
MEDIA IN FOCUS

**MARKETING EFFECTIVENESS
IN THE DIGITAL ERA**

LES BINET ADAM & EVE DDB
PETER FIELD PETER FIELD CONSULTING

NEW LEARNINGS FROM THE **IPA DATABANK**

In association with



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FOREWORD / JANET HULL

The IPA Databank continues to provide a rich evidence base from which to find answers to the most challenging questions facing marketing communications.

This new publication takes the changing media landscape as its focus and addresses, among others, the issues of: Does mass marketing still work? Is tight targeting now the most efficient approach? Is unpaid making paid media redundant?

It also investigates the broader issues of budgeting, planning and reporting, and challenges the industry to reconsider approaches to efficiency, ROMI and measurement strategy.

This publication is the first part of a new series about Marketing Effectiveness in the Digital Era, made possible through the generous support of Google and Thinkbox.

It is also the first publication to carry the new EffWorks livery; a new branding device and trust mark to represent the IPA's wider effectiveness initiative and annual Effectiveness Week (EffWeek).

Led by a CMO advisory board, the IPA is facilitating an industry-wide collaboration to promote evidence-based decision-making for marketing and a culture of effectiveness in the everyday interactions between clients and agencies.

At the heart of our 'back to basics' approach lies the quest for continuous professional development, upon which the IPA reputation is built.



JANET HULL OBE IPA DIRECTOR OF MARKETING STRATEGY

JONNY PROTHEROE

A striking finding from this latest analysis of the IPA Databank is that the Internet has increased the effectiveness of most traditional media, and the potential effectiveness of most forms of marketing. So whilst the rapidly changing media landscape may have added complexity for marketers, it also presents a huge opportunity to those who make well informed investment decisions.

Google is proud to support the IPA's Effectiveness agenda as a means of highlighting best practice and providing expert guidance to the industry. Les and Peter's latest work helps marketers to navigate the changing landscape, making a compelling case for increased overall levels of media investment, as well as advocating a balance of sales activation and brand building communications.

For consumers the line between online and offline media is becoming increasingly blurred, and in some cases indistinguishable. So the core distinction between activation and brand building is a useful one, capturing the intended role of a piece of communication rather than the mechanism by which it was delivered. As the authors note, sales activation is not equivalent nor restricted to online – offline media can be great for activation too. Likewise online media can be great for brand building.

In that context, and consistent with our own research, the authors find clear synergies between TV and online video, with the most effective campaigns using TV and online video together.

Measuring effectiveness is complex, and we look forward to continued collaboration with the IPA and the broader UK industry in developing best practice approaches to effectiveness measurement over all time horizons.



JONNY PROTHEROE HEAD OF UK MARKET INSIGHTS, GOOGLE

MATT HILL

This analysis is required reading for any marketer who wants to understand what makes effective advertising. It is enlightening and reassuring – but also worrying. It shows the path to success for marketers but also that some have strayed from it. The following pages are a much-needed wake-up call.

Thinkbox is proud to support the IPA's effectiveness work – its awards and its research. We have done so since the day we began. It was the first partnership we made because nothing is more important in advertising than proving it works, proving that brands' investment is worth it. Marketers need robust, independent research they can trust so they can make informed decisions and not simply be swayed by rhetoric or fashion.

This is what the IPA provides time and time again, and Les Binet and Peter Field's latest analysis comes at a crucial time. With an uncertain economic outlook, understanding how media perform in the digital age is vital for making the best marketing decisions.

There is much in this analysis to get to grips with: the importance of mass media; the worrying effects of a creeping short-termism that is damaging overall advertising effectiveness; the fact that effectiveness does not come for free.

And I would have to fire myself if I didn't point you towards the many insights into TV advertising, not least that it remains the most effective advertising and is getting more effective, in large part due to its blossoming relationship with different online forms of marketing, particularly online video. Video – with TV at its heart – emerges as the epicentre of effectiveness.



MATT HILL RESEARCH AND PLANNING DIRECTOR, THINKBOX

ABOUT THE AUTHORS



LES BINET HEAD OF EFFECTIVENESS, ADAM&EVE DDB



PETER FIELD PETER FIELD CONSULTING

Peter spent 15 years as a strategic planner in advertising and has been a marketing consultant for the last 20 years.

Effectiveness case study analysis underpins much of his work, which includes a number of important marketing and advertising texts and his pioneering work on the link between creativity and effectiveness.

He has a global reputation as an effectiveness expert and communicator and speaks and consults regularly around the world about effectiveness issues.

He is a contributor to the Wharton Future of Advertising Project.

Having studied Physics and Artificial Intelligence at university, Les joined the agency in 1987, and has devoted his career to measuring and improving the effectiveness of the agency's advertising.

Les is recognised as an expert in econometrics (aka market mix modelling), and has written extensively on how advertising works, how to make it work better, and how to evaluate it.

Les has long been closely involved with the IPA Effectiveness Awards, having won more prizes than any other author, including two Grand Prix.

In 2014, the IPA (the body that represents the UK advertising industry) awarded him its President's Medal, the highest honour it can bestow, in recognition of his achievements.

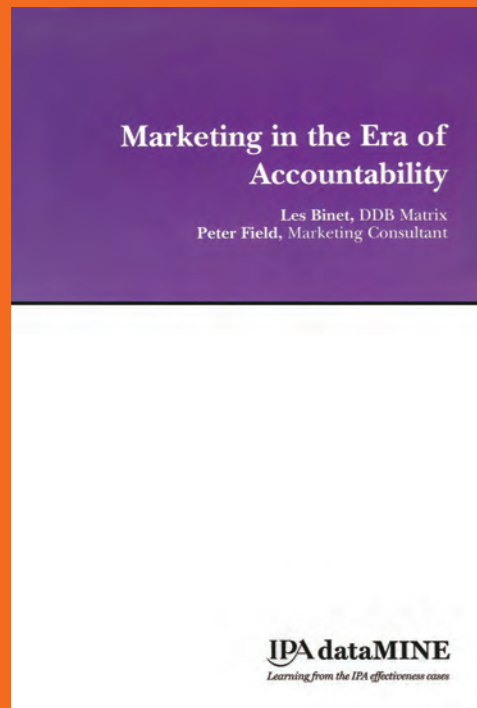
IN A NUTSHELL

The commercialisation of the internet, the spread of mobile telephony, and many other related digital technologies have dramatically changed our world. Even though this revolution has been going on for over twenty years, most of us are still trying to understand what it means for marketing.

The evidence from this IPA Databank study suggests that marketing is still primarily a numbers game. The main way brands grow is still by increasing penetration, not loyalty.

- 01** Broad-reach campaigns are still the best way to drive market share, which is in turn a key driver of profit.
- 02** The good news is that the digital revolution has increased the potential effectiveness of most forms of marketing, including traditional media.
- 03** So, for firms that invest at the right level, and in the right way, mass marketing is working better than ever.
- 04** Balancing long-term brand building and short-term activation is crucial. Around 60% brand and 40% activation is still the best combination.
- 05** Video advertising, both on and offline, is the most effective brand-building form. TV is still the most effective medium, but online video makes it work even harder.
- 06** Paid search and email emerge as the most effective activation channels.

But the IPA data also suggests that actual effectiveness has declined since the global financial crisis, and argues that marketers need to strike a better balance between short and long term if they want to exploit the full potential of marketing in today's media landscape.



Les and Peter have made a huge contribution to our understanding of how marketing drives growth and profit for brands. Marketers everywhere should pay close attention.

KEITH WEED
CHIEF MARKETING AND COMMUNICATIONS OFFICER
UNILEVER



Simply put, it is one of the most important books ever written about marketing. It should be the foundation of knowledge and practice for everyone working in marketing and communications. Without exception.

ADAM MORGAN
FOUNDER EATBIGFISH

1.0 INTRODUCTION

AIMS

The objective of this report is to update the media-related findings of our two previous analyses of the IPA Databank: *Marketing in the Era of Accountability* (WARC 2007) and *The Long and the Short of It* (IPA 2013). It has often been suggested in recent years that the rules of effectiveness discussed in these reports are now out of date; that the growth of online communications channels in particular have changed some of the fundamentals of marketing. So this report sets out to test some of the hypotheses of change and to examine to what extent the media-related fundamentals have actually altered.

It is intended to be the first of four reports examining other facets of digital-driven change, including consumer buying behaviour, Big Data impacts and broader marketing rules.

Of cases submitted in 2014 and 2016, **58%** were supported by full econometric models.

DATA

As with the earlier reports, the data source is the IPA Databank – the confidential data submitted alongside entries to the biennial IPA Effectiveness Awards competition. The data captured includes a comprehensive range of campaign inputs (such as strategy, media choices and brand circumstances) and campaign outcomes (such as business effectiveness measures, efficiency, ROMI, and brand measures). Our analysis in essence examines how inputs, especially media choices, affect outcomes.

With very few exceptions all the data used in this report is from the digital era, 1998 onwards. In some instances we have split the sample into two time periods. The first (1998-2006) might be described as ‘Web 1.0’. At that time, online marketing was rapidly expanding, but online video and social media had yet to play a significant role. The second period (2007-2016), which one might call ‘Web 2.0’, saw early online marketing techniques coming to maturity, and a big expansion in the use of video and social. And much of the analysis is for the two competition years 2014 and 2016, covering campaigns that typically ran during the period 2012 to 2015. This period represents the new data captured since *The Long and the Short of It* was published and includes campaigns devised and executed in an increasingly mature digital landscape with a firmly established social media presence. 98% of 2014-16 cases made use of online channels as an integrated part of the campaign, with 79% using social media.

Analysed in this report are 497 for-profit cases submitted since 1998 and 118 submitted in 2014 and 2016. The authority of the data comes as much from the rigour and vetting of the evaluations they are associated with as from the number of cases: 58% of the cases submitted in 2014 and 2016 were supported by full econometric models.

MEASURES OF EFFECTIVENESS

The most frequently used measures of effectiveness in this report are the various business effects: profit, sales, market share, penetration, loyalty and price sensitivity. Case study authors assess these measures on a four-point scale of magnitude: only top-box scores (i.e. ‘very large’) are used to identify high performers. These metrics are mostly measured over a period of at least a year and are therefore more indicative of long-term success. In our analysis they are often coalesced into one metric – the number of business effects, which represents a broad measure of effectiveness that is relatively independent of the particular objectives of the campaign. This metric correlates closely with reported profit growth, making it a particularly useful measure of effectiveness. It also correlates with the extra share of voice (ESOV) efficiency, so this metric has a very broad usefulness.

The most important measure of effectiveness in the short term is ‘activation’ effects: typically, in recent years, these are online direct responses (transactional or intermediate) and their telephone or coupon equivalents in earlier periods. Again, only top-box scores are used to identify high performers. This metric is contrasted in this report with measures of long-term success to reveal factors that are short term or long term in nature.

MEASURES OF GROWTH

In addition to the sales and share growth standardised metrics discussed above, the data also records the absolute level of share growth reported. As well as being used to determine ESOV efficiency (see below), this metric is sometimes used as a quantified measure of growth.

MEASURES OF EFFICIENCY

When comparing subgroups of campaigns with differing relative budget levels, it is clearly important to take budget into account. Previous research has shown that share of voice (SOV) is a more relevant measure than absolute spend. An even better measure is the difference between SOV and market share, referred to in this report as ‘extra share of voice’ (ESOV). ESOV is an important determinant of how fast a brand can grow. In this report it will be shown that this relationship between share growth and ESOV is still important.

The primary efficiency metric used here is the *annualised* share growth per 10 points of ESOV. This eliminates the cumulative effects of long-term campaigns, providing a level playing field on which to compare campaigns with different durations.

Also used is ROMI (return on marketing investment), which reports the incremental profit net of marketing costs expressed as a ratio of those marketing costs. The dangers of this metric as a KPI are discussed at length later in this report, but the metric is nevertheless useful as a financial efficiency metric.

MEASURES OF CAMPAIGN DURATION

Campaign duration is a key factor in the nature and scale of campaign outcomes, so it is an important metric in this report. Long-term cases are those that were evaluated over periods of longer than six months. This is not an arbitrary period: analysis reported in *The Long and the Short of It* demonstrated how long-term advertising effects on sales uplifts only start to dominate short-term effects after six months. That is to say brand building takes over as the primary driver of growth from sales activation after six months. This is discussed more in the next section of this report.

MEASURES OF BRAND STRENGTHENING

These consist of seven different metrics:

- awareness
- image
- differentiation
- fame
- commitment
- trust
- esteem

These are reported by campaign authors using the same scale as for business metrics. Again in our analysis, they are often coalesced into one metric – the number of brand effects – which represents a broad measure of brand strengthening that is relatively independent of the particular objectives of the campaign.

2.0 PREVIOUS FINDINGS

In the next sections we will look at channel strategy, examining the interactions between paid, owned and earned media, and what these mean for budgets today. We revisit the relationship between brand and activation, and the roles of individual media within it. We discuss the trade-off between targeting and reach, and how patterns of media consumption affect these things. We look at how the effects of individual media are changing. And finally we look at how developments in marketing are undoing the benefits the changing media landscape can offer.

To begin with though, it's worth recapping some of the findings from our previous research. It is these findings we will be testing, in the light of the latest data, to see whether they still hold true in the mature digital era.

“Brand building takes over as the primary driver of growth from sales activation after six months.

LONG VERSUS SHORT-TERM EFFECTS

In 2013, in *The Long and the Short of It*, we highlighted two very different ways in which marketing communications can work.

On the one hand, communications can be used for **brand building**. Brand building means creating mental structures (associations, memories, beliefs, etc.) that will pre-dispose potential customers to choose one brand over another. This is a long-term job involving conditioning consumers through repeated exposure, so it takes time; talking to people long before they come to buy. It requires broad-reach media, because the aim is to prime everyone in the market, regardless of whether or not they are shopping right now. And because most of the audience are not in the market at the time they are exposed, it cannot assume close attention. So it relies heavily on emotional priming, since that cuts through regardless of whether people are interested in the product, and it helps create long-term memory structures. For this reason, emotions tend to have more impact than messages (which mostly get screened out). And brand-building

campaigns work best when they get people talking and sharing, because brands are partly social constructs. Classic examples might be a feel-good TV ad or online video.

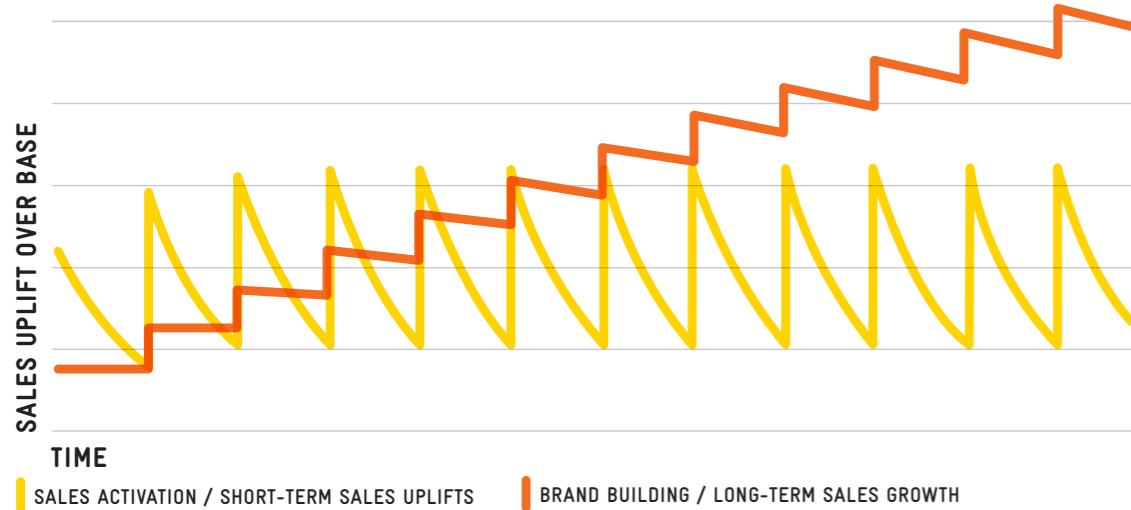
On the other hand, communications can also be used for **sales activation**. Sales activation is different. The aim here is to focus on people who are likely to buy in the very near future. That means exploiting existing brand equity to generate sales right now. Tight targeting is the order of the day, and rational persuasion has much more traction, because these people are more interested in what you have to say. This favours information-rich media, and if a response mechanism can be included, even better. This is a short-term job, and requires relatively few exposures. More generally, everything should be designed so as to make the customer journey as frictionless as possible. Classic examples might be a piece of direct marketing perhaps with an offer, a seasonal reminder, or a search-driven retargeted online ad.

Brand building is, in many ways, the harder yet more important of the two jobs, which is why it requires more investment and different kinds of media.

THE DIFFERENCES BETWEEN BRAND BUILDING AND SALES ACTIVATION (FIGURE 01)

BRAND BUILDING	SALES ACTIVATION
CREATES MENTAL BRAND EQUITY	EXPLOITS MENTAL BRAND EQUITY
INFLUENCES FUTURE SALES	GENERATES SALES NOW
BROAD REACH	TIGHTLY TARGETED
LONG TERM	SHORT TERM
EMOTIONAL PRIMING	PERSUASIVE MESSAGES

BRAND BUILDING AND SALES ACTIVATION WORK OVER DIFFERENT TIMESCALES (FIGURE 02)



Brand building and activation work in synergy, each enhancing the other. Strong brands get much higher response rates from their activation channels. Firms that exploit activation media well make more money from their brands.

The challenge for marketers is **finding the right balance** between brand and activation. This is made more difficult by the fact that **each works in different ways, and over different timescales**.

Activation effects are relatively easy to measure, because they tend to be big, immediate and direct. In the short term (six months or less) they tend to produce the biggest sales responses.

However, these tend to decay away quickly, and don't tend to build much over time. Rather, **activation tends to produce a series of sales spikes**.

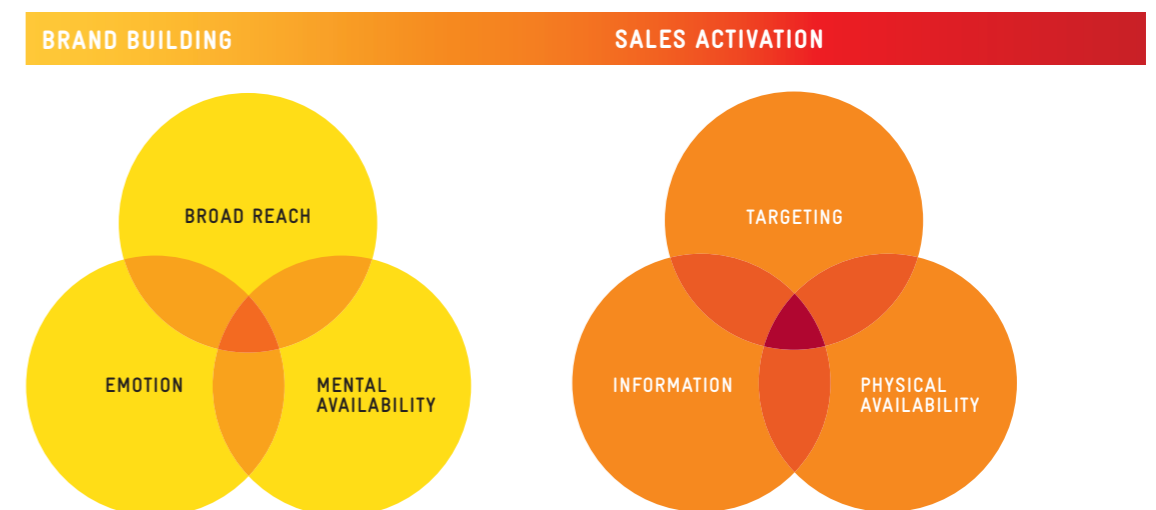
Brand effects are harder to measure, because they are smaller in the short term, and there is usually no direct link to sales. But brand effects decay away more slowly, and so repeated exposures can cause the base level of sales to rise. In the long run, **brand effects are the main driver of growth**.

Because the effects of brand building only become apparent over the long term, **short-termism is dangerous**. It can lead to excessive activation (which is inefficient), and under-investment in the brand (which can lead to long-term decline).

A balanced approach to evaluation therefore, looking at both long and short-term marketing effects, can lead to a more balanced marketing mix. On average, effectiveness seems to be optimised when around 60% of the communications budget is devoted to brand building, and around 40% to activation. In *The Long and the Short of It*, we christened this the '60:40 rule'.

“ In the long run, brand effects are the main driver of growth.

BRAND-BUILDING AND SALES ACTIVATION GOALS REQUIRE DIFFERENT MEDIA (FIGURE 03)



IMPLICATIONS FOR CHANNEL STRATEGY

Our previous publications looked at the implications of all of these findings for channel strategy. In summary, we found:

01 Budget is one of the most important determinants of campaign effectiveness (second only to the creative work in importance).

02 Share of voice is an important metric. The rate at which a brand gains market share tends to be proportional its “extra” share of voice defined as the difference between share of voice and market share.

03 The balance between brand and activation also matters. A **60:40 ratio of brand to activation** spend is typically optimal.

04 Sales activation works best when focussed on people who are likely to buy now or very soon. **Tightly targeted media work best for activation**.

05 Brand building takes more time, and requires repeated exposures, often over months or years. The target audience may not be buying for some time, and are not necessarily interested in the category right now.

06 Brand effects are enhanced by social amplification and herd behaviour. ‘Fame’ strategies that get everyone talking about a brand are extremely powerful and efficient, despite the seeming ‘wastage’ involved.

07 The long-term, social nature of **brand building favours broad-reach media**, rather than tight targeting.

08 For sales activation, rational messages tend to work best, so information-rich media are useful (ideally with a direct response mechanism).

09 For brand building, emotional priming works better. Audio-visual channels excel here (and music can play a surprisingly big role).

10 Online channels make offline media more effective, and vice versa.

THE IMPORTANCE OF REACH

Our previous reports discussed the importance for marketers of talking to everyone in their market on a regular basis. We suggested that therefore they need media that can reach as many people in their category as possible as often as possible. This, in turn, suggests that scale is likely to be an important influence on media effectiveness. The historical IPA data confirms that this is indeed the case.

The chart below is an update of earlier published ones and gives an overall measure of effectiveness for various different channels across the whole IPA Databank. Our effectiveness measure, as before, was the percentage of campaigns that reported very large business effects, and in order to measure the effects of a given medium, we compared campaigns that used this measure against those that did not. So for example, we found that (over the whole sample) campaigns that used TV were 29% more

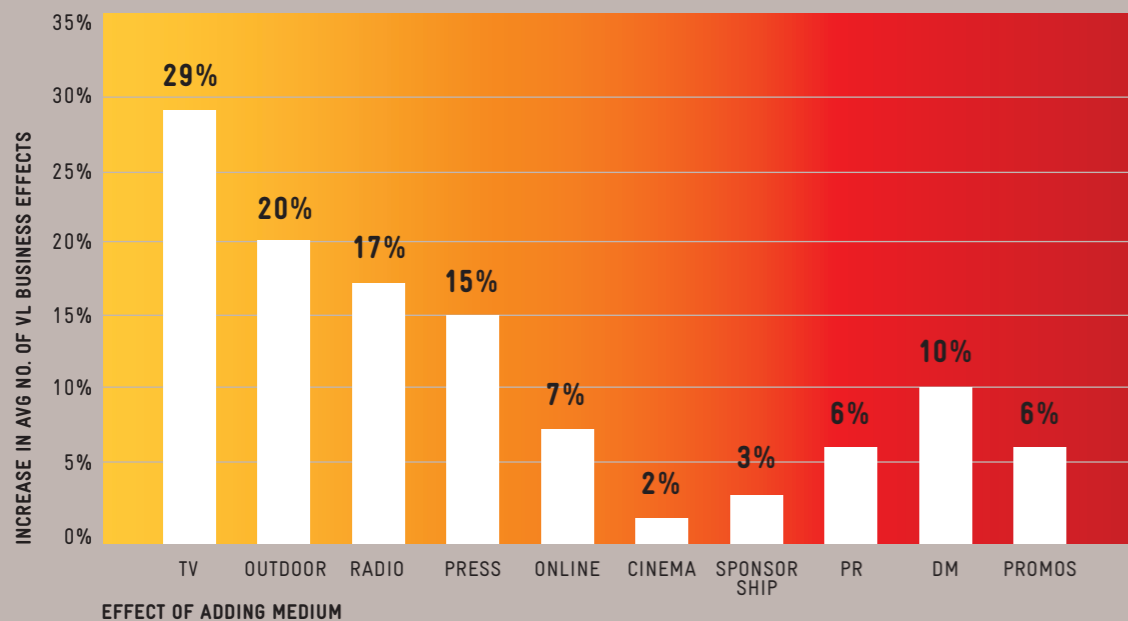
likely to report very large business effects than those which did not.

It is important to note that these figures represented the average effectiveness of different media across the whole IPA sample and that 'online' is a shifting mix of video, audio, text etc. over the years covered. As we will see later, effectiveness has changed over time. In particular, the effectiveness of online has increased, in line with increased internet usage.

But it is not the impact on effectiveness of the format of media we are investigating here; it is the impact of their reach. Comparing these historical effectiveness metrics against data on media consumption from the relevant IPA Touchpoints survey,⁰¹ we find a strong correlation between effectiveness and reach, for those channels where data is available. In general, **the more people an advertising medium reached, the more effective it was in hard business terms.**

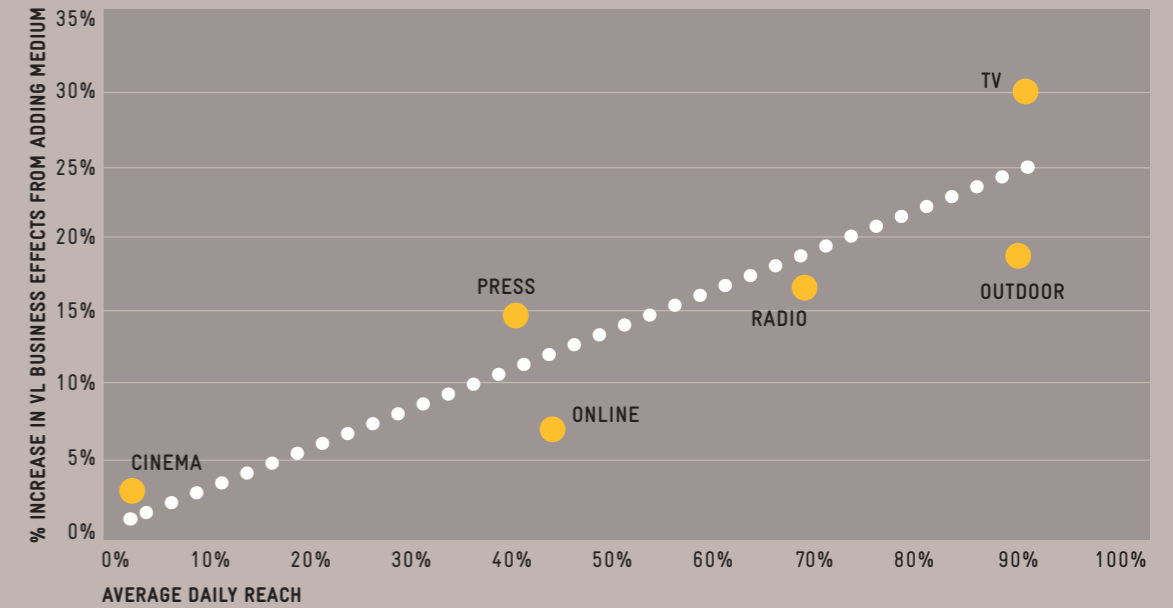
⁰¹ The data here is drawn from Touchpoints 2 (Sep 2007 – Feb 2008), which is the closest point to the median date range for the IPA sample for which media effectiveness has been estimated.

THE HISTORIC IMPACT ON EFFECTIVENESS OF ADDING MEDIA TO THE MIX (FIGURE 04)



Base: IPA Databank cases, 1980-2016

THE HISTORIC LINK BETWEEN MEDIA EFFECTIVENESS AND REACH (FIGURE 05)



⁰² Statistically significant at 99% confidence level.

This correlation was strong and highly statistically significant.⁰² There was also some evidence that dwell time (the amount of time people who use the medium spend with it each day) was a factor, but the analysis suggested that reach was more important.

HISTORICALLY REACH HAS BEEN THE MOST IMPORTANT FACTOR (FIGURE 06)

	AVERAGE DAILY REACH	AVERAGE DAILY HOURS SPENT
CORRELATION WITH BUSINESS EFFECTS	91%	86%

⁰³ R-squared = 83%

In fact this analysis suggests that reach may account for around 83% of the variations in media effectiveness observed here.⁰³ In other words, for most brands, the best strategy is to hit as many people as possible (within the category).

Sources: IPA cases 1980-2016, IPA Touchpoints 2

“

Research showed that brands with a high share of voice relative to their size tended to grow, while those with low SOV tended to shrink.

