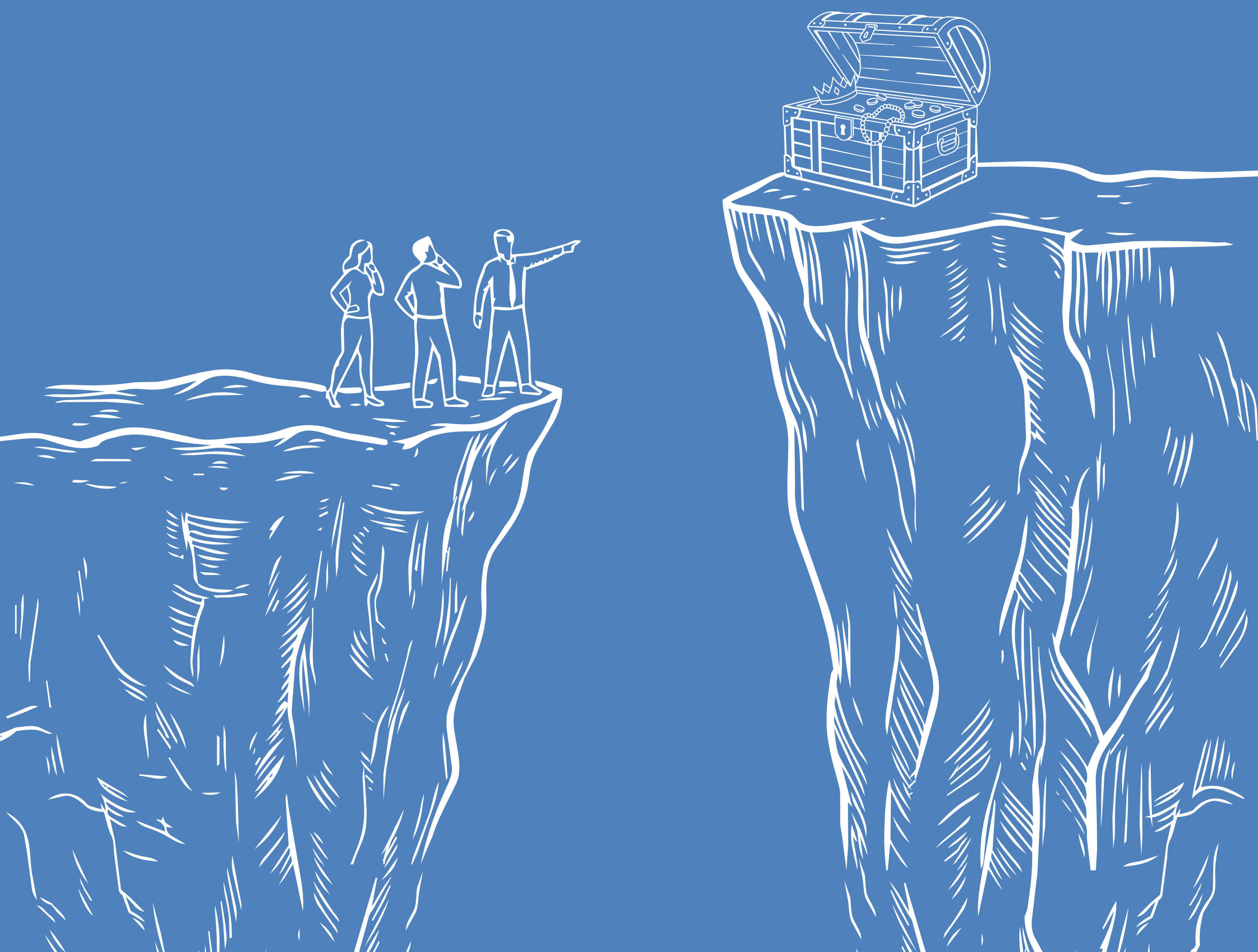
The Growth Gap

By Dominic Charles and Olga Zaitseva



The authors

Dominic Charles serves as SVP, Applied Analytics for WPP Media UK, delivering strategic analytics consulting across a broad portfolio of major clients. Spanning 19 years of practitioner experience, he acts as a trusted advisor to C-suite executives, bridging advanced analytics with real-world media strategy. His work in shaping industry measurement—including authoring Profit Ability 2 and creating the Eco-Effectiveness framework—has been recognised with over 20 industry awards.

