The Reach and Persuasiveness of Viral Video Ads

Catherine Tucker, MIT Sloan and NBER
The Reach and Persuasiveness of Viral Video Ads
Research Question

Is there a trade-off between ad virality and ad effectiveness?
## Motivation: Earned vs. Paid Media

<table>
<thead>
<tr>
<th>US Online Advertising Spending, by Format, 2008-2013 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Search</td>
</tr>
<tr>
<td>Display ads</td>
</tr>
<tr>
<td>Video</td>
</tr>
<tr>
<td>Rich media</td>
</tr>
<tr>
<td>Classifieds</td>
</tr>
<tr>
<td>Lead generation</td>
</tr>
<tr>
<td>Sponsorships</td>
</tr>
<tr>
<td>E-mail</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: eMarketer, November 2008

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
  - 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
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