THE IMPORTANCE OF BUDGET AND SHARE OF VOICE

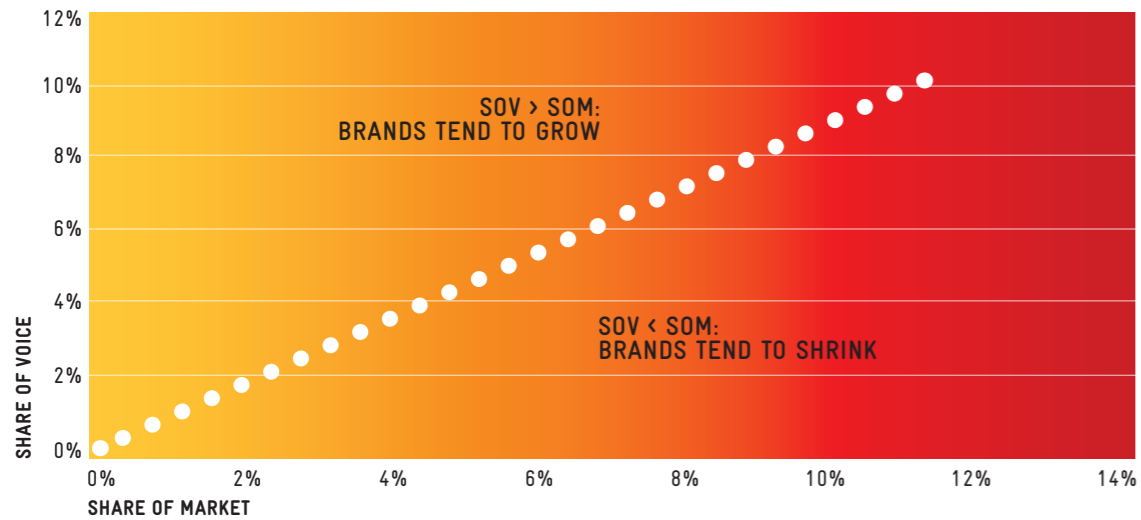
Our previous reports demonstrated how brand owners needed paid media advertising to reach people. Influence was largely a matter of who shouted loudest. The key metric was SOV, usually measured in terms of a brand's share of category media spend. Research regularly showed that brands with a high SOV relative to their size tended to grow, while those with low SOV tended to shrink.⁰⁴

Our previous analyses suggested that advertising budget (and in particular share of voice) was one of the most important determinants of campaign effectiveness, second only to the creative work itself.⁰⁵

⁰⁵ Econometric analyses tend to report similar findings. For example, see 'The Top 10 Drivers of Advertising Profitability' by Karl Weaver, Admap September 2014.

⁰⁴ For more detail, see *The Long and the Short of It*, Section 2.1 and *Marketing in the Era of Accountability* Chapter 3.

HISTORICALLY SHARE OF VOICE HAS DRIVEN SHARE OF MARKET (FIGURE 07)



Source: Binet and Field 2013

3.0 THE NEW MEDIA LANDSCAPE

Much has changed since we published *Marketing in the Era of Accountability* in 2007. That analysis was largely based on data from the period from 1998 to 2006, when online marketing was rapidly establishing itself, but not fully mature. Only 39% of IPA cases included online channels within the mix, and they only accounted for 3% of the budget on average. YouTube and Facebook were both very new, and their potential as marketing channels had yet to be evaluated properly.

Since then, online budgets have exploded from around 16% of total spend to over 40%,⁰⁶ and the range of online touchpoints has expanded massively. The internet has evolved into a complex ecosystem, which includes early online media like email, websites and search; newer activities like social media and online video; and media like video-on-demand and web radio, which seem to blur the distinction between online and offline. Almost all campaigns include online marketing now.

The arrival of the internet, and new technology in general, has posed challenges for the owners of older media and the brands that have traditionally advertised in them. Today it is easier for viewers to skip TV ads, or watch video content in places where there is no advertising at all. People are less reliant on the printed word for their news, forcing newsbrands to evolve. Radio now has to compete with streaming services like Spotify.

⁰⁶ Source: IAB / PwC Digital Adspend H1 2015 and WARC.

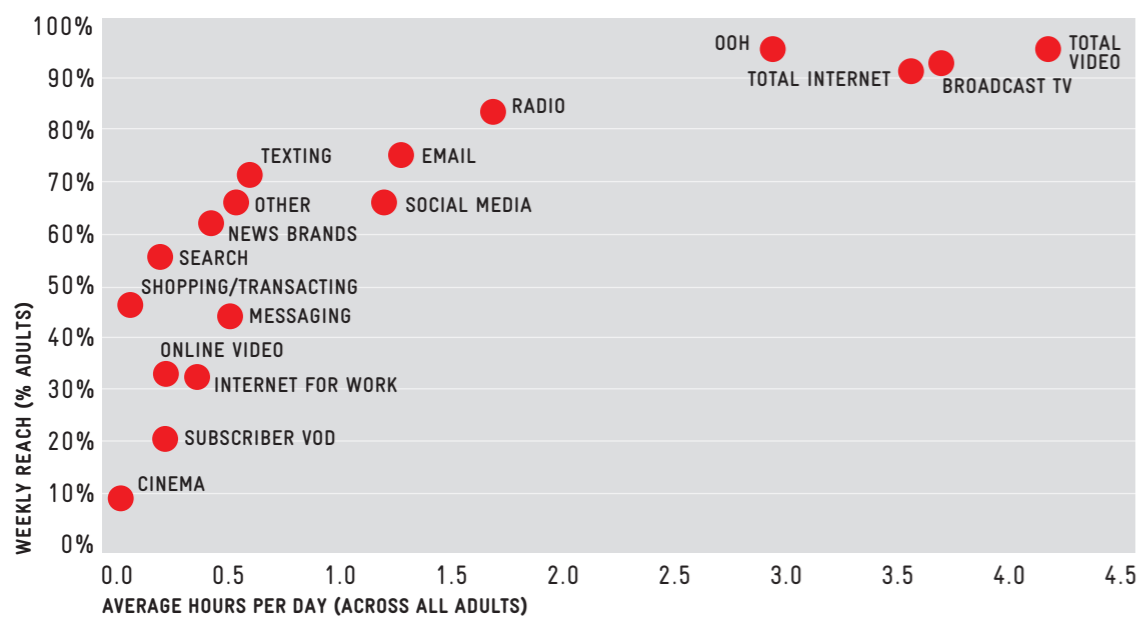
As online media have matured, so they too have faced challenges. Bombarded with ever more messages, consumers have become more resistant to online marketing, as evidenced by declining response rates for emails and banner ads and the widespread growth of adblocking. Simplistic online metrics, such as ‘clicks’, ‘likes’ and ‘shares’ are coming under more critical scrutiny, as are many of the more opaque exposure metrics in use.

So what are the important features of the new media landscape from a marketing effectiveness point of view?

Here we will attempt to provide an objective data-supported point-of-view, to help readers navigate the often conflicting and confusing information in the marketplace.

The IPA Touchpoints database is an invaluable guide here, since it is the only widely available survey that measures reach and dwell time across all media on a like-for-like basis. The chart below shows reach and time spent with each of the main media for 2016.

THE MEDIA LANDSCAPE IN 2016 (FIGURE 08)



Source: IPA Touchpoints UK 2016 (all adults)

The big change of recent years is, of course, the huge increase in the amount of time people spend online. This has almost quadrupled over the last ten years.

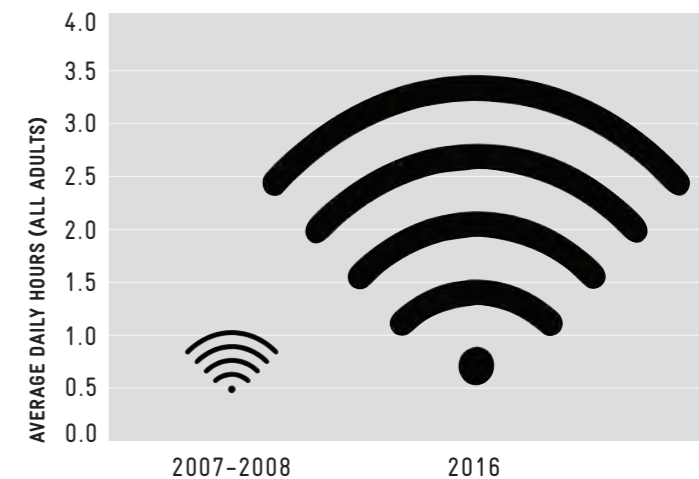
The average adult now spends nearly four hours a day online, and the internet features in almost all aspects of daily life. As it becomes omnipresent, it becomes less visible. In fact, it hardly makes sense to talk about ‘online media’ now; the internet has become a complex ecosystem, comprising many different kinds of media.

The chart below breaks time spent online into its main components. This is an imprecise art, as the internet is intimately involved in so many everyday tasks. For example, Touchpoint respondents may sometimes forget that the BBC iPlayer is an online system.⁰⁷ Nevertheless, the broad sweep of the data is probably fairly representative.

As in real life, the online day is dominated by social interaction; the main thing that people do with their time is talk to one another.⁰⁸

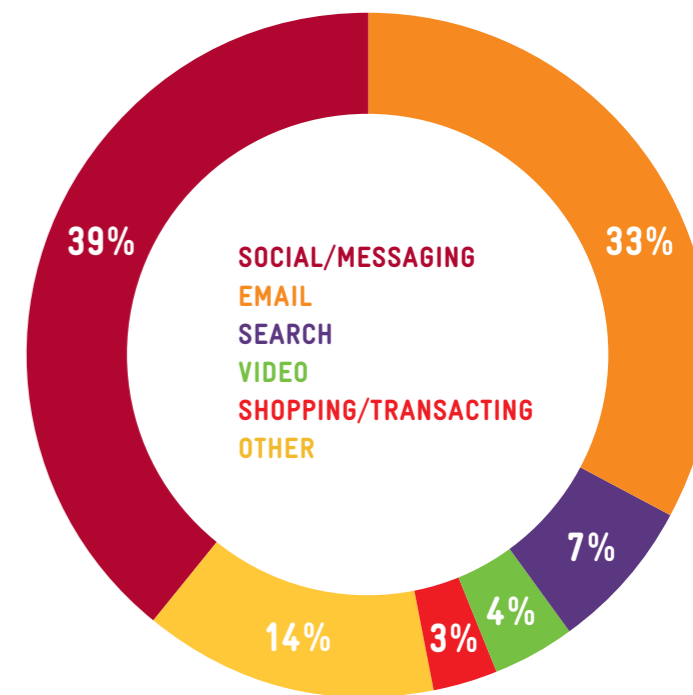
In the last ten years, social media and online messaging⁰⁹ have overtaken email as the preferred way of talking, and they now account for around 39% of time online. This is an important change for marketers, since social media allow them to communicate with consumers in new ways, many of which are arguably more suited to brand building than email is.

TIME SPENT ONLINE HAS QUADRUPLED IN TEN YEARS (FIGURE 09)



Sources: IPA Touchpoints Wave 2 (Sep 2007-Feb 2008) and Wave 6 (April 2016)

HOW PEOPLE SPEND THEIR TIME ONLINE (FIGURE 10)



Source: IPA Touchpoints Wave 6 (April 2016)

07 Touchpoints data is self-reported from a mobile panel.

08 Note that people want to converse with other people, not with companies or brands. For most, life is too short to spend time getting intimate with a chocolate bar or a detergent.

09 The two are deeply intertwined, since most social media include a messaging component.

Social media are now increasingly used for paid advertising. As social has evolved, it has increasingly become a source of news and entertainment, and so social advertising has begun to look a little like a hybrid of press and TV ads.

Video is an increasingly important feature of social, and of internet time generally. YouTube launched in 2005, dramatically expanding the range of video content available online, and increasing consumption correspondingly. Today, most social media have a video component, with features like autoplay making it almost omnipresent.

It's perhaps not surprising that video is an important component of internet time because, considered as a whole, it remains the dominant entertainment medium. Apart from chatting to one another, it's the main thing people do with their spare time. On average, UK adults watch over 4 hours of video a day.

That might seem an astonishing amount,¹⁰ but it's not far from the historic average. Go back twenty years, and people watched about four hours; now they watch about four and a quarter hours. However, the range of devices they now use to watch video has changed considerably.

While the delivery mechanisms have changed, however, most of the video content that people in the UK watch still comes from the traditional TV broadcasters – BBC, ITV, Sky, C4, etc. – rather than purely online players like YouTube or Netflix. In fact, people spend about the same amount of their day watching broadcast TV¹¹ as they spend using the internet, often doing the two simultaneously.

And 82% of that TV is still watched live, on a TV set.¹²

The chart opposite shows video consumption in more detail.

TV is still the most important video format, accounting for around three quarters of all viewing, and most TV is still watched live.

Online video in all its forms makes up most of the rest, with YouTube¹³ and Facebook the two biggest channels. Subscription VoD is still relatively small, but growing fast. Figures for younger viewers show a broadly similar pattern, but with more of a skew towards online video formats.

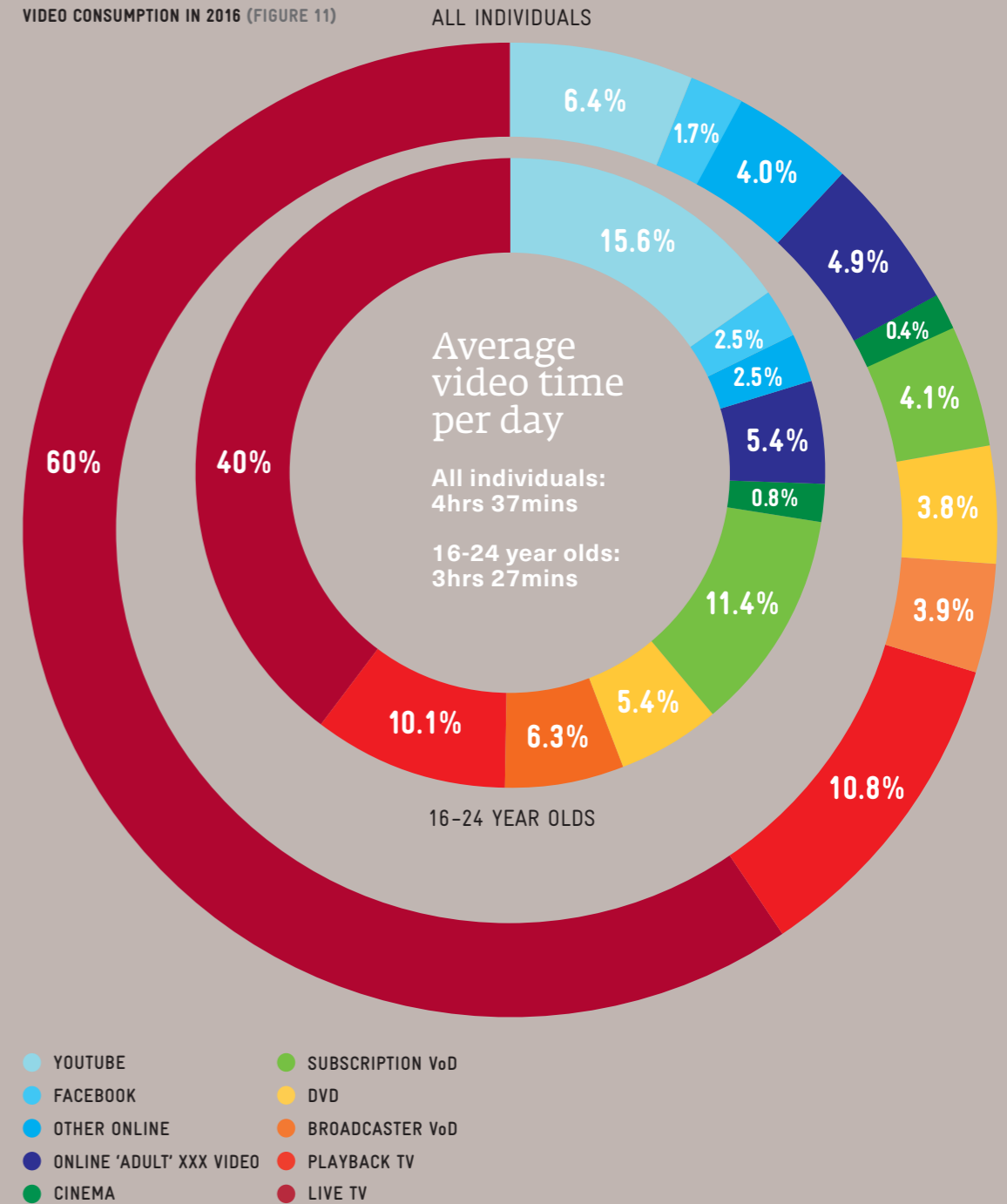
“UK adults watch over 4 hours of video a day.”

¹² Source: BARB / Broadcaster stream data 2017. Proportion of viewing to broadcast TV that is live and via TV sets, as a proportion of all TV viewing, including FVR, playback and all video-on-demand offerings from the broadcasters.

¹⁰ People in marketing and advertising are often surprised by these numbers. This is partly due to the skewed nature of the viewing behaviour, with some people watching immense amounts. But it is also partly because they are out of touch with the rest of the population.

¹³ Data from comScore Video Metrix Multi-Platform, which measures unduplicated viewing across desktop and mobile and is awaiting full UKOM approval, suggests that viewing figures for online video may be slightly higher than this chart shows. The preliminary data for September to December 2016 suggests that adults consume 25 minutes of YouTube a day (some of which is audio only) whereas this chart only records 18 minutes. 25 minutes per day was calculated by dividing 152bn minutes of 18+ YouTube viewing measured by comScore by 122 days and the total UK population 18+ according to ONS Census.

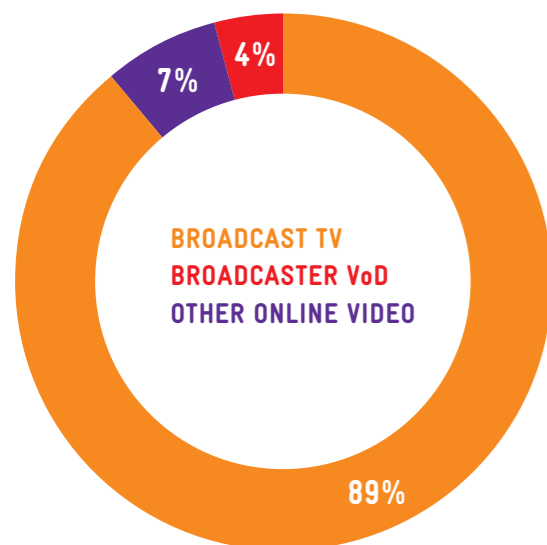
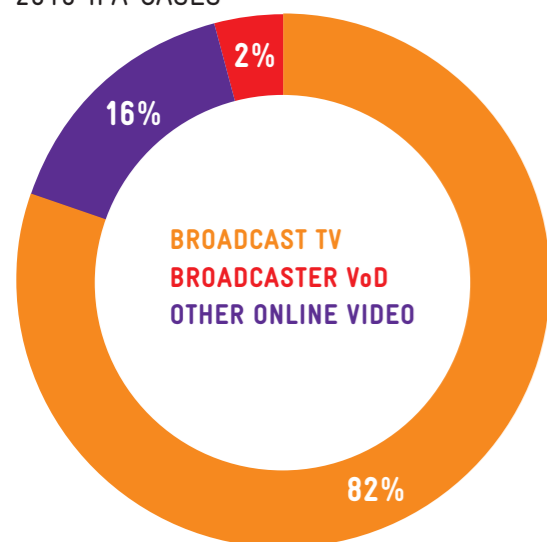
VIDEO CONSUMPTION IN 2016 (FIGURE 11)



Source: Thinkbox 2016 BARB / comScore / Broadcaster stream data / OFCOM digital day / IPA Touchpoints 6 / Rentrak

VIDEO ADVERTISING BUDGET ALLOCATIONS FOR IPA CASES COMPARED WITH TOTAL UK ALLOCATIONS (FIGURE 12)

2016 IPA CASES



TOTAL UK MEDIA SPEND H1 2015

Source above top: IPA cases 2016 includes production
Source above: IAB/PWC does not include production

Figures compiled by the IAB and PWC suggest that video advertising budgets are roughly in line with video viewing figures, with TV still accounting for the lion's share. The most recent IPA data tells a similar story, although online video makes up a larger percentage, partly because the IPA data includes production (which is the bulk of the budget for owned video assets).¹⁴

Consumption of other traditional media has also held up surprisingly well in the digital age. Radio and press still account for big chunks of the media day, although once again delivery mechanisms have changed. Radio can now be accessed online, potentially turning every smartphone into a portable radio. Newspapers and magazines have become 'news brands', served via phones, tablets and computers, as well as in their traditional paper form.

New technologies do sometimes completely displace old ones, but often the new sits alongside the old, changing its role. Radio did not kill recorded music, TV did not kill cinema or radio. Each has adapted and found its niche, and the same is happening now.

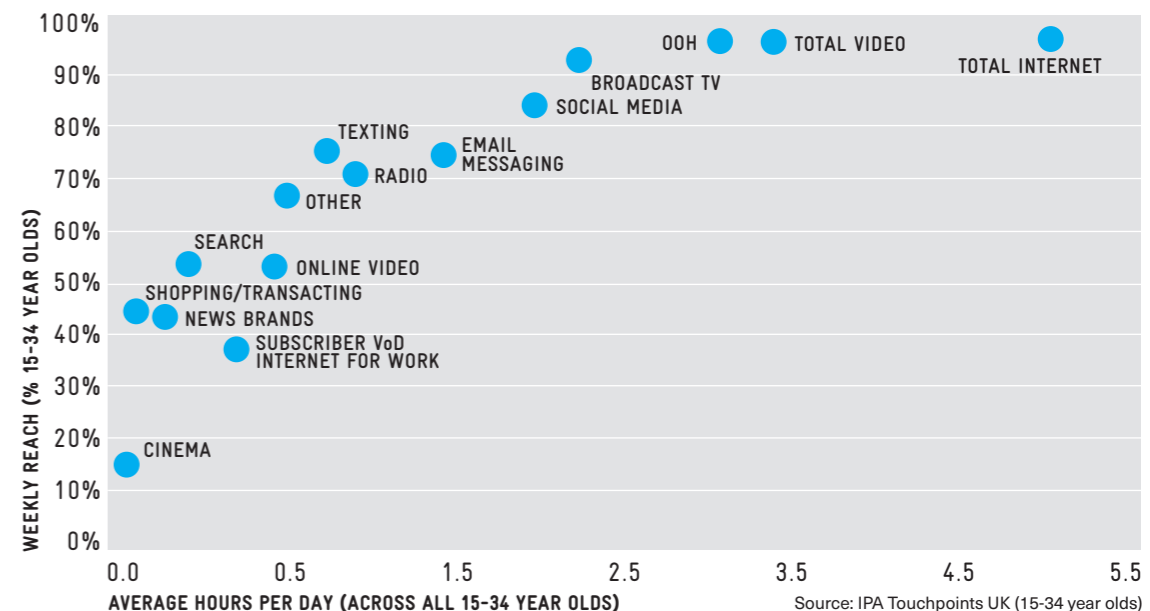
So what about the future? The media habits of young people may give us some insight into where things will go next. The chart opposite shows media consumption patterns for Millennials.

Unsurprisingly, Millennials spend a lot more time online than older people – just over five hours a day. They are heavier users of all digital channels: in particular they spend a lot more time on social media, and they spend less time with traditional media (apart from out of home). But contrary to myth, they do watch TV – over two hours a day, on average.

Marketers often assume that what young people do today, everyone will be doing tomorrow. But it's not as simple as that, because people change as they grow older. Media consumption patterns partly reflect when people were born ('**cohort effects**', in

¹⁴ The other important video medium is, of course, cinema. Unfortunately, sample sizes for cinema advertising within the IPA Databank are small for recent years, and do not allow us to measure the effects of cinema reliably in the Web 2.0 era. Therefore, 'video' refers here to TV and online video only.

HOW MILLENNIALS CONSUME MEDIA (FIGURE 13)



the jargon), and partly reflect where they are in their lives ('**lifestage effects**'). Young people spend more time on social media, partly because they are digital natives, and partly because they have more active social lives. They watch less TV, partly because they spend more time online, and partly because they spend more time out and about.

So, while it is a safe bet that online media (particularly social) will continue to grow in importance in peoples' lives, and that some of that growth will be at the expense of traditional media, one should not assume that the chart above represents the future.

4.0

DOES MASS MARKETING STILL WORK?

The commercialisation of the internet, the spread of mobile telephony, and many other related digital technologies have dramatically changed our world. Even though this revolution has been going on for over twenty years, most of us are still trying to understand what it means for marketing.

However, there are three things that almost all marketers would agree on:

01 As consumers devote more time and attention to these new digital media, they become more important for marketing. As the old saying goes, 'If you want to catch a fish, fish where the fish are'.

02 The new channels have some obvious efficiencies. They can often be more precisely targeted; it is easy to include direct response mechanisms that close the gap between advertising and purchase; and marginal costs are often very low.

03 Digital channels allow marketers to have a more active relationship with their customers, because they tend to be more interactive, and yield more data about them.

As a result, marketers have naturally shifted much of their attention and expenditure away from traditional broadcast and print-based media and towards the newer digital channels.

Some have gone even further, arguing that the old model of marketing is fundamentally broken. As one eminent academic put it a few years ago: *"Brands need to move away from mass marketing to having more direct, personal relationships with their buyers"*. The most radical have questioned the whole idea of spending money on media at all. Joseph Jaffe and Maarten Albarda, for example, argued in their book *Z.E.R.O.* that brands should abandon paid media altogether, focussing all their attention on owned and earned.

So do the old rules still apply in this brave new world? Does mass marketing still work? The continued validity of the mass marketing model is being challenged particularly by three assertions:

01 Tight targeting is now the most efficient approach.

02 Unpaid (i.e. owned and earned media) is making paid media redundant.

03 Activation strategies are now the best way to drive growth, rather than brand building ones.

In this section we will examine recent IPA data to explore how valid these assertions really are.

IS TIGHT TARGETING NOW THE MOST EFFICIENT APPROACH?

The historic argument for why brands need mass marketing is that they constantly need to recruit new customers. Brands lose customers all the time, so they need a steady stream of new ones in order to survive, let alone grow. And that tends to require broad reach media, and adequate budgets.

But some marketers have always felt that this was inefficient. Surely a more targeted approach, which aimed to foster strong brand loyalty, would be a better use of scarce marketing resources, and deliver a higher ROI? In this section we will examine two models of tight targeting:

- Loyalty marketing
- Data-driven real-time marketing

LOYALTY MARKETING

The digital revolution has made loyalty marketing seem even more appealing. For a start, it has dramatically reduced some of the costs involved. In the old days, the one obvious drawback of CRM was that it required channels like telemarketing and direct mail, where the cost per contact was much higher. But email and social media allow brands to communicate with their customers at very low cost.

At the same time, the tools of traditional loyalty marketing have all been streamlined for the digital age. Direct response mechanisms are easier, faster and more directly linked to sales, with one-click ordering the paradigm of efficiency. Loyalty schemes and promotional mechanics can be delivered via mobile apps. Websites, apps and social media allow fans to engage more deeply with their brands, and to share brand content with their families and friends.

Social media, in particular, seem perfect for building loyalty. Social allows brand fans to form communities, and makes a genuine dialogue possible between brands and their

users. Googling ‘Increasing brand loyalty’ immediately suggests ‘Increasing brand loyalty through social media’ as the most likely method, and delivers over 6 million articles on the subject. The prospect of building loyalty at low cost has encouraged brand owners to invest heavily in social media, and in some cases use it to replace more traditional media.

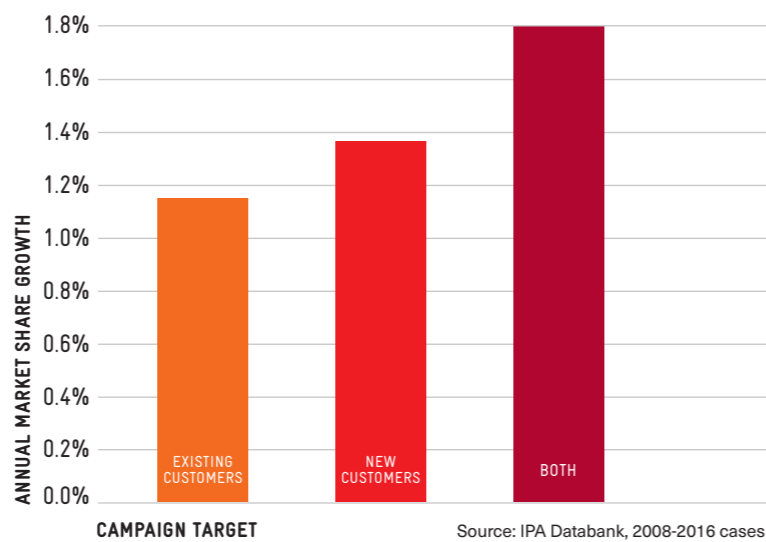
So is mass advertising still relevant in this brave new world? Or is it more efficient for brands to use tightly targeted communications to form stronger, more personal relationships with their customers? Are we entering a new golden age of brand loyalty?

Unfortunately not.

