future brighter with protection from Commercial Union Assurance. Speak to your insurance broker today. He will show you our wide range of policies and plans to protect you against whatever tomorrow may bring.

Commercial Union
Assurance Verzekering

Commercial Union has offices in all major centres of the Republic and in 35 countries.

There are no strings attached to insurance brokers.

Insurance brokers aren't tied to one company. They're free to give you the very best deal. Which is why they sell a lot of Guarantee Life policies. But not always. There's no such thing as a perfect policy for everyone. If your needs are best served by another company's policy that's what they'll recommend. And that's why we respect our brokers. Because Honesty is the best policy. Insurance brokers - they may not always recommend us, but we at Guarantee Life always recommend them.

Guarantee Life Assurance Company Limited
A Specialist Life Office in the Anglo American Group

Hyams, Robinson and Associates (Pty) Ltd

FORTÉ – August 1977
A 4.7
recently shown substantial falls, 'linked' plans were not particularly popular.

ADVERTISING PLANS SOLD THROUGH INSURANCE BROKERS

In figure A4.7 I have reproduced two advertisements which promote companies which sell primarily through insurance brokers.

The Commercial Union advertisement says virtually nothing about the company or its products, and does not even say whether it is referring to 'household' insurance or life assurance. It merely says 'Make your future brighter with Commercial Union Assurance. Speak to your insurance broker today'.

The advertisement appeared in the 'Financial Planning' supplement to the Reader's Digest, and presumably hoped to gain some rub-off from other advertisements and articles in the supplement. I think that this advertisement will be congruent to a broker's presentation of a Commercial Union policy, but neutral or incongruent to competitive presentations. It only causes movement along the 'company' axis, and it says so little that any movement will be very small.

The Guarantee Life advertisement says a great deal more about the benefits of dealing through an 'independent broker', and presumably hopes to create goodwill so that they will quote
Guarantee Life products. The advertisement states categorically that there are occasions when a Guarantee Life policy will not be the best. It will therefore be congruent to any presentation by any broker, regardless of whether he quotes a Guarantee Life policy. By stressing the 'independence' and 'honesty of brokers' the advertisement casts doubts on the integrity and presentations of in-company salesmen.

Guarantee Life itself sells only through brokers although it is a sister company to 'African Eagle' who have now withdrawn from all broker contracts. These 'broker' advertisements could possibly be considered to be 'trade' advertisements, and to have the primary objective of motivating brokers to quote the products of the companies concerned rather than as consumer advertisements.
One of the major problems facing most Life Assurance Companies has been the very high turnover amongst their salesmen. This tends to reduce their overall profitability through three cost effects. The loss of a salesman is a loss of productive capacity, and most offices would employ a larger number of salesmen without increasing overheads proportionately. Recruiting and training salesmen is very expensive, and many salesmen resign after providing very little return for this expenditure (1). Inexperienced salesmen, and the lack of continuity of contact have been identified as prime causes of dissatisfaction amongst policyholders (2). This must contribute to the discontinuance rate of policies which are significantly higher amongst the clients of resigned salesmen (3).

In order to explore some of the underlying or contributory causes of turnover, I have undertaken a survey amongst salesmen resigning from Old Mutual and Homes Trust Life Insurance Company and I would like to thank the managements of these companies for their co-operation.

The survey was of a semi-postal nature in that questionnaires were distributed through the post to sales managers throughout
the Republic. The manager was asked to hand the questionnaire to any salesman who was resigning from the company during the months of March, April or May 1979. The salesman was asked to complete the questionnaire and return it direct to the researcher, without necessarily passing it back to his manager. All responses were anonymous although the employing company was identified by an M or H on the top righthand corner.

I felt that if it was known that the survey was being undertaken by an official of Old Mutual, it might inhibit replies in several ways. A manager would be reluctant to forward replies if he thought that he might appear in a bad light, and a disgruntled salesman might not wish to be of assistance to his previous employer, particularly if he was going to work for a competitor. In the case of employees of Homes Trust I felt that there would be some risk that Old Mutual's involvement could affect the morale of the sales force, particularly because, at the time of the survey, Homes Trust, which is a subsidiary of SANLAM, was being merged with Metropolitan Life. Naturally the top managements of the companies concerned were aware of the true identity of the researcher, but I decided to conceal it from the respondents.

The questionnaire to the salesman was prepared on a single sheet, with the covering letter printed on the reverse (Annexure 1). The covering letter was printed on a University of Cape Town letterhead, and was signed by Mrs H. Brice in her
capacity as senior lecturer and on behalf of an unnamed student. The covering letter was modelled on the recommendations of Erdos. (4).

In order to solicit co-operation from the managers, there was also a covering circular, personally addressed and signed by the General Manager of the company concerned. This circular (Annexure 2) also refers to the survey as being undertaken by the University. Questionnaires were distributed in both English and Afrikaans and were accompanied by pre-printed envelopes addressed to 'Insurance Research Programme, P.O. Box 7259 Roggebaai'. This post box was specifically rented for the purpose.

A total of 132 responses were received from Old Mutual and 38 from Homes Trust. This represents more than 70% of all resignations from Old Mutual, but probably a smaller proportion from Homes Trust. As far as I have been able to check from Old Mutual's records the spread of responses conforms to the spread of resignations. I was not in a position to check this with Homes Trust.

In addition to the portion completed by the salesman, the manager was asked to indicate the race and sex of the salesman and whether the withdrawal was voluntary or not. This part was omitted on many of the responses.
<table>
<thead>
<tr>
<th>FACTORS CONTRIBUTING TO THE RESIGNATIONS OF SALESMEN</th>
<th>OLD HOMES</th>
<th>UNDER 6 MONTHS</th>
<th>6 MONTHS - 1 YEAR</th>
<th>1 - 2 YEARS</th>
<th>OVER 2 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MUTUAL</td>
<td>TRUST</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too much interference by Manager</td>
<td>22</td>
<td>1,36</td>
<td>21</td>
<td>1,52</td>
<td>16</td>
</tr>
<tr>
<td>Not enough attention by Manager</td>
<td>31</td>
<td>1,45</td>
<td>26</td>
<td>1,81</td>
<td>32</td>
</tr>
<tr>
<td>Too little training provided by office</td>
<td>17</td>
<td>1,35</td>
<td>32</td>
<td>1,16</td>
<td>21</td>
</tr>
<tr>
<td>Too much emphasis on book knowledge</td>
<td>14</td>
<td>1,57</td>
<td>63</td>
<td>1,25</td>
<td>47</td>
</tr>
<tr>
<td>WORK ITSELF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too much night work</td>
<td>52</td>
<td>1,17</td>
<td>63</td>
<td>1,51</td>
<td>58</td>
</tr>
<tr>
<td>Became bored with sales position</td>
<td>27</td>
<td>1,33</td>
<td>26</td>
<td>1,62</td>
<td>21</td>
</tr>
<tr>
<td>Lack of promotion opportunities</td>
<td>22</td>
<td>1,18</td>
<td>11</td>
<td>1,45</td>
<td>11</td>
</tr>
<tr>
<td>Nature of work did not come up to expectations</td>
<td>33</td>
<td>1,33</td>
<td>37</td>
<td>1,70</td>
<td>42</td>
</tr>
<tr>
<td>OFFICE ADMINISTRATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too little support handling administration details</td>
<td>27</td>
<td>1,41</td>
<td>26</td>
<td>1,00</td>
<td>11</td>
</tr>
<tr>
<td>Company interfered with prospects causing me to lose</td>
<td>16</td>
<td>1,19</td>
<td>5</td>
<td>1,00</td>
<td>5</td>
</tr>
<tr>
<td>Too many difficulties with Head Office</td>
<td>28</td>
<td>1,46</td>
<td>21</td>
<td>1,24</td>
<td>11</td>
</tr>
<tr>
<td>COMPANY/JOB IMAGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friends said it was not a suitable job for me</td>
<td>13</td>
<td>1,23</td>
<td>47</td>
<td>1,45</td>
<td>32</td>
</tr>
<tr>
<td>People do not want to talk to Life Assurance salesman</td>
<td>30</td>
<td>1,37</td>
<td>32</td>
<td>1,00</td>
<td>47</td>
</tr>
<tr>
<td>Company appeared to have bad image amongst prospects</td>
<td>16</td>
<td>1,00</td>
<td>37</td>
<td>1,57</td>
<td>21</td>
</tr>
<tr>
<td>People I contacted did not want more assurance</td>
<td>36</td>
<td>1,44</td>
<td>47</td>
<td>1,23</td>
<td>58</td>
</tr>
<tr>
<td>PROSPECTING AND MARKETING SUPPORT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequate point of sale material</td>
<td>8</td>
<td>1,00</td>
<td>5</td>
<td>1,00</td>
<td>5</td>
</tr>
<tr>
<td>Company wasted my time sending me to poor prospects</td>
<td>11</td>
<td>1,27</td>
<td>16</td>
<td>1,31</td>
<td>5</td>
</tr>
<tr>
<td>Company should have provided more prospects</td>
<td>34</td>
<td>1,32</td>
<td>21</td>
<td>1,52</td>
<td>21</td>
</tr>
<tr>
<td>I could not find sufficient people to contact</td>
<td>38</td>
<td>1,26</td>
<td>32</td>
<td>1,31</td>
<td>52</td>
</tr>
<tr>
<td>FINANCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems with finalising sufficient sales early in career to cover initial financing</td>
<td>45</td>
<td>1,73</td>
<td>42</td>
<td>1,62</td>
<td>74</td>
</tr>
<tr>
<td>Earnings too low</td>
<td>61</td>
<td>1,49</td>
<td>58</td>
<td>1,64</td>
<td>32</td>
</tr>
<tr>
<td>Earnings fluctuate too much</td>
<td>55</td>
<td>1,40</td>
<td>58</td>
<td>1,45</td>
<td>26</td>
</tr>
</tbody>
</table>

* For explanation refer text
In the survey the resigning salesman was asked to indicate to what extent each of 22 possible causes contributed to the resignation.

Figure A5.1 summarises the results. For each breakdown the first figure gives the percentage of resigning salesmen who indicated that the factor contributed either 'very much' or 'a little'. The second figure is a weighting calculated by allocating a score of 1 for 'a little' and 2 for 'very much' and then dividing by the number of respondents concerned.

As the table illustrates each of the factors has some influence on at least a small number of resignations, and as might be expected the financial factors figure most prominently. The initial problems of closing sufficient sales contributed to nearly three quarters of all the resignations in the first six months of service, and too low earnings or the fluctuation of earnings contributed to the bulk of the longer-service cases.

These financial answers and the problem of too much night work are the only ones which come through significantly on the traditional 'manager's reports' (5), but the survey shows that the factors which are more directly affected by advertising contributed in more than one third of all cases.
It is interesting that for three out of the four Company/Job image factors Homes Trust have significantly worse results than Old Mutual. It is also apparent that Old Mutual's sales training is much more acceptable.

