Is ROI a 'false friend'?

There has been much discussion lately about the disconnect between CFOs and CMOs. The trouble is, the two often speak a different language from each other. Sometimes they use the same terms, but with different meanings. ROI can be our biggest false friend.

The disconnect exists even within marketing. ‘Do you mean campaign ROI or overall ROI?’, ‘ROI on profit or revenue?’. It has been exacerbated by the so-called measurability of marketing activity through attribution. We’ve seen some phenomenal channel or digital campaign ROI numbers becoming the norm – and expectation – but they weren’t reflective of the true picture across all marketing activity. Because channels almost never operate in isolation. A brilliant result for search may have taken no account of the TV advertising that prompted the search. In fact, the search may have been completely incidental – ‘in the path’ but not ‘impacting the path’.

Now though, we’re all looking to methods such as marketing mix modelling (MMM) again, where we do see ROI holistically. Importantly, MMM seeks to understand the causal relationships between marketing activities and growth, which tracking alone is unable to achieve. It is often referred to as incrementality.

Over-inflated channel numbers are increasingly a thing of the past. This is a great improvement, but it’s bound to confuse the CFO. It’s quite a change from what they’re used to and agreement to budgets have been predicated on them. How about we use this opportunity to create a fresh start? And where better to begin than rolling back those ideas about ROI.Matt Andrew, Partner and UK MD, Ekimetrics
Here are five things CMOs and CFOs can do to help each other:

1. CMO-->CFO training on the value of brand, marketing, incrementality and ROI

When using MMM for measurement, you no longer need to brush off brand building activity as unmeasurable. The strength of brand driving marketing tactics both *should* and *can* be quantified.

Understanding incrementality was attribution's biggest miss. Budgets can only be allocated with a holistic view of the incremental ROI of channels or campaigns.

To understand ROI properly, it's essential to understand the measurement methodology. A reset here means explaining that attribution returns are not ROI. CMOs will then need to build confidence in MMM outcomes.

What's more, marketing drives value. Yet it is almost always viewed as a cost centre. Perhaps that means persuading your CFO friends that it's not about minimising operational expenditure, or opex. What if we think of investing in measurement as we do other assets that are considered capital expenditrure, or capex, with a longer term view of it as a generator of ROI?

2. CFO-->CMO training on investor or valuation messaging

For plcs especially, there is a perpetual need to show growth to investors, which means that CFOs focus on the bottom line margin and its impact on the share price above all else.

This can be a source of frustration at times, particularly when a brand needs to build back from a difficult period. The need to invest more to achieve higher growth in the longer term is often outweighed by the need to manage costs and margin to a reporting period to maintain investor confidence. This is where the cost centre vs revenue generator argument can get tricky.

Private businesses often have more freedom to take a different approach, though that may depend upon whether or when they have an exit in mind.

If they are to understand each other, CFOs need to spend time with their CMOs on explaining the numbers that count.

3. Zero-based budgeting, or not?

One major sticking point when it comes to budget setting is using last year as the benchmark. It's an easy way to build a budget, feels less threatening (less need to justify spending), but may also put a brake on capitalising on opportunities.

Zero-based budgeting – the practice of starting each budget period at zero and allocating funds based on a fresh evaluation of operational efficiency, rather than budget history – can allow for better cost management and budget optimisation. It can also be complex.

But better measurement solutions, such as using MMM, can facilitate zero-based budgeting as they deliver a more accurate view of what drives incremental sales. Whether the CMO feels under threat of having budgets cut will somewhat depend upon the measured performance, but it will certainly be fair if the measurement solution is sound.

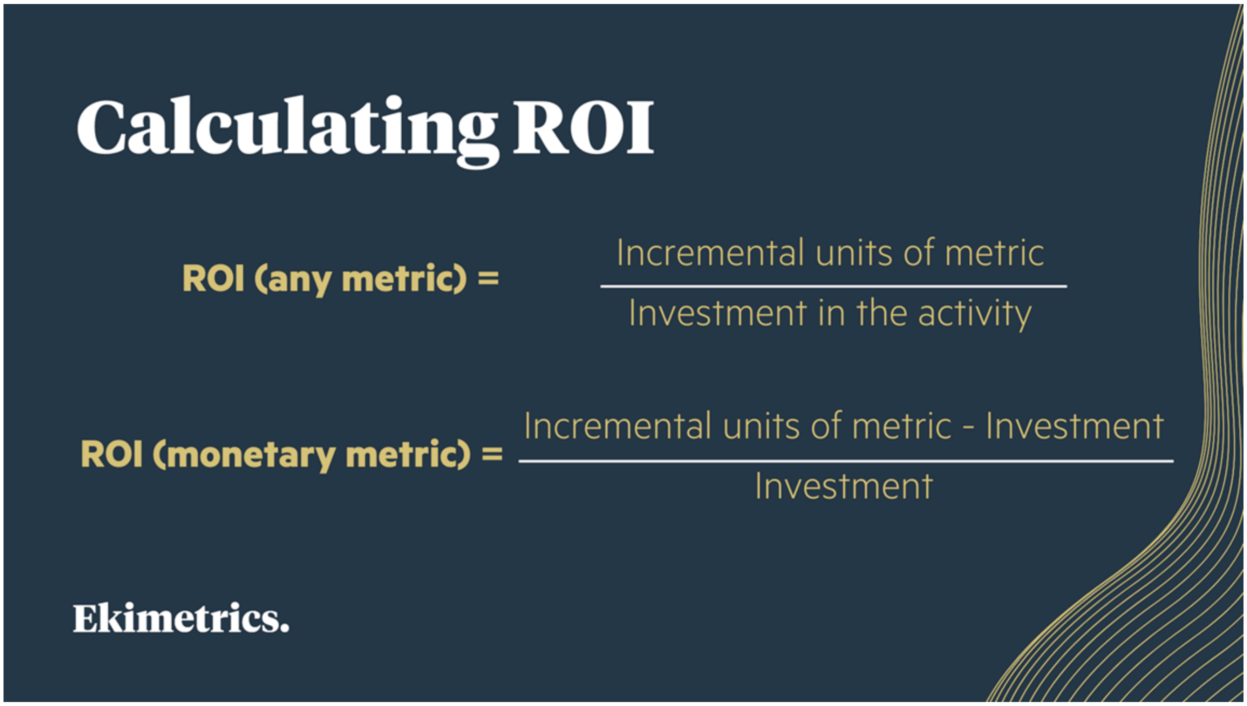
4. Consider your planning and budget release cycles

It's still incredibly common for both planning and budgeting to be an annual event.

However, marketing teams are increasingly moving towards more agile quarterly planning cycles that allow them to steer budget according to a host of market conditions. This gives far more control and opportunity to optimise marketing spend. A mismatch with budget release cycles may denude that agility as a path has already been set. Align them for better results.

5. Define and socialise ROI

Fundamentally, ROI focuses on efficiency. But that leaves money on the table. The best definition of ROI is one that understands the relationship between incrementality, where the next marginal returns come from (mROI), and driving towards hitting and exceeding targets.



Calculating mROI can be a bit complicated; but remember that an over-simplified approach to the definition of ROI could result in a skewed view of reality.

As a first step, if every team in every department are to speak the same language, get clear on what ROI means in your business. Then share the definition widely and stick to it.

Laurence Green, Director of Effectiveness, IPA, shares his thoughts after his visit to the 'Creative Impact NYC' show at Most Contagious in New York.

"*There are tens of thousands of brands in B2C and B2B [here in the US] that are doing work that could be far more effective if they followed some common principles*". So summarised – or perhaps despaired – the 'On Strategy' podcast host Fergus O'Carroll in conversation with Mark Ritson recently.

Prof Ritson had, characteristically, put the cat among the pigeons – and prompted that podcast – by declaring in his Marketing Week column: "*We are living in a golden era of effectiveness. But those golden rays of knowledge dim whenever I approach American shores*."

Unusually, perhaps, it was O'Carroll's more prosaic summation that actually stayed with me on this occasion. Partly because Fergus enjoys native status in the US, and partly because his plain vanilla description of the state of affairs invites agreement rather than counter-argument, his starting point is likely to be a more useful one for effectiveness advocates in a market that still tends to go short and measure short.

The state of effectiveness Stateside

Either way, their exchange served as an interesting backdrop to our pop-up masterclass at WARC's inaugural 'Creative Impact NYC' show in the Big Apple last month. IPA acolytes Adam Morgan and Orlando Wood led the 'Brits are coming!' effectiveness charge, ably chaired by Elizabeth Paul of The Martin Agency, whose mission to 'fight invisibility' should surely be tattooed on agency arms on both sides of The Atlantic.

Despite Adam and Orlando's wonderfully constructed clarion calls around '*The Cost of Dull*' and '*The Timeless Importance of The Show*', it was actually Elizabeth who had the effectiveness case study of the moment in her backpack…and one which shines light on Prof Ritson's provocation and the Podcast King's more sober conclusion.

No smoke, but plenty of visibility

In short: on 17 November 2023, Snoop Dogg announced on social media he was '*giving up smoke'*. A post that – in the words of another Creative Impact NYC speaker – boasted '*optimal incongruence'*, and perhaps understandably went viral. (It made the BBC news homepage, for example.)

Cut to the twist, when it was revealed shortly thereafter that Snoop's lifestyle volte face actually related to his purchase of a *smokeless stove* fire pit from Solo Stoves. A category and a brand that I dare say is otherwise not front of mind. Invisibility fought and conquered by Martin and their client, you might have thought.

Except that: on 17 January 2024 (yes, a mere eight weeks later) the Solo Stoves CEO was removed from his position on the basis that the campaign "*did not lead to the sales lift that we had planned*."

There is, most likely, more to this story than meets the eye. But the very fact that this short-term 'under-performance' (of, remember, a fire pit brand) could be set out as plausible corporate narrative would suggest that both Riston and O'Carroll are correct. That the US has an effectiveness problem, or at least blind spot.

The Rorschach Test for Effectiveness

Elizabeth herself has described the (over)reaction to the campaign as something of a Rorschach Test. If you believe advertising investment must always pay back sharply, earning its corn within days as short-term 'salesmanship in print', then you will see the de-frocking of its ultimate sponsor as an inevitability. If you believe advertising pays back across short and long, but mainly long (especially, surely, in a seasonal category like fire pits) then you will be left puzzled.

Binary conclusions about US versus UK effectiveness, however, are rarely helpful – even if they do make for better headlines – and it would be wrong not to recognise the many US brands that do demonstrate the art of brand building, supported by best effectiveness practice.

Nourishment for this latter camp (the IPA school, if you like) came later in the day in the form of McDonalds' Global CMO Morgan Flatley's overview of its relatively recent transition at home from promotional footing to brand-led business. Her piece de resistance: a first-quarter earnings call during which her CFO called out the ‘Raise Your Arches’ campaign by Leo Burnett in the UK as “*a prime example of our marketing excellence in action*”. High five, Leo’s!

Linking brands to business outcomes is always timely

In a world where CEOs can be removed after eight weeks, the join between ideas and brand strength, and business outcomes, can never be stressed enough, nor the mechanisms and timelines that lie beneath.Laurence Green Director of Effectiveness, IPA

Happily, here comes the IPA Effectiveness Awards again to do just that: now in their 44th year, and closing in April. It’s not too late to tilt at glory, and contribute to the body of knowledge that is the IPA Effectiveness Databank: knowledge that may have saved Snoop’s skin and his sponsor’s too.

Find out more about the IPA Effectiveness Awards 2024 and download your entry pack.

New IPA report reveals evidence that marketing is an investment

Eighty percent of today's investment analysts examine marketing expenditure in the companies they cover. More analysts also cite the strength of a company's brands and marketing as an important factor for their appraisal of stock exchange listed businesses than the quality of their leadership or record of technological innovation.

Yet when businesses are under-performing, marketing budgets are some of the first to be cut. The resulting reductions in marketing expenditure are often viewed in financial markets as a positive short-term cost saving with less attention paid to their impact on the future performance of brands and businesses.

'*Marketing is an investment*', the IPA's new publication, examines why marketing budgets continue to be vulnerable to short-term cuts despite increased understanding of how brands and marketing contribute to the bottom line. Written by former City analyst Ian Whittaker, Founder and Managing Director of Liberty Sky Advisors consultancy, and expanded from his presentation at EffWorks Global 2023, the report presents evidence and arguments about why marketing expenditure is still too often seen as a cost to be managed in line with a company's near-term outlook when brand-building marketing is really an investment in its future.