Olga Zaitseva serves as SVP, Modelling Services at WPP Media UK, where she leads the delivery of marketing mix modelling, budget setting and allocation analysis, as well as the development of optimisation and forecasting tools for a diverse range of brands across the UK and globally. With over 20 years of practitioner experience, Olga specialises in translating complex data into actionable insights that drive measurable improvements in business performance. Her work has helped advance the understanding and application of best-in-class marketing measurement across the industry, from co-authoring the IPA's Econometrics and the C-suite and Profit Ability 2 to creating the multiple award-winning Media Mix Navigator tool.

Executive Summary

The Growth Gap set out to answer one question: how much profit are businesses leaving on the table through sub-optimal media investment? The answer was eye-watering. The average UK brand leaves 11% of total profit growth unrealised, worth £32 billion across the economy.

But, in solving that question, the study produced an even more important – and practical – byproduct. Advertisers don't have to choose between driving sales today or building brands for tomorrow. They can have both by restructuring when, where, and how they invest.

Economic uncertainty has trained the industry toward short-term thinking, optimising for what can be measured and cut quickly. The result is an "efficiency trap": ROI up 4%, but incremental profit from advertising down 11%.

The problem, though, isn't that marketers have been too focussed on the short-term; it's that there's a better way to do the short term.

Two challenges keep brands stuck: the **scale challenge** (most could double media investment and still profit on every additional pound) and the **structural challenge** (quarterly cycles push against longer-term investment).

But "long-term" effects begin building immediately, with a meaningful share landing in-year. Even on a purely short-term view, smarter channel allocation would lift in-year profit by 9.3%.

Closing that £32 billion gap doesn't depend on new evidence. It depends on acting on the evidence we already have.

The evidence for advertising has never been stronger

You can't move for studies proving the return of advertising. Yet...

The average brand still leaves 11% of total profit growth on the table, and only one in three UK businesses achieves that level of growth in any given year.

The reason? Persistent uncertainty has trained the industry to lean into the short-term, optimising for what can be measured now and cut easily. The most important conversation marketing can have is about the full cost of this instinct.

The world we're operating in

> "We are not buying more lemons, we are squeezing the lemon harder. That is the efficiency trap."

We've been in near-permanent crisis since 2008. Budgets, squeezed by financial crashes, geopolitical shocks and a pandemic, are only now recovering but remain nearly 30% lower as a share of revenue than pre-pandemic levels.

And, when conditions feel unstable, the default response is to do more with less. Which is what has happened.

On the surface it looks like it's working: short-term ROI has improved. But there's an uncomfortable truth, first highlighted in Les Binet & Medialab's Go Big or Go Home study: ROI is up 4%, but the incremental profit advertising generates is down 11%.

We are not buying more lemons, we are squeezing the lemon harder. That is the efficiency trap.

This is not a data problem

Layered on top is a persistent gap between marketing and the boardroom. McKinsey and Gartner find that 70% of CEOs measure marketing through year-on-year revenue and margin, but only 35% of CMOs prioritise the same metrics.

The result? Just 27% of CEOs and CFOs believe their CMO is performing to expectations, while 40% of CMOs believe their budget is insufficient.

This is not a data problem. The industry has built a formidable evidence base, from decades of IPA data to broader econometric research. Profit Ability 2, the most comprehensive study of media effectiveness to date (£1.8bn of spend, 141 brands, 10 channels), shows every £1 spent generates £1.87 in short-term profit (within 3 months), rising to £4.11 once longer-term brand equity effects are included (within 2 years).