The impressions that people don't want to talk to a salesman, or don't want more assurance are particularly important in the early part of the career, although the need for the company to provide more prospects appears most critical in the 1-2 year category, when the salesman is trying to stabilize his career.

The fact that some of the leads provided by the company may be too poor prospects does not appear to affect many salesmen, although the small number of new salesmen who were influenced felt it contributed very much.

Some of the respondents quoted additional factors such as that they were emigrating to other countries or that they were setting up their own businesses. The former reason is likely to be beyond the control of the company concerned.

Overall the results appear to justify the hypothesis that well-directed marketing efforts, which appear to enhance the career of a life assurance salesman, or which provide prospects for him, will significantly affect resignation rates. This is in addition to any effect that additional sales might have in overcoming the financial problems.
REFERENCES

1. Life Offices Association - Representatives' Register

2. Members Opinion Survey, Old Mutual study 1966 (Refer Appendix 2b)


SURVEY OF REPRESENTATIVE’S RESIGNATIONS

PLEASE TICK APPLICABLE ANSWERS

1. Length of time that you have been employed as a salesman with this Life Office.
   - under 6 months
   - 6 months to 1 year
   - 1 to 2 years
   - over 2 years

2. What are your future work intentions?
   - Going to a non-sales job with the same office
   - Going to another sales job within the Life Assurance Industry
   - Going to another sales job outside the Life Assurance Industry
   - Going to non-sales job with another Life Assurance office
   - Going to a non-sales job outside the Life Assurance Industry

3. Have you previously been employed by another Life Office? YES NO

4a. A change of job is rarely determined by only one factor, and we would like you to indicate the extent to which each of the following factors contributed to your personal decision.
   
   - Earnings too low
   - Earnings fluctuate too much
   - Too much interference by Manager
   - Not enough attention from Manager
   - People do not want to talk to a life assurance salesman
   - Friends said it was not a suitable job for me
   - Too little training provided by office
   - Too much emphasis placed on book knowledge
   - Company should have provided more prospects
   - Company wasted too much of my time sending me to poor prospects
   - Inadequate point of sale material
   - Company appeared to have a bad image amongst prospects
   - Too much night work
   - Company interfered with my prospects causing me to lose sales
   - I could not find sufficient likely people to contact
   - People I contacted did not want more assurance
   - Lack of promotion opportunities
   - Too many difficulties with Head Office
   - Nature of work did not come up to expectations
   - Became bored with sales position
   - Problems with finalising sufficient sales early in career to cover initial financing
   - Too little office support handling administrative details

4b. If you are going to another Insurance Sales position do you think the new company will in regard to this factor
   - Better
   - The same/ don’t know
   - Worse

5. Are there any other factors which contributed to your decision to leave this position. (Please specify)

---

HAVE YOU ANSWERED ALL FIVE QUESTIONS? THANK YOU FOR YOUR CO-OPERATION.
WILL YOU DO US A FAVOUR?

We are conducting a nationwide survey among people who are leaving sales positions in the South African Life Assurance Industry. This research forms part of a doctoral thesis which attempts inter alia to identify some of the causes of the turnover amongst insurance salesmen. Your answers can help others to avoid the problems associated with this kind of job change.

It will take only a short time to answer the simple questions on the questionnaire overleaf and to return it in the envelope provided.

Of course all answers are confidential and will only be used in combination with those of other people in a similar position. There is no need to sign your name or to identify yourself in any way. The completed questionnaire need not be shown to the company whom you are leaving.

Please return the completed questionnaire at your earliest convenience.

Thank you for your help.

Sincerely

Helene Brice (Mrs)
SENIOR LECTURER

February 1979
A student at the University of Cape Town is currently undertaking some research into factors which contribute to the high turnover rate amongst field staff in the South African Life Assurance Industry. Old Mutual has agreed to assist this project by asking all members of the field staff who are leaving for any reason to complete a simple questionnaire.

Our Management is asked to co-operate by completing part A of the form and handing it to the resigning fieldman. In this section you are asked to indicate in code the nature of the discontinuance and the race and sex of the person concerned. The codes to be used are as follows:

Nature of discontinuance  
Dismissed for misconduct  
Unable to reach production targets  
(a) asked to leave by office  
(b) voluntary resignation  
Resigned for any other reason  

Race/sex  
White Male 1  
White Female 2  
Coloured Male 3  
Coloured Female 4  
Black Male 5  
Black Female 6  
Asian Male 7  
Asian Female 8  

Thus if a White Male resigned voluntarily because he couldn't produce adequately he would be coded C.1.

The University would like as representative a sample as possible, and therefore asks that the questionnaire be completed by all field staff leaving our employ, or returning to the office staff, from now until the end of May 1979.

If you employ any new fieldmen who join us from sales positions in other life offices, please ask them if they completed the questionnaire with their previous office. If they did not do so they should complete one now, but delete the symbol 'M' in the top right corner of the form.

We feel that the answers to this survey could be most valuable to everyone concerned in the South African Insurance Industry and ask for your whole-hearted co-operation. The results will be used for research purposes only, and there will be no means of identifying specific individuals or branches. Please therefore urge the people to complete the forms as accurately and truthfully as possible.

Thank you for your co-operation.

J.J.C. van Greumen  
GENERAL MANAGER
ESTABLISHING 'SECONDARY' OR 'MOTIVATIONAL' VALUES

In chapter 1 of this thesis I have ascribed additional value to measured behavioural changes which have been brought about through the effects of advertising.

I have justified this by considering the motivational effect that the measured behaviour will have on a salesman or broker. The benefit of this motivation will be seen through a reduced resignation rate or a higher work-rate amongst salesmen. In the case of the 'independent broker' I hypothesise that the motivational effect will be to improve relationships and to cause the broker to recommend the company's products more frequently.

In attempting to quantify these effects for full-time salesmen I have been guided, in the first instance, by the results obtained from the 1969 and 1979 Leads Surveys discussed in appendix 2b and by the Representatives Resignation Survey described in appendix 5.

Brown (1), has however warned against the weakness of this kind of study if one does not take cognizance of the biases that will be introduced through the nature of the survey, and through the special relationships that exist between the respondents and the sponsoring company.
I have therefore consulted panels of 'experts' who are themselves likely to be somewhat less biased, and asked for their guidance in determining acceptable values.

The primary values were obtained from discussions with members of Old Mutual's Actuarial division, and by reference to the actual formulae which they use in determining the premium rates for new policies.

In dealing with the motivational values for full-time salesmen, the experts were a number of senior managers from Old Mutual. All these managers had been promoted from the ranks of successful sales managers, and now hold positions in Personnel, Training, Marketing or General Management. They could therefore base their answers on experience without the current involvement that might introduce a bias. They all have a status equal or senior to mine in Old Mutual's hierarchy which should reduce the 'yes-saying' bias.

The procedure that I followed in canvassing their opinions was to show them a draft of the relevant portions of chapter 1 of this thesis, supported by tables from the surveys. These tables showed essentially the same information quoted in the figures in chapter 1 but with the results broken down into more detail. For example the results were segmented to show the views of respondents with different levels of status, and of experience. This permitted the 'experts' to take a view of the extent of possible biases in the reported results.
Each of the 'experts' was asked to give his opinion of the approach, and to indicate his evaluation of the various motivational factors. When one of the experts disagreed with a statement or designated a value which was out of pattern with other results, we discussed the problem fully in order to try to obtain a compromise solution. There was, in fact, very little disagreement in principle although improvements and refinements were introduced during this development stage.

In reviewing the motivational effects on brokers, I commenced with a more detailed analysis of the results of a direct mail advertising campaign, using the computerised evaluation programme described in chapter 2, but manually sorting the cases where behavioural changes had been identified. This analysis showed that the differences in primary results for the test samples where brokers are involved are smaller than the differences where salesmen are involved.

This may, in part, be caused by the fact that brokers receive a disproportionately small share of the enquiries (leads) that come to the insurance company. Another reason may be that if, as I have hypothesised, the motivational effects on brokers are short-term, any increases in sales brought about by the additional motivation will be spread across the entire market and will occur within a short time. These should affect all the test samples equally, and thus tend to mask the primary changes caused by the advertisements.
Once again I reviewed my approach with a group of experts. In this case I showed the presentation to broker-liaison managers and also to some senior officials of broker organisations. They tended to confirm the reactions set out in chapter 1, although there was a somewhat wider 'spread' of evaluations.

The final figures quoted in this thesis thus reflect the collected views of experienced managers with due cognizance having been taken of any inherent biases.

Reference:

(1) Brown R.V. op cit.
In chapter 2 I have indicated some of the factors which cause the results of a research programme to be unreliable. In this appendix I will expand on these factors with particular reference to research in South Africa.

Brown (1) has identified various types of error which will, to a greater or lesser degree, be inherent in any measurement system which is not an objective recording of the total actions of the total universe.

These can be classed as measurement errors and sampling errors.

**MEASUREMENT ERRORS**

Measurement errors arise from measuring what people report rather than what people do. The most common sub-classes quoted by Brown are

(a) **Respondent's Reporting Errors.** These are caused by deliberate, or unintentional, misinformation given by the respondent. When a person is asked to report something, there is a natural tendency to distort the truth. This may arise from his desire to say the thing that he thinks the questioner wants to hear, or to present himself in a
favourable light. This will cause a person to inflate answers that improve perceived status and to underplay answers that appear less favourable. These reactions may either be conscious or unconscious.

Other errors in this classification are caused by the fact that a person may be required to provide answers to questions about items that are outside his frame of knowledge.

This lack of knowledge may arise because the survey seeks the factual answers from the wrong person - for example a businessman may know little about his wife's shopping habits. It may also arise because a person is asked about his intentions in the future, when in reality his actions may neither be rational nor planned.

Certainly the models in chapter 3 indicate that surveys in regard to probable future purchases of life assurance are likely to suffer from this type of error.

In the category of reporting errors we must also include the problems arising from the misinterpretation of questions and/or answers. This is no small matter in a country like South Africa with a large variety of languages. The Whites have two official languages, English and Afrikaans, but a high proportion of recent
immigrants still speak Portuguese or other European languages. The Indian population is nominally mostly English speaking, but frequently speak one of the Indian languages at home. There are some 7 officially-recognised languages spoken by the Blacks, with a large number of local dialects.

(b) **Recording errors.** Although not specifically mentioned by Brown one must also consider the problems of recording the information. The questionnaire used to collect information often provides a limited choice of possible answers, which may not exactly convey the feelings of the respondent. If an open-ended question is incorporated in a person to person interview, the respondent must verbalise his or her answers, and the interviewer has to summarise what she thinks are the salient points and record them on the interview record. The fact that the answers must be recorded onto the questionnaire in the first instance, and subsequently transcribed onto punch cards or a computer for analysis purposes introduces further risks of error.

When a survey is being undertaken by a major research house using full-time professional interviewers, the risk of deliberate falsification of results and incompetence of interviewers is small, especially since the research
houses generally check back on 10% of the surveys. In South Africa, the research houses usually have to make use of part-time interviewers in areas away from Johannesburg, and the risk of interviewer error is correspondingly higher.