There are four parts to the report:

- Part one briefly outlines the problem of why marketing expenditure is too often a victim of short term budget cuts.
- Part two includes exclusive new findings from an IPA survey with Brand Finance, the brand valuation
  and strategic consultancy, of perceptions about marketing among more than 200 UK and US investment analysts.
- Part three discusses evidence of how maintaining marketing budgets has helped the recent pricing and profit performance of some major brand owning companies.
- Part four features recommendations on how marketers can make a more persuasive case that marketing can be a long-term investment in future business growth to a variety of financial audiences, from CFOs and boards to analysts and accounting bodies.

Building on IPA/Brand Finance data showing analysts who engage more with companies' marketing strategies and their communications about financial results tend to have more positive views about marketing spend, the report encourages corporate client marketers to reach out more to analysts and broader financial audiences and to make a more convincing case that brand building marketing is an investment through action in five suggested areas.

- Share more widely with analysts high quality evidence from their own company and industry sources about the longer-term financial benefits of effective brand building.
- Be more consistent in demonstrating, internally and externally, how marketing addresses the current strategic and financial priorities within their business.
- Use language that encourages marketing expenditure to be bracketed with other longer-term investments made by the company.
- Embrace techniques used to evaluate other types of long-term corporate investments (such as discounted cashflow models) and not just rely on ROI calculations to justify marketing spend.
- Continue the wider dialogue about reforming the accounting treatment of marketing expenditure and brands.

We are conscious that changing attitudes to marketing is a marathon, not a sprint. The messages and recommendations in this report will need to be continually reinforced and supported by the right research and communication. However, when it succeeds, this journey could cement understanding of the central role of marketing investment in generating long-term value for businesses.Laurence Green, Director of Effectiveness, IPA

May I have your attention, please?

Do you know what colour hitchhikers should wear? Do you know the best way to get people to read your emails? Do you know what is at the top of Amol Rajan's Spotify Wrapped list? And do you know what one of the best gifts you can give is?

Now, this may seem like a strange set of questions to lump together (with answers to follow) but there is a common denominator here. And a reason why all this matters, increasingly, to us as individuals, as businesses and to our industry.

Yes, I am talking about attention.

If I was to ask how the past year has been for you, I suspect the vast majority would respond with 'busy'. Understandably. We are all navigating the daily work-life juggle, underpinned by ongoing geo-political uncertainty and a turbulent economy, all turbocharged by our 24/7 connected culture. So how, in amongst all this freneticism, do we get cut through? How do we gain attention? Why should we pay attention? Why should we earn it, why should we invest in it and how do we gain value from it?

Over the past year, this is something the IPA - for whom our attention is focused on our agencies and ensuring your best interests - has been exploring.

Paying attention

Apparently, the best colour for a hitchhiker to wear is red. This is based on earlier studies of online dating sites. Essentially there's something about the colour red which is really attractive to all humans - and animals incidentally - and hence in this context, garners attention. The wider point here is that we need to get under the skin of humankind; we need to pay attention to our consumers and the world around them – what makes people tick; what media do they choose - when and why; and what turns them on and what tunes us out.

Closer to home, as our number one asset, we must ensure we pay attention to the health and wellbeing of our people; this is how we grow our businesses from the inside out. As you'll be aware, this is the core thrust of our IPA President Josh Krichefski's People First agenda, for which he'll be making some significant announcements in January to further this goal, so do stay tuned.

And, lest we forget our clients. Now, are you giving your clients enough attention; are they giving you enough attention? We know that when communication falters, when attention goes elsewhere, problems arise. Which is why initiatives including the ever-popular Pitch Positive Pledge and BetterBriefs guides are so vital in aligning with one another's goals and expectations for mutual benefit. Not to mention the need to keep abreast of the latest developments affecting us all, such as in-housing.

Earning and investing in attention

Now it's one thing for us to pay attention to people, but if we want people to pay attention to us and our work, we have a responsibility to earn it. Let's not waste people's precious time, mislead nor disappoint.

On this note, I recently had the pleasure of interviewing the BBC's Ros Atkins whose art is that of explanation. In our illuminating conversation, Ros reminded us that effective communication is core to creating cut-through and that we should adhere to its core tenets: keep it clear, concise and relevant, and deliver it in a consumable way. And when it comes to your emails, he provides a useful set of rules (listen at the 31-minute mark), based on the assumption that just because your communicating, doesn't mean your message will be read. Given that last year there were an estimated 333 billion emails sent and received daily around the world, I think that's a fair assumption.

For our business, you may remember that the subject of attention is something that Peter Field, Karen Nelson-Field and Orlando Wood focused on at our IPA EffWorks session at the Palais in Cannes last year. Entitled The Triple Jeopardy, they discussed the strong link between attention and effectiveness outcomes and how, as Warc described, "ad effectiveness faces a 'triple jeopardy' threat of short-termism, failing to include real-life human behaviour in media strategies, and creative that appeals to the wrong side of the brain."

The points they raise are as pertinent today as ever. Which is why, for long-term brand building, paying attention to the *IPA Bellwether* Report to see whether companies are investing in their marketing, and in which categories, is vital. And while the TouchPoints database will help with the understanding of human behaviour - as outlined above, to understand how to create the most attention-grabbing creative that results in long-term brand building success, Orlando's *Lemon* and follow-up *Look Out* hold the clues.

Underpinning all of this is the ongoing cross-industry work we have been investing in with the AA and ISBA to build trust and to address our industry's role in the climate crisis. Without trust and responsibility why should people give us the time of day?

Measuring and maintaining attention

What also struck me in my discussion with the BBC's Ros Atkins are the parallels between his formula for his hugely successful explainer videos and the work *we* create. His use of narrative devices, scripting devices and digital techniques enable him to create a summary of the issue, assert what is true, and provide a story in a helpful and captivating way. Coupled with this, such is the speed of technological development, he stresses the need to constantly pay attention and evaluate the means by which we choose to communicate. And be willing to realise that it might have worked yesterday but to question, will it work today? This is something I'm sure many of us may have uttered to clients along the way… What got us here won't necessarily get us there.

The benefit of such evaluation and subsequent development of ideas is something that we witnessed in the work of Tom Roach, Les Binet and Dr Grace Kite earlier this year. They have built on the findings from The Triple Jeopardy session to explore and develop the concept of 'The 3rd Age of Effectiveness'. In this, they provide fascinating new evidence to show digital advertising is finally becoming effective, for which attention plays a core role.

As the fight for attention grows, it is clear that mastering our understanding and continuing to develop our digital skills and embracing new technology will be key. To get cut-through will require hyper-personalisation, delivered on a mass scale. Which is where AI is working its magic. Already we're seeing how successful this can be from the widely welcomed arrival of our Spotify Wrapped lists. This is something that even got cut-through on BBC Radio 4's *Today* programme. For those that are interested, '*Into the Unknown*' from Frozen 2 was Amol Rajan's most played song of the year, which he is clear to point out is all down to his young girls and long car journeys. I find it a somewhat telling title given Amol's enlivening yet dystopian take on where we're headed with regard to AI and technology, as told to us at our recent Eff Works Global 2023 Conference, in which he stressed the idea that humanity is at an epoch. Into the unknown indeed.

Gaining value from attention

There is no doubt that there is great value to gain from gaining attention. To get cut-through is a currency.

On the positive, as we've heard, the link between attention and effectiveness is strong and you only have to look at the treasure trove of papers from the IPA Effectiveness Awards for proof of this.

Gaining attention builds brands, which builds fame which builds longer-term success and, as Les Binet and Dr Grace Kite have so wisely articulated over the past year. reduces price sensitivity and increases pricing power.

And it is precisely this – the power of advertising to build brands and companies - that is now also eliciting attention from marketing investors. As we saw in the recent launch of our new research with Brand Finance and analysis by Ian Whittaker, a former City analyst, which revealed that "Strength of brand/marketing" is the factor most frequently cited by analysts (at 79%) when asked how they appraise and analyse the companies they cover. This is cited ahead of leadership quality and technological innovation. Positive news indeed.

At this point, it would be remiss to not also caution the flip side of attention. My old friend Dave Trott often points out that if you don't get noticed, everything else is academic. To not get attention – to be ignored, ghosted or cancelled, or to attract the wrong kind of attention – well, it can be catastrophic. That's why we must continue to assert the value and power of advertising to our clients, to Government and to society at large, and to continue our work regarding trust, sustainability and our environmental responsibilities.

One of the greatest gifts

As I wrap-up this rather long read, I'd like to take a moment to thank you for your attention. I hope you've found the points and resources I've raised of use. If nothing else, I hope you'll be donning a red jumper, belting out your best Spotify hits, and perfecting your email formula.

Most of all though, I hope you'll take away the message that paying attention really does pay back. As someone once said, "One of the greatest gifts you can give to anyone is the gift of attention."

With this in mind, as we shortly sign off for Christmas, I hope you can give yourself and your family and friends the attention you and they deserve.

And as we enter 2024, we at the IPA will ensure we continue to focus our attention on the issues and initiatives that will help you to grow your people, your businesses and our industry.

ESOV: An excessive focus on the wrong thing?

The accepted correlation between media investment to achieve 'excess' or 'extra' share of voice (ESOV) and growth in market share is being challenged. When behaviours change, our models need to follow.

Twenty years ago, the relationship between achieving ESOV – namely attaining a higher share of advertising voice than your brand's market share – to grow that brand's market share was a banker in a world of unfettered attention to a few monolithic media platforms. Every investment in generating 10ppts of ESOV would be expected to result in about a 0.5ppt increase in market share, depending on the brand's category.

Fragmented modern media environment

But in our more fragmented modern media environment, you could spend the same amount of money to try and achieve the same theoretical ESOV, and not get the same return. The word 'reach' has been somewhat corrupted. We all know that a 'unique user' who 'sees' (or doesn't see) a below-the-fold digital banner isn't the same as someone confronted with a 96-sheet poster on their commute home. Not all impressions are equal, though a line-by-line media plan may present this as the case.

In 'Attention and Effectiveness: Why one makes a difference to the other' (subscription required), an article for WARC which summarises research commissioned by Advertising Council Australia, Robert Brittain and Peter Field state that "In our opinion, an ad that can hold people's attention for longer is creatively stronger... higher-attention media platforms come at a cost, but, given their greater effectiveness, you get what you pay for and then some. It is on these media platforms that the competitive advantage from creative strength is amplified."

Their analysis suggests that attention would be a more accurate form of currency to measure modern media plans for the modern media-consuming people that we want to speak to. But hasn't being noticed always been what any of us want to achieve for the brands we work with? A person can't think, feel, or do anything differently if they're blind to the stimulus that's trying to prompt them to do so.

The most talked-about ads have always been the most effective

True ESOV today needs to be predicated on creating campaigns that cut through to garner the attention of the public, and ideally get talked about. People today may have many ways to ignore ads, including lots that weren't available to people 20 years ago. But I don't believe it's controversial to say that the most effective ads today are the ones that are most talked-about and that this has never changed.

Historically, fame has been a very difficult thing to measure, but brand buzz or brand attention are metrics that actually seem easier to track today (even if these can still be very 'noisy' measures). Conversely, ESOV has become harder to measure over time because of questions about the transparency of ad viewability and spend on digital platforms.

Investing in ESOV is not a guarantee ads will be seen

If anything, expenditure on increasing SOV through media investment has become even more probabilistic; it represents investing more in the chance that someone will see the advertising, rather than a guarantee. Creative, on the other hand, has always been at home competing to be noticed in a world of scarce attention.

Yet the industry is still largely talking about ESOV as something defined by budget allocation relative to competitor spend above all other factors. This is despite knowing that fame-driving campaigns are likely to increase ESOV efficiency and generate the highest ROI of any type of campaign.

At the EffWorks Global 2023 Conference, Paul Dyson, Co-Founder of Accelero Consulting, shared his analysis of ROI data ranking the quality of advertising creative as the second most important multiplier of advertising-driven profit (brand size was the most important). He hypothesised about the differential impact creativity can have on

ROI by extrapolating from the fact that the highest ROIs reported by cases in the IPA Effectiveness Awards were up to sixty times the size of the average ROI of EMEA advertising campaigns measured by Nielsen.

Perhaps it's time we challenge ourselves to reframe our thinking to see ESOV as a creative output driven by fame, with media as a creative amplifier – and not the other way around.Bhavin Pabari, Strategy Director, Mother London

In very simplistic terms, we might frame this as:

Creative as an ESOV driver

More FAME → More 'Extra' SOV → More SOM (→ More ROI)

Creative as an ESOV inhibitor

Non-FAME driving creative → Reduced 'Effective' SOV → Static or decreasing SOM (→ Worse ROI)

When behaviours change, our models need to follow

In a world where it's never been easier to figuratively and literally skip the output of our entire industry, perhaps we should skip past traditional media metrics altogether? Rather than OTS, or opportunities to see, should we be talking about OFF or opportunities for fame? Why not build our creative and media campaigns around this shared objective to generate the ROI that brands employ us for?

