

*Present value*  
**OF PAST SPEND**

AN INVITATION TO ITV'S PRICING POWER PROGRAM

itv

# What we *say*

*Extra*  
**MARGIN**

X

=

*Extra*  
**MONEY**

*Extra*  
**VOLUME**

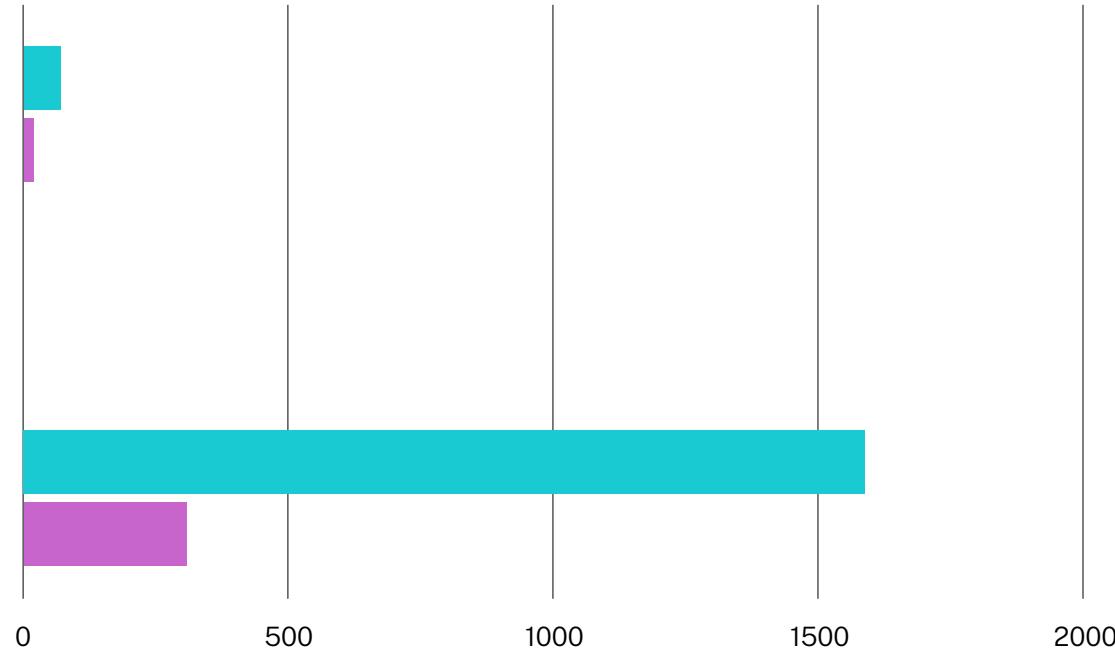
# What we *do*

All time Past decade

*Extra*  
**MARGIN**

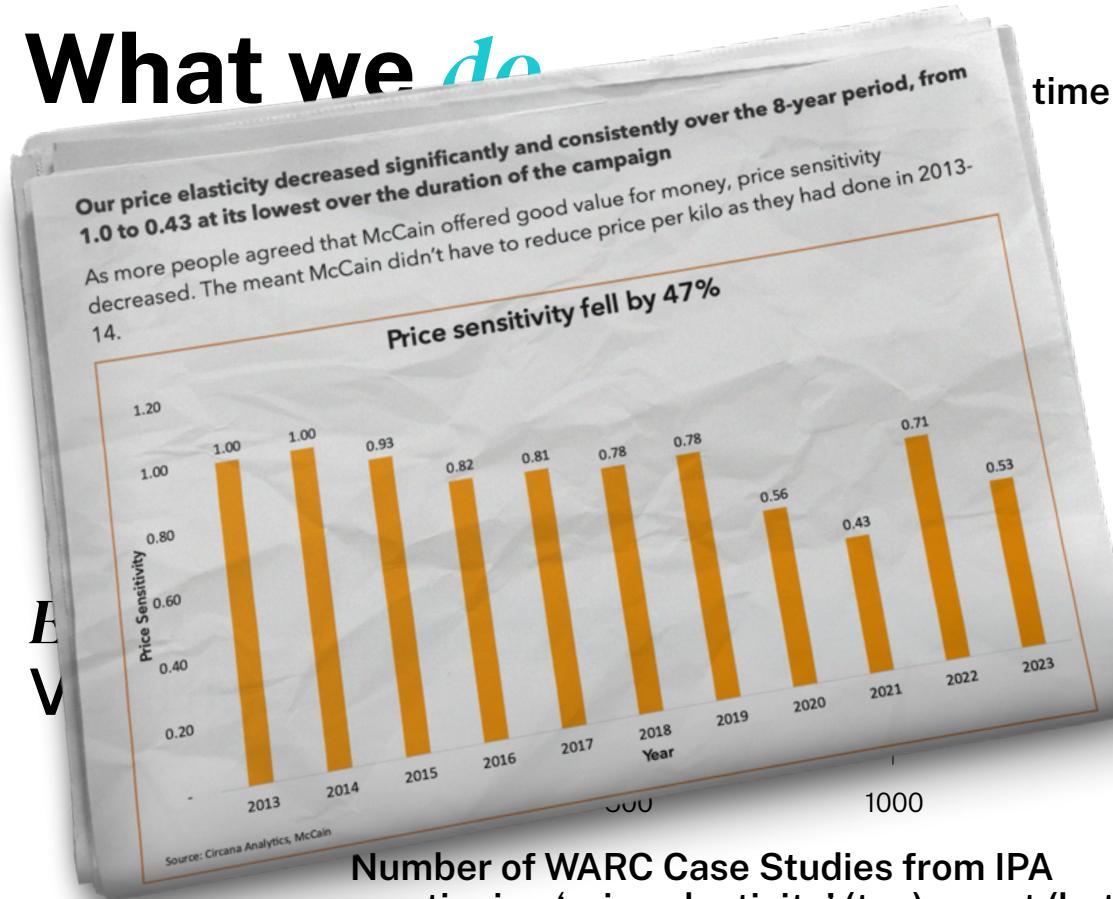
X

*Extra*  
**VOLUME**



Number of WARC Case Studies from IPA  
mentioning 'price elasticity' (top) vs not (bottom)