It was certainly an eye-opener to me a few years ago, to be interviewed in respect of a survey which I had commissioned. In spite of the reported controls, the interviewer had been inadequately briefed and herself confused some of the companies for which she was measuring 'attitude'.

(c) 'Situation' or 'Distortion' errors. These errors arise from the fact that the act of measurement itself may alter behaviour.

When any form of test involves laboratory or unreal conditions, the respondent is on his mettle and paying particular attention to any material which he is shown. Reactions will therefore tend to be distorted. The respondent may also study illustrations in much greater detail, and will read and comment on copy which he would normally ignore.

At a completely different level, the measurement test may introduce other factors into the respondents mind which will in turn affect disposition or behaviour.
A good example of this arose when the author attempted to measure the attitudes of a group of new policyholders to try to determine which attitudes were correlated with future discontinuances. An apparently reasonable volume of new policyholders replied and provided a broad spectrum of opinions ranging from very favourable to very unfavourable.

The intention was to follow-up the survey six months later, to identify those who discontinued their policies, but this was thwarted by the fact that very few of the respondents lapsed their policies. Unfortunately the survey did not include the rigorous controls that would have permitted confirmation, but it appears that the fact that the insurance company was taking an interest in its policy-holders, and the act of filling in the questionnaire (perhaps providing an outlet for frustration) were sufficient to cause a change in behaviour (2).

(d) Extrapolation Error. Brown defines this as being the error introduced by measuring in the present to predict some future action. The extrapolation can be invalidated by intervening change agents. In the purchase of life assurance it has been shown that the key change agent will generally be the coincidental contact and presentation by an insurance salesman. Advertising effectiveness
is therefore likely to be strongly dependent on the sales force activities at the particular time of the advertisement. We should also include in this category seasonal and other external distortions, which may affect the way in which the advertisement is read and interpreted. These are discussed in chapter 3.

Extrapolation Errors also occur when results obtained in one situation, or from one group of people, are applied to another.

Of course the extent to which a finding can be transferred from one situation to another will depend on the nature of the finding itself. For example the finding that the use of a green signature on a piece of printed material almost always increases credibility is probably specific to direct mail. On the other hand a finding that Coloured (mixed race) people prefer White models, whilst Blacks prefer Black models can probably be applied to many different media where the target market is people of these race groups and is limited to the particular level of sophistication and urbanisation of those tested. It would however be dangerous to apply the results from a survey amongst the Xhosa people living in Transkei to the Zulu people or even to the Xhosas living in Soweto or some other urban complex.
SAMPLING ERRORS

Brown identifies 4 types of sampling error:

(a) **Frame errors.** These arise from the fact that most samples are drawn from an incomplete and biased population. Telephone subscribers, and even entries in street directories are not representative of the total population, and the inherent bias can affect most results. In South Africa the diverse and widely scattered population causes additional problems. Most research agencies are located on the Reef, with some representation in Cape Town and Durban. Many small surveys are at best representative of these areas. Where surveys are designed to cover the population as a whole it is almost always necessary to use cluster sampling because of the vast distances between the towns and villages.

(b) **Process or selection errors.** These arise if a sample is not a true random selection from the sampling frame. It is often reported that street-corner interviewers tend to select respondents who look pleasant, and that men like interviewing pretty girls. Even in more formally constructed surveys certain substitutions may occur because the nominated respondent is reportedly difficult to contact. Substitutions are particularly common in
WHY POOR SAMPLING CAUSES HIGH REFUSAL RATES

At the 1977 ARF conference in the USA, a research group reported the results of a national survey of shoppers who were asked about their personal experience with surveys in the past 12 months. The findings showed that an estimated 56% of all homes in the USA are contracted by survey researchers each year.

Altogether interviewers make 154 million requests but only 91 million interviews are granted, suggesting an average co-operation rate of only 57%. Why do 43% refuse?

For one thing, there is clear evidence that interviewers are being allowed to contact the same respondents repeatedly, while ignoring nearly half the homes who are never contracted in a year. The following table shows how interview requests are distributed among households:

<table>
<thead>
<tr>
<th>Times asked</th>
<th>% of requests</th>
<th>% of all homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>0</td>
<td>43,6</td>
</tr>
<tr>
<td>once</td>
<td>7,6</td>
<td>15,9</td>
</tr>
<tr>
<td>2 - 3</td>
<td>22,1</td>
<td>19,2</td>
</tr>
<tr>
<td>4 - 5</td>
<td>20,7</td>
<td>9,7</td>
</tr>
<tr>
<td>6 plus</td>
<td>49,6</td>
<td>11,6</td>
</tr>
</tbody>
</table>

Clearly poor sampling methods permit field workers to visit the same shopping centres time after time. Respondents tire of all this attention and their attitude contributes to soaring costs of data collection. Imagine how much this high refusal rate is costing researchers in lost time, in money and in biased results.

(Survey Sampling Inc./ARF. USA.)

Source: South African Advertising Research Foundation newsletter January 1979
South Africa when a survey team might visit a town for one or two days only, giving little opportunity for the traditional three calls back.

A recent study in America (figure A.7.1) showed the unevenness of the spread of contacts for research purposes. It is questionable whether it would be any better in South Africa.

(c) **Non-Response error.** Allied to the previous type of error is the fact that if a study requires voluntary cooperation, a certain number of people will refuse to cooperate.

This is naturally a major source of error in mail surveys or in the creation of panels, where the level of non-cooperation is notoriously high. Some researchers attempt to increase the response or co-operation rate by offering an inducement, but this in itself may create a bias.

In a recent article on the Acceptance and Refusal rates in French panels for Television and Radio Audience Research, Martinet and Aglietta (3) found that a comparative analysis of the socio-demographic profiles each week on a continuous panel showed that the respondent sample did not become deformed from one week to another. Consequently on the basis of the classic descriptive criteria, the
duration of the panel participation did not introduce a bias in the sampling.

The same study did however prove that the population which agrees to collaborate on a panel of this nature is not fully representative of the total population. The people who refuse panel participation differ from those who accept not only as regards to socio-demographic criteria (age and level of education) but also in their interest in the subject of the survey.

Stoessl and Stocks in their ESOMAR paper (4) on diary results of readership surveys also found significant differences in the demographic make-up of panel drop-outs and non-sign-ups. These variances appeared to distort the results obtained.

(d) Random errors. Finally, even if all the other hurdles have been overcome, there remains the the mathematical, or random, error. This arises from the fact that a sample is only a portion of the universe, and that random variances will occur. This type of error can be computed mathematically and is dependent on the size of the sample. As sample size increases the margin of error diminishes. The relationship is not, however, directly proportionate, but varies with the square root of the sample size.
Naturally where it is necessary to look at results for different cells within the overall sample, random errors based on the number of people within the individual cells must be considered. This is particularly important in South Africa where there are often significant differences in disposition and behaviour between the race groups. This is discussed in chapter 3.

The standard tables of 'sampling' error are only applicable to a true sample drawn correctly from a total universe. The existence of the other types of error will increase the probability and range of variation considerably.
THE DELAYED EFFECTS OF ADVERTISING

When attempting to study the effects of an advertisement, it is necessary to define the time period over which the effects are to be observed. In laboratory tests and tests relating to recall or changes in disposition, such as those discussed in Chapter 4, it is usual to ignore the ultimate behavioural changes, and to substitute some immediately measurable effect. As we have seen from Chapter 3 this can be misleading, since some advertisements have immediate positive effects, whilst others require a measure of forgetting before they have their full effect.

Where an advertisement is to be exposed under natural conditions, or where it is desired to measure actual changes in behaviour, various factors will cause the effect of an advertisement to be spread over a considerable period. Kotler (1) has identified a number of these factors, and in this appendix I will expand on them and indicate their relevance in the life assurance situation.

1. The execution delay. This is the period between the time when the marketing expenditure is made and the marketing stimulus appears - for example television commercials must be designed and approved many months before they can first
be shown on television. This is a matter which can be controlled and measured by the researcher, and is really only a problem when the researcher is attempting to relate expenditure to changes in purchasing habits.

2. **Forgetting.** One can expect that the natural effects of an advertisement will exist for just so long as that advertisement is remembered. This will vary from person to person and from advertisement to advertisement. It is likely that a single exposure will be remembered for a matter of days or weeks rather than months or years. The effect of an advertisement requiring the reader to take immediate action is likely to be of much shorter duration than that of an image advertisement that affects the reader's subconscious and which will be revived, possibly without the source being remembered, by a subsequent stimulus.

3. **The Noting delay.** This is the delay between the appearance of the marketing stimulus and the time of its noting by potential buyers. This may be for example, because a magazine is read several months after it first appears, or because a letter may be delayed in the post and/or re-addressed several times.
4. **The Purchasing Delay.** This is the delay between the time any stimulus is noted and any behavioural change which may be affected. In ordinary goods for which the purchase is initiated by the prospect this may depend on the extent of the motivation, but for an unsought goods it will also depend on the frequency of contact by the salesman. In the case of life assurance there may be an additional purchasing delay, since even a committed buyer might decide to withhold his initial payment to the end of the month, or perhaps even to the end of the tax-year.

5. **The Recording Delay.** This is the delay between the time a purchase is made, and the time it is recorded. In the life assurance industry it may take several weeks between the time a prospect 'signs' the proposal and the final issue of a policy - particularly if there are medical or other investigations to be completed.

6. **The Negotiating Delay.** Although this is not identified by Kotler, there can be delays whilst the possible purchase is being negotiated. It often takes a good life assurance salesman some time to collect all the information about his prospect, and to present a detailed recommendation. This may also be discussed with the prospect's lawyer or accountant. If the value of the advertisement is purely in obtaining the initial interview, it must be credited with the ultimate sale even though the advertisement may have been forgotten long before the negotiations are concluded.
7. **The Customer Hold-over Effect.** Kotler identifies this effect as that caused by the extent to which a marketing stimulus will create a new customer or increase the volume of purchases of an existing customer. This can create a purchasing habit which will continue to bring in business long after the initial impact has disappeared. The statistics appear to indicate that in the life assurance industry in South Africa the frequency of purchase is low and the rate of repeat purchases by existing customers is very little greater than the purchase rate of new customers (refer chapter 1). The value of an advertisement in promoting the habit of paying premiums regularly must however, be considered.

8. **The Salesman-Motivation Effect.** This is another effect not mentioned by Kotler, and is caused by the effect that 'success breeds success'. If a salesman makes an easy sale he is likely to be motivated to make more sales contacts, and is less likely to leave the organisation. This effect is explored more fully in chapter 1.

Kotler (2) and various other writers have attempted to design equations to quantify the carry-over effect of advertising. These generally rely on comparisons of advertising expenditure as the guide to the effect of advertising. This is obviously a simplistic view since some advertisements have been shown to be several times more effective than others for comparable media expenditures.
Kotler's formula for sales $Q$ in time period $t$ and marketing expenditure $X$ is

$$Q_t = a + b_t X_t + b_{t-1} X_{t-1} + b_{t-2} X_{t-2}$$

Kotler does however go on to say:

"As stated earlier most analysts expect to find the $b$ regression terms getting progressively smaller, indicating that the current marketing expenditure has the greatest effect, followed by successively smaller effects from previous expenditures. This has exceptions however, and the weights may also appear to increase first and then decrease".

