PROFIT ABILITY 2:
THE NEW BUSINESS CASE FOR ADVERTISING

SPECIAL REPORT 2024

thinkbox

CONTENTS

SECTION ONE:
OVERVIEW

01

1.1 INTRODUCTION

2017 is not long ago, but it feels like a lifetime. Brexit, Covid, climate change, conflict, cost-of-living crises… human context and behaviour has transformed.

Yet 2017 was the last time there was a comprehensive study of advertising effectiveness and its financial impact. 'Profit Ability' by Ebiquity and Gain Theory was groundbreaking, but that ground has since had earthquakes.

After such upheaval, a modern, robust view of the role for advertising investment was urgently needed. Advertising spend trends showed that money was rapidly flowing away from media that had been proven to deliver the best financial results, like TV, and towards other media, like social. Was this the right direction of travel for advertising investment?

It was from this context that Profit Ability 2 (PA2) was born. It is the first post-Covid analysis of advertising's financial impact. It brings advertising's collective knowledge bang up to date in eye-watering detail, analysing 141 brands representing £1.8 billion in media spend from 2021 to 2023.

Just a few months after its initial findings were released in April 2024, it was already the new touchstone for advertising effectiveness. This full report goes into more detail across more areas, examining different media and business sectors in granular detail.

It has many profound findings to inform – and, in some cases, course-correct – media and financial planning. Social media, for example, is indeed over-invested in compared with the results it delivers (it attracts 13% of advertising spend, but only contributes 9% of advertising-generated profit).

This report's central finding is that all forms of advertising pay back, especially when sustained effects are measured (sustained effects make up the majority of advertising's profit generation, some 58%). A focus on immediate returns from advertising, while tempting, leaves significant value on the table. Short-termism short changes brands.

On average, advertising generates a short-term profit ROI of £1.87 per pound invested, increasing to £4.11 when accounting for sustained effects.

Within this there is a lot of variation; not all profitability is equal and not every channel is suitable for every objective or time horizon. The average, like any average, is the point of tension between higher performers dragging it up and lesser performers pulling it down.

As a whole, this report's findings are crucial for businesses seeking to understand and optimise the return on their advertising investment and to allocate budgets more effectively for growth.

"The first Profit Ability study was a landmark report and this timely sequel is a truly worthy successor. The key message – that advertising, done well, is a driver of profit, particularly in the long-term – is one that bears repeating loudly and often."

Sam Tomlinson, Chief Client Officer, MediaSense

"Sequels rarely live up to the original but Profit Ability 2 has provoked debate and fascinating questions among our audience. We have been given another key piece in the great advertising effectiveness puzzle."

Omar Oakes, Editor-in-chief, The Media Leader

"Thinkbox research is invariably brilliant, cleverly constructed and impartial in its approach, so everyone should read it but, more importantly, everyone should use it."

Nick Manning, Founder, Encyclomedia International

"Advertising is intangible capex, an investment and not a cost. This report provides the evidence that marketers need to prove the value of advertising to their CEOs, CFOs and Boards – and ultimately its value in supporting and strengthening their companies' share prices."

Ian Whittaker, Managing Director and Founder of Liberty Sky Advisors

"Profit Ability 2 is recommended reading. It provides a much-needed helicopter view of advertising effectiveness, outlining how and why advertising works, and offers invaluable guidelines and benchmarks on typical roles and investment levels for different media channels."

Karen Martin, Chief Executive Officer, BBH London & Chair of the 2024 IPA Effectiveness Conference

"Profit Ability 2 demonstrates that the findings from 'The Long and the Short of It' are still very much relevant a decade later. Brands that focus only on short-term payback leave themselves wide open to lost potential profit. This provides an insightful macro view for anyone working in marketing effectiveness, showcasing how advertising works and how to get the most out of your media mix."

Preety Nimoh, Project Lead, IPA Databank

"In an era where transparency and clarity is often hard to find, the Profit Ability 2 study shines as a beacon of robust, objective analysis in advertising effectiveness."

Fran Cassidy, Founder, Cassidy Media Partnership & IPA Consultant

"Profit Ability 2 is a highly valuable resource. It helps marketers demonstrate the value of advertising to their businesses. In particular, they will appreciate the holistic view it offers as they are managing cross-media campaigns and need insights into how each channel complements the others. It will help businesses make informed, strategic decisions about marketing investment."

Bobi Carley, Head of Media & Inclusion Lead, ISBA

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1.3 EXECUTIVE SUMMARY

A concrete business case for advertising
Over the short-term (up to 13 weeks), the average Profit ROI of advertising is £1.87. This means that if a brand spends £1 on advertising, it typically generates an incremental £1.87 in profit (£0.87 profit for every £1 spent). When taking into account sustained effects delivered over the two years post activity, the Profit ROI increases significantly to £4.11.

Profitability varies by media
All channels generate profitable returns, but to varying extents. The average Profit ROI of advertising is dragged up by stronger media (or down by weaker media). TV, for example, delivers a full Profit ROI of £5.61. This compares with £3.86 for Online Video (mostly YouTube) and £3.52 for Generic PPC.

Short-termism short changes brands
The short-term effect of advertising constitutes a minority of the total advertising payback – only c. 40% of the total payback of advertising. The remaining 60% comes from the sustained effects of advertising, which varies significantly by channel. Notably, Linear TV, Print and Out of Home demonstrate a robust sustained effect. A focus on short-term payback alone leaves a vast amount of potential profit on the table.

Advertising payback differs by sector
The reasons for differences across sectors are primarily structural factors such as product revenue value and business operating margins, rather than just advertising effectiveness. Financial Services and FMCG face challenges in achieving short-term payback, however, all sectors are profitable when sustained effects are taken into account.

Scale, efficiency and time are the key dimensions around which to optimise a media mix
Analysing how and when different channels pay back their return highlights that the advertising industry's creation of an arbitrary framing when it comes to media channels ('brand' and 'performance') is at best unhelpful, creating a silo in media plans where one doesn't need to exist. At worst it leads to brands harming their short- and long-term growth by restricting their options in both directions. PA2 reinforces that it is the message that determines whether a campaign behaves like 'brand' or 'performance', not the medium and that as a result optimising to scale, efficiency and time (SET) leads to a better invested budget.

Saturation points differ dramatically by channel
An advertising channel's 'saturation point' is the maximum point where an additional £1 invested in a channel generates at least £1 in profit (it is sometimes referred to as the 'breakeven point'). Linear TV saturates at a level nearly 3x higher than the next largest channels – a function of TV's strength to reach large groups of people at relatively low entry costs. In contrast, channels like Paid Social and Online Display saturate relatively quickly.

Look beyond just 'digital' for rapid payback
Generic PPC is unsurprisingly the biggest driver of immediate profit effects. But it might be surprising to see that Linear TV is second, and that Audio and Broadcaster VOD are also strong in the immediate term. The pursuit of immediate returns is most optimally achieved by the inclusion of channels other than just the obvious online ones.

Channel risk is an under-considered factor
When identifying the optimal media mix, it's not just the average ROI of a channel that advertisers should be interested in, but also the likelihood that it will deliver to that level. Each channel has a different level of variation around its average ROI. Channels like Linear TV and Print have low variation and therefore represent a lower risk investment. Whilst channels such as Paid Social and Cinema are less predictable with more variation across the databank. However, 'risk' works both ways – less predictable channels can yield a higher ROI than more predictable ones when they work well. But there is also the increased risk of well below average return if they don't work well.

No Covid effect on overall return on media investment
There has not been a radical, unexplained change in the relative effectiveness of channels since pre-Covid: the average return on media investment has remained stable. There have been some shifts in channel effectiveness compared with before Covid, but all are explained by either investment level changes or media consumption changes.
For example, spend and ROI for Linear TV has slightly fallen, but this is offset by an increase in spend and ROI for Broadcaster VOD and Online Video.

> “Profit Ability 2 reinforces that it is the message that determines whether a campaign behaves like 'brand' or 'performance', not the medium and that as a result optimising to scale, efficiency and time (SET) leads to a better invested budget.”

1.4
WHY THIS REPORT MATTERS

Advertising effectiveness meta-studies can serve many purposes for those working in the media and marketing industry. They offer a current and comprehensive view of the role advertising plays in business growth for a huge number of large B2C businesses.

Profit Ability 2 is not a dataset of award-winning campaigns which provide a view on the role of advertising for 'the best of the best', nor is it a cherry-picked set of advertisers based on their results. Instead, it is a view of 'the average' large B2C business, with the only selection bias being the need to ensure the databank contains a representative group of advertisers across categories and the individual brand's own willingness to share their self-funded econometric analysis into the data pool (thank you to the 141 brands that did!).

But how is this type of data useful? It's not a replacement for running your own econometric analysis, either in-house or through a credible analytics partner – this is by far the best way to get the strategic guidance you need on the role advertising plays for your businesses and the relative role of different media channels. Instead, it provides the industry with a macro, helicopter view of advertising effectiveness and as such can help businesses in a number of different ways.

Profit Ability 2 can be used to help advertisers, media agencies, creative agencies and media owners in many ways:

- Proof that advertising works
- A better understanding of how advertising works
- Ad-generated profit benchmarks for individual categories
- Guidance on how long ad investment takes to pay back
- Benchmarks on the typical roles and investment levels for different media channels
- A view on how the ad effectiveness landscape has changed in recent years
- A conversation starter between advertisers and agencies on key decisions; i.e. channel selection, spend levels, attitudes to risk, timeframes for ad-driven returns.

Different types of businesses will find that this report helps in different ways – it's not necessarily designed to be read cover to cover (although you're welcome to, if you wish), but as a reference manual to be used to help provide the evidence or guidance you need at different points of your advertising journey.

SECTION TWO:
SETTING THE SCENE

02

2.1
CONTEXT

2017 is not long ago, but it feels like a lifetime. Brexit, Covid, climate change, wars, a cost-of-living crisis... human context and behaviour has transformed. Alongside these broader global influences, media consumption has rapidly evolved. The streamers have grown from 10 million UK homes with at least one SVOD subscription to 20 million homes (Barb, Q2 2024), new channels such as TikTok have emerged and working from home has persisted long after the pandemic, impacting on the retail market as well as Out of Home advertising opportunities.

Yet 2017 was the last time there was a comprehensive study of advertising effectiveness. 'Profit Ability' by Ebiquity and Gain Theory was groundbreaking, but that ground has since had earthquakes.

We urgently needed a modern, robust view of the role for advertising investment, whether its ability to deliver incremental sales and growth for UK businesses had changed and if the role for channels, both established and new, had evolved as a result of the shifting media landscape and post-pandemic behaviours.

Profit Ability 2 offers the answers to these questions. Through notching up the cross-business collaboration to incorporate econometrically evaluated campaign performance data from EssenceMediacom, Wavemaker UK and Mindshare as well as the original pairing of Ebiquity and Gain Theory, this study offers a comprehensive and current view of the UK media landscape, the relative roles of media channels and ultimately, the business case for how advertising can be used as a powerful lever for growth.

> “This study offers a comprehensive and current view of the UK media landscape, the relative roles of media channels and ultimately, the business case for how advertising can be used as a powerful lever for growth.”

2.2
OUTLINE METHODOLOGY

Profit Ability 2 (PA2) is a multisector, multimedia marketing effectiveness study by Ebiquity, EssenceMediacom, Gain Theory, Mindshare, and Wavemaker UK. It brings together the vast econometric databases of their clients' own advertising effectiveness analysis and is an update and expansion of Ebiquity and Gain Theory's Profit Ability study from 2017, offering the first post-Covid/Brexit view of advertising's impact on business performance.

THE ULTIMATE MEDIA EFFECTIVENESS DATABANK

5
Agencies

141
Brands

£1.8BN
Media spend analysed (2021–2023)*

14
Sectors**

10
Media channels

53
Brands matched pre- and post-Covid

* Based on end date of analysis period. Spend by year: 21% 2021, 32% 2022, 47% 2023. All analysis based on most recent 52 weeks available.
** Total databank has 14 categories, of which 7 have sufficient granularity to report individually.

PA2 analyses advertising generated profit return on investment (ROI), in terms of the immediate, short- and full-term effects. It covers £1.8 billion of media investment in the UK across 10 media, 141 brands and 14 categories, seven of which have been broken out and reported on separately[01].

Using a single Marketing Mix Modelling (MMM) review per brand, it only includes data for the most recently available 52-week period. This ensures that individual brands are not double counted just because they do more econometric reviews. While this approach can't guarantee perfect deduplication, as brands can move between econometrics providers, it does go a long way towards ensuring a representative sample.

Collating the most recently available 52-week period for each brand also improves the recency of the study. One of the study's goals was to provide a definitive guide for the post-Covid era, after trading conditions had stabilised. Forty-seven per cent of the sample is from advertising campaigns ending in 2023, 79% from campaigns ending in either 2022 or 2023, and 21% from projects ending in 2021.