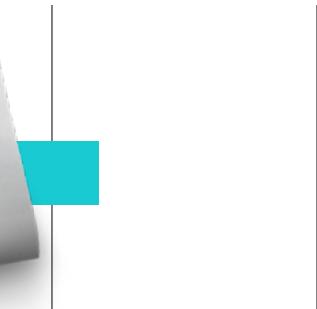
# What we *do*



time

● Past decade

**Congratulations to  
the Grand Prix  
Winner for making  
it *13 studies* in the  
past decade!**



Number of WARC Case Studies from IPA  
mentioning 'price elasticity' (top) vs not (bottom)



MARGINS GETTING HIGHER  
WORLD GETTING RICHER  
PEOPLE LIVING LONGER

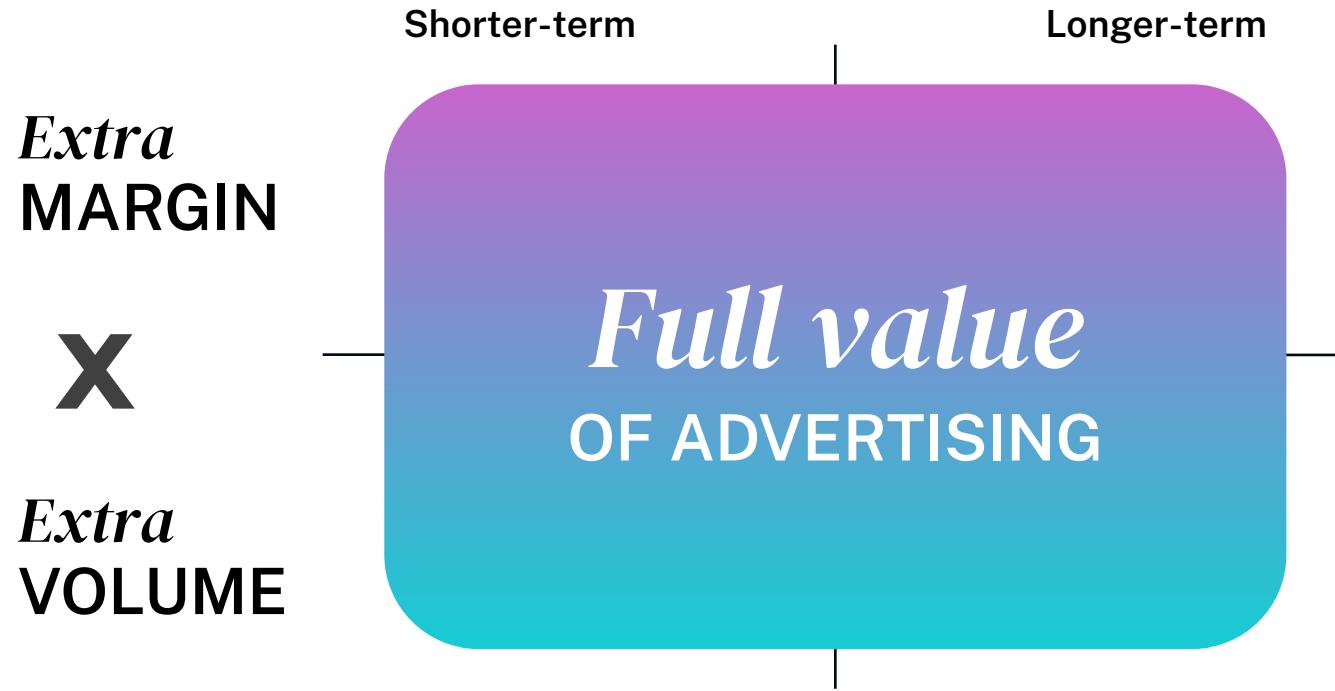
*But we're not*  
**RIDING THE WAVE**

**“Brand equity is  
the *upstream*  
*reservoir* of cash  
flow before it hits  
the profit and  
loss account.”**

Professor Tim Ambler  
June 2000



# We want *proof*, not faith



# But we offer 'Jam Tomorrow'

*Extra*  
**MARGIN**



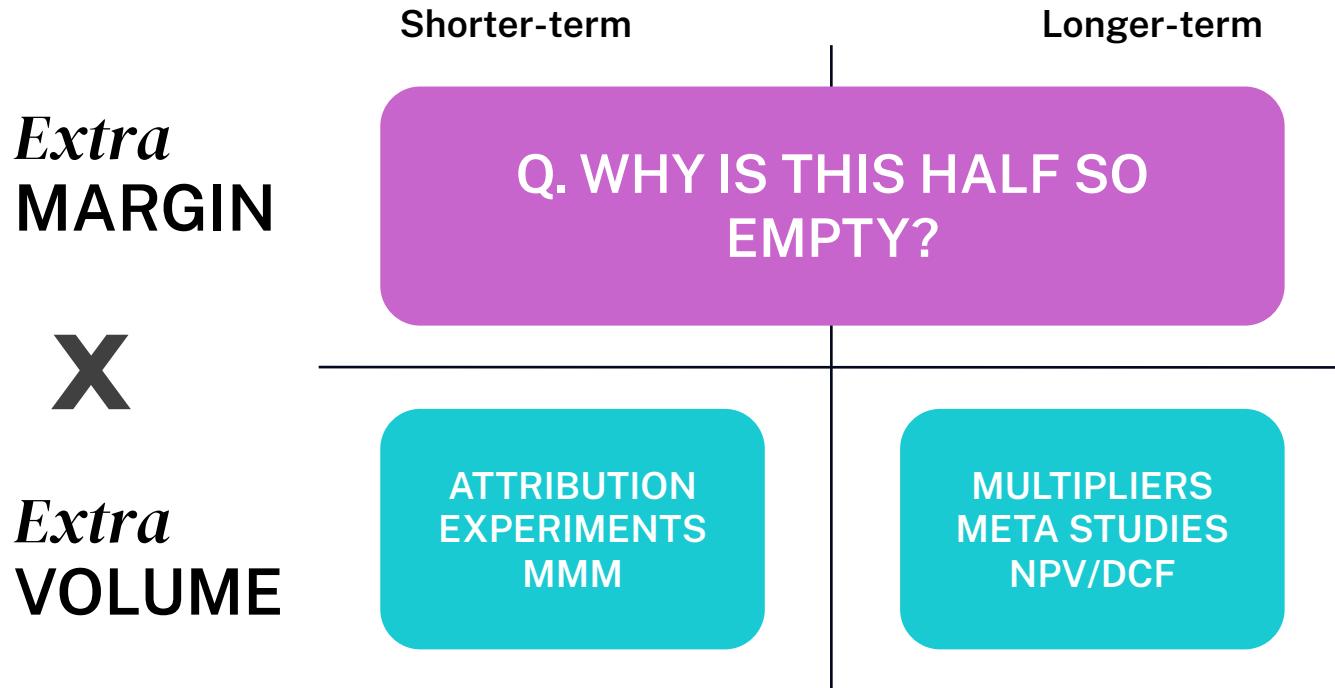
*Extra*  
**VOLUME**

Shorter-term

Longer-term

ATTRIBUTION  
EXPERIMENTS  
MMM

MULTIPLIERS  
META STUDIES  
NPV/DCF





*Needs data, lots of*  
**COMPETITOR DATA**

# Alot of help from our friends

8

8 categories  
(4 ready **now** and 4  
by December)