The problem is that the right evidence isn't deployed to answer the questions boardrooms actually ask. Two challenges stand in the way.

The scale of the challenge

Present a £4.11 ROI to non-marketing executives and you'll often hear: *"If advertising really returns £4 for every £1, I'd just spend £100m and double the business."* It masks reasonable scepticism; a £4 return simply sounds too good to be true.

The first thing to recognise is that advertising is one of many drivers of profit, alongside pricing, promotions, brand equity and market conditions, accounting on average for around 16% of total sales effects.

What makes advertising distinctive is that it's uniquely controllable, scalable and agile in a way price changes, distribution shifts or product innovation aren't.

Where other drivers can work against you, advertising is the lever you can pull to mitigate headwinds and drive growth. So how far can you pull it before it stops paying back?

We ran 7,488 scenarios through the Media Mix Navigator – 624 brands across 12 budget levels – to build an average response curve. It confirmed what marketers intuitively understand: spending more drives more profit but returns eventually flatten. For the average brand, a 100% increase in media investment produces a 69% increase in media-driven profit, not proportional, but still highly profitable.

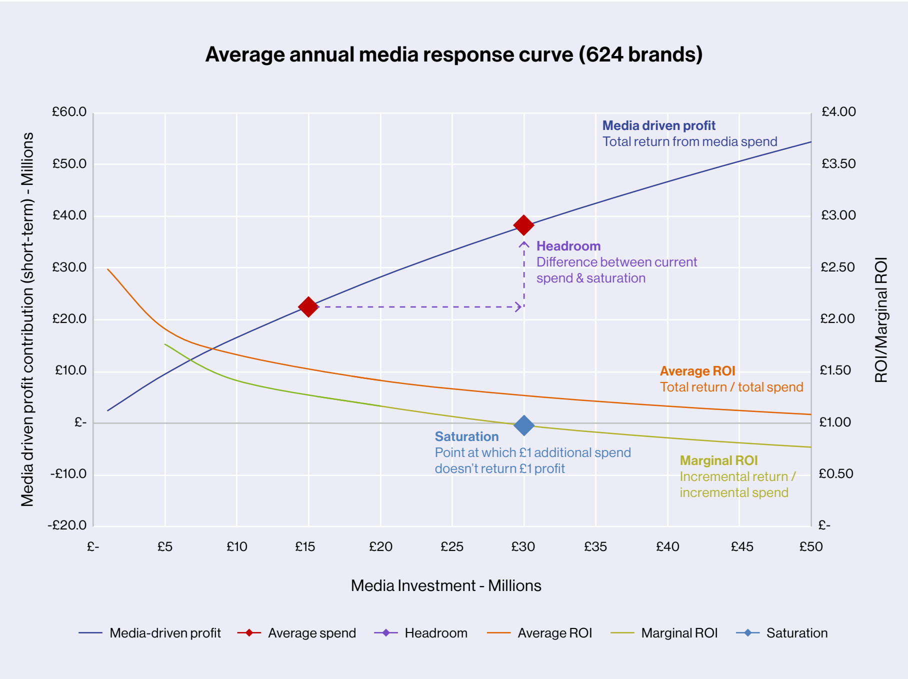


Fig 1 Source: The Growth Gap, Thinkbox / WPP Media UK, 2026.

The critical metric is marginal ROI: the return on each additional pound spent. The point at which marginal ROI drops to £1 is saturation. The gap between where a brand sits today and that point is its headroom. The average brand in Profit Ability 2 spends £15m a year and saturates at £30m. It could double investment and every additional pound would still return *at least* a pound in profit.

Headroom varies greatly by sector: Travel brands could increase investment by 275%, Retail by 131%, Automotive by 67% and still see profitable returns. For Telecoms, Finance, and FMCG the case is more complex, requiring customer lifecycle effects or advertising's impact on metrics like price elasticity to be factored in.