To investigate any recent changes in media ROI, the study also matched 53 individual brands and products on a pre- and post-Covid basis to ensure that the composition of advertisers across both time periods was identical and therefore a fair, like-for-like comparison[02]. This is dealt with more fully in Section 3.

Besides benchmarking today's media channel ROIs and how they are changing, the broader goal was to shine a light on best practice in advertising and put together a rich and impartial resource for the industry. To this end, PA2 also captured useful real-world data on typical budget splits by sector, the scalability of different media, and evidence on typical adstock retention rates (the rate at which the effects of advertising decay over time).

Methodologies used in the study

The primary approach used to estimate ROI in PA2 is econometrics or, more specifically, Marketing Mix Modelling. This is a multiple regression-based approach – a statistical technique that unpicks the relationship between different variables and outcomes. In PA2, it quantifies key sales drivers and isolates the impact of advertising, pricing and distribution while controlling for environmental factors such as consumer confidence, market trends, weather, pricing and so on.

Marketing mix models provide a 'decomposition' of these causal factors over time – including the contribution from ad spend, which is then used in the ROI calculation. A stylised example of a model decomposition and inputs is provided in Figure 1.

The definition of ROI used in PA2 is profit based, in other words:

$$ROI = \frac{\text{Profit Contribution}}{\text{Media Costs}}$$

By this definition[03] a breakeven return on investment is 1. There are sector-to-sector differences in how this metric is calculated which are included in the footnotes of Section 4: Sector Analysis.

[01] Data was aggregated to the sector level within each agency group before being shared, thereby protecting client confidentiality.

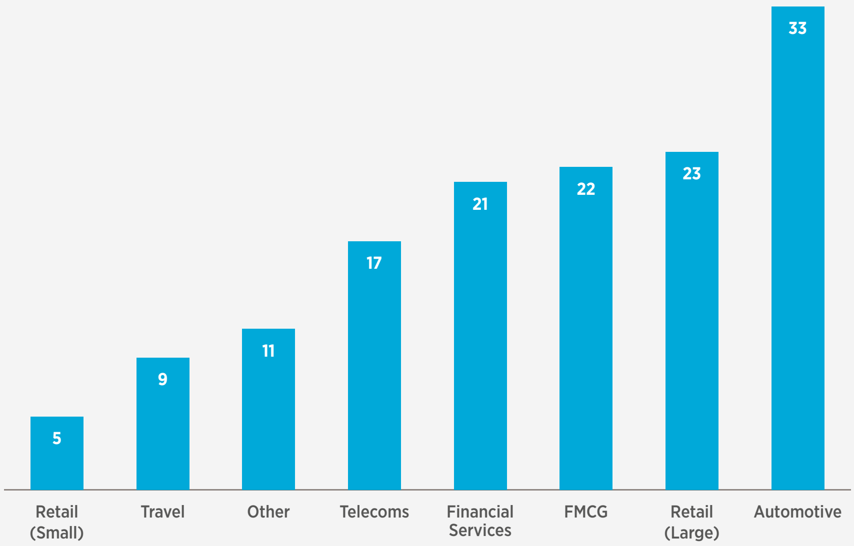
[02] Spend weights are taken from Profit Ability 2 study.

[03] As a rule, creative production costs and some non-COG's variable costs may be not included in the reported ROIs, so true break-even would be slightly higher than 1.

AN ILLUSTRATIVE EXAMPLE OF A MODEL DECOMPOSITION AND INPUTS FIGURE 1

Please note: Actual = the actual sales; Fitted = the model, i.e. what the variables below predict sales should be.

NUMBER OF BRANDS BY SECTOR FIGURE 2



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

How representative is the study?
In short, there is a clear bias in the sample towards larger B2C brands. This kind of advertiser tends to have larger marketing budgets and more complex media plans that warrant econometric analysis. As a result, the typical advertiser in PA2 is more likely to be an established brand with a high level of data maturity. This leaves SMEs, start-ups, and B2B brands less represented in the sample. Similarly, media that are often a default advertising choice for the 'long tail' of smaller businesses – such as Paid Social and Online Video – may also be under-represented.

In terms of the sample size across sectors, the study has a good cross section of brands in each of the seven sectors it splits out. See footnotes for further commentary[04].

> Commercial grade analysis as used by decision makers in UK businesses.

How selective is the study?
The database consists of commercial grade analysis as used by decision makers in UK businesses i.e. this is a collation of advertisers' own MMM analysis that they commissioned and paid for themselves. The models used within each individual analysis may differ according to the quality of data that is available, as will the regression method[05] used, and whether they are segmented by geography or customer type, and whether ROI estimates are supplemented by geo-testing, digital attribution or any other method[06]. Within this dataset, a wide variety of techniques have been used.

In Section 7, there is a brief recap of some of the features of marketing mix models in use across the participating agencies.

[04] The Other category includes idiosyncratic brands such as charity, gaming, and web services. Brands are counted at the major category level if they operate as distinct businesses or sub-brands.

[05] Regression methods in common use include Ordinary Least Squares, Elastic Net, Bayesian Regression, etc. It is also worth noting that many model suites include secondary models to explain drivers of footfall, web visits and other intermediate outcomes – which are in turn nested into a final sales model.

[06] ROI estimates from alternative methods are frequently baked into the main econometric model either by using a Bayesian prior or more often as a 'fixed' coefficient, where the impact is determined externally.

SECTION THREE: THE EFFECTIVENESS LANDSCAPE NOW

03

3.1 MARKETING AND THE BOARDROOM

Marketing and the boardroom
When the original Profit Ability study was published in 2017, one of the challenges it sought to overcome was that non-marketers within different businesses, particularly at CEO and CFO level, didn't 'get' the value of advertising. Often it was viewed as a cost and a nice-to-have rather than the engine of business growth the evidence clearly showed it was.

Thanks to the original study, and a general industry push to prove and explain advertising's role in driving commercial outcomes, that challenge is subsiding.

An IPA/Brand Finance Investment Analyst Survey in 2023 found that 79% of business analysts believe that brand and marketing is important in appraising a business more generally. This means it should be easier than ever to get advertising budgets approved. However this is still not necessarily the case. Why is this?

The role of a CEO
Let's take a step back and think about what a CEO is being tasked to do.

A CEO is ultimately trying to act in the best interest of their business (and usually has a legal obligation to do so). In most cases, this means growing the business so that investors into that business get a return on their investment (essentially profit, although it's a little more complicated than that) which is better than if they invested elsewhere.

Marketing – and advertising within that – is one of many different components that can contribute to that growth. A CEO, and their wider executive team or ExCo (CFO, CMO, etc.), are trying to determine the right balance of effort (and associated cost) across the whole organisation to achieve this aim.

For example, they may need to decide whether the best use of a £1 million spend is to increase the advertising budget, develop a new manufacturing process, research new product development, fund another form of marketing like a price promotion, upgrade the website and so on. The decision of what to prioritise is then compounded by external cost pressures beyond their direct control – energy price increases may impact manufacturing costs, staff costs may increase because of inflation and so on again.

So, the CEO will need to hold investments in advertising to account in the same way they do with any other spend the company makes to help them work out whether it's a better use of funds than another competing cost. This is where the disconnect can come in.

The comparison problem
Often when making the case for advertising, it is made through the lens of media and marketing measures – reach and frequency, share of voice, brand health improvement. Whilst these metrics certainly have their role, particularly in focusing how the advertising plan should be executed and what the best plan might look like, in building a business case for advertising they create a comparison problem.

Take a hypothetical example: you're the CEO of a company and you're presented with two requests for £1 million of spend. The first is to do a deal with a supermarket to get some more shelf space which will generate a 2:1 return back to the business, and the second is to spend £1 million on an advertising campaign that will reach 52% of the population at a frequency of three and should increase brand consideration by 2%.

Which one is the best use of the money?

The problem here isn't a lack of belief that advertising can achieve anything for the business. It's that, from the information given, it's not clear whether the advertising will do more for the business than the distribution deal.

Whilst you could potentially dig into the advertising metrics and try to form your own view of how they translate into business value, that's very complex and, as a busy CEO, you probably have many other decisions to make that day. It is likely you'll approve the distribution deal.

Don't make the case for advertising with just advertising metrics
The solution to this is to think about, and make the case for, advertising using metrics that the wider business, and therefore its leadership, use to make spend decisions more generally.

This is not to say that marketing/media metrics aren't a useful part of the business case for advertising, they just shouldn't be the whole business case.

Returning to the example of a distribution deal vs. advertising, if the distribution deal gets a return of 2:1 and the advertising spend 3:1, then it's much clearer what the best use of spend is. Helping the CEO understand why advertising will get 3:1 by explaining how the campaign will reach a large group of people and that those people will start to consider the brand hence the ROI, is building confidence in the estimated payback.

Metrics that matter
The metrics that matter to a given business will vary depending on the sector, the strategic priorities of the brand, and, ultimately, what they've promised to their investors. So it's important to understand what they are for a specific client/brand. This information can often be found in the company's financial reporting and, if they're publicly traded, their investor presentations.

Understanding the differences between various metrics can ensure that the case for advertising is made in the right terms. Again, what's important to each business will be different and definitions may change slightly business to business but some of the more common ones would be:

- Revenue – the money generated by the business before any costs are removed (sometimes referred to as 'top-line growth')
- Profit – the money generated by the business with some/all costs removed (sometimes referred to as 'bottom-line growth')
- Profit margin – the ratio between profit and revenue
- Return on investment (ROI) – the ratio of revenue/profit and spend
- Transactions/sales – the number of sales that have occurred
- Cost per acquisition (CPA) – the spend divided by the number of sales that spend drove
- Lifetime value (LTV) – the value to the business over the life of that customer life cycle; not just the original transaction e.g. renewal value of a subscription product or assumptions about cross-sell
- Market share – the share of sales (which may be defined by transactions, customers, revenue or profit) as a percentage of the total market
- Net present value (NPV) – a measure of business value accounting for the reducing value of money over time due to more limited time for compounding effects to occur and inflation (generally used in Financial Services).

For the purpose of this publication, we will focus on two main metrics as defined below:

- Profit volume – The incremental contribution of advertising to business profit based on unit sales, revenue contribution, profit margin and/or lifetime value
- Profit ROI – The ratio between profit volume and advertising spend (ROI = profit volume/media spend where 1 = breakeven). We have also split the time frames of return, to help gauge how long advertising investment takes to payback and how this varies by category and channel.

> "79% of business analysts believe that brand and marketing is important in appraising a business."

3.2 THE HEADLINES

Advertising continues to deliver – advertising effectiveness has changed in line with media consumption evolution post-Covid
There has not been a radical, unexplained change in the relative effectiveness of channels since Covid: the average return of media has remained stable. There have been some shifts in channel effectiveness compared with before Covid, but all are explained by either investment level changes or media consumption changes. For example, spend and ROI for Linear TV has slightly fallen, but this is offset by an increase in spend and ROI for Broadcaster VOD and Online Video.

Advertising pays back
Good news – the databank confirms that there is a strong business case for advertising across all sectors. Over the short-term time horizon (up to 13 weeks), the average profit ROI is £1.87. This means that if a brand spends £1 on advertising, it typically generates an incremental £1.87 in profit. Taking the original £1 invested off, this means it makes £0.87 profit for every £1 spent. When taking into account sustained effects delivered over the two years post activity, the profit ROI increases significantly to £4.11.

The extent of the payback differs by sector. For most sectors, advertising delivers above breakeven when just considering short-term payback. But for certain sectors, notably FMCG and Finance, sustained effects also need to be included to pass the breakeven point (see Section 4).

Scale, efficiency and time are the key dimensions to optimise your media mix around
Analysing how and when different channels pay back their return highlights that the advertising industry's current focus on splitting activity between 'brand' and 'performance' is unhelpful. The analysis suggests that optimising to scale, efficiency and time leads to a better-invested budget.

> “There has not been a radical, unexplained change in the relative effectiveness of channels since Covid.”

> “Good news – the databank confirms that there is a strong business case for advertising across all sectors.”

3.3
HOW MEDIA ROI HAS CHANGED PRE- AND POST-COVID

How are media returns changing over time? What are the trends?

Before we present conclusions on these questions, two hazards need to be navigated: the disruptions of Covid in 2020/21, and the broader challenge of composition effects in benchmark studies.

The disruption of the peak Covid era
The wider socio-economic environment can impact both ad spend and media returns. Advertising is generally pro-cyclical, meaning that companies tend to reduce budgets in times of lower business confidence. In terms of returns, recessions and shocks to consumer confidence may result in either positive or negative fluctuations in ROI for any given brand.

Looking at the data between 2010 and 2023 we can see that, under normal circumstances, aggregate income was relatively stable – even after headline-grabbing events such as the Brexit vote. Most shifts in media efficiency in these stable times should therefore be explainable by media fundamentals such as audience, cost and reach rather than shifts in demand.