The people we want to communicate with aren't behaving in the way they always have. Recent Ofcom data shows even those aged between 65 and 74 watched 6% less broadcast TV in 2022 than they did pre-pandemic.

The speed of change means any new models may not last nearly as long, either. But creating effective marketing is about looking forwards as much as it is looking backwards. It's incumbent upon all of us not to be timid about it.

New evidence shows stronger brands can charge more

It makes sense, doesn't it? Investing in advertising should get you into a position where you can put prices up without losing all your customers. If advertising keeps your product familiar, signals that many people buy it, or conveys information about quality, it should mean you can charge more.

Marketers believe it, but because we've had decades of stable prices, we haven't had the evidence to prove it. But that changed this year. We've now lived through a recent period of inflation, where a wide range of businesses have had to put prices up. And, at IPA Effworks Global 2023, there was a read out on how it's gone.

Evidence from econometrics and case studies all points in the same direction.

Investing in advertising helps protect sales when businesses raise prices. And over time, businesses that outspend competitors find that customers' tolerance to their price increases improves.

These are valuable lessons for right now, because inflation won't go away overnight. Even the most optimistic economists think price rises will be with us for most of 2024.

Stronger brands can charge more

Let's say you put your price up. If you only lose a few sales that's good. Your revenue might stay the same, but you've had to make less stuff, or provide fewer services. It's better for profit.

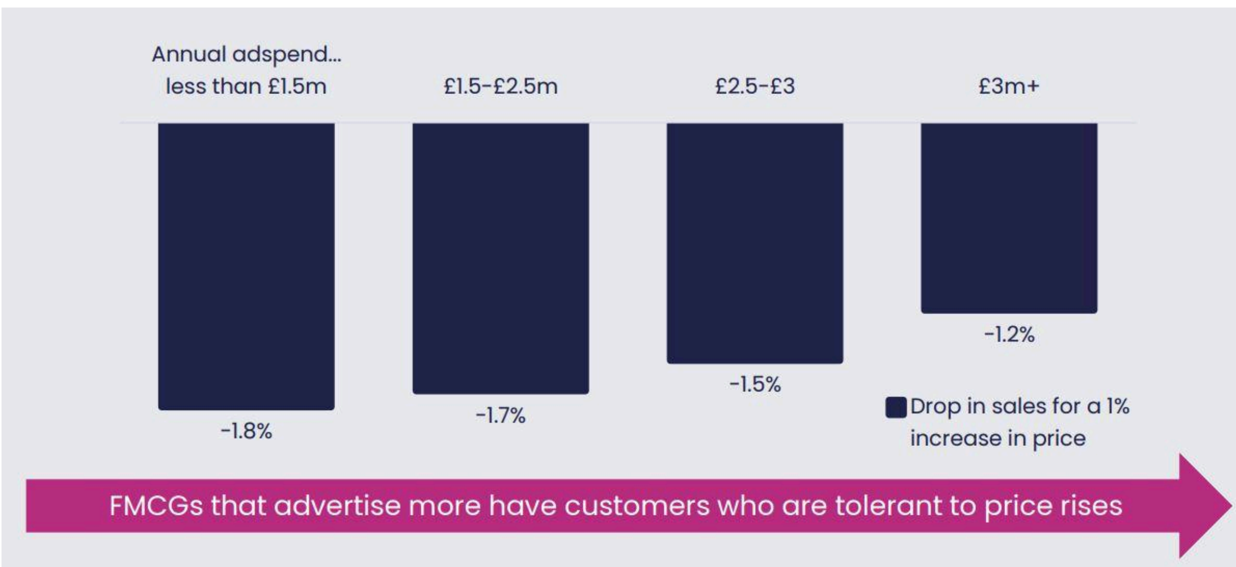
On the other hand, if the price rise means you lose a huge number of sales, it's obviously bad.

Econometrics measures the effect of price on volume sales using price elasticity: The percent change in volume for a 1% increase in price. It's always going to be negative – price goes up, sales go down - but you want it to be as near to zero as possible.

The chart below shows that this is the outcome you get if you've spent lots on advertising.

Across 40 FMCGs, where price elasticity was estimated using econometrics, price elasticity gets closer to zero as media spend increases.

FMCGs that advertise more have customers who are tolerant to price rises



Source: Magic Numbers, OMG, D2D. 40 econometric studies in FMCG

Now you might be wondering whether this is really a causal relationship. And you'd be right to say that you can't tell just by looking at the chart above.

It could be that other factors - like product, price, and business size – are driving both advertising and price elasticity.

Those factors may well matter, but the evidence points to there being a direct causal effect too.

The chart below shows the case of three FMCG brands of a similar size, in the same category, with the same owner, over the same period of time.

The business decided to back brand C with a punchy +9.3% excess share of voice, while neglecting brand A to the point that excess share of voice was negative at -2%.

Spending on advertising reduces your sensitivity to price rises

Source: Les Binet, Adam & Eve DDB

The chart shows that, over the 3 years in the study, brand C's price elasticity improved to the point where price rises would be profitable, while brand A's worsened to the extent that price rises would be a disaster.

Two case studies of modern brand building that reduced price sensitivity

Two more detailed case studies come from our clients at Magic Numbers: Yorkshire Tea and Little Moons. Even though they have different strategies, both have built strong brands, and both have category-beating price elasticities.

2023 Grand Effie winner Yorkshire Tea built its brand the traditional way, with a strong creative idea delivered in an entertaining way on TV. Like brand C in the case study above, it maintained positive excess share of voice over many years.

The result was that it not only grew to be the tea category leader, but throughout its growth it maintained a premium price position.

And, when in response to its rising cost base, Yorkshire Tea was forced to increase prices in June 2022, the reduction in sales was modest. Econometrics showed that its price elasticity was 25% below what's normal in FMCG. In 2023, the brand cut its media spend, but its previous long-term investment in brand building will almost certainly help its performance until the brand's advertising budgets are restored.

Little Moons' brand building story was quite different. Its strategy was to create a mochi ice cream product and brand that people wanted to spend time with.

This, combined with a bit of luck, brought a viral moment of brand building **o**n TikTok, with platform native creators producing content. Little Moons then built on this momentum with successful advertising and a series of events and activations.

Even though the story was quite different, the result was the same. Little Moons has experienced very fast growth, while maintaining a price point above other ice cream. **Its** price elasticity is a full 35% below the FMCG category benchmark.

Brand building isn't the right choice for some categories right now

The advice from the above analysis seems pretty clear. If you're going to need to put prices up, invest in your brand first.

But there is a proviso to it.

Inflation causes demand to drop in some categories more than others. And if you're in one of those that's worst affected, you might be wiser to wait.

The chart below uses data from WARC's recent trends survey, which asked 15,000 people what they would do if they wanted to buy an item that had increased in price from 6 months ago.

Categories are ordered from left to right based on how necessary the product is. And the proportion who would halt their purchase increases rapidly the more discretionary or non-essential the item is.

If you wanted to buy an item that increased in price from 6m ago, what would you do?

Source: WARC, GWI Zeitgeist, 15000 respondents, Nov 22

In necessity categories, like grocery, shoppers have to buy something from the category even if prices have gone up. But in categories where the product is a treat, like a new electronic item, demand during inflation can be down by as much as a third.

Share of voice/share of market analysis combined with a forward-looking view of your category's prospects in 2024 is a wise way to establish whether brand building is right for you next year, and if it is, how much to spend.

Magic Numbers hosts a free tool to help marketers run the numbers

A final word about hunches

So, it turned out our collective hunch about the effect of advertising and price sensitivity was bang on the money.

That shouldn't be surprising. Marketing people are generally wise, and work hard to understand existing and potential customers. Not all of what we learn is in spreadsheets, debriefs, and white papers.

But there are significant benefits to businesses in having evidence that tests marketers' hunches and quantifies the size of effects.

The IPA's recent publication on econometrics in the C-suite is full of examples and case studies where marketing people have been able to get the next steps they believe in – across advertising and price - accepted at the most senior level. Because they aren't just presenting their hunches, they're bringing good evidence.

And we're all far more powerful if we've got both in our back pockets.

Industry experts assert value of Econometrics to C-suite in new IPA report

Econometrics has new relevance right now for those wanting to make marketing more accountable, more effective and more profitable. This is according to industry experts who have set out a strong case for the statistical method in a new IPA publication, Econometrics and the C-suite - evidence-based decision-making for business, unveiled at the IPA's flagship EffWorks Global 2023 Conference.

In an expansive introduction for the new IPA report, adam&eveDDB's Global Head of Effectiveness Les Binet explains the value of econometrics and outlines the two core reasons for why its use matters now more than ever.

Ratcheting inflation rates

"The economy is no longer a gentle escalator – it's a roller coaster. Ratcheting interest rates mean investors increasingly want profits not purpose and they want them now," explains Binet.

Rising inflation means analysing the impact of price is firmly back on the marketing agenda. Econometrics is the perfect tool for this new environment, allowing you to measure set prices and fine tune marketing plans to maximise profit. No other research tool can do those jobs as effectively.Les Binet, Global Head of Effectiveness, adam&eveDDB

Growing disenchantment with digital evaluation techniques

Savvy marketers have long been suspicious of last-click attribution, outlines Binet, but there is a growing realisation that even sophisticated multi-touch attribution methods do not establish true causality.

"Increasingly, smart firms are adding econometrics and experiments into their modelling to provide a more balanced point of view. And, surprisingly, the Big Tech firms seem to be going with them. Insiders at both Google and Meta say that they are tilting away from simplistic digital attribution towards more sophisticated econometric analysis. And if the world's most influential tech firms think econometrics is the way forward, it's probably worth a look, isn't it?"

Joining Binet in making the strong case for the use and value of econometrics, the IPA publication hears from an array of industry experts on the various ways the discipline can help businesses and how it can be executed, which include:

A good econometric model not only explains the past, but it can also predict a number of possible futures. By "wargaming" different scenarios, a business armed with econometrics can reduce risk and maximise opportunity.

- Colin Smith, Senior Director – Consulting Services for TransUnion looks at scenario planning.

Econometrics uses data to reveal how the outside world affects business outcomes, as well as the results of choices made by the business in the past.

- Dr Grace Kite, Founder of Magic Numbers sets out how econometrics can be useful in managing big-picture decisions; resolving competing demands across departments; responding when the outside world is changing; and knowing when to invest and when to be cautious.

When it comes to the C-suite, econometrics has regained its position as the gold standard for quantifying the incremental contribution of marketing and media activities, as well as gauging the magnitude of all other business drivers.

- Olga Zaitseva, Partner – Analytics and Insight at EssenceMediacom, provides a comprehensive overview of the application of econometric modelling to the media buy, and the vital role it plays in guiding both short-term and long-term investment decisions in the boardroom.

Econometrics has played an important role in building up the industry's body of effectiveness knowledge.

- David Grainger, Media Strategist, Technical Judge for the 2022 IPA Effectiveness Awards and Report Editor, looks at post-campaign evaluation through the IPA Effectiveness Award case studies.

Could AI make econometric modelling quicker, easier and more accessible?

- Winnie Cheng, Senior Commercial Strategy Director Analytics at Kantar and Dom Boyd, Managing Director UK Insights and Marketing Effectiveness Practice peer into the potential future of econometrics.

The report also includes commentary from Harry Davison, Head of UK Marketing Science, Meta and Nitin Gulati, Interim Head of Measurement & Effectiveness, Google UK.

Says Laurence Green, Director of Effectiveness, IPA: "Econometrics is a proven discipline in advertising and communications, but its value as a predictive tool for developing cohesive business strategies across the wider business portfolio and marketing mix – from pricing to distribution, portfolio management to budgeting – is less well developed. This publication seeks to address this planning gap."

Says Les Binet, "Marketing can have many different goals: to build awareness, to drive traffic, to recruit customers, to increase market share, and so on. But the ultimate goal, for commercial firms at least, is always the same: to generate incremental financial value. This is where the value of econometrics lies. It enables us to identify the effect each variable has on sales and profit, even when everything varies at once."