REFERENCES

(1) Kotler P. op cit pps 120-140

(2) ibid p 127
EXAMPLES OF THE USE OF THE EVALUATION SYSTEM

TESTING THE DIRECT MAIL APPROACH AGAINST THE ADVERTISING APPROACH

This experiment was undertaken in January 1978 as the first attempt at validating the advertising effectiveness measurement programme described in Chapter 2. It also attempted to compare the relative effects of two somewhat different advertising approaches each having the ultimate objective of increasing the readers' holding of IndependenceMaker retirement annuity plans.

The two mailing pieces tested are included at the end of this appendix. Mailing piece number 1 (annexure 1) was a letter written by a copywriter of a leading advertising agency. This 3-page letter contains a full description of the Independence-Maker plan, and uses much of the terminology of the press advertisements which were appearing at the same time. Mailing piece number 2 (annexure 2) was a 1-page letter written by a leading direct mail agency. This letter promotes only one key benefit of the plan - that of the impact of tax savings on the build-up of capital for retirement.

The writer of letter no. 1 subscribes to the theory 'The more you tell, the more you sell', whereas the writer of letter
number 2 prefers to whet the reader's appetite so that he is eager to find out more.

Each letter enclosed a reply-card onto which the name and address of the respondent had been pasted. Letter 1 offered the respondent a comprehensive 'IndependenceMaker' brochure, and a choice as to whether or not to request a direct contact from a salesman. Letter number 2 offered a free leaflet on the tax-saving aspects of the plan and made no mention of a salesman. In each case the reply-card was designed as an integral part of the mailing campaign, and the offer piece was selected by the agency concerned. All responses were distributed to salesmen to follow up regardless of whether a salesman had been invited.

The target universe for this campaign was defined as upper-income white males between the ages of 28 and 50 who are not self-employed. We simulated this market by identifying from the voters' roll 78 500 men in the required age group who give their occupations as being in the academic, managerial or business specialist spheres.

This list was extracted and sorted into approximate alphabetical order using the first four letters of the surname and the initials. These were then numbered consecutively throughout the list. The reference number was then divided by 80 and the prospects allocated to sub-samples on the basis of the remainder. 8 sub-samples were then constructed on the basis
'INDEPENDENCE MAKER' DIRECT MAIL TEST – JANUARY 1978

Diagram:

- A: Main node
- B, C, D, E, F, G, H, J, K, L, M: Sub-nodes
- Letter 1 and Letter 2 routes
- Responses

Legend:
- No letter

Diagram logic:
- A connects to B, C, D, E, F, G, H, J, K, L, M.
- B connects to H.
- C connects to J.
- D connects to G.
- E connects to F.
- G connects to no letter.
- H connects to K.
- J connects to M.
- L connects to responses.

A8.1
of 3 of $\frac{1}{80}$th, 3 of $\frac{3}{80}$, 1 of $\frac{35}{80}$ and 1 of $\frac{33}{80}$ (The difference between the sizes of the last two groups was a transcription error, but the method used in constructing the samples will have prevented this from creating any bias).

These were then allocated to the treatments as shown in Figure A8.1 opposite. Groups B, E and H received letter 1; F, C and J letter 2; groups G and D were retained as control groups. The three $\frac{3}{80}$ groups B, C and D and the smaller replications E, F and G formed the basis of the measurement test. The groups were separated to provide a measure of the stability of the results. The smaller groups were also analysed manually so that we could check that the basic computer programme was in fact analysing the data in the required manner.

The two large groups H and J contained excess names that could not be studied in terms of the measurement system, but were used to obtain more reliable guides to the response rates. The responses from these groups were used to create 3 more sub-samples - K, respondents to letter 1 who also requested a salesman, L respondents to letter 1 who did not ask for a salesman, and M respondents to letter 2. These sub-groups could also be analysed through the measurement system to see the value of responses.
Each of the sub-groups divided in terms of the home language of the addressee, and separate English and Afrikaans texts were used as applicable.

The results of this test demonstrated that the advertisements do affect both sales and conservation, with responses being a bonus on top. They also demonstrated that the right message could have a significant effect on the conservation of plans other than those being specifically advertised.

**THE LAUNCH OF 'HER OWN POLICY'**

'Her Own Policy' was launched in the middle of 1977 as an insurance plan especially designed for modern women. It is basically an endowment assurance with special benefits built in for women.

The target markets for this product included married and single women aged 25-40 years who have access to sufficient funds to pay premiums in excess of R20 per month. From the voters' roll we identified some 270 000 women who were in the required age groups, and who were either 'housewives' or who were employed in suitable occupations.

This mailing list was then segmented into a total of some 24 different sub-groups for mailing purposes in a manner similar to that described for the IndependenceMaker test.
Mailing took place in April and June 1978 and we constructed a mailing grid to allow us to test a series of 8 different approaches within the two mailings. One approach was designated as a 'control approach' and was used in both mailings and to both employed women and to housewives. Other approaches were only used to one or two segments but could be compared against the results of the control letter used under identical circumstances, against a sample that received no letter, and through extrapolation against the comparative results of the control letter against other letters used in the other mailings. In certain cases they could also be tested against other approaches receiving similar treatment.

Tests two and three represent the first attempts at using direct mail to test advertising material that has been specifically designed for some other medium.

In test 2 I compared two advertisements which had been appearing in the press and in magazines. In this test I reproduced the advertisements on high-quality A3 paper. (In annexures 3A and 3B they have been reduced to a little smaller than half size). Each was accompanied by the covering letter (annexure 4).

The mailing pieces were dispatched in window envelopes, addressed by means of a sticker on a card which doubled as a business-reply-service card. The covering letter and the reply-card repeated the offer of a free booklet on 'Her Own Policy'.
The inclusion of this covering letter and the reply device can be criticised as they are adding something to the test advertisement which is not present in the natural (newspaper) setting. However both original advertisements included a coupon offering the booklet, and it is thought that recipients would be unlikely to cut the coupon out of the reproduction. The business-reply-service card also helped me to justify the cost of the campaign in terms of the traditional direct mail criterion of 'cost-per-enquiry'.

In a simultaneous test I attempted to simulate a television commercial, by reproducing the current 'Her Own Policy' television commercial in storyboard form as a single-page leaflet (annexure 5). This leaflet was prepared in full colour on good-quality paper, but with the pictures deliberately fuzzy to simulate movement. We also included the agency sub-titles to obtain involvement in what is essentially an unreal situation although this possibly unjustifiably distorted results. Once again an address/reply device and covering letter were used.

In each of these cases we were measuring the effects of one additional facing of a current advertisement. It was also advertising a new concept which had hardly got off the ground at the time.
In their natural situation the advertisements were designed to do three things; to stimulate interest in 'Her Own Policy' and thus to promote sales of the product; to create a discussion within families about insurance, and thus to promote the holding of insurance generally; and in the longer run to promote the retention of existing products.

In these tests, however, we have only been able to measure the effectiveness in bringing about changes in policyholding that affected the woman herself, since the present programme can only identify the person to whom the letter was addressed. A more refined programme could possibly also identify other members of the household.

At the time of the tests members of the target market held very little life assurance and so it was not possible to identify an effect on conservation.

Test no. 4 was another of the mailing pieces tested simultaneously, and it is included here as an example of an occasion in which the test system is almost certainly not valid. In this test we selected a sample of married women from the voters' roll and used the information to generate labels addressed to 'Mr and Mrs'. Two separate letters were put into the same envelope, the one addressed 'Dear Sir' and the other 'Dear Madam' (annexure 6A and B). An address/business-reply-service card was again used.
Although the letter specifically mentioned 'Her Own Policy', many of the salesmen following up enquiries appear to have sold other plans, including some on the lives of other members of the family. This is confirmed by reports received on the use of the leads. The computerised measurement system was unable to identify these sales at all for the reasons mentioned earlier.

TESTING REACTIONS TO ILLUSTRATIONS — 1978
NON-WHITE PROFITMAKER EXPERIMENT

This experiment was undertaken in 1978 as a pilot test for what is hoped to be a very much more complex experiment later. The test concerned the attention and empathy value of illustrations, and particularly investigated the reactions to illustrations using models of different race groups. It was felt that normal testing methods would generate responses which would reflect expressed opinions which appeared politically popular at the time, rather than the true reactions of the individual respondent. The test therefore aimed at measuring relevant behavioural changes when test material was exposed under natural conditions.

Old Mutual obtained the names and addresses of some 16 000 selected account customers of a major chain store group which operates throughout South Africa. The store group claims to have more than 700 000 non-White charge accounts. The accounts are divided in terms of the store's credit policy into Black
and Coloured/Asian families. The latter group had to be treated as an entity as the stores concerned do not differentiate between these race groups.

The names were drawn from stores in a number of different areas in which Old Mutual has an adequate sales force of the race group concerned. In this way it is possible to get indications of the reactions of people in the different areas, and also 'combined' indications in regard to the spread of people to whom we are currently able to sell. The results cannot however, be used to purport to represent the spread of population in South Africa.

The customers were selected in terms of the size and creditworthiness of their accounts, and in terms of the regularity with which payments are made. It was considered that these criteria would identify desirable prospects for Life Assurance, and would exclude those people to whom Old Mutual would not wish to sell. The basic requirement that they have a charge account is an indicator of a mode of living, but does introduce a potential bias as it excludes the group who do not patronise that particular store group, or who only buy for cash. I feel however these factors are unlikely to distort the test results for the purpose for which they are designed.

The test material consisted of a letter, using a text which had been used successfully on other occasions. This letter
promotes the 'ProfitMaker' concept of pay-yourself-first, and offers a free brochure on the subject. It is rated as a highly response-orientated letter. On this occasion the main test material was presented on the format of A3 folded to A4 with the letter reproduced on the inside right-hand page of the resulting leaflet (annexure 7). On the outer fly-leaf we reproduced full-colour pictures relating to various family scenes. Four basic variations were prepared. One with all the pictures relating to White families; one all Coloured or Asian families; one all Blacks; and the fourth including illustrations from each of the race groups. The fifth variation was the letter prepared on ordinary A4 format white paper.

In the illustrated versions I decided to use a montage of pictures for each variation because it was not practical to set up identical situations. I felt that if a different single situation was used in the several variations the results might be affected by factors other than the race group of the model.

For each race group and in each area the mailing list was sorted into rough alphabetical order and then subdivided into four equivalent sub-samples by assigning the individual names in rotation. This should provide sub-samples statistically equivalent to a random distribution. For each race group one sub-sample received a letter with illustrations of its own race group, one with 'White' illustrations, one with mixed illustrations, and one sub-group received a letter without illustrations.
Unfortunately the list utilised in this test cannot be analysed as a total effectiveness study as described in Chapter 2 as the information available does not allow us to obtain a sufficiently reliable match against Old Mutual's records. Also most charge accounts are taken out in the name of the wife, although her husband will often be the major prospect for life assurance in the household. Our computerised measurement programme, even when it can be matched against the primary mailing list, does not yet allow us to identify effects on other members of the household.

