

The new business case for advertising



thinkbox 

Profit Ability 2

Jane Christian, Managing Director Analytics & Insight, EssenceMediacom UK

Dom Charles, Managing Director, Audience Intelligence & Marketing Science, Wavemaker UK

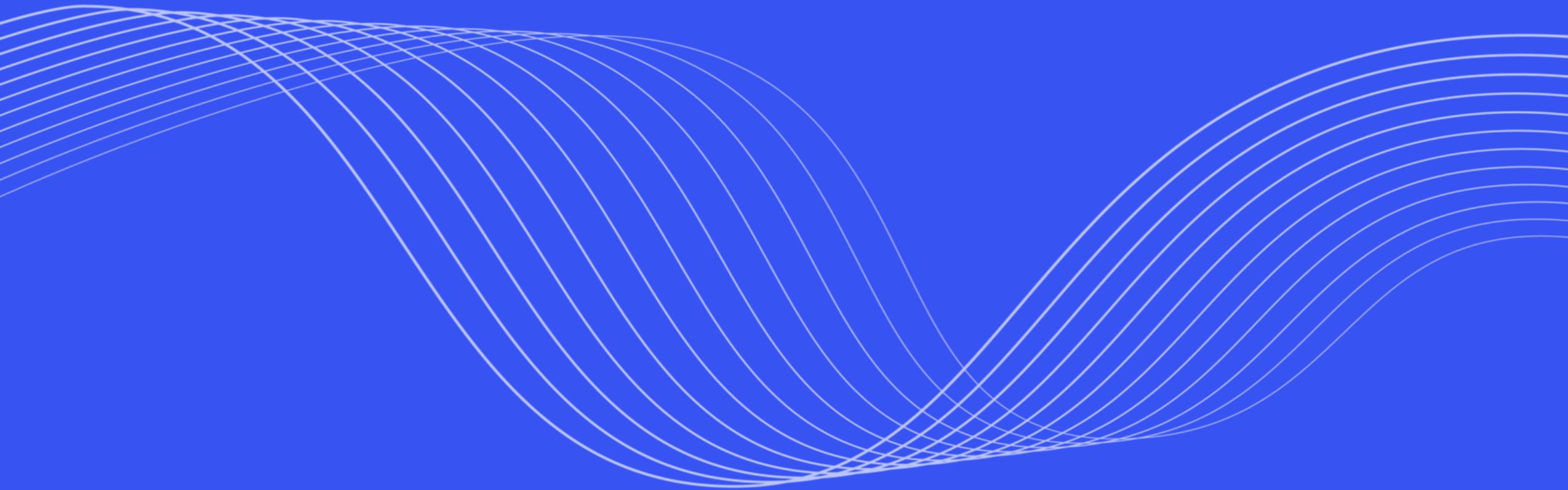
Nic Pietersma, Group Director, Marketing Effectiveness UK, Ebiquity



Profit Ability 2

The New Business Case for Advertising

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GAIN
THEORY

MINDSHARE

Wavemaker[®]

With you today



Nic Pietersma
Group Director
Marketing Effectiveness UK
Ebiquity



Jane Christian
Managing Director
Analytics & Insight
EssenceMediacom UK



Dom Charles
Managing Director
Audience Intelligence & Marketing Science
Wavemaker UK

It's been 7 years since the original Profit Ability study



First of its kind meta-analysis of econometric benchmarks to understand the short- and long-term payback of advertising to a business' profit

But it's fair to say a few things have happened since then

Explosion in connectivity

Rise of the streamers

Privacy winning out in how we leverage data

Disruption to business supply chains

New distribution channels opening up (and some traditional ones closing)

A pandemic

The City generally 'get' the case for advertising

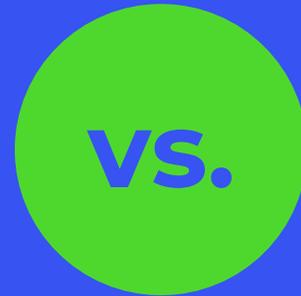


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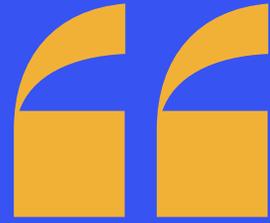
of analysts believe brand and marketing
is important in appraising a business

But we often remain disconnected from the boardroom in how we build the case for investment

Reach and Frequency
Share of Voice
Brand & Performance



Incremental Profit
Return on Investment
Payback Horizons



**Knowledge is power
Knowledge shared is
power multiplied**

Robert Boyce

Decorative white wavy lines at the bottom of the slide, consisting of multiple curved lines that create a sense of movement and depth.

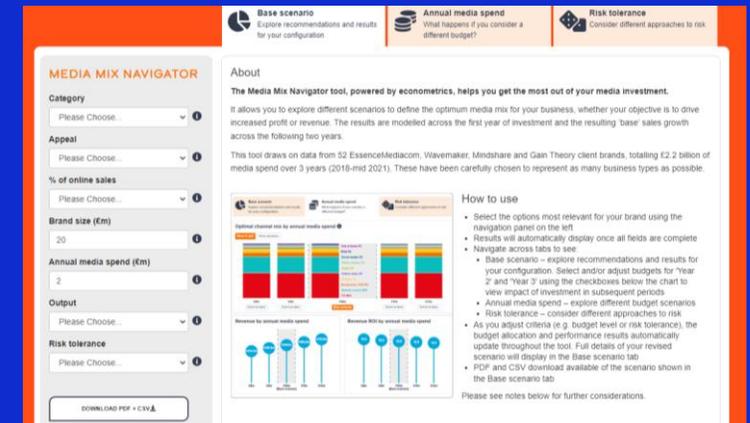
New analysis bringing together three previous Thinkbox commissioned econometric studies



Profit Ability
(2017)



Demand Generation
(2019)



Media Mix Navigator
(2021 onwards)

To create the ultimate media effectiveness databank

5

Agencies

141

Brands

£1.8bn

Media spend
analysed (2021-2023)*

14

Sectors**

10

Media channels

53

Brands matched
pre & post Covid

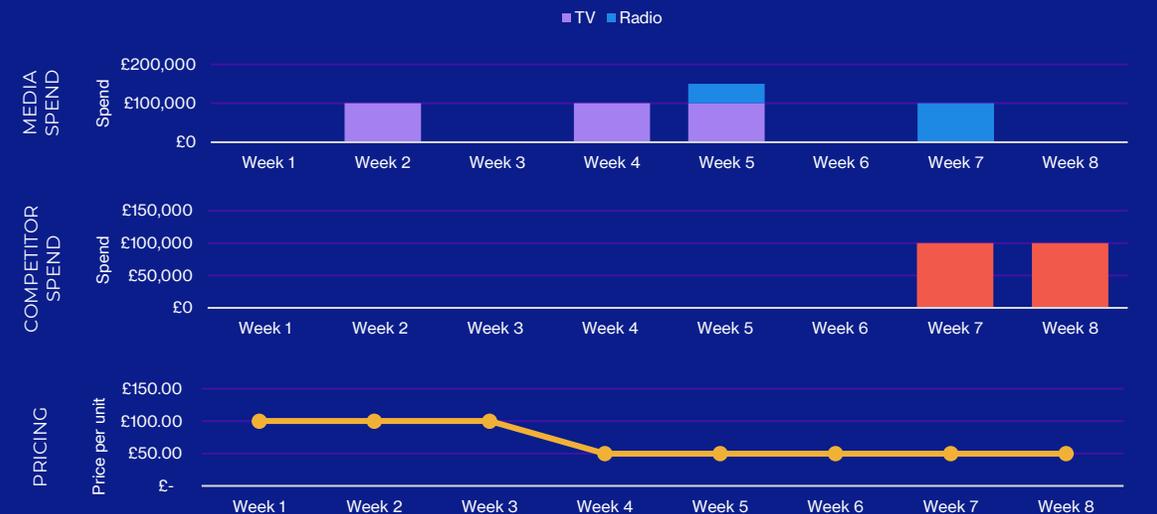
Using marketing mix modelling (MMM) to link advertising spend to incremental profit

- MMM is the gold standard for understanding media effectiveness
- It's a statistical modelling approach looking to explain the variation in an outcome we care about by correlating this variation with consistent changes in the inputs
- This allows us to isolate the contribution of advertising from other factors that drive a business (pricing, distribution, seasonality etc.)

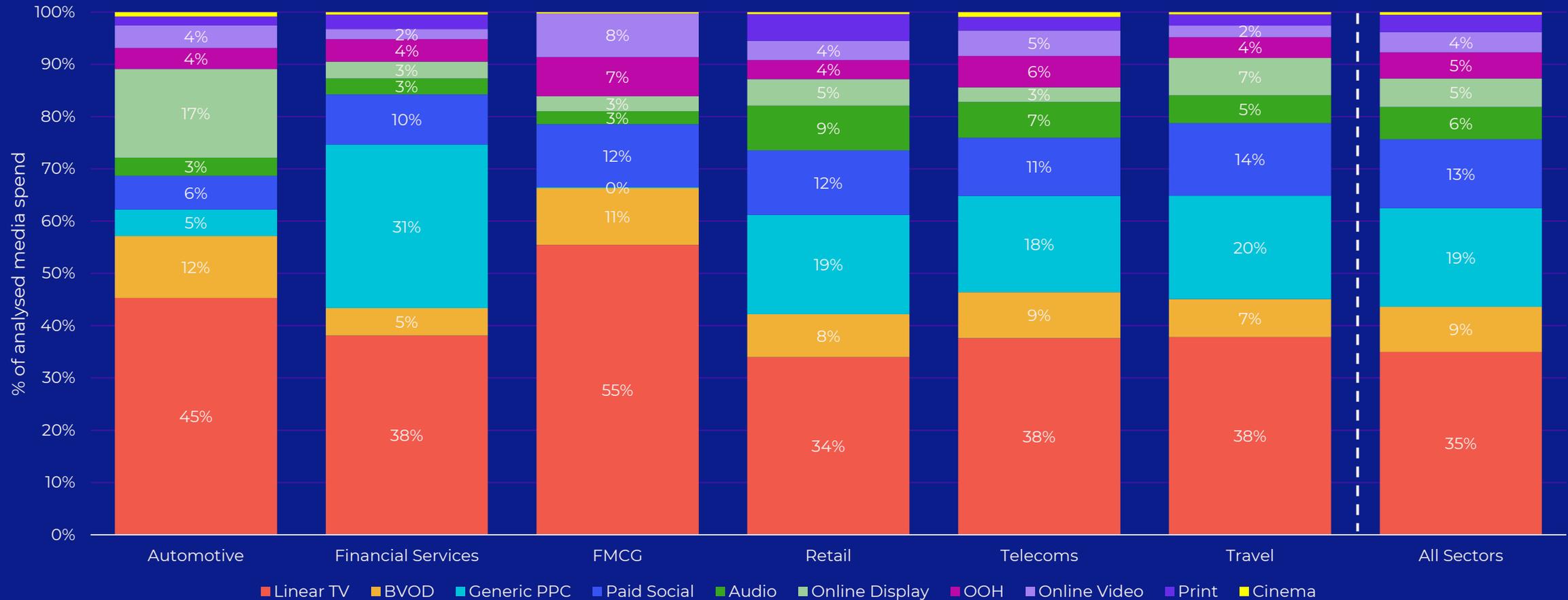
The Model



The Inputs



How the analysed spend breaks down by channel & sector



What's included in each channel

Audio: All forms of audio advertising including linear radio, digital radio & podcasts.

BVOD: Video on Demand on broadcaster platforms

Cinema: On screen advertising in cinemas

Generic PPC: Pay per click search advertising on non-branded keywords

Linear TV: Broadcast TV advertising

Online Display: All formats of display advertising

Online Video: All formats of online video pre/mid/post roll including YouTube

Out of Home: Digital and static posters in all environments

Paid Social: All advertising within social platforms including in-feed video

Print: All advertising within newspapers & magazines. Digital spend with newsbrands etc. included in Online Display

Some important definitions

- **Profit volume:** The incremental contribution of advertising to business profit based on unit sales, revenue contribution, profit margin and/or lifetime value
- **Profit ROI:** The ratio between profit volume and advertising spend (ROI = profit volume / media spend where 1 = breakeven)

Some important definitions

Immediate Payback

In the same week as advertising



Three headlines of the analysis to share with you today

01

Advertising is a profitable driver of business growth but profitability varies greatly by sector

02

There are three dimensions that impact profitability – scale, efficiency & time

03

Rather than a seismic shift, advertising effectiveness has more gradually changed as media consumption has evolved

Three headlines of the analysis to share with you today

01

Advertising is a profitable driver of business growth but profitability varies greatly by sector

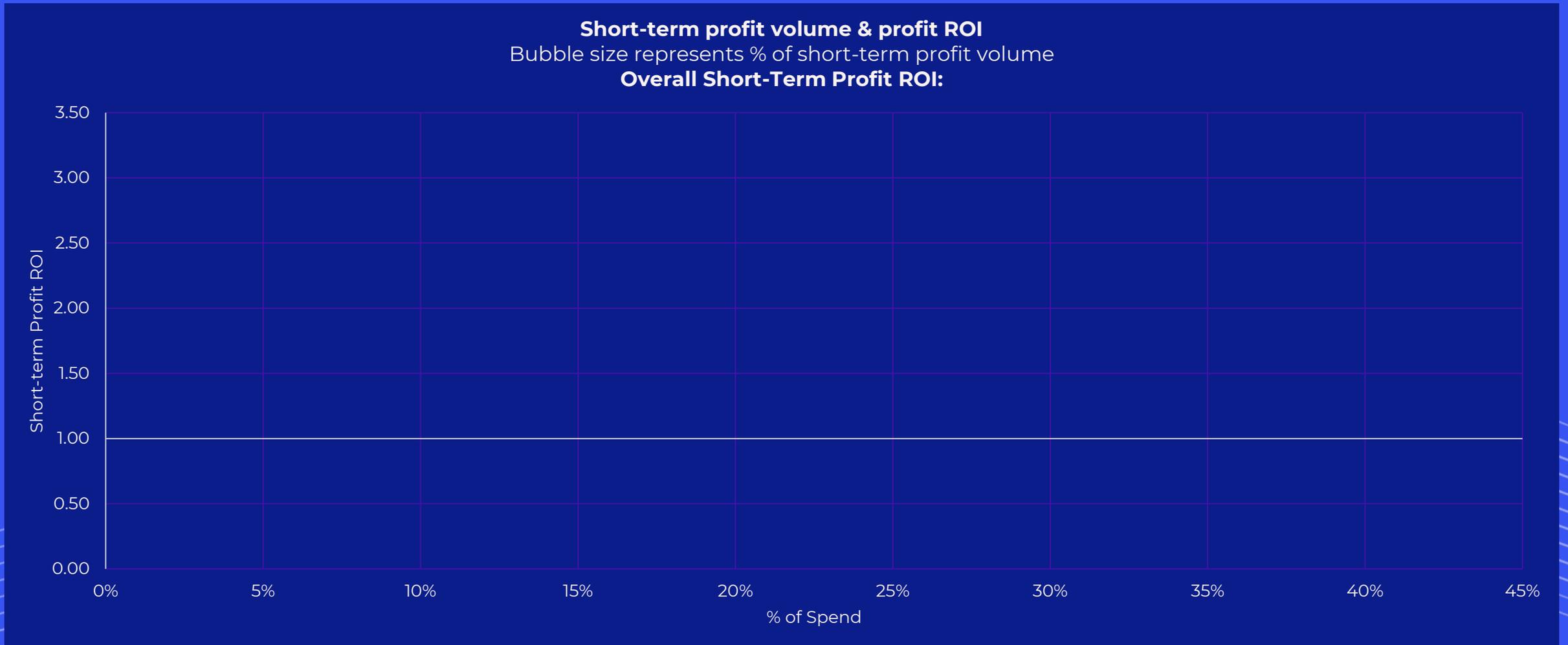
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There are three dimensions that impact profitability – scale, efficiency & time

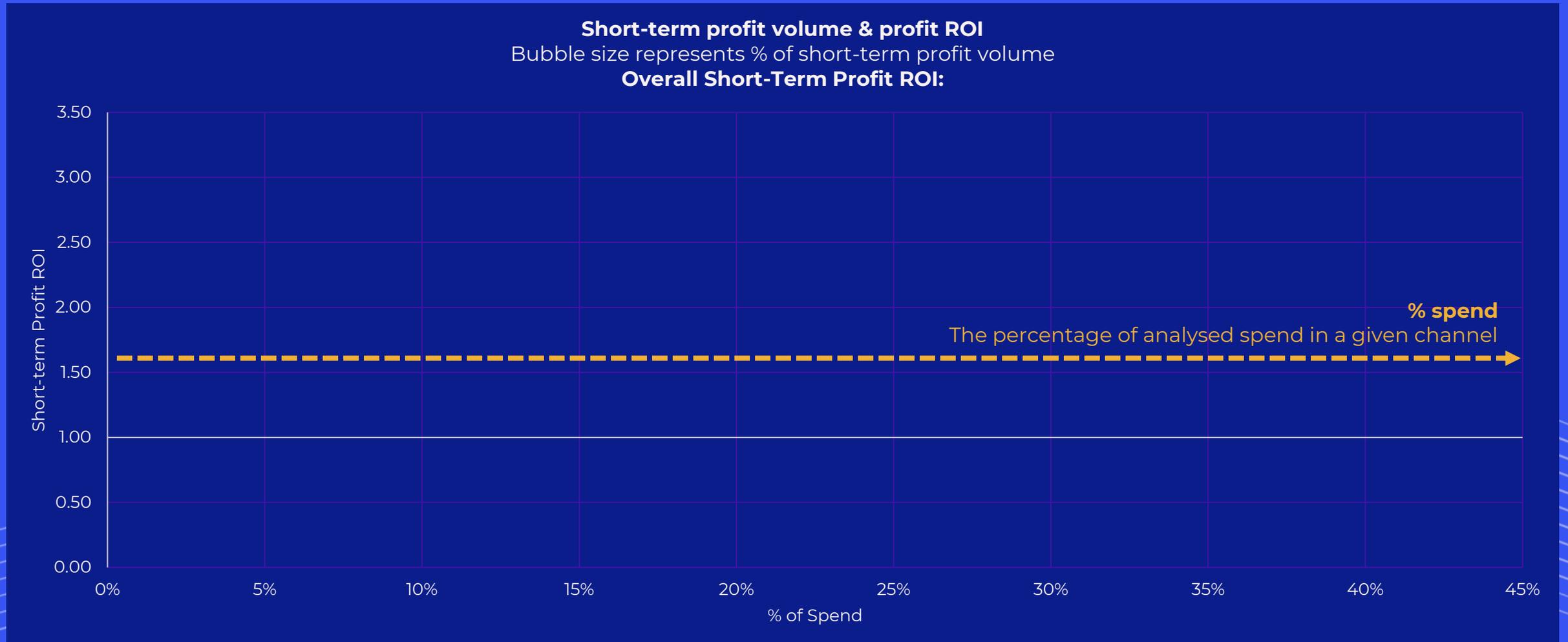
03

Rather than a seismic shift, advertising effectiveness has more gradually changed as media consumption has evolved

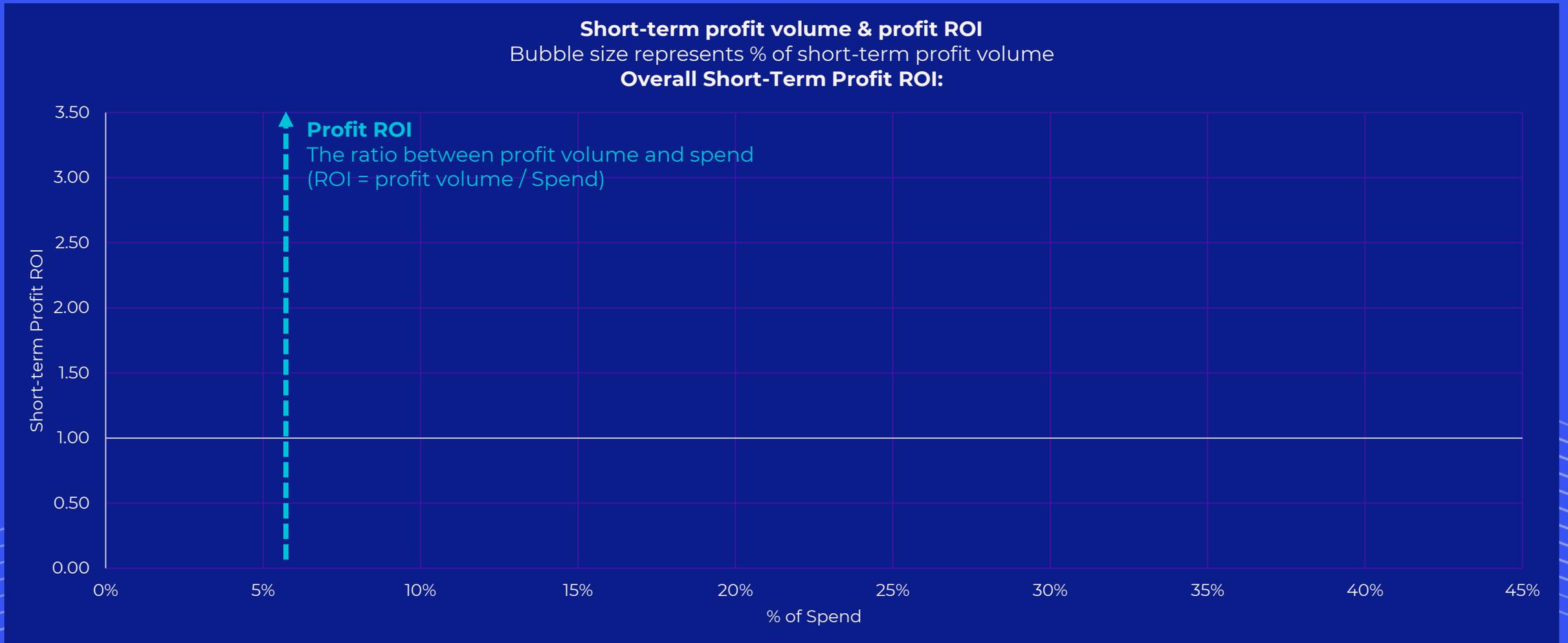
A quick explainer of the bubble charts you'll see throughout today's session



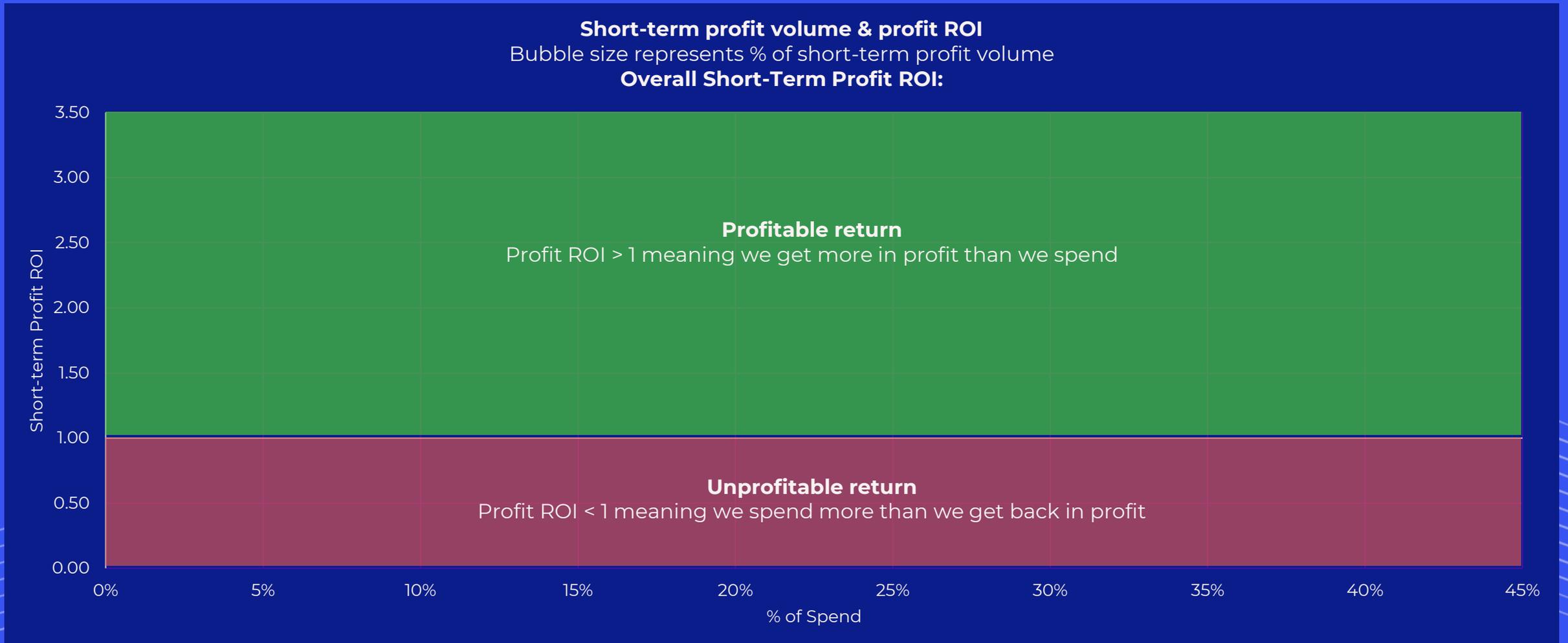
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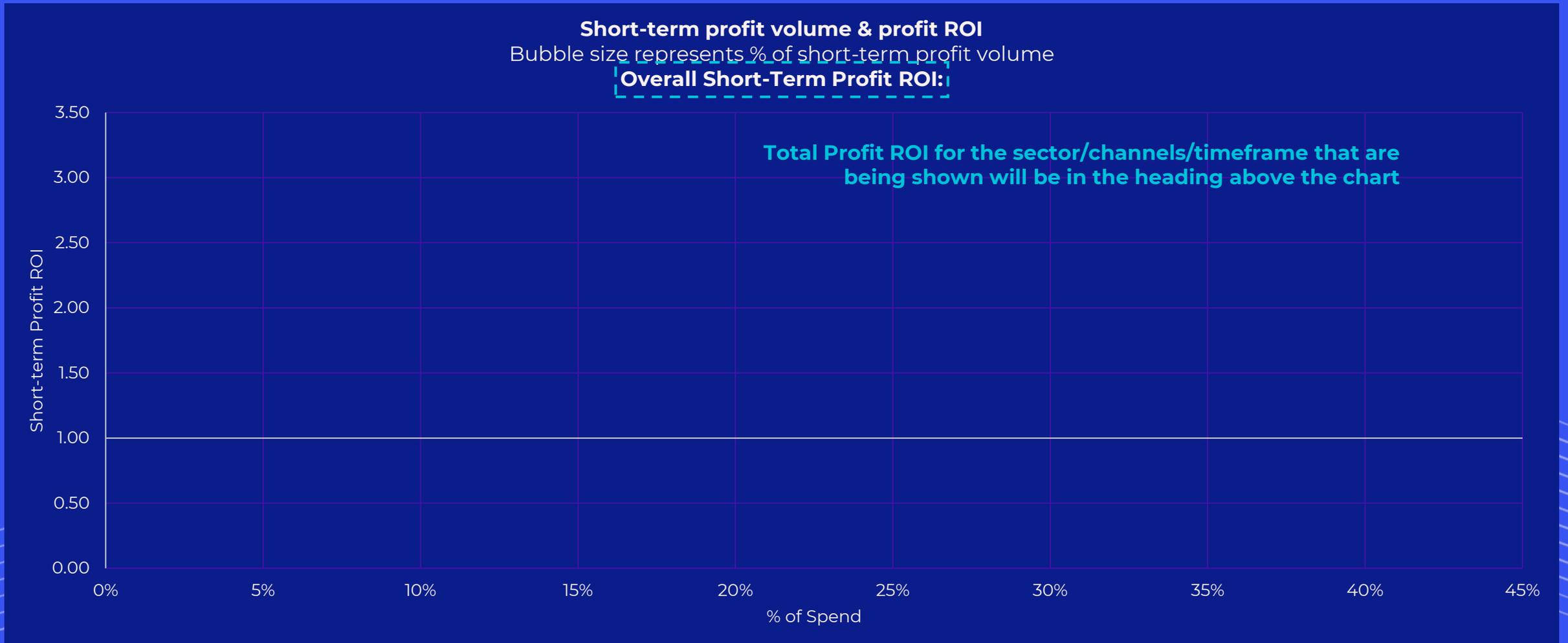
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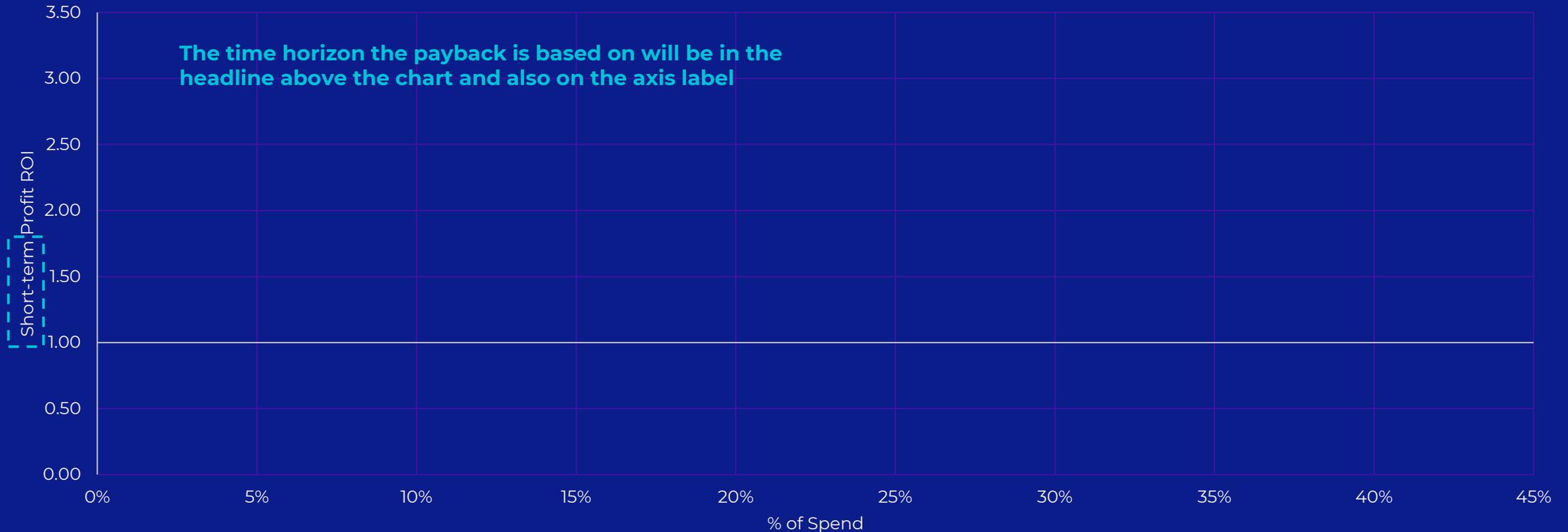