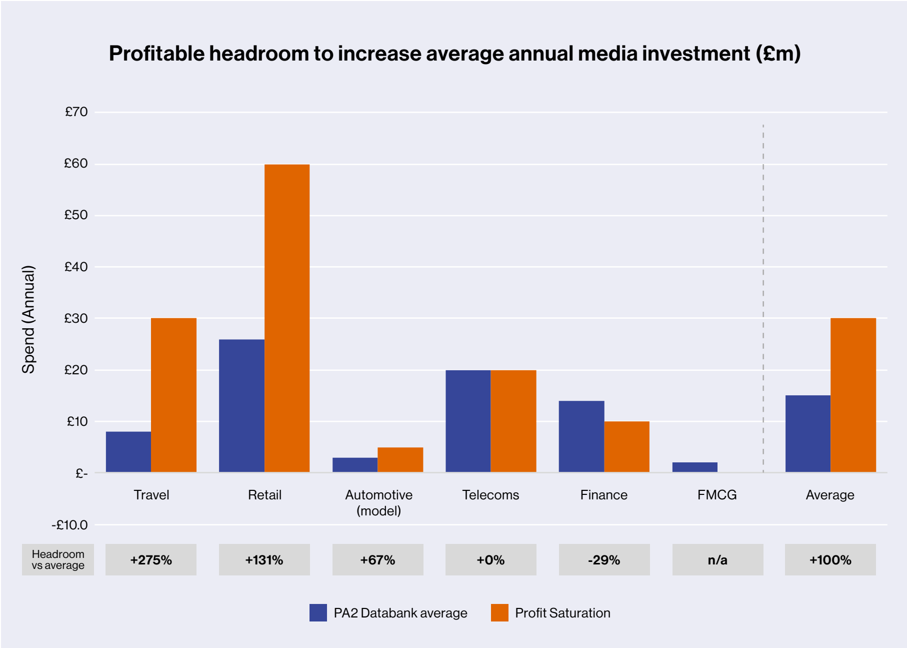


Fig 2

Source: The Growth Gap, Thinkbox / WPP Media UK, 2026.
Media Mix Navigator (7,488 scenarios, covering 624 brands across 12 media budget levels)

By not closing that gap, brands leave an average of 11% of total business profit unrealised – £32 billion across the UK economy. They simply aren't spending enough to capture it.

The structural challenge

> "A 'long-term effect' is better understood as a sustained effect: one that starts building the moment spend goes out the door and accumulates progressively."

The scale argument is winnable; the structural challenge is harder, because it isn't really a marketing problem.

When we talk about "long-term" effects, we are inadvertently asking brands to make decisions that work against the structures of the businesses they operate in.

Quarterly reporting, annual targets, and compensation tied to this year's number aren't obstacles to be educated away; they're hard-wired into how businesses run. Marketing budgets are also uniquely exposed: large, flexible and quick to move, making them a natural target when businesses need to protect their short-term position.

We haven't helped ourselves in how we talk about "long-term" effects either. People hear the phrase and picture something that accumulates quietly, then arrives as a lump sum at some distant point, by which time the current team may not be around to benefit.

But a "long-term effect" is better understood as a *sustained* effect: one that starts building the moment spend goes out the door and accumulates progressively. It's not a delayed payback but a gradual build that begins immediately. Spend in January and roughly a third lands within the same financial year; spend in December and it's just 1%. This changes the trade-off entirely.