We are therefore limited to measuring results in terms of response rates and conversions to responses. The latter measurements were obtained through the lead evaluation system described in Chapter 4. On this occasion the form also allowed us to identify whether the respondent was a new prospect, and whether the primary person canvassed was the specific person to whom the mailing piece was addressed.

In this pilot study the sample sizes and response rates were too small to draw firm conclusions in many of the test areas, but we were able to demonstrate that the illustrations did create significant differences in certain response rates. There were also notable differences between the most effective presentations to Blacks in Soweto compared to those in Transkei, and between Blacks and Coloureds/Asians. No
measurable differences were found in the conversion rates to the letters in the different formats, although there were differences between the race groups. This suggests that the relative number of coupons is a reasonable guide to the relative effectiveness within a homogeneous target group, but that it must be regarded with suspicion when comparing the volume of responses between different groups.

I hope to be able to replicate this test on a much larger scale, and also to use a mailing list that can be measured by the full advertising effectiveness programme. The pilot test does, however, illustrate the practicality of using this type of methodology to investigate reactions to illustrations and similar problems for which the traditional testing methods do not provide reliable results.
Dear Sir,

WHAT WILL LIVING ON A PENSION MEAN TO YOU?

It's a phenomenon of our time, that the provisions of a normal company pension are unlikely to give us the means to do what we aspire to when we retire.

Over 50% of men questioned on this subject had already reached this conclusion, but not yet done anything to correct it. Or had not found a suitable answer to close the gap between just retiring and beginning a new life.

New life at a time when independence will mean most. The time when you will want your freedom from financial worries, freedom of choice, freedom of movement to travel where and when you will. The time to begin ensuring that future freedom and independence is now.

Or are you content to leave it at the back of your mind while you are steadily getting older and it becomes more difficult to do something about it?

Even with a pension scheme, most salaried men face a marked reduction in their regular income after retirement. And when the inevitable loss of buying power over time is taken into consideration, the required adjustment in standard of living is alarming for many. Just how independent will your company pension leave you? Or will you need an additional anchor in life?

Old Mutual has created the INDEPENDENCEMAKER plan to reinforce normal retirement provisions and make the difference between 'living on a pension' and enjoying the best years of the rest of your life.

EXAMPLE: A man of 30 contributing R500 p.a. to his personal IndependenceMaker plan would have an estimated retirement capital of R133 837 at age 65.

You build your IndependenceMaker plan according to your commitments (to be invested monthly, half-yearly or annually). You decide the benefits and built-in protection according to your own assessment of your future needs.

....2/.
The Receiver of Revenue will actually subsidise your IndependenceMaker contributions, up to the maximum of R3 500 p.a. allowed for all pension and annuity contributions. Whatever you invest now in your IndependenceMaker plan CAN BE DEDUCTED FROM THIS CURRENT YEAR'S GROSS TAXABLE INCOME. The end of February is the deadline. Also, the more you earn and are going to earn in the future, the more you are going to get back from the Receiver. A married man earning R7 000 p.a. today can get back 21% of his IndependenceMaker contributions. If you earn R30 000 p.a. you will get back 72%.

SEND FOR YOUR FREE COPY OF THE INDEPENDENCEMAKER BOOKLET by returning the enclosed postage-paid card.

The card gives two request options. Please tick the one you favour.

1. PLEASE SEND ME YOUR BOOKLET ON INDEPENDENCEMAKER.

The booklet explains in detail how to plan your future independence around your current pension provisions and gives tables that will enable you to calculate tax savings and the potential growth of your personal IndependenceMaker plan ... the only personal retirement finance plan boosted by Old Mutual's Performance Profits or capital-building bonuses.

2. SEND THE INDEPENDENCEMAKER BOOKLET AND ASK ONE OF YOUR FINANCIAL ADVISERS TO PHONE ME.

(Please write your financial adviser's phone number in the space provided.)

On receipt of your request, I will post the booklet and arrange that one of our top personal financial advisers phone you only when you have received and had a chance to read the booklet. He has made a study of all aspects of retirement provision and life cover and will be able to answer your questions.

REMEMBER: 28th February is the deadline to do something about your future independence and benefit from the substantial tax deductions this year.

Be sure to post the enquiry card to me well before then, so that I can get the booklet to you in plenty of time—better still, post the card first thing tomorrow.

Yours sincerely,

H.W.A. GARDINER
MARKETING MANAGER.

South African Mutual Life Assurance Society
Dear Sir

Many men in your position, even now, are paying more income tax than they need...

...what's more they have not taken the vital precautions to make the most of their retirement provisions.

Simply by reading a short and very interesting leaflet published by Old Mutual, many men could learn how to save themselves thousands of rands over the years.

Perhaps you feel that you have taken advantage of every tax-saving avenue open to you...and that the pension or other provision which you have made for your retirement will withstand taxation and still leave you enough to live on comfortably for the rest of your life...

...but shouldn't you make absolutely certain? Shouldn't you at least read 'Income Tax and Your Retirement'?

It will tell you about tax-saving avenues open to you if you consider "IndependenceMaker" as an investment for your retirement...

...add to this the fact that the last budget allowed you increased tax-deductible contributions...

...and you have the basis of a very sound scheme for earning more money from your income instead of paying it away to the tax man.

This informative leaflet, is free and absolutely obligation-free. The few minutes which you take to read it could be an investment in tax saving for the rest of your life...

...why not send for it today? Simply mail the enclosed reply-paid card for your free copy.

Yours faithfully

H.W.A. Gardiner
MARKETING MANAGER

P.S. You must act before 28th February to claim tax savings for this year - so please read the obligation-free leaflet very soon!
Now! Insurance that provides for pregnancy, disability and your future insurability. Because being a woman is different.

Old Mutual has designed an insurance policy uniquely for women in South Africa. It is called 'Her Own Policy'. For the first time a woman's own special needs are catered for.

With this breakthrough, Old Mutual gives recognition to the role of today's woman as a partner in the family's future assets. After all, it's she in all other respects an equal partner in marriage, with responsibility for the household budget and a key role in major financial decisions.

The benefits of 'Her Own Policy' are uniquely applicable to women. They make it even more common sense to utilize your insurability in the benefits of the family as a unit. In this way you can complement your husband's provision and considerably increase your joint assets. And should you ever be permanently disabled (including pregnancy as a cause) or taken from your family permanently, your policy will then carry any financial blow which may follow.

<table>
<thead>
<tr>
<th>Three features with a special meaning to women. Together they make 'Her Own Policy' unique.</th>
</tr>
</thead>
</table>
| 1. A disability benefit which remains in force after marriage and also applies in pregnancies. In this way, if a woman's role is life insurance, she was often unable to secure disability benefits. Even if she did, they usually fell away at marriage and certainly didn't cover disability resulting from complications caused by pregnancy. With 'Her Own Policy', disability cover remains in force right up to the age of 40 – whether single, married or widowed. Should illness or an accident permanently disable the woman, she is entitled to the full sum assured of her policy plus all accrued bonuses.
| 2. 'Stork' Bridging Cover aids you over pregnancy-with-lower-premiums. The financial burden in having a baby can dig deeply into your family finances. This special benefit allows for a considerable reduction in monthly premiums during the period of pregnancy without affecting your life and disability cover. This cover becomes available for twelve months at a time.
| 3. Guaranteed insurability, transferrable from wife to husband. A guarantee that you will still be insurable for up to ten years time, can mean great peace of mind. This provision of insurability, transferable from wife to husband, is yours without cost or filing.

Where do you fit in? 'Her Own Policy' in relation to what other your status, single, married, working wife, widow or divorcée. While giving you a five-year age advantage, it provides the means of building capital running into five figures - with the kind of protection that has special meaning to a woman.

Free brochure. A copy of our detailed brochure plus the supplement is yours without cost or obligation by mailing the coupon below.

To: The Marketing Manager, Old Mutual, P.O. Box 646, Cape Town, 8000.
□ Please send me, without obligation, a copy of your free brochure on 'Her Own Policy'.
□ I would like an Old Mutual Adviser to call on me.
□ or broker in discussion, in depth, the advantages of 'Her Own Policy'.

Name (Mrs/Miss): 
Address:
Tel: 
Fax:
Telephone:

Old MUTUAL
Your Anchor in Life.
Old Mutual creates unique insurance for women.

With 'Her Own Policy' the wife becomes a full partner in building up the family's financial assets.

The traditional concept that it is the man's inescapable duty to provide for his family's future security has become "Old Mutualised" in the light of this new development.

Old Mutual has now given recognition to the importance of today's woman as an equal provider of the family's future assets, by catering for her specific insurance needs. After all, she is in all other respects an equal partner in marriage, with responsibility for the household budget and a role in major financial decisions.

This new insurance policy is called 'Her Own Policy'. Its exclusive provisions for women make it sheer common sense to secure the future of the family. With 'Her Own Policy', women and applicable to all normal occupations including that of housewife and homemaker. Never before in South Africa has there been an insurance policy designed exclusively for women.

Three features with a special meaning to women.
Together they make 'Her Own Policy' unique

1. **Disability benefit** which remains in force after marriage and also applies to pregnancies.

The policy is based on a provision in the "Stock" policy which enables the wife to carry on her business after marriage without the necessity of taking out another policy on her own life. The policy also continues in force after pregnancy and guarantees the wife a substantial benefit while she is disabled during pregnancy.

2. **'Stock Bridging Cover'** provides a special extra benefit which remains in force after marriage and also applies to pregnancies.

A totally new option exclusive to the wife is the 'Stock Bridging Cover'. This feature ensures that if the wife becomes disabled during pregnancy, she is entitled to a substantial benefit while she is disabled.

3. **Guaranteed Insurability, transferrable from husband**

You automatically become a member and part-owner of Old Mutual when you take out 'Her Own Policy'. This means that if the wife should die, her husband becomes the owner of the policy and is entitled to receive the death benefit as owner.

The minimum monthly premium is R20.

The woman's status

Because 'Her Own Policy' is based on a partnership between husband and wife, it also looks at various other aspects of today's woman's status in the community - aspects such as her legal position, income tax status, and financial position. The policy provides for full coverage of the wife's status in the community - aspects such as her legal position, income tax status, and financial position. The policy provides for full coverage of the wife's status in the community.

Where do you fit in?

'Her Own Policy' relates to the insurance you require, whether single, married, working wife, widow or divorcee. While giving you a five-year age advantage, it provides the means of building capital running into five figures - with the kind of protection that has special meaning to a woman.

When you take out 'Her Own Policy', you automatically become a member and part-owner of Old Mutual. Policyholders are the only shareholders in Old Mutual.

Policyholders may also apply for loans after the required values have built up. 'Her Own Policy' is also acceptable by a bank as collateral security. Only in our guaranteed insurability status do single women, divorcees, and widows enjoy an advantage over married women. On marriage, this status is transferable to the husband.