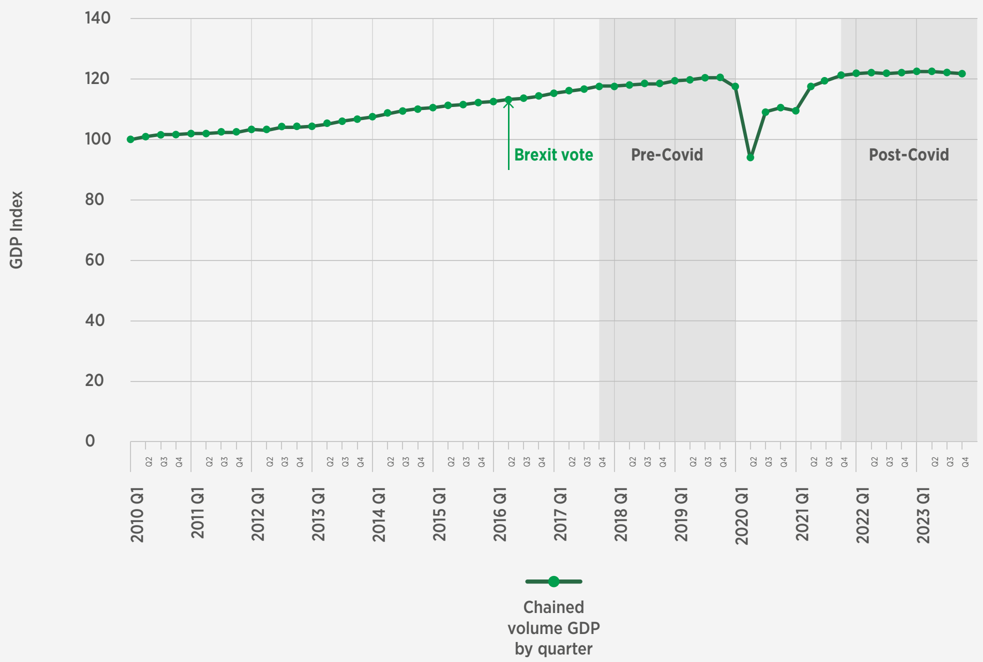
Covid was genuinely different. This was not simply a normal part of the business cycle. Whole sectors shut their doors and pulled advertising[07]. Travel ad spend dropped by about 90% in Q2 2020 versus the year before. Retail ad spend dropped by about 60%[08]. There were also many examples of brands that chose to continue advertising and saw strong returns. Food category ad spend, for example, was 10% higher in 2021 than it was in 2019 as the category took advantage of higher at-home consumption[09]. Advertising for products like broadband and home improvement saw strong returns as consumers' share of wallet shifted away from transport, travel and out of home recreation.

There are too many 'what about?' factors for us to draw any conclusions about long-term changes in media performance over this period. We have instead focused on the comparatively stable times either side of peak Covid. We have compared the following periods:

- Pre-Covid: Jan 2018 to March 2020
- Post-Covid: Jan 2021 to Dec 2023

Within these windows, we have selected the most recently available data point, so the centre of gravity is 2019 and 2023 respectively.

COMPARING PERFORMANCE ACROSS TWO RELATIVELY STABLE PERIODS ON EITHER SIDE OF COVID FIGURE 3
(INDEX OF GDP IN THE UK)



Source: ONS Series ID ABMI Indexed to 100 from Q1-2010.

[07] This was also a disrupted time in measurement. Many brands paused geo-testing and econometric work resulting in blind spots. Data quality was eroded in some sectors such as FMCG as measurement of in-store marketing was deemed non-essential.

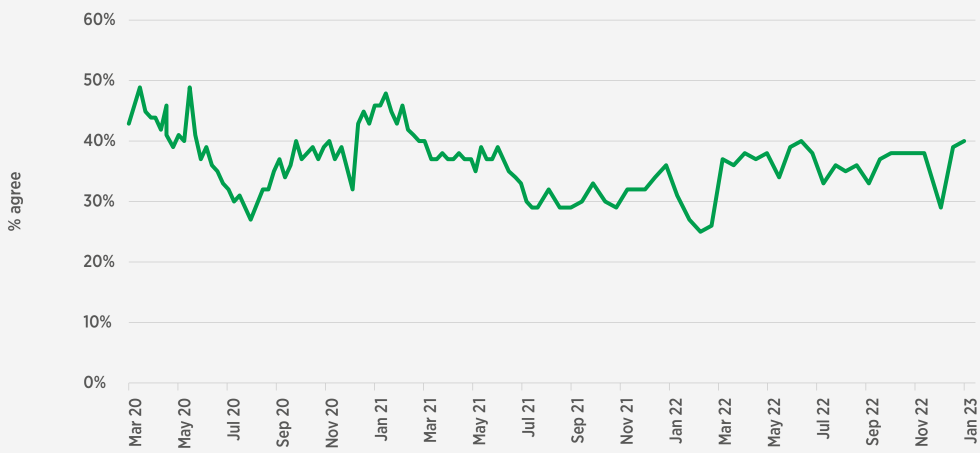
[08] Nielsen Ad Intel. All media lines excluding door drops, DM and email.

[09] Nielsen Ad Intel. All media lines excluding door drops, DM and email.

Some recent changes are not transient and should be factored into an up-to-date view on how media works. One obvious example of this is the work-from-home phenomenon. While it was expected that this would revert to pre-Covid patterns eventually, it now seems that these changes to the labour market are persistent. This has obvious marketing implications with consumers more likely to transact online, less likely to see Out of Home advertising and so on.

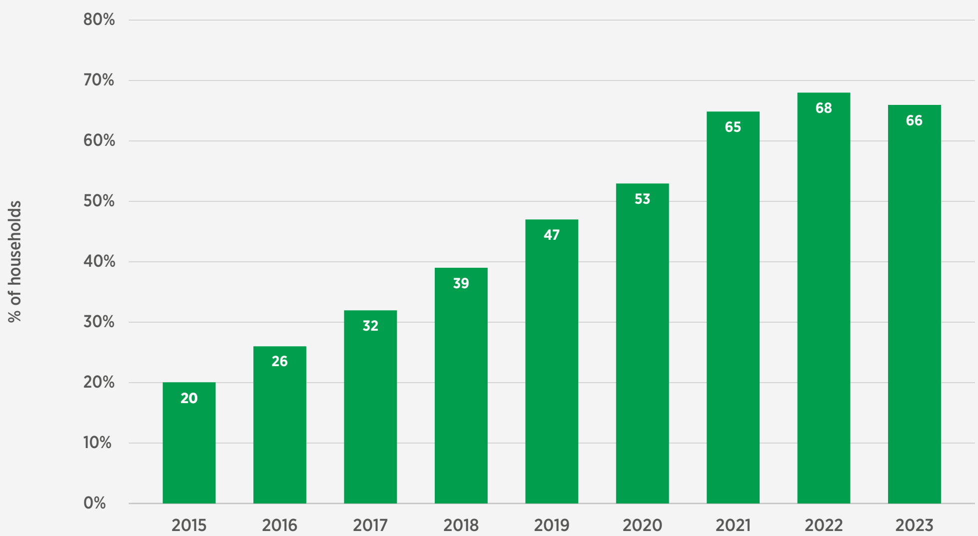
The other fundamental change to media consumption is the growth of Subscription VOD (SVOD). Since before Covid we have seen household penetration for SVOD services double, and more recently flatten out.

WORK FROM HOME PATTERNS FIGURE 4
(% OF ADULTS WHO HAVE WORKED FROM HOME IN THE LAST 7 DAYS)



Source: ONS Opinions and Lifestyle Survey.

SVOD PENETRATION FIGURE 5

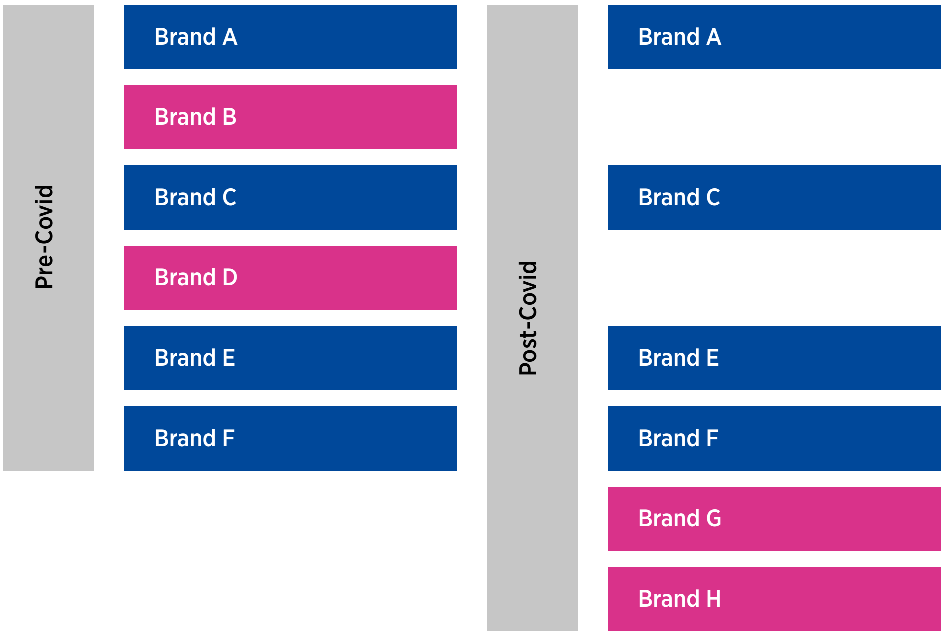


Source: Barb Establishment Survey.

Composition effects in benchmark studies
A direct comparison between Profit Ability 2017 and the data collected in 2023 for this study would be misleading. Even though the study has impressive scale, with £1.8bn of media spend under review, adding or removing brands from the pool between periods would still shift the average returns enough to drown out any signals on media trends. The composition of brands included in PA2 is completely different, with more large advertisers in the sample and a wider variety of sectors covered across more agencies.

To avoid misleading composition effects, we have only compared brands and products that could be directly matched pre- and post-Covid. We were able to match 53 brands and products on this basis[10].

TO UNDERSTAND TRENDS OVER TIME, WE'VE ONLY COMPARED BRANDS WHERE WE HAVE LIKE-FOR-LIKE DATA PRE- AND POST-PANDEMIC FIGURE 6



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

We found 53 brands which could be matched on this basis.

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

[10] A more complete description of the steps taken is as follows:
1) For each of the 53 matched brands and products, ROI across the pre- and post- period is captured and indexed.
2) As the two observations may be between 3–5 years apart, we need to annualise the rate of change for comparability.
3) The top and bottom 5th percentiles are removed to exclude outliers.
4) Results are weighted by spend and aggregated by media line.

Summary of findings
We draw three major conclusions from the pre- and post-Covid analysis:

1. Rather than a seismic shift, advertising effectiveness tends to shift gradually.
2. Most shifts follow changes in media consumption patterns, particularly in AV.
3. Right-sizing investment is the key for managing returns.

The average short-term return to marketing investment changes slowly over time. In aggregate we found that there was a 1.2% annual decline in average returns for the 53 brands in the matched analysis. For most media, the rate of change of ROI was within +/- 6%.

CHANGES IN ROI AND SPEND PRE- AND POST-COVID FIGURE 7

	Annual change in ROI	Change in spend pre- & post-Covid	Share of short-term profit
Linear TV	-5.8%	-10%	34%
Generic PPC	4.3%	25%	22%
Paid Social	-5.9%	31%	11%
Audio	-4.2%	-26%	8%
BVOD	10.7%	15%	8%
Print	-3.9%	-63%	5%
Online Display	14.7%	-20%	4%
Online Video	11.6%	66%	4%
Out of Home	-3.6%	-28%	3%
Cinema	-4.4%	-52%	<1%
All Advertising	**-1.2%**	**-7%**	**100%**

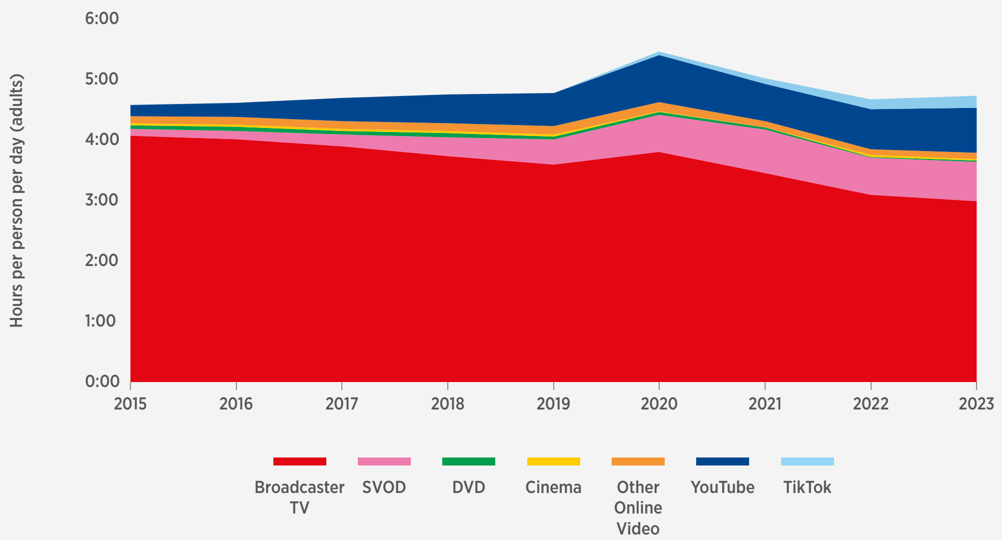
Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-Covid.