Cars, Cereal, Oral Care, Soft Drinks  
Hair Removal, Household Cleaning,  
Mobile Phones, Spreads in progress

20

5-20 years' worth of  
data per category for  
ads and sales



Highly granular  
data - by week, by  
region, by SKU

MELT

KANTAR  
WORLD PANEL

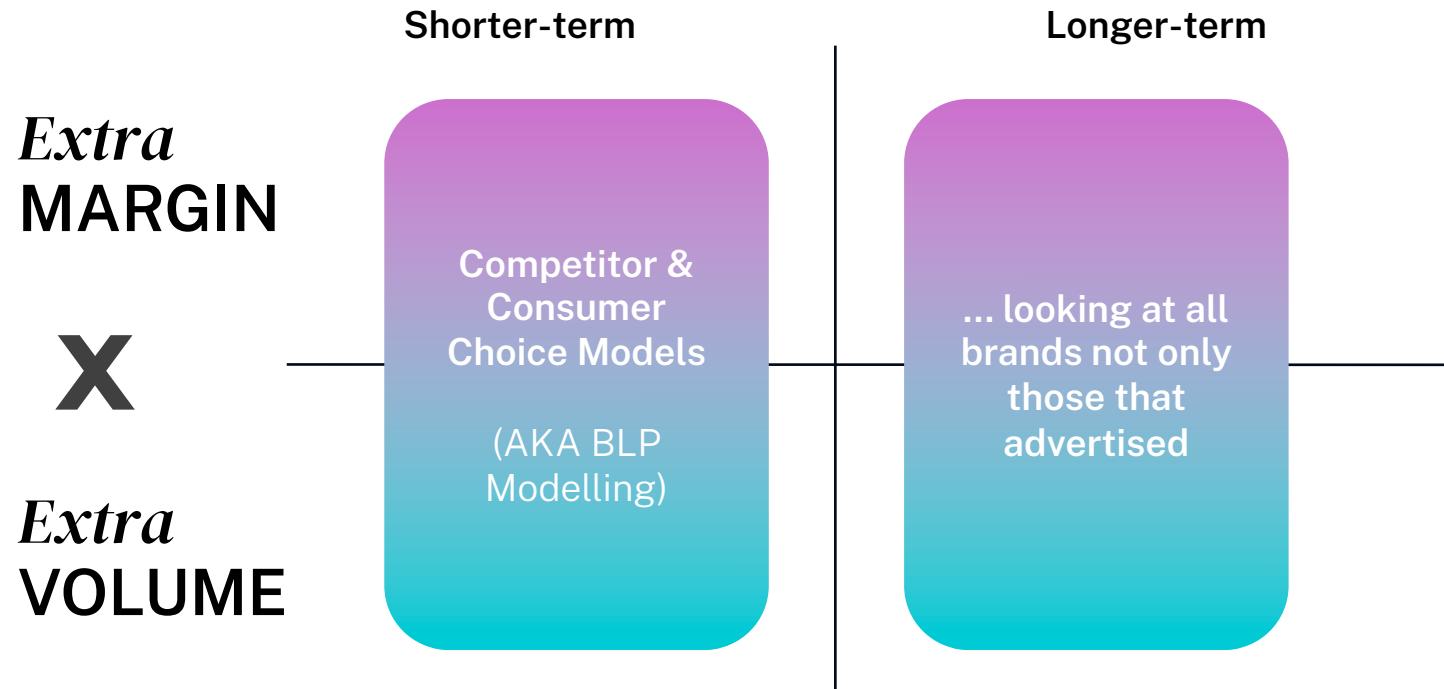
Circana.