As in previous analyses, the latest IPA data shows that the most effective campaigns still tend to be those that talk to both new customers and existing customers together – i.e. those that address the whole market. **Broad-reach campaigns are much the best for driving top-line growth,¹⁵ which is crucial for increasing profits.**

This is in line with copious research from the Ehrenberg-Bass Institute. (see page 28).¹⁶

BROAD-REACH CAMPAIGNS THAT TARGET NEW CUSTOMERS ARE BEST FOR TOP-LINE GROWTH (FIGURE 14)



¹⁵ For evidence of the importance of market share for profitability, see: Buzzell, RD and BT Gale (1987), *The PIMS Principles: Linking Strategy to Performance*, The Free Press, New York; Kohli, Ajay K, N Venkatraman, and John H Grant (1990), ‘Exploring the Relationship Between Market Share and Business Profitability’, *Research in Marketing*, 10, 113-133; Szymanski, David M, Sundar G Bharadwaj and P Rajan Varadarajan (1993), ‘An Analysis of the Market Share-Profitability Relationship’, *Journal of Marketing*, 57 (July), 1-18. As we will see in Part 6 of this report, our own analysis suggests that market share growth is important for brands that want to increase profits.

¹⁶ Also see “How Brands Grow”, Sharp B, OUP 2010 and “How Brands Grow – Part 2”, Romaniuk J & Sharp B, OUP 2016

¹⁷ The only period for which this new data on the composition of campaigns is available.

Loyalty campaigns (i.e. to existing customers) tend to under-perform for three main reasons:

- 01** The target consumer numbers are smaller. **Marketing effectiveness is to a large extent a numbers game – the more people you expose to your activity, the bigger the effects.** For most brands, existing customers represent a small proportion of the market, so the effects of loyalty marketing are correspondingly small.
- 02** Marketing communications play a smaller role in shaping the perceptions of brand users. People who have never used a brand may form their opinions partly based on impressions gained from advertising, but users are more likely to go by their actual experiences.
- 03** It is much harder to get someone to increase their consumption of a product, or to pay more for it, than it is to get them to try another brand.

With these three factors working against them, loyalty campaigns struggle to produce decent results. Indeed, “loyalty” campaigns are not even particularly good at increasing brand loyalty. When they do work, they tend to do so by increasing penetration, not loyalty.

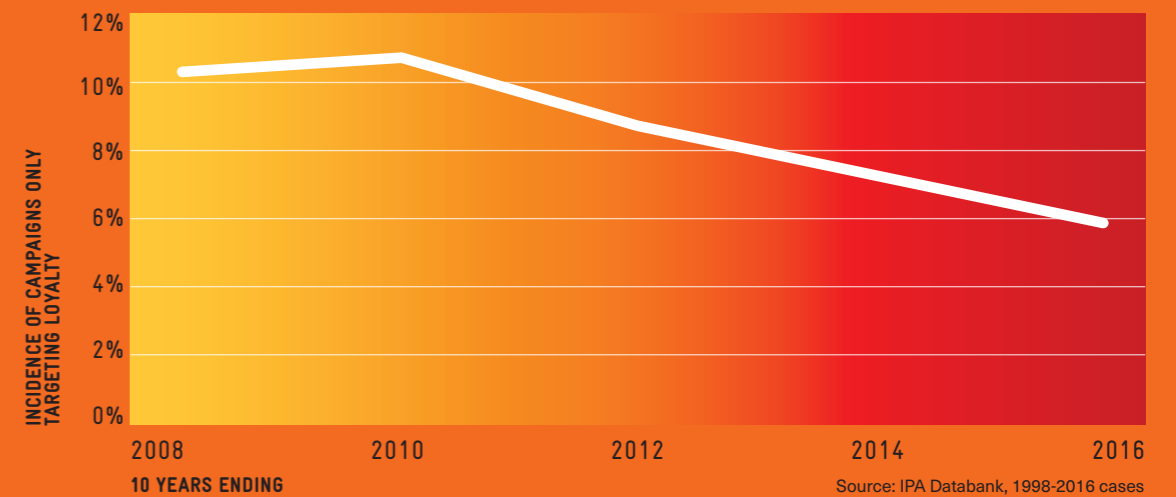
So, unsurprisingly, the IPA data reveals that the proportion of campaigns targeting only existing customers has been in long-term decline. On a ten-year rolling basis the proportion of IPA campaigns that were pure loyalty ones has almost halved in 8 years to 6%.

Over the 2014-16 case study years pure loyalty campaigns have declined further to just 3% of IPA campaigns: proof, if it were

still needed that an exclusive focus on loyalty is a dead end. And loyalty effects were observed by a mere 13% of cases, mostly as a side-effect of penetration growth.

The data does also show, however, that the loyalty-driven model still has some followers: over the 2014-16 period, 15% of cases still included loyalty as a primary objective. Moreover, amongst the 2016 cases¹⁷ 17% included a dedicated loyalty-building element to the campaign. Although this is over-shadowed by the 53% that included a dedicated customer acquisition element and the 95% that included a brand-building element, it does make abundantly clear that the report of its death is an exaggeration.

PURE LOYALTY CAMPAIGNS HAVE BEEN IN LONG-TERM DECLINE (FIGURE 15)



THE IMPORTANCE OF PENETRATION

A VIEW FROM THE EHRENBERG-BASS INSTITUTE

VIEW

Market share is a key driver of profitability, and as Byron Sharp, Director of the Ehrenberg-Bass Institute has shown, the primary driver of market share is penetration. **The main way brands grow is by selling to more people: so the main way marketing communications drive growth is by increasing penetration, and the biggest gains come from customer acquisition.**

Brand loyalty is less important, and is to a large extent a side effect of penetration. Brands with high penetration tend to have better loyalty rates, as measured by things like share of category requirement and customer retention. This is what Sharp calls the **'double jeopardy'** effect.

Our data confirms his model. Communications that target existing customers with the aim of improving loyalty or retention tend to have much smaller effects and these are short term. However, the most effective campaigns talk to everyone in the market. They talk to customers and non-customers; they increase penetration and loyalty.

Sharp argues that, in most cases, the target market is in fact *all buyers of the category*. **Markets are much less segmented than most marketers believe**, and successful niche brands (in the true sense of the word) are relatively rare.

So successful brands talk to all buyers of the category, customers and non-customers, on a regular basis. Most of these people have encountered the brand before at some point, so the main job is usually just to remind them about it, and to ensure that it has higher **'mental availability'** than its rivals.

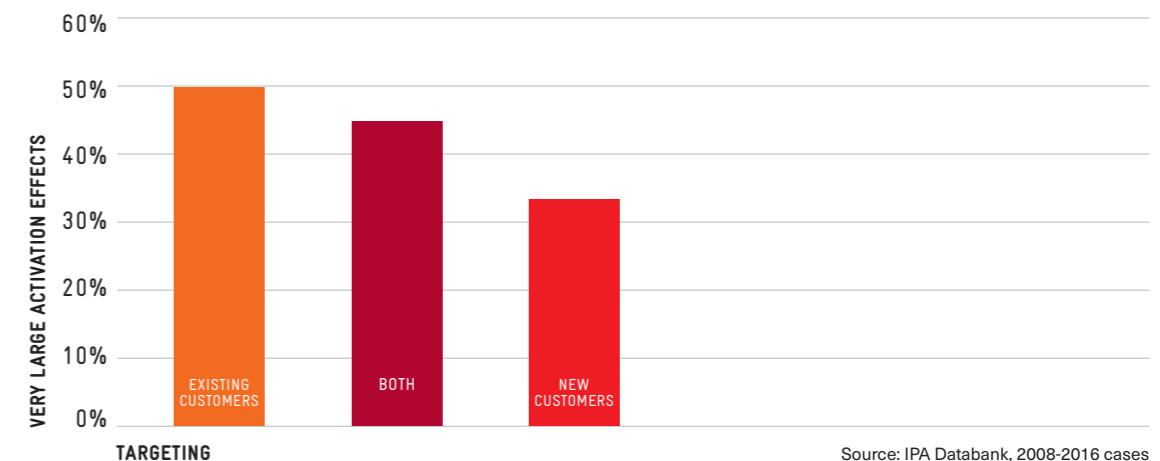
That means marketing really is a numbers game; the most successful brands tend to be those that have the most customers, and they tend to be the brands that talk to the most people in the market, most often.

¹⁸ In the data these cover a wide range of short-term responses: direct responses, immediate short-term sales, promotional uplifts, click-throughs etc.

There is, however, one area where focussing on existing customers does produce good results: activation. If you want immediate, short-term responses, then talking to people who already know you may be a good idea. The IPA data shows that, the more tightly focussed a campaign is on current users, the more likely it is to produce these 'activation' effects.¹⁸

It is easy to see why this is: existing customers are by definition already buyers of the category, they are more likely to notice communications from their brand, and they are already warm towards it. All of that makes them more likely to respond to offers, information about new products, etc. This is quite an efficient way to boost sales, but as we showed in *The Long and the Short of It*, the effects tend to be short term. **Long-term growth mostly comes from expanding the customer base.**

FOCUSING ON EXISTING CUSTOMERS IS GOOD FOR SALES ACTIVATION (FIGURE 16)



Source: IPA Databank, 2008-2016 cases

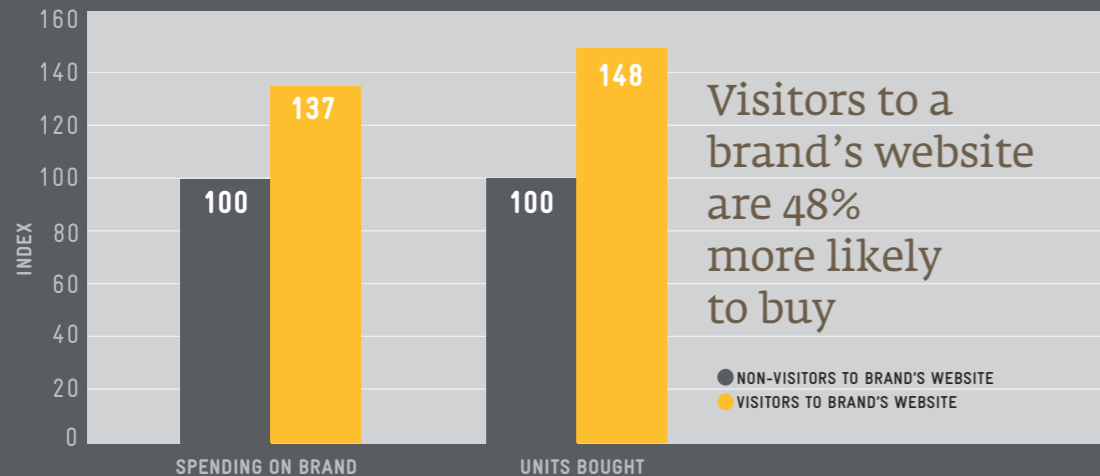
“ There is one area where focussing on existing customers does produce good results: activation.

ONLINE LOYALTY RESEARCH CAN BE MISLEADING

VIEW

At first sight, research can provide supportive evidence of loyalty effects online. Research regularly shows that people who interact with brands online are more likely to buy them, and tend to spend more. But is this proof that loyalty marketing works online?

For example, a report published in 2012 looked at the browsing habits of a panel of one million internet users in the US, and then compared them against their offline shopping behaviour, as measured by Dunnhumby. The researchers focussed on ten FMCG brands, and found that people who visited those brands' websites were more likely to buy them when they went to the supermarket. Not only that, they bought more units and spent more money:



Looking at this data, it is tempting to conclude that visiting a brand's website causes people to buy more of the brand, which looks like a sign of increased brand loyalty. And indeed led some to believe that this was good evidence of the effects of online marketing. Patrick Walsh of the Food Marketing Institute wrote: "Finally some tangible observations pointing to a return on our members' brand digital spend... looking forward to the next phase that adds social media as well!"

However, careful scrutiny of the figures included in the paper tells a different story. People who visit an FMCG brand's website tend to be heavy buyers of the category. They are not loyalists – quite the reverse; they are less brand loyal (as measured by share of category requirement). And they tend to spend less per unit, suggesting they are more price sensitive.

WEB VISITORS ARE LESS LOYAL

METRIC	VISITORS VERSUS NON-VISITORS
BRAND SPEND	+37%
BRAND UNITS	+48%
CATEGORY SPEND	+53%
CATEGORY UNITS	+58%
BRAND SHARE OF CATEGORY SPEND	-10%
BRAND SHARE OF CATEGORY UNITS	-06%
BRAND PRICE PER UNIT	-07%
CATEGORY PRICE PER UNIT	-03%
RELATIVE PRICE PAID FOR BRAND	-05%

The obvious explanation is that these people are deal hunters. Because they are heavy buyers of the category, it pays for them to shop around more. Imminent purchases prompt them to scour brand websites looking for low prices and special offers.

Correlation is not causation, as they say. Web visits do correlate with purchases, but the relationship is not necessarily causal. Students of advertising history will know of a previous incarnation of this mistake: the infamous Rosser Reeves fallacy, first debunked in 1961.* Would that digital marketers had learned from this...

Similar problems abound in social media research. People who visit a brand's social media sites tend to be much more brand loyal than other people. However, this does not mean that social media cause brand loyalty to increase. Quite the reverse: people engage with the brand on social media because they are already loyal.**

So some of the research that purports to show that online marketing increases brand loyalty (and has driven renewed interest in loyalty marketing) turns out to be flawed.

** For a fuller discussion of the problems associated with identifying causality in social media data, see *Measuring Not Counting – Evaluating Social Marketing Communications* by Ray Poynter, Fran Cassidy and Simeon Duckworth (IPA 2014).

* See 'Reality in Advertising', Reeves R, Knopf NY, 1961.

DATA-DRIVEN REAL-TIME MARKETING

Advocates of tight targeting might argue at this point that, in the era of Big Data, tight targeting does not have to mean targeting existing customers. These days online advertising is increasingly targeted at consumers whose digital trail reveals an intention to purchase *the category*, not usually just *the brand* being advertised. This theory asserts that it is better to target new customers only at the very moment when their digital trail suggests they are about to buy *imminently*. Surely this must be a better reincarnation of tight targeting than hammering away at existing customers?

The IPA data shows the growth of data-driven marketing. The proportion of 2014-16 case studies using Big Data is 42%, just over half of which used it to drive real-time marketing. But 7% of these real-timers were pure loyalty campaigns (and 20% included it as a primary objective), so there is some cause for concern here: this will be revisited in Part 6.

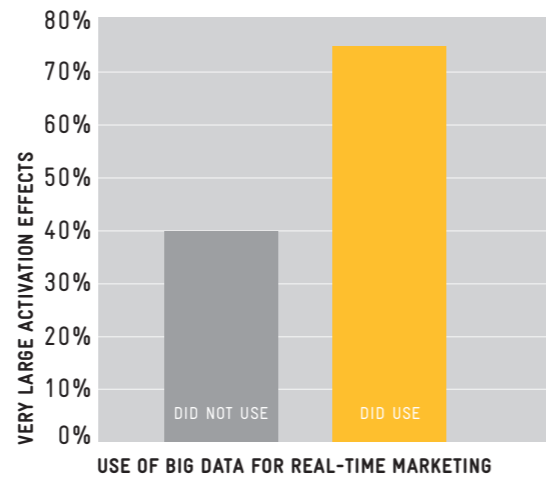
The argument runs that this is much less ‘wasteful’ than targeting new customers some time ahead of purchase, because they will not have time to forget the message. Of course this brings us back to the activation vs. brand-building debate. At this eleventh hour, rational messages – especially incentives – are needed to persuade a non-customer to try an unfamiliar brand. That is doubtless why numerous studies of digital advertising effectiveness confidently conclude that timely and relevant offers are the most effective advertising. They are right in one sense; at this stage in the buying process, those are the only kinds of message that will make people change their minds.

Emotional brand-building associations, however, are not so transient. They are much more likely to influence purchase months or even years after exposure and their impact on the appeal of the brand is also likely to be enduring. More importantly they bring broader benefits to the brand

than sales, especially improved price elasticity. So the notion of ‘waste’ is misplaced. Often overlooked, too, is the negative effect of a constant stream of ‘timely and relevant offers’ on the long-term esteem of the brand.

The latest IPA data¹⁹ can begin to illustrate the profound danger of using Big Data for real-time tight targeting. At first sight, the enormous leap in activation effects that Big Data can procure looks very seductive.

REAL-TIME TIGHT TARGETING IS GOOD FOR SALES ACTIVATION (FIGURE 17)



But **less seductive are the longer-term market share growth and price elasticity disadvantages that accompany such real-time marketing.**

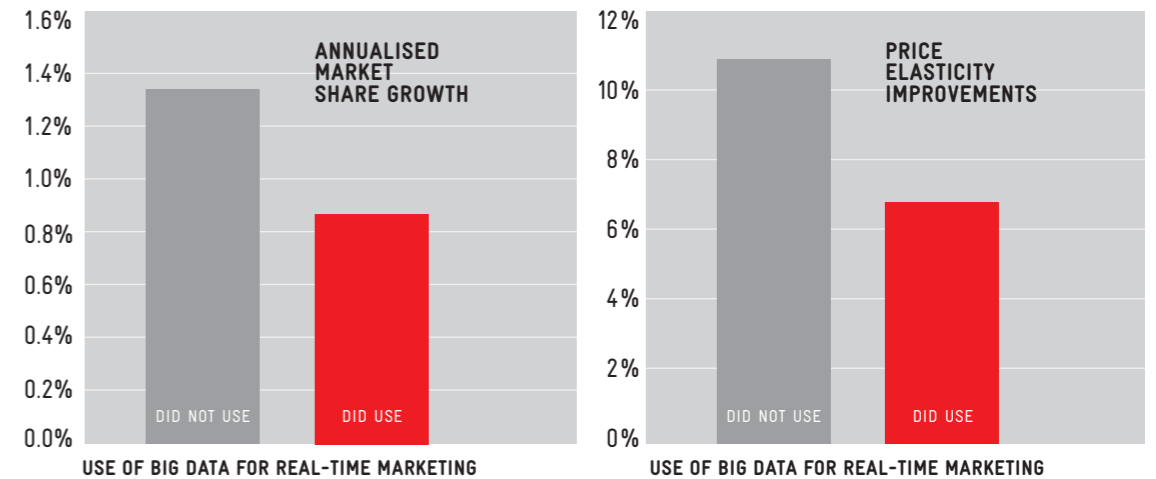
Sustained, brand-driven market share improvements are weakened by the diversion of budget into real-time sales activation and price elasticity improvements are undermined by the stream of *timely and relevant offers* (Fig 18 opposite).

So the theory that real-time data-driven marketing is superior to mass marketing is in many ways just as dangerous as loyalty marketing. Although the implication of these charts is that it *does* represent an improvement on simply targeting existing customers, it still results in the sacrifice of long-term growth on the altar of short-term effects.

19 Only available for 2014-16 cases.

20 See figure 7 earlier in this report.

THE LONG-TERM IMPACTS OF REAL-TIME MARKETING ARE LESS ATTRACTIVE (FIGURE 18)



Of course, Big Data does not have to be used in this way: other uses, such as for strategic brand insight generation, do not carry these potential downsides. Nor does it have to be used to generate sales activation opportunities – it could guide powerful brand-building opportunities, but it is rarely used this way. **We will return to the issue of Big Data in a later report in this series.**

Sadly, in the headlong rush for short-term results, Big Data users are forgetting that **the fundamental role of marketing is to make consumers want to buy their brands to such an extent that they don't have to discount them.** As we have already argued, the only proven way to achieve this is to build the brand in the minds of all potential customers well in advance of the moment of purchase: this means **broad, early targeting**. Hence the powerful correlation that still exists between reach and long-term effectiveness.²⁰

Consistent with this general conclusion, the IPA data shows that more targeted channels like DM, email or promotions have tended to produce relatively small effects. The biggest uplifts have all come from broad-reach advertising.

Of course, mass media are not appropriate for every brand. The aim should be to talk to all buyers (or indeed potential buyers) of the

category, not the population as a whole, and for some categories that may be a small, well-defined group of people. If you are selling swimming pools to wealthy people, or management consultancy to CEOs, TV advertising is unlikely to be the answer.

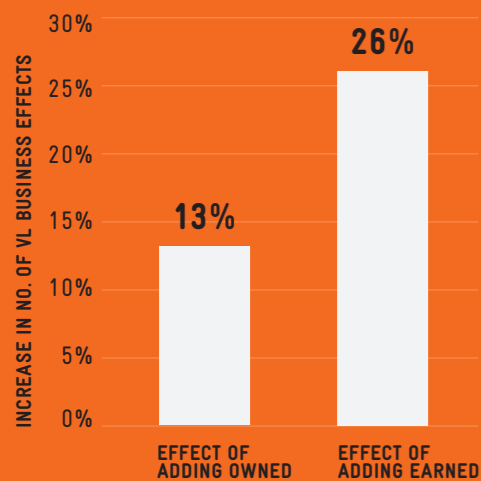
The arrival of online marketing has also challenged the notion of relying solely on paid media to build and maintain brands. Owned and earned media are now regarded as much more important elements in the marketing mix, with some suggesting that they may one day displace paid channels entirely. So where do they fit in?

“Owned and earned media are now regarded as much more important elements in the marketing mix, so where do they fit in?”

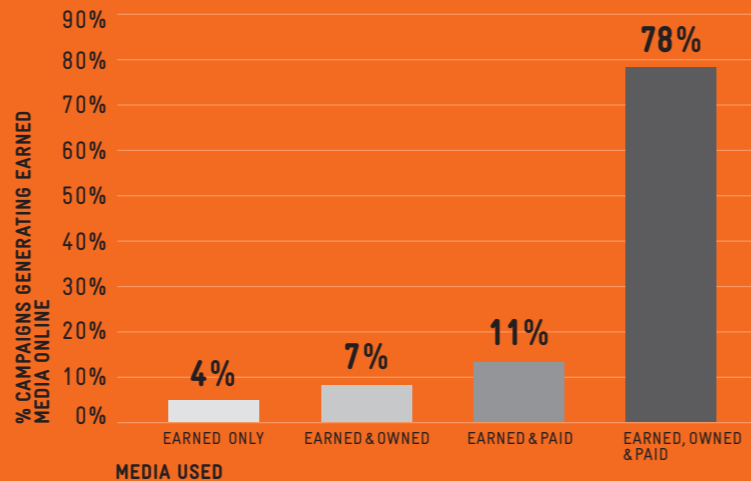
THE POE ONLINE MEDIA MODEL (FIGURE 19)

PAID	OWNED	EARNED
BANNERS & POP-UPS	WEBSITES & MICROSITES	COVERAGE IN ONLINE NEWS MEDIA
VIDEO ADS ON NEWS SITES	BRANDED APPS	CHATTER IN SOCIAL MEDIA AND OTHER FORUMS
PAID ADS WITHIN APPS	ONLINE GAMES	SHARING OF CONTENT VIA SOCIAL MEDIA
PRE-ROLLS ON YOUTUBE	BRAND'S SOCIAL MEDIA FEEDS	SHARING OF CONTENT VIA EMAIL
ADS IN FACEBOOK	CONTENTS ON BRAND'S WEBSITE	OTHER ONLINE WORD OF MOUTH, 'DARK SOCIAL' ETC.
NATIVE ADVERTISING	VIDEO HOSTED ON YOUTUBE	ETC.
PROMOTED TWEETS	ETC.	
EMAILS		
PAID ADS IN SEARCH		
ETC.		

OWNED & EARNED MEDIA AMPLIFY EFFECTIVENESS (FIGURE 20)



EARNED MEDIA SUCCESS ONLINE REQUIRES PAID AND OWNED MEDIA IN PLACE (FIGURE 21)



Sources: IPA Databank, 2014-2016 cases

IS UNPAID MAKING PAID MEDIA REDUNDANT?

The IPA data has shown that scale, particularly reach, is an important determinant of media effectiveness. Broadly speaking, **the more people you reach within your target market, the bigger the effects on sales and profit tend to be.** But paid media are not the only way to reach people; brands can also use owned and earned media.

These are not new phenomena. Brands have been exploiting owned assets for a very long time – shops, offices and packaging are owned media of a kind – and word of mouth is possibly the oldest medium of all. But the internet has expanded the range of owned and earned channels available (see opposite top), and has undoubtedly increased their importance.

It is now much easier for consumers to find out about, and often buy, brands directly from their owners. And it is far easier for people to share that information with their family and friends. This gives marketers new ways to promote their products and services without using paid media.

The IPA have been compiling comprehensive data on unpaid media since 2014, and this does indeed suggest that **owned and earned online media boost effectiveness significantly.**

The chart (opposite bottom left) shows that campaigns which include owned online media are 13% more likely to report very large business effects than those that don't. Within that, there is some indication that branded content (e.g. social media feeds or videos hosted online) is more effective than other owned assets (e.g. microsites or apps).²¹

Earned media appear to be even more powerful, boosting effectiveness by 26%. This fits with our previous findings about the power of fame to amplify effectiveness, since earned media are a major beneficiary of 'fame' campaigns.

The combination of owned and earned media is clearly very powerful, then, and to some marketers it suggests a new approach; don't waste money on expensive advertising media – just host great content online and let it 'go viral'.

This can work, but it's very rare. For every 'Gangnam Style' there are millions of bits of content that disappear without trace. Only 4% of IPA campaigns worked by pure viral transmission, (see chart opposite bottom right). The IPA data shows that **brands only tend to get significant levels of earned media online when they have both owned and paid media in place as well.** In other words, to get people talking and sharing, you need to provide great online content and you need to promote it with some kind of paid advertising.

“
To get people talking and sharing, you need to provide great online content and promote it with some kind of paid advertising.”

²¹ Although it should be noted that the IPA Databank focuses on online assets as a communications channel, it does not tend to look at transactional websites and apps, which presumably have much bigger effects.

CASE STUDY

JOHN LEWIS VIEWING FIGURES: ON AND OFFLINE

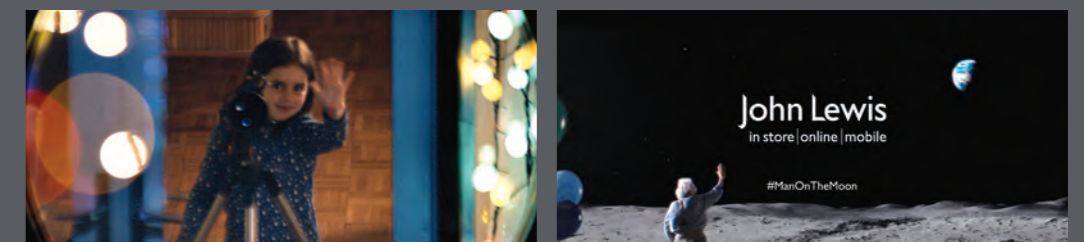
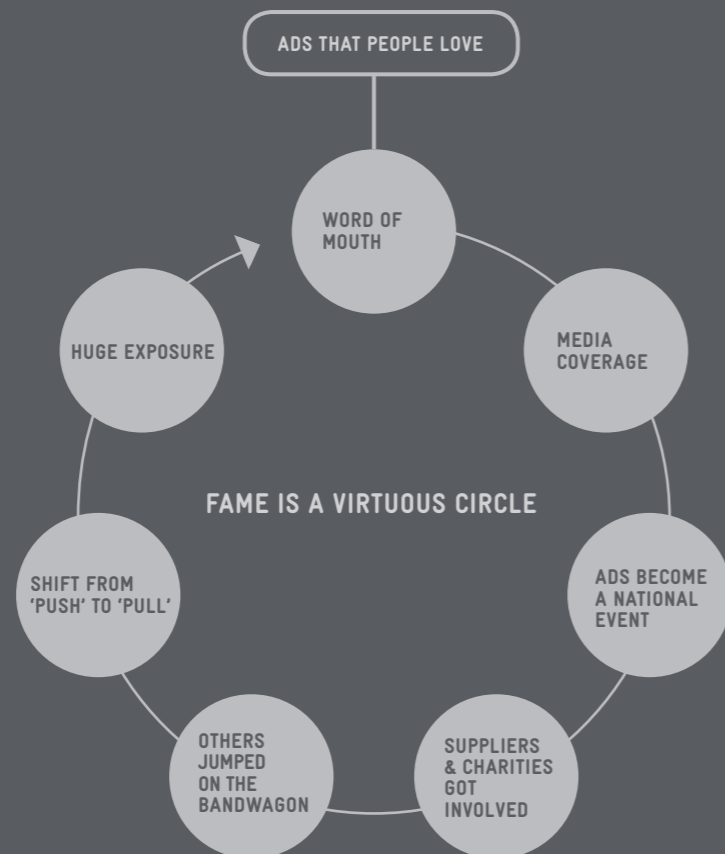
A good example of how paid, owned and earned media work together is the John Lewis case study, which won the Grand Prix at the 2016 IPA Awards as well as at the Cannes Creative Effectiveness Lions. In recent years, John Lewis's Christmas ads have been some of the most widely shared in the world, and online viewing figures have risen steadily.