Linear TV, BVOD and Online Video should be considered together. As viewing habits have changed, we have seen a corresponding shift in both spend and ROI. When comparing 2019 and 2023, viewing to broadcaster TV fell despite the growth in BVOD viewing. On the other hand, SVOD and video sharing platforms saw an increase in viewing.

In the 53 matched brands, we saw Linear TV spend fall by 10% while BVOD increased by 15% and Online Video increased by 66%. While ROI for Linear TV declined at a rate of about 5.8% pre- and post-Covid, advertisers gained efficiencies in BVOD and Online Video at 10.7% and 11.6% per year respectively.

Brands that seek to manage their returns in AV as a whole need to take a portfolio approach and invest budget across linear and non-linear channels to reach consumers.

VIDEO VIEWING TRENDS OVER TIME FIGURE 8



Source: IPA TouchPoints, Adults, Barb, All devices, includes estimates for out-of-home viewing to TikTok, YouTube and Other online video.

Generic PPC has unsurprisingly seen gains in both spend and ROI. Within this sample, spend increased by 25% and ROI improved by about 4.3% annually. This coincides with growth in eCommerce that was already happening but accelerated over Covid.

Other channels such as **Audio, Out of Home, Print** and **Cinema** have all shown between 3% and 5% decline in spend per year. This consistency seems to reflect a general pressure on traditional media lines, but within each channel the direction of the finding can be supported by audience data.

For **Cinema**, UK admissions fell from c. 176 million in 2019[11] to about 124 million in 2023[12], a drop despite the Barbie/Oppenheimer phenomenon.

In **Out of Home**, we saw a c. 9% drop in impacts between Q1 2020 and Q1 2023[13].

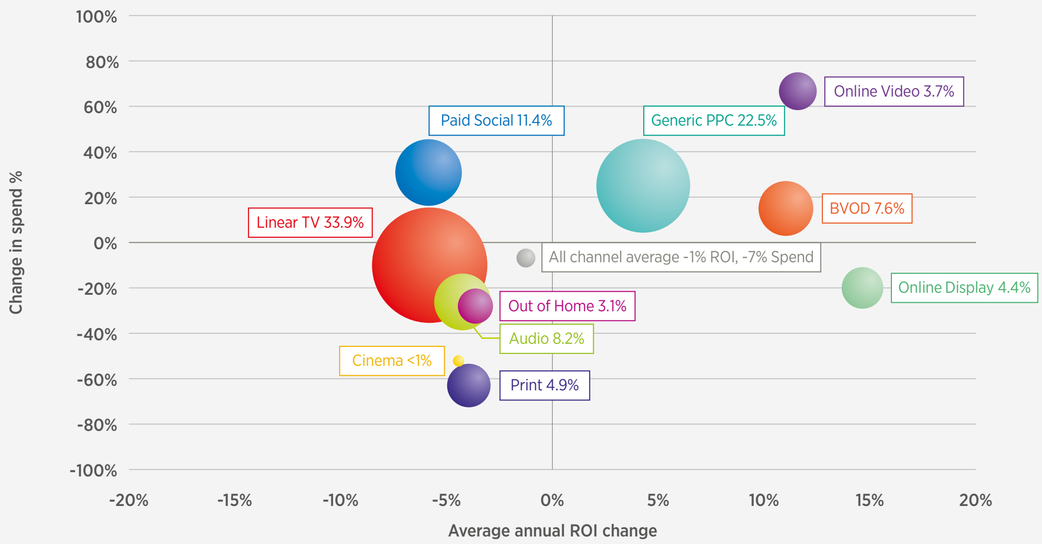
Print is an interesting case study in how brands manage investment around changing audiences. While circulation has fallen by 30–40% for major national newspapers since Covid[14], we estimate that ROI only fell by about 3.9% per year.

How is this possible? The explanation is that where brands see evidence that a medium is no longer working, they either reduce investment or they exit. For Print, we saw a 63% reduction in ad spend. Of the 53 brands we were able to match, 33 had Print on the plan pre-Covid, and only 18 had Print on the plan post-Covid. Those brands who have continued to use Print have found a way of using it that has maintained its ROI performance.

Finally, for **Paid Social** and **Online Display**, we see that they sit in opposite quadrants. Paid Social is the only media line in the top left quadrant as it has both gained budget and seen c. 6% annual decline in ROI, suggesting increased investment may have come at the cost of efficiency.

Online Display, by contrast, has lost budget and seen ROI gains of almost 15%. In absolute terms, Paid Social (Short-term ROI = 1.62) still outperforms Online Display (1.50) but the gap has narrowed. The outsized gains that we have seen in Online Display are only possible because it is coming from a relatively low base – budget holders now set a higher bar and expect to see more evidence of incrementality than we saw at the high point of digital tracking and attribution.

ANNUAL SHORT-TERM PROFIT ROI CHANGE PRE-/POST-COVID FIGURE 9



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-Covid.

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

See footnote 15 and 16.

[11] Source: British Film Institute: https://www.bfi.org.uk/news/bfi-statistics-2019.

[12] Source: British Film Institute: https://www.bfi.org.uk/news/official-bfi-2023-statistics.

[13] Source: Route, comparing Q1-2020 to Q1-2023.

[14] Based on Audit Bureau of Circulation figures calculated in January 2020 compared to January 2023. The figure of 40% should be caveated with the fact that it is calculated from only seven titles that report circulation figures as of 2023 (Daily Mail, Daily Mirror, Daily Express, i, Financial Times and Daily Record). Other titles, notably the Metro, Evening Standard, City AM, Guardian, The Sun, The Times and The Daily Telegraph, no longer report circulation figures.

[15] Spend changes are informative for understanding our matched sample of 53 brands, but are not claimed as accurate representations of the market as a whole.

[16] Change is first normalised to a compound annual growth rate between the latest available pre-Covid MMM project and the latest available post-Covid MMM project. Matched brands are then anonymised and pre-Covid ROI set to 100. Aggregate index is calculated using a post-Covid spend weighted average.

> “TV (Linear TV and BVOD) generates 41.5% of all short-term media-driven profit.”

3.4 SUMMARY OF CURRENT CHANNEL PERFORMANCE

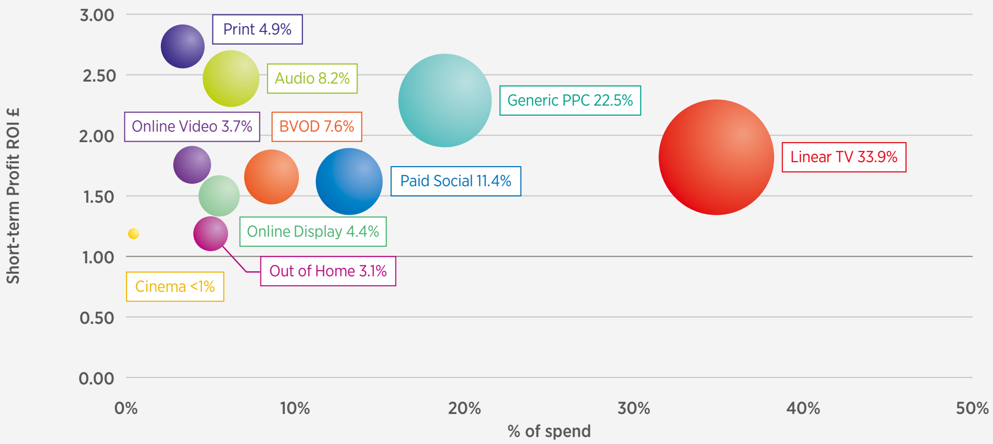
Profitability varies by channel
On average, every pound invested in advertising yields £1.87 in short-term profit, a figure that rises to £4.11 when considering sustained effects (see Section 3.8 for a detailed view on timescales). This indicates that advertising is generally profitable in the short-term. However, this assessment is based on an average across various media investments, prompting a closer examination of individual channel performance.

Figure 10 provides an overview of short-term profitability by channel, with profit volume depicted by the size of the bubbles, spend on the x-axis, and Profit ROI on the y-axis. Linear TV and Broadcaster VOD are displayed separately on the top chart and combined on the bottom chart as shown in Figure 10.

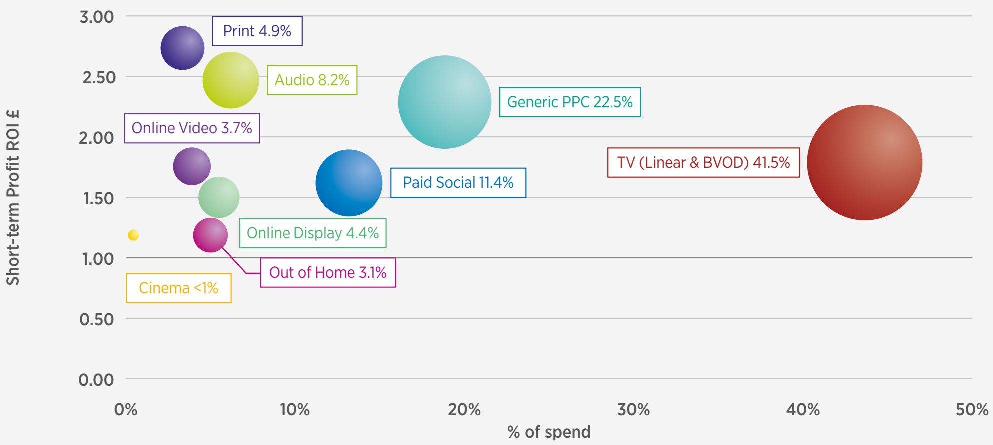
Notably, all bubbles are positioned above the £1.00 breakeven line, signifying that all channels generate profitable returns, albeit to varying extents. Some channels, like Print and Audio, which boast higher ROIs, are comparatively smaller in size. This highlights a trade-off between efficiency and volume; while channels like TV and Generic PPC drive significant volume but sacrifice efficiency. TV (Linear TV and BVOD) generates 41.5% of all short-term media-driven profit at a profitable, but slightly below average ROI of £1.79.

OVERALL SHORT-TERM PROFIT ROI IS £1.87 WITH ALL CHANNELS SHOWING, ON AVERAGE, A PROFITABLE RETURN FIGURE 10

SHORT-TERM PROFIT VOLUME & PROFIT ROI (OVERALL SHORT-TERM PROFIT ROI: £1.87)



SHORT-TERM PROFIT VOLUME & PROFIT ROI **LINEAR TV & BVOD COMBINED** (OVERALL SHORT-TERM PROFIT ROI: £1.87)



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

Bubble size represents % of short-term profit volume

DATA SUMMARY FIGURE 10 (CONT'D)

	Short-term profit ROI and profit volume										
	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	Out of Home	Paid Social	Print	TV (Linear + BVOD)
Spend %	6.2%	8.6%	0.5%	18.9%	35.0%	5.5%	3.9%	5.0%	13.2%	3.3%	43.6%
Short-term Profit ROI	£2.47	£1.66	£1.19	£2.29	£1.82	£1.50	£1.76	£1.19	£1.62	£2.74	£1.79
Short-term Profit Volume %	8.2%	7.6%	0.3%	22.5%	33.9%	4.4%	3.7%	3.1%	11.4%	4.9%	41.5%

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

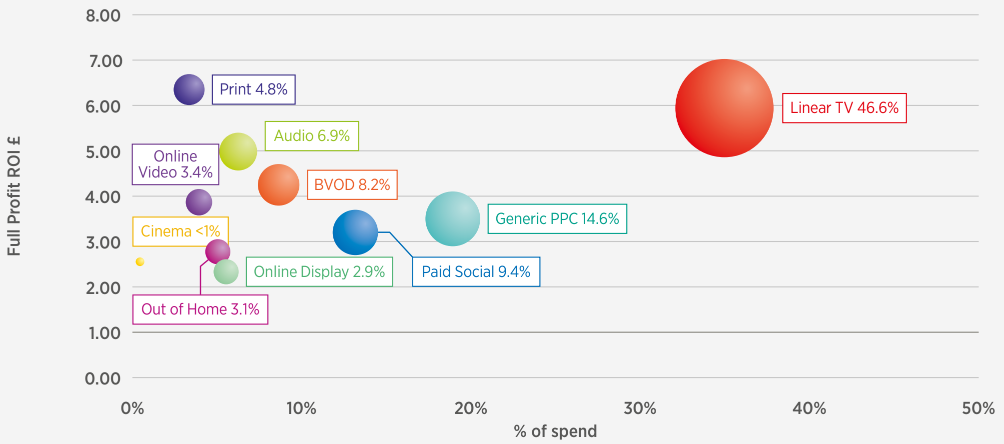
> “All channels generate profitable returns, albeit to varying extents.”