There's no doubt that Econometrics is a hot topic right now, and these five report chapters make fascinating reading.Les Binet, Global Head of Effectiveness, adam&eveDDB

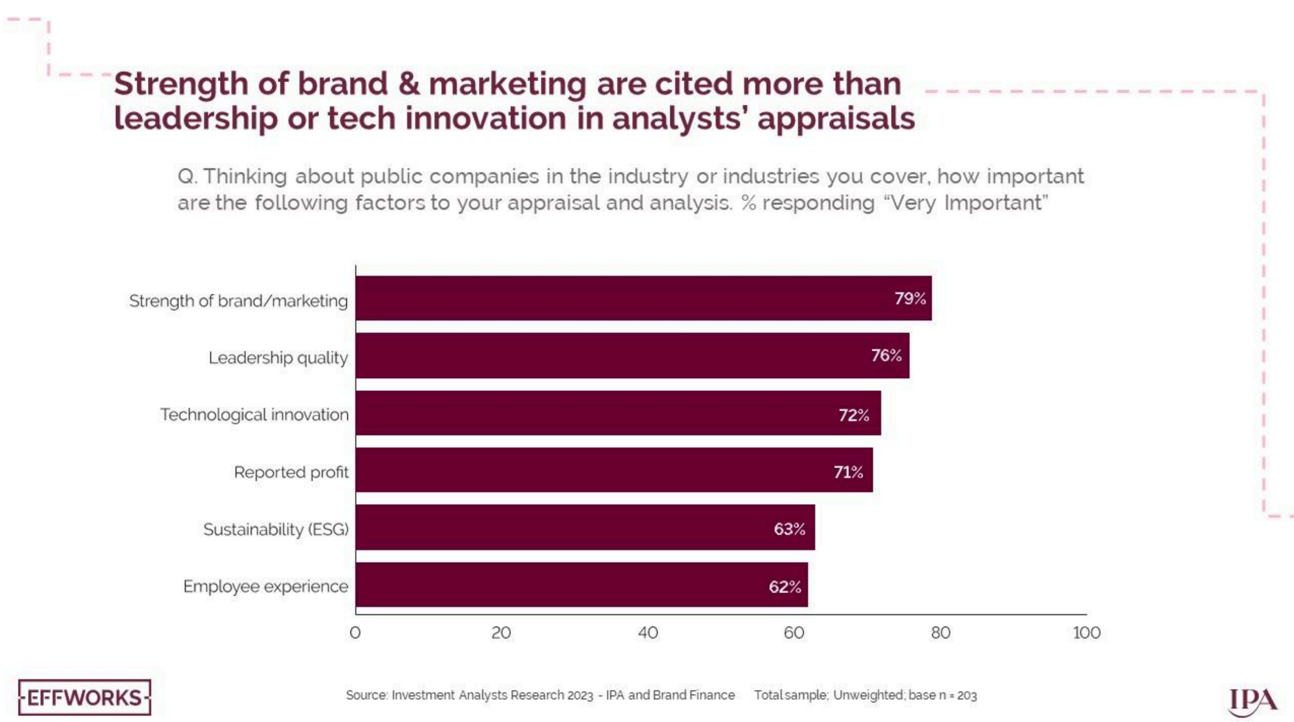
Econometrics and the C-suite is available from £10 for IPA members and £20 for non-members

Brand investment matters to the City, reveals new IPA/Brand Finance survey

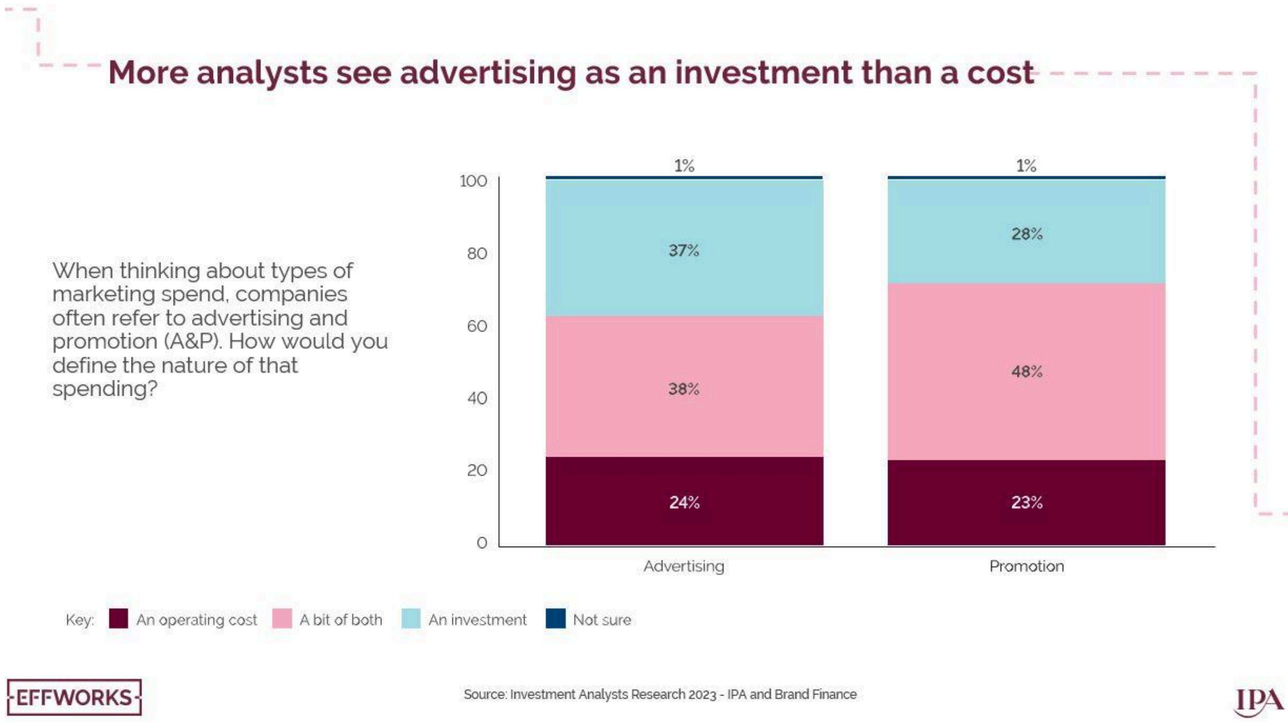
Investment analysts fundamentally believe that brand strength is critical to a firm's success. This is according to new research by IPA/Brand Finance and analysis by Ian Whittaker, a former City analyst and Founder and Managing Director, Liberty Sky Advisors, unveiled at the flagship IPA EffWorks Global 2023 Conference.

Analysts reveal positive perceptions of value of marketing

The new IPA/Brand Finance Investment Analyst Survey, which was completed by over 200 financial analysts who cover publicly listed companies in the United States and United Kingdom, reveals that "Strength of brand/marketing" is the factor most frequently cited by analysts (at 79%) when asked how they appraise and analyse the companies they cover. This is cited ahead of leadership quality (76%) and technological innovation (72%).



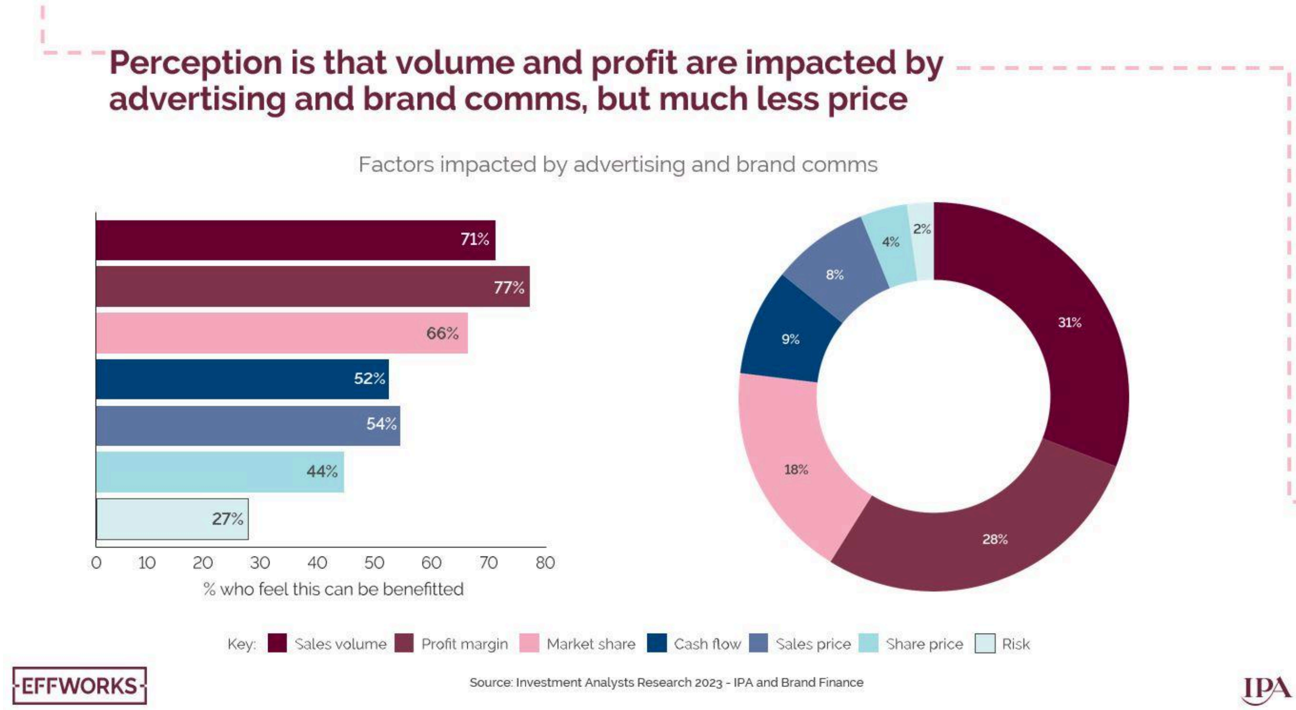
Further positive findings reveal that more analysts perceive advertising as an investment (37%) than a cost (24%). While 38% state it is a mixture of both.



Building on this, according to the findings, the analysts who examine Advertising and Promotions are significantly more likely to believe marketing is an investment and that it drives organic growth.

Need for education still critical

Despite the positive perception in some areas, the results show a seeming lack of understanding of marketing in other areas. For example, Marketing was seen as contributing most to "profit margins" (77%) and "sales volume (71%) - but less in areas such as "sales price" ie premium generated (54%) and "share price". (44%).

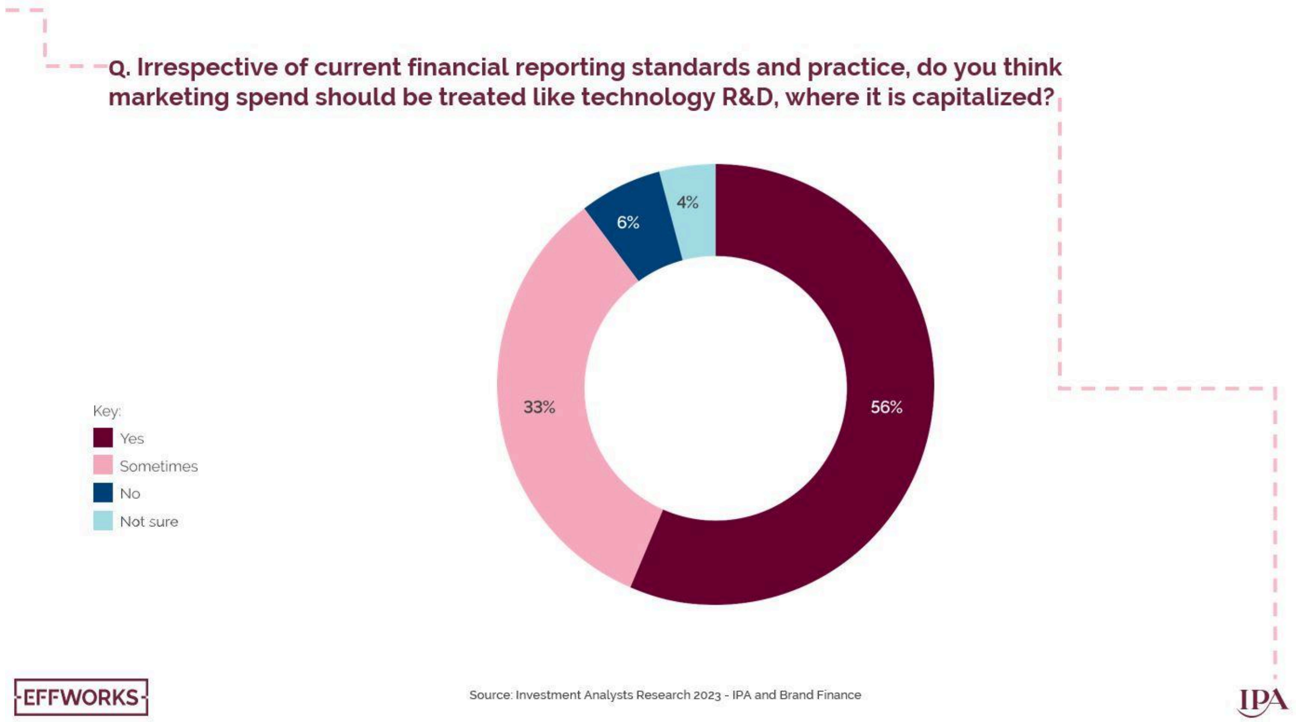


This is contrary to current evidence that Ian Whittaker has analysed from some major global brands, which shows how strong brands managed to retain volume share despite price increases.