UCL

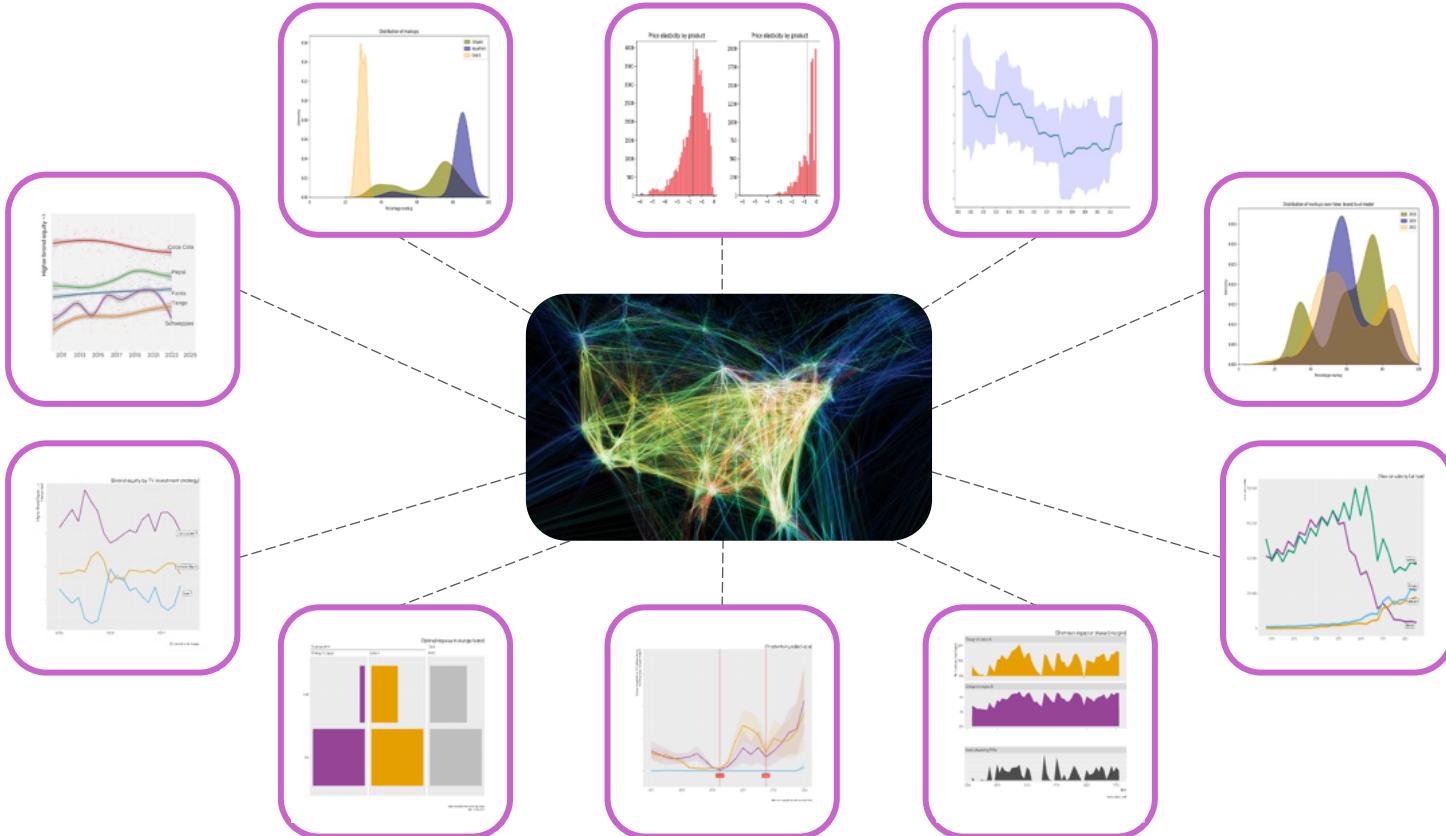
NielsenIQ

Nielsen

# And the marriage of Ehrenberg and Nash



# All this, for all brands, from *one Choice Model*



# ITV's Pricing Power Program has *three goals*

## PRESENT

Measure the full value of advertising by quantifying its contribution to volume and margin

## PAST

Map the way brands have moved between taking profit as volume or value over time

## FUTURE

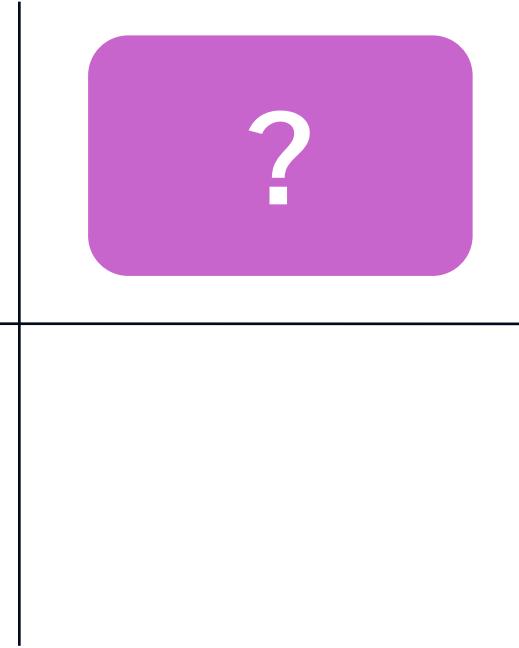
Enable virtual strategic experiments to help marketers plan for future value

# How much *extra profit* from margin?

*Extra*  
**MARGIN**

X

*Extra*  
**VOLUME**



**~20-30% *extra profit***

*Extra*  
**MARGIN**

X

*Extra*  
**VOLUME**

±10-15%  
Jam Today

+15-20%  
Fruits of  
Yesterday

NB. Indicative results from first few  
categories – to be updated as we model all 8



## **WARNING**

Advertising's short-term impact on margin  
can go down as well as up

# Examples of our choice models in action



## CEREALS

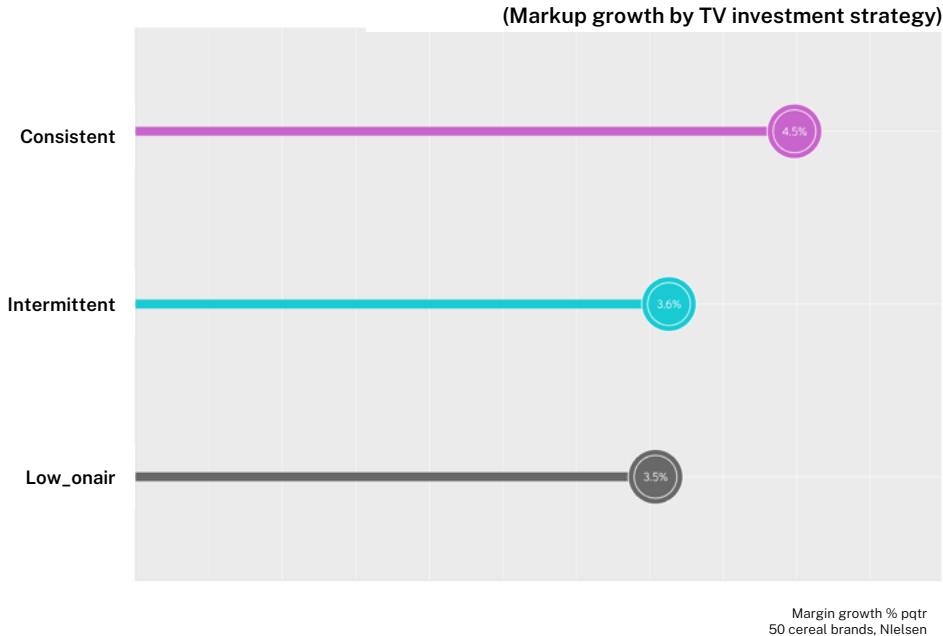
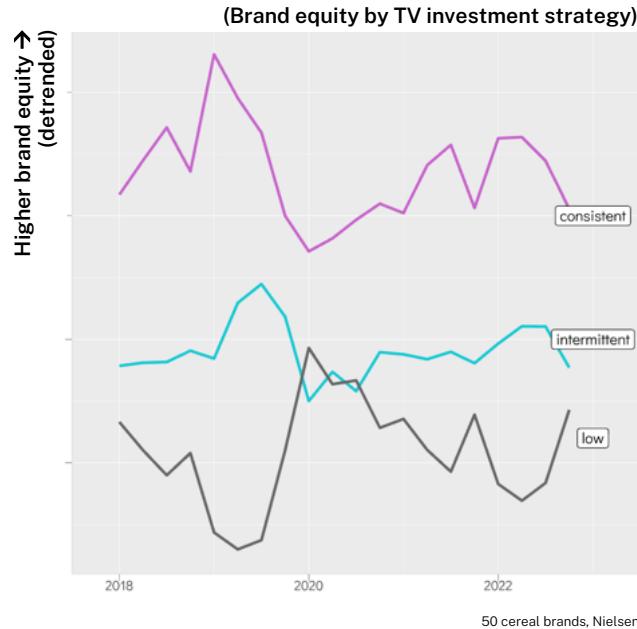
You're better off taking your value via margin