Whatever your marital status you may take out your policy to mature at the age of 55, or 60. The minimum monthly premium is R20.

First in South Africa

Never before in South Africa has there been an insurance policy exclusively for women. 'Her Own Policy' is a unique savings plan with life cover, plus additional benefits which take into account a woman's specific security needs.

It is fully profiting and that qualifies for the five-year guaranteed bonus paid only to profitable policyholders. In addition, there is a final bonus through which the policy could provide a substantial capital amount by the time your policy matures.

How you benefit from Old Mutual profitability

<table>
<thead>
<tr>
<th>Life expectancy</th>
<th>Male</th>
<th>Female</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years</td>
<td>65</td>
<td>60</td>
<td>8%</td>
</tr>
<tr>
<td>30 years</td>
<td>70</td>
<td>65</td>
<td>7%</td>
</tr>
<tr>
<td>40 years</td>
<td>75</td>
<td>70</td>
<td>6%</td>
</tr>
</tbody>
</table>

1. **Agent from the final payout, you enjoy substantial lifestyle and disability cover.**
2. **'Her Own Policy' is not limited to women of 40 and younger.** It is the only limiting factor - the longer it runs the more it will be worth when it matures. The table below shows how Old Mutual's profitability can turn your monthly contributions into a substantial capital amount by the time your policy matures.

The table below shows how Old Mutual's profitability can turn your monthly contributions into a substantial capital amount by the time your policy matures.

Optional fixed monthly income

'Her Own Policy' gives you the option of taking out additional cover, ensuring your children, or monthly income for a special period. This is one of the many advantages of the policy itself and any bonuses which may have accrued. This option may be accepted with the disability benefit, so that you receive an income if you should become permanently totally disabled at any time.

To ensure you are a full Mutual adviser of the brochure giving details of 'Her Own Policy'.

A copy of our detailed brochure plus the supplementary is yours without cost or obligation by phoning the coupon below.

In order to ensure you are a full Mutual adviser of the brochure giving details of 'Her Own Policy', you may telephone the Old Mutual office nearest you for a copy of our detailed brochure plus the supplementary set.

To: The Marketing Manager, Old Mutual, P.O. Box 66, Cape Town 8000.

Please send me, without obligation, a copy of your free brochure on 'Her Own Policy'.

I would like to have an Old Mutual Adviser call on me

or brother to discuss, in depth, the advantages of 'Her Own Policy'.

Name (Mrs/Miss) ________________

Address ____________________________

Tel. ____________________________

Telephone ____________________________

Your Anchor in Life.
Dear Madam,

There is a new appreciation of your worth and your value to your family ...

... at last a monetary value has been placed on your rôle as wife, mother and manager.

Across the country, South Africa's womenfolk are discovering much that is new to them about their standing in the community ... their position in law ... income tax as it affects them ... the advantages of an effective and up-to-date will.

To back this new appreciation, Old Mutual have a special plan. It's known as 'Her Own Policy' and is advertised in your favourite magazines and on television. Just to remind you of its main benefits, we have reprinted the advertisement and I am enclosing it with this letter.

Of course, an advertisement cannot tell you all there is to know about this intriguing new plan. So why not send for your copy of the informative brochure entitled 'Her Own Policy'. It's free of charge and tells you about topics of importance to a woman in today's society.

Just return the postage-free card and I'll send you your brochure by return.

Yours sincerely,

H.W.A.GARDINER
MARKETING MANAGER.
OLD MUTUAL
TV Scenario

Produced by Van Zijl & Schultze, Lund & Tredoux
Client Old Mutual
Product ‘Her Own Policy’
Length 30 seconds

VIDEO: Close-up of man’s hand on garden table surface. Wife’s hand is placed over his hand forming a bond, as on policy brochure cover.

VIDEO: Opening shot of husband and wife strolling in garden of home. Tranquil mood, capturing a moment of unspoken communication between them.

AUDIO: “He has always been your insurance...”

VIDEO: They walk to garden table under tree. He draws out chair for her and she sits down.

AUDIO: “... now you can be his insurance.

VIDEO: Shape of policy cover is outlined on the screen, with title ‘Her Own Policy’ retained. Live action takes place in the illustration area Bride is seen.

AUDIO: “With ‘Her Own Policy’ from Old Mutual.”

AUDIO: “... with exclusive benefits for women.”
AN IMPORTANT OPEN LETTER TO ALL HOMEMAKERS!

Dear Madam,

Your job - being a homemaker - must be one of the most complex (and never-ending) jobs there is ...  

... and the rewards cannot be measured in cash, as in any other job.

Yes, your rewards are reflected in a happy family, rather than in rands building up in the bank.

Now, suddenly, there is a new role open to you. One through which you can help increase the family savings ...

... a role through which you can definitely help provide more family security ...

... while still taking care of your demanding job as a homemaker.

It's all carefully explained in a full-colour brochure designed specially for homemakers and their husbands. Why don't you send for a copy?  It's absolutely free and without any kind of obligation.

To find out how you can help your family, more than ever before, just mail the postage-paid card today.

Yours faithfully,

H.W.A. GARDINER
MARKETING MANAGER.
Dear Sir,

The burden of taxation ... the difficult task of saving ... the need to provide more family security ...

... these are real problems for today's family man - problems which, in many instances, the husband has had to bear alone.

Old Mutual has now come forward with an exciting innovation, which can give you a welcome measure of relief from these problems.

It's a plan by means of which your wife can help you - and the family - just by being able to take certain of the responsibilities onto herself.

She can now provide the family with additional security at a lower rate than you'd have to pay for the same life cover ...

... her premiums could increase the tax relief that you are at present receiving on the family income ...

... and she could be increasing the family investments in a really substantial way.

"Her Own Policy" is a colourful and well-produced brochure, designed to show you and your wife a new way of working together, for the well-being of the family. Every husband and his wife should spend just a few minutes reading it.

The booklet is absolutely free and without any kind of obligation whatsoever. Simply mail back the enclosed reply-card today ...

... we'll send your free copy by return.

Yours faithfully,

H.W.A.GARDINER
MARKETING MANAGER.
For people with a lot of living to do
Dear Sir,

The card attached to this letter is your invitation to learn about a financially secure future.

... a future where you can look forward to having enough money to buy the things you'll need in later life.

At the same time you can learn how to protect your family against worries and hardship should anything happen to you.

Simply fill in and post the reply-paid card today. By return we'll send you a brochure ...

... you will read about the OLD MUTUAL ProfitMaker Plan ... how, by regularly investing R10 or more each month, you will be able to accumulate a significant amount of money over the years ...

... and how the ProfitMaker Plan immediately insures your life ...

Please post the card today ... the brochure is free and obligation-free ... to all people who care about their families and about the best way possible to build up future capital.

Yours faithfully,

H.W.A.GARDINER
MARKETING MANAGER.
CONCEPT TESTING

The following questionnaire is an example of that used for concept testing by personal interview. Similar aspects could be covered in a group discussion. The rationale for each question or group of questions is shown in the right hand column.

QUESTIONNAIRE

SHOW CONCEPTS:

Q1. Here are some things which could be said about ... ... (MENTION PRODUCT). Which of these do you think you would be most likely to buy?  

Q2. Why do you say that? (PROBE)

Q3. Which of these most appeals to you?

Q4. Suppose you had to give a mark out of ten to each, what marks would you give this ... (MENTION PRODUCT) - and this one?

RATIONALE

Measuring Concept appeals for brands
Q5. Why did you give the highest mark to this one?

Q6. Which of these brands would you think is ....?
    the most economical
    the strongest
    the weakest
    the most modern
    the one with the nicest flavour
    etc.

Q7. Different kinds of ... (MENTION PRODUCT) appeal to different kinds of people; which of these ... (MENTION PRODUCTS) do you think would be chosen by ...?
    rugby players
    lawyers
    sociable people
    racing drivers
    doctors
    outdoor people
    etc.
Q8. If we look at the claims made for these ...... (MENTION PRODUCT), which claim do you think is ...?
    the most likely to be true
    the most likely to persuade people
    the most exaggerated

USERSHIP AND PERSONAL DATA QUESTIONS.

The following pro forma questionnaire is used by a leading advertising agency for pre-testing advertisements. The rationale for each group of questions is shown in the right hand column.

**QUESTIONNAIRE**

**RATIONALE**

SHOW CONTROL FOLDER OF 5 (OR MORE) PRESS ADVERTISEMENTS (TEST ADVERTISEMENT AT NO 3 OR 4)

Q1 (a) Thinking about all the advertisements you have just seen, can you please tell me what PRODUCTS or BRANDS you remember being advertised?

PROBE: Any others?

**IF PRODUCT BUT NOT BRAND MENTIONED, ASK:**

(b) What brand of ................. (product) was advertised?
IF TEST AD NOT RECALLED, ASK:

Q2 (a) Do you remember seeing an advertisement for .......(product)?

IF YES, ASK:

(b) What brand was it?

ASK ALL WHO RECALL AD FOR ............ (PRODUCT)

Q3 Now, thinking about the advertisement for ..........(product) could you please tell me everything you remember.

PROBE: Anything else?

SHOW TEST ADVERTISEMENT AGAIN

Q4 How did you feel when you (first) saw this advertisement? What thoughts and feelings came to mind?

PROBE FULLY
Q5 What do you think is the main message of the advertisement, that is, what is it trying to say?

PROBE: Anything else?

Q6 Was there anything you particularly liked about the advertisement?

Q7 Was there anything you particularly disliked about the advertisement?

Q8 Was there anything about the advertisement you found hard to believe or difficult to understand.

Q9 How successful was this advertisement (the first time that you saw it) in conveying the following to you:

5 communication objectives on:

- Fully
- partly
- Not sure
- No, not at all

Measuring affinity, credibility and understandability

Rating prompted communication objects
Q10 I have some statements here which could apply to the brand of .......(product) advertised. Please tell me to what extent you agree or disagree with each statement when I read it out. 8 product attributes/image statements.

Q11 How likely are you to buy this brand of .......(product)?

Source: Pro forma Questionnaire supplied by Van Zijl & Schultze, Lund and Tredoux, (Pty) Ltd. Rationale added by author.
A RESEARCH AGENCY'S COMMUNICATION PRE-TEST QUESTIONNAIRE

The following pro forma questionnaire is used by M.R.A. to pre-test whether an advertisement is successful in achieving product and brand registration and getting across the desired message. The rationale for each question is shown in the right hand column.

QUESTIONNAIRE

Q1. Please look at this advertisement (SHOW FOR 5 SECONDS AND REMOVE)

Please tell me all you can remember about this advertisement.

IF ... (MENTION PRODUCT) AND / OR BRAND NOT MENTIONED? ASK Q2.

Q2. (a) What product was being advertised?

(b) what brand was being advertised?

RATIONALE

To establish communication.

To investigate the level of product and brand identification after brief exposure.
SHOW ADVERTISEMENT AND LEAVE OPEN:

Q3. What is the advertisement telling you?