In addition, when asked for their reactions if one of the companies they analysed announced a marketing spend cut, only 36% of analysts felt it was a 'short-term fix with long-term negative consequences' compared to over half (52%) who said they saw it as a ‘positive cost-saving measure’

Analysts show support for changing 'accounting treatment' of marketing spend

When asked whether they thought marketing spend should be treated like Technology R&D, where it is capitalised, nearly 90% of analysts said they believe marketing spend should be placed in capital expenditure either all (56%) or part of the time (33%).



Two-thirds of analysts (67%) also want to see changes to how intangible assets as a whole are reported upon and accounted for.

Those that stated they think it should be capitalised at least some of the time believe it would improve their ability to value the company and give them better understanding of future growth potential.

Recommendations going forward

Further to his analysis of the findings, Ian Whittaker, a former City analyst and Founder and Managing Director, Liberty Sky Advisors, will share his conclusions and recommendations that he will expand upon in an upcoming IPA report. These include:

- Marketers need to make the argument that marketing is more an investment, than a cost.
- Analysts show support for this view and would prefer a change in the accounting treatment to reflect marketing's investment nature.
- Analysts believe that brand strength is critical to a firm's success even if the accounting treatment encourages a more short-term mentality.

- The investment community is now looking for more information on marketing spend. This engagement improves perception of that spend. Brand owners should be encouraged to disclose this.
- The marketing industry needs to educate analysts on the link between marketing and price premium and other value levers, particularly long term.
- Crucially, the last 18 months has given a real-life, unplanned experiment showing how brand strength has proved crucial to both growing firms' top-line and protecting their earnings.

This survey provides welcome news that investors are placing increasing interest and importance on investment in brands.Laurence Green, Director of Effectiveness, IPA

Says Laurence Green, Director of Effectiveness, IPA: "To facilitate this and to improve understanding, it is incumbent on brand owners to provide the relevant data and evidence to investors, and to engage with them using their language in order to make the most compelling case for marketing as a long-term investment."

Says Annie Brown, General Manager, Brand Finance: "When companies spend money to change the way people see their brand, they are not doing it for a one-off result. They do it to build up the long-term value of their brand asset."

Therefore, advertising spend should in most cases be considered an investment for future growth, not just a cost for delivering immediate business.Annie Brown, General Manager, Brand Finance

For more on IPA EffWorks

The next chapter for 'The Long and The Short of It'

Les Binet and Peter Field's 2013 IPA seminal report, 'The Long and The Short of It', woke up the advertising industry to the dangers of short-termism. Ten years and several reports later, the challenge is to ensure its lessons are used in client boardrooms.

In 2013, *The Long and The Short of It* was nothing short of a wake-up call that marketing was “sleepwalking towards a precipice” where the over-use of short-term metrics would damage brands’ profitability in the long term.

Since then, it’s been cited in more than 70 pieces of academic research and textbooks, including the *Journal of Advertising Research, International Journal of Market Research, Journal of Consumer Behaviour*, and referenced in dozens of other publications in languages as diverse as Chinese, German, French, Russian and Brazilian. Oh! and the *World Health Organisation* and *National Institute Economic Review* have made use of it too.

I’m privileged to be marking the original report’s tenth Anniversary by hosting a fireside chat with its authors at EffWorksGlobal 2023. Ten years ago, Tik Tok didn’t exist, Netflix was celebrating its first birthday in the UK and Meta and X were still known as Facebook and Twitter. Furthermore, beyond the burgeoning growth in recent years of media platforms, the Coronavirus epidemic ensured that even the most die-hard Luddites went online.

Striking the right balance

Considering this seismic change, I’ll be asking Les and Peter how relevant the lessons of *The Long and Short of It* still are. In truth, I’m somewhat leading the witness here, as they addressed (much of) this change in subsequent reports: *Media in Focus (2017)* and *Effectiveness in Context (2018).* These included campaign data executed in an increasingly mature digital landscape with firm social presence. Again, they proved that it was the *balance* between long-term and short-term communication that was key. Remarkably the ‘sweet spot’ remained nearly constant too. In *The Long and The Short of It* the optimum budget ratio was 60:40 between brand building and activation, in *Effectiveness in Context* it was 62:38. (These Titans of Effectiveness are nothing if not precise.) It is noteworthy that these later reports were introduced by ThinkBox and Google (UK) leaders. Binet and Field's findings carry weight in all courts.

These reports collectively represent a canon of marketing effectiveness and as such, the tenth Anniversary of *The Long and The Short of It* deserves recognition and respect. Marketers need robust, objective research they can trust and take to their boards to make informed decisions. *The Long and the Short of It,* and its sibling reports, provide this evidence in spades.

Short-termism continues to grow

And yet, here's the rub. Despite this evidence showing the sweet spot to be 62:38 in favour of brand, short-termism continued to grow. Data included in *Effectiveness in Context* revealed that the percentage of campaigns which were short-term was increasing, and as this "tide of activation" (in Peter Field's words) rose, effectiveness fell (defined as the number of very large business effects reported in IPA cases). This was based on data from before the COVID period and the current cost of living crisis, so just imagine how much more the tide of activation may have risen today.

So yes, let's celebrate the tenth anniversary of The Long and the Short of It, but let's also question why its learnings seemingly aren't acted on more frequently.Alison Hoad, Chief Strategy Officer, Publicis•Poke

Because for me, the issue 10 years on isn't does the learning still hold. The stats speak for themselves. The issue is how are we, as practitioners, harnessing this evidence with those who question the value of what we do? To go back to the start, how do we ensure this type of evidence is being cited in *Fast Company* and *The Financial Times* as much as it is in the *Journal of Advertising Research*; how to ensure that it's being used in the boardrooms of our client CEO and CFO as well as agency land? How does it earn its place on the CEO's desk, and become the CMO's bible?

And importantly, how can we as practitioners, collectively keep waking up, absorbing and strengthening this evidence so that we build brands' long-term effectiveness in practice, not just cite 'best practice' in theory?

Now that's a conversation I'm looking forward to having on 10 October at EffWorksGlobal. Hope to see you there.

Alison Hoad is Chief Strategy Officer of Publicis•Poke

Why brand difference matters, and what you can do to drive it

Kantar BrandZ partnered with University of Oxford's Saïd Business School to identify new learnings on how brands can maximise commercial share price returns – with implications on what marketers should do differently.

Brands are funny things. On the one hand, this is a golden age for brands. We've never had as much empirical evidence demonstrating the competitive advantage brands deliver to business, and rules of thumb that help build their value, such as the 60:40 rule.

Yet much has changed over the past 15 years highlighting new challenges to models of 'how brands grow', and the way brands now deliver brand value to the bottom line in reality:

- the digitally connected economy creates new value through new channels, innovation and experiences
- sustainability has risen in importance
- inflation has exposed the importance of pricing power and margin as vital commercial levers alongside sales volume

So, it's time to think differently about growth.

Factors driving breakthrough value creation

BrandZ is Kantar's brand valuation engine of over 21,000 brands in 52 markets based on 4.2 million consumer interviews. It puts a value on the commercial contribution of brand equity, fuelled by three factors:

Meaningful: relevantly meeting functional and emotional needs in a category

Different: a combination of being seen as unique and leading the way

Salient: coming to mind easily when making a choice between brands

Investigating the data

We've put this dataset to the test in two new ways to understand what factors make the difference in driving the strongest growth performance in the modern economy by:

1. Partnering with the Oxford Saïd Business School to model which brand factors deliver 'abnormal' share price returns, and their relative importance.

2. Identifying BrandZ's 'breakthrough brands' that have grown most rapidly in recent years to isolate what sets them apart from the rest.

Together, the analyses reveal insight into which strategic levers to focus on to maximise growth impact.

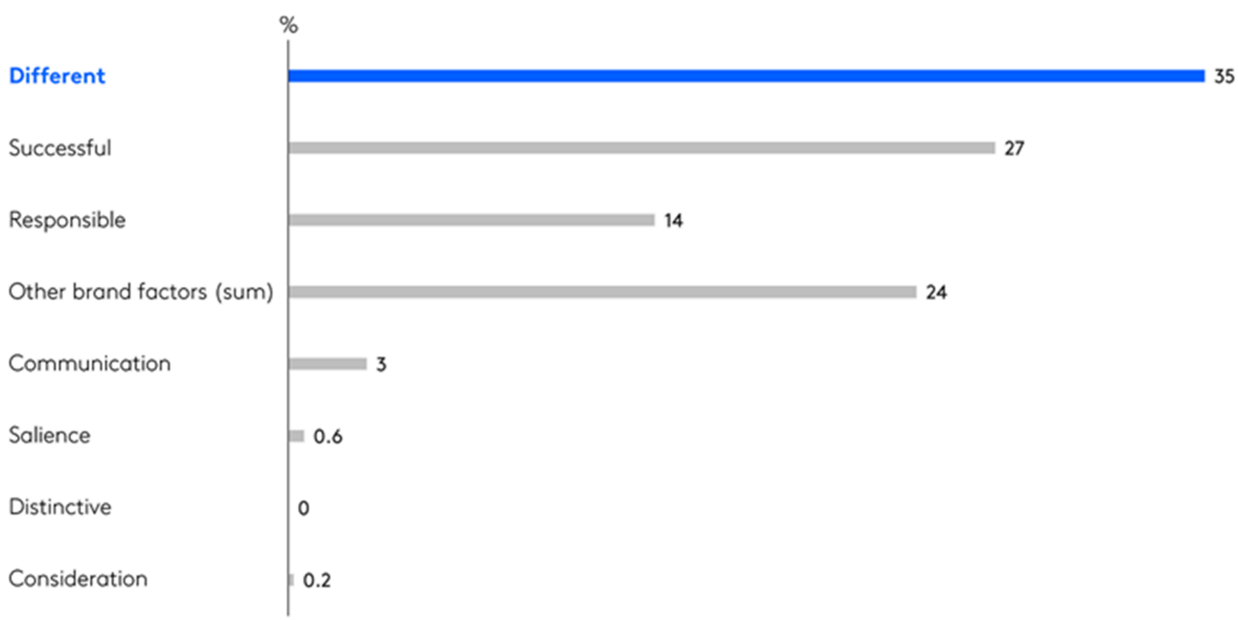
How brand difference can support company share price

Saïd Business School analysed financial results from 872 brands between 2006-2022 across multiple categories, modelling outcomes incorporating BrandZ data. This showed:

1. Difference is the No. 1 factor on share outperformance (Corporate Responsibility was third)
2. Difference accounts for 35% of share growth, salience was just 0.6%
3. Difference is increasing in importance, salience decreasing

This evidence exposes as false the assertion that difference doesn’t exist between brands or matter much. Consumers do perceive it, and it plays a primary role in brand share price.

