

The Reach and Persuasiveness of Viral Video Ads

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Research Question

Is there a trade-off between ad virality and ad effectiveness?

Motivation: Earned vs. Paid Media

US Online Advertising Spending, by Format, 2008-2013 (millions)

	2008	2009	2010	2011	2012	2013
Search	\$10,691	\$12,285	\$13,880	\$15,552	\$17,686	\$19,530
Display ads	\$4,629	\$4,933	\$5,448	\$6,182	\$7,175	\$7,958
Video	\$587	\$850	\$1,250	\$1,850	\$3,000	\$4,600
Rich media	\$1,888	\$2,030	\$2,252	\$2,560	\$2,960	\$3,360
Classifieds	\$3,139	\$2,956	\$2,936	\$2,944	\$2,960	\$2,982
Lead generation	\$1,605	\$1,645	\$1,682	\$1,792	\$1,998	\$2,268
Sponsorships	\$590	\$514	\$542	\$576	\$629	\$672
E-mail	\$472	\$488	\$513	\$544	\$592	\$630
Total	\$23,600	\$25,700	\$28,500	\$32,000	\$37,000	\$42,000

Source: eMarketer, November 2008

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www.eMarketer.com

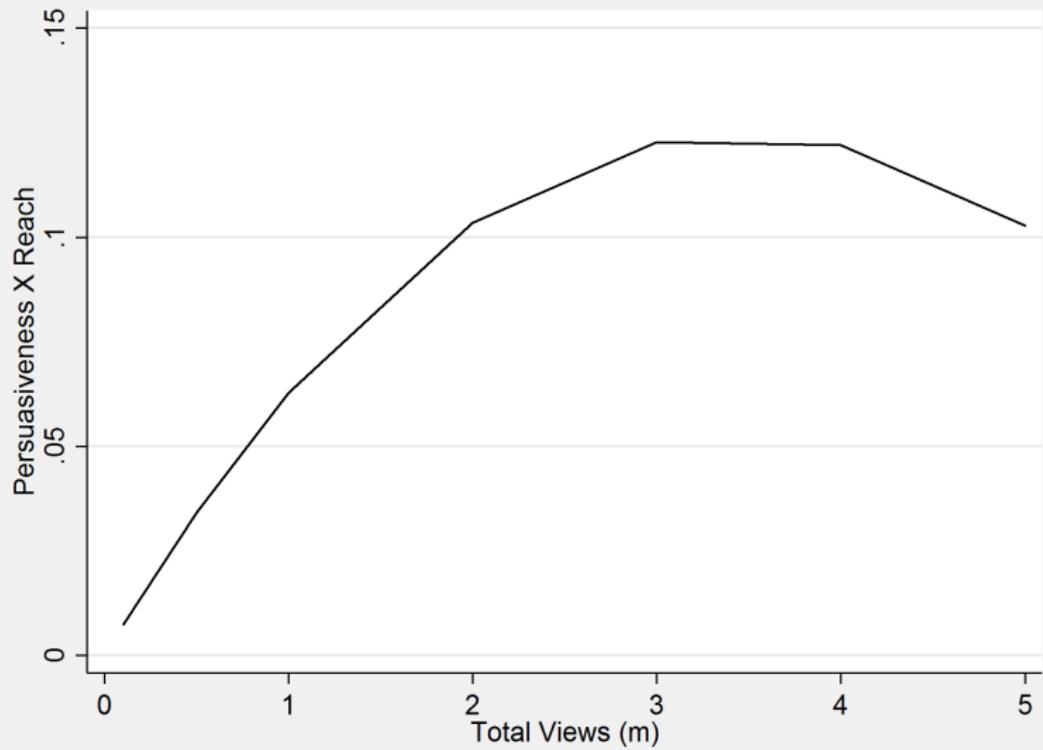
Source: eMarketer.com

Empirical Setting

- Study relationship between ad virality (organic reach) and ad effectiveness
 - Historical data on the 'virality' of 400 ad campaigns
 - Crowd-sourced measurement of ad persuasiveness
 - 25,000 surveys
 - Randomized exposure
 - Traditional ad effectiveness questions

Findings

- Relative ad persuasiveness drops on average by 10% for every one million views the ad had received
 - Endogenous ad characteristics lead to trade-off
- Taking into account the advantages of increased reach, this means that there was a decline in overall advertising effectiveness at 3-4 million views
- Tradeoff does not apply to ads that are viral because of their humor or visual appeal



Upside

- Relative ad persuasiveness drops on average by 10% for every one million views the ad had received
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Managers want to know whether there is any good news

- Marketers are used to facing trade-offs. Ad's can't do everything.
- More interested in whether there is any form of 'win-win'
- Yes. For ads that are visually appealing and funny
- Yes. If can get comments that mention product name
- No. Particularly bad for provocative ads

There are of course limitations

- Campaigns for 2010 for consumer products
- Forced exposure and representativeness of survey takers
- Do not study awareness; only established products
- Do not manipulate ad-design - given exogenously

Summing Up

- Social Video Advertising is popular because of its promise of costless reach
- However, endogeneity of strength of network effects may lead to tradeoffs
- We document empirical tradeoff between total reach (virality) and persuasiveness of ads
- Importantly, this tradeoff does not apply if virality is generated by humor or visual appeal or associated by measurable engagement.

Implications

- Viral transmission of video advertising gives attractive possibility of costless reach
- Strength of network effects is now endogenous to ad design
- This creates a tradeoff for managers: Maximizing network effects (and reach) or persuasiveness
- Suggests that the internet does not change 'richness verses reach' tradeoff - just alters the parameters
- Useful for understanding of Earned vs Paid debate in marketing communications