The short-term effect constitutes a minority of the total advertising payback – c. 40% of the total payback of advertising. The remaining 60% comes from the sustained effects of advertising which varies significantly by channel. Incorporating these effects into the ROI chart, as shown in Figure 11, elevates the total Profit ROI to £4.11.

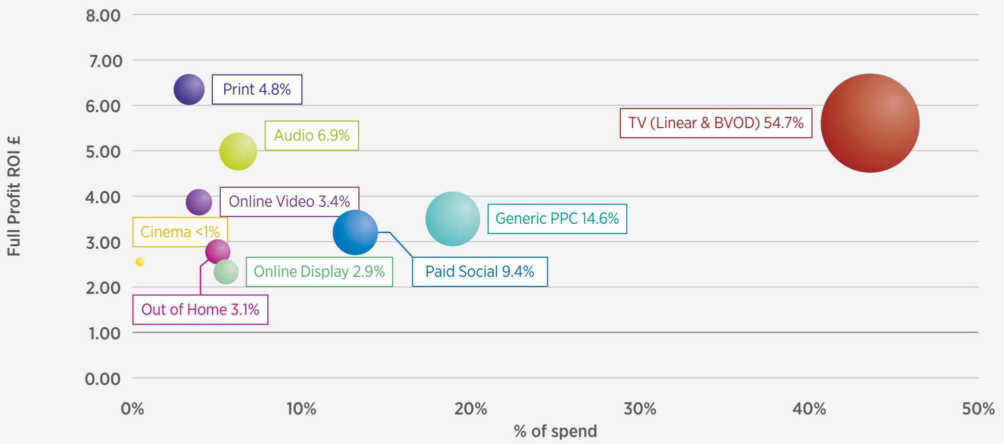
Notably, Linear TV demonstrates a robust sustained effect, significantly improving its ROI ranking from being in the middle of the pack to becoming second to Print and generating over half of all media-driven profit. Traditional channels like Print and Audio are still very powerful at driving big effects.

INCLUDING SUSTAINED EFFECTS, FULL PROFIT ROI IS £4.11 FIGURE 11

FULL PROFIT VOLUME & PROFIT ROI
(FULL PROFIT ROI: £4.11)



FULL PROFIT VOLUME & PROFIT ROI **(LINEAR TV & BVOD COMBINED)**
(FULL PROFIT ROI: £4.11)



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

Bubble size represents % of full profit volume

DATA SUMMARY FIGURE 11 (CONT'D)

	Full profit ROI and profit volume										
	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	Out of Home	Paid Social	Print	TV (Linear + BVOD)
Spend %	6.2%	8.6%	0.5%	18.9%	35.0%	5.5%	3.9%	5.0%	13.2%	3.3%	43.6%
Full Profit ROI	£4.98	£4.25	£2.56	£3.52	£5.94	£2.34	£3.86	£2.78	£3.20	£6.36	£5.61
Full Profit Volume %	6.9%	8.2%	0.3%	14.6%	46.6%	2.9%	3.4%	3.1%	9.4%	4.8%	54.7%

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

> “Linear TV demonstrates a robust sustained effect, significantly improving its ROI ranking from being in the middle of the pack to becoming second to Print and generating over half of all media-driven profit.”

Relative channel performance varies significantly within each sector

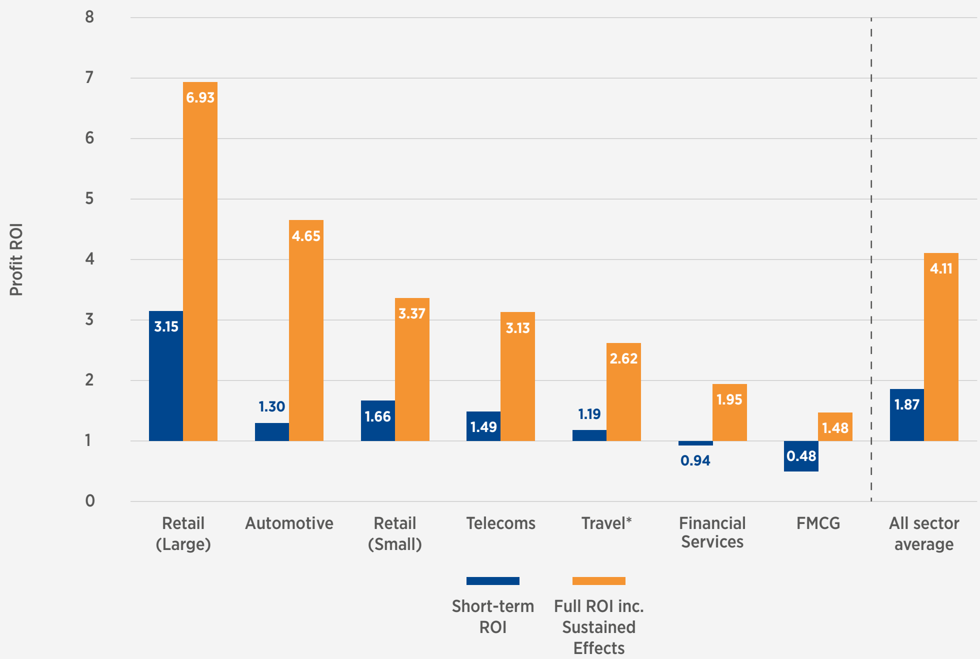
This average performance encompasses various sectors and types of brands, offering valuable insights, yet it is important to note that no brand precisely conforms to this average.

We can explore advertising payback by sector, as depicted in Figure 12, revealing significant differences in advertising profitability. The reasons for differences across sectors are primarily structural factors such as product revenue value and business operating margins, rather than just advertising effectiveness. Financial Services and FMCG face challenges in achieving short-term payback, however, all sectors are profitable when we take into account sustained effects.

To gain deeper insights, it is crucial to understand the specifics of each sector in terms of the purchase cycle, consumer journey, purchase value, typical sales channels, etc. In Section 4 (Sector Analysis), we delve into each individual sector analysis to uncover channel performance, nuanced insights and trends.

WHILST ADVERTISING GENERATES A PROFITABLE RETURN IN ALL SECTORS, FULL PROFIT ROI VARIES GREATLY SECTOR TO SECTOR FIGURE 12

SHORT-TERM ROI & FULL ROI INCLUDING SUSTAINED EFFECTS



*Travel based on all sector multiplier of 2.2

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

3.5
THE THREE DIMENSIONS OF EFFECTIVENESS

Time to retire brand vs performance?
It's been over a decade since Binet & Field published 'The Long and the Short of It', a seminal work which provoked the industry to address the imbalance between short-term sales activation focused campaigns and investment in long-term brand building.

Whilst that piece of work has rightly served as a rallying cry to drive greater investment into brand building – resulting in more effective growth for brands – a curious side effect has been the creation of an arbitrary framing when it comes to media channels: brand and performance.

The Binet & Field study into 'brand' and 'activation' was generally more related to the message than the medium. Some channels will naturally suit certain types of messaging; it's certainly easier to drive a mass emotional connection with a brand using a large screen, full view, sound on format delivered in TV, VOD and Cinema rather than a small banner ad. However, it's not true to say a given channel is only strong at a singular type of outcome.

TV is a good example. You could have an emotive brand-building message focused on priming consumers and changing their preferences for brands, or you could have a hard-hitting activation campaign driving a price promotion. In both cases it is the message that determines whether the campaign behaves like 'brand' or 'activation', not the medium. Brand and activation should be thought of in terms of creative execution, but not in terms of media choice.

This arbitrary division of media channels into two camps (compounded by an unhelpful industry narrative that then places the two groups of channels in an adversarial argument for bragging rights) is at best unhelpful, creating a silo in media plans where one doesn't need to exist. At worst, it leads to brands harming their short- and long-term growth by restricting their options in both directions. Thinking that only PPC & Social can do 'performance' – i.e. get people to transact with brands in the short-term – ignores the fact that all channels can promote immediate response when used in the right way with the right message. The reverse is also true: channels like Social can be a component of a long-term brand building campaign.

Get S.E.T. for effectiveness
Restricting your channel choice through an arbitrary lens of brand and performance is ultimately not effective because it doesn't reflect how people actually respond to advertising. A more helpful approach to determining the right channel mix is by understanding the three dimensions of effectiveness:

1. Scale – the volume of profit driven by advertising[17]
2. Efficiency – the ratio between cost and the payback of advertising
3. Time – the period over which advertising pays back.

Depending on which of these dimensions are more or less important to you will determine which channels should be a more prominent part of the media mix.

> "Restricting your channel choice through an arbitrary lens of brand and performance is ultimately not effective."

[17] For some advertisers 'scale' could be unrelated to profit i.e. volume of recruited staff (Army/NHS/Teachers, etc), but for the purposes of this report due to the categories covered, volume of profit is the measure used when 'scale' is referred to.

3.6
SCALE (VOLUME OF PROFIT)

The misuse of ROI
The 2017 Profit Ability report emphasised that when businesses solely chase ROI they will fail to allocate sufficient funds to their advertising, thus sacrificing potential growth. As an industry, marketing has misused ROI.

ROI is a measure of efficiency, not a business goal. The business case for investment in advertising must be built around total profit return. This is why Scale is the primary dimension of effectiveness in this study.

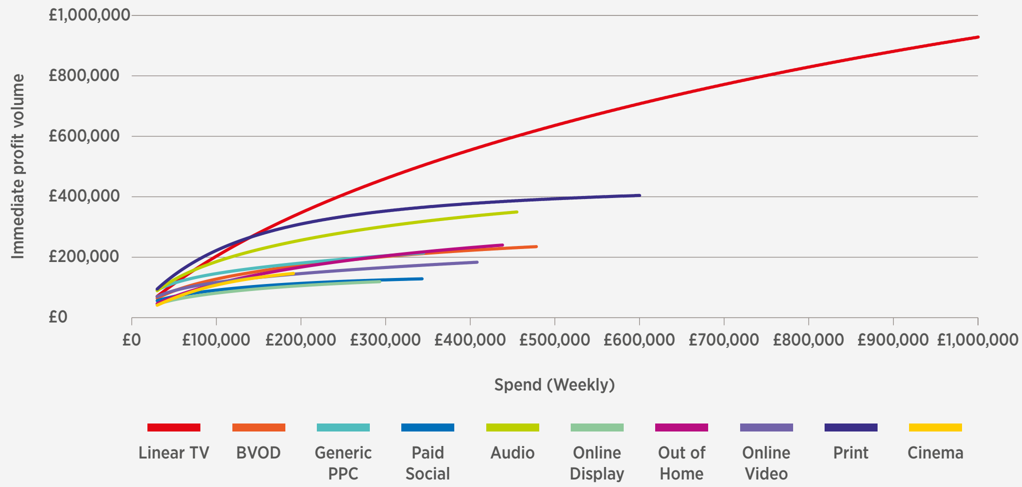
At first glance, scale seems straightforward: the more we spend on advertising, the higher our sales and profit should be. However, this relationship isn't linear. As advertising spending increases, generating additional sales and profit becomes more challenging due to diminishing returns. This means that each additional £1 spent on advertising generates fewer sales and less profit compared to the previous £1.

Diminishing returns occur because, as we increase our spending, we eventually run out of new people to reach and end up advertising to the same audience more frequently, which doesn't significantly increase the likelihood of purchase. Another reason for diminishing returns, especially in online channels that allow for precise targeting, is that increasing spend forces us to broaden our target audience beyond those most likely to buy our product. Consequently, each additional £1 spent has a progressively lower impact on sales.

Diminishing returns vary significantly across channels
As illustrated in Figure 13, a high ROI at current investment levels doesn't guarantee efficiency is maintained with increased spending. For example, TV, with its larger scale, handles bigger spends profitably, whereas other channels tend to plateau in effectiveness and experience diminishing returns even with modest spending increases.

Given the differing rates of diminishing returns across channels, the optimal channel mix depends on the total budget size. It's crucial to determine the strategic allocation of resources across channels to maximise growth potential and identify opportunities for additional investment effectively.

AS SPEND INCREASES, THE SCALE OF THE ADVERTISING EFFECT DOES TOO, BUT THIS EFFECT EXPERIENCES DIMINISHING RETURNS FIGURE 13
(RELATIONSHIP BETWEEN SPEND AND PROFIT VOLUME – WEEKLY)



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

> “When businesses solely chase ROI they will fail to allocate sufficient funds to their advertising, thus sacrificing potential growth. As an industry, marketing has misused ROI.”

3.7 EFFICIENCY

The second dimension of effectiveness is Efficiency, more commonly referred to as ROI – the ratio between profit generated by advertising and the cost of media space. As we saw previously, scale gets harder and harder to drive as diminishing returns kick in for each media channel. This means that in practice scale and efficiency are interlinked: as spend increases and more of the spend experiences diminishing returns, the associated ROI decreases.