Brand drivers of share price



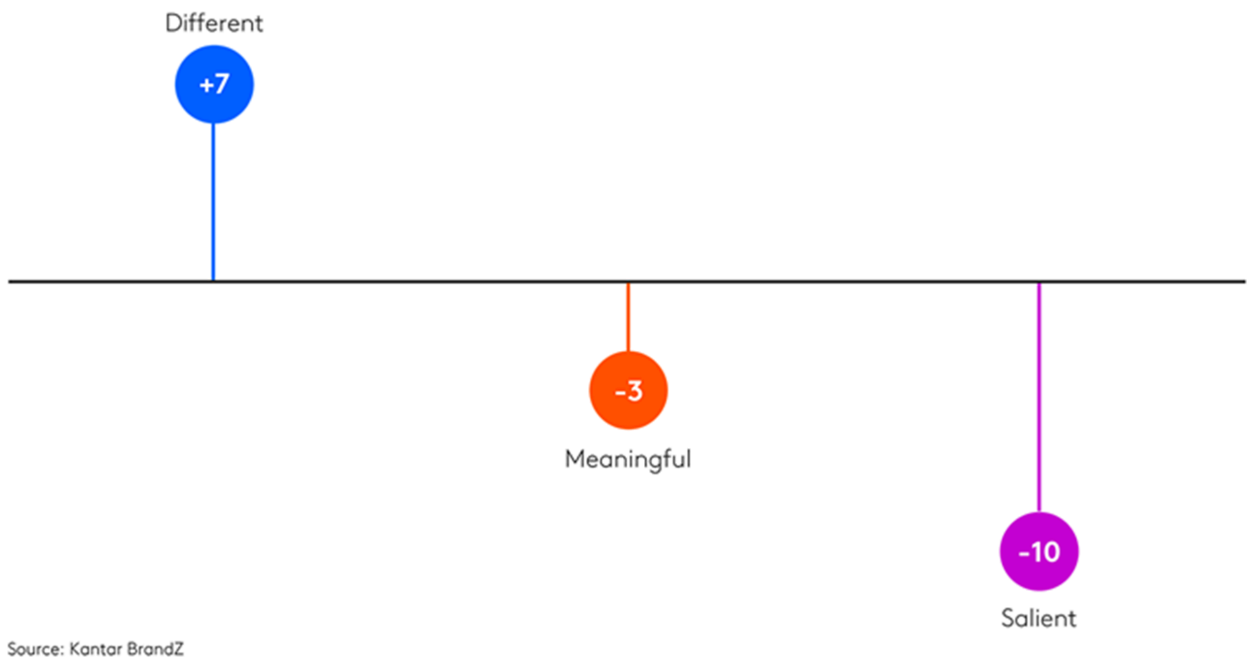
Source: Oxford University’s Saïd Business School modelling analysis of 872 brands 2006-2022, based on Global Kantar BrandZ data

BrandZ Breakthrough Brands analysis

Kantar analysis of BrandZ ’breakthrough brands’ (fastest-risers +5% YoY and new entrants to Kantar BrandZ Most Valuable Global Brands.) shows any brand can be a ‘breakthrough brand’. They come from every category and every kind of maturity. Examples include KFC, Cadbury, Johnnie Walker, Chipotle, Lululemon, Tesla, Aldi, Uniqlo, TikTok and Airbnb as well as Kantar BrandZ's No. 1 most valuable global brand, Apple.

So, what makes these breakthrough brands different? In a word: Difference. While meaningfulness, salience and difference each play a role in the performance of these brands, they are seen – and experienced – as being relatively more different from competitors. Difference is their real rocket fuel for growth.

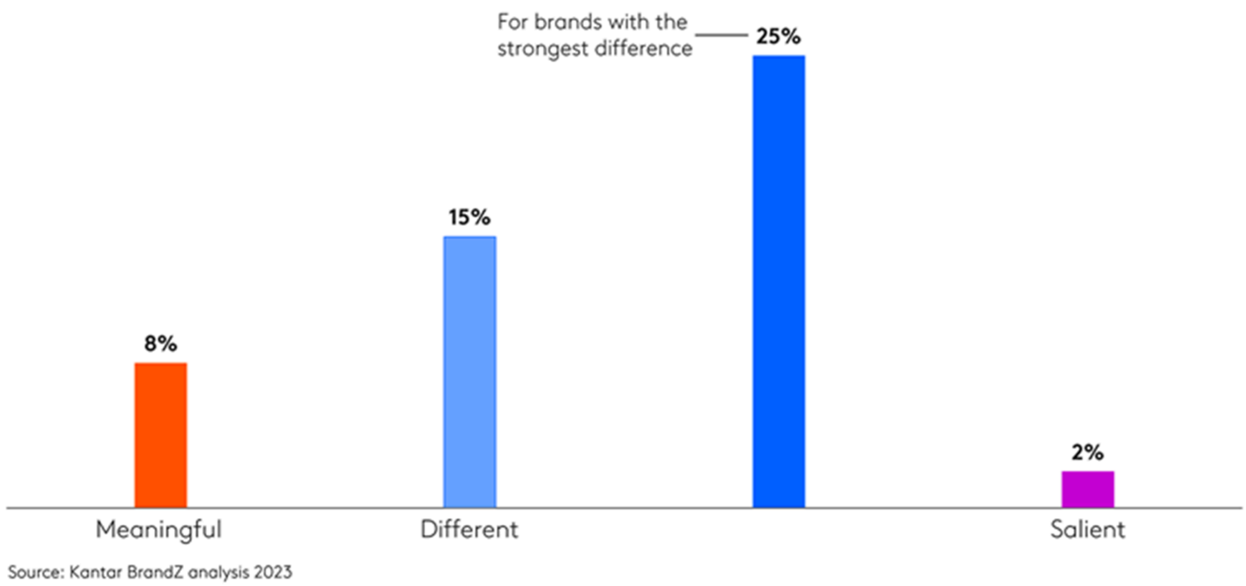
How breakthrough brands are hardwired for difference (Index vs Global average)



We can see the importance difference plays by going a step further in factoring out the role brand size plays, by analysing the brands that grew market share over a 3-4 year period and comparing their starting equity position relative to brand size with the net chance of gaining share. This reveals which brands grew beyond what would have been expected given their size: what we've called a relative 'excess' level.

This analysis shows brands with 'excess' Meaning or Salience had only small chances of growth. In contrast, starting with ‘excess’ difference turbocharges their growth potential. And the stronger their relative excess difference, the stronger their growth rate.

How ‘Excess’ difference (factoring out brand size) drives the strongest growth

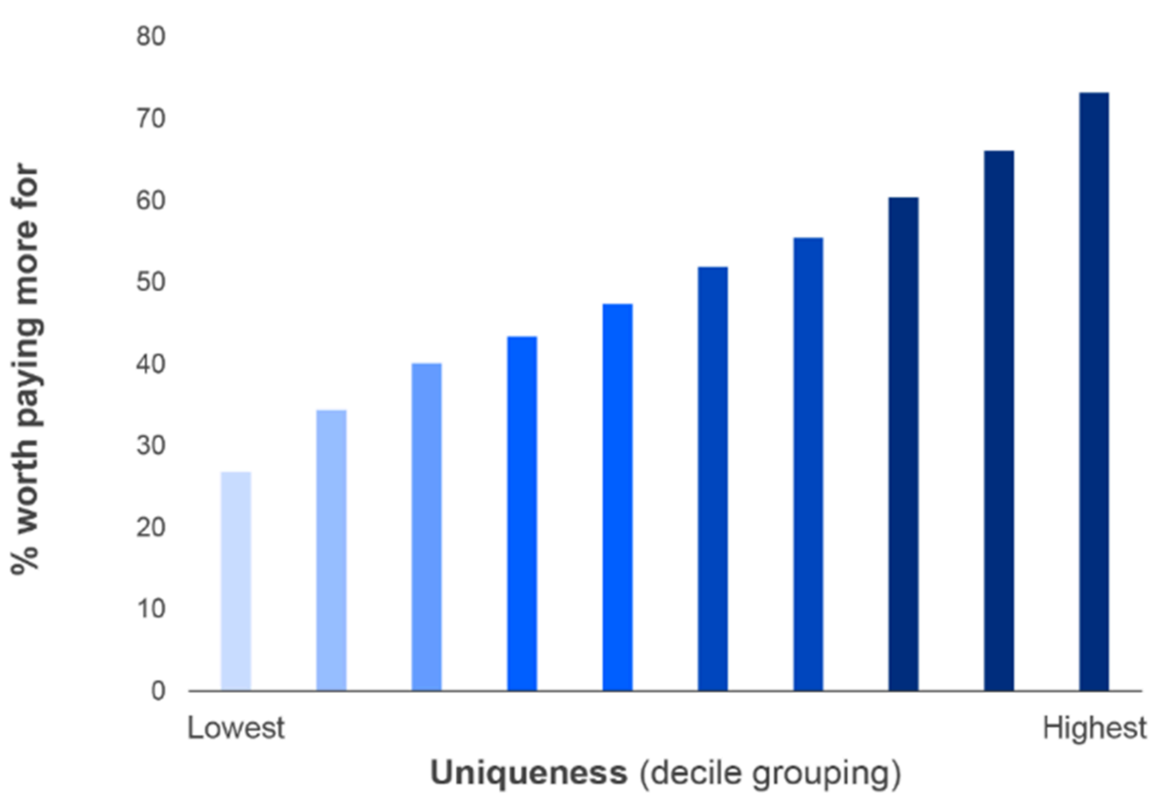


So, if you want your brand to grow, and grow faster than competitors, Difference is what makes the difference.

Difference drives pricing power

Kantar’s data shows the stronger perceptions of a brand being unique, the stronger perceptions that it is ‘worth paying more for’ are.

Difference is worth paying more for



In fact, different is the leading driver of Pricing Power in many categories - on average Meaningful and Different together account for 94% of Pricing Power, and salient just 6%.

This creates a huge commercial growth advantage as Pricing Power flows directly to the bottom line: McKinsey reports that a 1% increase in price improves operating profits by 8% - three times the boost to profits generated by a 1% increase in volume sales.

Meaningful Difference is also a stronger factor than saliency driving the pipeline for future sales too, building a protective cashflow around a brand where profits can be more deeply and consistently reinvested back into the business.

This dynamic can be summarised in a brand value chain: Demand Power (sales volume) is driven by meaningful salience, Pricing Power (sales value/margin) is driven by Meaningful Difference.

The implication here is that mental and physical availability, while important, is not enough. To fully unlock a brand's commercial growth requires doubling down on creating a perceived difference, which strengthens pricing power and margin potential - and that's never been more important for success than now in inflationary times.

Design for Difference

Kantar factor analysis on the levers of difference highlights how it's created by the sum of tangible AND intangible factors which connect to forge brand memories.

Distinctive brand assets (colours, fonts, slogans, characters, etc.) certainly play a role, accounting for 30% of difference. But the vast majority – over 70% of difference - is made from other intangible factors including positioning, product experience, service design, advertising associations, range relevance and responsibility.

Each of these factors stimulate sensory connections in the mind, enhancing brand predisposition, or as Jeremy Bullmore once put it '*brands are built as birds build nests, from the scraps and straws they chance upon'.* This primes people to buy, pay a premium, enjoy the experience more and be less likely to leave for competitors.

Learn from brands with clear difference

The implication here is that consistent use of Distinctive Brand Assets, while valuable, is not enough either – breakthrough brands Design for Difference by continuously challenging category convention to do things differently and better, whether as a leader, a challenger or a new entrant.

Contrary to being 'meaninglessly distinctive' as Byron Sharp puts it, they are deeply purposeful in designing meaningful difference into every marketing activity.

Apple, BrandZ's biggest brand in the world with also twice the level of difference to the average, is a great example of how to do this using every marketing 'P'. It starts with a clear compelling position, amplifies it with powerful emotive communications and reinforce it through emotively differentiated utility innovation, packaging and product/service experiences (such as Genius Bars). And Apple does it consistently.

IPA Effectiveness Awards Grand Prix 2022 winner Cadbury, which works very closely with Kantar, is a brand with strong all-round equity including ‘excess’ difference of +5. The foundation for its growth has been defining a uniquely compelling brand territory – Generosity – which has been brought to life consistently in Cadbury’s ‘There’s a glass and a half inside everyone’ creative campaign over 5+ years with emotive creative. For an example, see Kantar’s Xmas ad of the year Cadbury’s ‘Secret Santa’.

In our creative excellence panel at Cannes with Cadbury, the brand revealed a simple key to success:

Jonny McCarthy, Global Head of Brand, Cadbury, said: *“Do what others aren’t doing & keep doing it consistently.”*

Thinking differently about brand growth

Deploying distinctive brand assets and growing salience/mental and physical availability are vital in driving volume sales, but they’re only half the story when it comes to growth.

Designing for, and delivering meaningful difference, relative to competitors through experience, innovation and comms are critical to priming future purchasing & driving price power that flows to the bottom line – and that’s the commercial rocket fuel that unlocks a brand’s full value on the balance sheet.

What this means in practice

- Ensure your brand strategy is compellingly emotionally differentiated – without this, you’re building a castle on sand.

- Use a creative platform that enables your brand story to come to life emotionally (even if based on product benefits) by ‘doing what others don’t’. Shape market conventions, don’t follow them.
- Consistency is the strongest creative weapon you have (memories build slowly): so don’t think in throwaway executions. Think in 5-10+ year campaigns which slowly build *like a soap opera* with a uniquely familiar story and cast which slowly evolves.
- Design Difference into your media & investment plan with high attention high impact channels that reinforce your emotional differentiation. (New Kantar evidence we’re sharing at an IPA EffWorks 2023 satellite event shows emotive digital channels like Tik Tok can be some of the strongest at building brand difference and equity.)
- Put in place an agile measurement framework that links to brand meaningful difference not just creative salience impact:

Breakthrough brands are showing up consistently everywhere. So, take a leadership role by connecting silos and ensuring your innovation, experience and sustainability strategies all play their part reinforcing your brand’s meaningful difference emotionally & rationally.