PROBE: Is there anything else?

Q4. What do you understand about the product that is being advertised? What does the product do?

To investigate comprehension of the selling message after unlimited exposure - does the consumer understand what the advertisement is telling him/her.

Q5. How do you personally feel about what the advertisement is telling you?

To establish consumer empathy with the advertising claims.

Q6. Is there anything you find new or interesting about this advertisement?

To investigate degree of interest.
INDICATE VISUAL

Q7. Let's now think just of the picture(s). What is/are the picture/s telling you?

INDICATE HEADLINE

Q8. Now please tell me in your own words what this headline is telling you?

Q9. Is there anything in this advertisement that you think is not true or is possibly misleading?

Q10. Judging from this advertisement, how keen would you be to try this product/service?

Extremely
Fairly
Not very
Not at all

USAGE AND PERSONAL DATA QUESTIONS

Source: M.R.A. "Advertising Testing in a T.V. Era" op cit
DAY AFTER RECALL TESTING

The following pro forma questionnaire is used by Market Research Africa in testing a television commercial.

The method used is street or telephone interviews and respondents are drawn from members of the target market group.

In the right hand column I have again set out the rationale for the individual questions.

QUESTIONNAIRE

Q1. Did you watch T.V. last night?

(IF NO - CLOSE INTERVIEW)

Q2. Which of these programmes did you watch?

(READ OUT PROGRAMMES IMMEDIATELY BEFORE AND AFTER ADVERTISEMENT TRANSMISSION TIME, IF BOTH PROGRAMMES NOT SEEN - CLOSE INTERVIEW)

RATIONALE

Establishes if respondent could have been exposed to test commercial.
Q3. Which brands of ... (MENTION PRODUCT FIELD), if any, did you see advertised last night on television? Establishes if advertisement registered at simplest level of brand recall.

IF NOT MENTIONED:-

Q4. Did you remember seeing an advertisement for ...? (MENTION BRAND) Establishes if advertisement registered after prompted brand recall.

Q5. What did the advertisement say and show about ... (MENTION BRAND) Establishes the main aspects which have been communicated.

PROBE - What else can you remember about it?

Q6. What do you think is the main thing you are being told about ... (MENTION BRAND) in this television advertisement? Establishes which main points of the product message were communicated and had most impact.
Q7. Which of these words do you think describe this advertisement for ... (MENTION BRAND)?

- Appealing
- Clever
- Cluttered
- Convincing
- Dull
- Irritating
- Entertaining
- Interesting
- Silly
- Unbelievable
- Funny
- Made me want to try/buy

Measures consumer reaction, and attitudes to the advertisement.
Norms can be built up over time for different brands within a product class.

USAGE AND PERSONAL DATA QUESTIONS.

TESTING BEFORE AND AFTER EXPOSURE

The following pro forma questionnaire is used by M.R.A. in pre-launch (before and after) testing of advertisements.

The rationale for the inclusion of specific questions is included in the right hand column.

QUESTIONNAIRE

Q1. Here is a list of ... (MENTION PRODUCT) Which of these do you use?

IF USER:

Q2. Which brand do you use most often?

Q3. I should like to find out what your opinion of ... (TEST BRAND) is. If this end of the line is good quality and this end poor quality, where would your opinion of ... (TEST BRAND) be? (GIVE EXAMPLE)

Good quality Poor quality
Strong Weak
Increasing in popularity Decreasing in popularity
South African Not South African
etc.

RATIONALE

To establish if in target group.

To find out main brand.

Measures brand image.
Q4. Here is a list of different types of people. (SHOW LIST / READ OUT)

Which of the people in this list would you expect to use ... (TEST BRAND).

Rich people
Poor people
Young people
Old People
Whites
Blacks
etc.

Q5. And here is a list of places where ... (MENTION PRODUCT) is used. In which of these places would you expect to find people using ... (MENTION TEST BRAND).

At a party
On a picnic
On holiday
At a braai at home
etc.
Q6.  Taking everything into account, what do you think would be the chances that you would buy ... (TEST BRAND)?

<table>
<thead>
<tr>
<th>Measures</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain, practically certain</td>
<td>99 in 100</td>
</tr>
<tr>
<td>Almost sure</td>
<td>9 in 10</td>
</tr>
<tr>
<td>Very probably</td>
<td>8 in 10</td>
</tr>
<tr>
<td>Probably</td>
<td>7 in 10</td>
</tr>
<tr>
<td>Good possibility</td>
<td>6 in 10</td>
</tr>
<tr>
<td>Fairly good possibility</td>
<td>5 in 10</td>
</tr>
<tr>
<td>Fair possibility</td>
<td>4 in 10</td>
</tr>
<tr>
<td>Some possibility</td>
<td>3 in 10</td>
</tr>
<tr>
<td>Slight possibility</td>
<td>2 in 10</td>
</tr>
<tr>
<td>Very slight possibility</td>
<td>1 in 10</td>
</tr>
<tr>
<td>No chance, almost no chance</td>
<td>1 in 100</td>
</tr>
</tbody>
</table>

NOW SAY: I should like you to look through this folder of advertisements. There is no hurry, there is plenty of time.

WHEN RESPONDENT HAS BEEN THROUGH THE FOLDER, CLOSE AND REMOVE.
Q7. Which daily papers do you usually read?

Q8. Which magazines do you usually read?

These questions will not be analysed. They are intended to make a break between going through the folder and the subsequent questions.

Q9. Same as Q3.

Measures change in brand image.

Q10. Same as Q4.

Measures change in user image.

Q11. Same as Q5.

Measures change in situation image.

Q12. Same as Q6.

Measures change in attitude to future use.
USAGE AND PERSONAL DATA QUESTIONS.

Diagnostic questions on reactions to the advertisement and individual aspects can be included. (See Communication Check questionnaire).

Source: M.R.A. "Advertising Testing in a T.V. Era" op cit

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Source: M.R.A. "Advertising Testing in a T.V. Era" op cit
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Direct Marketing (Formerly Printers Ink)
European Journal of Marketing
Harvard Business Review
Insurance Salesman
Journal of Advertising Research
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Managers Magazine (Formerly LIMRA Managers' Handbook)
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PAPERS AND RESEARCH REPORTS FROM VARIOUS SOURCES

Bureau of Market Research (UNISA - Pretoria)
Consumer Research Services Pty Ltd (Durban) *
Effective Letters (Pty) Ltd (Johannesburg) *
G.P.O. (London)
Life Insurance Market Research Association (Formerly Liama)
   (Hartford Conn USA)
Life Offices Association (Cape Town)
Market Research Africa (Pty) Ltd (Johannesburg) *
Media and Communications Research (Pty) Ltd (Johannesburg) *
Nielsen (A.C.) Company (Johannesburg) *
Ogilvy and Mather (New York and London) *
Old Mutual (Pinelands) *
Reader's Digest Association (Cape Town and Johannesburg) *
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South African Advertising Research Foundation (Sandton)
South African Associated Newspapers (Johannesburg) *
Van Zijl and Schultze, Lund and Tredoux (Johannesburg) *

* These include some unpublished material.
CERTIFICATE OF AUTHORSHIP

I certify that I have personally developed the concepts and models presented in this thesis, except in so far as I have built on other published material. All such sources are fully acknowledged in the references. I have also designed and directed all the relevant experimentation.

I have prepared this thesis whilst in the full-time employ of Old Mutual, who have given me a fairly free hand in the direction of my investigations. They have sponsored much of the research undertaken for this specific subject, and permitted me to adjust certain other studies and promotional campaigns to help this thesis to progress.

Where the analyses so require I have been able to call on the assistance of the staff of Old Mutual's Computer and Marketing Research divisions for technical and manual assistance. I acknowledge the work done by Mr P. Colgate of the computer division for his assistance in turning my evaluation model, flow charts and system analysis into a working computer programme. I also acknowledge the work done by Miss Bloch of Marketing Research in administering and analysing the 1979 Leads Survey.

I also acknowledge the advice and assistance of my supervisor Mrs H. Brice who has guided me to much relevant published material. I thank Old Mutual's Printing Works for preparing the
final copies of the thesis, and also all the people who have helped me in checking the proofs. Above all I would like to thank Mrs M. Everts for typing the innumerable drafts, and Mrs G. Kirkwood for her work in preparing the presentation of the figures and other artwork.
THE
PROFIT-
MAKER
PLAN

Designed
and
underwritten
by
The Old Mutual
The golden rule that governs personal independence

Every man who has to rely on his own efforts, skills and commonsense to earn a living and improve his position in life will want to know of the law that governs the building of financial independence and put it to work for himself.

This law has nothing to do with the kind of job you do: whether you are a carpenter or a computer expert, a teacher or a technician, a farmer or a furniture salesman makes no difference. And it has nothing to do with the company you work for, the amount of money you earn or the amount of formal education you've had.

Like most great laws, it is a very simple one!

PAY YOURSELF FIRST

In practical terms this means that, before committing yourself to regular monthly expenditure on items such as entertainment, clothing, a car, etc., you should allocate to yourself a specific amount of money every month to work for your future independence. In other words you should pay yourself first—usually between 10% and 15% of your monthly income—before paying the outfitter, landlord, garage, grocer or milkman.
You shape your own future

By paying yourself first every month, you are virtually setting yourself up in business as a "company of one". And this, in itself, is highly important because it influences your whole attitude towards your future.

You begin to see yourself not as a "wage slave" but as a man working for his own account—selling his time and skills to his employer. In a broad sense, you become your own boss, by shaping your own financial future.

Now, because you want your "company of one" to flourish you improve it. You develop your skills and generally become more productive. The result is that over the years, not only do your monthly investments accumulate but you also improve your status and therefore your earnings. In this way, you could build up a five-figure capital asset to lead you to your goal of financial independence.
Finding the best home for your “Pay Yourself First” investments

Once you’ve accepted the principle of paying yourself first, you will need to look around for the best home for your investment money. Every financial house in the country is competing for your savings rand, but before making your choice, find out how the plans they offer rate in regard to these seven criteria:

1. **Is the profit potential of the plan backed by proven performance on the part of the company underwriting it?** You will want to know that your prospects of a high return are based on a successful record of actual performance over a significant period of time. If there is a guaranteed minimum payout so much the better.

2. **Will you have to pay tax on your investment return?** A high return is one thing but when it is added to your income it increases your tax rate, leaving you with a reduced profit. This will apply even more strongly in the future when your “company of one” has progressed and you have moved into the upper income tax brackets. So what you will look for is an investment giving a high return after tax has been taken into account.

3. **Will the money you invest reduce the amount of tax that you must pay?** Besides wanting your return to be free of tax, it will be a big plus factor if your contributions are deductible from your taxable income and thus reduce the amount of tax you would otherwise have to pay each year.

4. **Will you have the guarantee that your investment program will be completed should premature death forestall your ambitions for yourself and your family?**

5. **Will you be secure in the knowledge that, in the case of illness or accident, you will not be financially prejudiced?**

6. **Will you have access to your funds in case of emergency?**

7. **Will your Plan give you a right to the continuing service of experts in professional money management?** Such a service would be of considerable help in developing an effective financial program over the long term.