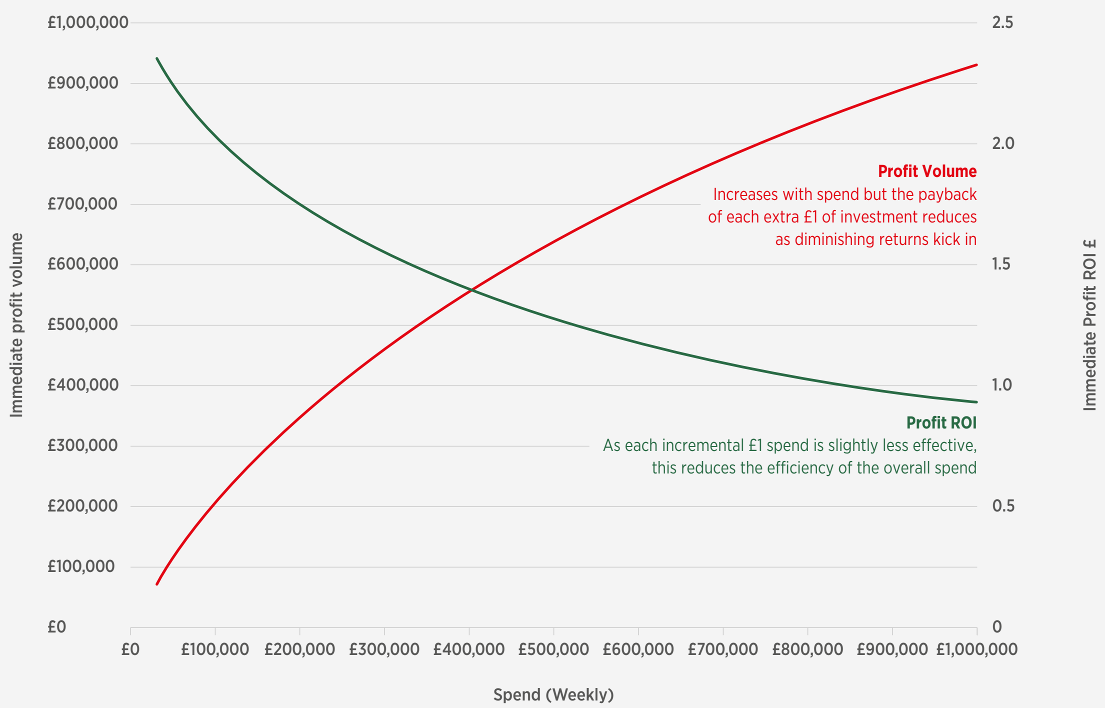
This is why ROI alone is not a useful metric. Simply put, to increase ROI, just decrease spend – but, as a result, you sacrifice scale.

In a databank such as Profit Ability 2, all the different channels for all the different brands will be at different points on these curves so it can be challenging to get a like-for-like view of efficiency.

TV, for example, commands the majority of the spend for the brands in the databank (35%). TV's short-term ROI (£1.82) is not the highest of all channels but that's not unexpected because the high spends will mean that we are further along the diminishing returns curve – sacrificing efficiency for scale.

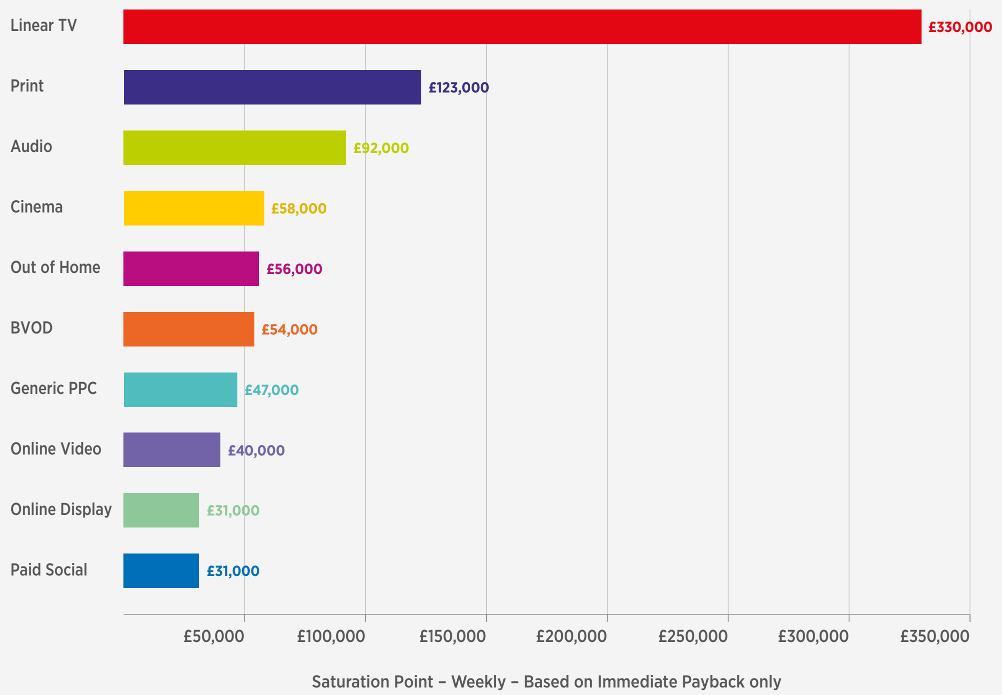
In contrast, a high ROI channel like Print (£2.74 short-term ROI) has a high ROI, in part, because the spend is relatively low (3% of the total). If the brands in the databank attempted to spend 35% of their spend in Print then, based on the curves we saw in the 'Scale' section, the ROI of Print would be substantially below that of TV at the equivalent spend. Equally, if we reduced TV spend, there would be some level of spend where TV's short-term ROI would be the same as Print (or even higher) although the scale of TV would be reduced as well.

RELATIONSHIP BETWEEN SCALE AND EFFICIENCY FOR LINEAR TV FIGURE 14
(WEEKLY PROFIT VOLUME & PROFIT ROI – LINEAR TV)



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

SATURATION BASED ON IMMEDIATE PAYBACK FIGURE 15
(ALL CATEGORY AVERAGE)



Saturation point based on all category average. Saturation ranking and values will vary sector to sector.
Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Immediate effect = profit volume in week of advertising spend.

Saturation points differ dramatically by channel
To get a more like-for-like view, we can find an equivalent point on each channel's diminishing returns curve and compare those. We call this the 'saturation point' for each channel. This is the point on each channel's diminishing returns curve where the next £1 of spend doesn't generate at least £1 of profit. This is sometimes referred to as the 'breakeven point' and is basically when incremental spend stops being profitable. These saturation points are calculated based on immediate payback (the payback within one week of exposure) and based on weekly spends.

What quickly becomes apparent is that saturation occurs at very different points by channel. (See Section 7.3 for details on the definitions for channel groupings.) Linear TV saturates at a level nearly 3x higher than the next largest channels which will be a function of TV's strength to reach large groups of people at relatively low entry costs. This is why brands in the databank, and more generally, spend a large amount of their budgets in TV – compared to other channels, it can handle higher levels of spend before running out of profitable headroom.

In contrast, channels like Paid Social and Online Display saturate relatively quickly. This again is not surprising as a lot of the activations in these channels will be leveraging audience signals to find a specific group of people and therefore will limit scale (i.e. if a brand is only targeting a million people, its headroom to spend is naturally lower than if it was targeting 10 million people). This is not to say that you cannot spend high amounts efficiently in these channels but rather they would suit more consistent, lower weekly weights rather than large campaign spikes i.e. £31k per week for 10 weeks rather than £310k in 1 week.

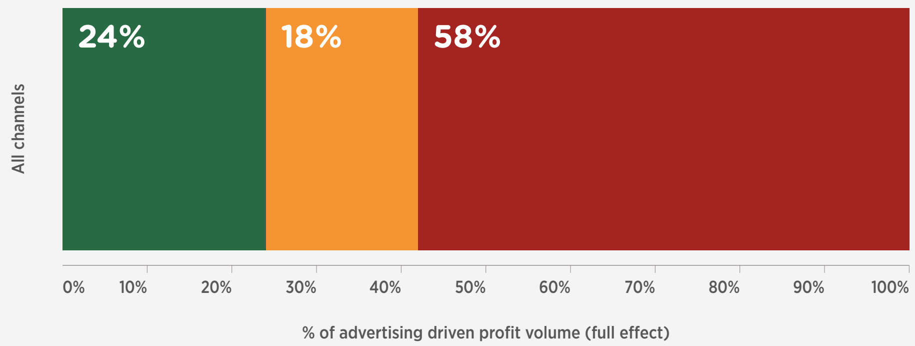
3.8
TIME

When do you need payback by?
The third dimension of effectiveness is time. The time period within which a brand needs to see payback from its advertising should help define its optimal media mix.

Figure 16 shows how the full payback from advertising is delivered across these three time horizons. Twenty-four per cent of advertising's payback is delivered in the same week the advertising runs, with the carryover effect equating to a further 18%. The sustained effect of advertising is therefore substantial, accounting for 58% of the total profit generated.

It should be clear therefore that the maximum payback will always be derived if a brand optimises its channel mix over the full term. However, due to business pressures, brands often optimise to shorter periods. Sometimes this will be a fully understood and accepted trade-off that some profit will be left on the table. But other times it will be due to lack of good measurement, where brands only have the data to optimise to short-term time horizons and often only for digital channels where immediate outcomes data is readily available.

SUSTAINED EFFECTS ARE SUBSTANTIAL – 58% OF ADVERTISING'S OVERALL CONTRIBUTION TO PROFIT FIGURE 16



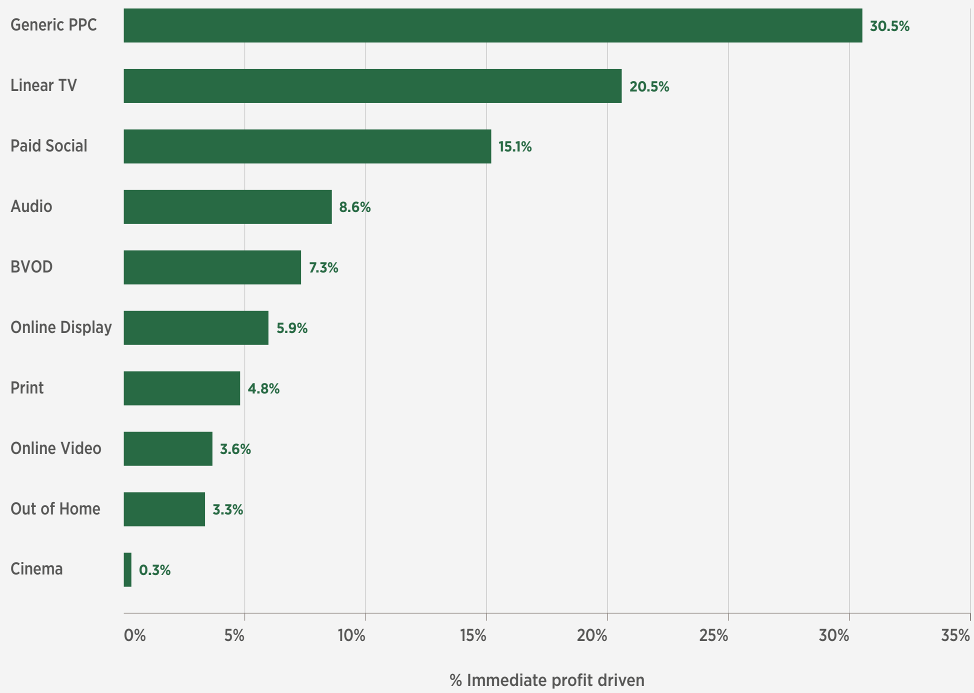
Immediate Payback
The contribution of advertising in the same week as the advertising.

Carryover Payback
The contribution of advertising within 13 weeks of the advertising.

Sustained Payback
The contribution of advertising from week 14 onwards (generally within two years of the advertising).

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

IMMEDIATE ADVERTISING PROFIT DRIVEN BY CHANNEL FIGURE 17



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

Look beyond just 'digital' for immediate payback
If a brand needs to prioritise the payback within the same week within which advertising runs, then we need to look at how channels perform in terms of their immediate payback. An example here might be a brand that needs to advertise specifically to support sales over Valentine's Day. It's important to use the channels that deliver an immediate return. Channels that take time to payback are less optimal as sales for Valentine's Day tend to be relatively last minute and build to a specific date. Any carryover after Valentine's Day is wastage. A large effect is required immediately.

Figure 17 ranks channels in terms of the typical scale of their immediate payback. The size of the bar represents the percentage of the immediate profit driven by each channel within the databank – a combination of the amount spent on a channel and the speed at which it generates its return.