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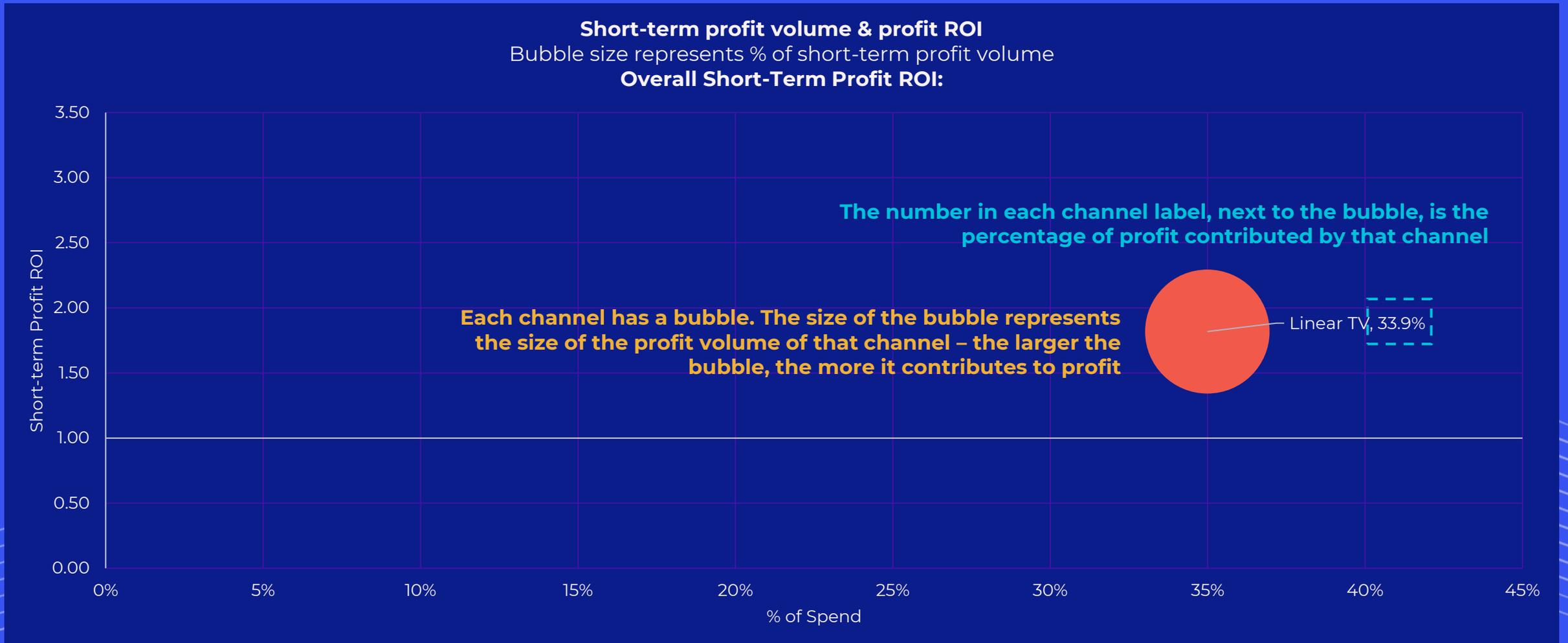


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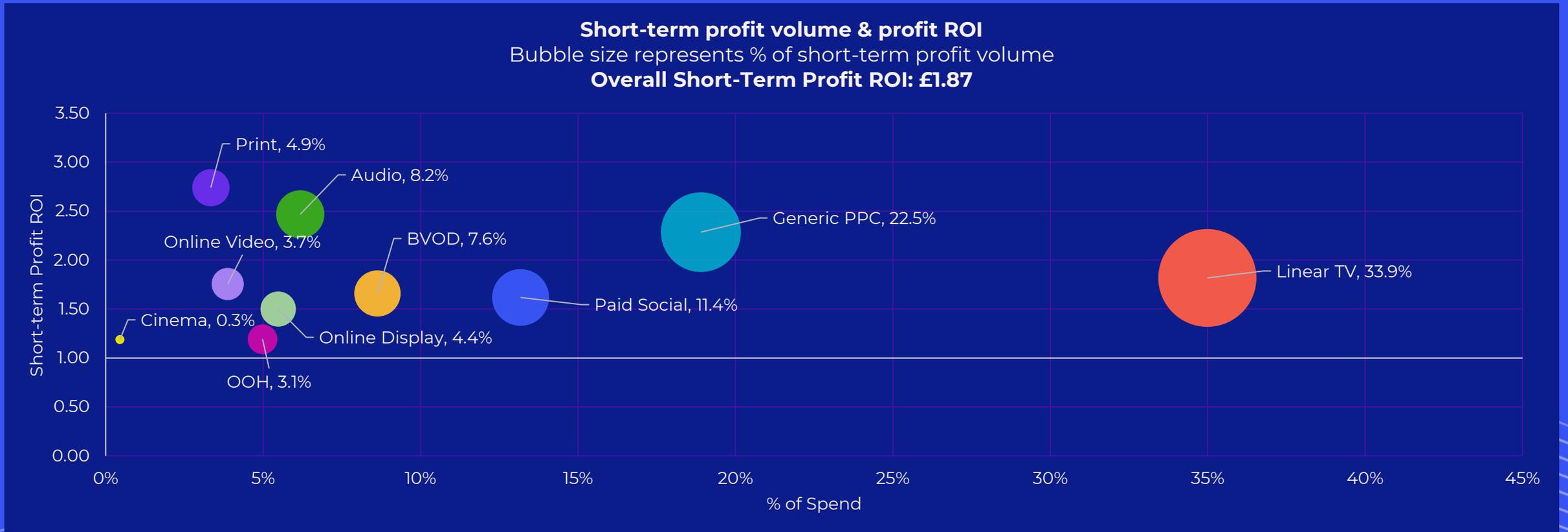
Short-term profit volume & profit ROI
Bubble size represents % of short-term profit volume
Overall Short-Term Profit ROI:



A quick explainer of the bubble charts you'll see throughout today's session

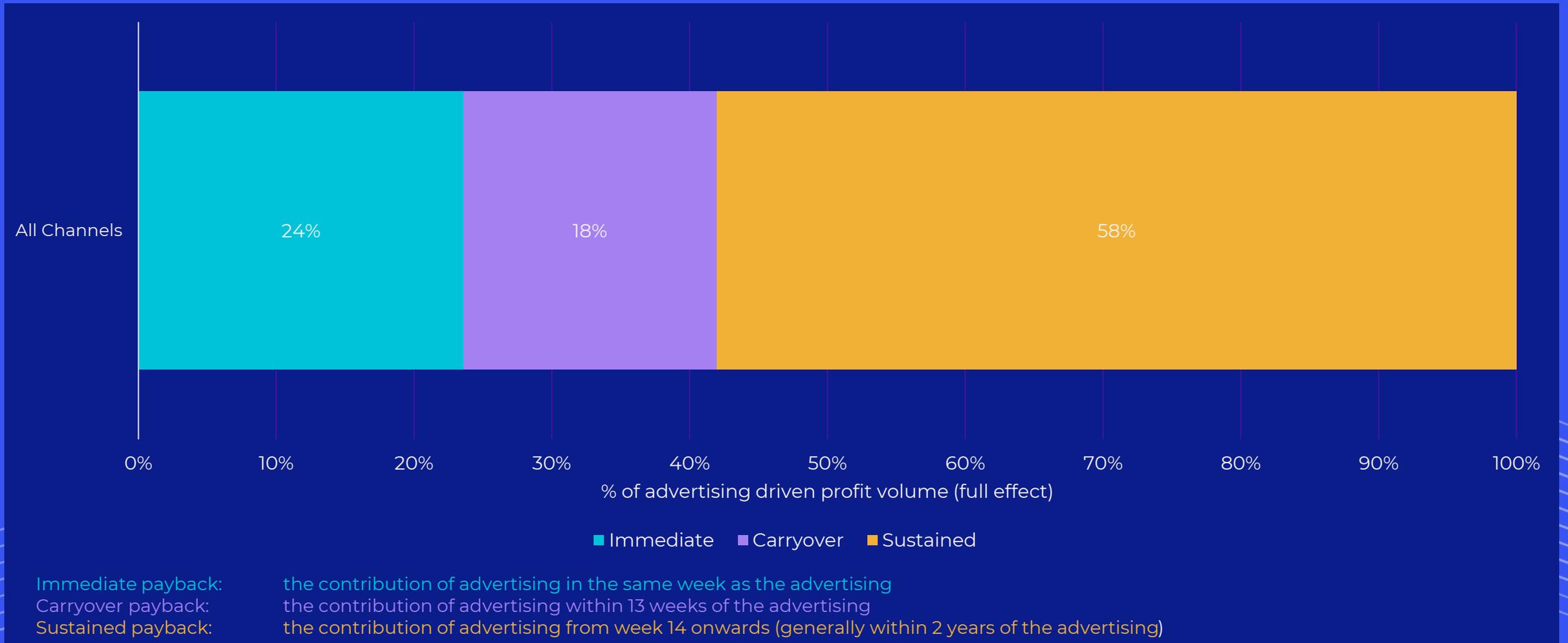


Overall Short-term Profit ROI is £1.87 with all channels showing, on average, a profitable return

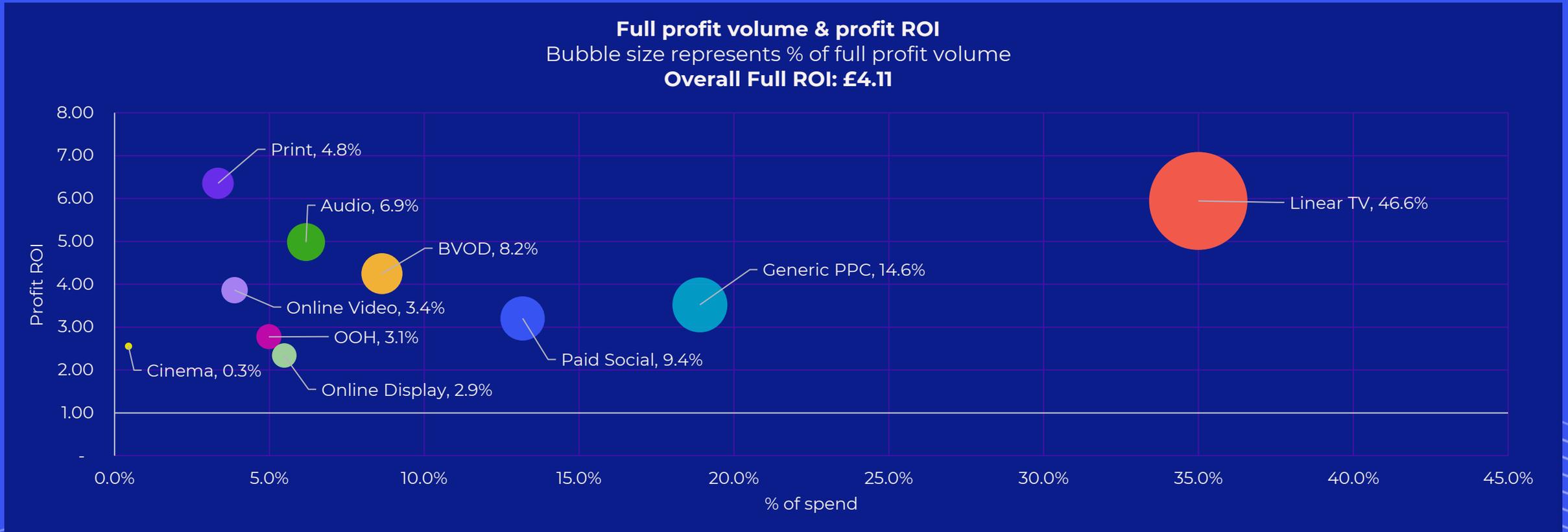


	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	6.18%	8.63%	0.45%	18.90%	34.99%	5.48%	3.87%	4.98%	13.18%	3.34%
Short-Term Profit ROI	2.47	1.66	1.19	2.29	1.82	1.50	1.76	1.19	1.62	2.74
Short-Term Profit Volume %	8.18%	7.59%	0.29%	22.54%	33.95%	4.40%	3.65%	3.14%	11.35%	4.90%

Sustained effects are substantial – nearly 60% of advertising’s overall contribution to profit

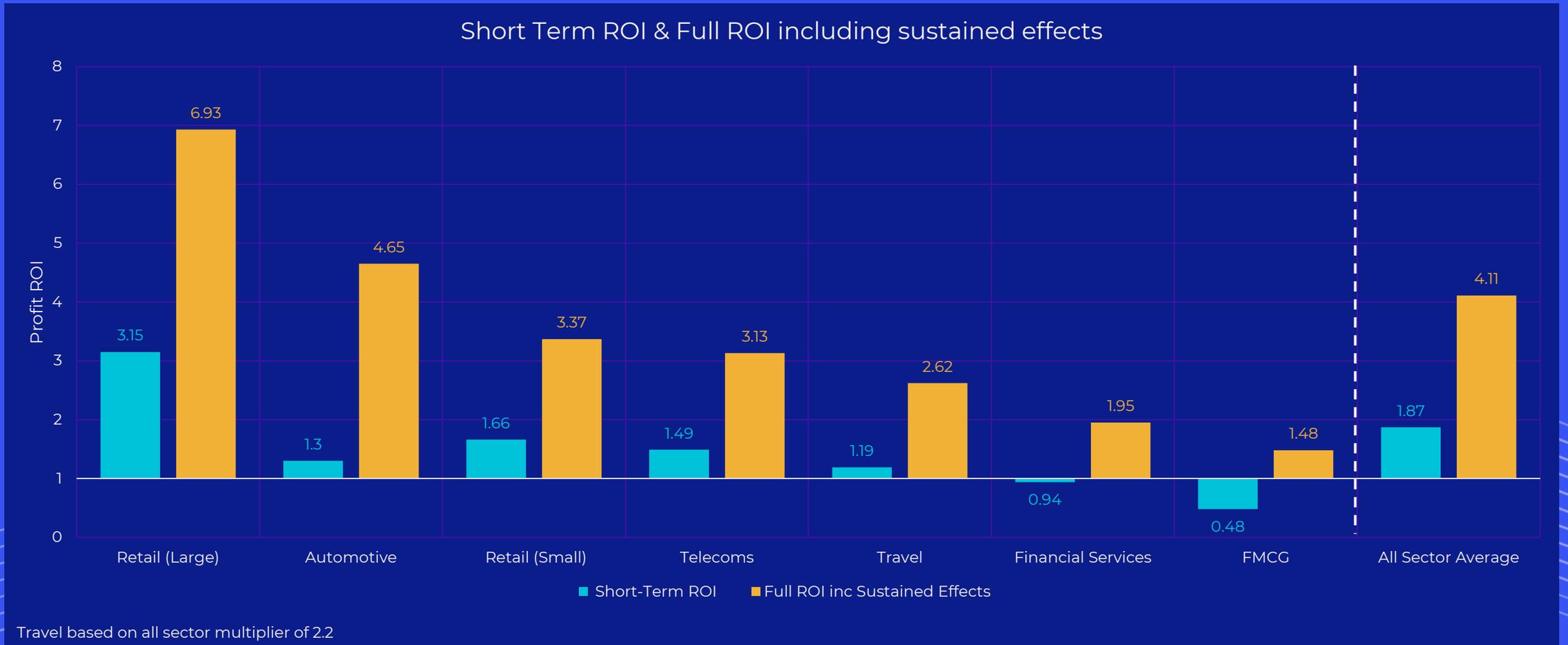


Including sustained effects, average Profit ROI increases to £4.11



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	6.18%	8.63%	0.45%	18.90%	34.99%	5.48%	3.87%	4.98%	13.18%	3.34%
Full Profit ROI	4.98	4.25	2.56	3.52	5.94	2.34	3.86	2.78	3.20	6.36
Full Profit Volume %	6.93%	8.15%	0.26%	14.56%	46.57%	2.88%	3.37%	3.07%	9.43%	4.77%

Whilst advertising generates a profitable return in all sectors, full Profit ROI varies greatly sector to sector



A lot of this is down to the products and businesses themselves



The revenue value of the product



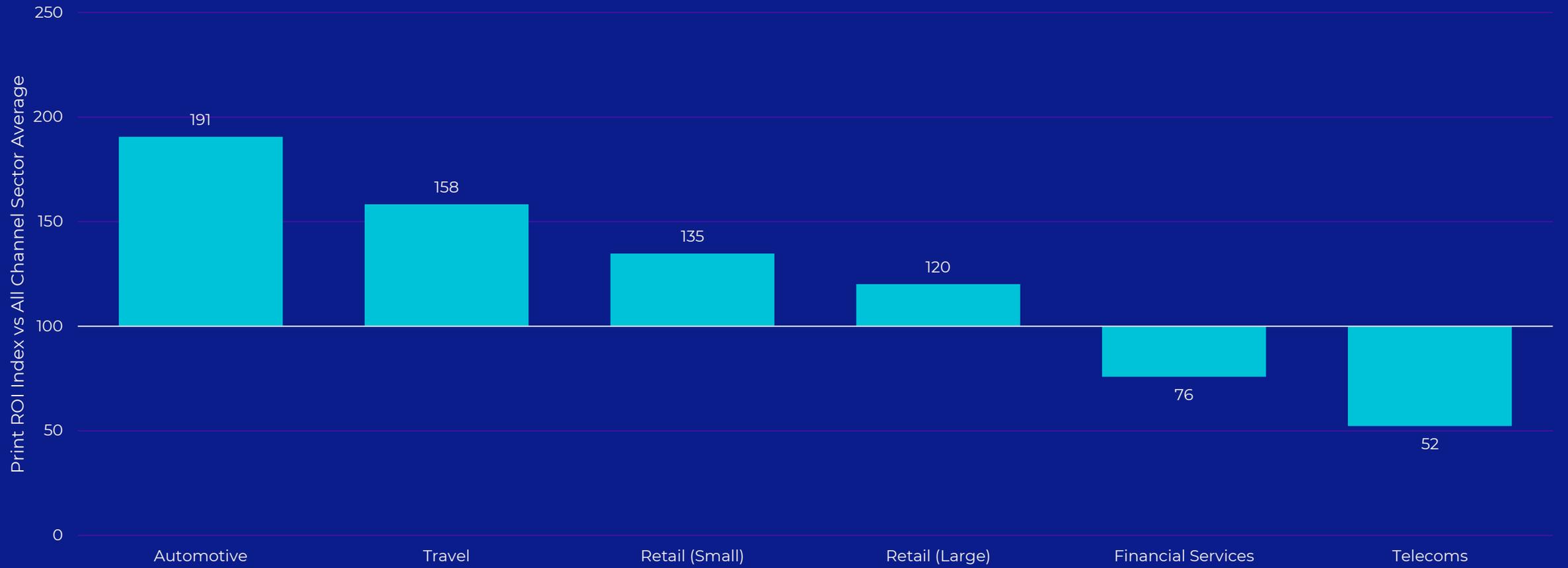
The operating margin of the business



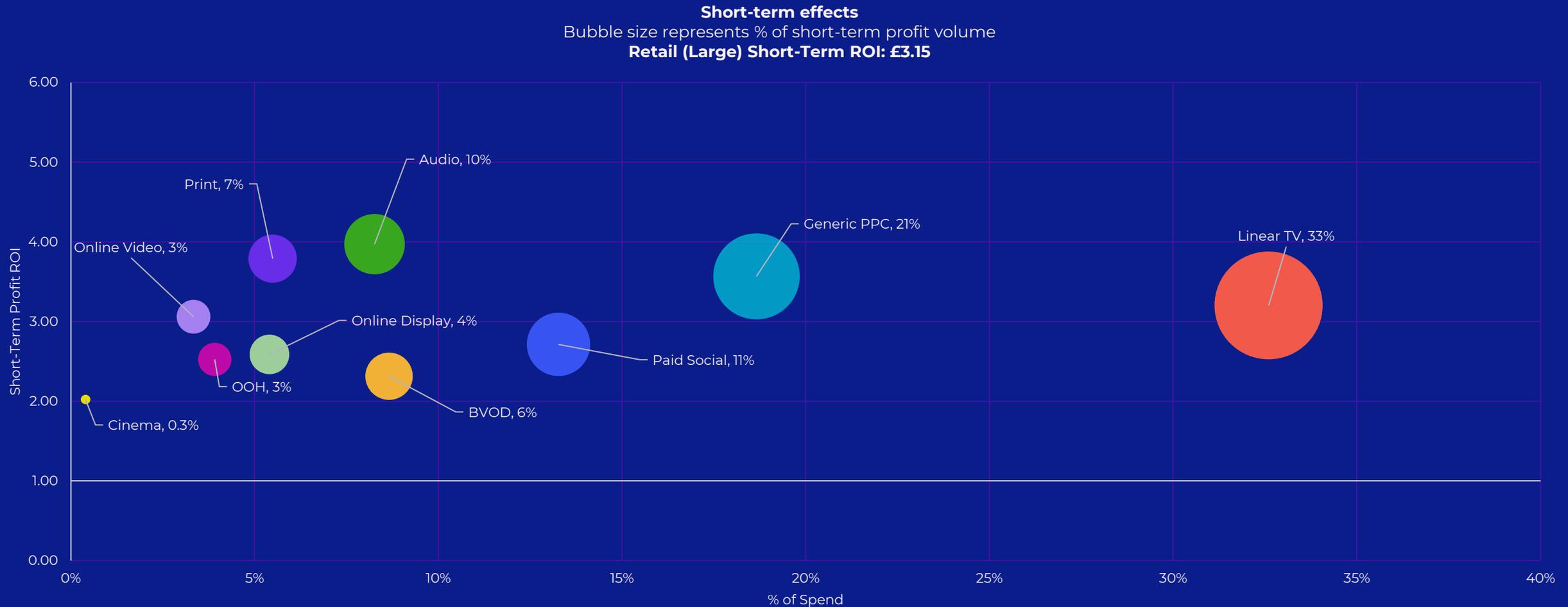
The relative strength of advertising on sales

But individual channel effectiveness can, and often does, vary greatly sector to sector – for example, Print

Print Profit ROI indexed vs All Sector average – Short-Term ROI
100 = Sector average Profit ROI

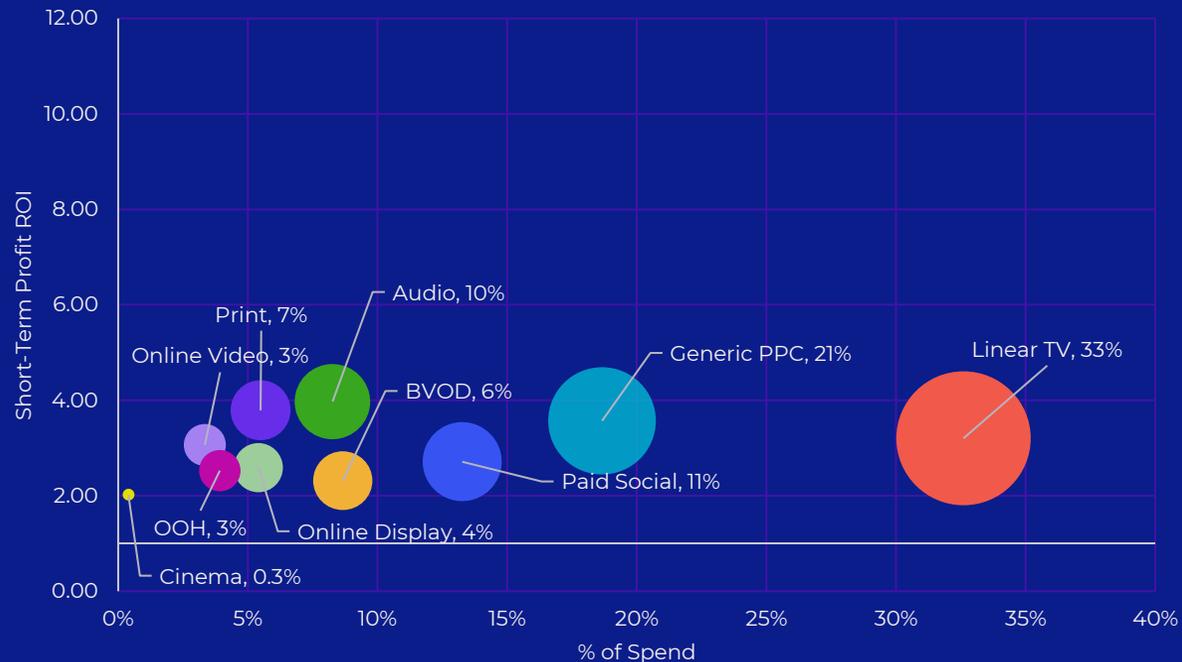


In the case of Large Retail, all channels are profitable in the short-term getting even stronger with the full effect