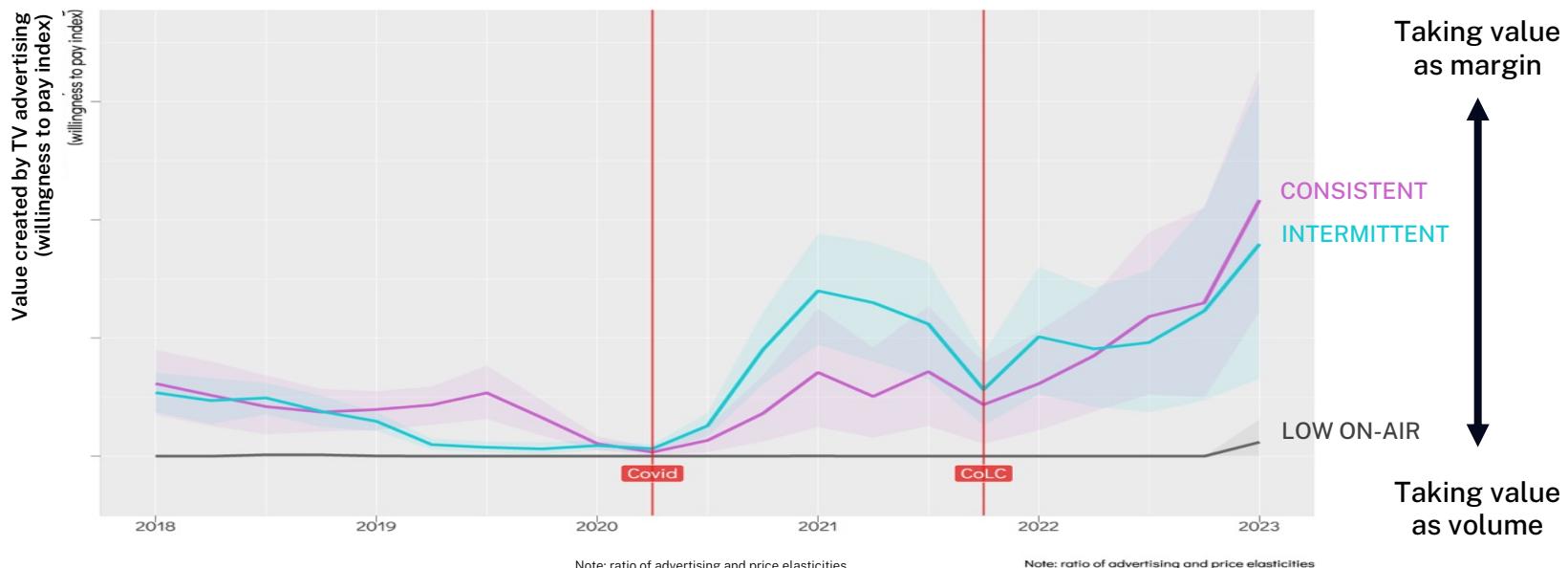
## CARS

You're better off taking your value as volume sales (mostly)

# We have been stuck in this circular argument for decades



# Though a Choice Model can at least unpick how ads are working for different brands



“What if Brand X  
*hadn’t* advertised?”



Would consumer  
choices send sales  
*lower*?

What would  
the *competitor*  
choices be?

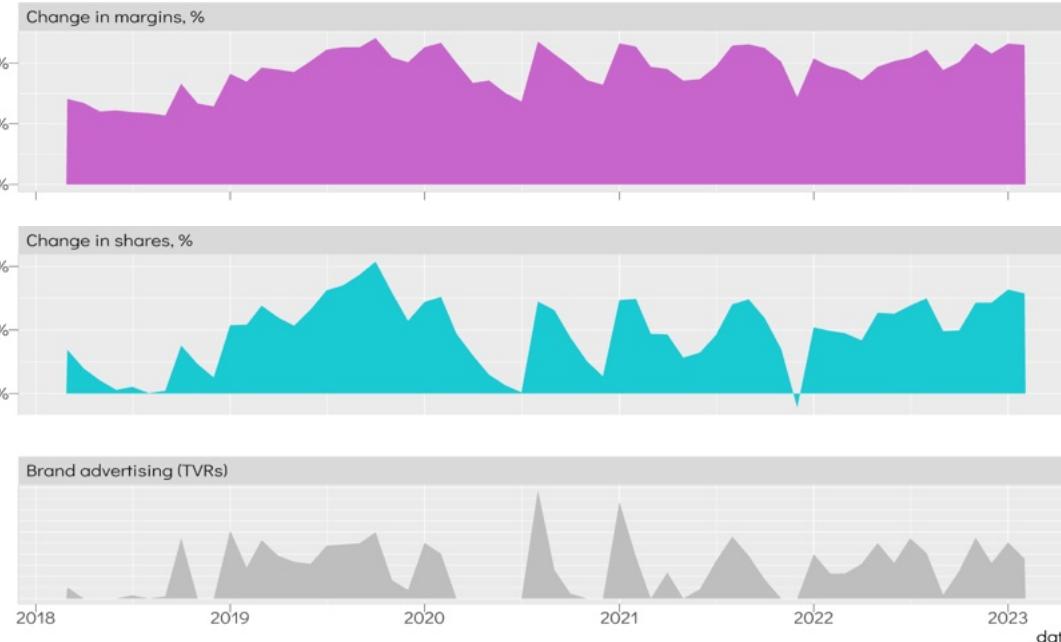




And what would  
Brand X choose to  
do to *maintain value*?