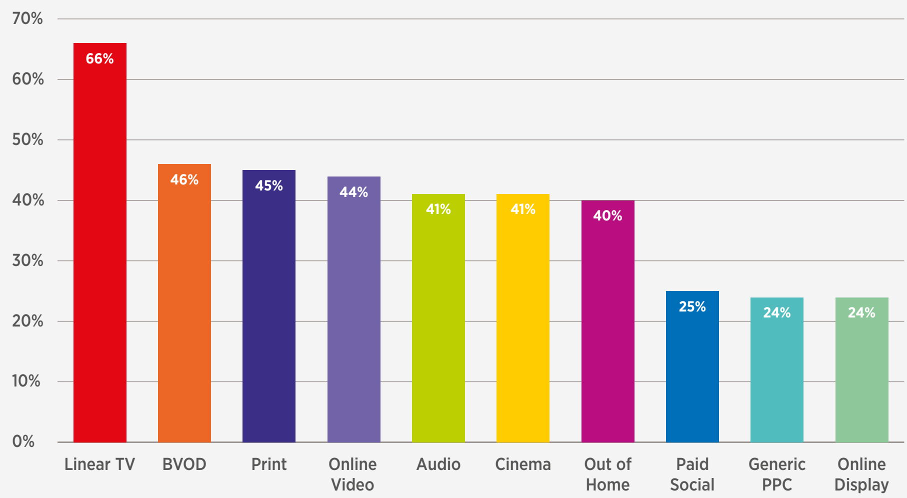
It's unsurprising to see Generic PPC at the top of the list, as well as Paid Social. But it might be surprising that Linear TV, Audio and Broadcaster VOD are also strong. This is why 'performance' is an unhelpful term, especially when performance is generally used to cover a brand's digital activity. The pursuit of immediate returns is most optimally achieved by the inclusion of channels other than just digital.

TV has the highest carryover payback
For many businesses, requiring payback within a single week is not common, but requiring payback over a quarter is – for example, by publicly traded companies where quarterly earnings reports are a key factor in determining share price fluctuations. In these circumstances the optimal media mix should be determined by the full short-term payback (the immediate + carryover).

The principle of carryover payback is that not all of the response from an ad is delivered within the week it appears. Some consumers will respond the following week and the week after that. This carryover differs by channel, as shown in Figure 18, which shows the percentage of the effect of a channel that carries over into the following week. (This is also known as adstock – more detail can be found in Section 7.2.)

Linear TV has the highest carryover effect of all channels. In general, AV formats perform well. Digital channels have the lowest carryover effects.

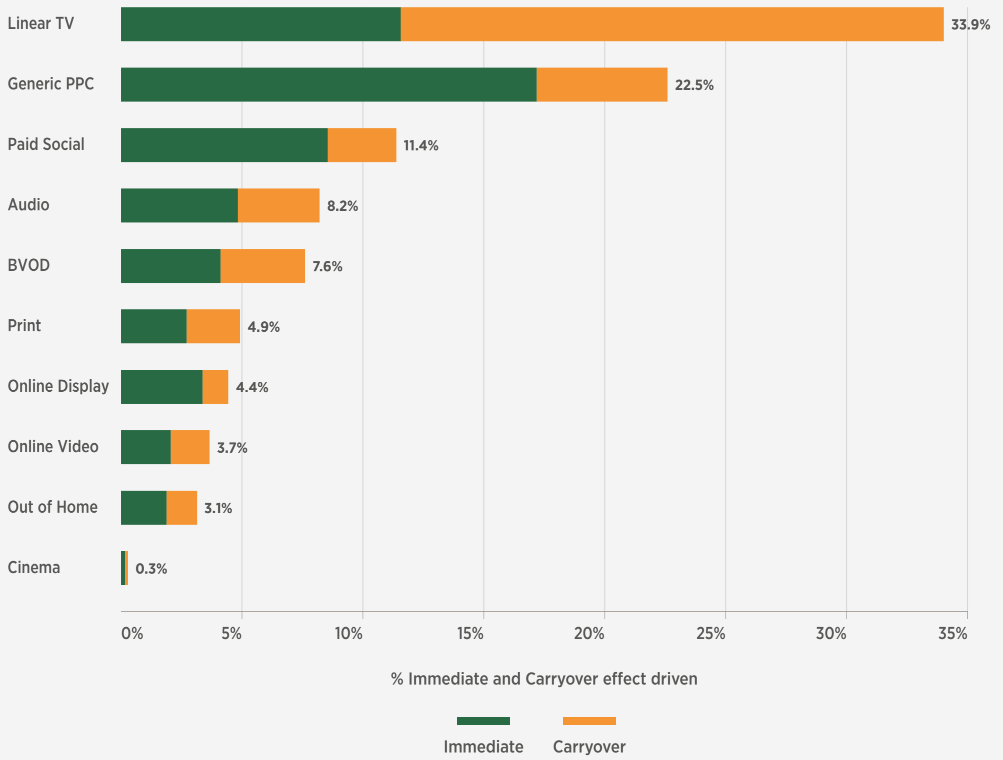
MEAN WEEKLY ADSTOCK CARRYOVER RATE BY CHANNEL FIGURE 18



Source: Ebiquity

> "The pursuit of immediate returns is most optimally achieved by the inclusion of channels other than just digital."

IMMEDIATE + CARRYOVER ADVERTISING PROFIT DRIVEN BY CHANNEL FIGURE 19



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

When we add the carryover effect onto the numbers from Figure 17, we get an updated channel hierarchy, (as shown in Figure 19) which shows that across the full short-term period, Linear TV delivers the most media-driven profit volume.

When optimising the channel mix over a three-month period, nothing rivals Linear TV for scale. Generic PPC is still very important, as is Paid Social. It can still be argued that optimising to a quarter is relatively short-term, again highlighting the point that digital channels are not the only channels that can deliver payback quickly. So, rather than thinking that quick returns = performance objective = a digital plan, advertisers seeking rapid returns should be using a wider mix of channels.

“Advertisers seeking rapid returns should be using a wider mix of channels.”

Sustained and full payback
For brands who are most interested in optimising the payback from their advertising over a full year (or longer), sustained payback needs to be brought back into the mix in order to understand the full payback delivered by channels.

The sustained effect of advertising is sometimes referred to as the 'longer-term' effect. When brands advertise, not all consumers are in market and therefore not all consumers will respond in the short-term.

But this doesn't mean that advertising is not having an effect on potential consumers. It's helping build or sustain mental availability – improving perception and understanding of the brand and increasing future purchase likelihood.

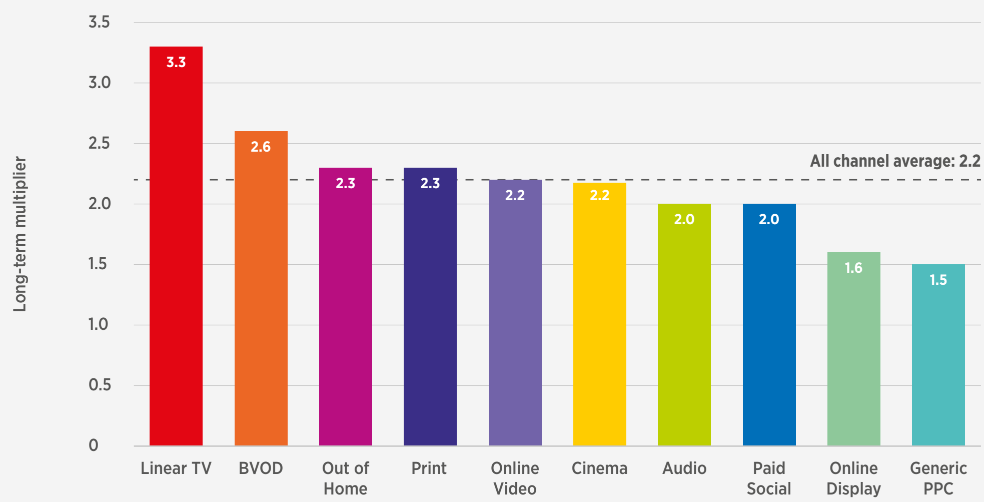
This effect is why established businesses have big sales 'bases' – the volume of sales a business achieves from built-up brand equity. The sustained effects of advertising grow and maintain the sales bases. Don't underestimate the work that brands need to do just to keep their base flat!

The extent to which channels deliver their value in the short-term compared with the full term is often referred to as the 'long-term multiplier' – the ratio between short-term and full payback. Put simply the equation for calculating a channel's long-term multiplier is:

$$\frac{\text{Sustained Effect + Short-term Effect}}{\text{Short-term Effect}}$$

TV tends to have higher long-term multipliers
It is unsurprising to see that Linear TV and Broadcaster VOD tend to have higher long-term multipliers than say Online Display and Generic PPC. AV, on larger screens, has an unrivalled ability to change perceptions and impact our longer-term memories.

LONG-TERM MULTIPLIER BY CHANNEL FIGURE 20



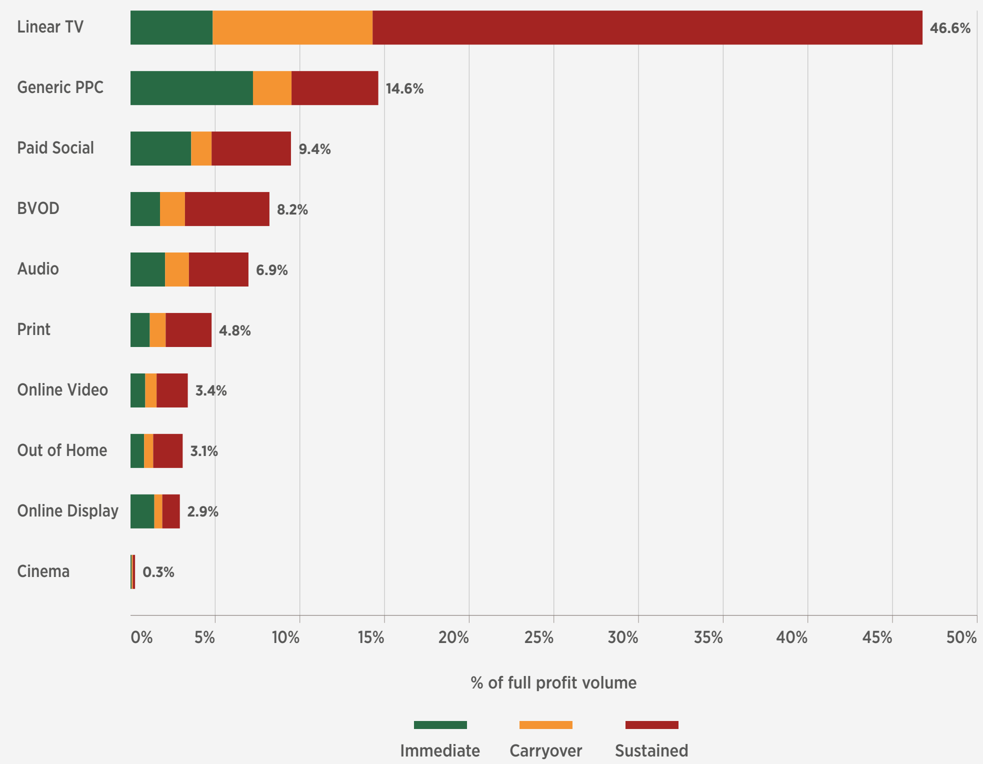
Source: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK – Long-term Multiplier = (Sustained Effect + Short-term Effect)/Short-term Effect.

Adding this sustained effect to Figure 19, gets us to the full advertising profit return by channel as shown in Figure 21.

If a brand is looking to maximise the return it gets over a full year, then nothing comes close to Linear TV for scale (volume of profit returns).

It's worth pointing out here, that optimising over a full year will always generate a higher payback than optimising to a series of shorter time horizons. This is why as an industry we are constantly encouraged to measure and optimise to the longer term.