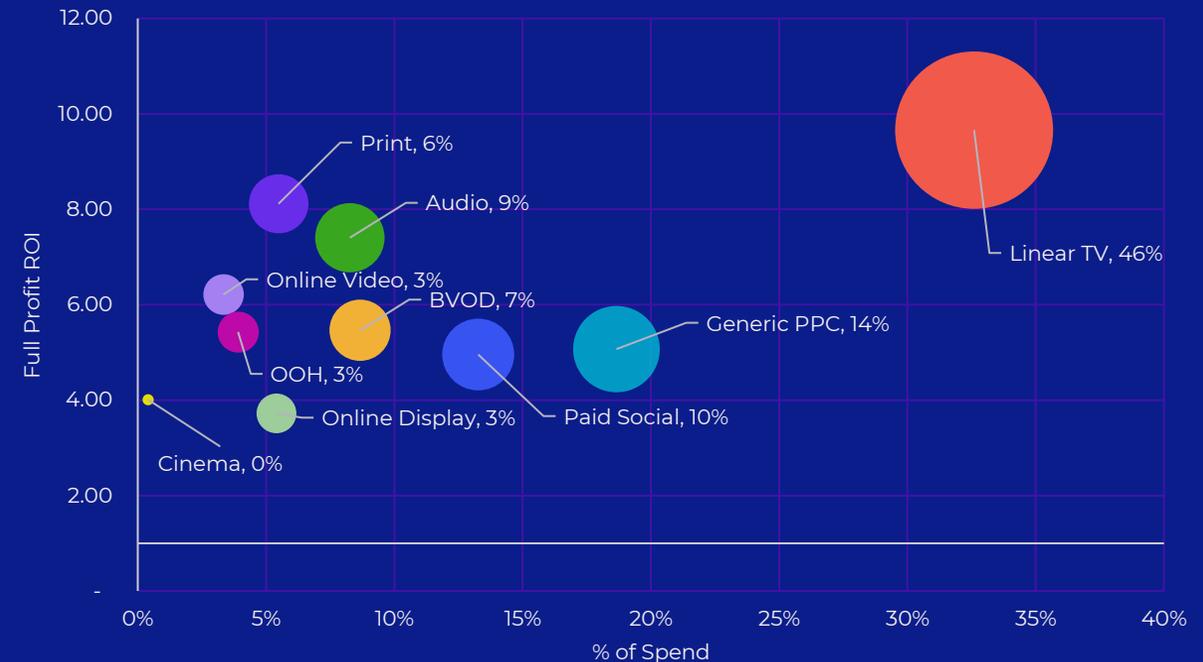


In the case of Large Retail, all channels are profitable in the short-term getting even stronger with the full effect

Short-term effects
Bubble size represents % of short-term profit volume
Retail (Large) Short-Term Profit ROI: £3.15

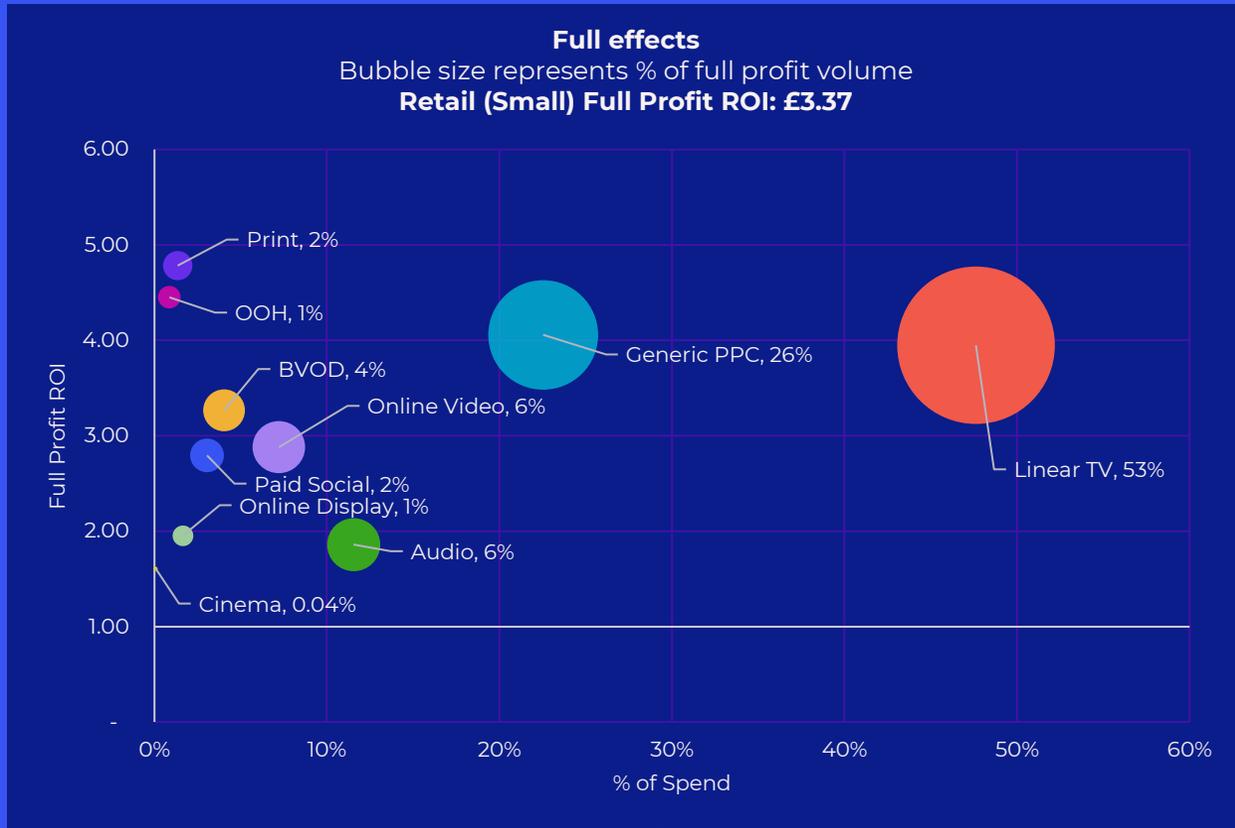
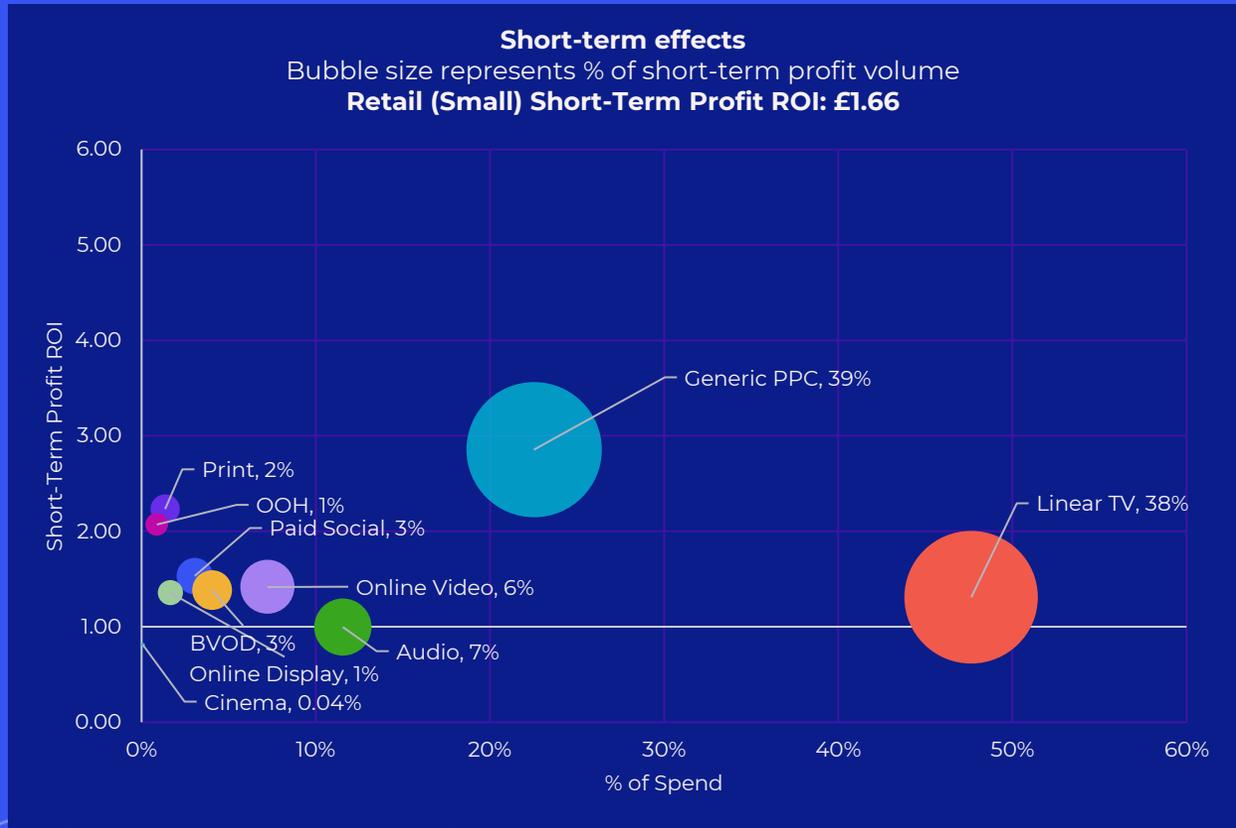


Full effects
Bubble size represents % of full profit volume
Retail (Large) Full Profit ROI: £6.93



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	8.26%	8.66%	0.40%	18.66%	32.60%	5.40%	3.34%	3.91%	13.27%	5.49%
Short-Term Profit ROI	3.97	2.31	2.02	3.57	3.20	2.59	3.06	2.52	2.71	3.79
Short-Term Profit Volume %	10.40%	6.35%	0.26%	21.10%	33.09%	4.43%	3.24%	3.13%	11.41%	6.60%
Full Profit ROI	7.40	5.47	4.01	5.07	9.66	3.72	6.21	5.43	4.96	8.11
Full Profit Volume %	8.83%	6.84%	0.23%	13.67%	45.51%	2.91%	2.99%	3.07%	9.50%	6.44%

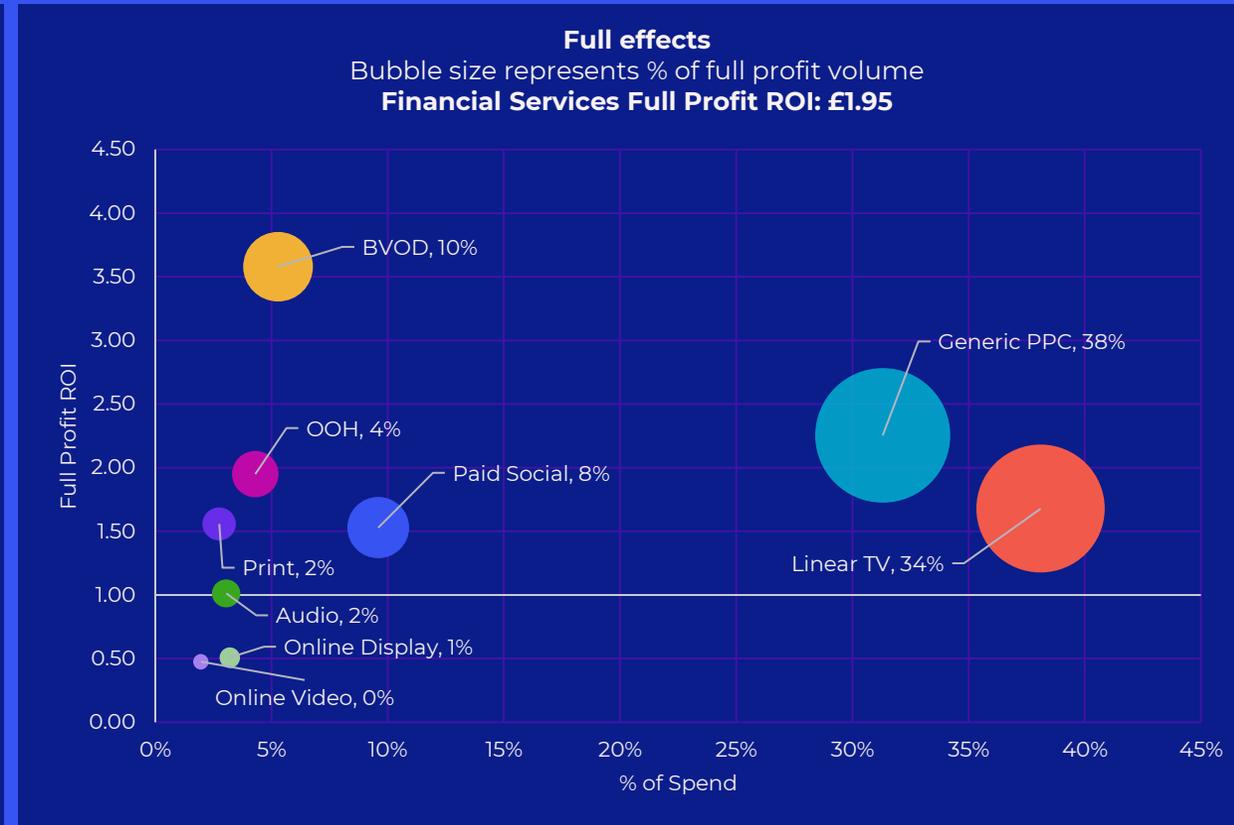
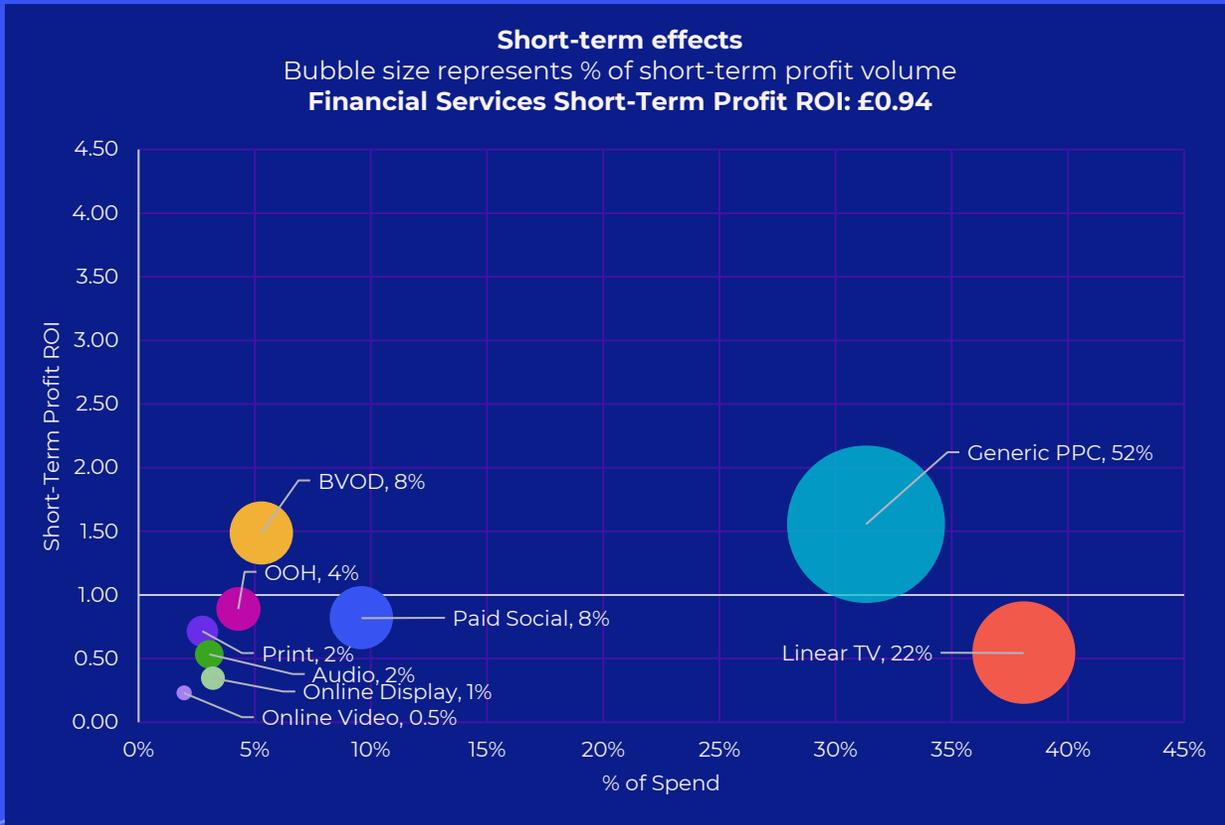
And it's similar for smaller retail but Generic PPC notably stands out as a stronger channel for smaller retailers



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	11.55%	4.05%	0.08%	22.54%	47.63%	1.65%	7.22%	0.87%	3.06%	1.35%
Short-Term Profit ROI	1.00	1.38	0.81	2.85	1.31	1.36	1.42	2.07	1.53	2.23
Short-Term Profit Volume %	6.94%	3.37%	0.04%	38.79%	37.61%	1.35%	6.18%	1.09%	2.82%	1.82%
Full Profit ROI	1.86	3.27	1.61	4.06	3.95	1.95	2.88	4.45	2.80	4.78
Full Profit Volume %	6.00%	3.70%	0.04%	25.58%	52.67%	0.90%	5.82%	1.09%	2.39%	1.81%

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
 Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

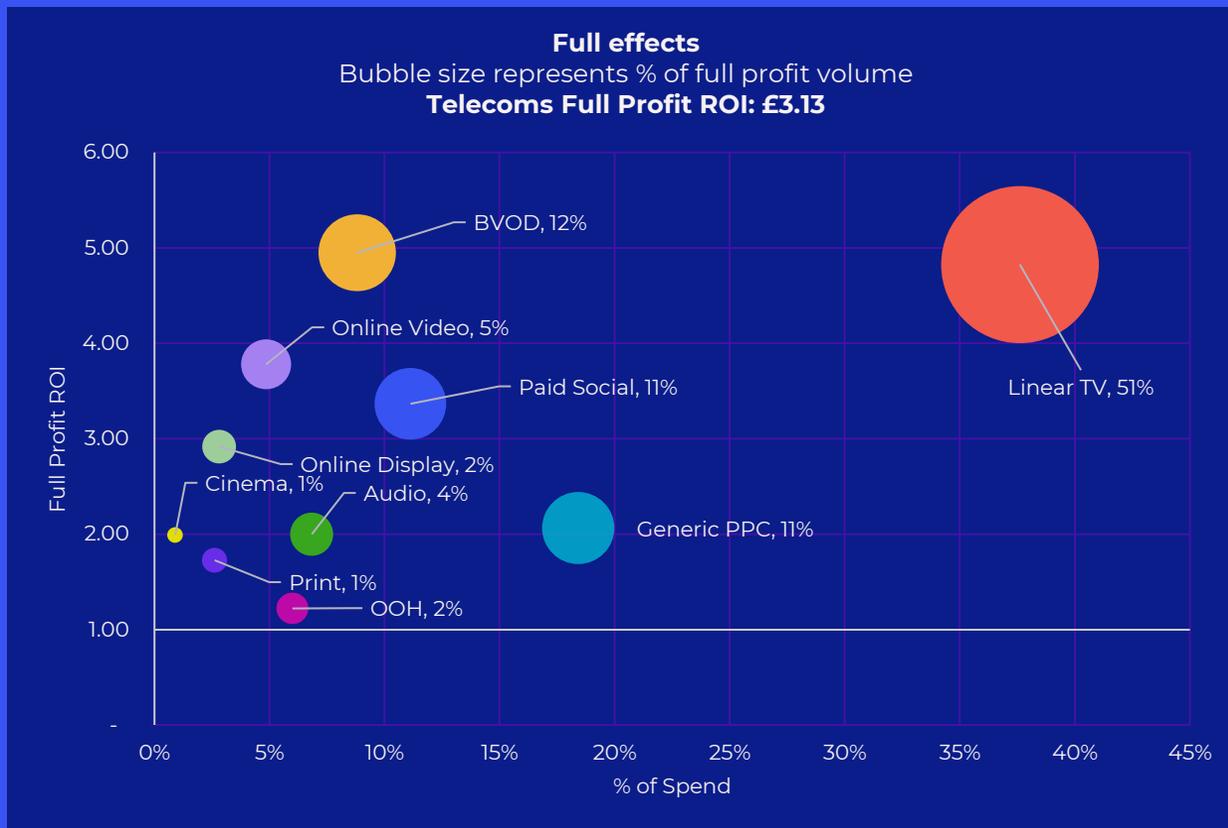
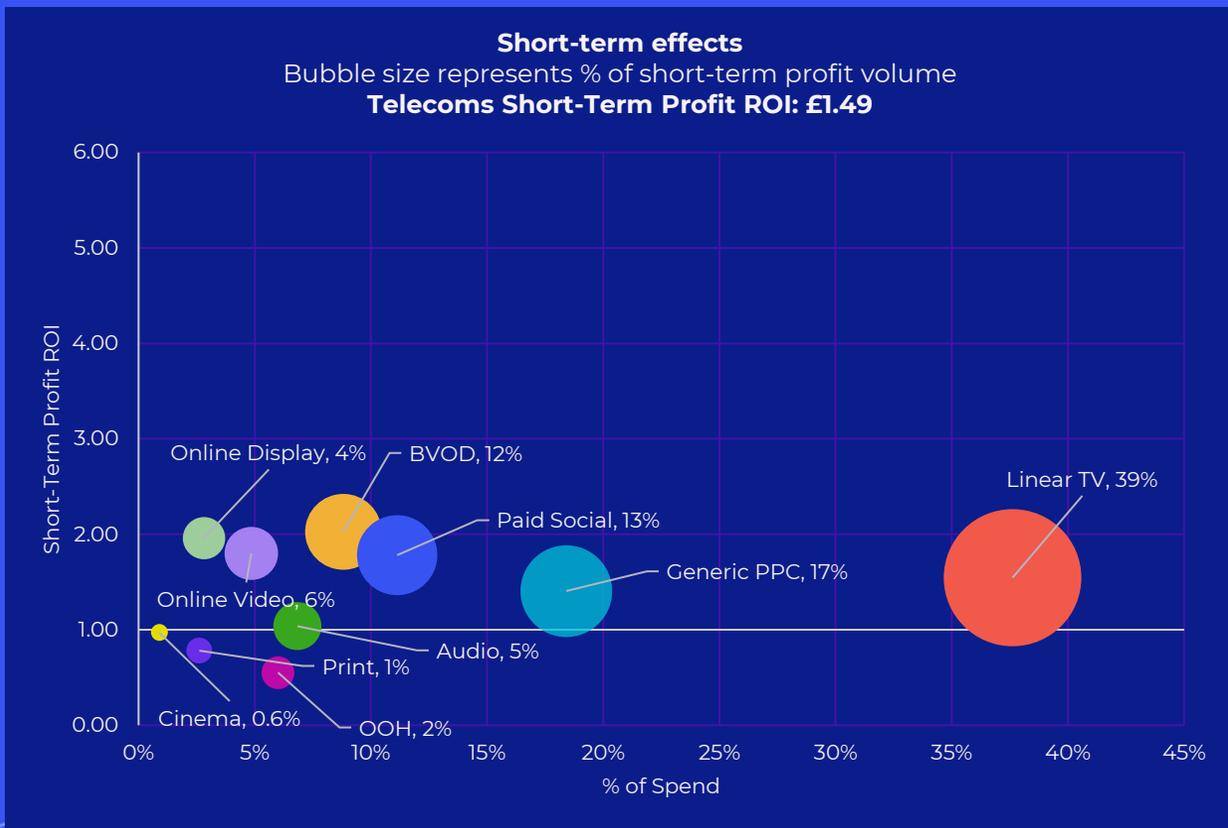
Similarly Financial Services see a very strong Generic PPC ROI as well as BVOD punching above the efficiency of Linear TV



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	3.05%	5.28%	n/a	31.31%	38.10%	3.20%	1.96%	4.30%	9.59%	2.75%
Short-Term Profit ROI	0.53	1.49	n/a	1.55	0.55	0.35	0.23	0.89	0.82	0.71
Short-Term Profit Volume %	1.72%	8.34%	n/a	51.74%	22.02%	1.18%	0.48%	4.06%	8.36%	2.08%
Full Profit ROI	1.01	3.58	n/a	2.25	1.68	0.51	0.47	1.95	1.53	1.56
Full Profit Volume %	1.65%	10.16%	n/a	37.89%	34.25%	0.87%	0.50%	4.50%	7.87%	2.30%