XMAS	TV VIEWS	ONLINE VIEWS	TOTAL VIEWS	JOHN LEWIS SPEND	COST PER VIEW
2012	403m	3m	406m	£3.9m	1.0 pence
2013	426m	12m	437m	£4.6m	1.1 pence
2014	371m	29m	400m	£3.9m	1.0 pence
2015	1,175m	35m	1,210m	£4.1m	0.3 pence
TOTAL	2,375m	79m	2,453m	£16.5m	0.7 pence

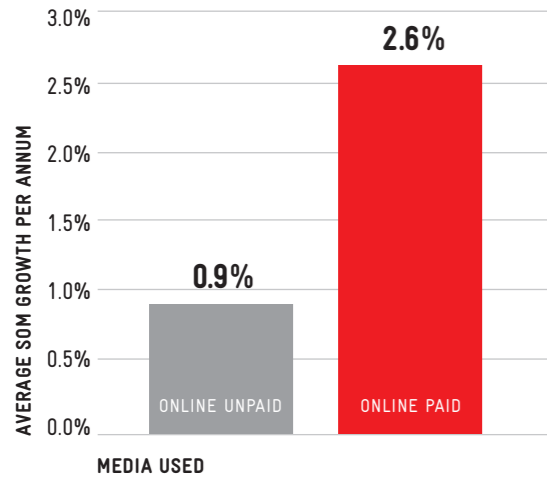
Between 2012 and 2015, John Lewis's Christmas ads got 79 million views online, an astonishing achievement (preliminary results suggest that the 2016 campaign has surpassed previous years). And by far the bulk of those online views were unpaid, a result of the huge interest that John Lewis's advertising has generated amongst the British public in recent years.

However, as the figures above show, this was not achieved by just letting the ads go viral. It was the result of creating consistently great creative content over several years and promoting it heavily through massive exposure in paid advertising media (in this case TV). In fact, online views only accounted for 3% of total exposure; the rest came from paid TV advertising.

The John Lewis paper argues that paid media help generate earned media, which then amplify the effect of paid media, creating a virtuous circle of rising fame and increasing effectiveness.



PAID ONLINE MEDIA ARE MUCH MORE EFFECTIVE THAN UNPAID (FIGURE 22)



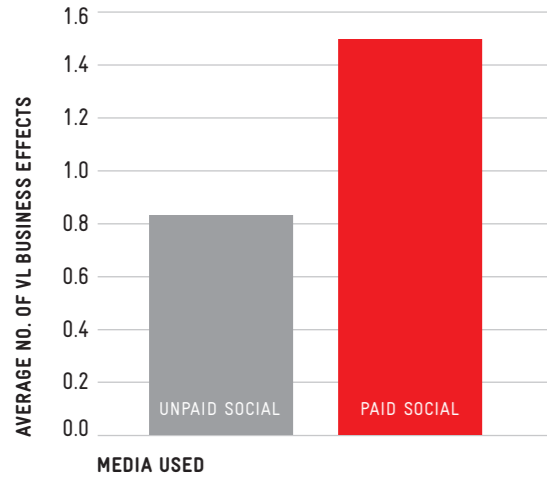
So, even within the online space, paid media tend to be more effective than unpaid. In particular, paid online advertising is much better at driving the top-line market share growth that is so crucial to profit.

This is as true of social media as it is of other online marketing. At one time, social was mainly seen as an unpaid channel, a forum for brands to display owned content and generate earned buzz. But these days, even Facebook has realised that social is best seen as an advertising medium,²² and that reach is king.

According to the IPA Databank, **paid advertising in social is twice as effective as unpaid.**²³

²² Reach Matters: Driving Business Results at Scale' Facebook IQ white paper, June 2016.
²³ 'Unpaid' social involves no paid media. There are often substantial costs involved with curating and hosting content, but these do not involve paid advertising.

PAID SOCIAL MEDIA ARE MUCH MORE EFFECTIVE THAN UNPAID (FIGURE 23)



Because owned and earned media have made the process of marketing more efficient, this has led many in marketing to question the importance of budgets. Are budgets still as important as they used to be? In theory, the relationship between market share growth and share of voice might have weakened over time, for two main reasons.

Firstly, brand owners are no longer quite so reliant on paid media to reach the public. And indeed many successful online brands established themselves without it: think of Google, Facebook, Amazon or Uber.²⁴

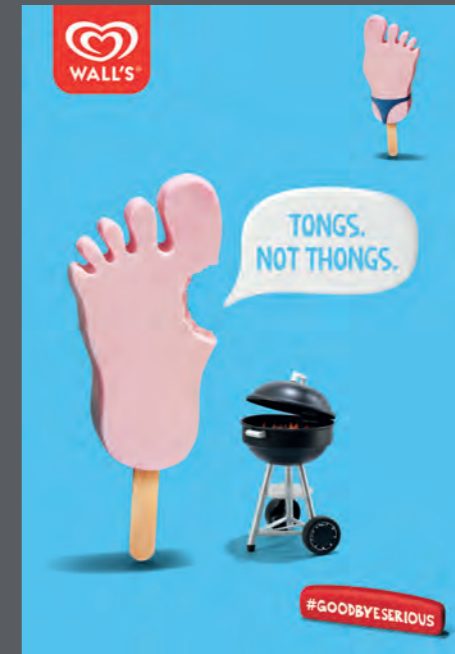
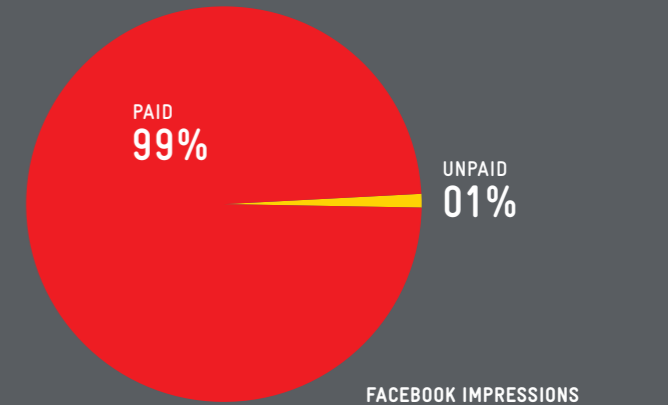
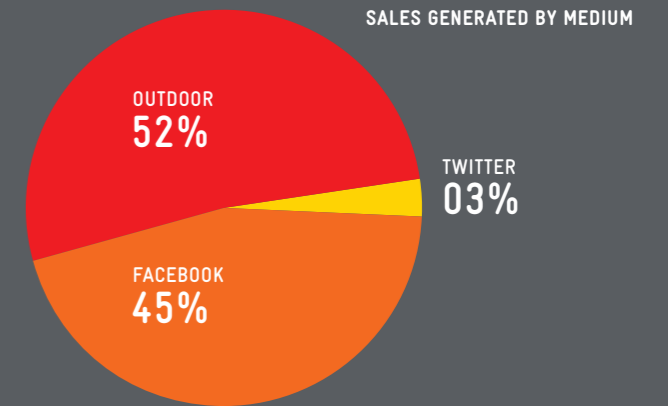
Secondly, an increasing proportion of the money they do spend is not yet audited.²⁵ This matters, because share of voice can usually only be measured using audited media spends, as this is the only way to track what the competition are spending. Media auditors such as Nielsen do try to measure online adspend, but it is extraordinarily difficult, and it is widely acknowledged that they only capture a fraction of what clients are spending online. This means that share of voice figures are inevitably skewed towards traditional advertising media.

²⁴ Although all these brands are now advertising extensively in traditional media.
²⁵ Though hopefully things are about to start changing here.

CASE STUDY WALL'S ICE CREAM SOCIAL MEDIA IN ACTION

Again, a case study from the 2016 IPA Awards provides a good example. Wall's Ice Cream used social media (together with outdoor) to promote its "Classics" ice cream range.

As the pie chart shows, social media were an important driver of sales, accounting for nearly half of the revenue generated. But, as shown below, organic and viral exposure played very little part in that success, despite Unilever's best efforts. 99% of the effect of social came from paid advertising.



SHARE OF VOICE MATTERS MORE THAN EVER (FIGURE 24)

	AVERAGE ESOV EFFICIENCY (% POINTS SOM PER 10% POINTS ESOV)	% ANNUAL SOM GROWTH EXPLAINED BY ESOV (R-SQUARED)
1998-2006	0.6	6%
2008-2016	0.6	12%

Source: IPA Databank

Yet our analysis shows that share of voice is as important as ever to market share growth. In fact, the correlation between the two has grown tighter over time,²⁶ not weaker.

At first sight, this seems counterintuitive. Surely advertising budgets matter less now, not more? However, there is a possible explanation.

Our previous research suggested that online channels amplify the effects of offline media more than they compete with them, and indeed, our new research tends to confirm this.

How does this amplification work? These days, if someone sees a TV ad that interests them, they can reach for their phone, Google it, and watch it again on YouTube. Or maybe they'll use Shazam to identify the soundtrack, and add it to their Spotify library. Perhaps they'll share some of this on Facebook. And sooner or later, they may end up clicking through to the brand's website, and may end up buying something online.

All of this online activity serves to extend and amplify the impact of the original TV ad, and link it through to sales. In the digital age, every ad has a direct response mechanism – it's usually in the consumer's pocket.

If online channels amplify the effects of offline advertising, then offline advertising matters *more*, not less. Brands like John Lewis, which have a big offline presence, get huge attention online, with correspondingly big sales results.

We believe that this is an important lesson that many brand owners need to learn.

Too many firms have used the digital revolution as an excuse to cut budgets, and later on we will show how this has hurt their performance.

The reality is that **budgets matter more now, not less.**

²⁶ We first identified the rising importance of SOV in *The Long and the Short of It*, and the trend has continued since then.

²⁷ This ratio almost certainly varies by category, and may vary by market too.

²⁸ See Section 6.

“The **60:40** rule is alive and well.”

ARE ACTIVATION STRATEGIES NOW THE BEST WAY TO DRIVE GROWTH RATHER THAN BRAND-BUILDING ONES?

Budgets matter a lot, but so does the way in which those budgets are allocated. In *The Long and the Short of It*, we found that the balance between brand building and sales activation was an important determinant of effectiveness.

Brand and activation work in synergy. Firms that spend too little on brand building fail to build up brand equity, and so get poor responses from their activation. Firms that spend too little on activation can build strong brands yet fail to exploit them to the full. Our analysis suggested that the **optimum balance is achieved when firms spend around 60% on brand, and around 40% on activation.**²⁷

But does the 60:40 rule still hold true? Much online marketing is focussed on activation, rather than brand, and some have suggested that the digital revolution has made brands less important. Surely in a world where people have almost perfect information about products and services at their fingertips, the argument goes, they no longer need to rely on brands to help them choose?

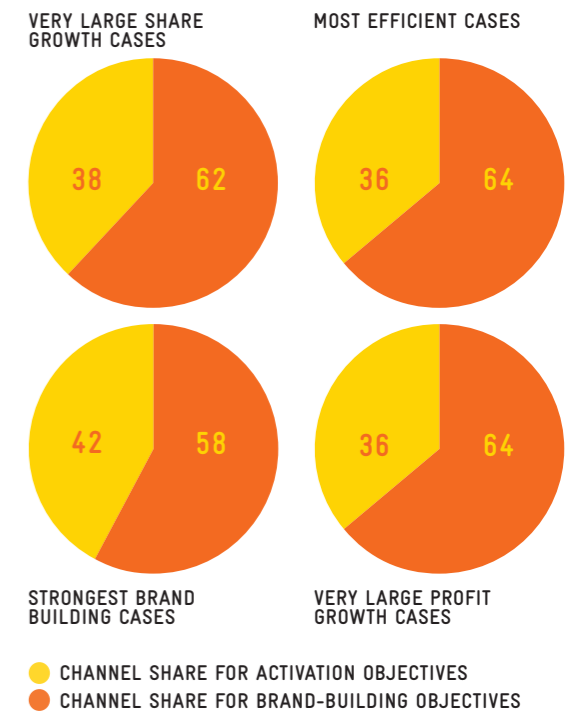
Later,²⁸ we will show evidence to suggest that marketers are indeed choosing to ignore this ratio, with the balance between brand building and activation shifting. But how wise is it to disregard this established best practice?

To answer that question, we looked at the latest crop of IPA cases, cutting the data in a new way. Until now, we have had to assess the balance between brand and activation based on the media used. For instance, TV was assumed to be brand, DM was assumed to be activation. This is not perfect – it ignores the activation role of DRTV, for instance – but it was the best that could be done with the data. However, the 2016

questionnaire explicitly asked IPA authors to split their budgets into brand and activation, medium by medium, and this has given us a much more accurate measure of the mix.

The pie charts below look at the brand/activation budget split for some of the most effective and efficient campaigns of 2016. The first shows the allocation for campaigns with strong market share growth. As you can see, the budget split is roughly 60:40. The second shows campaigns with high share of voice efficiency. Again the split is roughly 60:40. Campaigns that performed well on intermediate brand metrics, like brand awareness and image, also favoured a 60:40 split. And so did the campaigns with the biggest financial paybacks.

THE 60:40 RULE STILL APPLIES (FIGURE 25)



In other words, however you look at it, **the 60:40 rule is alive and well.**

Source: IPA Databank, 2016 cases

Not only does the new data suggest that best success depends on sticking to the 60:40 rule, it also reveals the penalties for not doing so. The chart (opposite top) shows how deviation either side of this optimum point results in quite marked reductions in long-term effectiveness.

As you will see in Part 6 of this report, an increasing number of brand owners seem to be deviating from the rule, and suffering as a result. Spend seems to be shifting from long-term brand building to short-term activation, and this seems to be compromising effectiveness for many brands.

The fact is, brands matter more than ever online. In the blizzard of information and options available, consumers still use them to aid their decision-making. Now that the internet has removed many other barriers to entry, strong brands are often the only way firms can defend their share of the market.

Although the relative importance of brand and activation has not changed, the resources available to marketers to do those two jobs has. New technology has given businesses new ways to build brands, and new ways to monetise them.

The activation potential of digital channels is widely recognised. Big data allows firms to target potential customers with greater precision than ever. The internet is a perfect channel for delivering information on products and prices, and combined with mobile it can dramatically shorten the customer journey. With one-click ordering, and a smartphone in every pocket, activation has never been more efficient.²⁹

The brand-building potential of online channels is perhaps less well understood. In a world where traditional offline media are getting less time and attention, online media are crucial if brand owners are to maximise reach, especially amongst younger audiences. Indeed, one under-appreciated benefit of programmatic buying and related techniques is that they allow advertisers to

build reach and cap frequency, in a way that was difficult with traditional advertising media.

Online marketing can be emotional too – people regularly report crying after watching the John Lewis ads on YouTube, for instance. And these emotional ripples can travel further and faster than ever, now that people can share them online. The chart (opposite bottom) maps out the relative strengths of different media for brand building and sales activation.

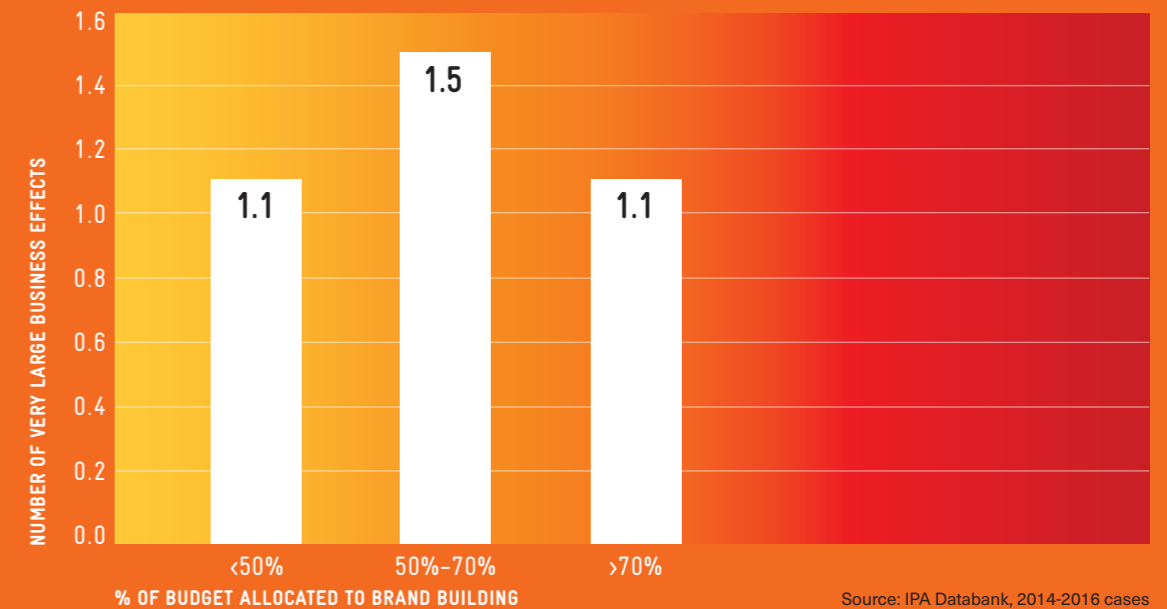
There is a clear trade-off between brand and activation effects. Channels that are good at one tend to be less good at the other. At one end we have inserts, email and search, which are skewed towards activation. These tends to be targeted, rational (often with a price message), and usually include a mechanism that allows to recipient to respond or buy.

At the other end, we have sponsorship, which is a fairly pure example of brand building. It's hard to get specific product messages across through sponsorship – it's more about building mental associations. Targeting is usually category-wide at best, and there is no direct link to sales.

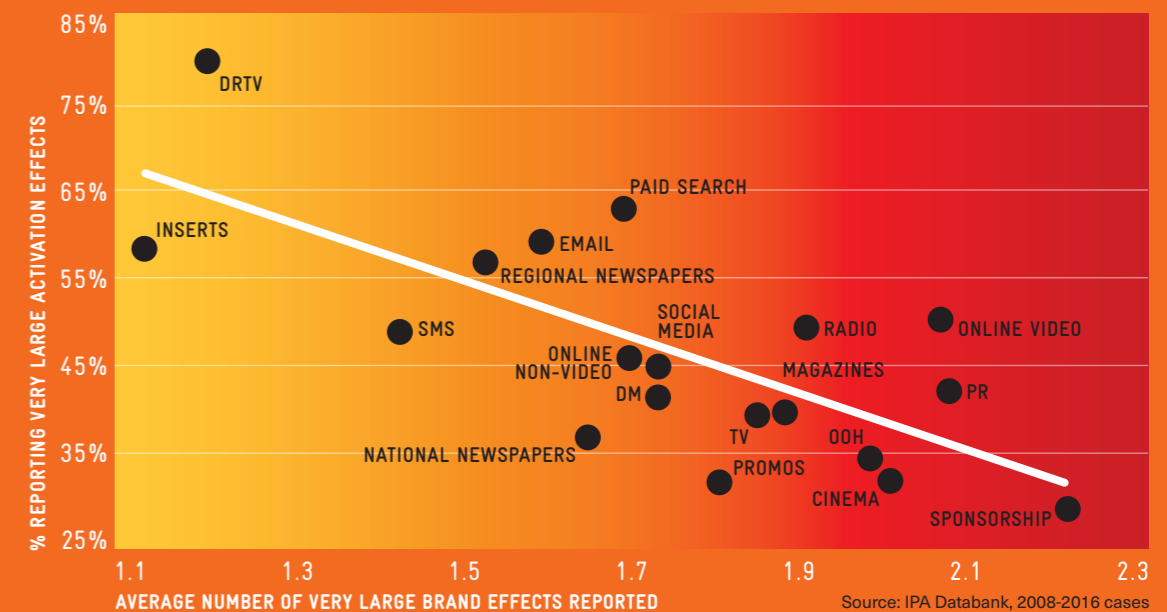
But note that **it is perfectly possible to use online media for brand building.** Online video comes out as a highly effective medium for brand building, for instance. And traditional media can be great for activation, with DRTV producing some of the biggest direct effects of all, as we will see in Part 6.

²⁹ Though it should be remembered, however, that online sales account for only around 15% of UK retail sales: most purchasing still involves bricks and mortar outlets. Source: Office for National Statistics, UK, Feb 2017

EFFECTIVENESS FALLS AWAY SHARPLY AS THE BRAND:ACTIVATION RATIO DIVERGES FROM OPTIMUM (FIGURE 26)



THE TRADE-OFF BETWEEN BRAND AND ACTIVATION EFFECTS ACROSS CHANNELS (FIGURE 27)



SUMMARY THOUGHTS FROM SECTION 4.0

01 Marketing is still primarily a numbers game. The main way brands grow is still by increasing penetration, not loyalty.

02 Campaigns that target existing customers tend to under perform, except for short-term activation.

03 The most effective campaigns talk to all users of the category, customers and non-customers alike.

04 These broad-reach campaigns are particularly effective for driving market share growth, which is in turn a key driver of profit.

05 Media effectiveness is thus primarily driven by reach, with dwell time as a secondary factor.

06 Owned and earned media can amplify the effects of marketing, but mass reach still requires paid advertising in most cases.

07 So budgets still matter, and share of voice is as important as ever.

08 The 60:40 rule still holds. Effectiveness is maximised when 60% of the budget is spent on brand-building and 40% is spent on sales activation. Note that it is perfectly possible to use online media for brand building, and in the context of the 60:40 rule it is desirable that they are increasingly used in this way.

09 For firms that invest at the right level, and balance short and long-term objectives, mass marketing is working better than ever.

10 Firms that cut brand budgets and try to rely on short-term activation only will continue to under-perform.

5.0 HOW MEDIA WORK TODAY

Much has been written about how the changing media landscape has made older channels redundant and, in effectiveness terms, propelled new ones into pole position. But, as we have argued, some of the assumptions and arguments underlying these opinions are questionable.

In this section, we examine the most recent IPA data to explore what has really changed.

“TV increases overall business effectiveness by around 40%”

TV ADVERTISING

Advertisers continue to spend heavily on video, because that is the medium that people spend most time with, and they still devote the bulk of their budget to TV, because TV still accounts for most viewing. But there is another reason why they use TV: because it works.

As we showed earlier, TV has historically been the medium with the biggest effects on hard business metrics like sales and profit. But the extraordinary changes in media habits over the last ten years or so have led many to question whether TV can still deliver.

The IPA data allows us to measure the effectiveness of TV in recent years. The chart below shows IPA data from 2008 to 2016, the era of smartphones, social media and online video. In the chart, we have compared our standard metric of overall effectiveness (the number of ‘very large’ business effects) for campaigns that used TV against those that didn’t.

As you can see, campaigns that use TV in the Web 2.0 era are significantly³⁰ more effective than those that do not. In fact, the data suggests that **TV increases overall business effectiveness by around 40%**.

The IPA data shows that **TV advertising has a particularly strong effect on market share.** Brands that use TV tend to gain market share around twice as fast as brands that do not, and again the difference is highly significant.³¹ This is not just a budget effect. Share of voice analysis shows that campaigns that used TV produce much bigger market share gains for a given level of share of voice.

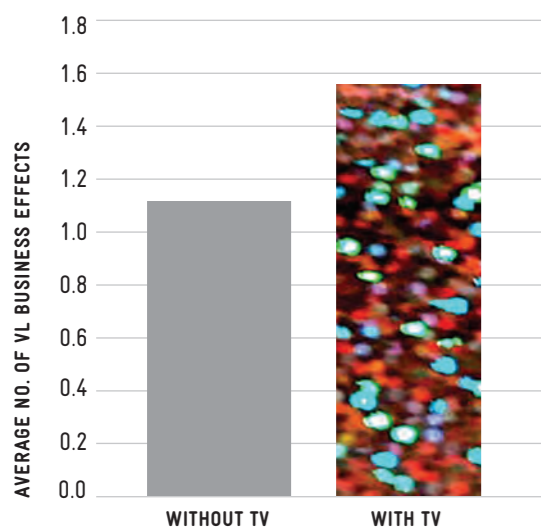
According to the IPA data, TV is still much the best medium for driving market share, and this matters because (as we will see in Part 6) market share is the most important business metric as far as profit is concerned. The chart below shows the effects of different kinds of TV advertising on market share.³² It shows that brand TV advertising still produces the biggest effects, followed by DRTV, followed by sponsorship:

³⁰ Difference statistically significant at 95% confidence level.

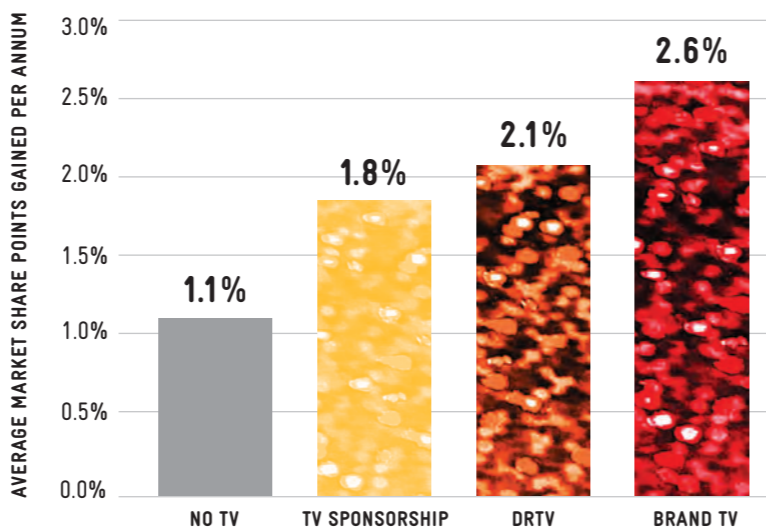
³¹ Difference statistically significant at 99% confidence level.

³² Separate data on DRTV, TV sponsorship and TV spot ads is only available from 2012 onwards.

TV IS STILL HIGHLY EFFECTIVE (FIGURE 28)



TV IS BEST FOR MARKET SHARE GROWTH (FIGURE 29)



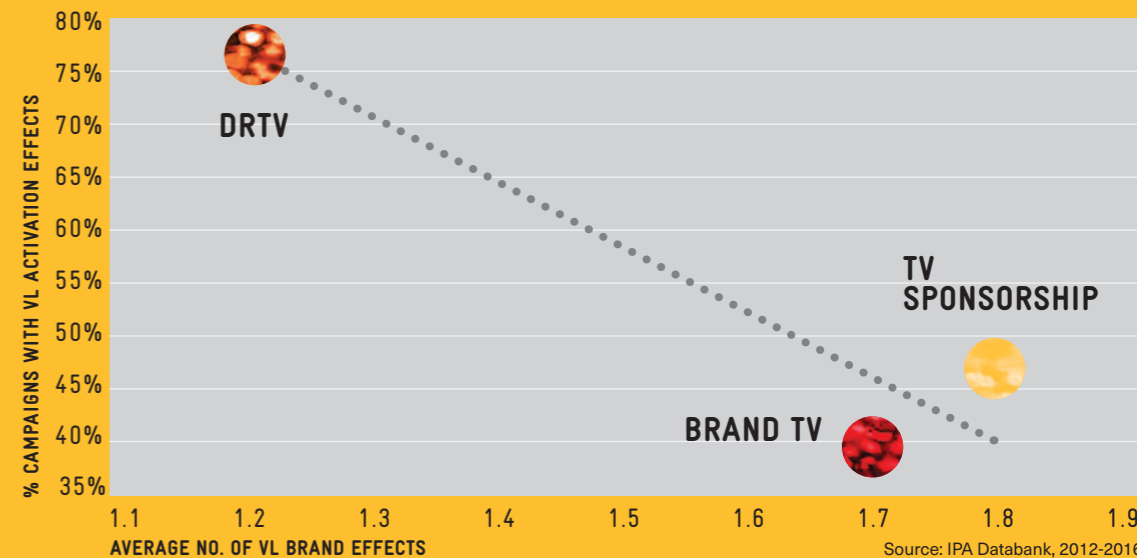
Sources: IPA Databank, 2008-2016

The differences observed opposite do probably reflect budgets to some extent, but the chart below shows that different kinds of TV advertising do have different kinds of effects as well. DRTV is a highly effective activation medium, but not so good for building brands. Brand TV and sponsorships are much better for brand building, but have smaller activation effects.

biggest players being Netflix, Amazon Prime and iTunes. These channels offer films and TV shows on demand, either for a fixed fee, or on a pay-as-you-go basis.

The Touchpoints data shows that subscriber VoD is still relatively small. In 2016, it only accounted for 4% of total video hours, much less than most people in advertising would

THE TRADE-OFF BETWEEN BRAND BUILDING AND ACTIVATION EFFECTS ACROSS TV FORMATS (FIGURE 30)



VIDEO ON DEMAND

Although video on demand (VoD) is delivered via the internet, the distinction between VoD and TV is becoming increasingly blurred. Although viewers may realise that the content is delivered through their broadband connection when prompted, they probably regard channels like the ITV Hub³³ and Netflix as ‘TV’ most of the time.

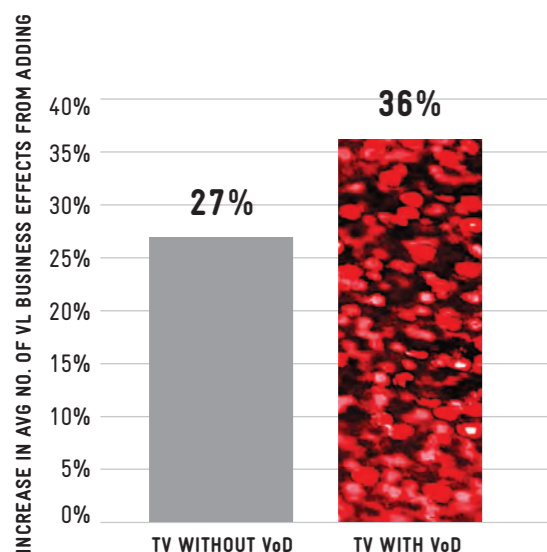
Some VoD viewing undoubtedly replaces live TV, but not all. In many ways, VoD is more like playback TV or DVD, and it seems likely that some of the time people now spend watching VoD has replaced those media. Just over half of all VoD is paid for, the

probably expect. As yet, the rise of subscriber VoD has not significantly dented viewing figures for conventional broadcast TV. But it is more important for younger viewers, and it is growing fast, so it may eventually pose a threat. And because it carries no advertising, it could reduce TV ad effectiveness, although there is no sign of that at present.