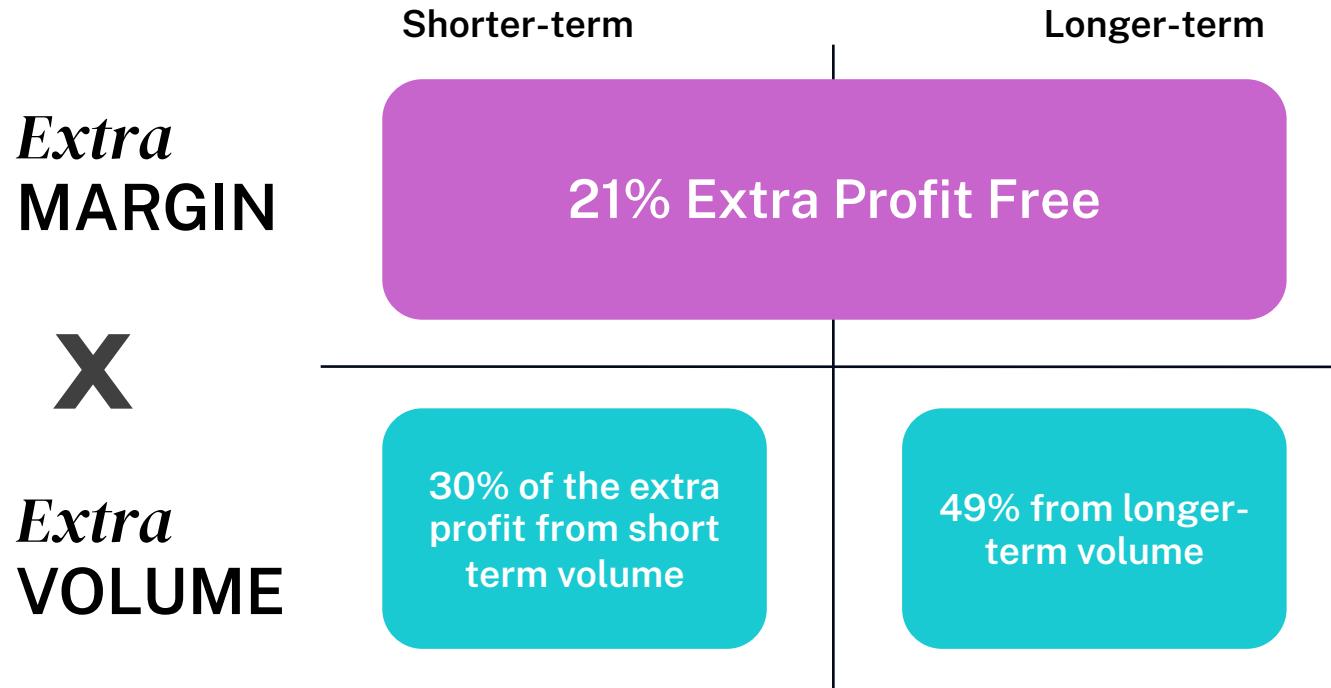
**Model all of that,  
every period,  
simulating real-  
world buyer *and*  
seller behaviour**