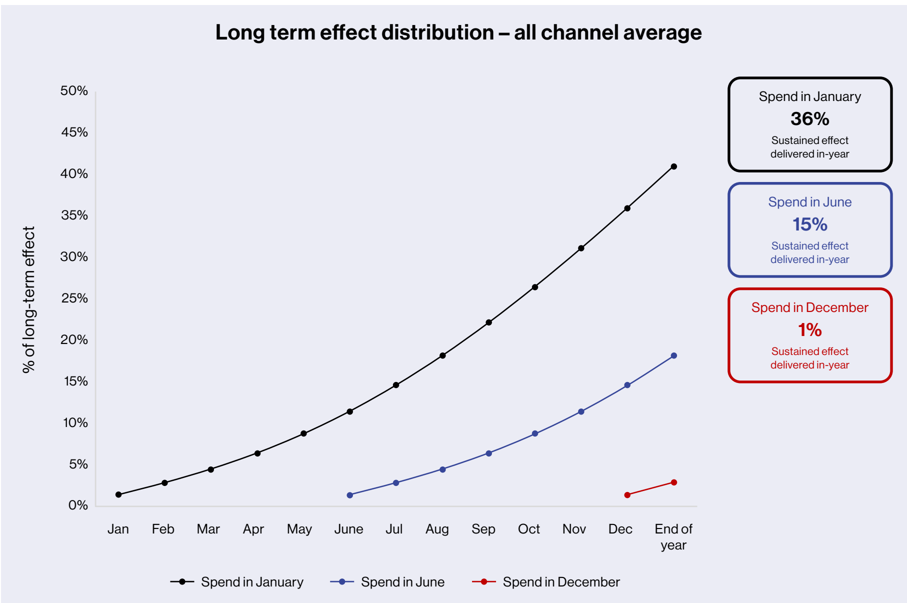


Fig 3

Source: The Growth Gap, Thinkbox / WPP Media UK, 2026.
Media Mix Navigator – WPP Media benchmarks.

The practical implication: you can have both

"Speed must be balanced against scale of effect."

Channels also pay back at different speeds. PPC delivers roughly 79% of its total profit contribution within 12 months; TV delivers 57% but that 57% is a share of a far larger number. Within the same period, TV generates substantially more total profit than PPC at equivalent investment. Speed must be balanced against scale of effect.

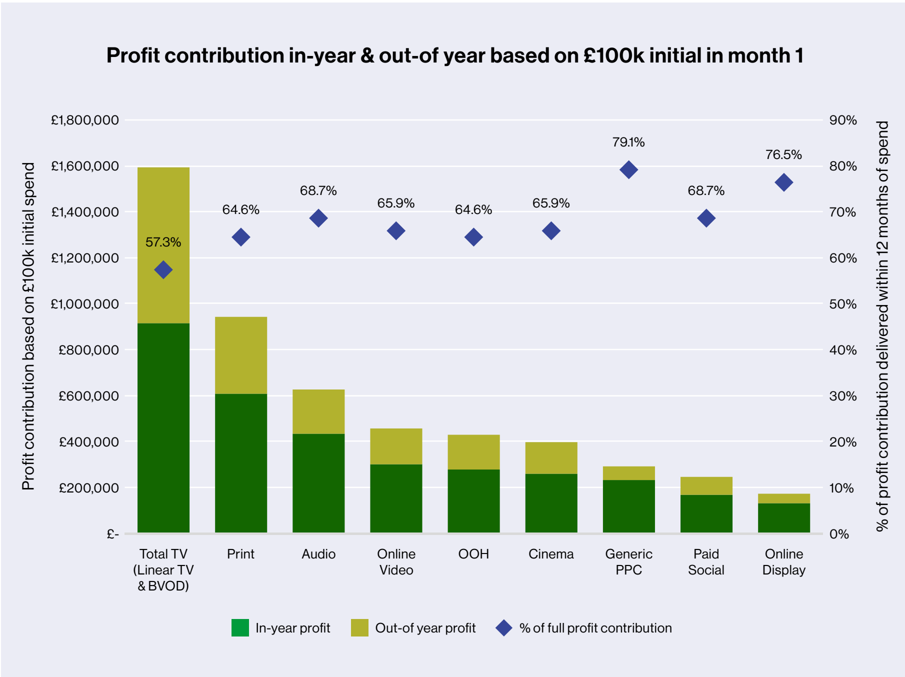


Fig 4

Source: The Growth Gap, Thinkbox / WPP Media UK, 2026.
Profit Ability 2, April 2024.
Short term benchmarks: Ebiquity, Gain Theory, WPP Media UK.
Adstock benchmarks: Ebiquity.
Long-term Multipliers: Gain Theory, WPP Media UK.
Long-term distribution: Media Mix Navigator.