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

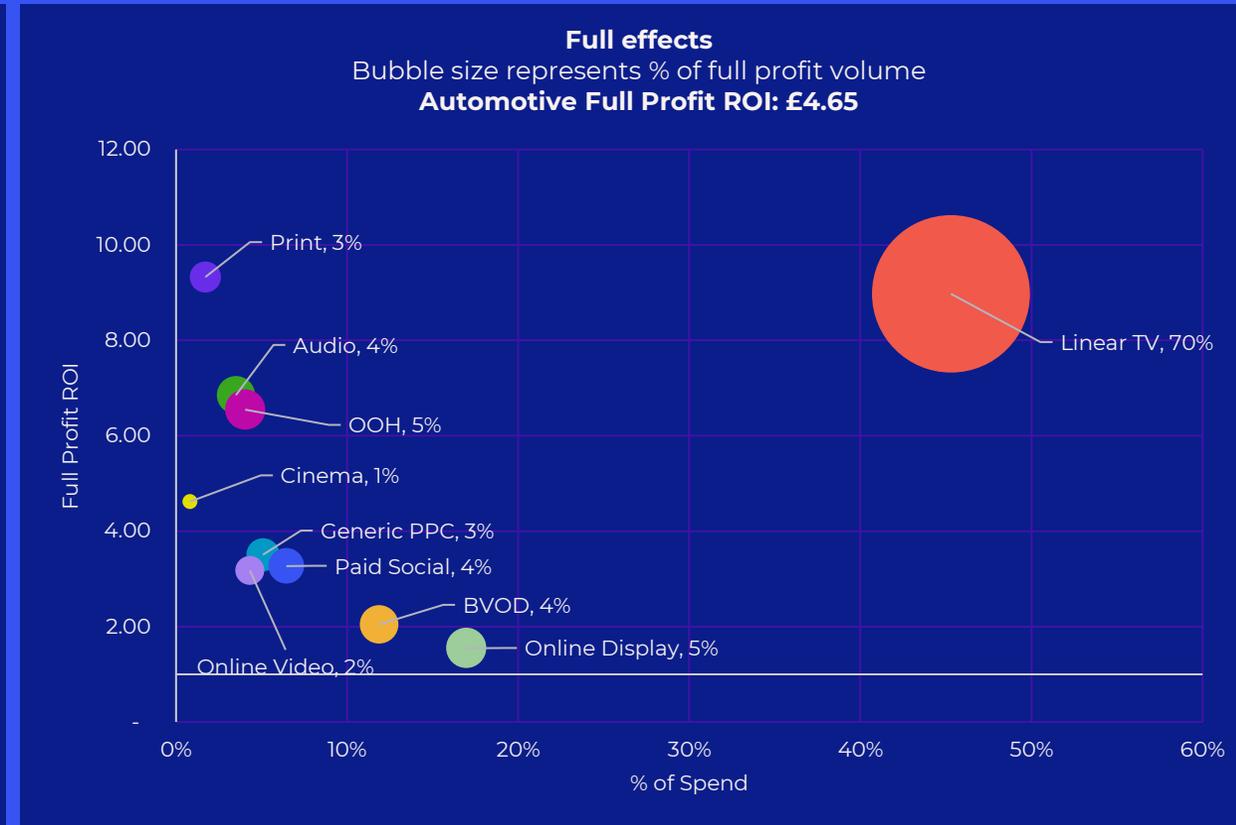
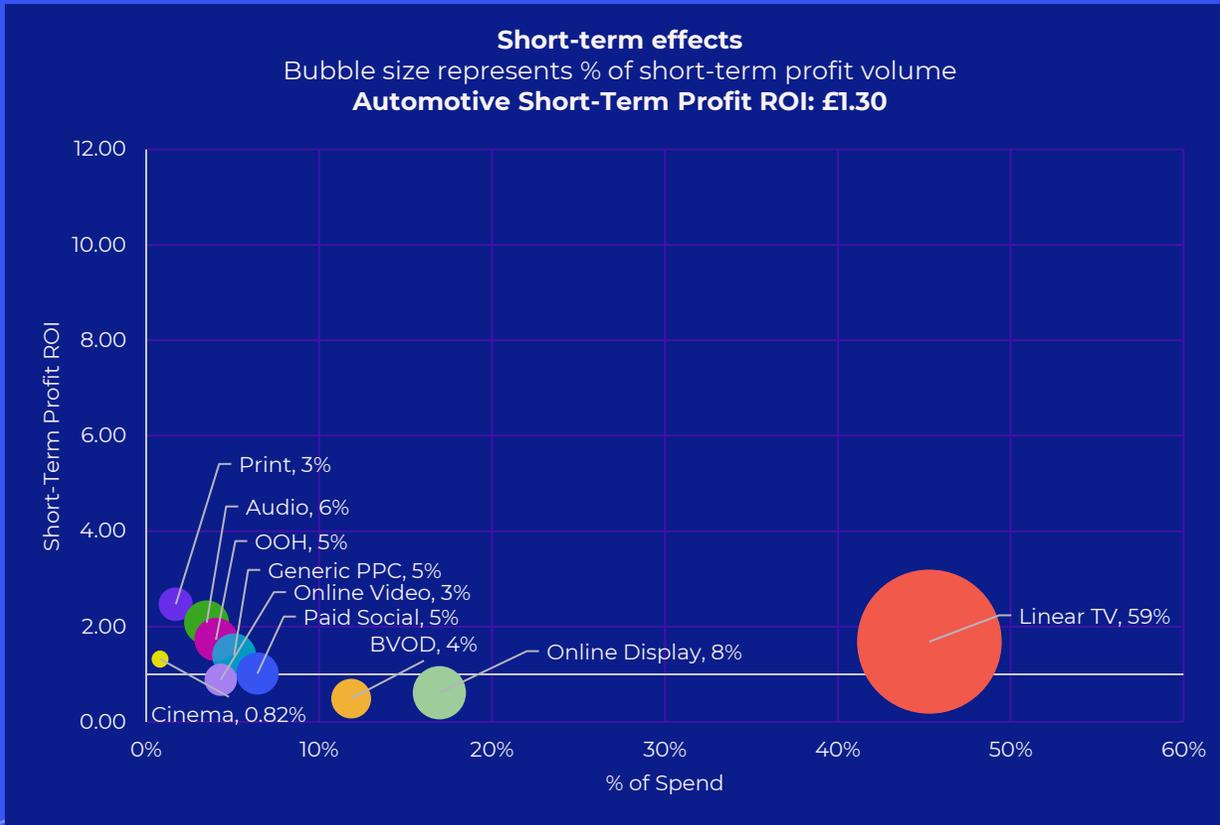
With a similarly strong BVOD performance coming through in Telecoms although Linear TV dominates the volume



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	6.84%	8.81%	0.90%	18.41%	37.61%	2.82%	4.86%	6.00%	11.13%	2.62%
Short-Term Profit ROI	1.04	2.03	0.97	1.40	1.55	1.96	1.80	0.55	1.78	0.78
Short-Term Profit Volume %	4.74%	11.96%	0.58%	17.34%	38.97%	3.70%	5.85%	2.21%	13.28%	1.36%
Full Profit ROI	2.00	4.95	1.99	2.06	4.82	2.92	3.78	1.22	3.37	1.73
Full Profit Volume %	3.85%	12.31%	0.50%	10.73%	51.21%	2.32%	5.17%	2.07%	10.56%	1.27%

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

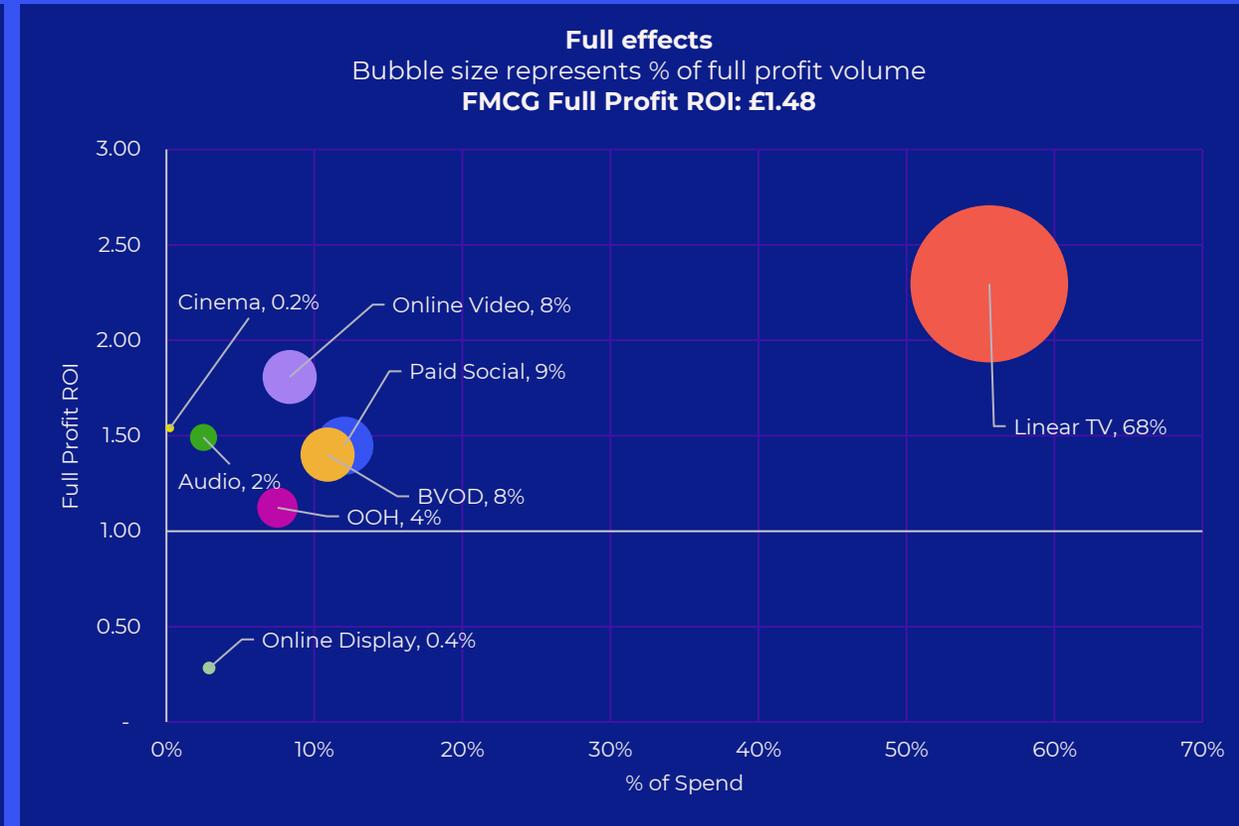
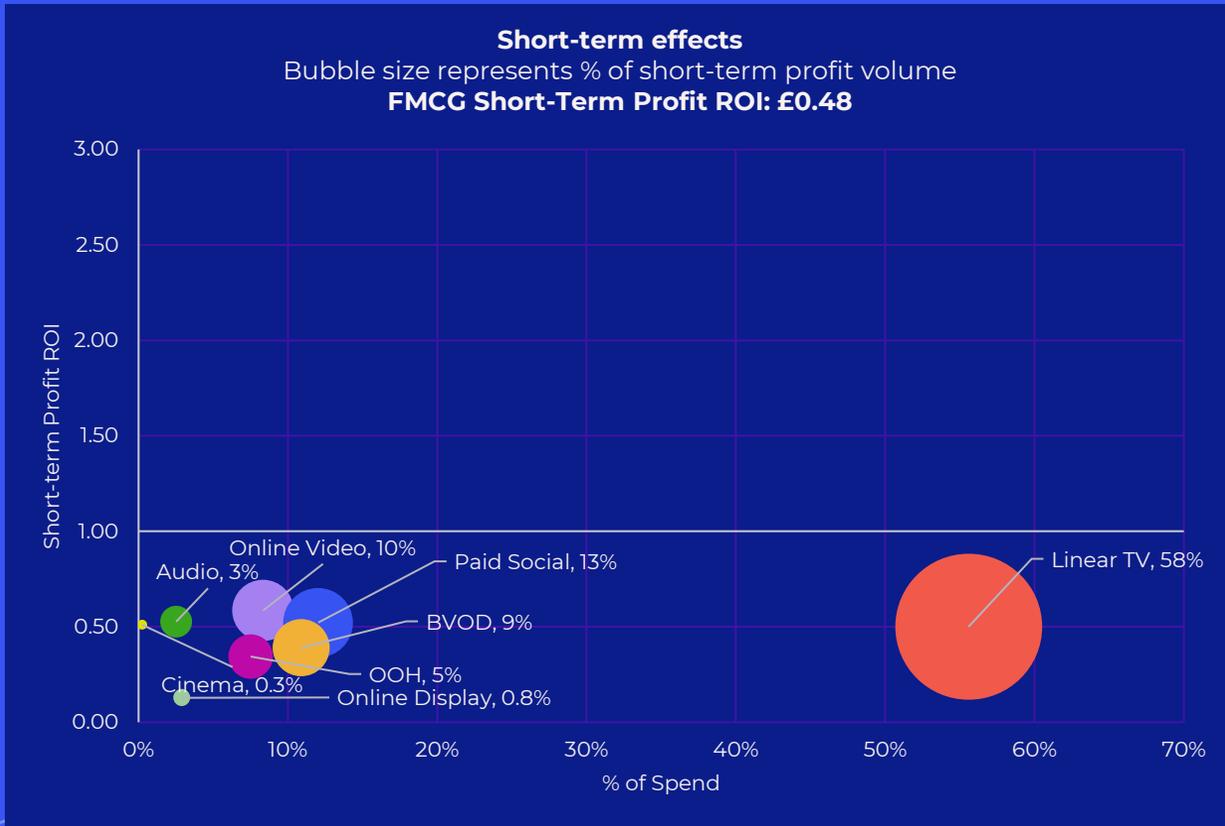
As it does in Automotive where Linear TV is far and away the largest profit driver with its ROI also very strong



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	3.49%	11.86%	0.80%	5.08%	45.30%	16.96%	4.31%	4.04%	6.44%	1.71%
Short-Term Profit ROI	2.08	0.49	1.32	1.40	1.69	0.61	0.89	1.73	1.02	2.47
Short-Term Profit Volume %	5.61%	4.48%	0.82%	5.47%	58.98%	8.03%	2.94%	5.39%	5.03%	3.26%
Full Profit ROI	6.85	2.05	4.62	3.51	8.97	1.55	3.18	6.55	3.27	9.33
Full Profit Volume %	4.12%	4.17%	0.64%	3.07%	70.15%	4.55%	2.36%	4.57%	3.62%	2.75%

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

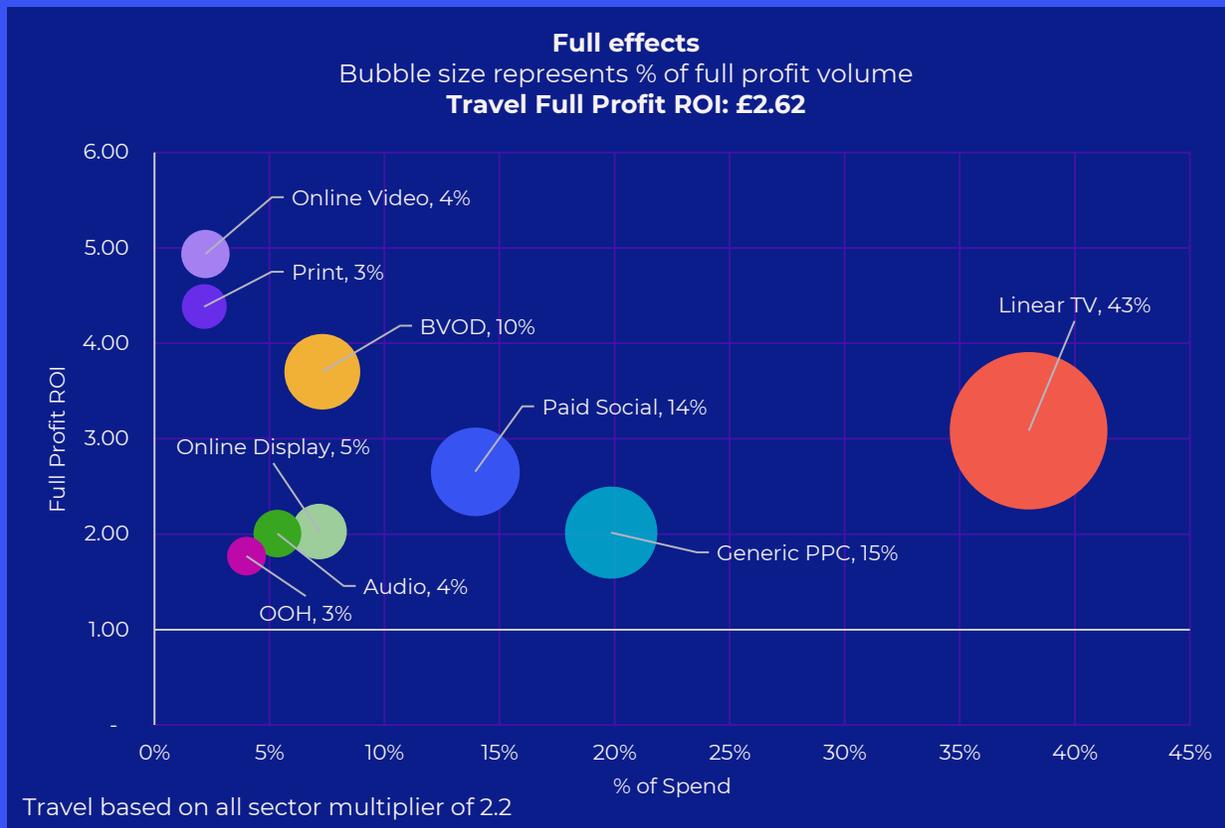
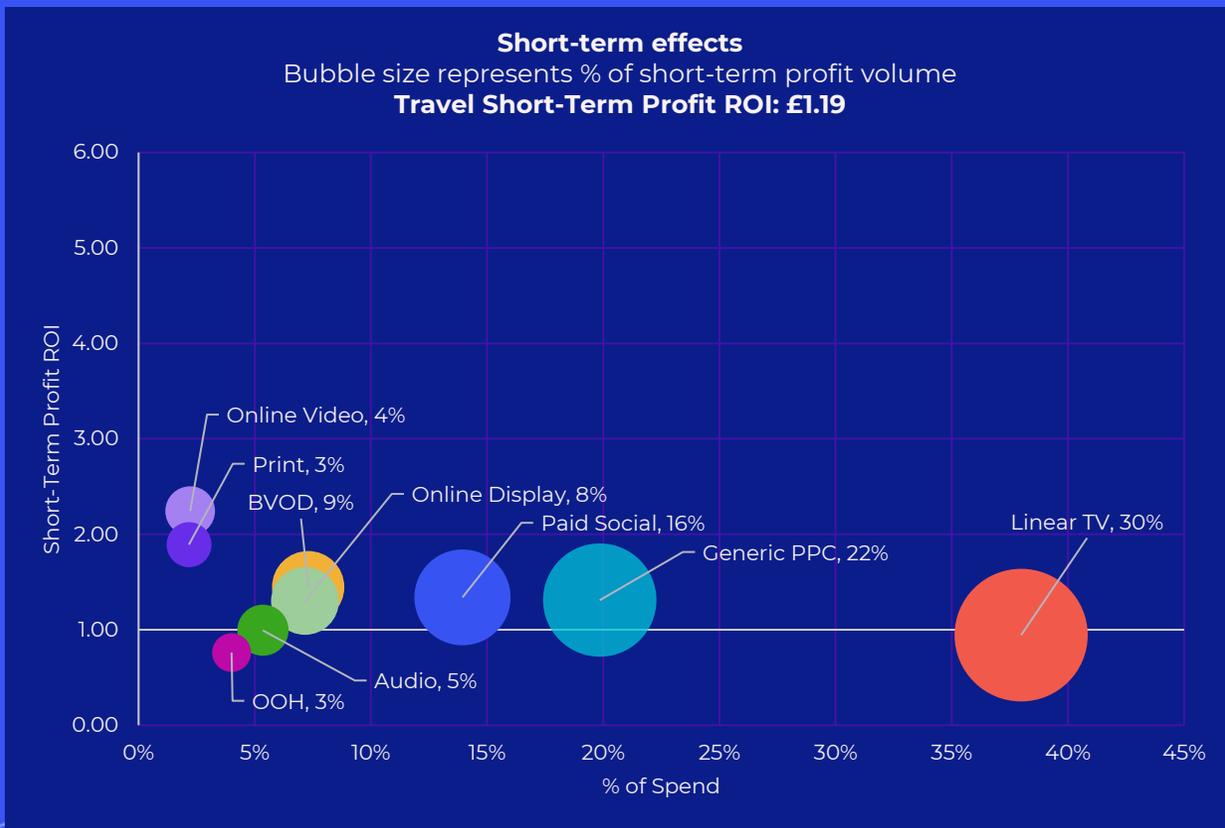
Linear is also a key volume driver in FMCG but short-term ROIs are all low whilst full ROIs start to show profitable payback



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	2.51%	10.89%	0.24%	n/a	55.59%	2.89%	8.33%	7.51%	12.03%	n/a
Short-Term Profit ROI	0.53	0.39	0.51	n/a	0.50	0.13	0.59	0.34	0.52	n/a
Short-Term Profit Volume %	2.76%	8.87%	0.26%	n/a	58.44%	0.79%	10.29%	5.39%	13.19%	n/a
Full Profit ROI	1.49	1.40	1.54	n/a	2.30	0.28	1.81	1.12	1.45	n/a
Full Profit Volume %	1.97%	8.04%	0.20%	n/a	67.64%	0.44%	8.01%	4.45%	9.25%	n/a

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

With Travel also fairly dependent on its sustained effects to yield strong ROIs



	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	OOH	Paid Social	Print
Spend %	5.35%	7.30%	n/a	19.85%	37.99%	7.16%	2.22%	4.01%	13.95%	2.17%
Short-Term Profit ROI	0.99	1.45	n/a	1.31	0.94	1.30	2.24	0.76	1.34	1.89
Short-Term Profit Volume %	4.51%	8.96%	n/a	22.07%	30.39%	7.90%	4.22%	2.59%	15.86%	3.48%
Full Profit ROI	2.01	3.70	n/a	2.02	3.08	2.03	4.94	1.77	2.65	4.38
Full Profit Volume %	3.92%	9.87%	n/a	14.61%	42.73%	5.30%	4.00%	2.59%	13.51%	3.48%

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
 Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK

What this means for the business case for advertising

Advertising is a profitable driver of business growth

Sustained effects are significant as part of advertising's overall payback

Channel efficacy varies greatly channel to channel / sector to sector

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01

Advertising is a profitable driver of business growth but profitability varies greatly by sector

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There are three dimensions that impact profitability – scale, efficiency & time

03

Rather than a seismic shift, advertising effectiveness has more gradually changed as media consumption has evolved

**The most unhelpful
bit of language in
our industry when it
comes to media
optimisation**

A decorative graphic consisting of multiple thin white lines that originate from a single point on the left and fan out towards the right, creating a sense of motion or flow.

Performance

VS

Brand

Performance

Commercial
Measurable
Immediate

Brand

Theoretical
Distant
Fluffy

A more helpful view

The three dimensions of effectiveness

Scale

The size of the advertising's effect on the business

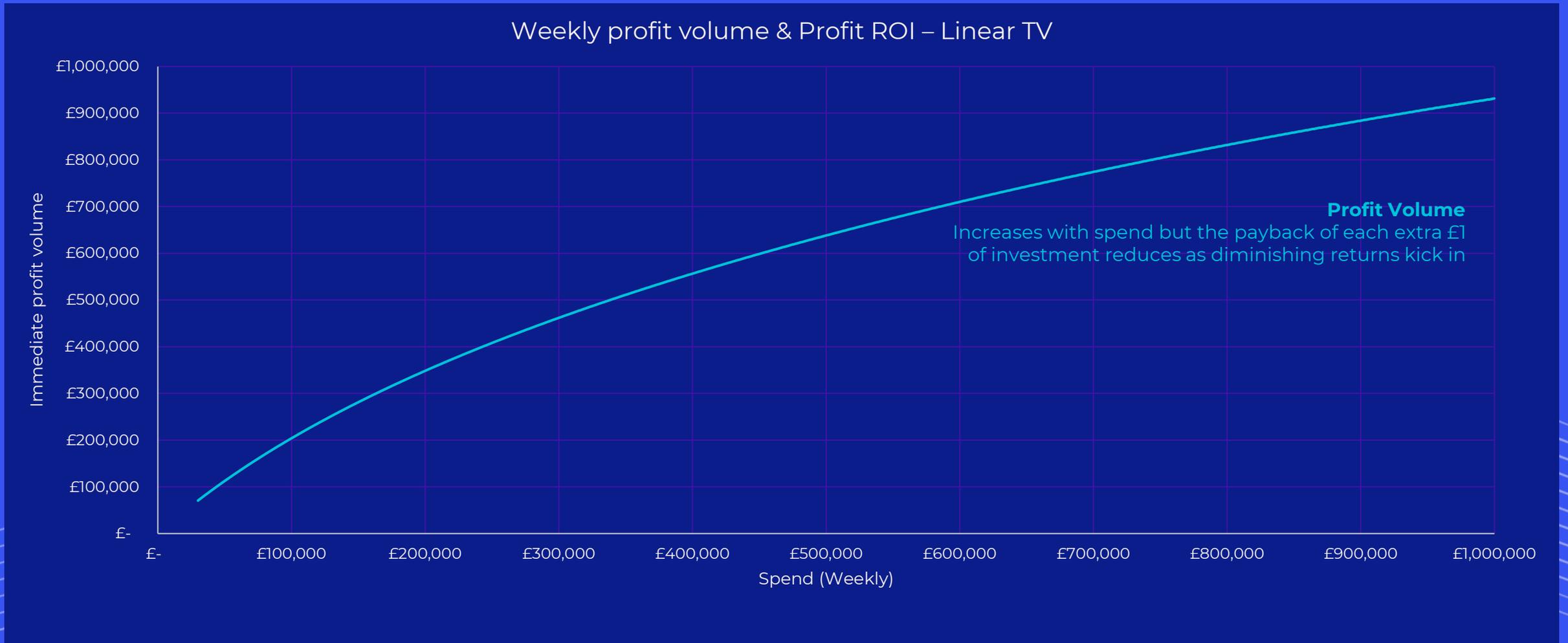
Efficiency

The ratio between cost and payback

Time

The period that the advertising payback is over

As spend increases the scale of the advertising effect does too, but this effect experiences diminishing returns

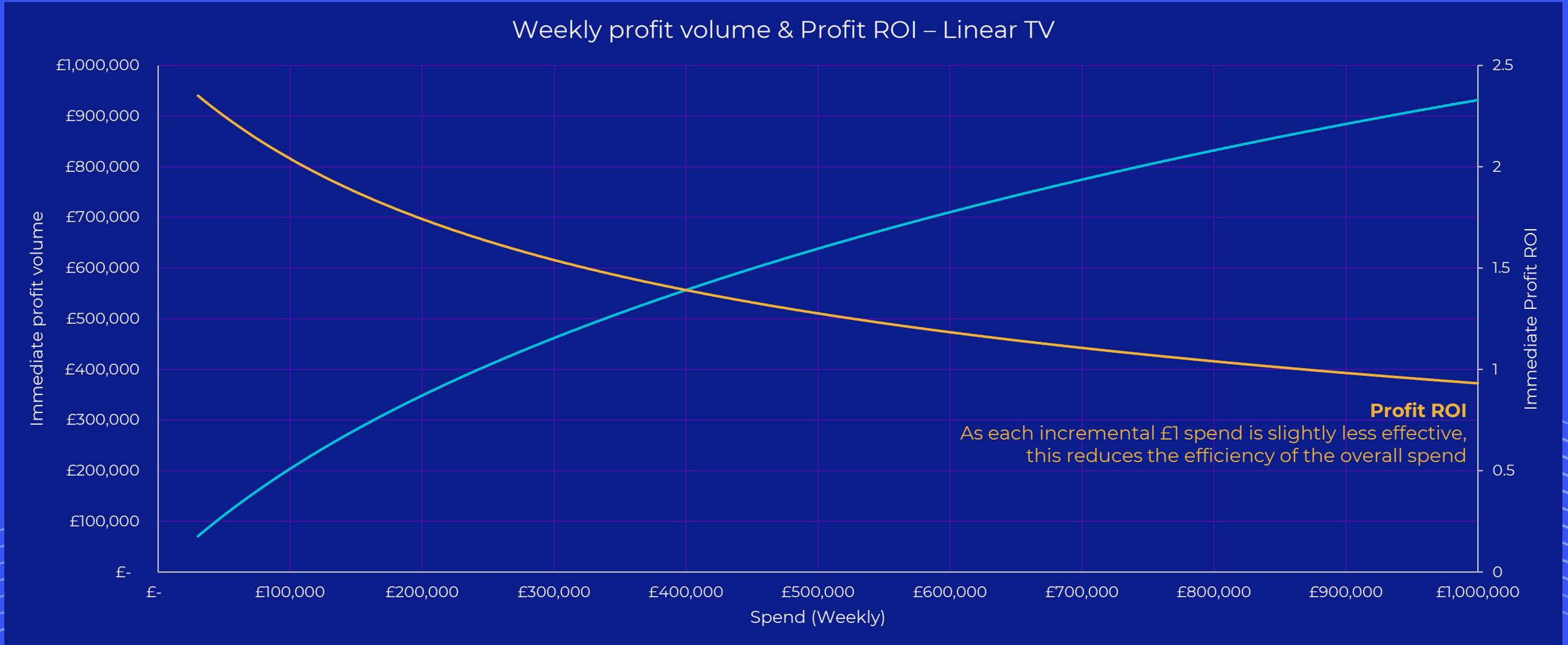


Both the scalability & diminishing returns profile varies channel to channel

Relationship between spend & profit volume - Weekly

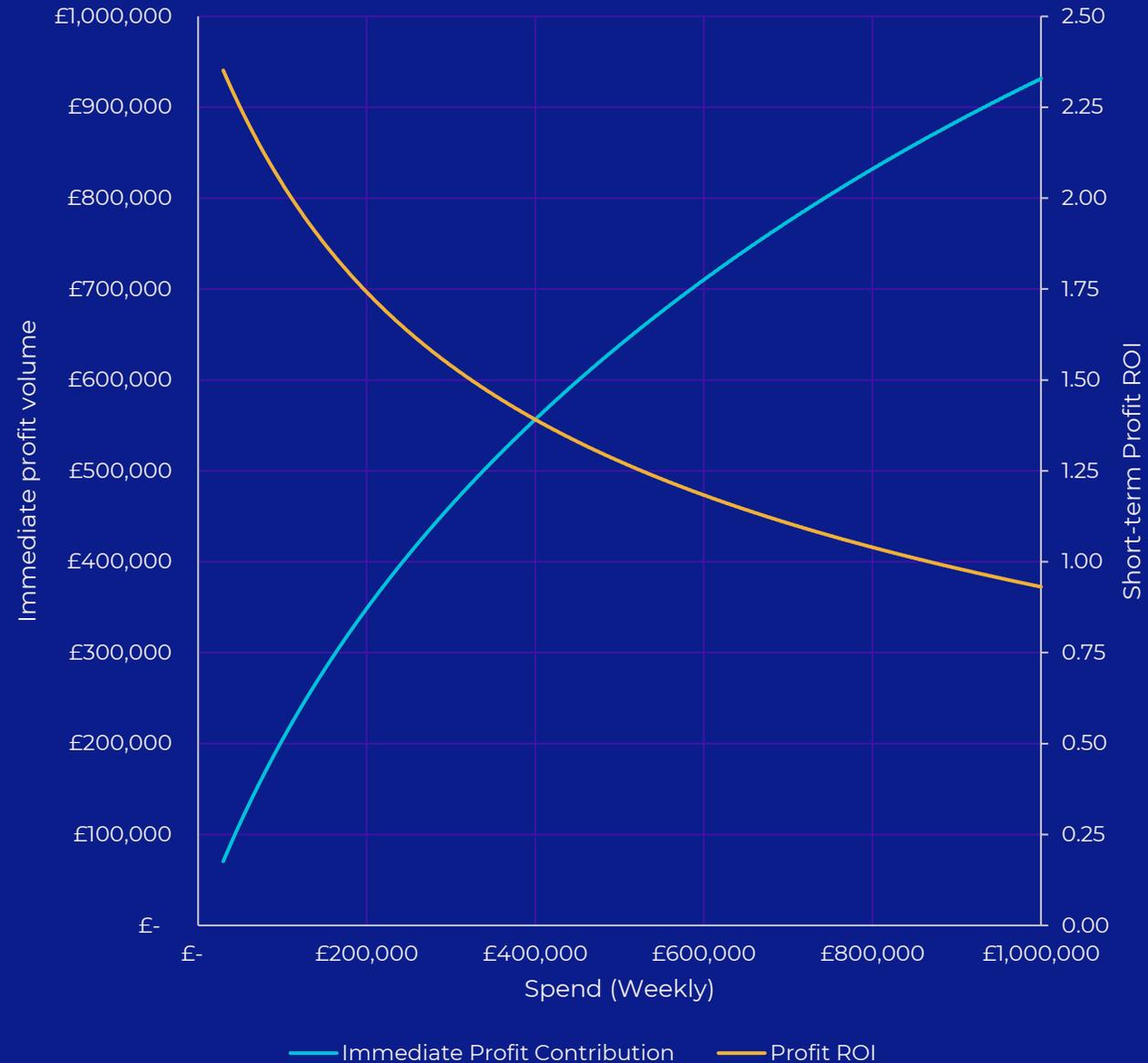


Diminishing returns means scale & efficiency are linked – optimizing towards one will impact the other