Another reason why VoD has not hurt broadcasters much yet is that they have been exploiting it themselves. Just under half of all VoD viewing is broadcaster VoD services, like the ITV Hub and 4oD, or ‘catch-up TV’ as they are sometimes known. Unlike subscriber VoD, broadcaster VoD does carry advertising. Although the audiences

³³ Formerly ITV Player.

BROADCASTER VoD MAKES TV MORE EFFECTIVE (FIGURE 31)



tend to be smaller than for live TV, catch-up TV does have two advantages. It delivers extra reach, and the audience tend to be paying close attention, since they have quite deliberately chosen to watch this particular programme above all others. And, unlike playback TV, they can't skip the ads.

The IPA data suggests that broadcaster VoD is indeed a very useful addition to the TV schedule. Sample sizes are smaller here, but the data suggests that campaigns that include catch-up TV tend to be more effective than those that don't, perhaps as much as a third more. Given the relatively small percentage of the TV budget that usually goes to this channel, this suggests that **VoD is an efficient way to amplify TV effectiveness.**

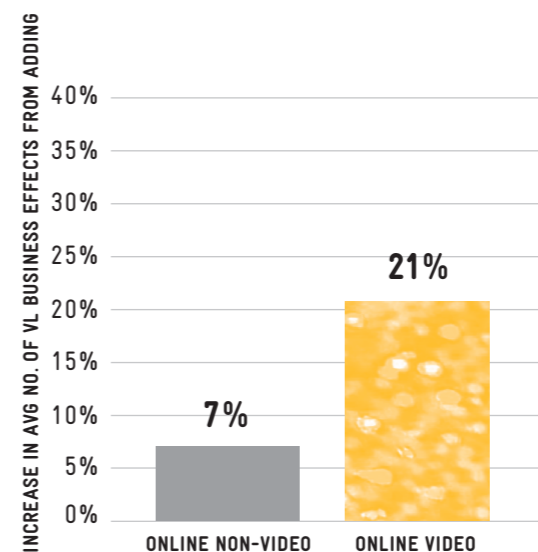
ONLINE VIDEO

Strictly speaking, VoD is delivered online, but when people talk about 'online video', they usually mean video that is accessed via the web or social media, and we will stick with this terminology. The two biggest players in this space are YouTube and Facebook, but there is a very long tail, all the way down to videos hosted on individual brand websites. Online video took a great leap forward with the launch of YouTube in 2005, and has grown hand-in-hand with the rise of social, smartphones, and high-bandwidth connections. Online video allows brands to advertise either through paid spots (e.g. pre-rolls on YouTube, suggested posts on Facebook) or through owned video content (e.g. videos hosted on YouTube, on social, or on a brand's own website).

The IPA data shows that **campaigns that include online video in the mix tend to be more effective** than those that don't. Indeed, **online video seems to be more effective than other forms of online display.** It seems that, as in the offline world, video advertising has much more impact than non-video formats. And as we saw earlier, **online video is particularly good for brand building**, just as TV is in the offline world.

“
The most effective campaigns use TV and online video together.

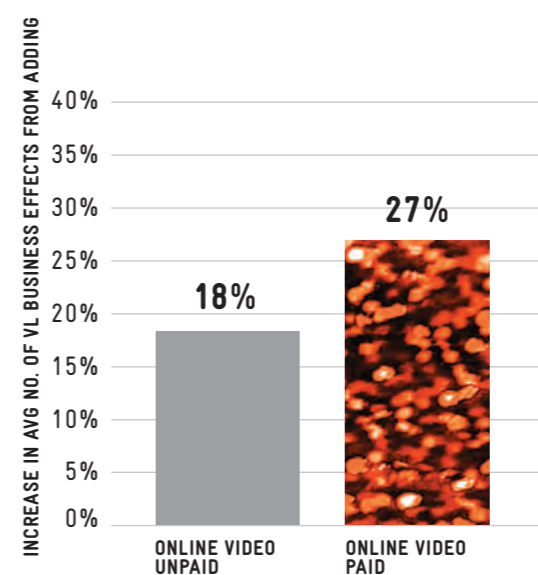
VIDEO IS MORE EFFECTIVE THAN OTHER ONLINE DISPLAY (FIGURE 32)



The John Lewis case study shows that **online video can work well as an earned amplifier**, but, for most brands, it is hard to get sufficient scale this way. The IPA data shows that **brands that use online video as a paid advertising medium tend to do much better.** In particular, the IPA data suggests that this is significantly³⁴ more likely to result in very large increases in profit.

³⁴ Statistically significant at 95% confidence level.

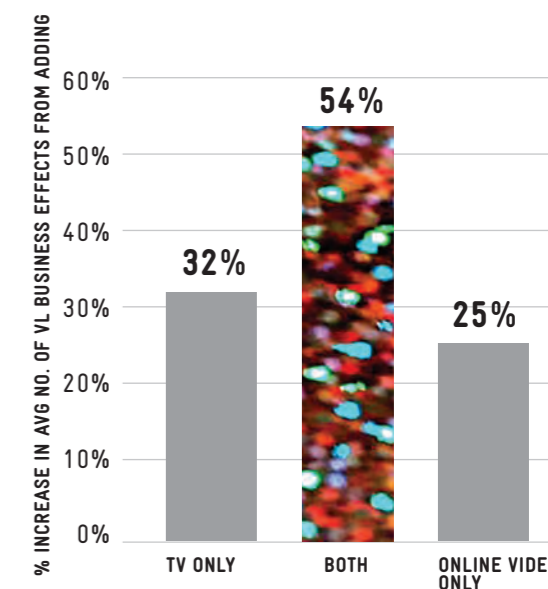
ONLINE VIDEO WORKS BEST AS A PAID MEDIUM (FIGURE 33)



THE SYNERGY BETWEEN TV AND ONLINE VIDEO

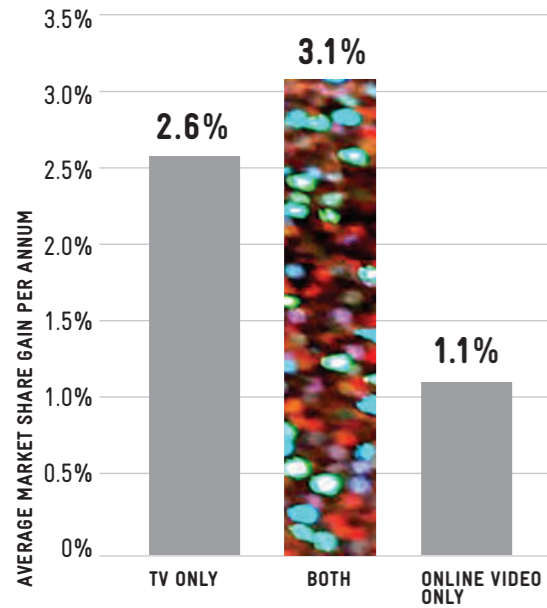
As we have seen, TV continues to work well, while online video gives advertisers a new way to present brand content to their audiences. Both tools are highly effective, but the IPA data shows that **the most effective campaigns use TV and online video together.**

TV AND ONLINE VIDEO WORK IN SYNERGY (FIGURE 34)



The fact that online video achieves impressive business results on relatively small budgets suggests that it is highly *efficient*. Though it should be pointed out that this finding is still based on a small number of cases and they are mostly not true mass-market brands. We are not suggesting here that online video is almost as effective as TV in the *general case*. The huge scale that can be achieved with TV makes it highly *effective*, as can be seen by the effects on market share.

TV'S SCALE MAKES IT A HIGHLY EFFECTIVE VIDEO CHANNEL (FIGURE 35)



So **there are clear synergies between TV and online video**. TV gets mass reach, and gets people talking. Online extends reach to light TV viewers (especially younger ones), and allows them to see what everyone is talking about. And the ease with which online video can be shared takes it further, faster. **Again, the John Lewis case study is a good example. By using TV and online video in synergy, they achieved a profit ROMI of 8:1.**³⁵

In 2007, in *Marketing in the Era of Accountability*, we observed that TV had become more effective over time. We posited two main reasons for this. Firstly, TV costs per thousand had fallen substantially in real terms over the years, as the TV market had become more competitive. Secondly, we speculated that the rise of the internet had increased TV effectiveness, by providing viewers with an easy way to respond to TV ads. Campaigns that used TV and online advertising together were particularly effective, suggesting that there might be a natural synergy between TV and online.

The latest IPA data is entirely consistent with this theory. **As internet usage has increased, the effectiveness of TV has increased further, and is now at an all-time high.**

The synergies between TV and online video have undoubtedly contributed to this shift, but as we will see, similar patterns occur to a lesser extent with other media. Far from killing mass advertising, the internet seems to be making it work even better.

PRESS ADVERTISING

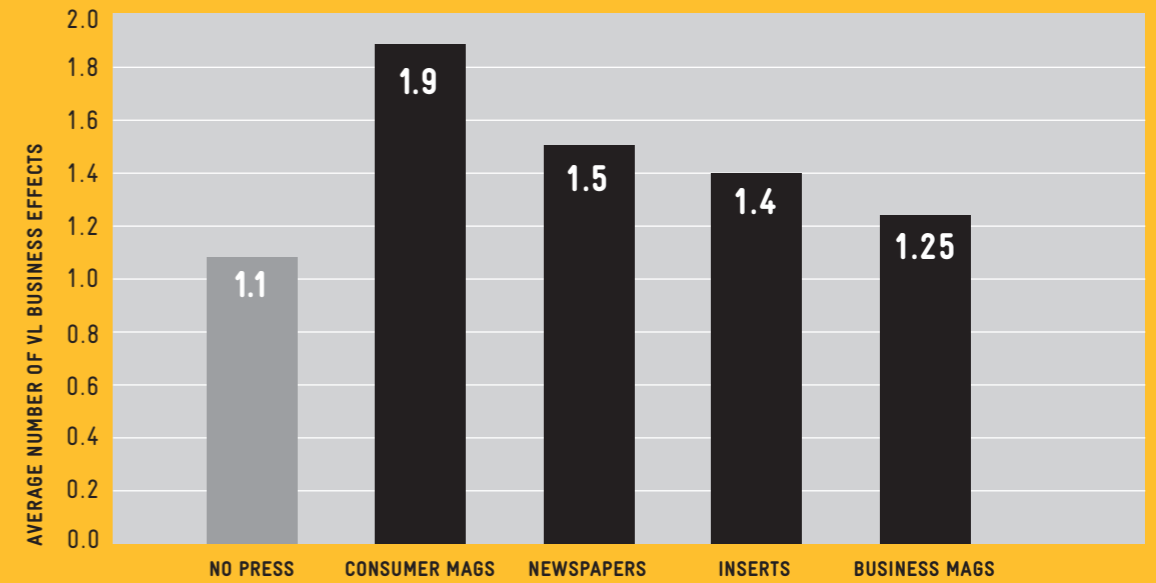
Press advertising might seem a particularly antiquated medium in these digital times. We all know that newspaper circulations are in long-term decline, and that people increasingly get their news online. However, the IPA data shows that press advertising still works. Campaigns that include press in the schedule tend to be more effective than those that don't, and share of voice analysis confirms this is not a mere budget effect – campaigns that use press are more efficient too.³⁶

³⁵ And the latest unpublished econometric modelling shows that ROMI has risen to 10:1.

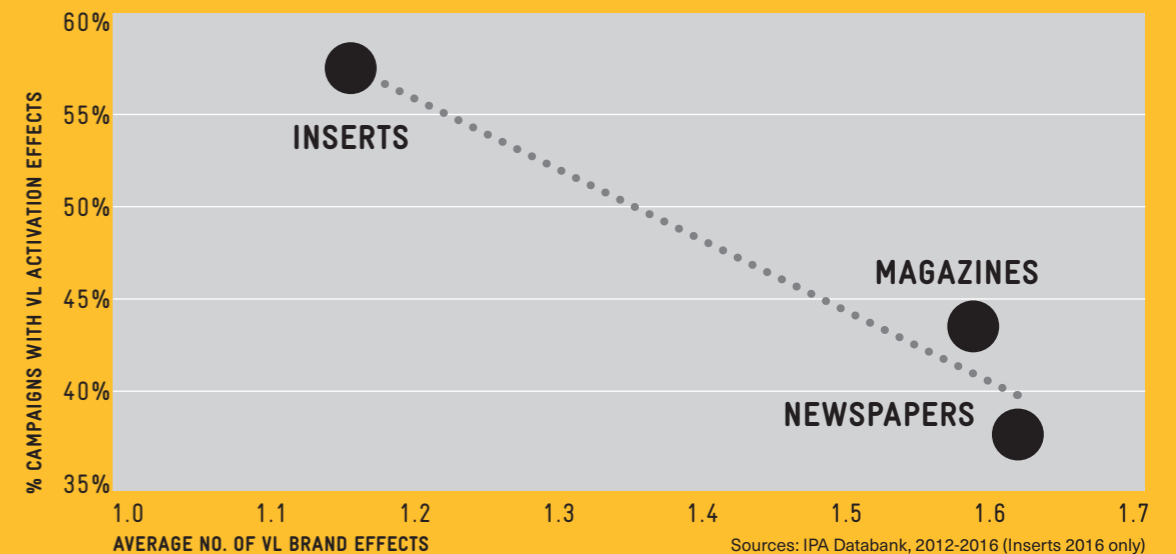
³⁶ Effect significant at 99% confidence level.

“Inserts are good for activation, while advertising in newspapers and magazines is better for brand building.”

PRESS IS STILL AN EFFECTIVE MEDIUM (FIGURE 37)



THE TRADE-OFF BETWEEN BRAND BUILDING AND ACTIVATION ACROSS DIFFERENT PRESS CHANNELS (FIGURE 38)

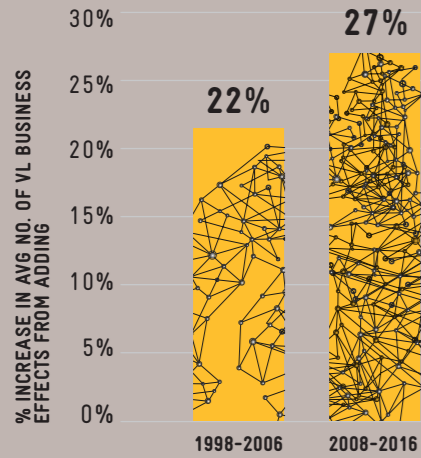


All types of press appear to be effective, but **consumer magazines seem to produce surprisingly big effects, given their share of the budget**. As with TV, different kinds of press

advertising yield different kinds of effect. Unsurprisingly, inserts are good for activation, while advertising in newspapers and magazines is better for brand building.

Sources: IPA Databank, 2012-2016 (Inserts 2016 only)

PRESS HAS ALSO BECOME MORE EFFECTIVE AS INTERNET USAGE HAS GROWN (FIGURE 39)

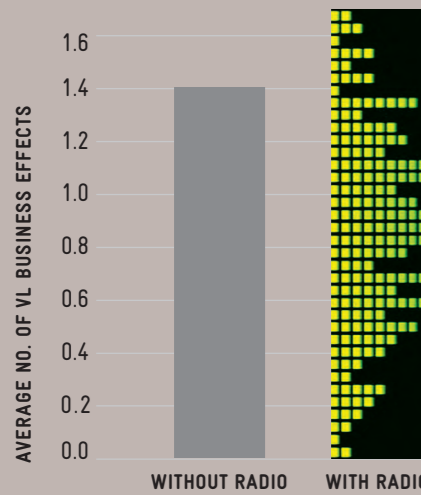


As with TV, the IPA data shows that **press advertising has become more effective over the last 10 years**. The increase is less pronounced than it is for TV but, given what has happened to circulation levels, one might have expected effectiveness to have actually fallen.

We suspect that the dynamics are probably similar to those for TV. Just as catch-up TV enhances the effect of traditional broadcast, online editions of newspapers and magazines boost the effect of press.³⁷ Social media amplify the reach of press, just as they do for TV ads. And search creates a direct response mechanism for press, just as it does for TV.

³⁷ 'Press advertising' includes significant amounts of advertising in online editions in the IPA Database in recent years.

RADIO ADVERTISING IS STILL EFFECTIVE (FIGURE 40)



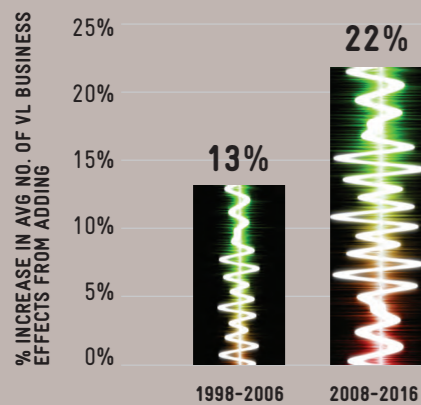
RADIO ADVERTISING

Radio listening has held up well over the last decade, with mobile and online streaming extending the reach of the medium. So it's perhaps not surprising to find that **radio is still an effective advertising medium**, with campaigns that use it producing better results.

Once again, share of voice analysis shows that this is not just a budget effect. Radio significantly increases SOV efficiency,³⁸ making budgets work harder.

³⁸ Effect statistically significant at 99% confidence level.

RADIO HAS ALSO BECOME MORE EFFECTIVE AS INTERNET USAGE HAS GROWN (FIGURE 41)



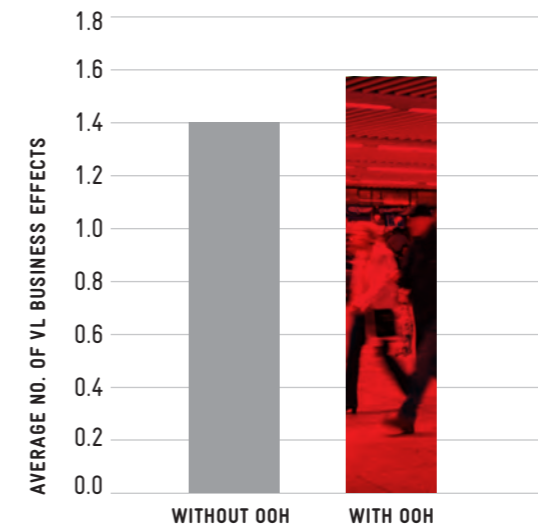
As with press and TV, the effects of radio have grown over time. Early on in the digital revolution, research showed that radio worked well with online, because people often had it on in the background while they used their computers. The chart below suggests that this synergy continues to benefit the medium.

Sources: IPA Databank

OUT OF HOME ADVERTISING

TV, press and radio have all continued to deliver good results over the last ten years. The effects of out of home (OOH) have been more modest over that period.

THE EFFECTS OF OOH HAVE BEEN MODEST OVER THE LAST DECADE (FIGURE 42)

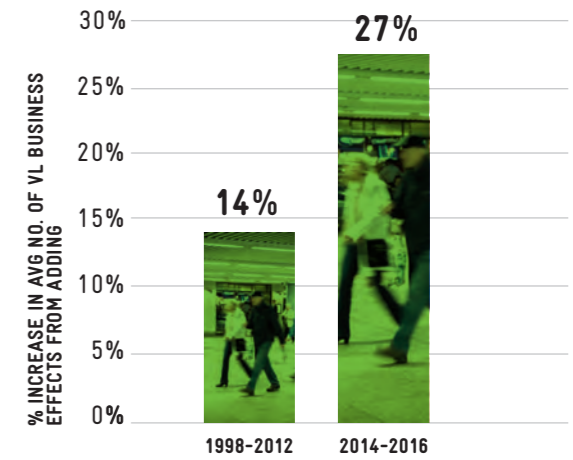


And unlike those other media, the effectiveness of out of home seemed to be declining until recently.³⁹

³⁹ This may be partly because of a contraction in the number of poster sites in the UK.

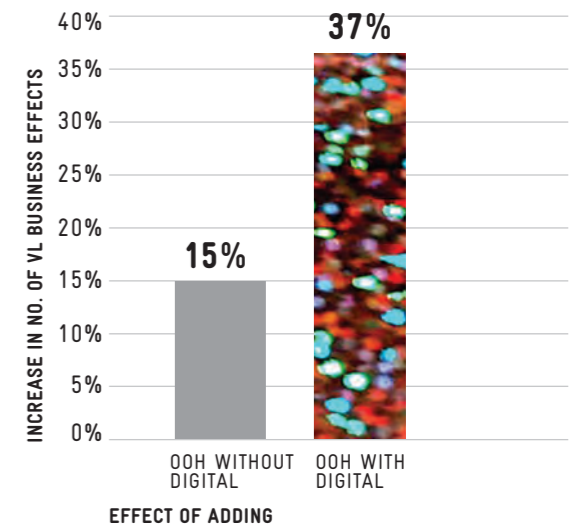
However, from 2014 onwards, the effects of out of home (OOH) started rising.

OOH HAS BECOME MORE EFFECTIVE RECENTLY (FIGURE 43)



This increase in effectiveness coincided with the rise of digital outdoor. **Campaigns that use digital outdoor are much more effective than those that rely on traditional posters**, despite the 6-way rotation of creative usually used in the UK. It seems highly likely that digital posters have helped revitalise the medium, perhaps because they can use video in some locations, as well as being much more intrusive.

DIGITAL HAS MADE OOH MORE EFFECTIVE (FIGURE 44)



Sources: IPA Databank

ONLINE DISPLAY

Online video is a powerful brand-building channel, especially when used as a paid-for advertising medium. Non-video online display formats are also useful additions to the advertiser’s armoury but, as we saw earlier, they tend to have more modest effects, as you would expect given that they are mostly used as activation tools.

The chart below shows the effect of adding different kinds of online display to the marketing mix.

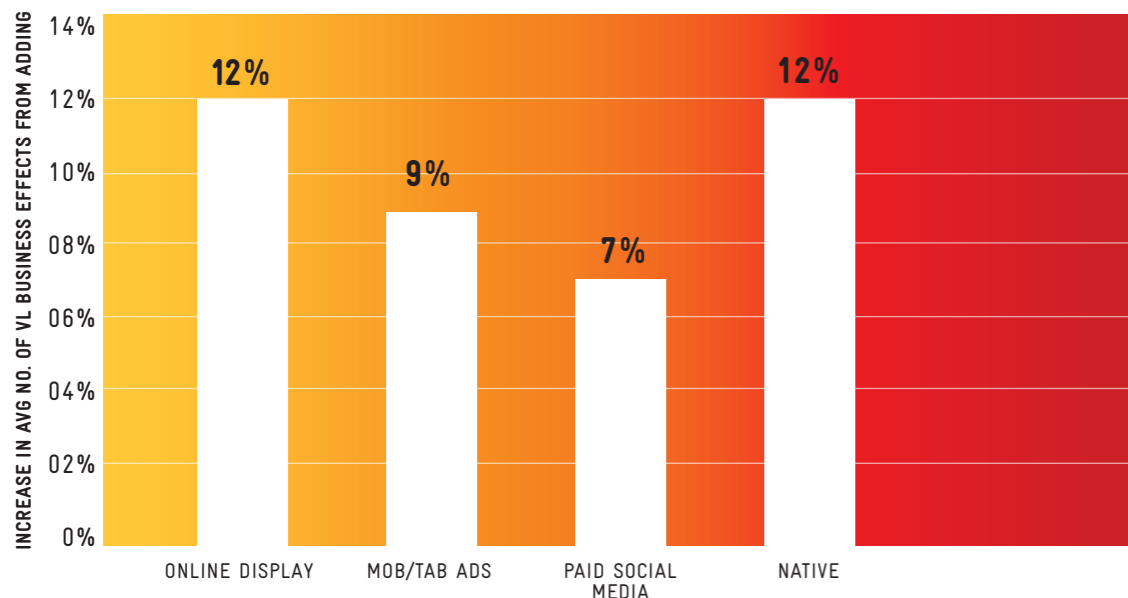
The earliest online display formats – banner ads, pop-ups, etc. – still produce some of the biggest effects. Adding them to the mix tends to increase effectiveness by around 12%, according to the IPA Databank, despite declining click-through rates. **Dedicated mobile and tablet ads (e.g. ads within apps, as opposed to, say, banner ads viewed on a**

mobile device) tend to be less effective, probably reflecting their lower reach.

Non-video display ads in social media increase effectiveness by 7%, **but effectiveness in social can be increased significantly by using native advertising** (12% uplift). And of course, the other way to use social to great effect is as a delivery mechanism for online video.

“Online video is a powerful brand-building channel.”

NON-VIDEO ADS HAVE SMALLER EFFECTS ONLINE (FIGURE 45)



Source: IPA Databank, 2014-2016 cases. Excludes search and email

DIGITAL ACTIVATION

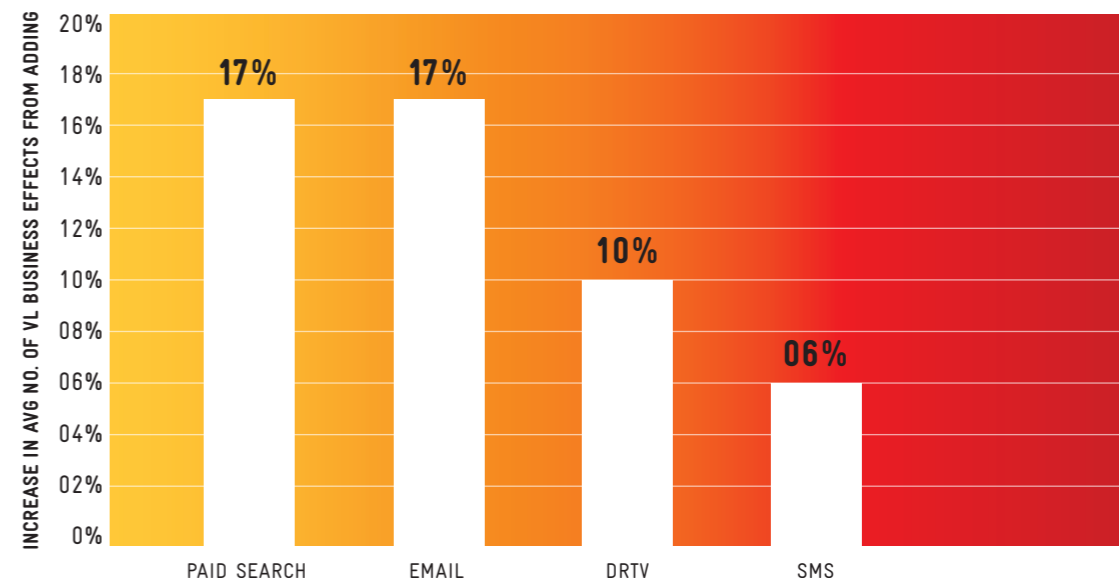
Online advertising can be used to build brands and, as we have seen, online video seems to do that job well. But the bulk of online advertising is used for sales activation, with search advertising accounting for the lion’s share of spend. The IPA data almost certainly under records the amount spent on search, because search often sits in a completely different silo from the rest of the marcomms budget, but what data we have suggests that search is a highly effective sales activation channel.

The chart below shows the overall effectiveness of adding different activation media to the mix. **Search and email are by far the most effective digital activation channels.** The effects of SMS are relatively small, reflecting the fact that this medium tends to deliver lower reach, and is relatively expensive on a cost-per-thousand basis.

“Search is a highly effective sales activation channel.”

This is not to deny the tremendous effect of mobile to marketing effectiveness. Rather it seems that mobile’s contribution has been to increase internet usage, and therefore increase the effectiveness of online advertising generally. **Mobile-specific channels, such as SMS and in-app advertising tend to have smaller effects.**

ONLINE ACTIVATION CHANNELS BOOST EFFECTIVENESS (FIGURE 46)



Source: IPA Databank, 2008-2016 cases

SUMMARY THOUGHTS FROM SECTION 5.0

01 Video advertising is the most effective brand-building form, on and offline.

02 TV is still the most effective medium of all, and is particularly good at driving top-line market share growth. TV's primary strength is brand building, but DRTV shows that it can be used for activation as well.

03 The rise of subscription VoD has yet to reduce the effectiveness of TV, and Broadcaster VoD makes TV work harder.

04 Online video is now a powerful and efficient brand-building medium, and is more effective than other forms of online display.

05 TV and online video work in synergy, and best practice is to combine them.

06 This synergy seems to be making TV more effective, not less.

07 Similar trends are observed for other media: radio, press and OOH have all become more effective in recent years. (In the case of OOH, it looks as if digital outdoor has boosted effectiveness.)

08 So mass advertising is far from dead. The internet seems to have increased the effectiveness of most traditional media.

09 One way that online amplifies offline is through activation, a key role for non-video formats.

10 Paid search and email emerge as the most effective activation channels.

6.0 HOW HAS THE CHANGING MEDIA LANDSCAPE BENEFITED MARKETING EFFECTIVENESS?

In the preceding parts of this report, we reprised and updated the findings published in *The Long and the Short of It* concerning the differences between short and long-term marketing strategies.

In this part, we will argue that the conflict between short-term objectives and long-term effectiveness is at the heart of a number of damaging trends in marketing.