For more info see Kantar IGNITE, breakthrough thinking for brand leaders.

Dom Boyd is Managing Director, UK Insights and Marketing Effectiveness Practice, UK, Kantar

Hard times call for hard decisions on share of voice

Matt Hill, Director of Research & Planning at Thinkbox, the marketing body for UK commercial TV, argues that while investing in ESOV is not popular, it can give brands a competitive edge.

It’s 2023 and it’s all a bit grim. We're so used to grim now that we might mistake it for normality. We’re in the middle of a cost of living crisis thanks to a war in Europe and its impact on energy prices, and a hangover from Brexit. The after-effects of the pandemic are still being felt. The after-effects of Liz Truss too.

Marketers once again find themselves in unfamiliar territory. Most haven’t operated in an inflationary environment before and, even if the likelihood of a recession has receded, there is a whiff of caution in the air. AA/WARC advertising investment forecasts have been downgraded to suggest a small rise of 0.5% in 2023 in the UK, with the only real growth coming from spend in search advertising, which is mostly used as digital point of sale and is closer in nature to shelf wobblers than to most advertising.Matt Hill, Director of Research & Planning at Thinkbox

So, with UK annual inflation as measured by the Consumer Prices Index still above 10% in March 2023, there are two things that marketers should really care about this year:

- Price sensitivity/elasticity
- Excess Share of Voice (ESOV)

The importance of price sensitivity is obvious, because inflation means business input costs go up and as a result, most businesses will need to put up their prices to protect their margins. If your product/brand is highly sensitive to such price fluctuations, then sales volumes will suffer.

The need to focus on the brand’s Share of Voice (SOV) may be less evident, but still matters. First, a brand’s SOV can affect its price sensitivity. Econometric agency Gain Theory suggests a rule-of-thumb relationship between SOV and reduced price sensitivity where a 10% increase in a brand’s SOV can result in a 5-20% reduction in its price sensitivity. This happens because stronger brands, supported by advertising, are better able to protect market share and profit margins when their prices have to rise since people are still more likely to choose these brands even at a higher price.

Great time to buy more SOV

Second, now is a great time to buy more SOV – especially in media where price is based on supply and demand (like TV, although other media are available). Increased value is on offer to TV advertisers due to the weaker demand among advertisers because of the economic uncertainty.

Data from Q1 2023 shows that the number of brands advertising on UK linear TV was down and that most advertisers were buying fewer ad ratings than in the same period last year. With TV viewing stable, the end result is a deflationary TV market offering opportunities for advertisers to get more for their money.

But isn't investing in growing SOV a rather blunt marketing tactic in today's world? Well, it's certainly one that doesn't always sit comfortably with boards – no serious FD enjoys seeing the company's marketing department actively looking to spend more money than its competitors. It's also (thanks to the growth of digital walled gardens like Facebook or TikTok) a lot harder to measure a brand's total SOV than it was 20 years ago.

But committing to achieving ESOV – namely, investing in having a greater share of voice than the brand's market share in order to grow that market share – is a proven strategy. Just ask Les Binet, Peter Field, Byron Sharp, Mark Ritson or Karen Nelson-Field (although Karen will argue that attention-adjusted SOV is even better!).

A clear example that shows achieving ESOV still works as a marketing tactic can be found in a July 2022 article from The Grocer about the black tea market. It reported that *'Yorkshire Tea was the only traditional tea brand in growth last year, with value up 3.4% to £119.1m. Bettys and Taylors (the brand's owner) said Yorkshire Tea's market-leading position also strengthened, with share rising to 33.7%.'*

Storm in a black tea cup

Last year Yorkshire Tea was rocking a 45% SOV in the traditional tea advertising market on TV. On occasions over the previous five or so years, it has been the only black tea brand advertising on TV. Back in 2015 Yorkshire Tea had a 20% market share, so several years later to be sitting on almost 34% market share is a phenomenal achievement. The fact the brand has utterly brilliant creative from Lucky Generals certainly helps – but this is also a case of the benefits of ESOV in action.

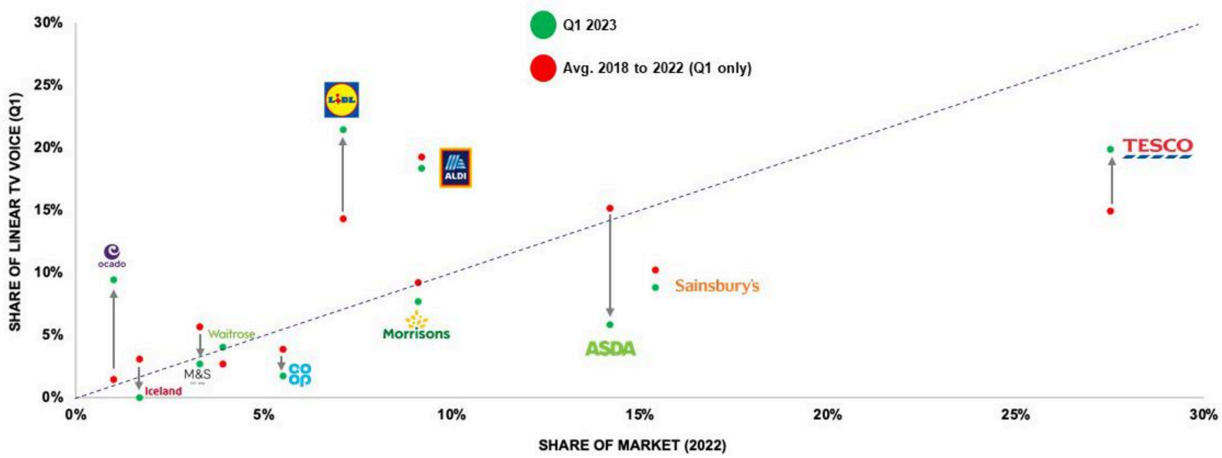
More recent data from a different category also shows ESOV strategies in evidence. Below, I've used the supermarket category because a) there aren't that many operators in the UK, so the data is easy to visualise, and b) it's pretty straightforward to get data on supermarkets' revenues and estimate market shares.

Sustaining ESOV in the supermarket category

One caveat about the rule of thumb that links ESOV to market share growth (i.e., 10% ESOV delivers circa 0.5% market share growth) is that it doesn't quite apply to supermarkets in the same way as to other businesses, since store volumes, sizes, drive time, and population densities are much more critical factors in market share gains/losses in this category. However, as the UK supermarket category is worth circa £200 billion a year, a market share gain of 0.1% is worth £200m, so even if there is a weaker relationship between ESOV and growth in this category, sustaining ESOV can still be an important goal for supermarkets.

The chart below shows the major supermarkets' linear TV SOV for Q1 this year (the green dots) compared with the first quarter of the previous five years (red dots) and plots this against their 2022 market shares.

UK supermarket TV share of voice Vs share of market



Source: BARB / ESM magazine / company financial reports

First, you can see that there is a general relationship between TV SOV and share of market (SOM). The bigger the supermarket, the higher the TV SOV. But we can also see that there is quite a bit of change this year. Lidl and Ocado are clearly seeing that this year is an opportunity and are investing in ESOV, also Aldi are maintaining their high SOV. Tesco looks to have responded with a defensive play. Sainsbury's, Morrisons and, in particular, Asda look to be playing it cool.

Admittedly, this is only a part of the picture. It only covers linear TV ad spend and the pattern could be different if we looked across all media spend. But, with TV accounting for over 80% of all video-based advertising (and video recognised by most as the most effective format), this is a good place to start.

Staying on top of what's happening in your market can be a challenge, but there are tools out there that can help. ITV's SOV calculator is a very handy system that covers TV share of voice across the whole of linear TV (not just ITV) as well as TV sponsorship (see AdLabs Insight: Share of Voice by ITV | ITV Media).

Share of voice battles are in play right now and, due to the current financial climate, 2023 looks to be a critical year where there could well be significant advantages to be gained for those prepared to be bold.

Why now is the perfect time for B2B brands to invest for growth

In his keynote speech at the 2022 Cannes Lions Festival of Creativity, LinkedIn CEO, Ryan Roslansky, said “if I was going to start an agency today, B2B is exactly where I’d go. This is where the creative challenge is. It’s where the economic opportunity is. It’s where the money is going to be”.

In theory, his assessment should be right. Everything is pointing to this being a turning point for a category that has struggled to leverage marketing to its full potential for many years. In the history of the IPA Effectiveness Awards, only 2.5% have been B2B cases – a damning statistic.

The launch of The B2B Institute in 2019 has paved the way for a renaissance in B2B. It has commissioned several seminal research pieces from the likes of Binet & Field, The Ehrenberg-Bass Institute, Cannes Lions and The IPA that finally prove the key principles for marketing effectiveness in B2B. For the first time, B2B now has category-specific empirical evidence that (surprise, surprise!) points towards greater investment being needed in brand building and creativity.

Explosion in media channels open to B2B marketers

Additionally, the advancement in advertising technology over the last few years has resulted in an explosion in media channels that are now open to B2B marketers. Channels such as TV, audio and OOH, that were previously considered to be overly wasteful for niche B2B sectors, can now be bought in more targeted ways at a lower entry cost. Exciting? Absolutely. But the creative challenge that Ryan talked about is real. System 1 tested 1,600 B2B ads and found that 4 in 5 scored a 1-star or less in its rating system – meaning they contribute nothing to long-term market share growth.

It’s a complex issue that has developed over time, primarily driven by the lack of brand building channels available to many B2B sectors for so long. This has resulted in a deeply engrained culture where marketing is considered a support function for the sales department rather than a driver of business growth – and a proliferation of B2B agencies that have focused all their expertise on lead generation activity.

B2B organisations are simply not used to investing at the right level, in either media or the creative product, to effectively build their brands. So, when an economic downturn is putting many businesses on the defensive and marketing budgets at risk, how can B2B marketers convince senior stakeholders to shift their focus and invest more in brand building?

There are two ‘rules’ every B2B brand should look to

Professor John Dawes of The Ehrenberg-Bass Institute introduced a concept called The 95-5 Rule. He explains the simple fact that up to 95% of potential buyers are not in the market to buy a brand’s products or services at any given time. So, rather than focusing efforts on lead generation, B2B brands should be investing in brand-building communications that build mental availability – with the aim of being more salient when a buyer comes into market.

Many question why being front-of-mind is so important in category where so much research is done before a strategic purchase is made?

A study of 850 B2B case studies conducted by BBN called The Rule of Three in Every Purchase Decision, shows that when someone moves into buying mode, the first search engine they use is their head. Typically, one to three brands immediately come to mind that they think can solve their problem. And if you fast-forward to who they buy from, in 90% of cases they buy from one of the three brands that initially came to mind.

Source: The Rule of Three in Every Purchase Decision, BBN, 2019

In a slower economy, with the number of in-market buyers reducing below 5%, brand building becomes even more important. Rather than doubling down on a smaller pot of sales opportunities, brands should be priming the vast pool of future buyers for when they do come into market during the economic recovery.

In times of economic downturn, it is also common for media costs to decrease. This makes it a rare window of opportunity for brands to exploit cheaper media and win share of voice at a much lower cost than in normal times – particularly if competitors are also reducing spend.Cos Mingides, Founding Partner & Head of Effectiveness, True

Agency heads share their 2023 ad industry predictions

From attention metrics, to inclusivity progress, to advancing our efforts to address the climate crisis and more…. our agency heads set out what they're most looking forward to, or looking out for, for the industry this year.

Julian Douglas, IPA President and Vice Chairman and International CEO, VCCP:

As a roller coaster enthusiast, I am looking forward to 2023 and expect it to be one heck of a ride. Most financial commentators predict there will be a rough start to the year. But there can be a strong finish with no doubt many twists and turns along the way.

I believe in the power of creativity to accelerate opportunity. In 2023, I will be looking out for those agencies and companies that share this belief, who hold their nerve and invest in new ideas and technologies whilst continuing to uphold the enduring principles of the brand to stimulate growth and deliver results.

Alex Uprichard, Managing Director, IMA-HOME and IPA City Head for Leeds, Yorkshire and Humberside:

We will we start to see more and more attention metrics coming into play across the industry, and how can they be standardised across media owners?

I am looking forward to seeing the impact of advanced targeting capabilities through platforms like ITVX, the development of Meta and obviously what happens to Twitter now Elon is at the helm.