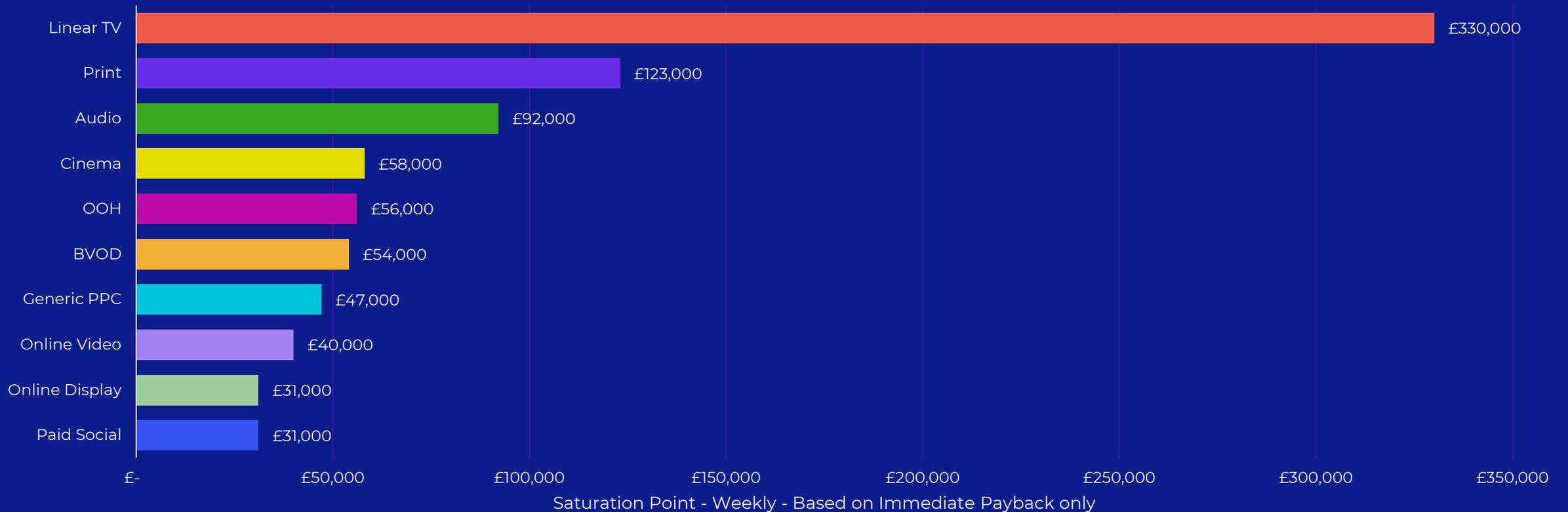
And we can use these relationships to work out when each channel saturates

- As a channel hits diminishing returns, the ROI gradually reduces. This is because ROI is the ratio between spend and sales. As each pound generates slightly less than the one before, this ratio drops the higher the spend although you drive more sales
- We can use this ratio to work out the **saturation point** for each channel – the last point where **every pound** spent in a channel generates **at least £1 profit**



TV hits saturation at the highest spend level, nearly 3x the equivalent scale of the next largest channel

Saturation based on immediate payback – all category average



Saturation point based on all category average. Saturation ranking & values will vary sector to sector

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Immediate effect = profit volume in week of advertising spend

The third dimension is time – when do we need the benefit from advertising to impact the business

Timeframe you're planning over

Type of payback to prioritise

This Week



Immediate payback

This Quarter



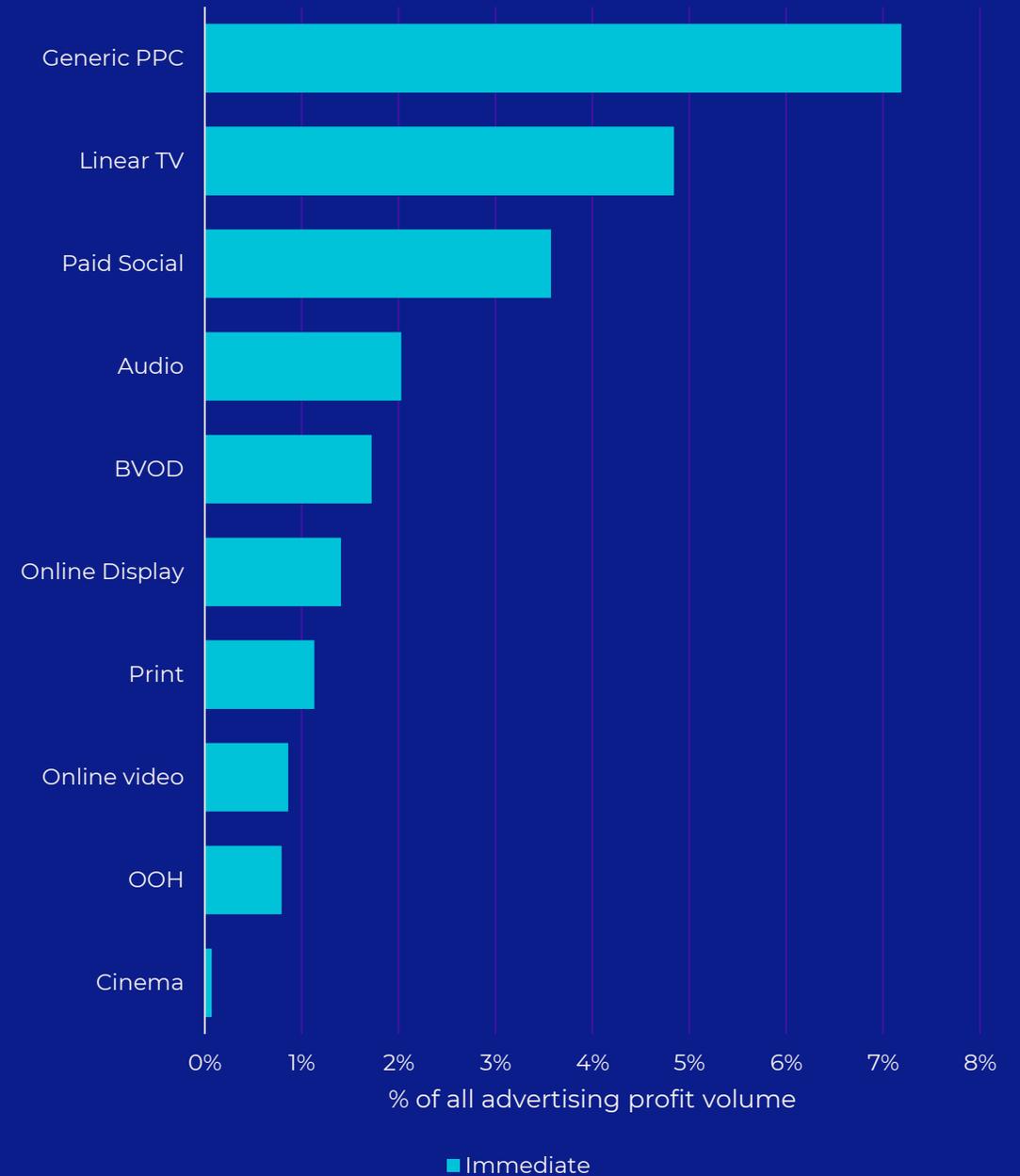
Carryover payback

This Year



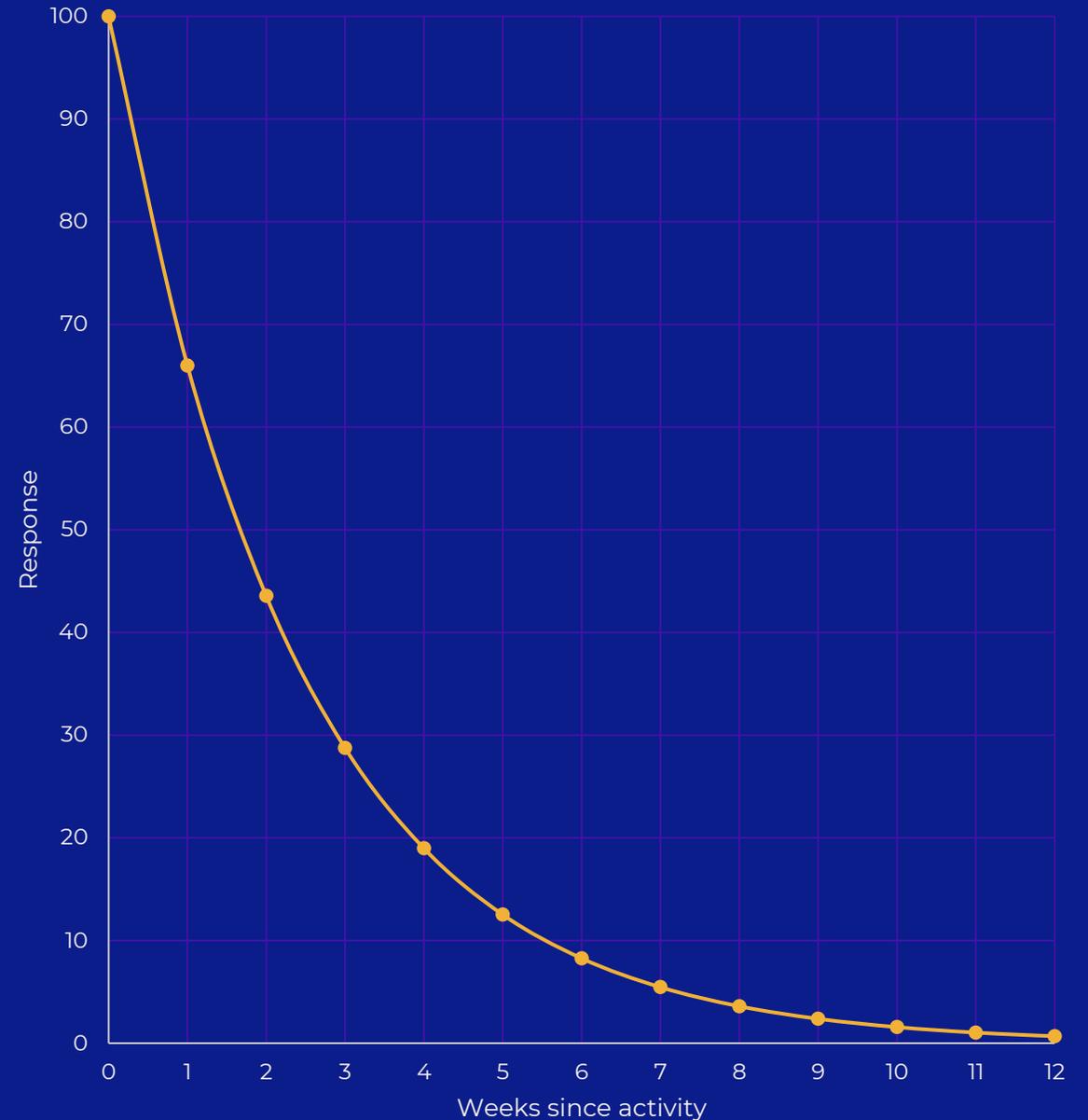
Sustained payback

Immediate payback is not the exclusive domain of 'performance' media



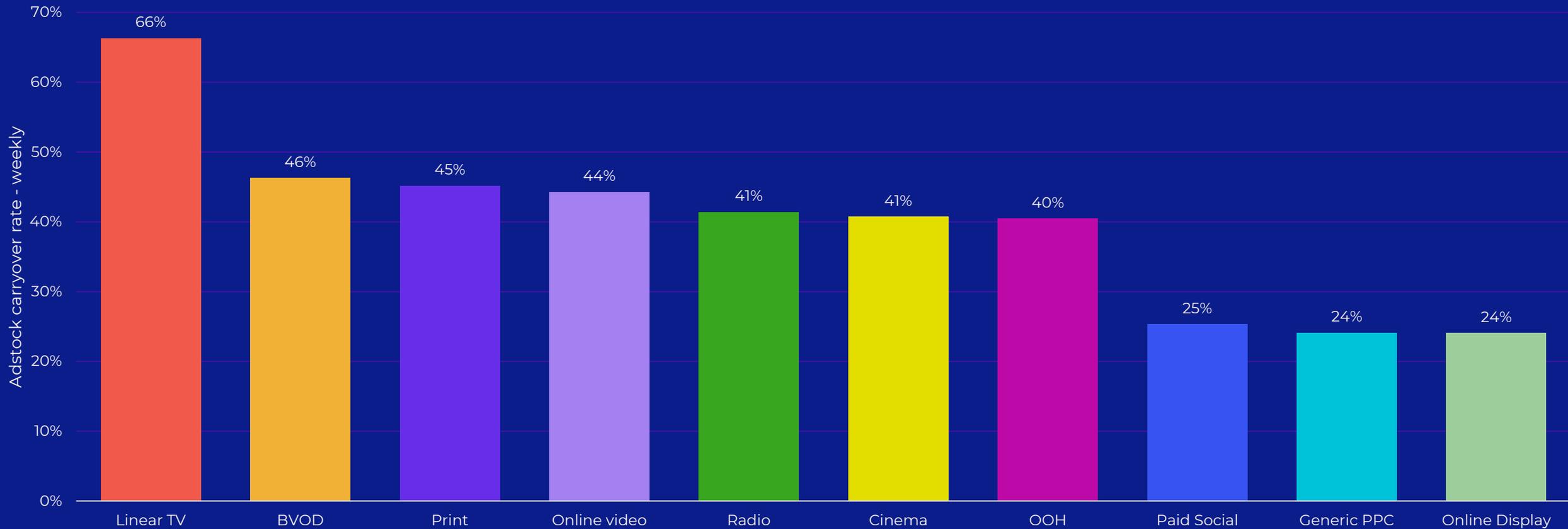
To understand wider short-term effects we need to look at adstock carryover

- Adstock or memory is how the effect of today's advertising impacts future weeks
- This is measured through a decay rate calculated in econometric modelling
- The quicker the adstock decays, the more of a channel's total effect is generated in a shorter amount of time

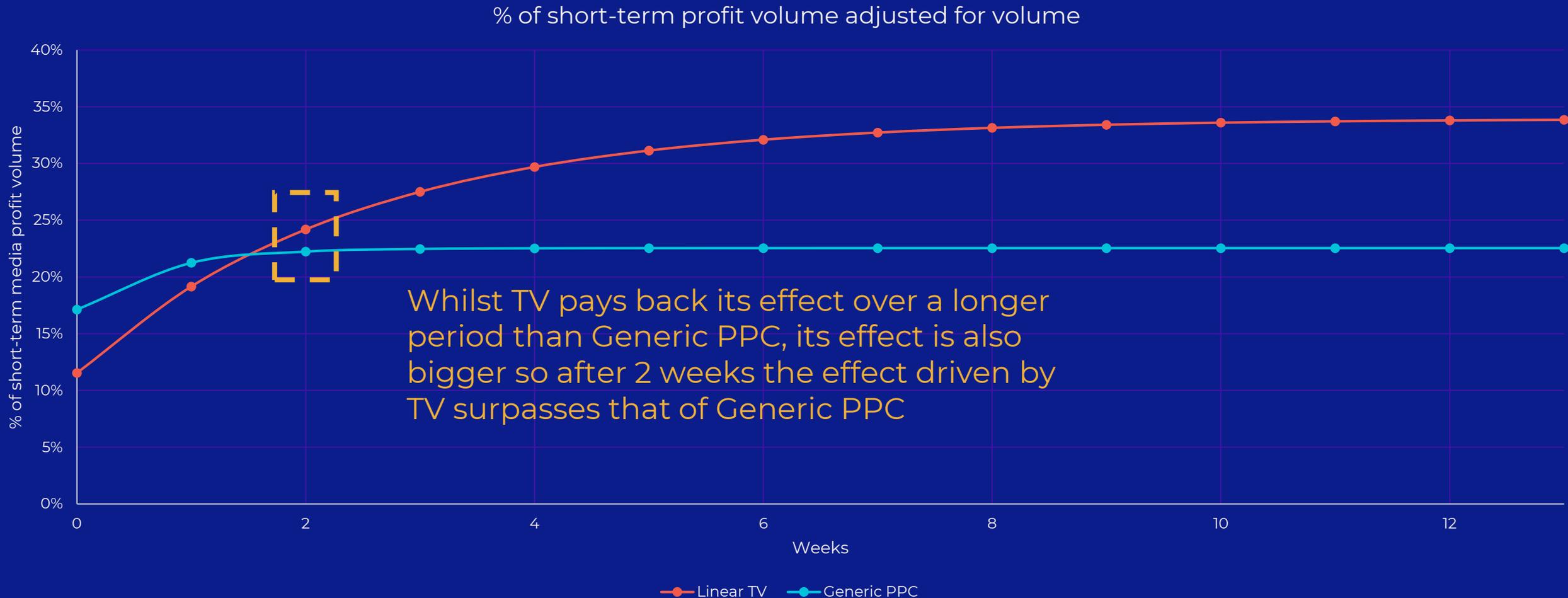


Linear TV & BVOD have the highest adstock carryover whilst Generic PPC & Display the shortest

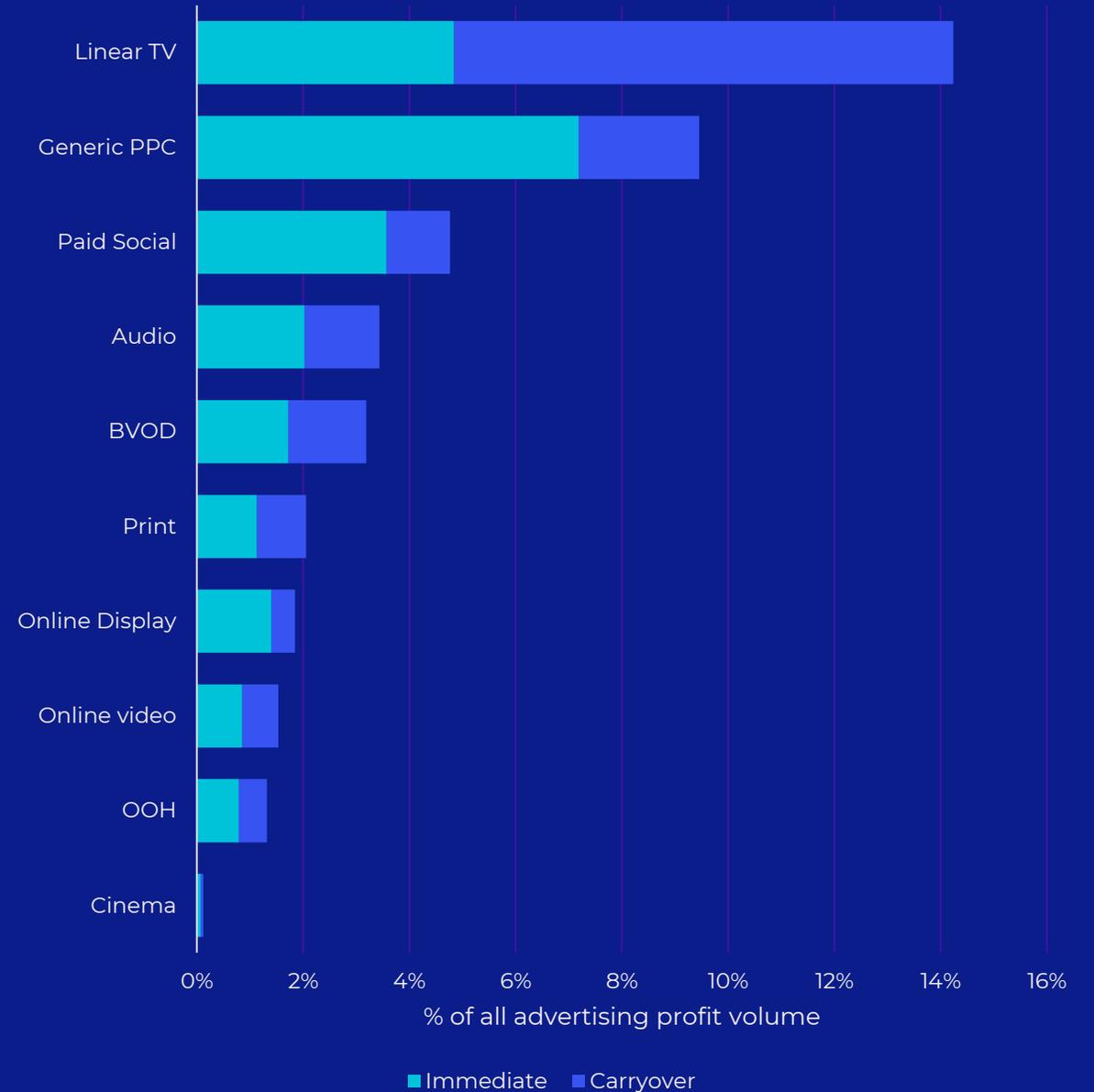
Mean adstock carryover rate - weekly



To put that into perspective – TV will take about 8 weeks to fully realise its short-term effect whilst PPC takes about 2 weeks



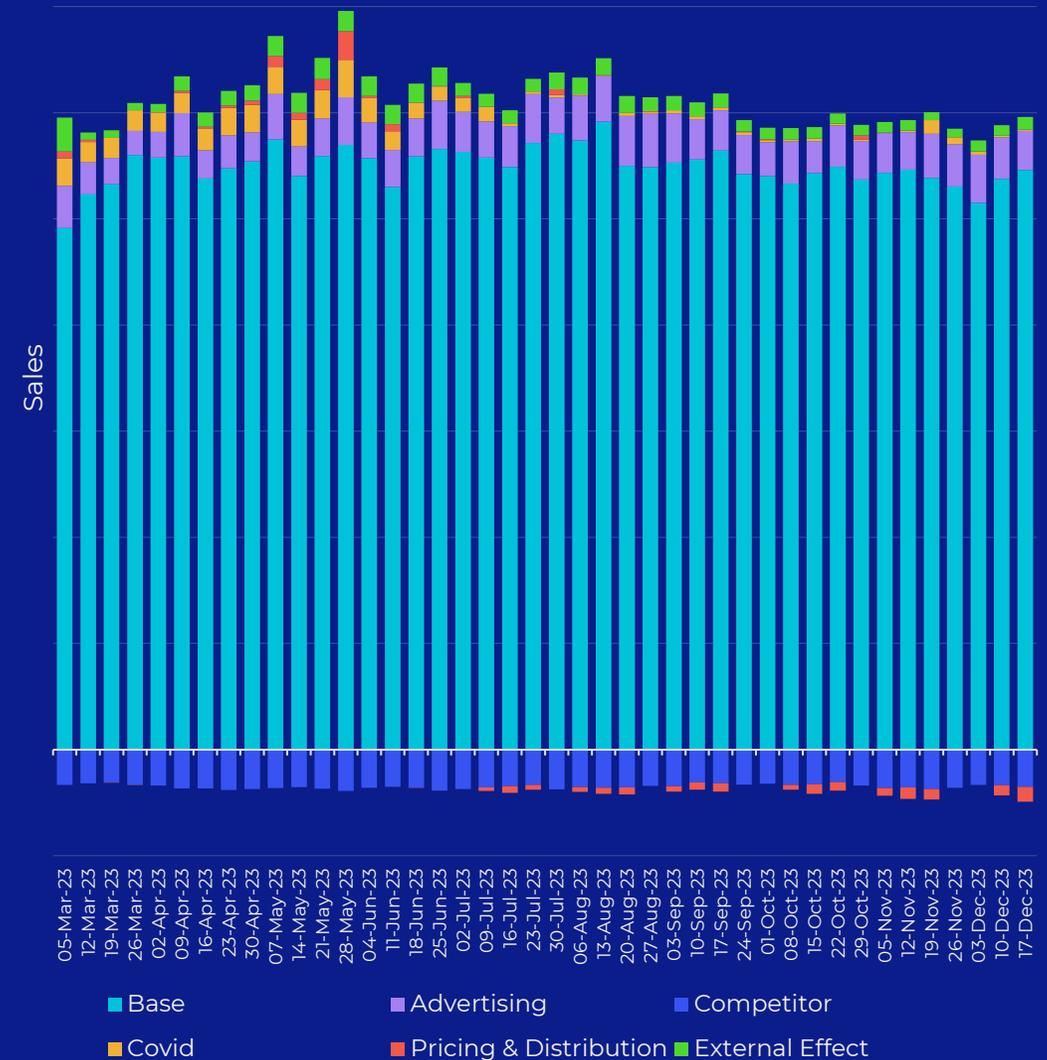
Accounting for the full short-term effect Audio, BVOD & Print bring themselves into play as 'performance' drivers



Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Immediate contribution = the same week of advertising exposure. Carryover contribution = the contribution within 13 weeks of ad exposure

Beyond the short-term effect we can also understand the sustained impact of advertising

- As well as the short-term payback, advertising creates a **sustained** effect generally through changing brand preferences (often referred to as a long-term effect)
- This effect doesn't happen in one go at some future point and instead will gradually flow into the 'base' sales over a sustained period (typically around 6 months – 2 years)

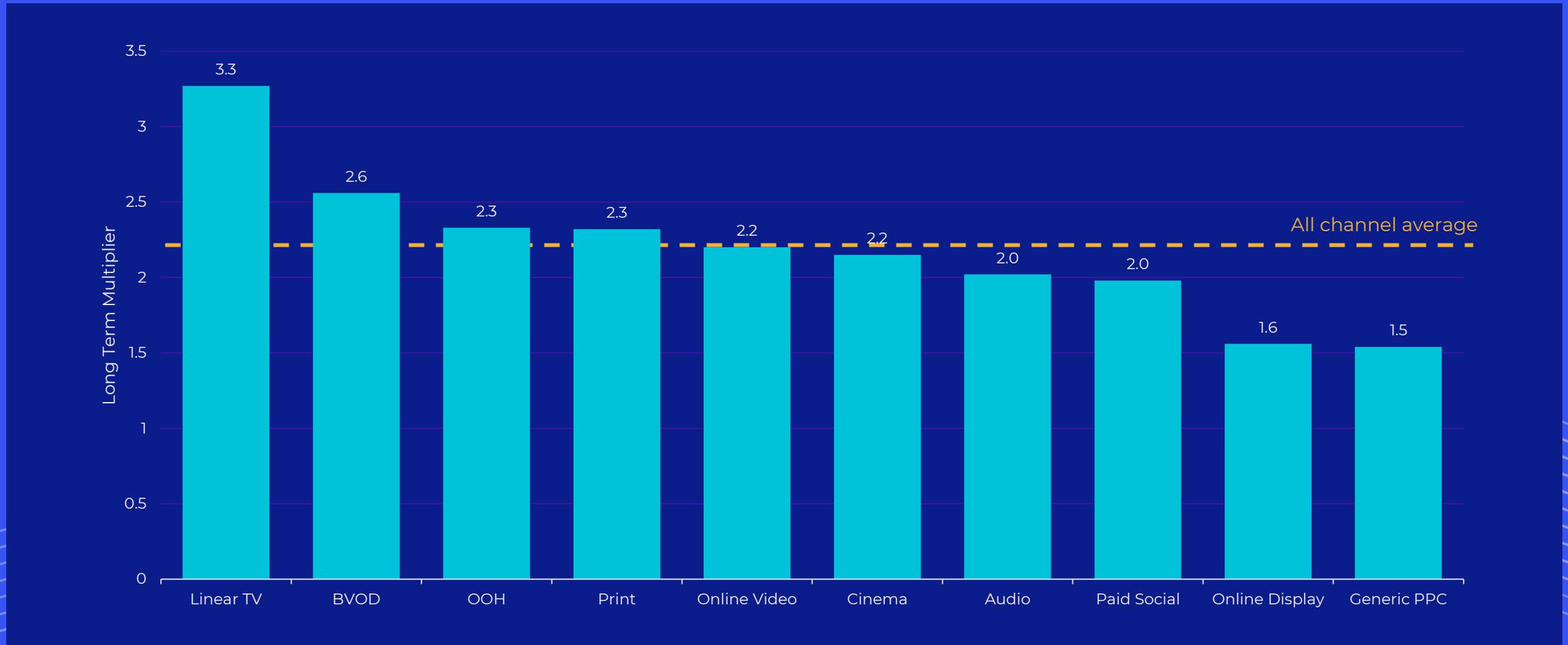


We can express the size of these effects as a long-term multiplier – the ratio between short-term & full payback

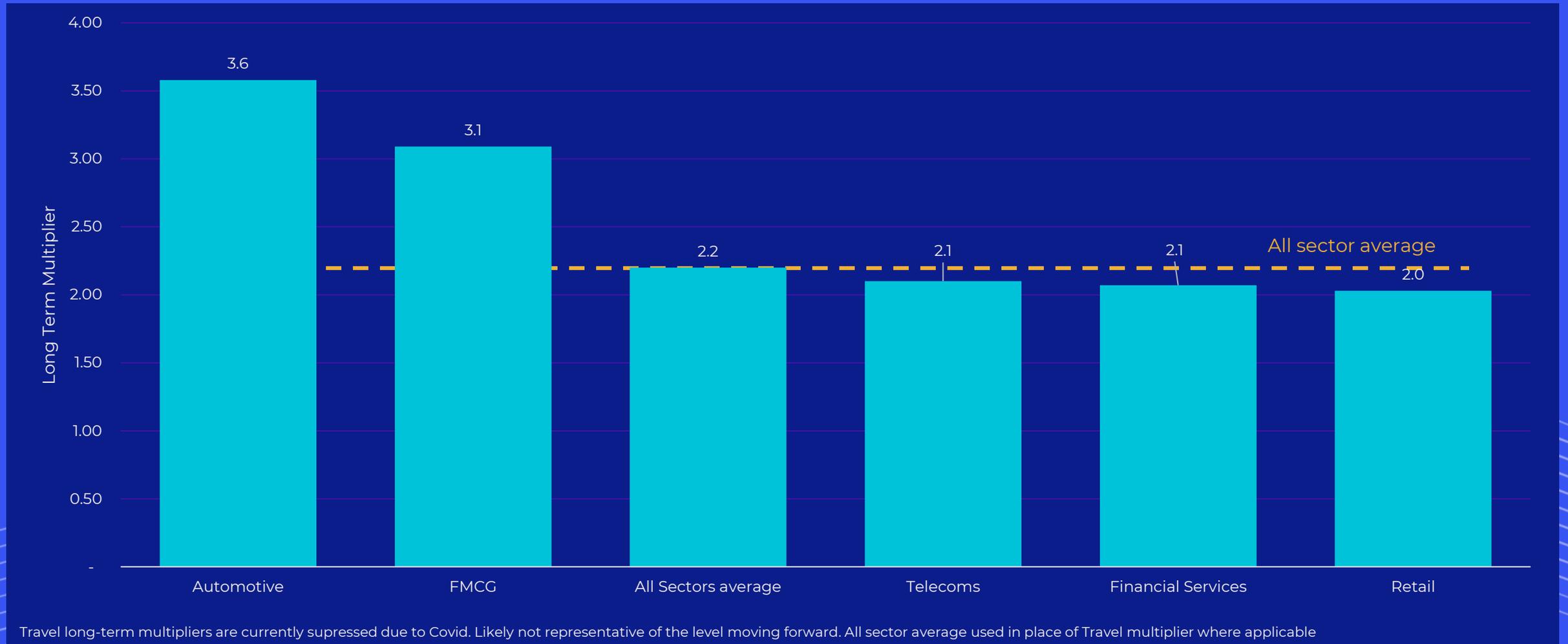


$$\text{Long Term Multiplier} = (\text{Sustained Effect} + \text{Short-term Effect}) / \text{Short-term Effect}$$

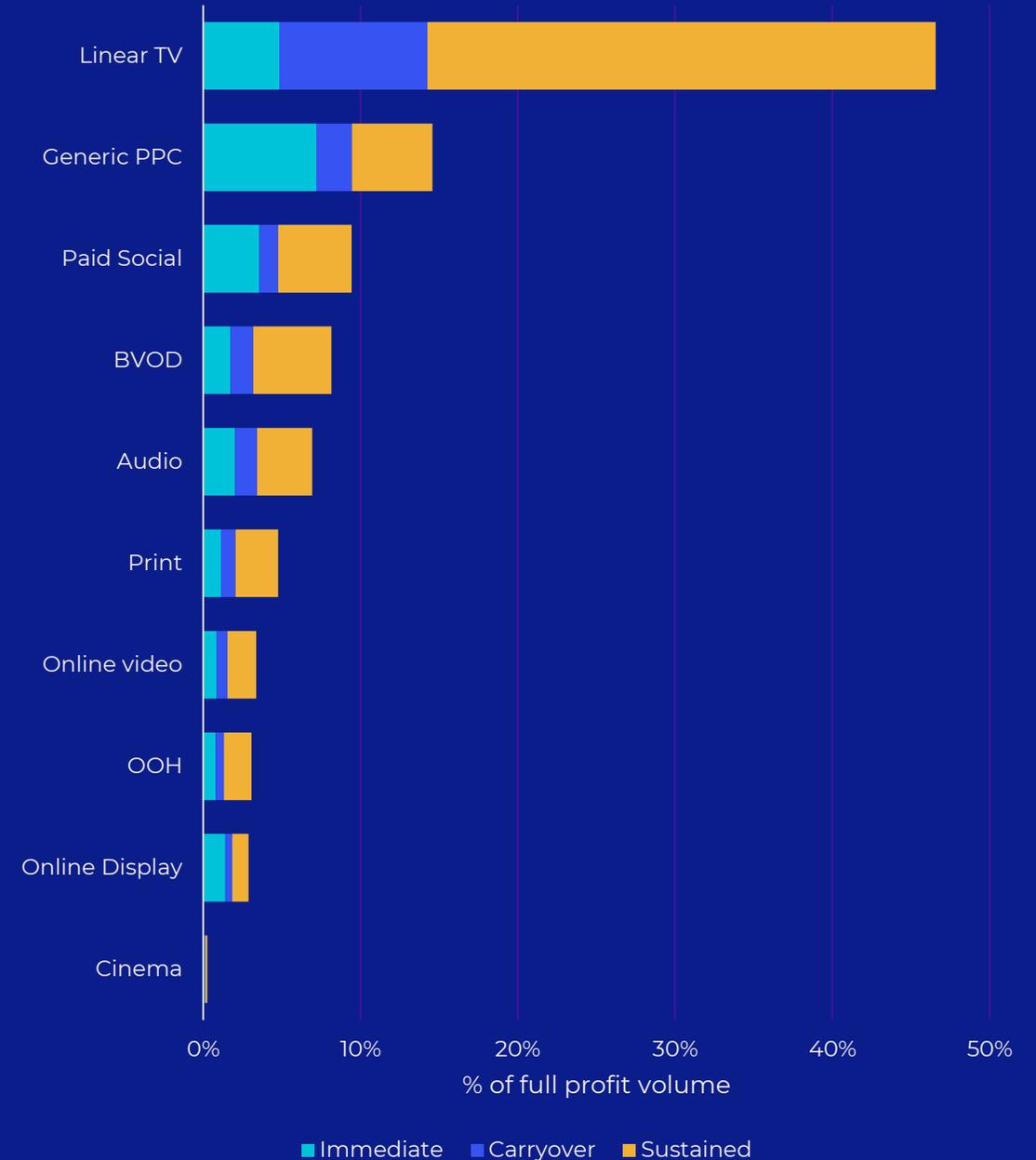
Long-term multiplier is on average 2.2 but varies significantly by channel



Long-term multiplier also varies significantly by sector with automotive having the highest multiplier



With TV being unmatched as a volume driver when considering all three speeds of payback



Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK
Immediate contribution = same week as advertising,
Carryover = within 13 weeks
Sustained = within 2 years

What this means for the business case for advertising

Brand & Performance
doesn't reflect how
advertising actually
pays back instead
think of scale,
efficiency & time

Scale & Efficiency are
inherently linked so
optimal investment is
about balancing
diminishing returns

**When you need the
impact of advertising
brings different
channels into play**

Three headlines of the analysis to share with you today

01

Advertising is a profitable driver of business growth but profitability varies greatly by sector

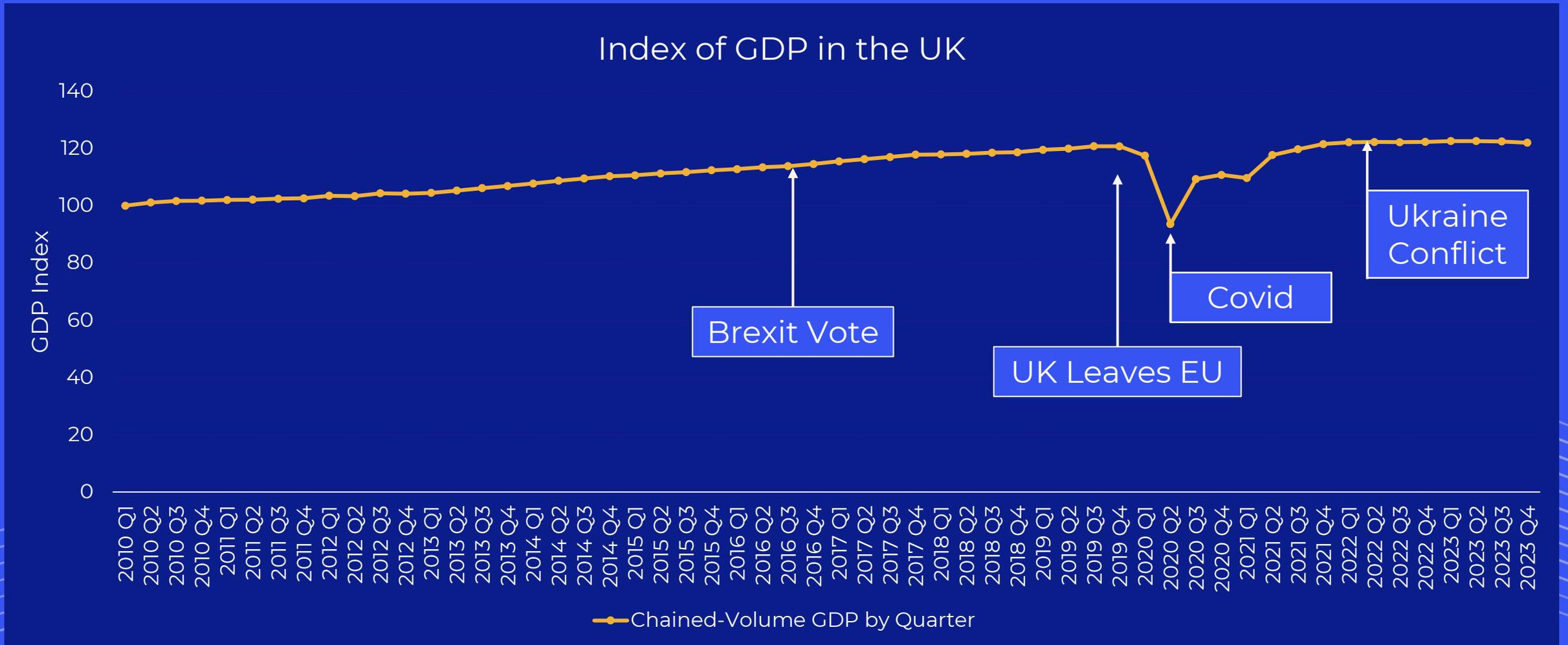
02

There are three dimensions that impact profitability – scale, efficiency & time

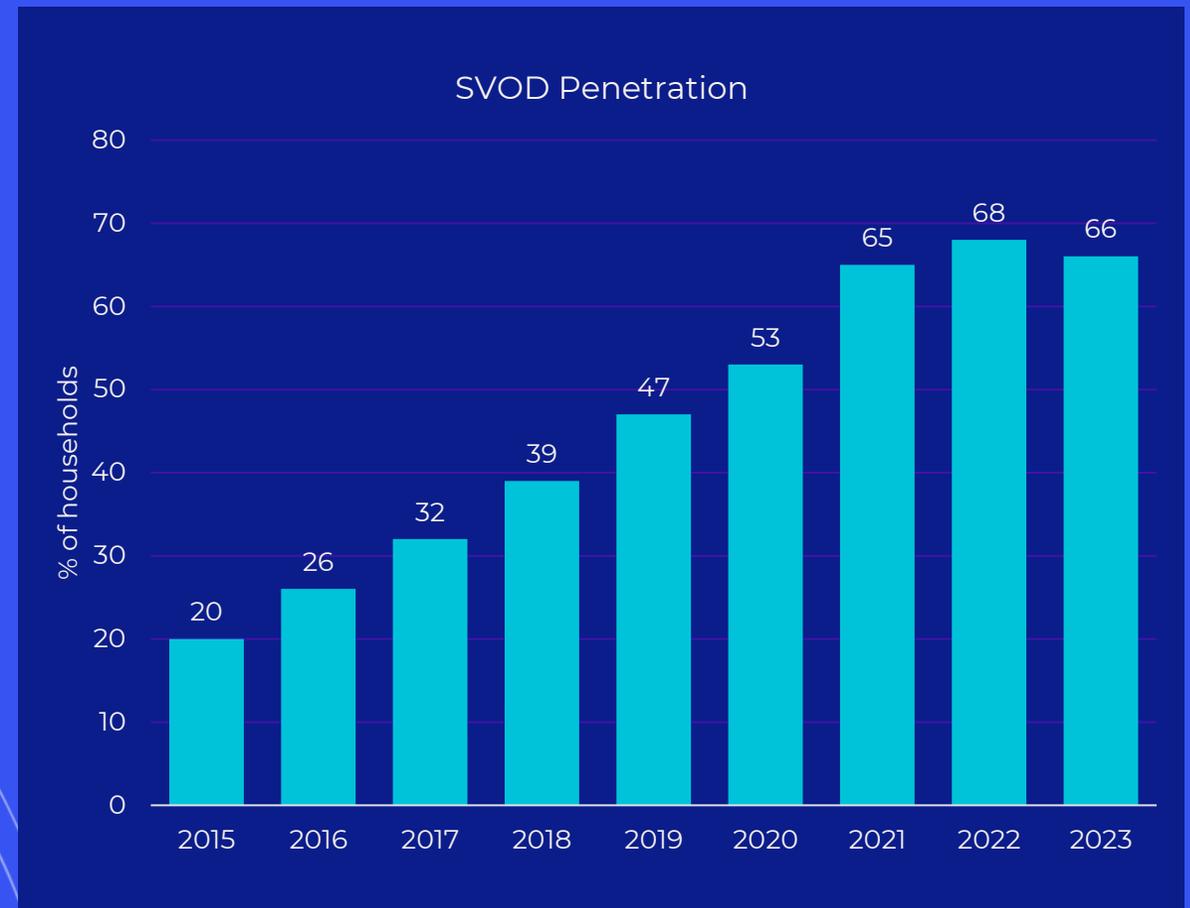
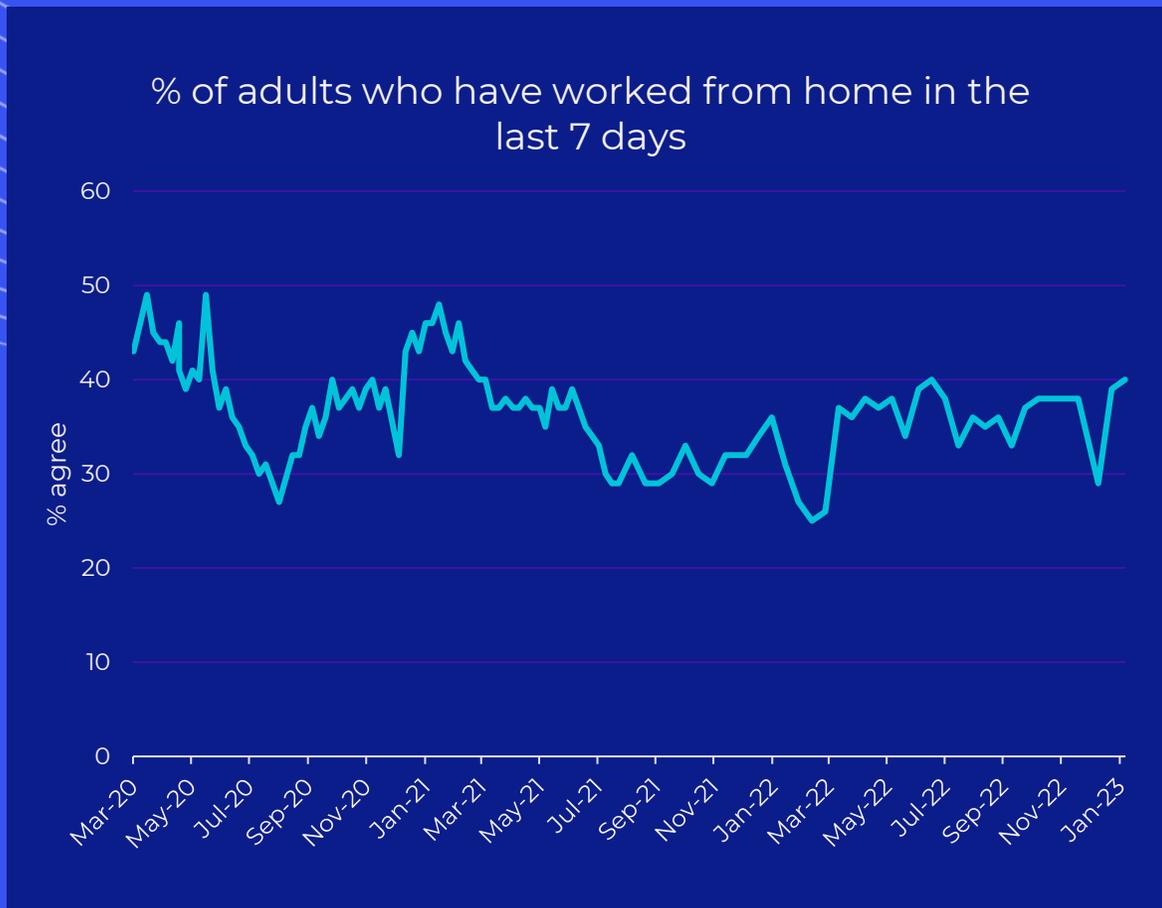
03

Rather than a seismic shift, advertising effectiveness has more gradually changed as media consumption has evolved

At the peak of Covid it felt like nothing would be the same again, but by some measures we have a new normal



And this had an impact on media habits which in turn could impact advertising effectiveness



So how have advertising ROIs changed? Composition effects can plague efforts to compare benchmark studies over time



Note: Pre-Covid is defined as 52 week ending results reported between 2018 and Q1-2020. Post-Covid is defined as projects ending in 2022 to 2023. Where multiple projects have been captured we use only the most recent results.

To understand trends over time, we've only compared brands where we have like-for-like data pre & post pandemic

Pre Covid

Brand A

Brand C

Brand E

Brand F

Post Covid

Brand A

Brand C

Brand E

Brand F

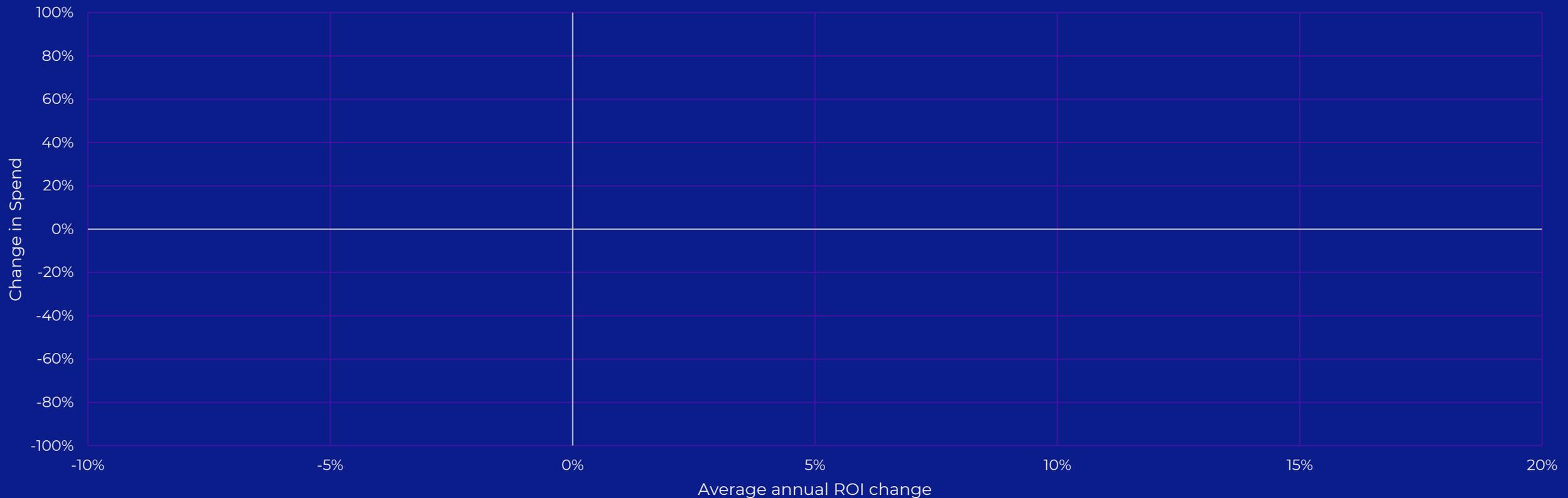
Only A,C,E and F will be included when reporting ROI trends. Spend mix is standardised to latest blend.

