



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

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Abstract	<p>Firms spend billions of dollars developing advertising content, yet there is little field evidence on how much or how it affects demand. We analyze a direct mail field experiment in South Africa implemented by a consumer lender that randomized advertising content, loan price, and loan offer deadlines simultaneously. We find that advertising content significantly affects demand. Although it was difficult to predict ex ante which specific advertising features would matter most in this context, the features that do matter have large effects. Showing fewer example loans, not suggesting a particular use for the loan, or including a photo of an attractive woman increases loan demand by about as much as a 25% reduction in the interest rate. The evidence also suggests that advertising content persuades by appealing “peripherally” to intuition rather than reason. Although the advertising content effects point to an important role for persuasion and related psychology, our deadline results do not support the psychological prediction that shorter deadlines may help overcome time-management problems; instead, demand strongly increases with longer deadlines.</p>
Gender Connection	Gender Informed Analysis
Gender Outcomes	Gender disaggregated access to credit
IE Design	Randomized Control Trial
Intervention	<p>The study uses a large-scale direct-mail field experiment to study the effects of advertising content on real decisions, involving nonnegligible sums, among experienced decision makers. A consumer lender in South Africa randomized advertising content and the interest rate in actual offers to 53,000 former clients. The variation in advertising content comes from eight “features” that varied the presentation of the loan offer. We worked together with the lender to create six features relevant to the extensive literature (primarily from laboratory experiments in psychology and decision sciences) on how “frames” and “cues” may affect choices. Specifically, mailers varied in whether they included a person’s photograph on the letter, suggestions for how to use the loan proceeds, a large or small table of example loans, information about the interest rate as well as the monthly payments, a comparison to competitors’ interest rates, and mention of a promotional raffle for a cell phone. Mailers also included two features that were the lender’s choice, rather than motivated by a body of psychological evidence: reference to the interest rate as “special” or</p>



	<p>“low,” and mention of speaking the local language. Our research design enables us to estimate demand sensitivity to advertising content and to compare it directly to price sensitivity. An additional randomization of the offer expiration date also allows us to study demand sensitivity to deadlines.</p>
Intervention Period	<p>The bank offered loans with repayment periods ranging from 4 to 18 months. Deadlines for response were randomly allocated from 2 weeks to 6 weeks.</p>
Sample population	<p>5194 former clients who had borrowed from the money-lender in the previous 24 months.</p>
Comparison conditions	<p>There are six different features of the pamphlet that were randomized. There was no control group.</p>
Unit of analysis	<p>Individual borrower</p>
Evaluation Period	<p>The study evaluates responses to the mail advertising experiment.</p>
Results	<p>Simplifying the loan description led to a significant increase in takeup of the loan - equivalent to a 200 basis point reduction in interest rates. Including a comparison feature in the letter had no impact on takeup. The race of the person featured on the photo had no impact on takeup of the loan. The gender of the person featured led to a significant increase of takeup when a woman was featured- the effect size was also similar to a 200 basis point reduction in the interest rate. Male clients were much more likely to takeup the loan when a woman was featured. Featuring a man did not affect the decision making of female clients. Including a promotional giveaway and a suggestion phone call both significantly increased takeup.</p>
Primary study limitations	<p>Because of the large amount of variations, the sample size only allowed for the identification of economically large effects.</p>
Funding Source	<p>National Science Foundation, The Bill and Melinda Gates Foundation, USAID/BASIS</p>
Reference(s)	<p>Bertrand, M., Karlan, D., Mullainathan, S., Shafir, E., & Zinman, J. (2010) "What's advertising content worth? Evidence from a consumer credit marketing field experiment," The Quarterly Journal of Economics, 125(1), 263-306.</p>
Link to Studies	<p>http://qje.oxfordjournals.org/content/125/1/263.short</p>
Microdata	