# Total short-term value of ads for Brand X



Source: Nielsen, Melt

# Brand X *profit impact* from 100 TVRs



# Examples of our choice models in action



## CEREALS

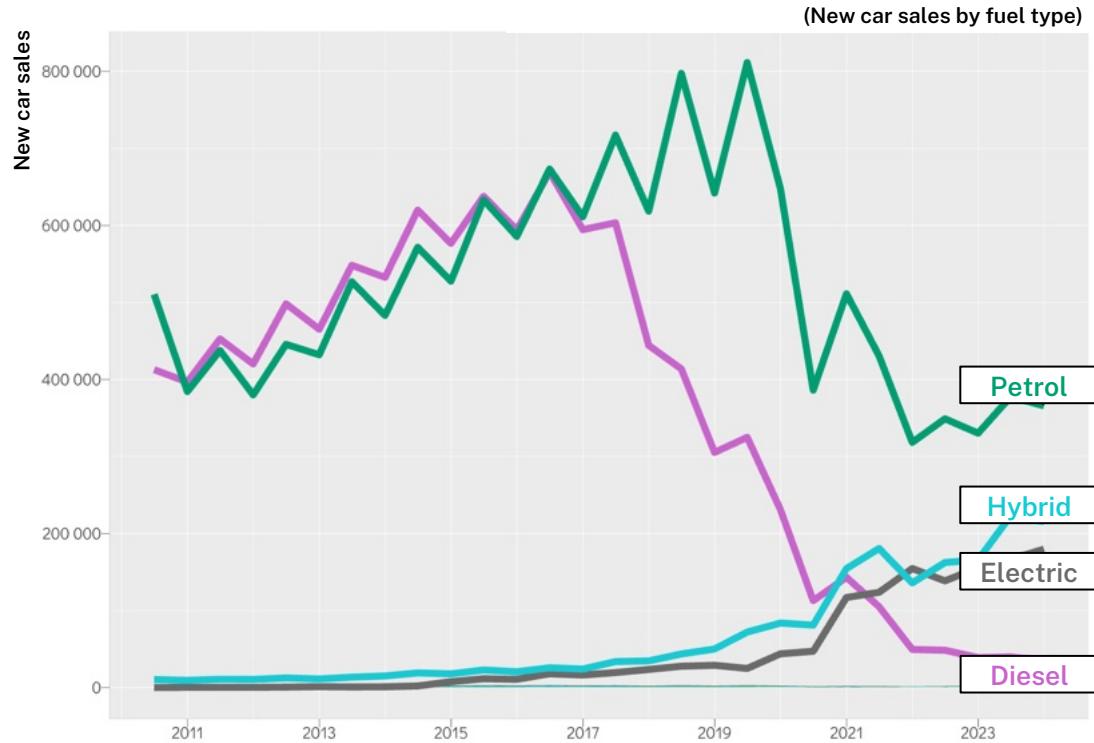
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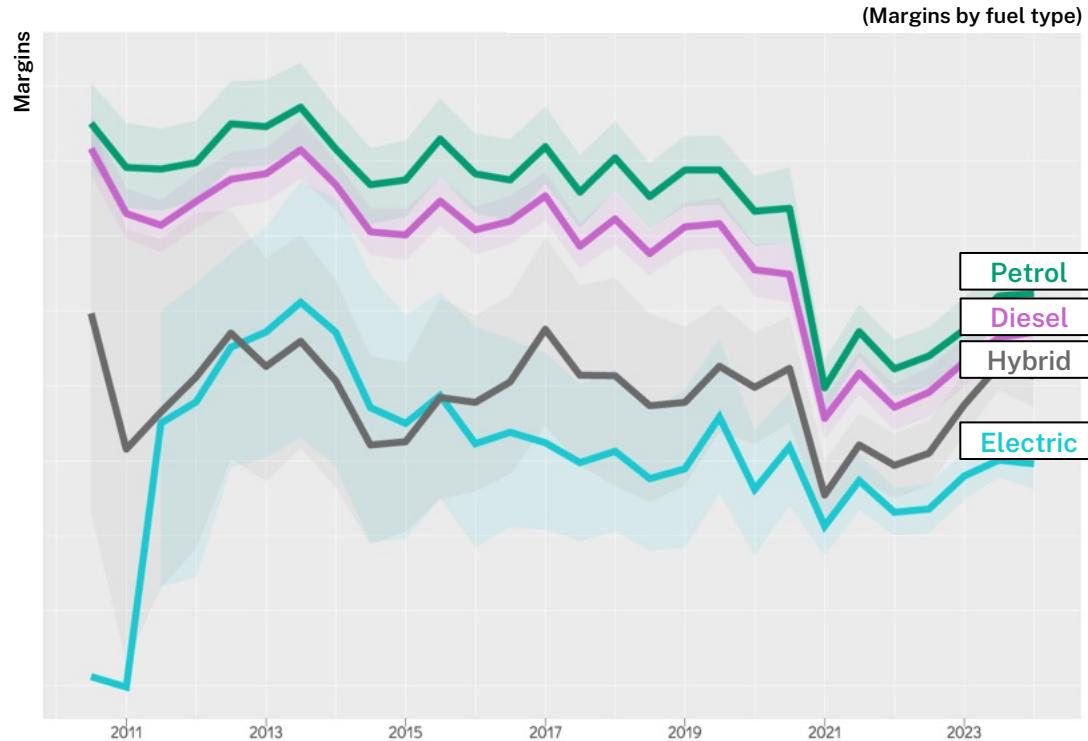
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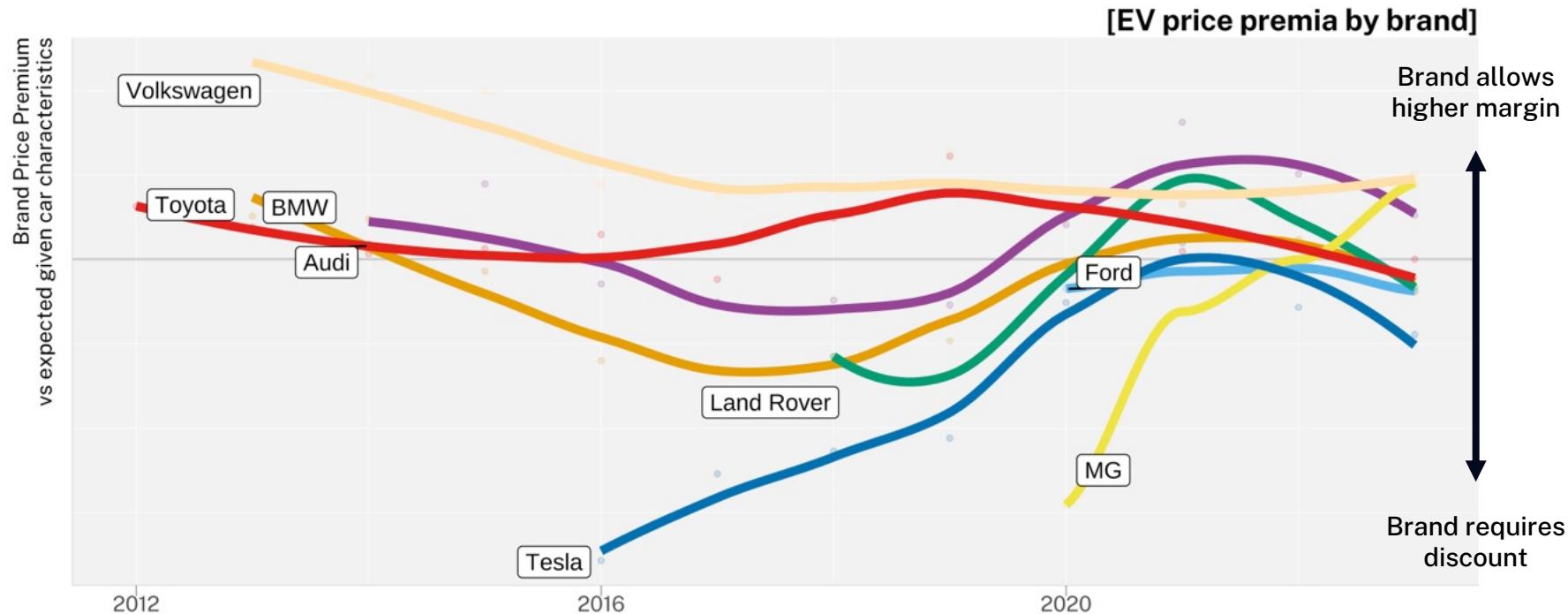
**REMINDER:**  
**Not been a  
great time  
for the car  
category**



**A Choice Model can estimate impact on margin from COVID and EVs without knowing the cost of sheet metal or airbag chips**