We identified a number of disparities between best practice for long-term business success and the current orthodoxy prevalent in marketing circles. We are going to revisit some of these because they appear to lie behind a worrying decline in the effectiveness of campaigns.

Chief amongst these disparities are that:

01 Tight targeting is believed to be more effective but in fact is only associated with short-term effectiveness.

02 Unpaid media are regarded as efficient substitutes for paid media, but in fact paid media are becoming more important to effectiveness over time because so too is budget.

03 Activation is increasingly believed to be the most effective use of advertising so more money is being put into activation channels (e.g. paid search, promotional messages, etc.). But this has now gone beyond the optimum 40% of budget and so in fact is reducing effectiveness and efficiency.

04 The belief that mass marketing is inefficient is leading clients to allocate a smaller percentage of their budgets to TV and other mass media, when in fact this undermines long-term effectiveness and efficiency.

05 ‘Timely and relevant offers’ delivered online are widely thought to be the most effective strategy, but in fact are no substitute in the long term for the power of emotionally engaging video content, ideally communicated through a combination of TV advertising (including VoD) and online video.

The fact that these tensions are evident in the IPA Databank demonstrates that many advertisers have been misled into marketing practices that are not aligned with business success, especially over the long term.

DESTRUCTIVE TRENDS IN EFFECTIVENESS HAVE EMERGED

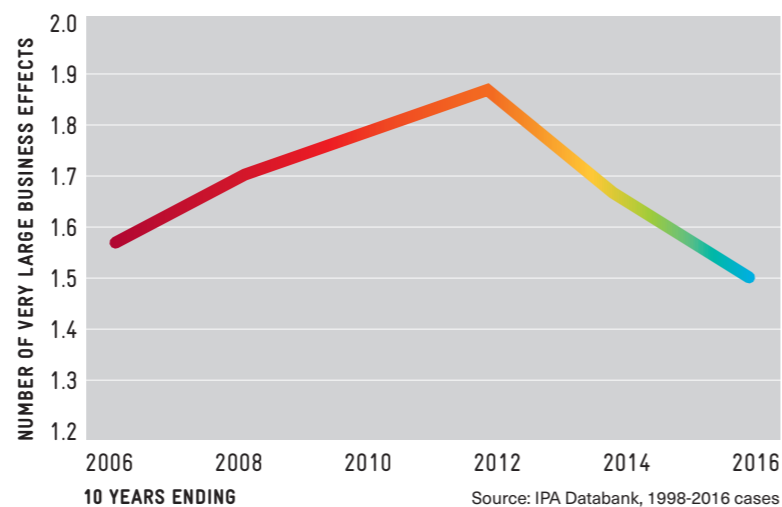
It is clear that many marketers are either deluding themselves about their ability to develop short-term strategies that can deliver powerful long-term effects, or they are unaware of the tension between the two.

Across a wide range of success metrics, even the best-in-class cases of the IPA Databank have been losing potency in recent years.

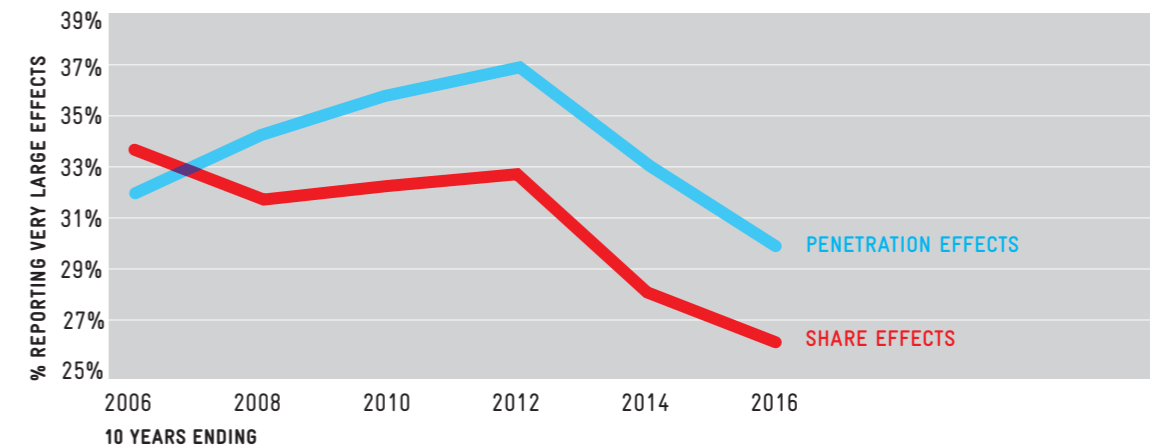
The average effectiveness of IPA case studies (measured as the number of very large business effects reported) had been rising in the early years of the millennium but has now fallen to its lowest ever level on a ten-year rolling basis.

Because this data is aggregated over ten years for statistical reliability, the point at which effectiveness actually started to fall was around the onset of the global financial crisis (GFC) in 2007/8. As this report will argue, the GFC appears to have triggered or amplified a number of practices that undermine long-term effectiveness.

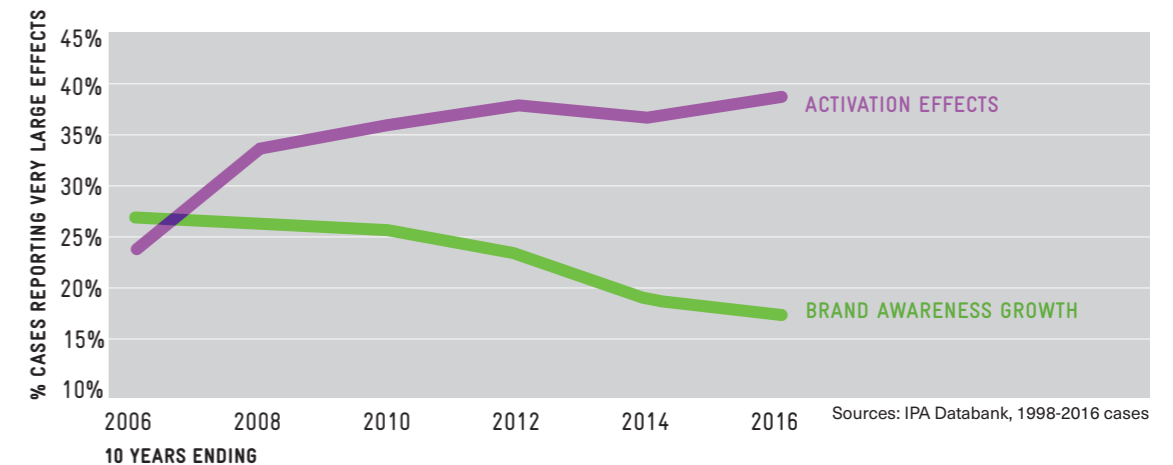
CAMPAIGN EFFECTIVENESS HAS FALLEN (FIGURE 47)



LOSS OF EFFECTIVENESS HAS BEEN LED BY WEAKENING SHARE AND PENETRATION GROWTH (FIGURE 48)



LIMITED ACTIVATION GROWTH HAS BEEN ACHIEVED AT THE EXPENSE OF BRAND HEALTH (FIGURE 49)



More worryingly, amongst **the business metrics most strongly declining in recent years are the two most closely associated with long-term growth: market share and consumer penetration effects.** We showed earlier in this report that penetration (i.e. customer acquisition) remains the key driver of market share growth, so the two metrics are closely linked and highly important. These metrics have on average each shed 7 percentage points or around a fifth of their original levels.

This loss of business effectiveness appears to fly in the face of our earlier findings

showing that the potential effectiveness levels of many media have been growing. We can see the first clue about why marketing is not reaping these benefits of the changing media landscape if we look at intermediate metrics. There has been a general plateauing or tailing off of most brand metrics (especially brand awareness shifts, which have shed 8 percentage points from peak). But indicatively, the one metric that has shown any growth in recent years (albeit modest) is short-term activation effects.

“As with trend in effectiveness, brand-building results peaked around the onset of the global financial crisis and have fallen since.”

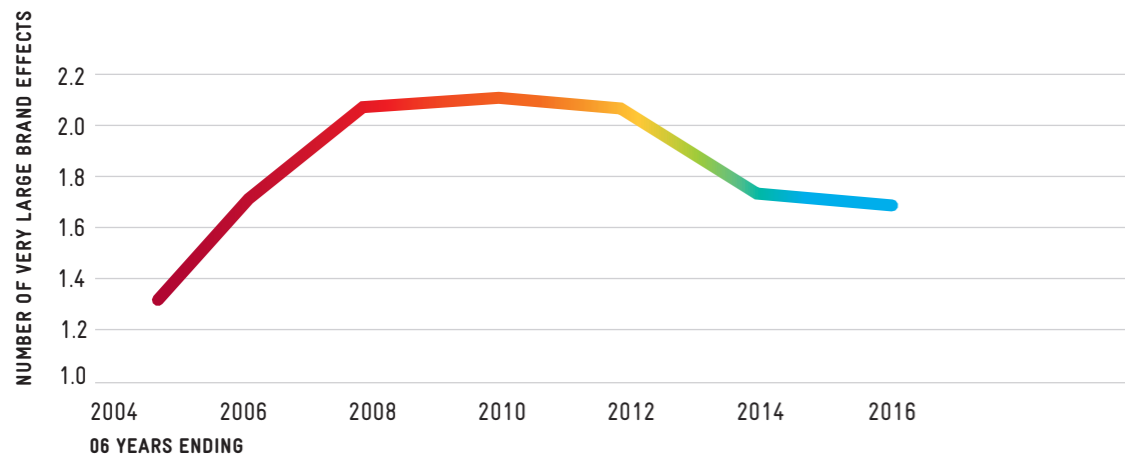
Clearly the increasing efforts to drive sales activation are being achieved at the expense of maintaining the health of brands.

The neglect of brand is clearly evidenced in the average number of very large brand effects achieved by case studies. This is a broad measure across a basket of seven brand metrics including awareness, differentiation and image and is arguably an indicator of ‘mental availability’ and hence a leading indicator of growth.⁴⁰ As with the trends in effectiveness, brand-building results peaked around the onset of the global financial crisis and have fallen since, though not yet by as much.

This pattern is in fact highly symptomatic of what has been happening in marketing in recent years: a shift away from brand building for long-term growth towards activation for short-term sales. This is evidenced in campaign objectives data for IPA case studies. The proportion of campaigns with activation objectives rose from 47% prior to the global financial crisis to 55% subsequently, but over the 4 years to 2016 has reached 72% of cases. The reasons for this clearly go beyond the direct impacts of the global financial crisis and are discussed later in this report.

40 See *How Brands Grow*, Sharp B, OUP, 2010 and *How Brands Grow Part 2* Romaniuk J & Sharp B, OUP, 2016.

BRAND-BUILDING EFFECTS HAVE FALLEN (FIGURE 50)



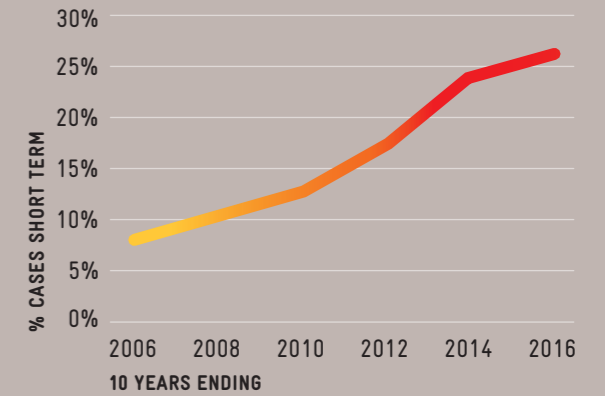
Source: IPA Databank, 1998-2016 cases

SHORT-TERMISM

The observed focus on short-term sales activation effects is consistent with the primary factor that, we will argue, is responsible for the reported loss of effectiveness: a very considerable growth in recent years of short-termism.

This is defined as the percentage of IPA case studies that were evaluated over periods of less than six months (these campaigns almost always ran for periods less than this). The following chart shows how short-termism has risen from its long-term average of 8% of cases to around 25% in the latest ten-year rolling period. This is despite renewed efforts by the IPA in recent years to encourage long-term evaluations and suggests that the picture amongst ordinary campaigns not entered into the awards may be even more strongly short-term oriented.

SHORT-TERMISM HAS BEEN RISING (FIGURE 51)



THE CONFLICT BETWEEN LONG AND SHORT-TERM METRICS (FIGURE 52)

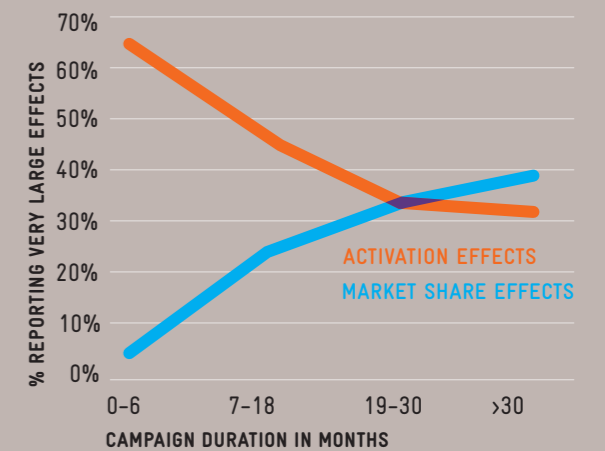


Fig 3 in Part 2 presented the theoretical basis for why short-term campaigns might underperform in the long term, but, so far in this report, we have not demonstrated just how damaging short-termism is to growth. Our next chart shows how very large market share effects are reported by just 3% of short-term cases whereas, in cases more than 30 months long (3+ years in rounded terms), this rises to 38%. In absolute terms, long-term cases (more than 6 months) drive 4.6 times as much market share growth as short-term cases.

The chart also shows why so many marketers turn a blind eye to this glaring weakness of short-term campaigns: because they out-achieve long-term cases in terms of activation effects. 65% of short-term cases generated very large activation effects whereas only 33% of 3+ year cases did so. If you measure success in the short term by activation effects, it appears that short-term ‘disposable’ campaigns are highly *effective*. Only when viewed over the long term are they revealed to be highly *ineffective*.

CASE STUDY

MATTESSONS FRIDGE RAIDERS

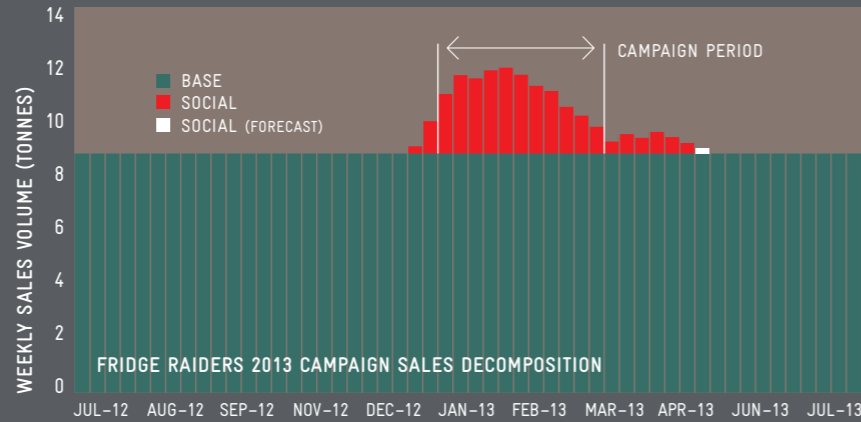
THE ANATOMY OF SHORT AND LONG-TERM CAMPAIGNS

2013 CAMPAIGN

Two case studies for the same brand neatly illustrate some of the important practical differences between a short and a long-term campaign. The 2013 campaign for Matessons Fridge Raiders – a meat-based snack brand – was in many ways a typical but successful pure-play social media campaign. A challenge to gamers to crowd-source ideas for a hands-free

snacking device that would enable them to keep their hands, and therefore keyboards or consoles, clean whilst snacking during protracted sessions. Over 15,000 submissions helped the campaign achieve over 120m paid Facebook impressions, with 3.2m YouTube views of the associated video. The three month campaign generated a healthy ROMI of just over 100%, but just six weeks

after the end of the campaign the econometric model showed no residual campaign effect on sales. With no budget for collateral activity beyond the competition to extend exposure to the idea, and arguably an idea that created few emotional connections to the brand, the impact on ‘mental availability’ amongst target consumers appears to have been short-lived.

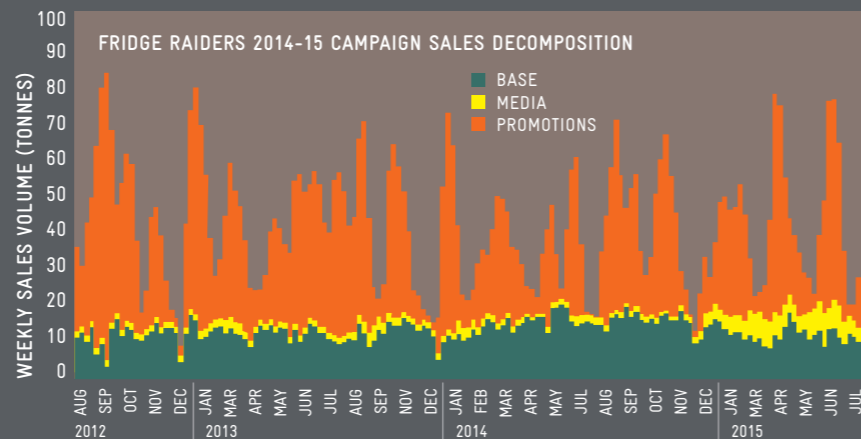


2015 CAMPAIGN

The 2014-15 campaign for Fridge Raiders learnt from this. The idea was broadened to encompass Artificial Intelligence in the shape of a real brand robotic intelligence that target consumers could interact with. The campaign ran for seven months and included TV and on-pack presence to extend the idea beyond the online world. This time, with the help of TV

reach and 14m YouTube impressions, the econometrically modelled sales uplift was still clearly measurable four months after the end of the campaign at the end of the modelling period and evidently persisted beyond this period. With long-term effects clearly in play the model was able to project a healthy long-term ROMI of 87%. This illustrates another feature of short-termism discussed later in

this report: ROMIs are generally higher for short-term campaigns, but this is highly misleading because they only activate short-term sales and do little for long-term growth. In fact comparing the two case studies implies that net profit growth was 70% greater for the later campaign than the earlier one. But it was achieved over a longer period and required greater investment to do so.



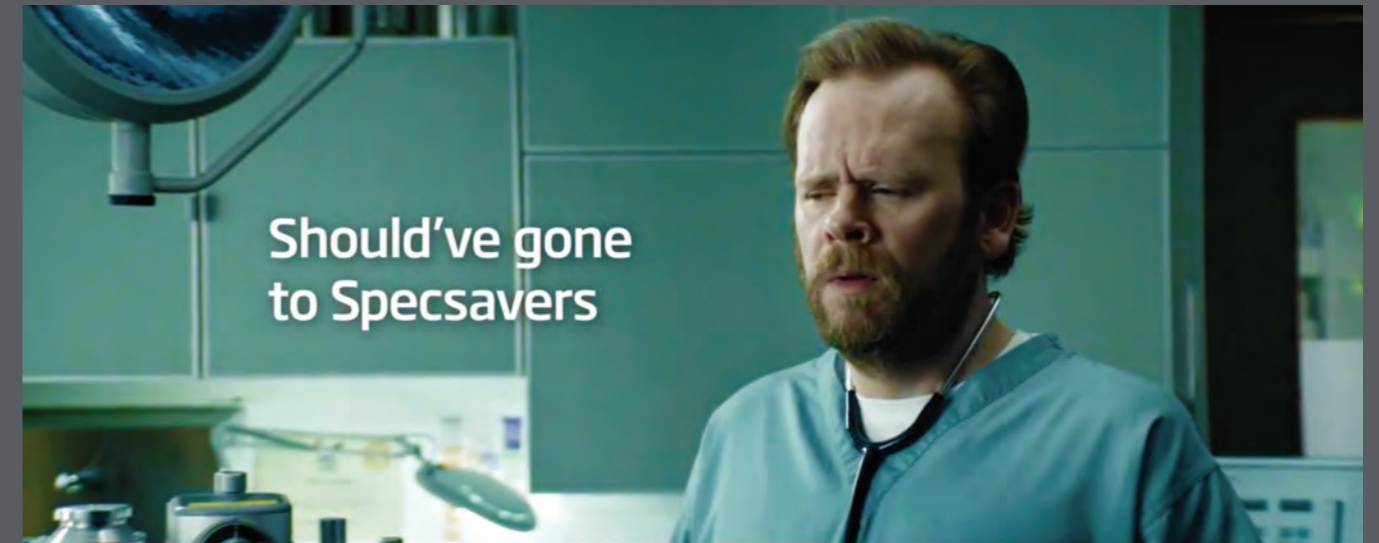
CASE STUDY

SPECSAVERS

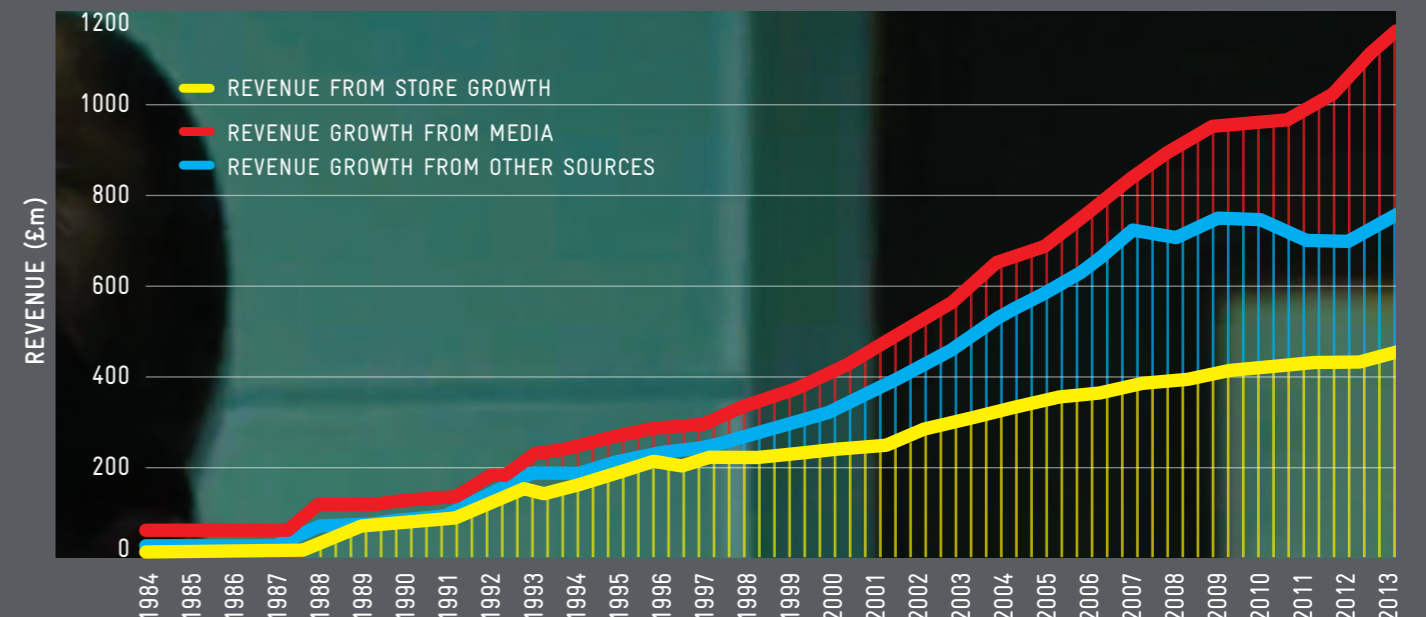
THE VALUE OF A LONG-TERM CAMPAIGN

Few case studies illustrate as powerfully as Specsavers the value of a long-term campaign. Long-term commitment to TV (plus OOH, print and radio), backed up in recent years with social media and online video, have driven over £600m in incremental net profit over 20 years at a ROMI of 129%. Importantly the returns have grown five-fold over

time, as the long-term effects of the campaign have accumulated. The econometrically modelled sales decomposition chart reveals the extent in terms of both value and time of the impact of the campaign. It is inconceivable that 20 years of short-term sales activation campaigns could achieve growth on this scale.



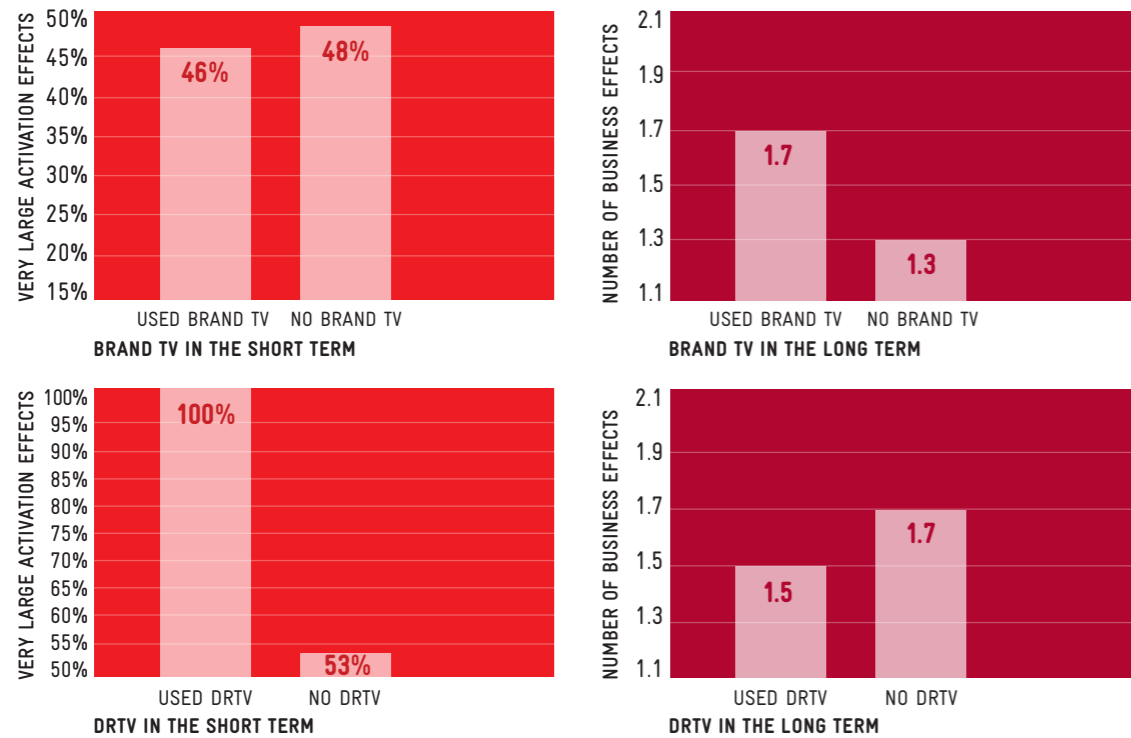
SPECSAVERS 1994-2013 CAMPAIGN SALES DECOMPOSITION





Measuring success in the short-term leads to numerous important false conclusions about effectiveness.

LONG-TERM METRICS REVEAL THE STRENGTHS OF BRAND TV, BUT SHORT-TERM METRICS FAVOUR DRTV (FIGURE 53)



Source: IPA Databank, 1998-2016 cases

THE IMPACT OF SHORT-TERMISM ON CHANNEL CHOICE

Measuring success in the short term leads to numerous important false conclusions about effectiveness – false conclusions that is if you define true effectiveness as what ultimately works best over longer timescales. Chief amongst these false conclusions are those relating to media choices and communications strategy.

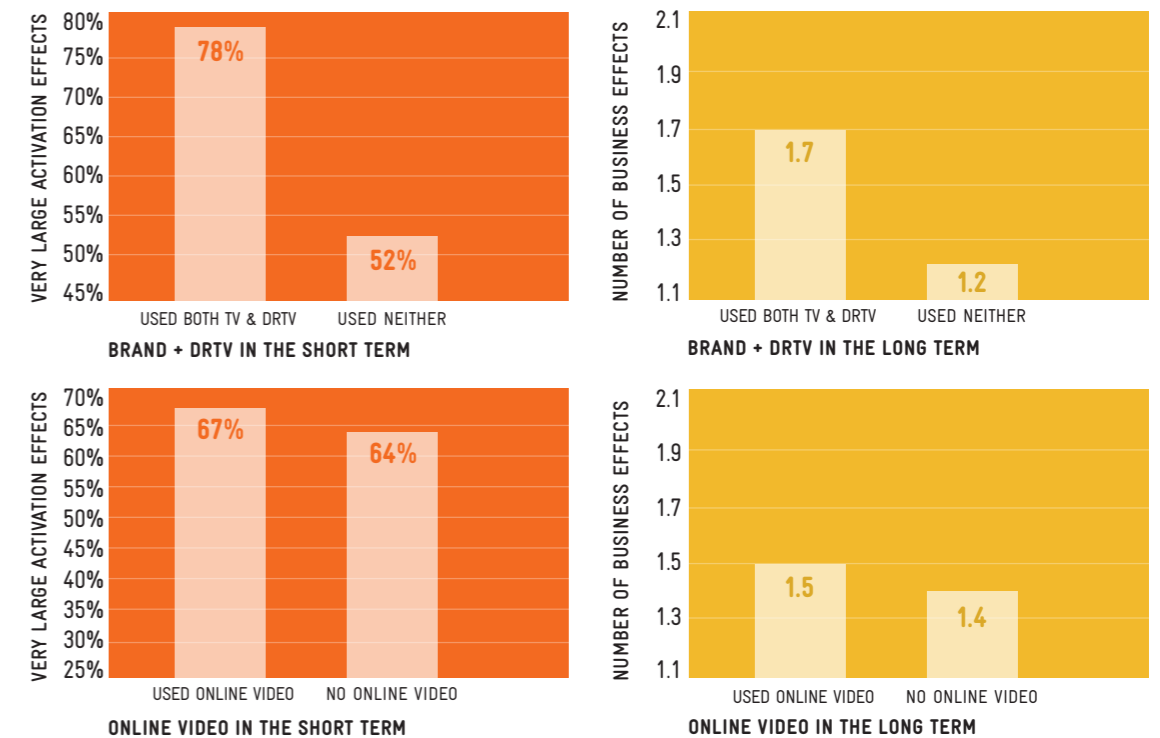
It’s important to examine the impact on media choices of the timescale over which evaluation is made. The IPA data can shed useful light on this by comparing users of media with non-users in terms of short and long-term effects. Clearly other factors might also be in play, such as budget, so it is dangerous to make relative comparisons across media. But what the analysis does do is enable us to see whether individual media are more strongly associated with short or

long-term effects. That will show whether the use of short-term metrics will tend to flatter those media or belittle them.