On the following pages you can see how OLD MUTUAL’s ProfitMaker Plan rates in terms of these seven fundamental investment criteria.
ProfitMaker
A major step towards financial independence

The ProfitMaker Plan was designed by OLD MUTUAL specifically for the man who has the foresight and determination to get the most out of the “pay yourself first” principle, whether he is on the threshold of adulthood or has already taken on the responsibility of being a father and provider.

ProfitMaker is offered with two alternative methods of profits distribution, viz.

(a) ProfitMaker with Performance Profits, allowing direct participation in OLD MUTUAL’s dynamic “Performance Profits” investment portfolio; this means that the eventual pay-out will be a direct reflection of the performance of these diversified investments.

(b) ProfitMaker with Normal and Final bonuses. The tried and tested Normal Bonuses offer bed-rock security since they are guaranteed after each triennial bonus declaration. In order to enhance the pay-out even further, a Final Bonus – derived from the capital appreciation on OLD MUTUAL’s investments – is declared annually.
The "Chris Armstrong" story

Let us look at the important role ProfitMaker could play in the life of Chris Armstrong. Although Chris is imaginary, his needs and ambitions are very real and they apply to each of us, to a greater or lesser extent.

Chris, a 29-year-old manager for a large supermarket chain, is typical of today's young man. He is married, has a son and currently earns R10 000 per annum.

Chris decided on a ProfitMaker holding of R10 000 for a period of 25 years, giving him, in effect, a guaranteed minimum stake of R10 000 in the OLD MUTUAL group of companies.

This stake in the group constitutes the base upon which Chris's Normal and Final bonuses will be calculated and, through the magic of compounding, will give him a five-figure pay-out of something like R32 028 at the end of the investment term, if current bonus rates are maintained. This amount will be paid to him before his 55th birthday.

But the real beauty of the ProfitMaker Plan is that, from the date Chris makes his first contribution, OLD MUTUAL undertakes to back his life for the full value of his initial holding of R10 000. This means that, should he die at any time during the investment term, OLD MUTUAL will pay out R10 000 plus the profits that have accrued to the date of his death.

Now, having decided on an initial holding of R10 000, Chris is asked to invest R35,23 per month, which, together with his pension contributions and building society subscription shares, is in line with his decision to "pay himself first" at the rate of some 10% of his yearly income.

So R35,23 per month, paid over a period of 25 years, means that, at the end of this term he would have deposited some R10 569. At the current rate at which profits accrue, OLD MUTUAL would match this with R32 028, giving him a return of 8,0% per annum compound, before taking into account the tax he would save.
Chris also scores tax-wise

Chris will not be liable for tax under current legislation on the pay-out amount of his ProfitMaker Plan and, because it qualifies as a "family expense" in terms of the Income Tax Act, the Government allows him a tax concession on the contributions he makes. In effect this would reduce his monthly contribution of R35.23 to R29.01, i.e. by 17.7%.

If this rate of saving were to apply over the full 25-year term of his Plan, a pay-out of R32 028 would represent a yield of 9.0% per annum compound on his net contributions, taking into account the tax concession.

Very few ordinary forms of investment could match this rate of return – even without taking into account Chris's life backing under his Plan.

“What you don’t see, you don’t miss”

After the initial period of adjustment to their adventure of paying themselves first, Chris and his wife, Anne, did not miss the monthly contribution. In fact this amount does not appear in their monthly family budget. “What you don’t see, you don’t miss” is how Anne puts it.

Chris arranged with his firm's secretary to deduct automatically the contribution from his monthly salary cheque through a stop-order. He could have made a similar arrangement through his bank or he could have elected to pay his contributions in cash at his nearest OLD MUTUAL office but he argued that having to take the cash out of his pocket each month would be doing it the hard way.

Now his investment program takes up none of his time and he need have no worry about whether his payments are up to date.
In case of accident or illness

Chris's investment in his own future can be further enhanced by a provision for bodily disablement. When he considers the high rate of road accidents, particularly among young adults, Chris looks on this provision as a must.

This disablement provision takes effect should Chris be permanently disabled and unable to follow his own, similar or any other occupation for which he is reasonably educated, trained and experienced. The amount he would receive would be his initial holding of R10 000 plus all profits that had accrued to his Plan at the time he became disabled.

Chris has access to his investment in case of emergency

Should there be an emergency in the Armstrong family and Chris were to need a substantial amount of cash urgently, he could borrow against his ProfitMaker investment. For example, after five years, having paid in R2 114, he could borrow back R1 129 – or approximately 53.4% of his investment – while after 10 years he could borrow back R3 427 or 81.1% of the R4 228 paid in. (These two examples assume the maintenance of the current bases of calculation.) But a most reassuring feature of Chris's Plan is that the inherent benefits will not have been disturbed in any way, provided of course he repays the loan during the investment period.

"Paid-up" holding

Should circumstances force Chris Armstrong to stop his investment in ProfitMaker, his Plan could be made "paid-up" after two years' contributions had been made. This means that, although he would make no further payments, the money already invested, plus the accumulated profits, would continue to grow until the end of the 25-year investment period.

For instance, if Chris makes his Plan paid-up after six years, he will, on the present bases of calculation, be credited with a paid-up holding of R4 747 against his actual investment up to that time of R2 537. At the current rate at which profits accrue, his R4 747 would increase, during the remaining 19 years of the term, to R9 992, without further payments on his part. Although this is a valuable standby in case of changed circumstances, it would still mean a shortfall of R22 036 on the amount of R32 028 he originally envisaged. Since this is big money in anybody's language, Chris would obviously only take such a step if he had no alternative.
ProfitMaker opens all the important doors in Chris's future

The only constant thing in life is change. Nothing ever remains the same.

In Chris's case too all the factors influencing his financial position—his age, his income, his status, his responsibilities—will change. He'll grow older, he'll earn more, he'll reach a more senior position, his family responsibilities will increase. There will be more opportunities—and more needs.

Chris intends to maintain the principle of "paying himself first" so that, as his salary increases, so will the amount that he puts to work for his own future. He is aiming to build up, over the next 15 years, a comprehensive financial program, which will take into account these objectives:

**Children's post-matric education**: Every father wants the best education for his children and Chris is no exception. He realises that the cost of higher education is increasing by leaps and bounds and he intends building into his program a FutureMaker plan to ensure that money for this specific purpose will be there when it is needed.
Mortgage repayment: Because there is a possibility of transfer at the present stage of Chris's career, the Armstrongs have not yet bought a house of their own. When they do, Chris can ensure that it will be a debt-free asset for his family, through a Plan that continually matches the outstanding balance on his mortgage loan.

Life backing: The future will almost certainly bring additions to the Armstrong family and the added responsibility could lead Chris to consider increasing his life backing. He could make the necessary provision through a Family Protection Plan, tailored to his particular need.

Retirement: ProfitMaker has sold Chris on the concept of planned financial independence. Later on he can project that concept into his retirement years through IndependenceMaker, a special high-yield investment plan, which will augment his company pension and provide attractive tax advantages into the bargain.

Short-term and medium-term savings and investment: In addition to the long-term objectives that Chris has identified and which will be taken into account as he builds up his financial program, it could also come about that he will want to put money to work for specific short-term or medium-term goals, through a building society and/or a unit trust.

Personal Money Management Service

To have maximum effect, the kind of comprehensive financial program that Chris has in mind needs to be compiled with the help of experts in this field. OLD MUTUAL undertakes to provide that expert assistance for him by reviewing his financial affairs, without obligation, at three-yearly intervals. This Personal Money Management Service is linked to a "guaranteed insurability" provision which Chris can include in his ProfitMaker Plan.

Through this provision he can implement the plans he would require between now and the time he turns forty, without evidence of good health. In this way, as his "company of one" flourishes, Chris is automatically safeguarded from being one of those unfortunate people who, because of a poor bill of health, are prevented from completing their long-term financial program.

And when it comes to short-term or medium-term investment facilities, he will have no need to look beyond the services open to him through the Personal Money Management Service. The investment plans offered by OLD MUTUAL's associates in the field of finance will be at his disposal – and they are representative of the very best in their respective fields.
What puts the profit in ProfitMaker?

Now that you have had the chance to rate ProfitMaker's benefits in terms of the seven fundamental investment criteria, you may wish to know more about the organisation that will provide the home for your "pay yourself first" investments if you decide to put ProfitMaker to work for you.

The ProfitMaker Plan is a product of the experience and expertise of OLD MUTUAL, one of Southern Africa's major financial institutions.

This experience and expertise was not gained overnight. It has been blended over more than a century to the point where a society, formed in Cape Town in 1845 in the most modest fashion and without capital, is today the hub of a group of companies whose activities cover a wide variety of financial services, with more than 700 000 members controlling assets of over R2 200 million.

Only members share the profits

OLD MUTUAL, founded on the principle of mutual responsibility, was established by its members and is still controlled by them. As on the day when it "opened up shop" in the Heerengracht in Cape Town, it still has no proprietors, no shareholders or other interested parties sharing in its profits. Its members are its only shareholders.

By selecting OLD MUTUAL as the best home for their long-term investments, its members share the profits earned by the OLD MUTUAL group of companies, which are added to the "claim" or payout value of members' financial plans. As an instance, the profit accrual-rate declared in 1976 boosted the holdings of members by some R300 million.

Its day-to-day business

The day-to-day business of OLD MUTUAL is in fact the managing of its members' long-term financial affairs: the receiving of more than R11,4 million per week and putting it to work for their sole benefit - and the honouring of members' commitments towards themselves and their families. So for instance more than R750 million was paid out over the ten-year period 1967-1977 to OLD MUTUAL members or their beneficiaries.

OLD MUTUAL can in fact be described as Southern Africa's largest trust fund, incorporating both the spread of sound investment and the invaluable guarantee to its members that their investment programs would be completed on their behalf should premature death or disability forestall their ambitions for themselves and their families.
Sound investment opportunities

OLD MUTUAL's management function is therefore at once one of trust and one of challenge. Because of its financial strength and reputation, OLD MUTUAL is in a position to consider a wide range of investment opportunities. And the Board of Directors, as stewards of the funds entrusted to them, continuously look for such opportunities as will offer a maximum potential return without in any way jeopardising the financial interest of the members. Carrying out this basic responsibility requires the highly-developed investment skills of officials who are in constant touch with the money market and who can anticipate new trends.

There is hardly a town or city where the investment moneys of OLD MUTUAL members are not at work, creating opportunities for thousands of South Africans and assisting to build this country of ours.
Become a ProfitMaker today

The ProfitMaker Plan offers you the opportunity to start paying yourself first and to build up your own "company of one" to a point where you too could become financially independent. Why not become a ProfitMaker today?

The examples quoted in this brochure have been calculated on the assumption that premium and bonus rates and methods of calculation prevailing at the time of publication, May 1979, remain unaltered in future. They are also based on tax rates and legislation applying at the same date.