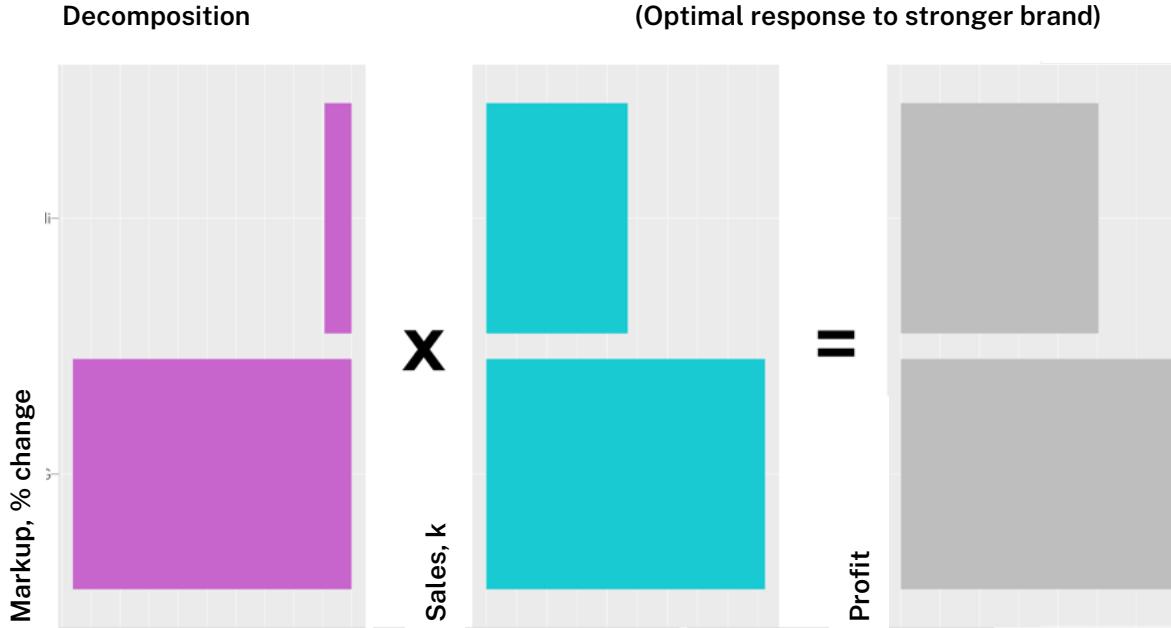


# Choice Model can reveal what a car's badge is adding to EV price over time



Note: hedonic price regression on car characteristics and costs  
Source: UCL, Melt

# Strategic simulation - what if you had a great EV ad that built brand strength?



Best play for Audi is to hold price (ish) and pocket the money



Best play for MG is to drop a lot and shift metal

Note: Simulation from car market model  
Source: UCL, Melt

# If you don't have a Choice Model...

## PRESENT

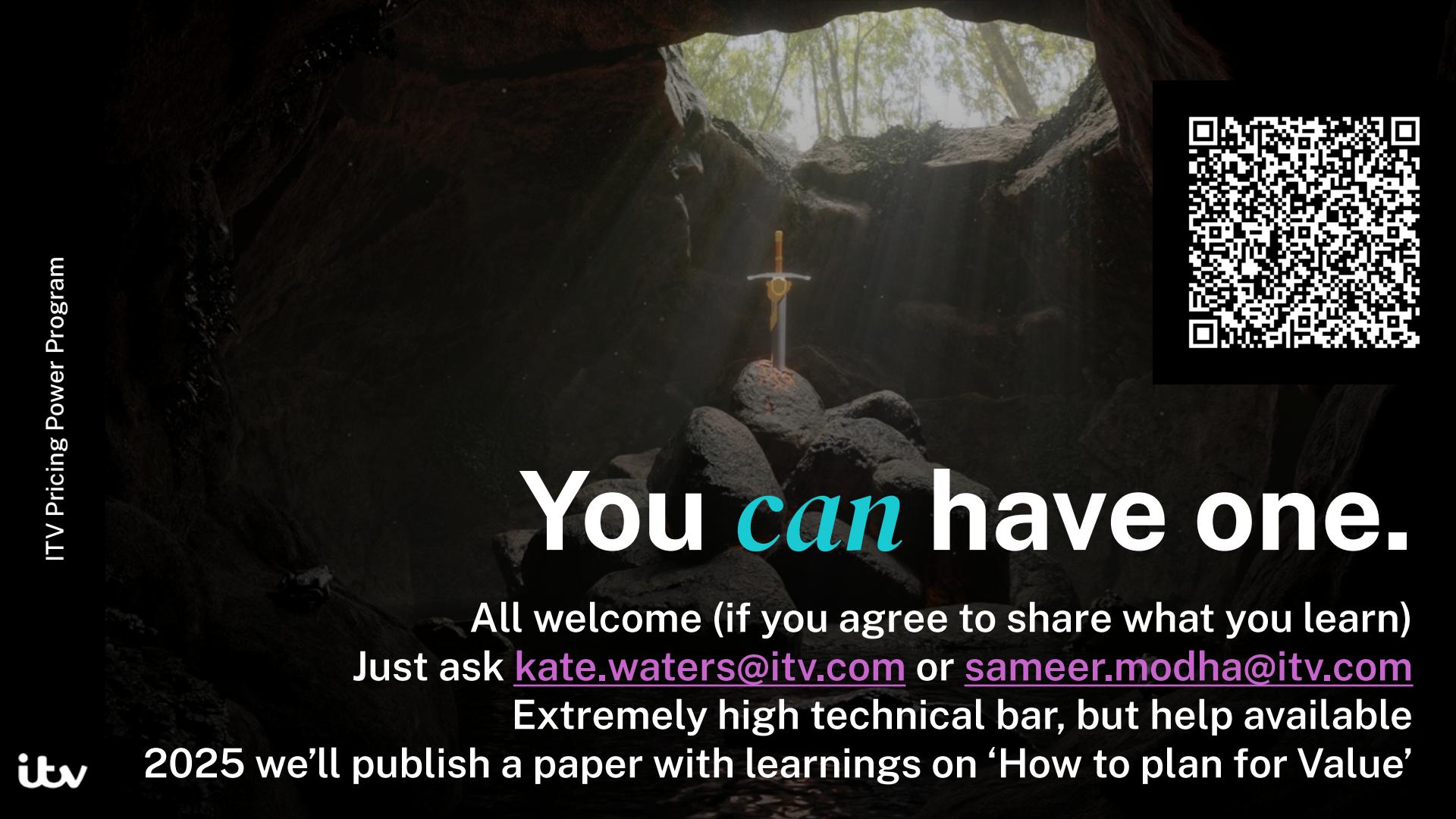
You could be missing ~30% of the profit advertising has created for you up to today

## PAST

You won't know if advertising is increasing or decreasing your margin in the short term

## FUTURE

You won't be able to predict which choices will help maximise advertising's full value for your brand



# You *can* have one.

All welcome (if you agree to share what you learn)  
Just ask [kate.waters@itv.com](mailto:kate.waters@itv.com) or [sameer.modha@itv.com](mailto:sameer.modha@itv.com)

Extremely high technical bar, but help available

2025 we'll publish a paper with learnings on 'How to plan for Value'