I am sure we will start to see more and more creative solutions in higher distraction digital environments, especially as targeting capability fades. Never has integration of audience understanding with message, media and moment needed more alignment to drive success. As a genuinely full-service, integrated agency, we’re here for it!

Gill Jarvie, IPA Chair for Scotland and Head of Client Services, Republic of Media:

In 2023 I am looking forward to seeing more regional agencies achieve IPA Effectiveness Accreditation. The process of accreditation recognizes the culture of effectiveness within agencies rather than resources and so is achievable for agencies of any size. At the heart of my own agenda, I believe wholeheartedly that a focus on effectiveness will produce better work and strengthen client relationships. Who doesn't want that?

Pip Hulbert, UK CEO, Wunderman Thompson and IPA Effectiveness Leadership Group Chair:

It's no secret that next year will be tough, and brands are going to be scrutinising numbers and budgets more than ever before. It'll force marketing teams to step back and take a more holistic approach of all their marketing activity but, although a challenge, it's a real chance for agencies to step up and keep creativity at the top of the agenda.

Valerie Ludlow, IPA Chair for Northern Ireland and CEO, ASG & Partners:

2023 is likely to be another tough year, but having weathered the Covid storm of 2020/21, we have learned to be more resilient. We've re-engineered our systems and approach to work to survive, and these lessons will stand us in good stead to ride out the next 12 months. Our business has assessed where the risks will be, but we have also identified new opportunities and possibilities to grow and thrive, and I think that will be very exciting!

Richard Aldiss, Managing Director, McCann Manchester and IPA City Head for Manchester and the North West:

Looking ahead to 2023, I am looking forward to seeing the results of the March 23 All In Census and seeing what progress and actions are born from this. I think the All In work delivered over the last couple of years has been hugely beneficial in highlighting and steering our industry toward a more inclusive future.

Ben Sharpe, Head of Integrated Production adam&eveDDB and Anna Murray, Head of Production, Mother and IPA Production Policy Group co-Chairs:

2023 is set to be another turbulent year for our industry. With both global and domestic economic factors continuing to significantly impact our clients and agencies, we're steeling ourselves for challenges to come. But it's not all doom and gloom. As 2022 has already served to underline, the value of production stepping into key roles within agencies cannot be underestimated.

In a more project-led model of working, agencies are less retained and feel less assured. Work needs to be shaped around a faster-paced, potentially lower fee/lower budget approach – whilst still maintaining the high creative standards we hold ourselves to. Producers bring a unique advantage in this working model. An easy win for agencies and clients is to continue bringing production upstream, harnessing the practical and creative solutions-oriented thinking that experienced and well-trained production can provide.

Ed Palmer Managing Director, St Luke's and IPA Client Relationship Group co-Chair:

There's no doubt 2023 will be tough, as energy costs, tax rises and high interest rates continue to choke the economy. But challenging times often bring out the most creative sides of brands. You only have to look back to 2020 at some of the brilliant responses to the COVID pandemic to see how they can step up to the plate in times of adversity. I'm particularly optimistic about the year ahead in tech, with developments in AI (ChatGPT) and production (Unreal Engine) showing exciting potential.

Ali MacCallum Chief Executive Officer, UK, Kinetic and IPA Outdoor Group Chair:

As we enter a new year of turbulence and uncertainty, OOH is well-placed to demonstrate how it can help advertisers respond positively. With a growing emphasis on responsible media investment, OOH's credentials in funding and subsidising local community infrastructure and services in a sustainable way will be ever more compelling. Brands will need to build confidence and trust to weather the storm. And OOH enables brands to do this publicly while reaching and connecting effectively with diverse audiences in a way that no other channel can. The trend of humanising innovation we saw in OOH in 2022 will continue to enable brands to entertain and inform in ways that deliver positive measurable business outcomes. OOH is in a position of strength to outperform the wider market in 2023.

James Ray Chief Executive Officer, Armadillo and IPA City Head for Bristol, Cardiff and the South West:

We're seeing more and more brands putting real focus on through-funnel thinking in their marketing strategy. That's really exciting for a CRM agency like ours: it means data and creativity will be getting ever closer together, and we think that's good news for the effectiveness of marketing across all channels.

Pauline Robson, Managing Partner, UK MediaCom and IPA Media Climate Action Group Chair:

As an industry, we've demonstrated that we are capable of great things when we collaborate and this is particularly true when it comes to sustainability. Through the likes of the IPA Climate Action Group we are making good progress. The launch of Ad Net Zero global is a huge step forward and I am excited to see what comes out of this initiative, particularly the agreement of a global industry standard for media carbon measurement. This will be a game changer for the industry and is a key step towards a net zero media supply chain.

How to capture an extra share of the recovery

When markets rebound, faster growth is on the table for brands with extra share of voice.

Despite the inherent uncertainty of making predictions in a pandemic, economic forecasts have consistently improved in recent months.

At the end of May, the OECD upgraded its growth projection for the global economy in 2021 from 4.2% to 5.8%. Later, both the US Federal Reserve and the European Commission reported improved growth outlooks for their respective economic areas.

And anticipation of a strong UK recovery underpinned the first upwards revision of UK marketing expenditure since the end of 2019 detailed in the latest IPA Bellwether Report.

But the hard truth is that this growth won't be shared equally amongst all businesses and their brands.

So there has probably never been a better time to focus on what we know about how to accelerate the growth of brands, and how we add to that knowledge.

As previous IPA reports, such as Effectiveness in Context, have consistently argued, committing to extra share of voice (ESOV) – namely, investing in a greater share of media spend in the category than the brand's market share – is the foremost way to increase a brand's market share.

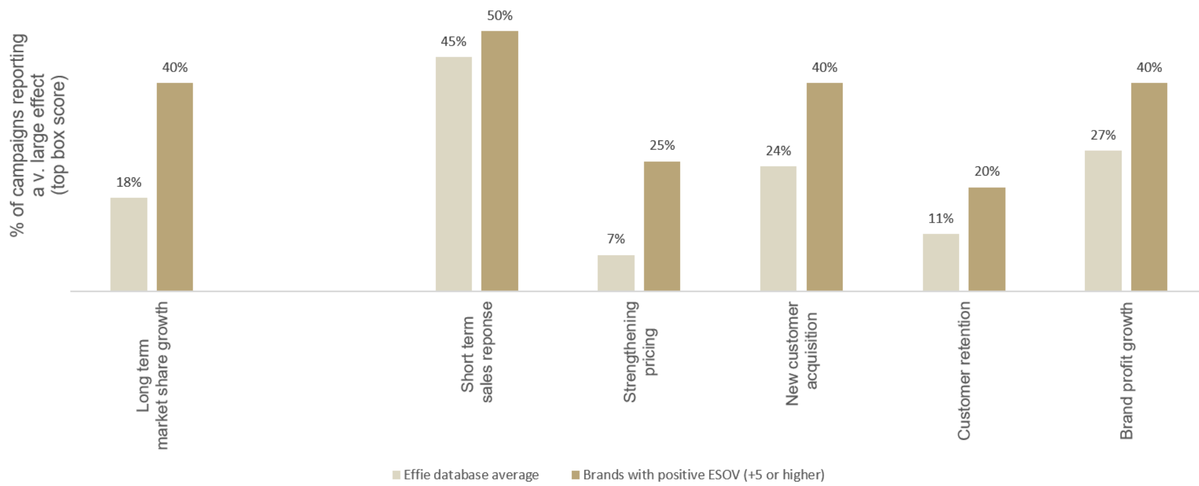
This is a particular acute insight in the early stages of recovery since investing in ESOV now can enable brands to extract greater competitive advantage over rivals who cut marketing investment and weakened their brands during the recession.

'*To ESOV and Beyond'*, a new report published by the Advertising Council of Australia (ACA), sheds new light on the power of ESOV. The report expands on current knowledge showing ESOV's linkage to mental availability gains and its impact on a raft of long-term success metrics – not just market share growth.

The study, written by myself, Peter Field and Professor Karen Nelson-Field, is built on analysis of the ACA's Effectiveness Database of Effie cases.

It found that brands with high ESOV reported a higher average number of very large brand and business effects than the database average and that the effects are across a much broader set of key metrics than originally thought.

As expected, the high ESOV campaigns were more likely to report long-term market share; however, stronger effects were also observed on profit growth, customer acquisition and retention and strengthened pricing.

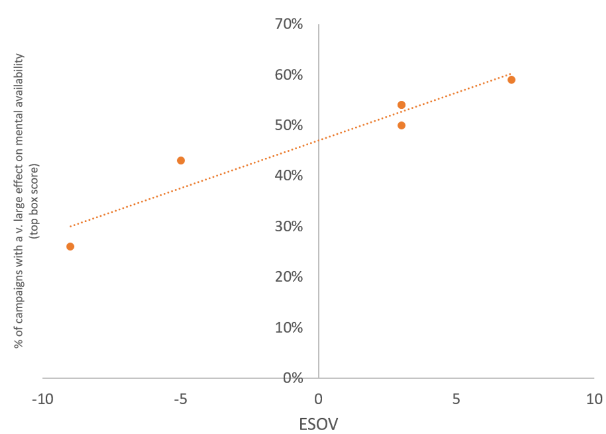


Positive ESOV is strongly linked to a raft of long-term success metrics. From 'To ESOV and Beyond', ACA 2021 Data Source: ACA Effectiveness Database © Advertising Council Australia 2021.

For bigger brands, the business benefits from investing in a high ESOV were even greater than for smaller brands.

Critically, the report looked at the impact of ESOV on mental availability gains and business effects at different budget levels showing that it is ESOV, not absolute media investment, that is more important to campaign effectiveness.

Media budget	# of v. large business effects	Average ESOV	% of campaigns with high impact on building mental availability (score = 6, top box)
Small: Up to $500K	Zero or 1	-9	26%
	2 or more	+3	50%
Medium: $1-5M	Zero or 1	-5	43%
	2 or more	+3	54%
Large: $5M+	Zero or 1	+3	54%
	2 or more	+7	59%



Source: ACA Effectiveness database

ESOV, not absolute spend is more important to driving mental availability gains and business effects. From 'To ESOV and Beyond', ACA 2021 Data Source: ACA Effectiveness Database © Advertising Council Australia 2021.

This further broadens the applicability of ESOV from being an important budget planning input to also being a key variable when assessing campaign performance. Given ESOV is achievable for a brand of any size, marketers should take heart that mental availability gains and the associated business effects are possible to achieve regardless of the brands position in the category. Smaller brands don't need to outspend their bigger competitors, but they do need to spend at a level that is relatively higher than their size.

But while arguing that Share of Voice remains an important concept for both budget setting and the judgment of business results, the report sets out why it needs to adapt to several current challenges.

First, measuring a brand's Share of Voice in its category is getting more difficult because of the amount of advertising spend in the category that goes into digital 'walled gardens' and formats where it is more difficult to track and compare brand spend.

A second and related challenge is that of comparing the value of impressions bought in digital and analogue media formats, given the debate over attention levels and fraud in digital media formats.

Third, there is the question of how to account for how the strength of creative, which can also drive effectiveness, works in relation with ESOV investment.

Finally, there has been increasing industry interest in the potential uses of the Share of Search concept – namely, a brand's share of organic search queries in its category – as a source of insights into the brand's position in the market and future business performance. Could it even be a replacement for SOV in some instances?

The report argues that while Share of Search can be a useful data source in some contexts, it cannot be a straightforward replacement for SOV. For a brand to be searched for, it needs to have already achieved a degree of mental availability, which as argued above, is effectively achieved by investing in ESOV as well as creative strength and media selection.

As the report states, “*share of search is an outcome of other marketing activity that occurred before it. Like a thermometer, it [share of search] measures the temperature but cannot be used to turn up the heat, and can be affected by many other factors. SOV (advertising intensity) on the other hand, is the thermostat you use it to turn the temperature up or down.”*

So given that ESOV is a proven driver of brand growth, albeit one in need of some updating for contemporary media markets, what can clients and agencies do today to ensure they are taking advantage of the available evidence in this field?

It goes out without saying that we believe they should download a copy of To ESOV and Beyond, which also includes new thinking on the impact of media selection and on attention, not discussed here for reasons of space.

Even for those teams that don’t employ SOV as a planning input, understanding the concept can improve the team’s thinking and since SOV is a competitive measure, it can be a useful way to frame conversations between marketing and other parts of the business. For those teams that already use SOV as part of planning and budget setting, the new evidence on how it can impact a wider range of brand and business metrics can help sharpen their perspective.

And as the recovery strengthens in markets worldwide, growth is for grabs for those marketers that employ the best thinking about brand growth, and are prepared to back it with the right investment, media strategy, and creativity.

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