With few exceptions, media fall clearly to one side or the other of the short-long divide as we suggested in Part 4. That is to say, their addition to a campaign schedule promotes either long-term effects or short-term effects, but rarely both. This is to be expected: the media best able and widely used to convey emotional associations tend to excel at long-term effects, but underperform alternatives in the short term. So if you add these media, there will be a reduction in short-term effects, simply because you have diverted budget away from activation media and messages.

As we argued in Part 5, media best able and widely used to communicate information tend to excel at short-term activation, but underperform alternatives at long-term

THE COMBINATION OF BRAND TV AND DRTV WORKS POWERFULLY OVER ALL TIMESCALES (FIGURE 54)



ONLINE VIDEO WORKS POWERFULLY OVER ALL TIMESCALES (FIGURE 55)

brand-driven growth. So the addition of these media reduces long-term effects, again because budget has been diverted away from brand-building media and content.

The exceptions to this are video-based channels, which can be used (with different types of content) to achieve either effect powerfully. The most revealing way to explore this is to examine how the addition of a medium impacts the activation effects of short-term campaigns, compared with how the addition of that same medium impacts the business effects of long-term campaigns.

The montage of charts opposite on page 64 demonstrates how short-term metrics can lead marketers to very different conclusions about the effectiveness of the two main forms of TV advertising: brand TV and DRTV. DRTV is strongly associated with activation effects but not long-term growth. Brand TV is strongly associated with

long-term growth but not activation effects. Measure success in the short term and you will favour DRTV. Measure it over the long term and you will favour Brand TV.

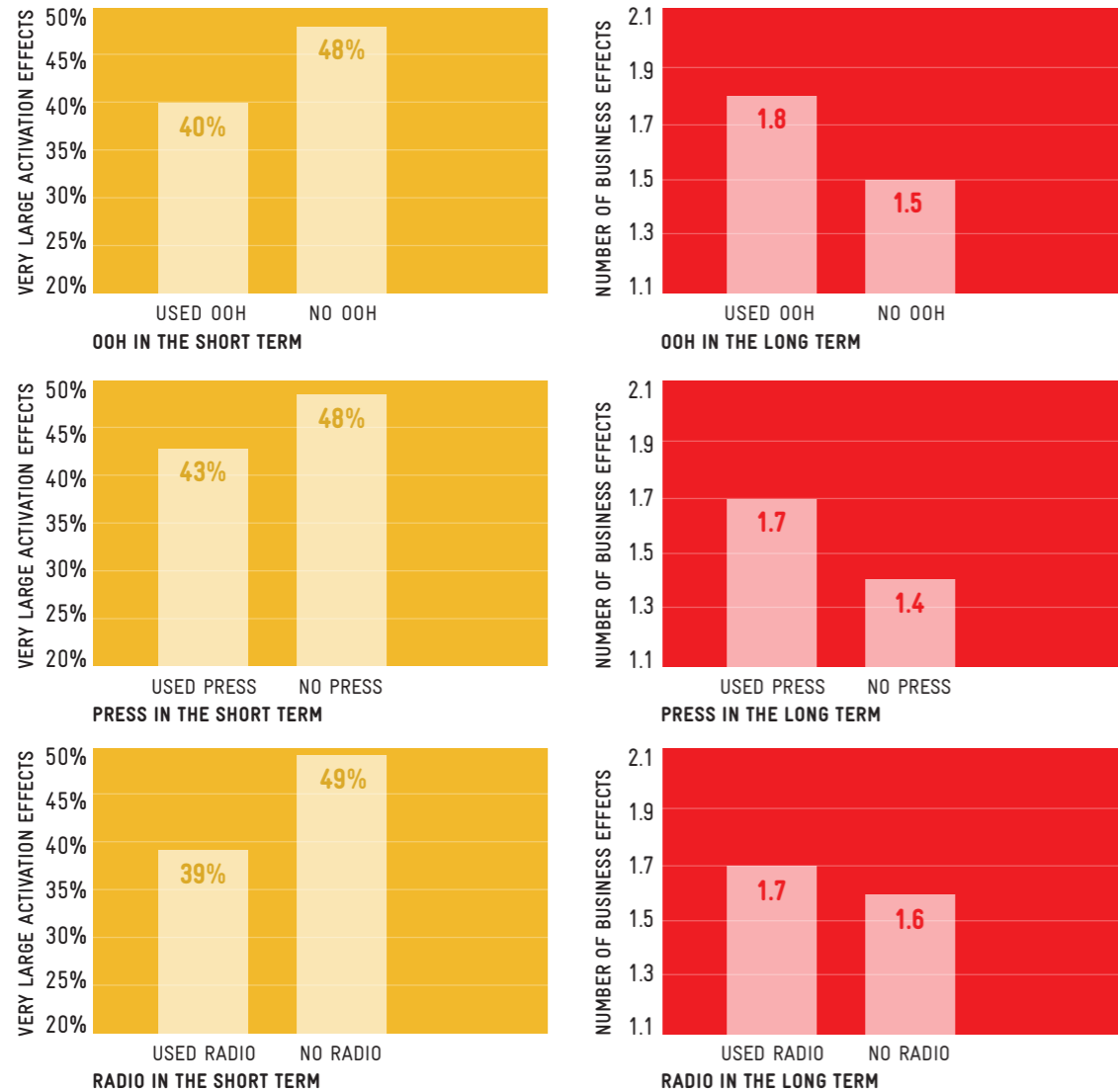
So the combination of brand TV and DRTV ought to provide marketers with the means to powerfully drive both short and long-term effects, though different creative content is needed to do so: emotional for brand building, rational for activation. This is indeed the case and advertisers have known this for many years. Figures 54 and 55 above show how the combination of brand TV and DRTV results in powerful short and long-term effects.

The same is true to a more modest extent of online video, which also has the potential when used as a brand-building tool to drive long-term growth and when used as an informational tool to drive activation effects.



One of the many strengths of video is its ability to play strongly across the brand activation divide.

MOST ESTABLISHED OFFLINE MEDIA WORK BEST IN THE LONG TERM (FIGURE 56)



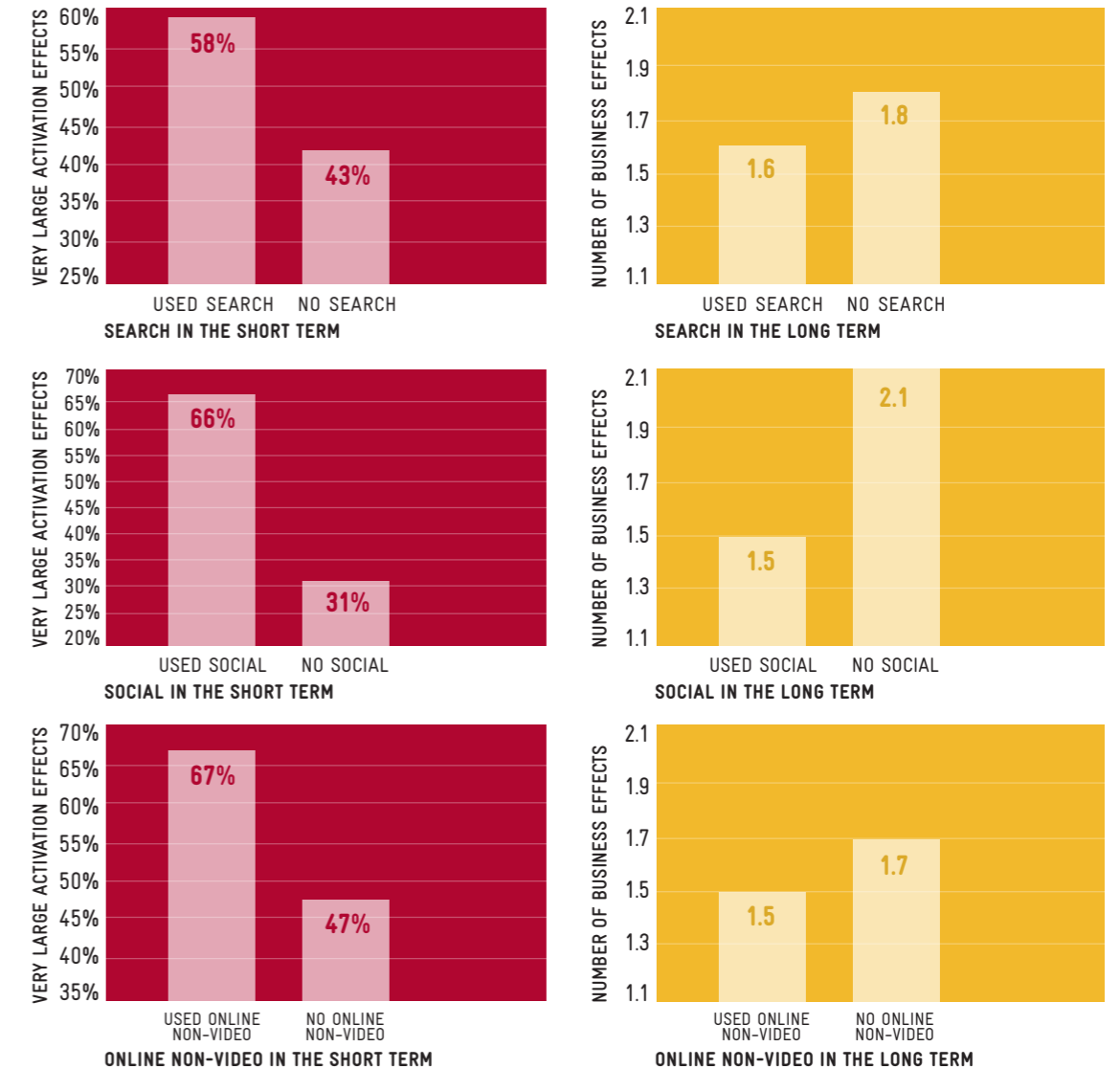
So one of the many strengths of video as a communications format is its ability to play strongly across the brand-activation divide, but the metrics used to evaluate it must be appropriate for the strategic intent. The relentless shift towards short-term metrics in recent times promotes only the activation use of the format, undermining its potential role as a long-term tool. This is now significantly influencing the practice of marketing.

Most established offline media (such as OOH, print and radio) appear to play most strongly as long-term tools rather than short-term ones, as the following series of charts show. These media are therefore at risk in the new short-term metric orthodoxy, despite having much to offer in terms of long-term effects. It is worth noting (with limited data) that digital OOH appears to bring some of the broad potential of the video format to OOH, and



The relentless shift toward short-term metrics promotes only the activation use of the format.

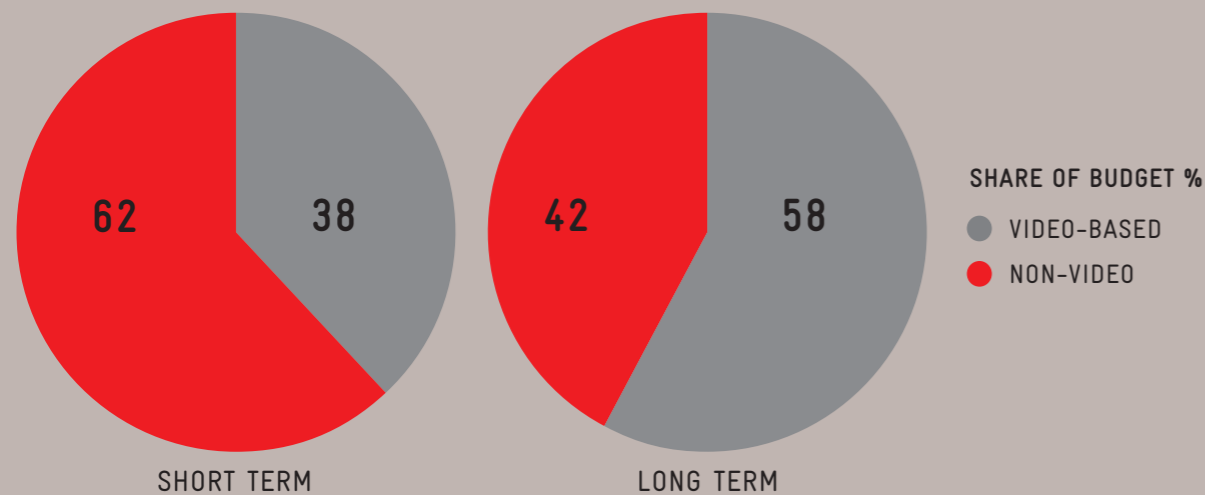
MOST ONLINE NON-VIDEO CHANNELS WORK BEST IN THE SHORT TERM (FIGURE 57)



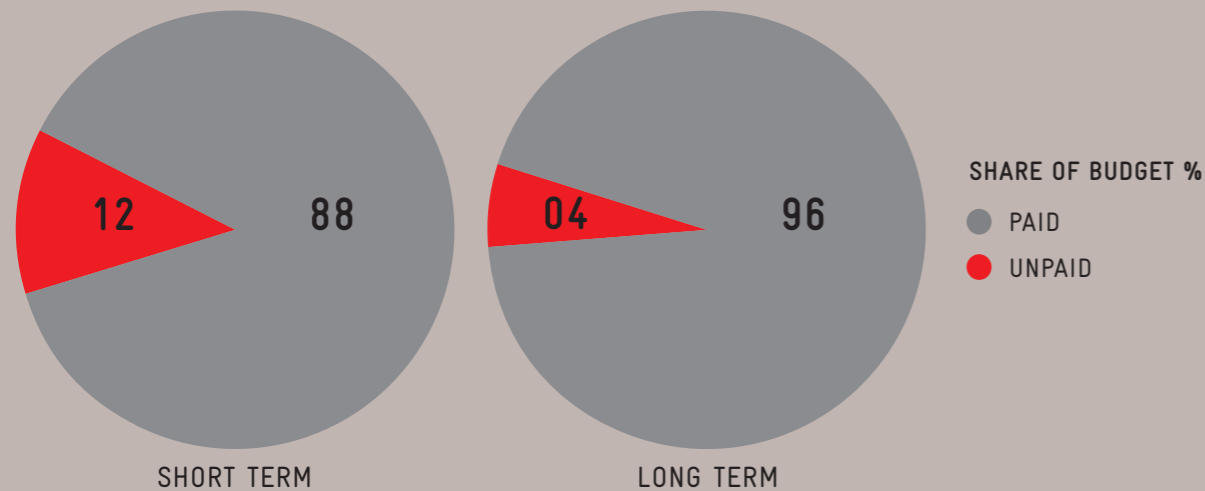
appears to imbue OOH with activation as well as long-term strengths. The same is likely to be true of digital newsbrands in relation to print advertising.

Search, social (which is largely non-video during the periods observed by this data) and online non-video demonstrate similar patterns to DRTV, all of which produce strong activation effects but not long-term business effects.

SHORT-TERMISM BIASES MARKETING AGAINST VIDEO (FIGURE 58)



SHORT-TERMISM BIASES MARKETING TOWARDS UNPAID MEDIA (FIGURE 59)



In this analysis, social media emerges as an activation channel, which might surprise some people. This may be linked to the rise of paid ads in recent years together with the growing use of social on mobiles. The Walls Ice Cream case study referred to in Part 4 worked in that way – social ads prompted people to buy an ice cream when they were out and about on sunny days – a classic activation use. But the growth of video on the platform will strengthen its potential role as brand builder in future.

Because video-based advertising is most strongly associated with long-term effects, whereas many non-video tools (especially online display and search) are strongly associated with short-term effects, considerable differences arise in the use of these tools between long and short-term campaigns. The two pie charts above top show that short-term campaigns allocate just below 40% of their budgets to video-based advertising whereas long-term campaigns allocate almost 60% to video.

Source: IPA Databank, 2014-2016 cases

42 See Selling Creativity Short, IPA, 2016, for a more detailed discussion of this issue.
41 With unpaid media this typically represents content production and related costs.

We should point out that short-term campaigns are sometimes ‘fillers’ intended to create a low-cost activation presence for brands during otherwise dark periods between longer-term activities. This means they tend to make greater use of unpaid media (figure 59).

The data already presented suggests that this stand-alone campaign approach may not be the most effective use of budget. Instead, an approach more integrated with the long-term activity is likely to yield greater results over the long term. It is also misguided in its overdependence on unpaid media, which, as we argued in Part 4, requires adequate paid media to yield best results. The limited data from 2014-16 suggests that effectiveness peaks at around 6% of budget for unpaid media⁴¹ – quite close to typical long-term campaigns’ allocation of 4%, but a long way from that of short-term campaigns’ allocation of 12%.

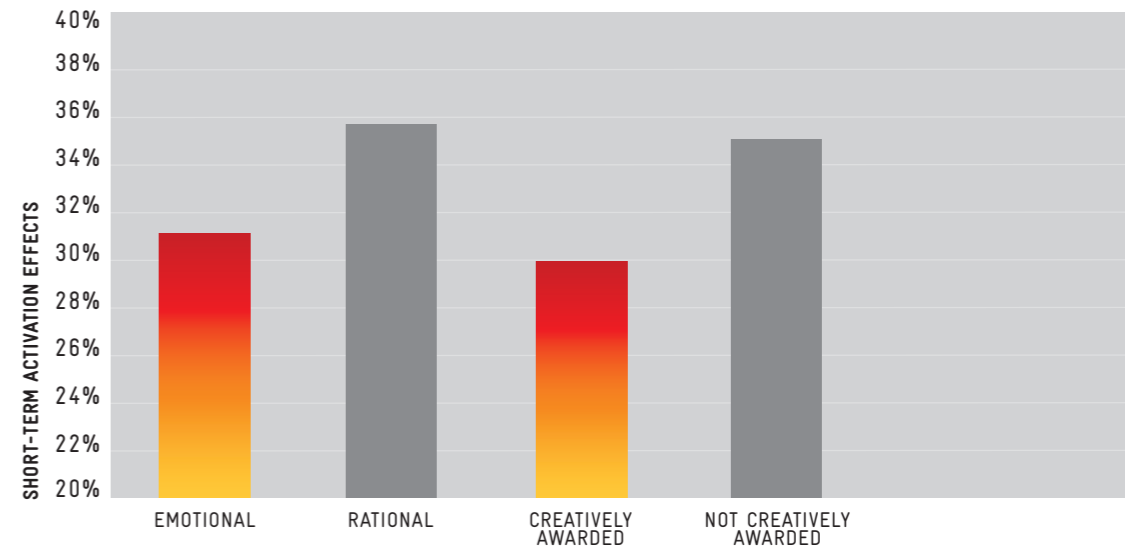
So short-term metrics result in short-term media planning and the drift to short-termism is reinforced despite the damaging impact on long-term effectiveness.

BROADER IMPACTS OF SHORT-TERMISM

Communications strategy is also strongly influenced by the use of short-term activation metrics. **Focussing on short-term activation effects creates the illusion that rational advertising is more effective, when in fact emotional advertising is more effective over the long term.** And even more damaging to long-term effectiveness, **a short-term focus undermines the case for creativity.** This is despite the considerable effectiveness advantages that highly creative advertising delivers over the long term.⁴² Creatively awarded campaigns underperform non-awarded ones in terms of short-term effects, but not in any other sense.

So the growing use of short-term metrics and the development of campaigns aligned to them are extremely damaging developments in marketing. They cause marketers to make strategy and media decisions that are, almost without exception, not in the interests of the long-term success of brands.

SHORT-TERMISM BIASES MARKETING TOWARDS RATIONAL AND NON-CREATIVE ADVERTISING (FIGURE 60)



Source: IPA cases, 1998-2016



The growing use of short-term metrics and the development of campaigns aligned to them are extremely damaging developments in marketing.

The current vogue for brand dashboards fed with real-time data is therefore also a dangerous one: the metrics are strongly oriented to the short term and attempts to ‘project forward’ those effects to long-term growth shows an alarming misunderstanding of the very different nature of long-term advertising effects.

This is not a theoretical concern: real-time data is fuelling short-termism. Short-term campaigns are 40% more likely to use Big Data for real-time marketing than long-term campaigns: the dangers of this were discussed in Part 4. And loyalty campaigns are two-and-a-half times more likely to use Big Data in this way than other campaigns. *As you sow, so shall you reap.*

FOCUSSING ON RETURN ON MARKETING INVESTMENT (ROMI)

Unfortunately short-termism *per se* is not the only damaging development in recent years. The IPA data reveals two other related ‘smoking guns’ that have been driving down effectiveness, despite the widespread belief that they are both good for effectiveness. The first of these is the close focus on ROMI (often referred to as ROI). It has been known for many years that a **danger of targeting an efficiency metric such as ROMI is that it leads marketing to cut advertising budgets and reach only for ‘low-hanging fruit’ in the quest for growth.**⁴³ Such campaigns typically target consumers with established affiliations to the brand and with imminent purchase intentions i.e. low budget activation campaigns (see Part 4). The task of recruiting new customers for long-term growth is ignored, so base sales will fall over time along with margins and ROMI. For limited periods of time however, this approach can yield attractive ROMIs with modest budgets. Even over longer periods of time, the residual strength of a well-established brand can help to boost activation ROMIs, but this is a dangerous deception. In time ROMI is likely to fall to category norms, at which point the brand enjoys no competitive marketing advantage.

Long-term campaigns, by contrast, invest in attracting future customers at a cost to ROMI in the shorter term. The table opposite top reveals how the drivers of profit growth (an absolute measure taken over the long term) differ widely from the drivers of ROMI. **Profit growth correlates most closely with broad improvements across the range of long-term business metrics, especially sales and market share growth** (all at the 99% confidence level).⁴⁴ It also correlates with improvements to brand strength. Correlation with ROMI is much weaker and not significant with 99% confidence.

In marked contrast to this, **ROMI correlates most closely with very large activation effects:** this is the only metric with which it correlates at 99% confidence. A weaker correlation exists with profit growth (as already observed), but no other long-term business or brand metrics correlate significantly with ROMI. Of most concern to those with long-term growth objectives, **ROMI appears to correlate negatively with penetration growth.** As the work of the Ehrenberg-Bass Institute shows, penetration growth is key to brand growth. Unfortunately maximising ROMI will discourage marketers from building penetration.

The growth of Big Data and real-time dashboards has, unfortunately, brought about an obsession of marketing with ROMI. ROMI is now the most common campaign response metric used amongst IPA case studies. The extent to which this is a dangerous development is made very clear in the chart opposite bottom. Whereas short-term campaigns comfortably exceed long-term ones in terms of ROMI, they under perform to a similar degree in terms of impact on profit growth.

So a destructive cycle is building, in which ROMI as the key metric rewards short-termism, which in turn promotes the use of the metric over more important long-term metrics.

⁴⁴ The correlations in the table were tested at both the 95% and 99% confidence levels. While 95% confidence is standard for most statistical tests, a higher confidence level is more appropriate when repeated tests are involved, as in this table.

⁴³ See ‘ROI is dead, now bury it’, T. Ambler, Admap September 2004.

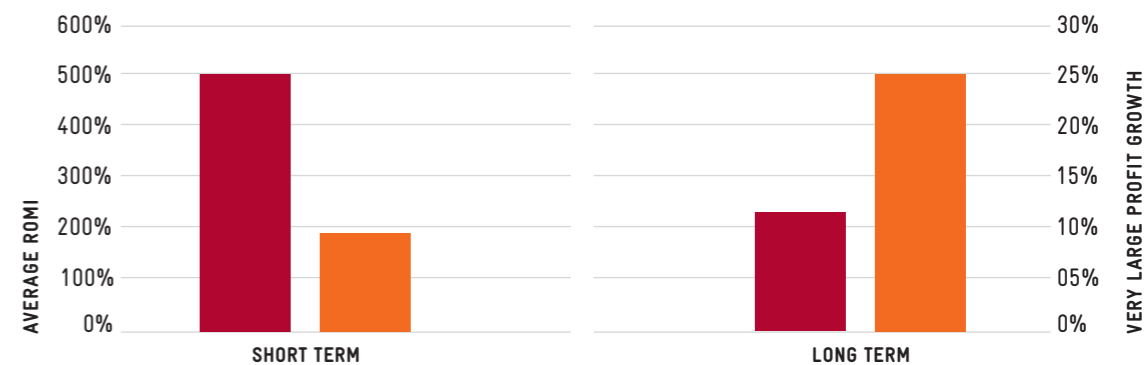
THE DRIVERS OF ROMI ARE NOT THE DRIVERS OF PROFIT (FIGURE 61)

TOP DRIVERS OF PROFIT	CORRELATION WITH PROFIT	TOP DRIVERS OF ROMI	CORRELATION WITH ROMI
NO. VL BUSINESS EFFECTS	64%	VL ACTIVATION EFFECTS	23%
VL SALES GAIN	40%	VL PROFIT	15%
VL MARKET SHARE	23%	NO. BRAND EFFECTS	08%
NO. BRAND EFFECTS	23%	VL SALES GAIN	08%
VL PENETRATION	21%	NO. VL BUSINESS EFFECTS	07%
VL PRICE	18%	VL PRICE	04%
VL LOYALTY	17%	VL MARKET SHARE	01%
VL ACTIVATION EFFECTS	15%	VL LOYALTY	-01%
ROMI	15%	VL PENETRATION	-03%

● SIGNIFICANT AT 99% CONFIDENCE
 ● SIGNIFICANT AT 95% CONFIDENCE
 ● NOT SIGNIFICANT

Source: IPA cases 2008-2016

SHORT-TERMISM BOOSTS ROMI BUT NOT PROFIT (FIGURE 62)



● ROMI
 ● VERY LARGE PROFIT GROWTH

IPA Databank, 2014-2016 cases

Some readers will find it difficult to accept the idea that pursuing ROMI could conflict with maximising profit growth, so it is perhaps worth demonstrating how the maths works with two real case studies (anonymised for confidentiality).

ROMI is the ratio of profit increase to marketing spend, so there are two ways to increase its value: increase the profit growth or reduce the marketing spend. The easiest to do is the latter, but this will not improve profits. Campaign A is in many ways a typical short-term case focussed on activation with a very respectable ROMI of

103%. Campaign B is a fairly typical long-term campaign, mostly focussed on driving growth through brand building: it has a lower but still healthy ROMI of 65%.

Of course, A’s ROMI is actually only that healthy because it is able to spend less driving short-term sales, so its ROMI will not sustain over longer periods: low hanging fruit has a habit of disappearing quickly. Meanwhile, B’s long-term strategy requires greater investment, but will continue to drive growth long after A’s campaign has stopped. A superficial assessment of ROMI’s would lead one to conclude that campaign A was the

Focussing on ROMI encourages budget reductions through the pursuit of short-term sales.

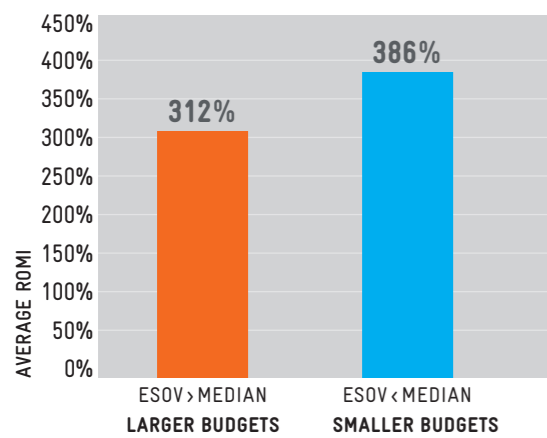
CASE STUDY	ROMI	BUDGET	NET PROFIT GENERATED
A	103%	£426,000	£439,000
B	65%	£980,000	£637,000

TWO REAL IPA CASES ILLUSTRATE THE TENSION BETWEEN ROMI AND PROFIT (FIGURE 63)

greater business success. But if you do the maths, and multiply ROMI by budget you see the actual net profit each campaign generated: 45% higher for campaign B, but of course over a longer period. The consequent impact that the pursuit of ROMI has on budgets is illustrated below.

