

# What's Advertising Content Worth? Evidence from a Consumer Credit Marketing Field Experiment

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Research has shown that advertising exposure and intensity can impact whether or not a consumer buys a product, but outside the laboratory very little is known about what affect the so-called 'creative content' of ads has on consumer demand. Nor do we know much about how important the effect of ad content is relative to that of price. In order to better understand these impacts, researchers developed a field study that varies both advertising content and price in the same setting. This method allows us first to examine whether ad content affects consumer decisions, then to estimate how much it impacts demand relative to the effect of price. Researchers explore these questions with a South African "cash loan" lender and find that ad content has significant effects on demand, as well as some evidence that the impact of ad content is large relative to that of price.

### Testing the Marketing Approach

The participating lender is a well-established player in the South African "cash loan" market. Like sub-prime lenders in the US, "cash loan" lenders offer small, high-interest, short-term, uncollateralized loans to the working poor. The lender in this study uses a four month term and generally provided loans that are close to one third of the client's monthly income.

For this study, the lender sent direct mail solicitations to approximately 53,000 former clients, offering them new loans at randomly assigned interest rates with application deadlines that also varied randomly. The mailers also varied randomly on eight dimensions of advertising content, such as using a photo of a smiling person, reference to the interest rate as "special" or "low," mention of speaking the local language, and a comparison to a competitor's interest rate.

### Results

Patterns in loan take-up and repayment show that advertising content can significantly influence demand, and certain types of content have a large impact on demand relative to the effect of price. For instance, putting one example of a loan on the mailer (as opposed to a choice among four) increases take-up as much as a

25% reduction in price. Deadlines have a dramatic effect on take-up—lengthening it by approximately two weeks increases take-up by about three percentage points, which is quite large relative to the price effect. Predicting what types of content would impact demand, however, is more challenging than anticipated. Several treatments that we thought might have significant effects—like mentioning that lender staff speak the local language and comparing competitor rates—did not, and one condition we did not have strong prior opinions about—removing suggested uses for the loan off the mailer, a common feature of similar advertising—turned out to have a strong positive effect.

### Policy Implications

The results from this study indicate that advertising content can have a significant effect on consumer demand—even larger than price in certain circumstances. At the same time, researchers couldn't accurately predict which persuasive measures would affect demand, suggesting that "context matters" and reinforcing the need for more field testing of lab results. Deadline length trumped both creative content and price in economic importance. In all, the results suggest that advertising content and deadlines are important drivers of consumer choice, and that further research on the types and magnitude of content effects, as well as why content matters, is needed.