We found 53 brands which could be matched on this basis

How to read the charts in this section

Annual short-term profit ROI change pre/post Covid

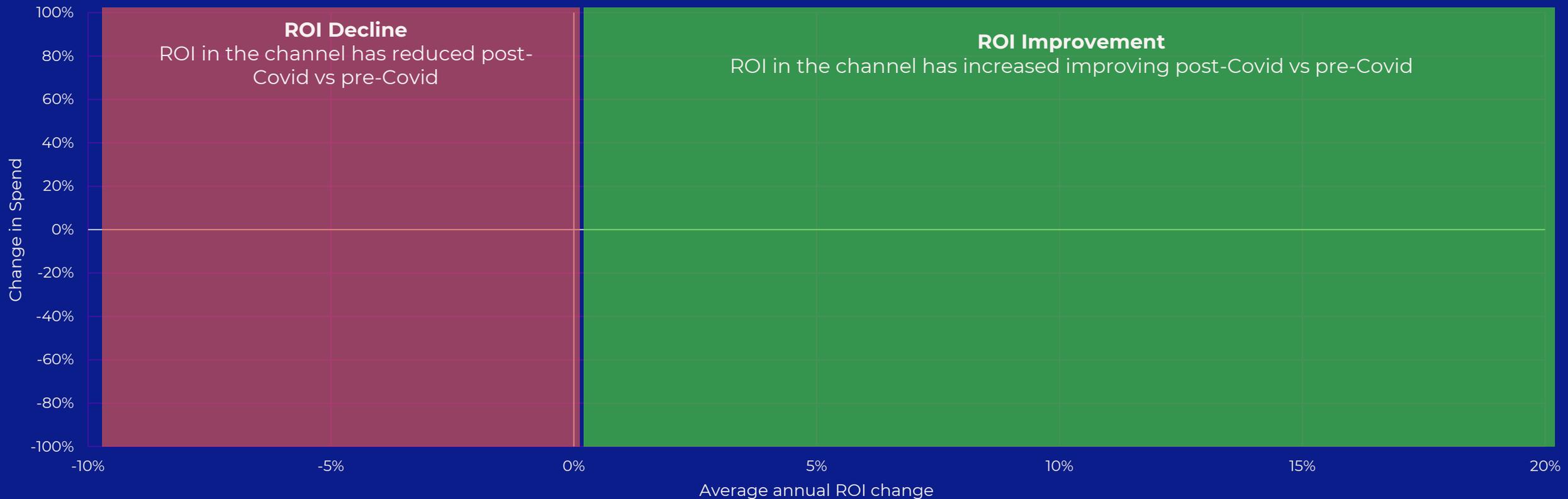
Bubble size represents % of short-term profit volume (Post-Covid)



How to read the charts in this section

Annual short-term profit ROI change pre/post Covid

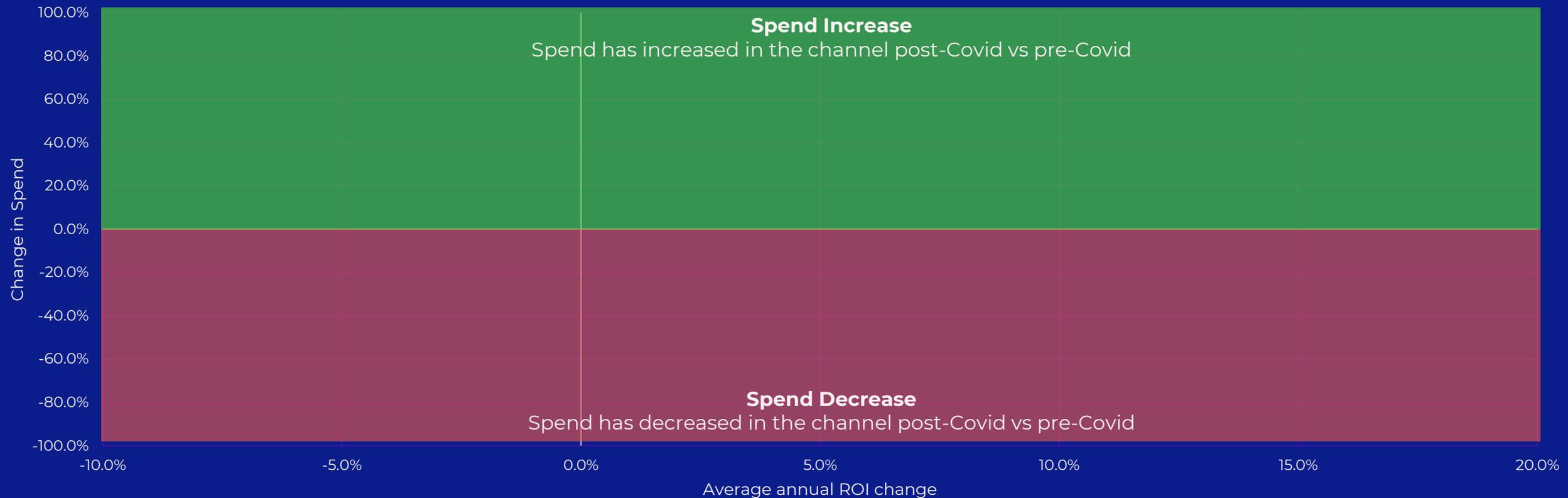
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How to read the charts in this section

Annual short-term profit ROI change pre/post Covid

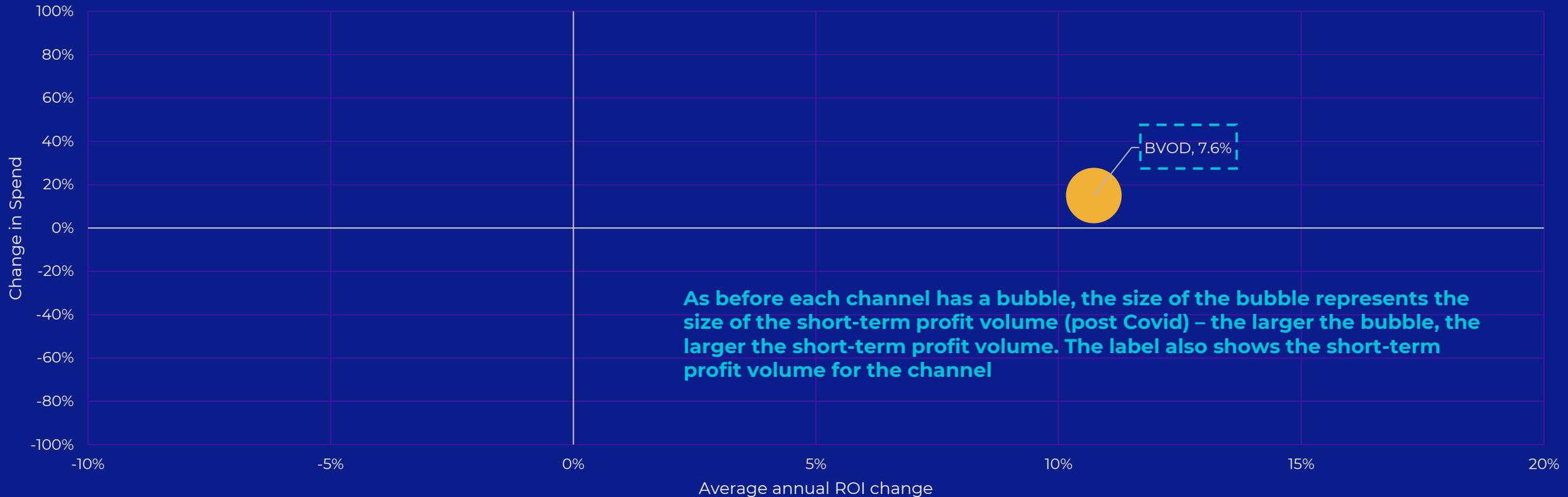
Bubble size represents % of short-term profit volume (Post-Covid)



How to read the charts in this section

Annual short-term profit ROI change pre/post Covid

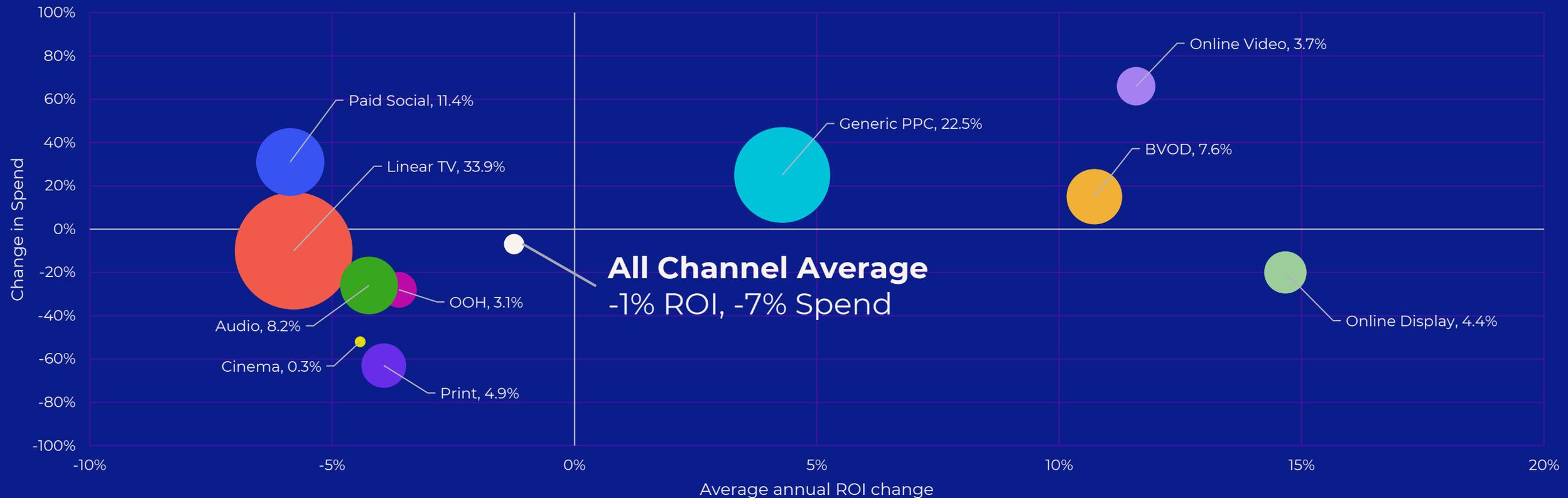
Bubble size represents % of short-term profit volume (Post-Covid)



New normal \approx Old normal

Annual short-term profit ROI change pre/post Covid

Bubble size represents % of short-term profit volume (Post-Covid). All-channel bubble size illustrative only

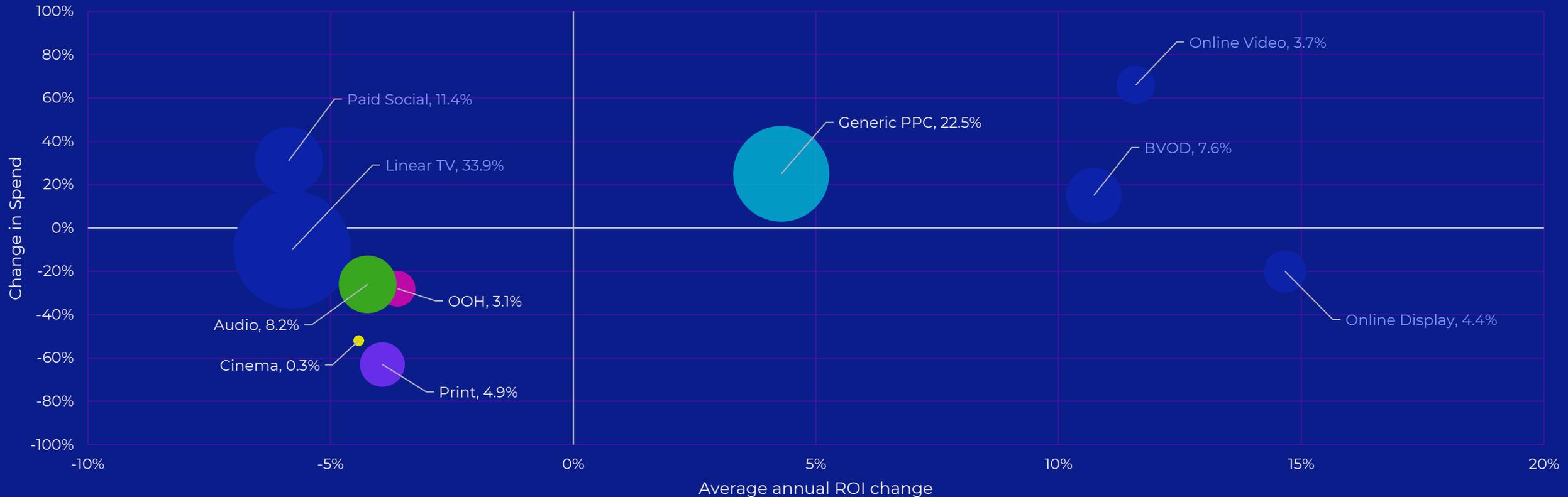


Change is first normalised to a compound annual growth rate between the latest available pre-covid MMM project and the latest available post-Covid MMM project. Matched brands are then anonymised and pre-Covid ROI set to 100. Aggregate index is calculated using a post-Covid spend weighted average. Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-covid

With most individual channels seeing ROI variations within +/- 5%

Annual short-term profit ROI change pre/post Covid

Bubble size represents % of short-term profit volume (Post-Covid)



Change is first normalised to a compound annual growth rate between the latest available pre-covid MMM project and the latest available post-Covid MMM project.

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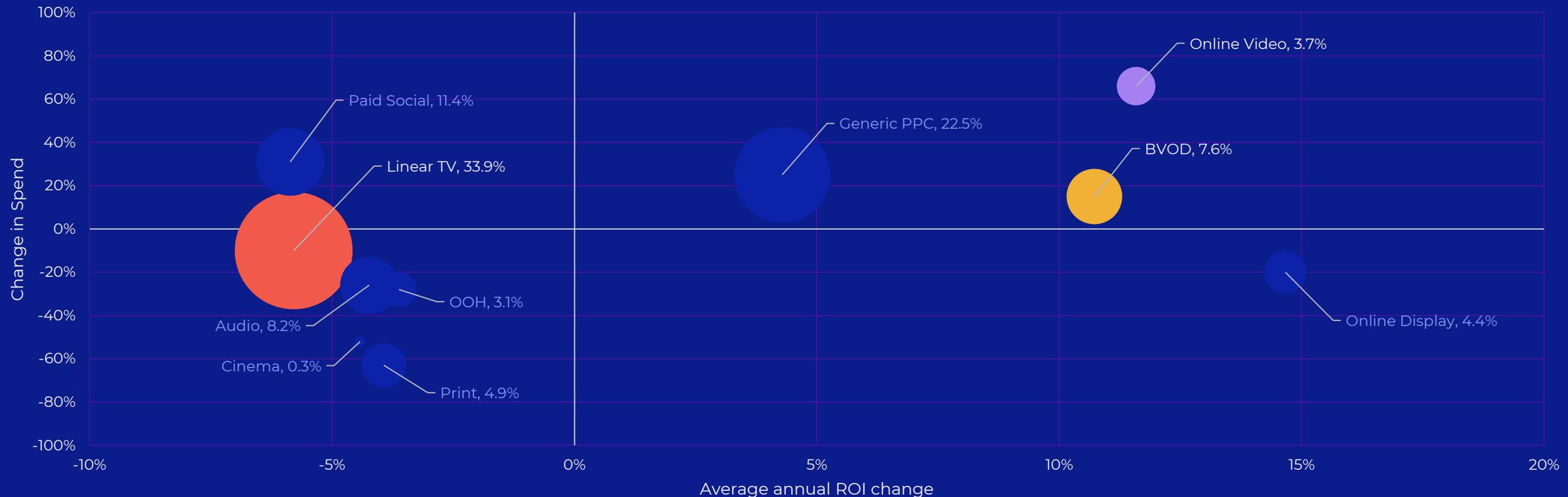
Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.

ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-covid

AV sees some of the larger shifts with efficiency largely following eyeballs

Annual short-term profit ROI change pre/post Covid

Bubble size represents % of short-term profit volume (Post-Covid)



Change is first normalised to a compound annual growth rate between the latest available pre-covid MMM project and the latest available post-Covid MMM project.

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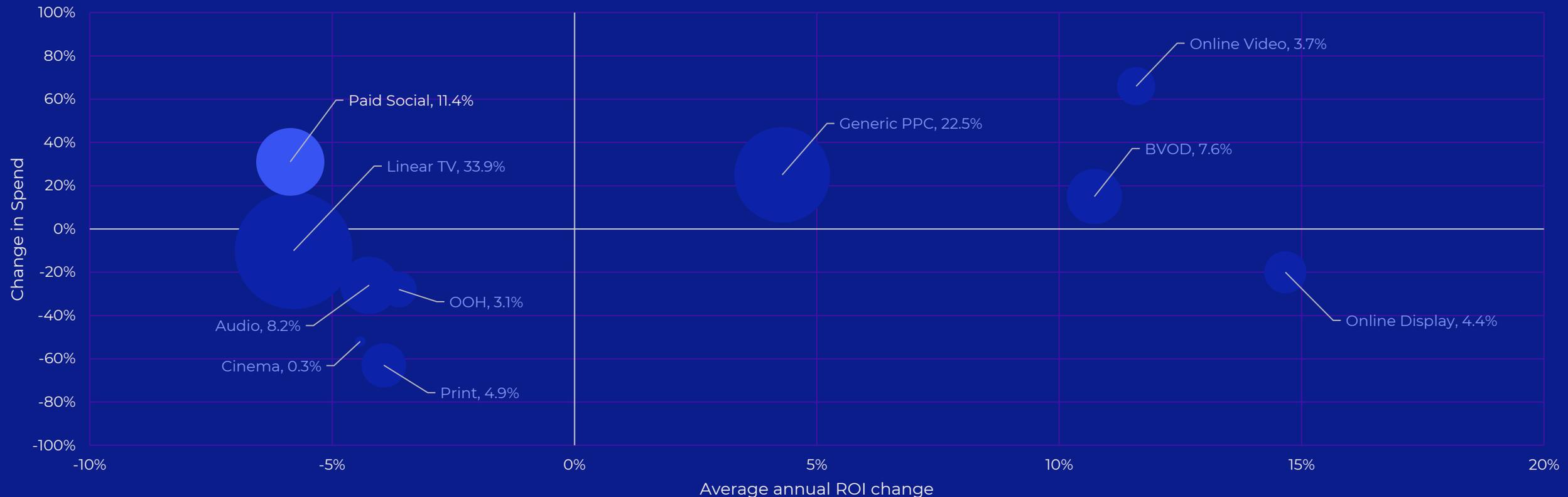
Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.

ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-covid

Social spend increases are out of step with efficiency which has seen the largest decline overall

Annual short-term profit ROI change pre/post Covid

Bubble size represents % of short-term profit volume (Post-Covid)



Change is first normalised to a compound annual growth rate between the latest available pre-covid MMM project and the latest available post-Covid MMM project.

Matched brands are then anonymised and pre-Covid ROI set to 100. Aggregate index is calculated using a post-Covid spend weighted average.

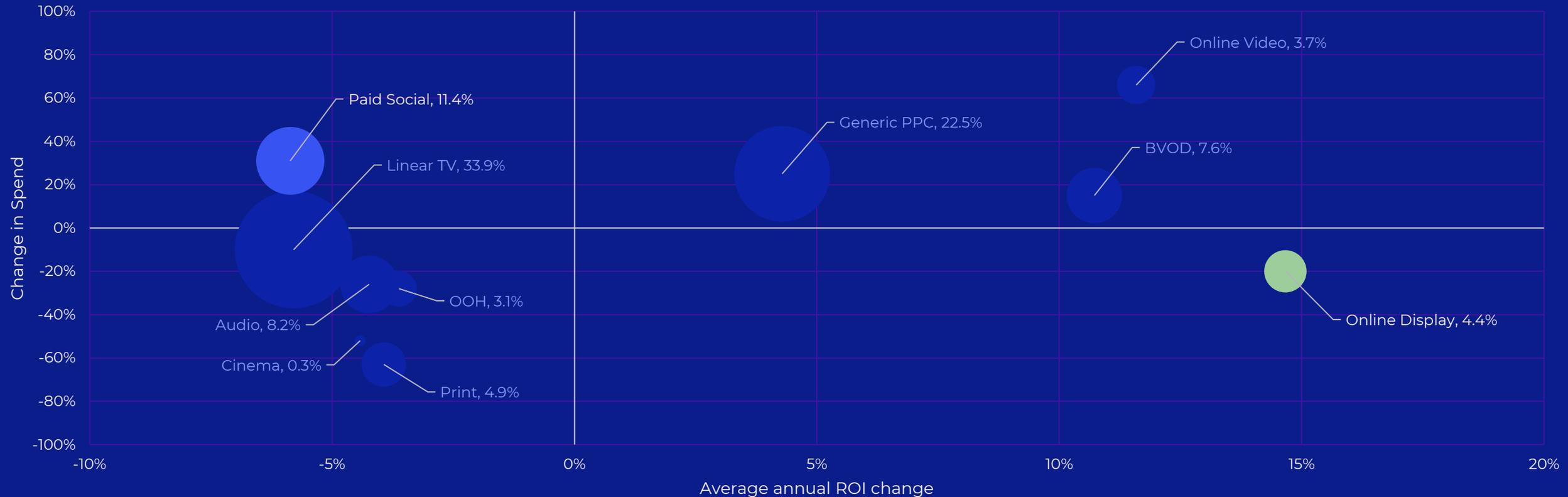
Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.

ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-covid

Whilst in contrast, Display spend has been right-sized and is now reaping the efficiency benefit

Annual short-term profit ROI change pre/post Covid

Bubble size represents % of short-term profit volume (Post-Covid)



Change is first normalised to a compound annual growth rate between the latest available pre-covid MMM project and the latest available post-Covid MMM project.

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ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-covid

What this means for the business case for advertising

Rather than a seismic shift, advertising effectiveness is shifting more incrementality over time

Most shifts follow consumer's media consumption behaviours particularly in AV

Right-sizing investment based on effect is the key for above average gains in efficacy

Three headlines of the analysis to share with you today

01

Advertising is a profitable driver of business growth but profitability varies greatly by sector

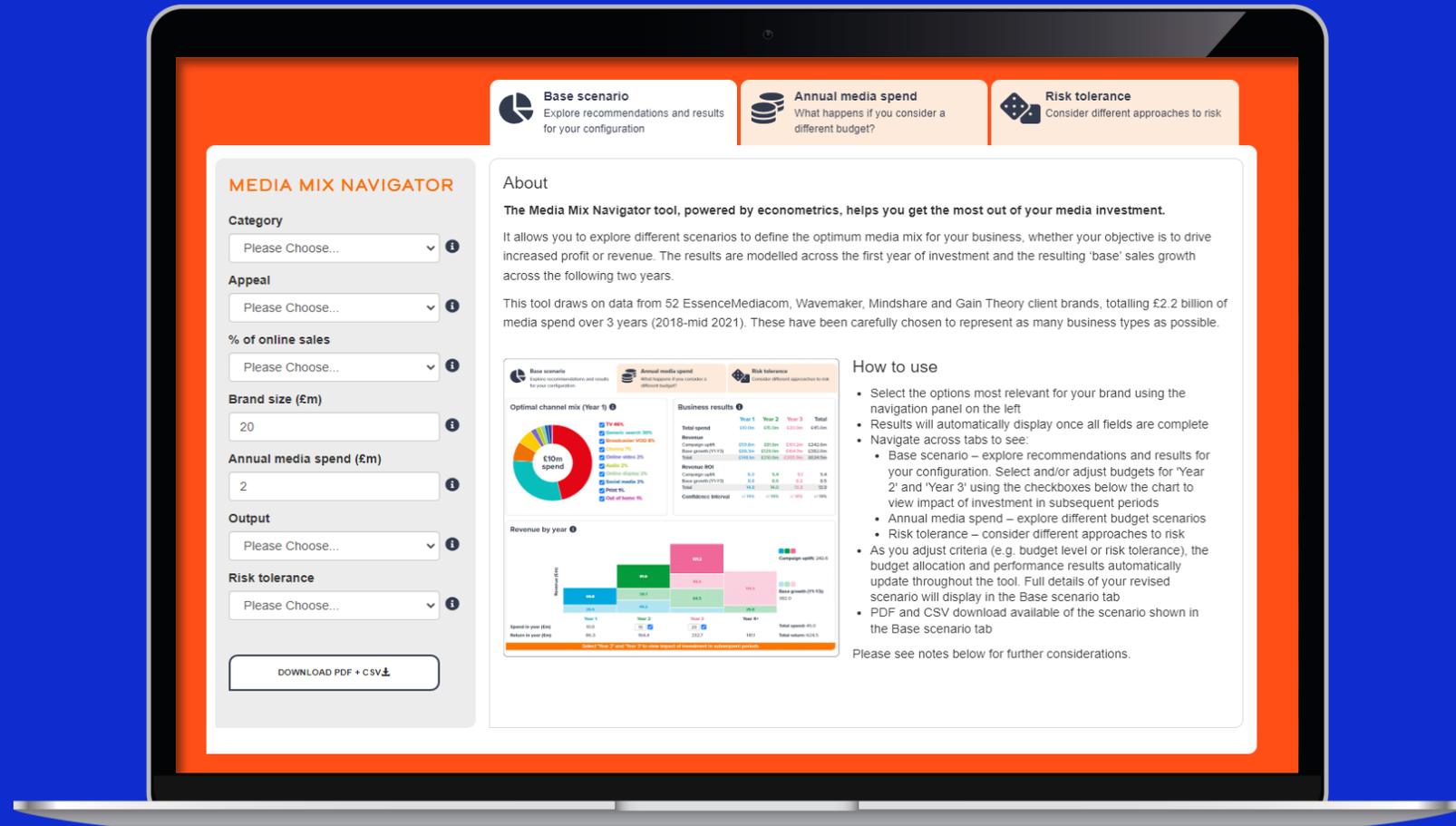
02

There are three dimensions that impact profitability – scale, efficiency & time

03

Rather than a seismic shift, advertising effectiveness has more gradually changed as media consumption has evolved

All the data you've seen today will be powering Media Mix Navigator from next week

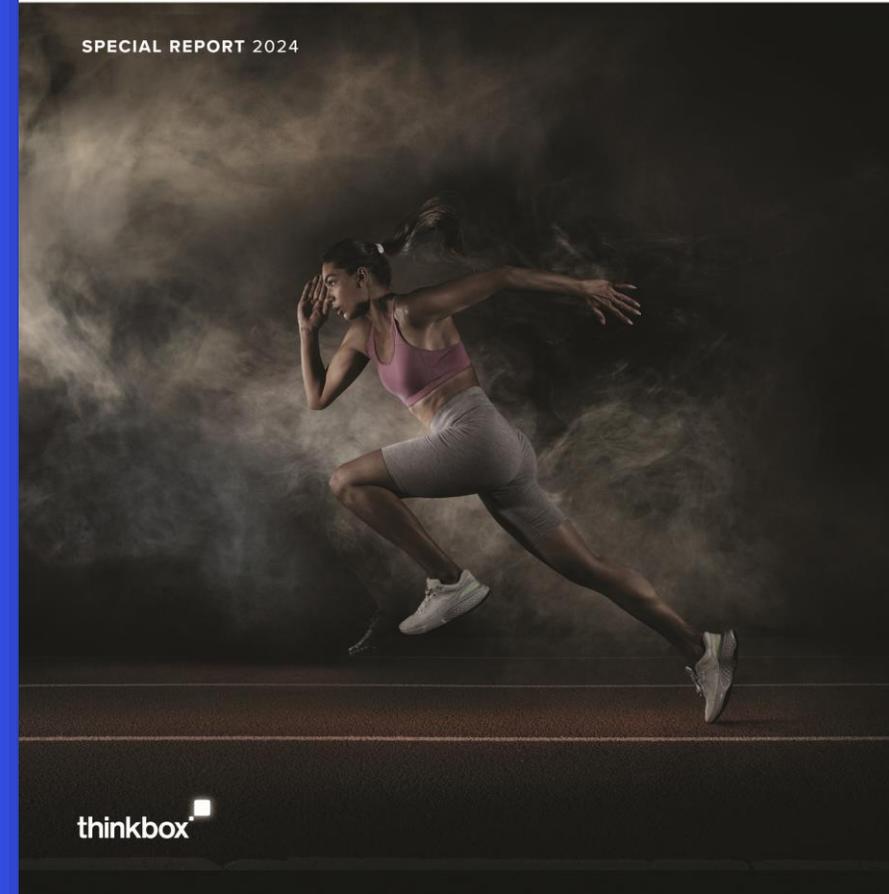


Coming soon –
Profit Ability 2 the book
including analysis that
we haven't been able to
cover off today

ebiquity essence**mediacom** **GAIN**
THEORY MINDSHARE Wavemaker

PROFIT ABILITY 2
THE NEW BUSINESS CASE
FOR ADVERTISING

SPECIAL REPORT 2024



thinkbox

Thank you

thinkbox[®]



ebiquity

essence**mediacom**

GAIN
THEORY

MINDSHARE

Wavemaker[®]

Jam Today:

How brand advertising on TV creates short term value

Kate Waters, Director of Client Strategy and Planning, ITV

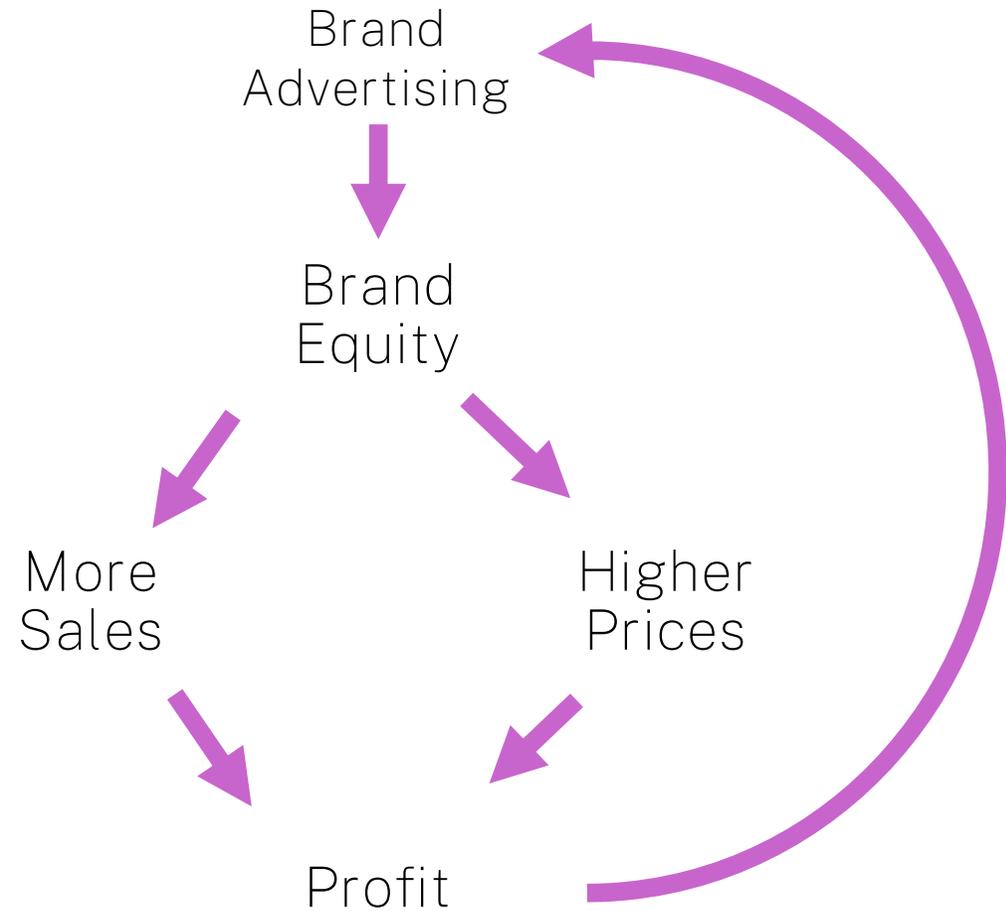
Sameer Modha, Measurement Innovation Controller, ITV

Simeon Duckworth, Founder, Melt





The *'Jam Tomorrow'* brand advertising theory



Advertising's
relationship with pricing
is under-explored,
under-explored and
misunderstood
thus



SUMMARY

3 KEY TAKEOUTS

1

To capture all the impact, we need to measure value not just volume

2

Brand advertising creates significant value in the short term by influencing elasticity vs competition

3

Brand value is more dynamic than brand equity

ITV's program of work aims to *capture* the full value of advertising on sales and price

1

Large scale data

Tens of categories for CPG, Auto and other categories

Up to 15 years data

Region x Retailer x Product

2

Focus on consumer choice & competition

Model consumer choice with aggregate market shares

Simulate competitive pricing decisions

3

Meta-analysis across categories

Databank of comparable volume and financial metrics for advertised & non-advertised brands

KANTAR

 **Circana.**

 **NielsenIQ**

The 2018
sugar tax:
a *natural*
experiment

**Drinks Industry Reacts with Anger
at UK Sugar Tax, Labeling it
“Absurd”**



INDEPENDENT

**Budget 2016: George Osborne
announces sugar tax on soft drinks
industry**

**The
Guardian**

**Coca-Cola to sell smaller bottles at
higher prices in response to sugar tax**

**Soft drink manufacturer refuses to alter recipe, as rivals face
backlash over reduced sugar Irn-Bru in Scotland**

**DAILY
EXPRESS**

**The cost of your gin and tonic
could go through the ROOF
thanks to the 2016 Budget**

**BRITONS were today left aghast after realising George Osborne's new sugar
tax on soft drinks could affect their sacred GIN AND TONIC.**

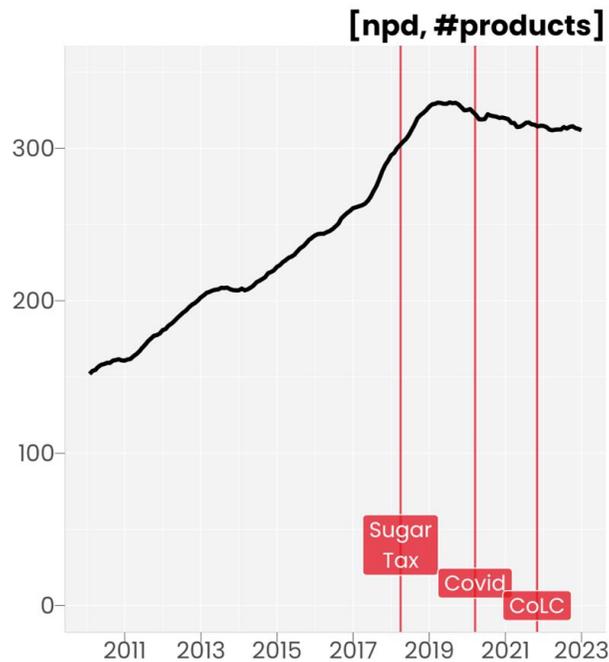
And then
of course...



What happened?

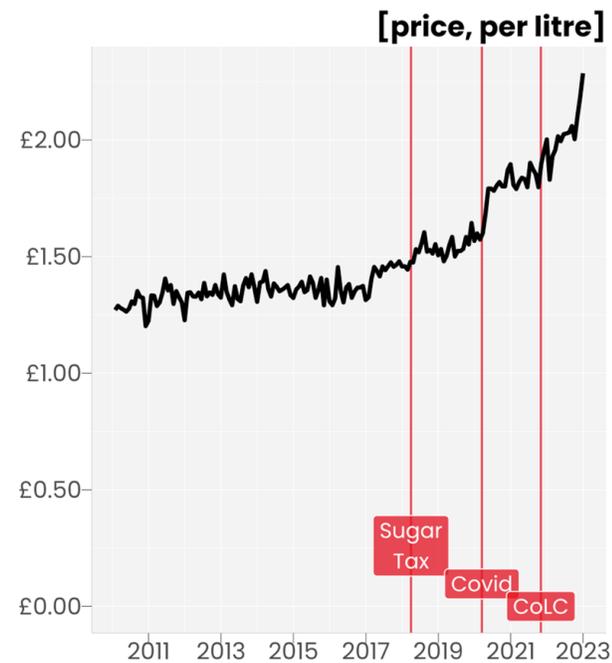
1

NPD rocketed before the tax... and then plateaued



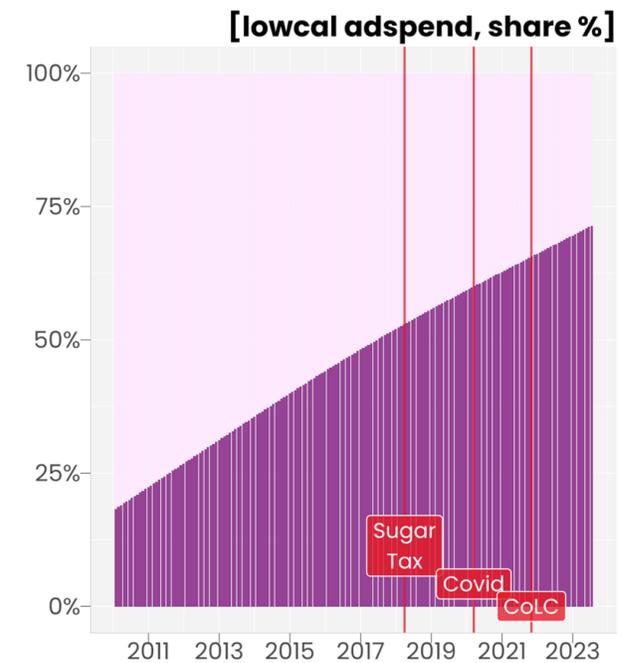
2

Price per litre went up and up

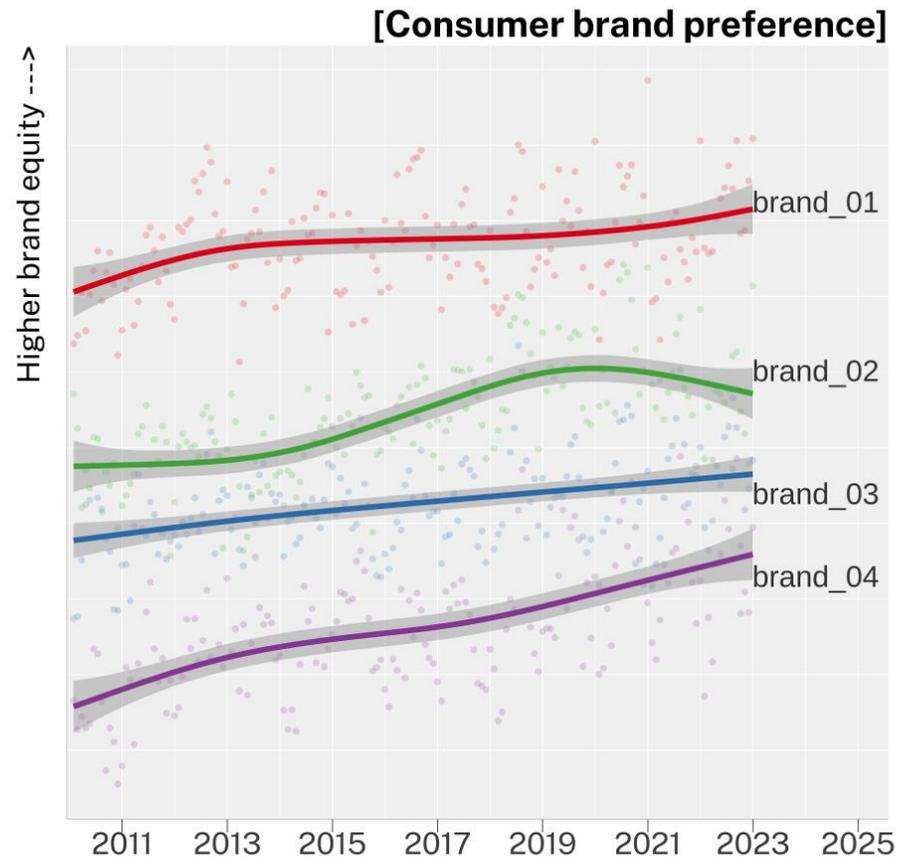


3

Adspend on diet versions went from 20% to 70%

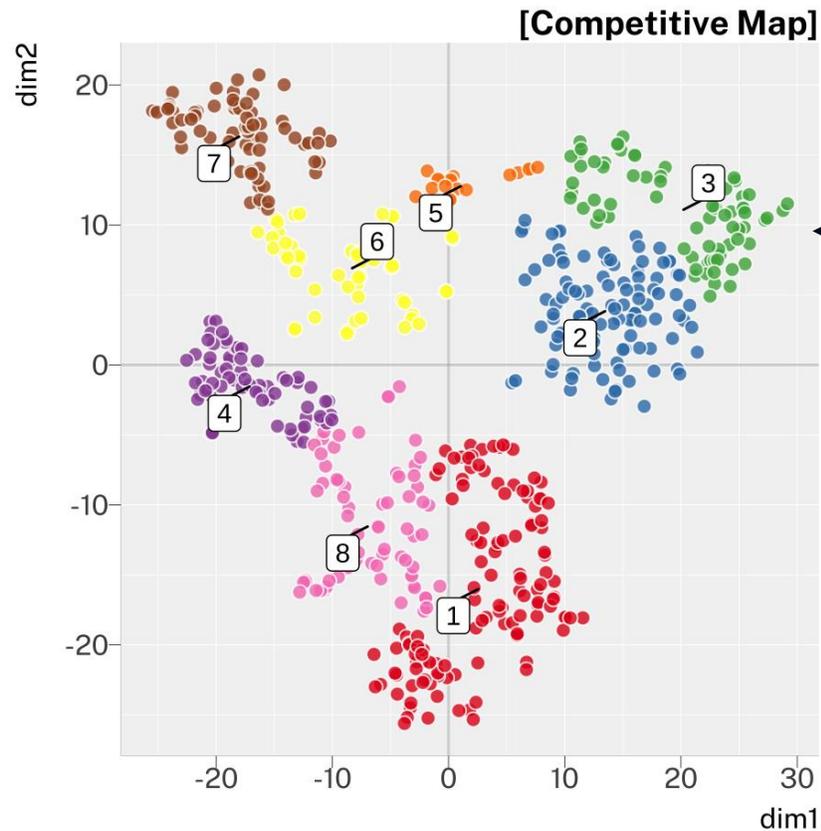


So for *big brands*
equity is stable over time



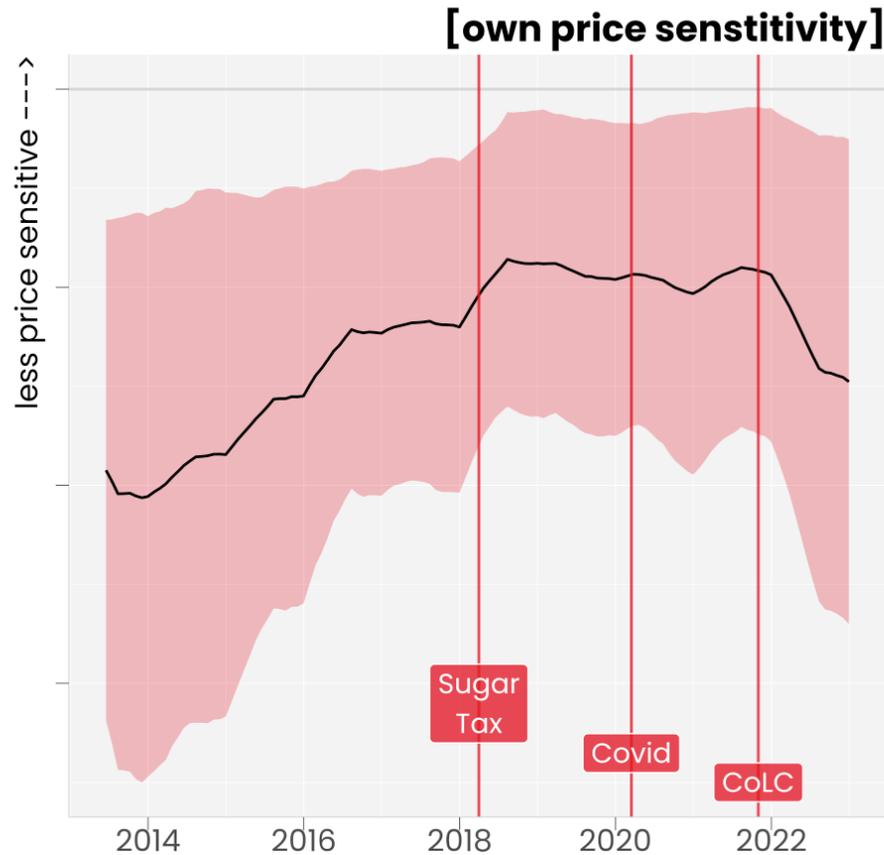
Despite the market flux,
consumer perceptions
change slowly

We can see the hotspots for *competition*



Innovation, particularly in low-cal, has created competitive hotspots & pricing pressure

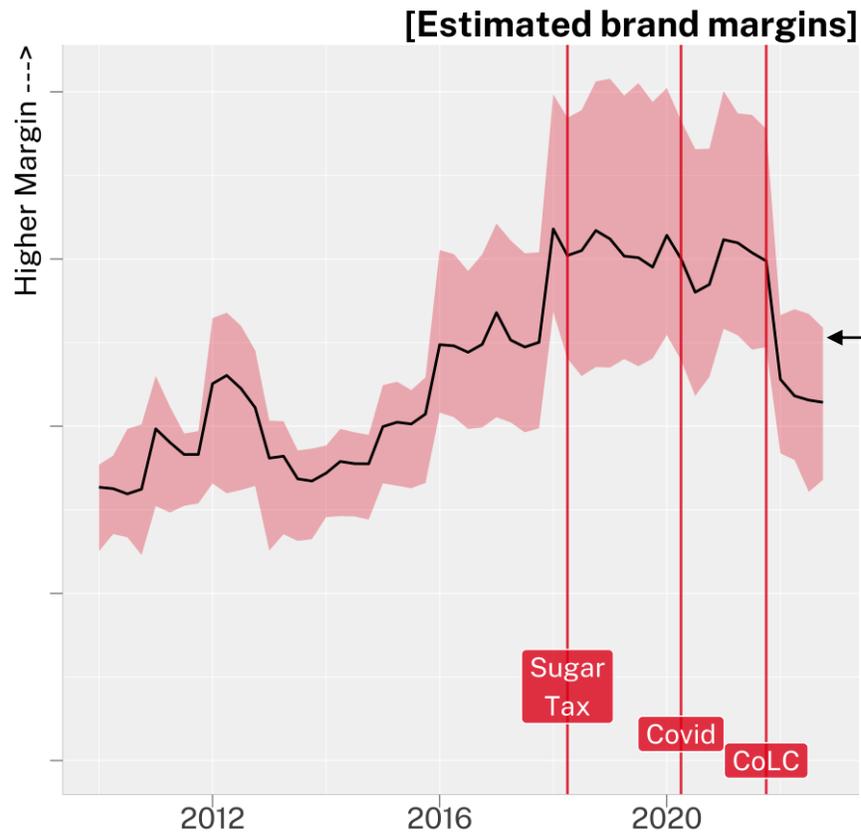
Which results in more dynamic *price sensitivity*



These are significant changes in price sensitivity - normally MMMs assume sensitivity is constant over time

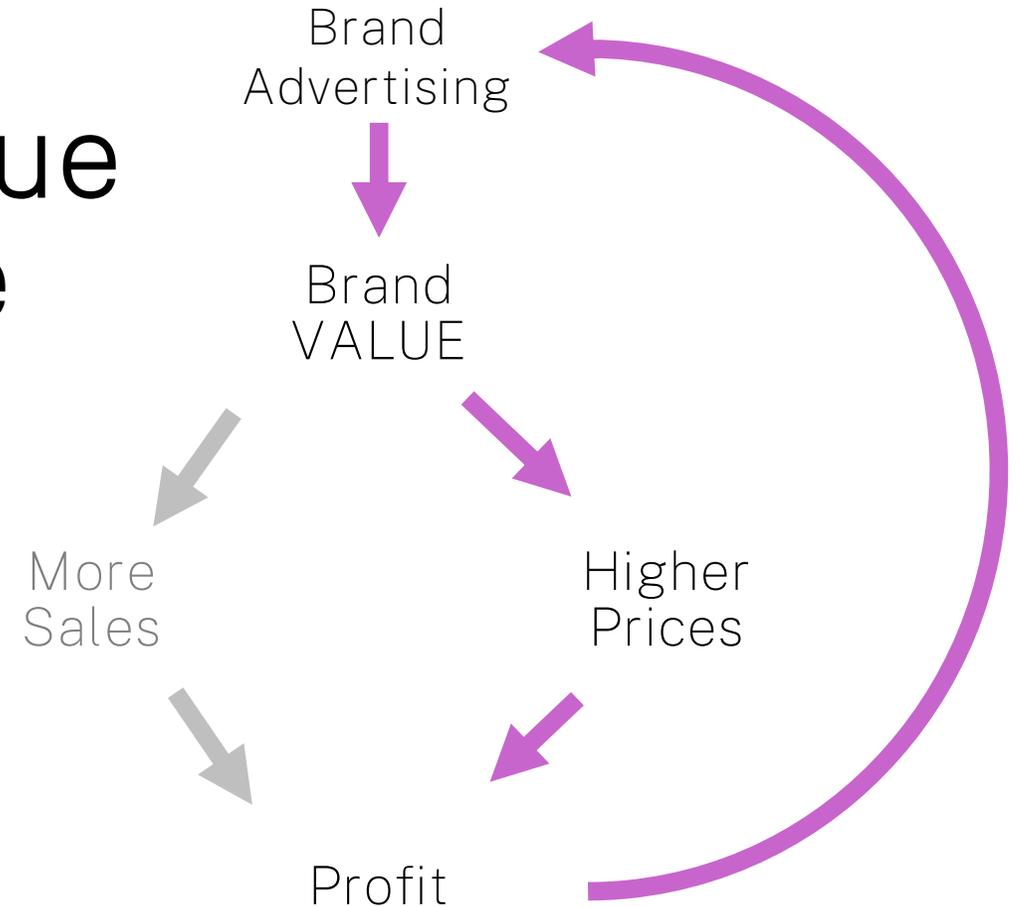
Source: ITV, Kantar Worldpanel

Hence, competition makes *brand value* more volatile

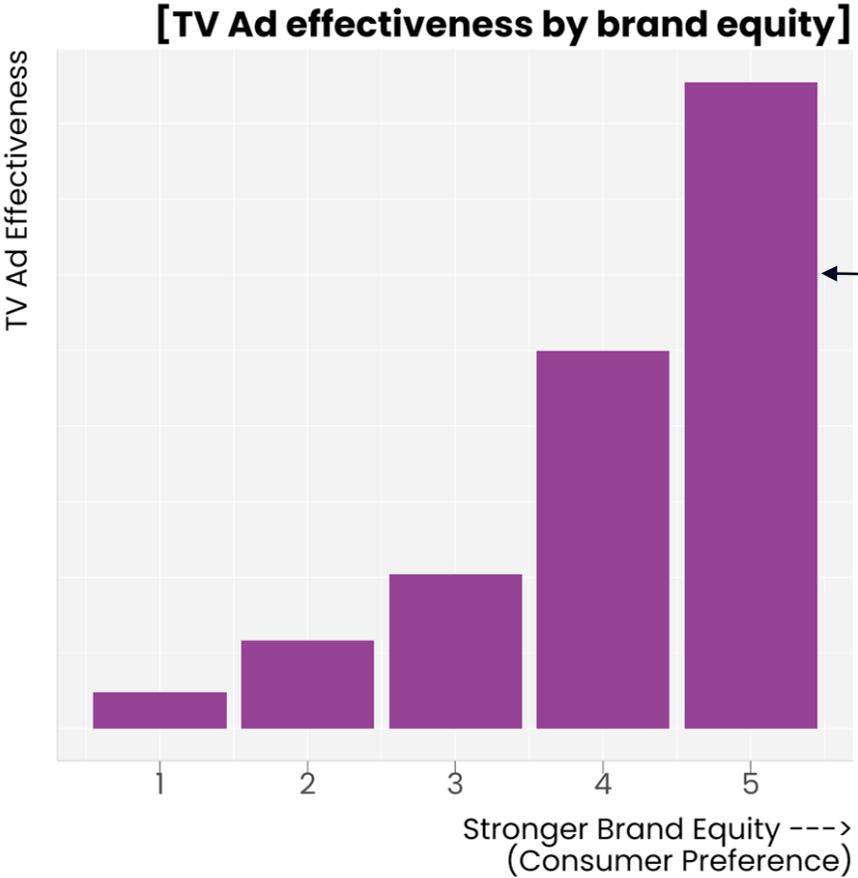


Margin pressure fluctuates with intensity of competition - so brand value is more volatile than brand equity

Using this technique helps measure the *Jam Today* effect of brand advertising



Big brands have *better brand* ads



Double jeopardy in action: these bigger brands benefit from more effective brand advertising

Brand TV advertising directly affects *price* sensitivity and *margin*

TV advertising impact on average soft drink brand

Pre Sugar Tax

TV ads drive growth & increase price sensitivity

Price Sensitivity, pt

0.08

Margins, %

-1.0%

Note: Price sensitivity is negative of price elasticity Source: ITV, Kantar Worldpanel

Brand TV advertising directly affects *price* sensitivity and *margin*

TV advertising impact on average soft drink brand

Pre Sugar Tax

TV ads drive growth & increase price sensitivity

Post Sugar Tax

TV ads drive value, reduce price sensitivity

Price Sensitivity, pt

0.08

-0.05

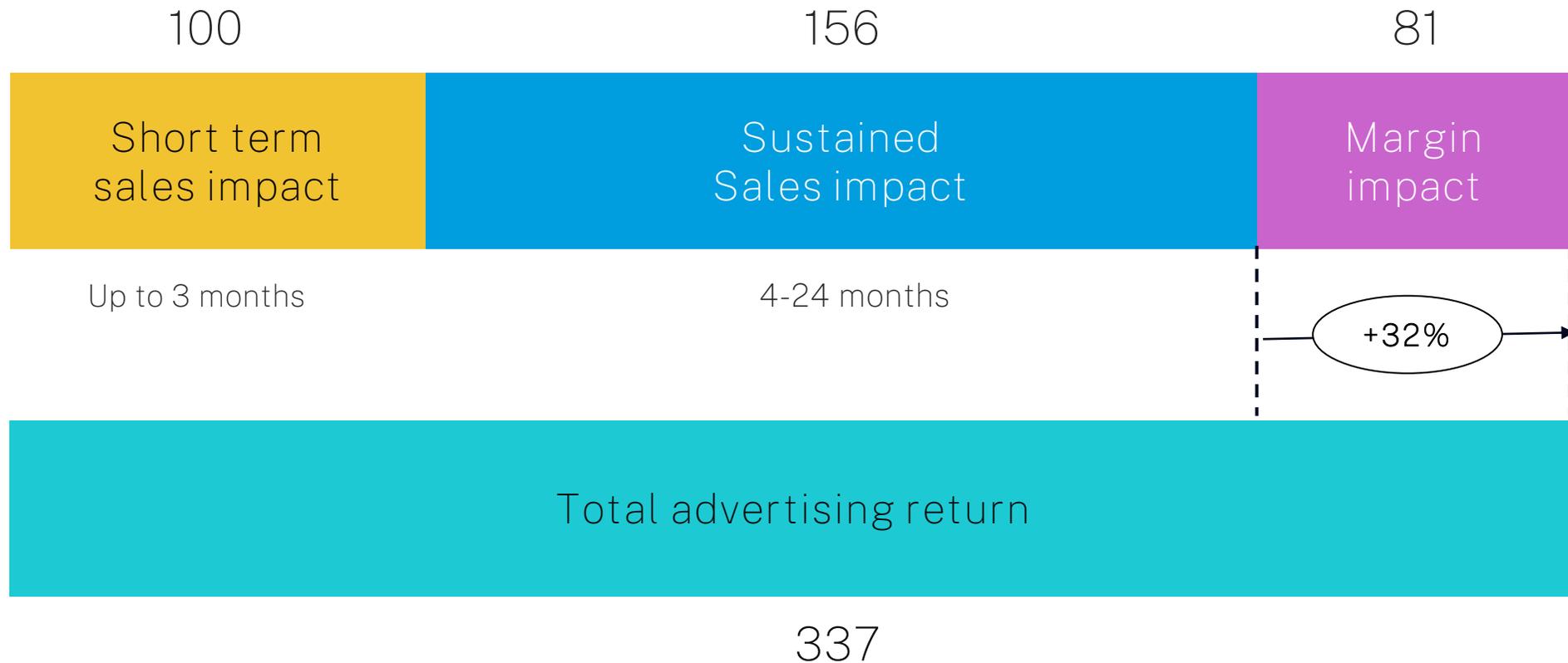
Margins, %

-1.0%

+1.0%

Note: Price sensitivity is negative of price elasticity Source: ITV, Kantar Worldpanel

In current market, TV's impacts on price *adds a third* to advertising profitability for a leading drinks brand



SUMMARY

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What's NEXT?



itv

MAKE GREAT THINGS ***HAPPEN***

Thank you



thinkbox 