Campaigns with larger budgets relative to their size (measured as above median ESOV) on average report significantly lower ROMI's than campaigns with smaller budgets (below median): 312% vs. 386%. **Focussing on ROMI encourages budget reductions through the pursuit of short-term sales.**

FOCUSING ON ROMI LEADS TO BUDGET CUTS (FIGURE 64)



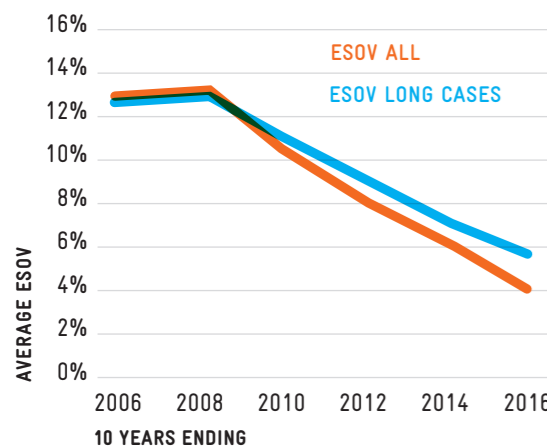
This is likely to be an important factor in the reductions in budget (measured as ESOV) widely reported by case studies in recent years.

A post-recession cautiousness by general management may also be a factor here, as well as the misconception that budget is no longer important in the evolving media landscape. But we showed in Part 4 that budget is actually becoming more important over time, so this average ESOV reduction of almost 10 percentage points in recent years must be a factor in the observed loss of effectiveness shown earlier in Figure 47.

Unfortunately Figure 64 also reveals that budget reductions are not confined to short-term campaigns and therefore simply a consequence of their growth. Long-term campaigns entered into the IPA awards competition exhibit a near identical loss of ESOV. Perhaps the brands entering the IPA awards, by their very nature – big and best in class – pressure themselves to rely less on sheer budget for growth. Instead, they reach for efficiency, but effectiveness actually requires both efficiency and budget.

So the correlation between ESOV and share growth is the marketing equivalent of the law of gravity: you need to expend effort if you want to climb. The fact that the correlation is strengthening shows that this is inescapable and, in a competitive market economy, this will inevitably continue.

BUDGETS (ESOV) HAVE BEEN FALLING ACROSS THE BOARD (FIGURE 65)



Sources: IPA Databank, 2014-2016 cases Figure 64
IPA Databank, 1998-2016 cases Figure 65

EXCESSIVE WEIGHTING TO ACTIVATION VERSUS BRAND BUILDING

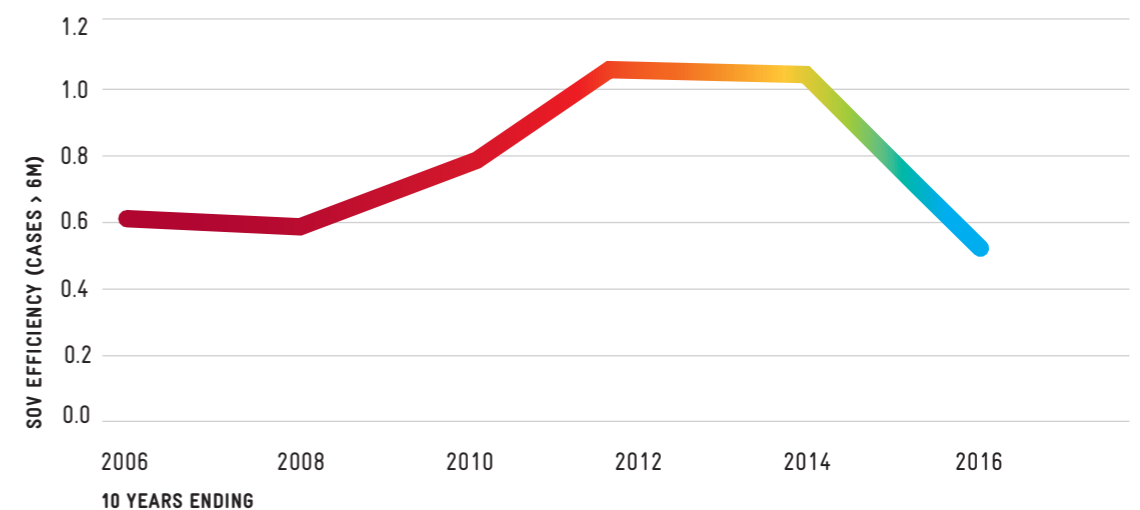
So far we have identified two factors in the observed loss of campaign effectiveness:

01 The growth of short-termism and its impact on communications strategy and media choices.

02 The consequent focus on ROMI and its impact on budget and communications strategy.

But we now know that there must be a third, related, smoking gun responsible for the loss of average campaign effectiveness in recent years because when we use analysis to eliminate the effects of these two factors, the problems still don't go away. If we use a metric that is largely unaffected by budget levels i.e. ESOV efficiency,⁴⁵ and we examine only long-term cases (those that do not reflect the trend to short-termism), we can see that there is still another destructive pressure at work. Over the last two ten-year rolling periods, long-term campaigns have shed all the efficiency advantages accrued during the early part of the digital revolution.

EVEN LONG-TERM CASES HAVE LOST EFFICIENCY (FIGURE 66)

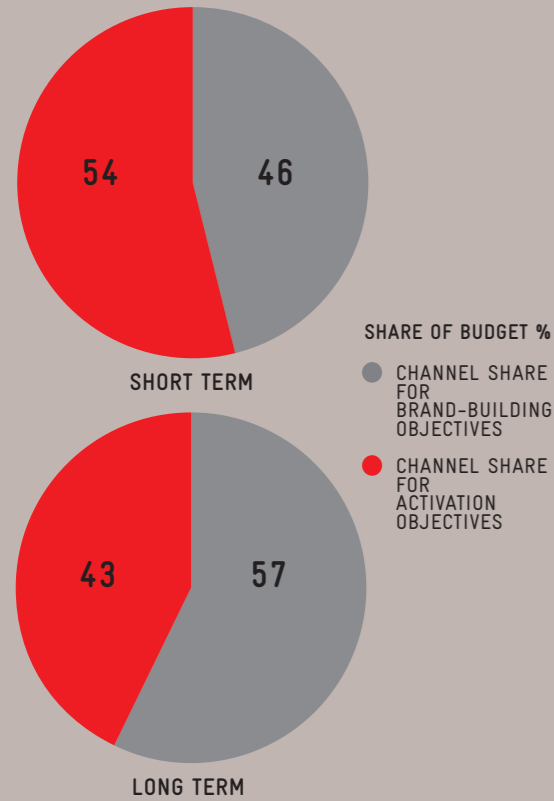


The third smoking gun is in fact a direct consequence of the other two: it is a growing over-weighting of all campaigns, whether short or long-term, towards activation expenditure. In Part 4 of this report, we re-examined the optimum balance of brand and activation expenditure four years on from *The Long and the Short of It* and found it still to be around 60:40. We also observed that deviation either side of this optimum point results in quite marked reductions in long-term effectiveness.

So any trend towards greater weighting of activation beyond 40% is likely to undermine long-term effectiveness. The growth of short-termism inevitably feeds a trend to activation because short-term campaigns make much greater use of it. The following pie charts show that the activation budget allocation for short-term campaigns in 2016 was 54% – well above the optimum level. Worryingly, even long-term campaigns exceeded the optimum at 43% activation.

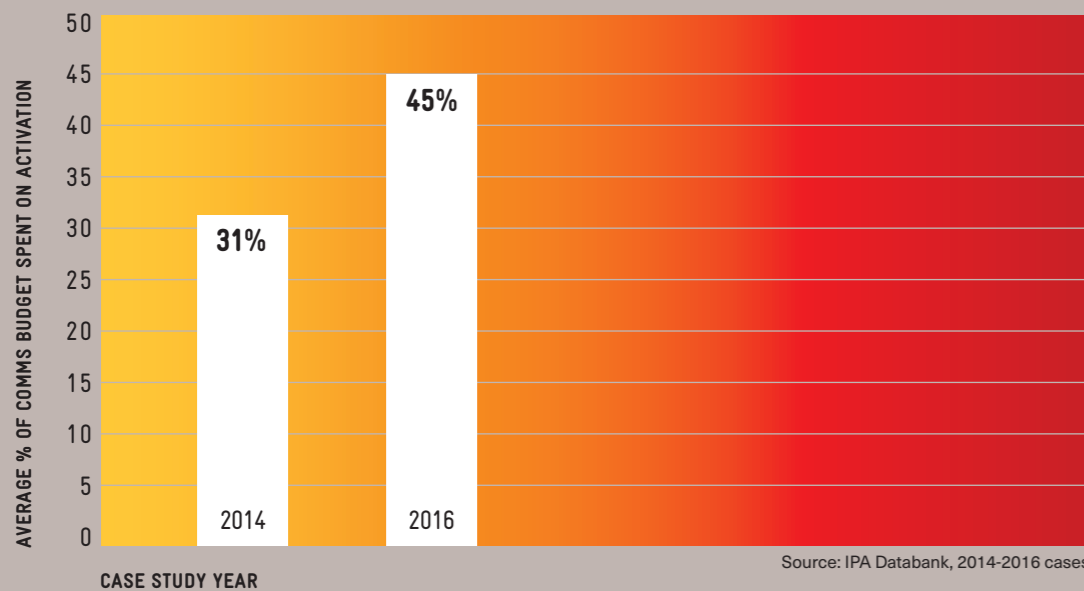
⁴⁵ Annualised market share growth per unit of ESOV invested.

SHORT-TERMISM FAVOURS ACTIVATION WEIGHTING OF BUDGETS (FIGURE 67)



Source: IPA Databank, 2016 cases

ACTIVATION LEVELS HAVE EXCEEDED OPTIMUM (FIGURE 68)



Source: IPA Databank, 2014-2016 cases

We should reiterate here that these activation percentages are likely to be underestimates of the true level of current activation spend. Routine search and PPC activation spend is increasingly not managed by marketing departments and is not necessarily known by case study authors. It is under reported in the IPA data compared to IAB data.⁴⁶ So activation spend may have risen even higher than is suggested by the following chart – currently reported as 45% of budget.

Part of the considerable growth in activation expenditure implied by this chart may be due to more accurate reporting of data by case study authors in 2016. The method of data collection for budget allocation was improved in that year. However data from Enders Analysis (see opposite) suggests that there has been significant growth in activation share of budget in recent years and that the 2016 IPA data underestimates the true level slightly.

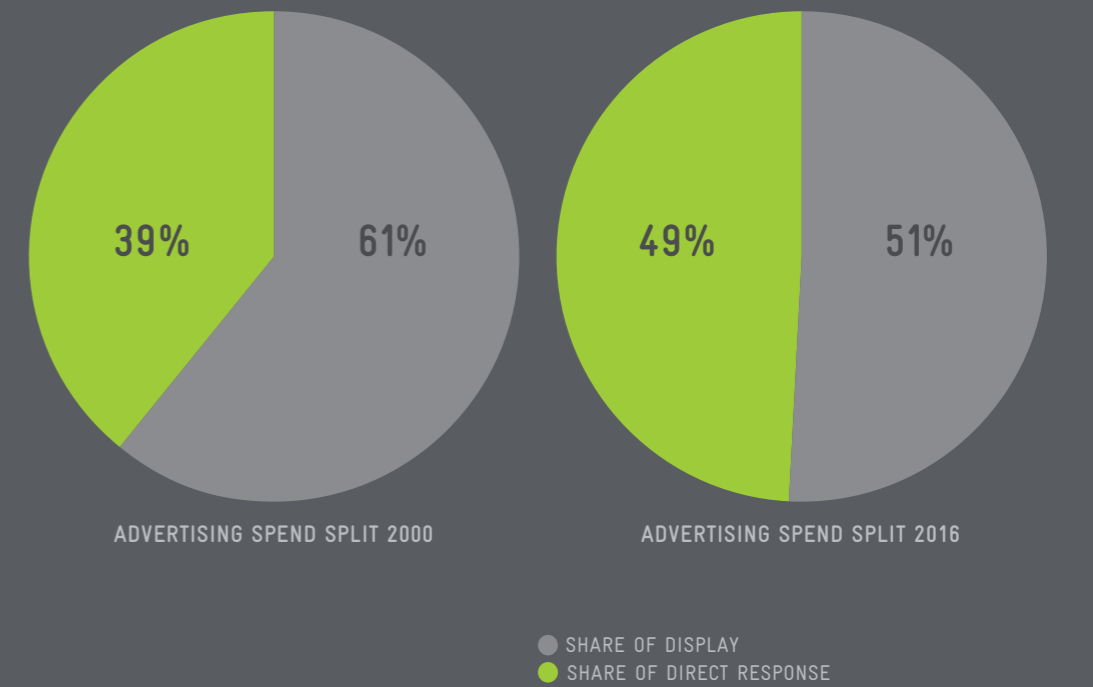
⁴⁶ Though IAB data will include the extensive activation spend by non-branded businesses e.g. SMEs, which do not generally form part of the IPA case study base.

⁴⁷ Marketing and measurement in the digital era, Enders Analysis, Nov 2016.

VIEW

THE RELENTLESS GROWTH OF ACTIVATION
A VIEW FROM ENDERS ANALYSIS

Data from Enders Analysis using Advertising Association data ('Advertising effectiveness-marketing and long-term business benefits' to be published in May 2017) reports the growth of activation expenditure from average 39% of total budget in 2000 to 49% in 2016. This is broadly consistent with recent IPA data, but less likely to be an underestimate, hence the higher percentages. Enders rightly attribute this growth to the metrics served with online channels. As they observed in their 2016 report⁴⁷ 'What is often under-rated is the degree to which digital marketing expenditure has to date been driven by direct response: click-through rates, transactions and short term performance measures.'



Source: Enders Analysis estimates based on AA/WARC

There is a bigger long-term problem with the growth of activation expenditure. As Enders Analysis identifies, activation spend is not filling the consideration funnel – it operates at the bottom of the funnel. Putting too much money into activation becomes self-defeating – a bidding war for the last-minute pre-purchase attention of a limited number of

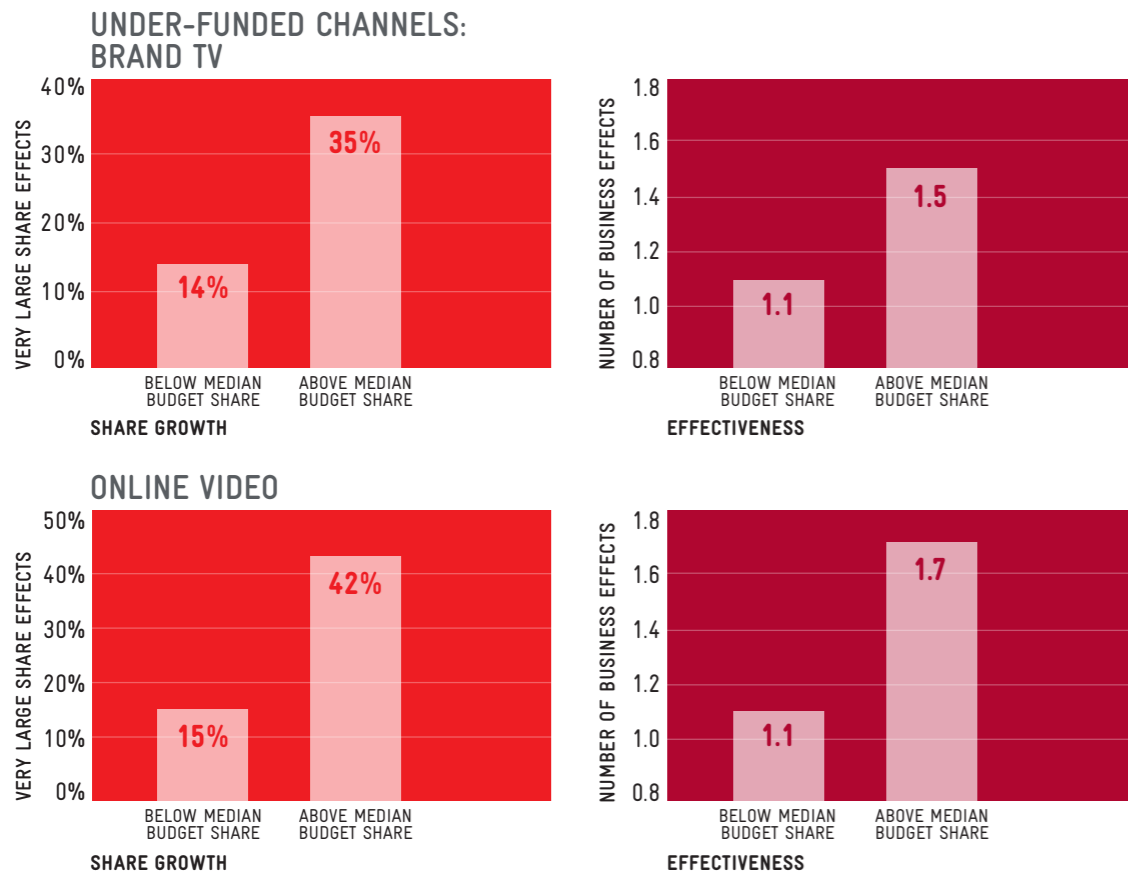
prospects. It will become less effective and efficient unless brand-building activity is feeding sufficient prospects into the top of the funnel. As was shown in the last section, brand building enhances activation effects over time, but not immediately.

Both are needed, **but in balance.**

“ Without the rebalancing of budgets towards brand building, the changing media landscape will continue to fail to deliver its potential benefits.

48 Includes Social.

KEY BRAND-BUILDING CHANNELS APPEAR UNDER FUNDED (FIGURE 69)



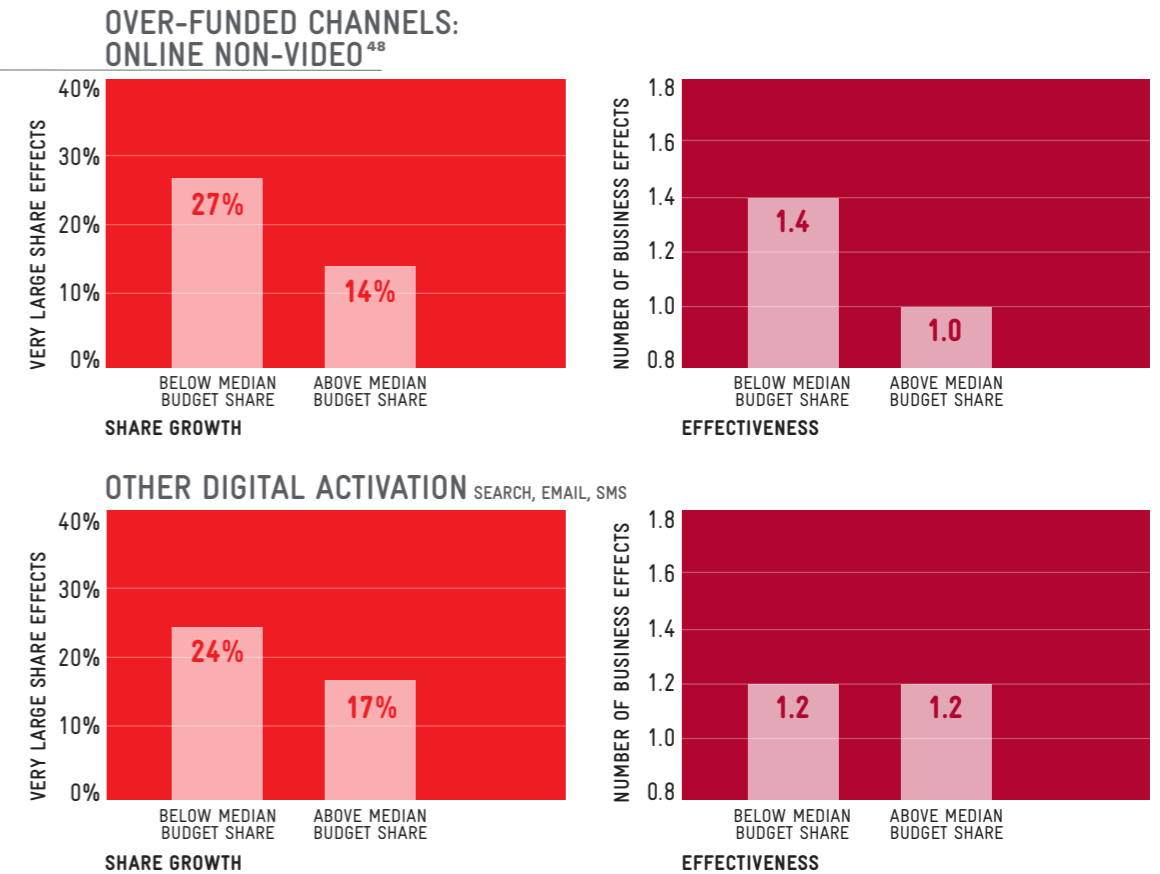
But putting too much money into activation is exactly what is now happening and the IPA data for the 2014-16 period evidences this in another way in the following montage of charts. **Increasing share of budget above current median levels for brand-building media, especially TV and online video, leads to increases in effectiveness and market share growth. But increasing share of budget above current median levels for activation media such as DRTV, direct mail, search or email, leads to reductions in effectiveness and market share growth.** The picture for social is more nuanced as the growth of social video transforms the channel’s capabilities from primarily activation towards brand building: increases in share of budget have a modestly positive impact

on effectiveness but not growth. Other factors come into play between channels so it is not valid to compare the scale of effects across channels; it is the direction of change in effects as budget allocations are increased that is important here.

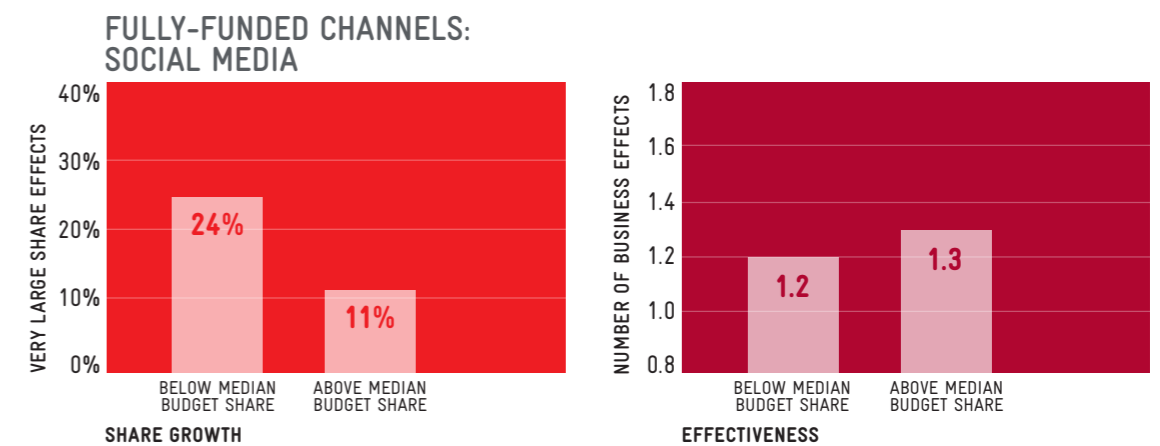
So the IPA data clearly shows the need for a reversal of the pendulum swing towards ever greater activation share of budget. It is an essential requirement of restoring the trend to increased effectiveness that existed up until the global financial crisis.

Without the rebalancing of budgets towards brand building, the changing media landscape will continue to fail to deliver its potential benefits.

KEY ACTIVATION CHANNELS APPEAR OVER-FUNDED (FIGURE 70)



TYPICAL FUNDING FOR SOCIAL IS MORE NUANCED – IT APPEARS FULLY FUNDED (FIGURE 71)



Sources: IPA Databank, 2014-2016 cases

SUMMARY THOUGHTS FROM SECTION 6.0

01 The digital revolution has increased the potential effectiveness of most forms of marketing. But the IPA data suggests that actual effectiveness has declined since the global financial crisis.

02 In particular, we see smaller gains in penetration and market share, the key drivers of long-term business success.

03 The data suggests three closely related reasons for this decline in effectiveness:

- **Short-termism**
- **An increasing focus on ROMI (ROI), which is an efficiency metric, rather than growth or indeed profit, which are measures of effectiveness.**
- **A shift towards activation, at the expense of brand building**

04 These trends all reinforce one another, and have in turn led to:

- **Inefficient media mixes**
- **Unbalanced communications budgets**
- **Under-investment in marketing communications**
- **Less effective creative strategies**
- **Slower growth**
- **Smaller profits**

05 Marketers need to strike a better balance between short and long term if they want to exploit the full potential of marketing in today's media landscape.

CONCLUSIONS AND RECOMMENDATIONS

Mass marketing is more effective than ever. Despite the huge changes in the media landscape in recent years, it seems that some of the key principles of marketing remain unchanged. Successful, profitable brands tend to have high market share and lots of customers, and the main way they grow is by increasing penetration, not loyalty. Brand building is still the most important driver of that growth, and it still requires broad reach, paid-for advertising.

The huge increase in internet usage that we have seen over the last ten years has given advertisers new ways to do that job. In particular, online video seems to be a particularly powerful brand-building tool.

But more traditional advertising media have adapted well to the changes, and continue to deliver sales and profit. Indeed, the digital revolution seems to have made most of these traditional media more effective, not less. TV, press and radio are working better than ever, and out-of-home effectiveness has begun to increase recently, probably due to the advent of digital outdoor.

TV remains the most effective medium, although these days it works best when used in concert with VoD and other forms of online video. There is a natural synergy between these offline and online video formats. TV drives traffic to online video assets; online sharing amplifies the effect of TV.

The other important synergy is between brand and activation. Online media are highly efficient for sales activation, with paid search and email being particularly effective. Offline advertising makes online activation work harder – TV ads drive Google search queries, for instance. And online activation makes all other advertising more efficient by creating a fulfilment mechanism.

As internet usage has increased, these synergies have got bigger, increasing marketing effectiveness across the board.

Mass marketing is working better than ever, for those firms that use it to its full effect. But, in order to exploit the full potential of marketing in the digital age, firms still need to invest. Budgets still matter – indeed our analysis suggests that share of voice has become more important, not less. And budget allocation matters too; firms that focus too narrowly on short-term sales suffer the long-term consequences. Observing the 60:40 rule remains essential to get the most out of the synergies between brand building and activation. But as we have seen, there is worrying evidence that many businesses are learning the wrong lessons from the digital revolution. By ignoring the enduring effectiveness truths of the changing media landscape they are undermining the tremendous potential of the new tools at the marketer's disposal.

To remedy this wasted potential, marketers should return to a more balanced perspective on long vs. short-term objectives and recognise that they pull campaigns in different directions. Short-term effects cannot reliably be projected forward to long-term ones. Brand owners need to recognise that the brand-building/activation pendulum has swung too far from the optimum 60:40 ratio towards activation and they need to rebalance campaigns. This requires that campaign media planning dials-up brand-building allocations instead of activation, especially with newer channels. And it means valuing video channels over non-video ones.

It also requires a parallel rebalancing of campaign strategy and evaluation, which should be designed to ensure long-term effects – marketers should look for emotional brand-building effects and ensure there is sufficient paid-for advertising to keep campaigns in-market long enough to create these effects.

Finally, brand owners should monitor and seek to restore ESOV at least to positive levels – growth will continue to falter without this, because the link between ESOV and growth is getting stronger.

MORE ABOUT EFFWORKS

The IPA's new Marketing Effectiveness initiative seeks to create a global industry movement, to promote a marketing effectiveness culture in client and agency organisations, and improve our day-to-day working practices in three key areas:

01 marketing marketing: developing the case for marketing and brand investment in the short, medium and long term, and promoting the benefits to internal and external stakeholders

02 managing marketing: providing awareness and understanding of how marketing works, and how to write the best brief, develop the best process for planning and executing marketing programmes, and motivating marketing and agency teams

03 monitoring marketing: delivering the best models, and guidance on tools and techniques, to plan, monitor, direct and measure the impact of marketing activity, using holistic approaches to return on investment.

This takes the IPA's effectiveness programme to a new level; working in collaboration with client advisors and association partners to showcase best in class, evidence based decision-making across the marketing function. By bringing together the best people in the industry Effectiveness Week (EffWeek) provides a trusted source of new thinking to address the issues that matter, and an invaluable learning resource, under the umbrella of Effectiveness Works (EffWorks), our online hub.

Find out more at www.effworks.co.uk

For more information contact

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There are those that say ‘everything has changed in the digital marketing era’, while those in the opposing camp say ‘nothing important has changed’. Most of us think the truth probably lies somewhere in between, but there is a great deal of room in between – evidence is needed.

Les Binet and Peter Field shed some light by mining the IPA database of digital era advertising effectiveness award entries.

There are findings here that will surprise, regardless of which of the three camps you belong to.

BYRON SHARP
PROFESSOR OF MARKETING SCIENCE, UNIVERSITY OF SOUTH AUSTRALIA
AND DIRECTOR, EHRENBERG-BASS INSTITUTE FOR MARKETING SCIENCE

This report updates the media-related findings of our two previous analyses of the IPA Databank: *Marketing in the Era of Accountability* (WARC 2007) and *The Long and the Short of It* (IPA 2013). It is the first part of a new series about Marketing Effectiveness in the Digital Era, to coincide with the launch of the IPA's cross-industry EffWorks initiative (www.effworks.co.uk).

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