> “Even ignoring ‘long-term’ effects entirely, the industry’s current channel allocation is still sub-optimal.”

Optimising for in-year payback points to a clear strategy:

- Spend heavily early in the year to build adstock.
- Front-weight longer-term channels (TV, print, OOH) so their sustained effects accumulate within the year.
- Lean on shorter-term channels (PPC, paid social) later, when rapid returns are needed most.

And here’s the most important finding for anyone unconvinced by brand-building: even ignoring “long-term” effects entirely, the industry’s current channel allocation is still sub-optimal.

By shortcutting “short-term” to “performance”, and “performance” to “search and social”, we underinvest in channels that generate strong short-term returns, channels like TV, audio, print. Correcting that imbalance alone would deliver a 9.3% improvement in in-year profit contribution.

Short-termism isn’t the problem; the problem is badly executed short-termism – conflating “performance” with a narrow set of channels. Fixing it doesn’t require accepting a brand-building argument, just a better short-term one.

Actual spend allocation by channel based on Profit Ability 2 benchmarks vs optimised plan to maximise short-term sales contribution assuming a £15m spend – all sector average

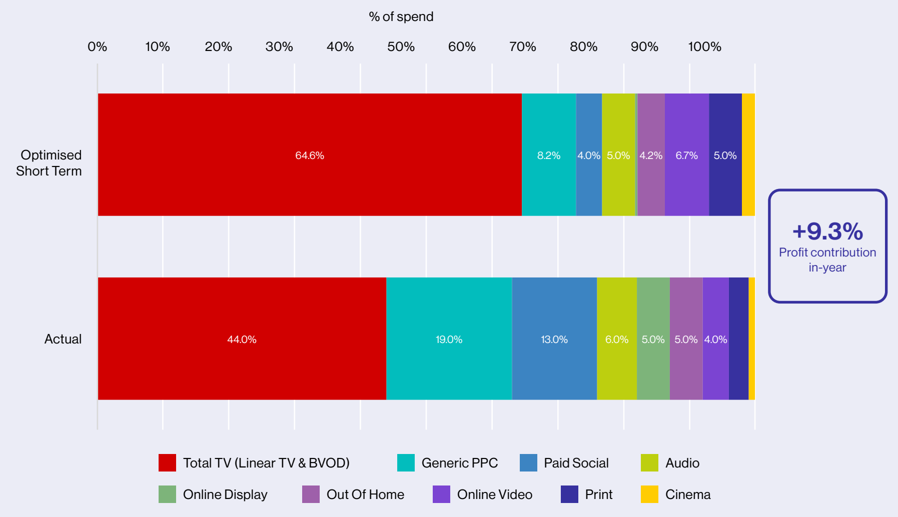


Fig 5

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Profit Ability 2, April 2024
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Adstock benchmarks: Ebiquity.
Long Term Multipliers: Gain Theory, WPP Media UK.
Long-term distribution: Media Mix Navigator.

The growth is there

Economic uncertainty isn't going away, and the structural pressures are real. But the evidence is unambiguous: left unchecked, this instinct is costing brands growth they could capture right now, growth that requires no leap of faith about what happens in three years' time.

What we call "long-term" investment delivers meaningfully within the year, if deployed at the right time in the right channels. And the average brand has the headroom to double its spend while keeping every pound profitable.

The question is no longer whether the evidence exists. It's whether we use it well enough to close the gap.

The analysis was conducted using the Media Mix Navigator and draws on Profit Ability 2 (Thinkbox, April 2024). The tool is available at thinkbox.tv.