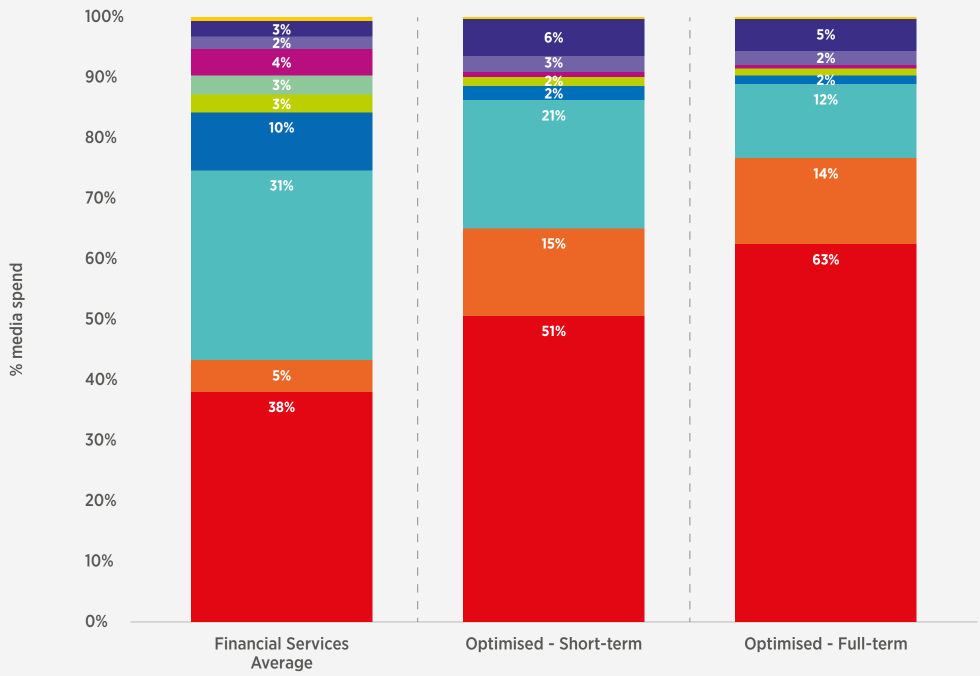
FULL ADVERTISING PROFIT DRIVEN BY CHANNEL FIGURE 21



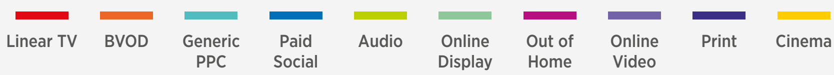
Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Immediate contribution = same week as advertising, Carryover = within 13 weeks, Sustained = within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

> “If a brand is looking to maximise the return it gets over a full year, then nothing comes close to Linear TV for scale.”

OPTIMAL MEDIA MIX EXAMPLE – SHORT-TERM PAYBACK VS. FULL PAYBACK FIGURE 22
(ACTUAL VS. MEDIA MIX NAVIGATOR OPTIMISED CHANNEL MIX)



	Financial Services Average	Optimised - Short-term	Optimised - Full-term
Short-term profit ROI £	0.94	0.95	0.93
Full-profit ROI £	1.95	2.53	2.62



Source: Media Mix Navigator. Optimised based on £7bn brand size, 61–70% online sales, mass market, low risk and media budget of £16m.

What this means for the optimal media mix
It should now be evident that optimising to different time horizons will lead to different optimal media mixes, in turn generating different levels of profit.

Using the Media Mix Navigator [18], Figure 22 shows how the optimal media mix changes for the example of a Financial Services brand when we switch between optimising to the full payback vs. the short-term payback. Both scenarios are shown compared with the Financial Service's average media mix in our databank.

Firstly, comparing the Financial Services current average media mix with the mix optimised to just the short-term, shows an underinvestment in Linear TV and BVOD, and an overinvestment in Paid Social and Online Display. This shows that even if we are focused on short-term response, the current media mix in the industry is falling far short of what is optimal.

Second, comparing between optimising to the short-term or full payback highlights an even bigger misallocation of spend. The short-term payback mix is much more dominated by digital than the full-term optimal mix. When optimising to drive maximum profit in the full term, Linear TV should play a much bigger role, with its share rising from 51% to 63%. Most of the difference comes out of Generic PPC.

The benefits of optimising to the full effect should also be clear. The full effect channel mix drives 4% more profit in the full term than the short-term focused mix, which for a £16m budget equates to £1.4m lost profit.

[18] The Media Mix Navigator (MMN) is a free media mix allocation tool, powered by the Profit Ability 2 databank. For more details on how MMN can help with your decision making, see Section 6.1.

3.9
RISK

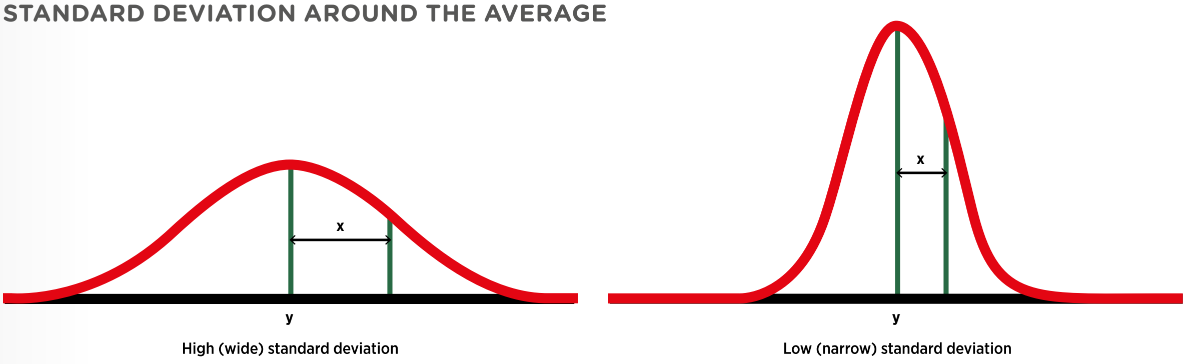
An important factor often not considered by advertisers when identifying the optimal media mix is risk. It's not just the average ROI of a channel that we should be interested in, but also the likelihood that it will deliver to that level.

Risk is a familiar concept in most areas where people or businesses are making investment decisions. A good example to bring this to life is when we make decisions on how to invest our pension funds. We know that investing in stocks and shares can deliver some of the highest returns, but they are very volatile and therefore investing all of our pension funds into them is quite risky. We may therefore choose to invest only a proportion of our pension funds into stocks and shares and balance out this risk by investing in 'safer' areas like bonds or property, even though these latter options typically deliver lower returns.

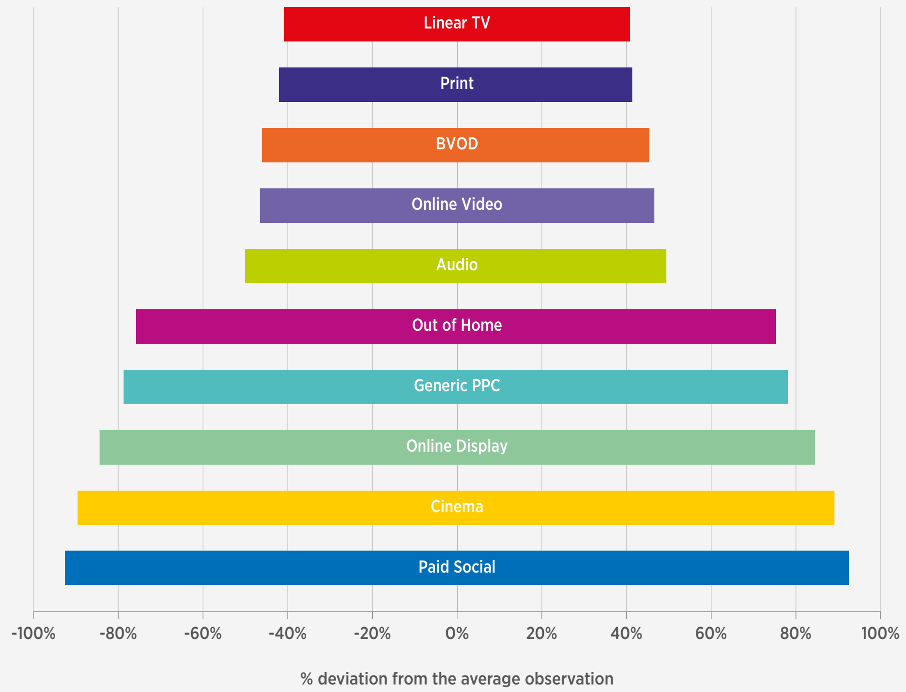
Measuring risk in media investments
In the media world, another way of phrasing risk is in terms of the variation around the average ROI seen for each channel, as measured by the standard deviation.

The standard deviation is a measure of how dispersed the data is in relation to the mean. Low (narrow) standard deviation indicates that channel ROIs are clustered tightly around the mean, and high (wide) standard deviation indicates that the ROIs are more spread out.

STANDARD DEVIATION AROUND THE AVERAGE



STANDARD DEVIATION AROUND THE AVERAGE FIGURE 23



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

> “Channels like Linear TV and Print have low variation and therefore represent a lower risk investment. Whilst channels such as Paid Social and Cinema are less predictable.”

Figure 23 presents the percentage standard deviation (the standard deviation divided by the mean, expressed as a percentage). The wider the bar, the more variable around the average ROI a channel is. Channels like Linear TV and Print have low variation and therefore represent a lower risk investment. Whilst channels such as Paid Social and Cinema are less predictable with more variation across the databank.

'Risk' works both ways
However, it is important to be aware that less predictable channels can also yield higher ROIs than more predictable ones when they work well. Channels with a high variability of return around the average do sometimes work very well.

It would therefore be useful for advertisers to face into this trade-off and run multiple optimal media mix scenarios. This is why risk is built into the Media Mix Navigator, so that advertisers can quickly run scenarios, allowing them to understand the potential gain in ROI vs. the potential risk.

Why does channel risk vary?
There are a number of reasons behind why some channels deliver more variable returns than others. The strength of the creative undoubtedly will play a big role here and how easy it is to get creative right. Industry recommendations abound on how to make effective Linear TV and Broadcaster VOD ads, with notable contributions in recent years from the likes of System1 and Thinkbox's 'Creative Drivers of Effectiveness'. In other channels, the evidence shows that it's easier to get it wrong, leading to a wider range of outcomes – both positive and negative.

The range of different formats within a channel will also play a role. Comparing Linear TV and Paid Social, for example, which sit at different ends of the variability spectrum: Linear TV is dominated by the 30-second ad, with 51% of TV ads in this format. (20-second ads = 27% and 10 second ads = 10%[19].) Paid Social as a category, on the other hand, has many formats, which are quite different from each other. It is noted that in the Profit Ability 2 databank all of Paid Social is grouped in one bucket, as most advertisers' spend levels are too small to split out the smaller platforms. This means that there are a variety of different platforms grouped within Paid Social, although it is dominated by Facebook. Then within platforms there are a wide range of different formats that advertisers can use. At the time of writing, Facebook, for example, offers advertisers a wide range of formats including image ads, video ads, slideshow ads, stories ads, messenger ads, carousel ads, slideshow ads, collection ads, playables and instant experience ads.

Some readers may be surprised to see Generic PPC sit at the more variable end of the risk hierarchy for our databank. A significant reason behind this is the auction nature of the channel and fluctuations in CPC across terms and positions which can lead to a huge range of results. Added to this is the way that Generic PPC is measured day-to-day. It feels very trackable as it provides instant linear tracking data, but that linear tracking only picks up online sales. The advantage of MMM is that it can also measure the impact of media on offline channels. So it's possible to imagine a situation where a PPC specialist thought they were 'optimising' but the result was much better/worse than they expected when taking into account the offline effect, hence the wide range.

[19] Source: Barb, Jul 2023–Jun 2024, adult impacts.

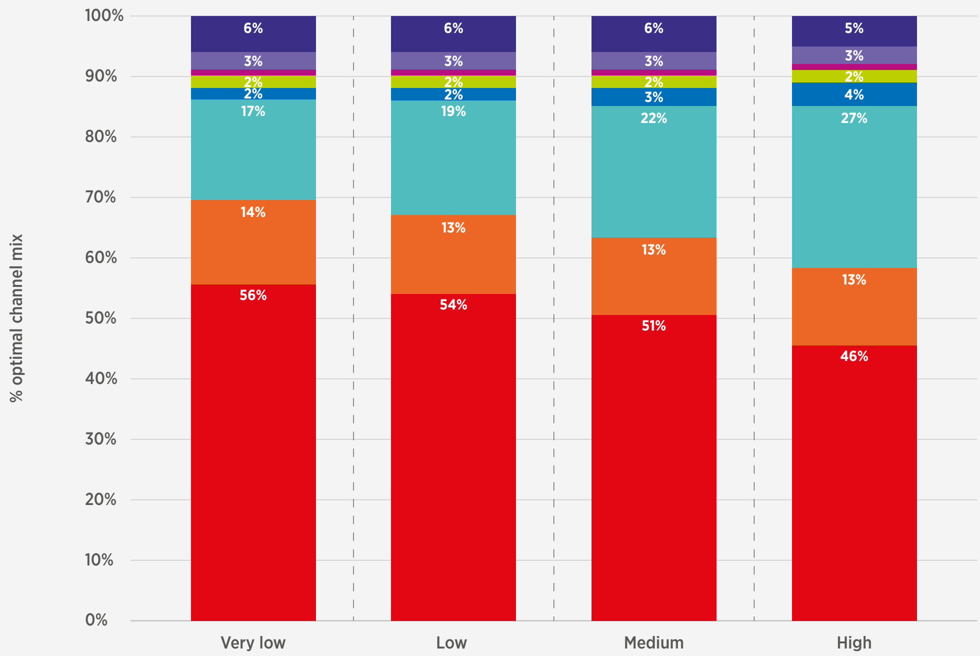
How does an advertiser navigate through this and plan for risk? What impact does that have on the optimal media mix and the likely return? Fortunately, the Media Mix Navigator can help in seconds.

The scenario below has been run for a mass market Finance brand assuming 51–60% of sales online, £2bn annual revenue, spending £20m a year, and a 20% profit margin.

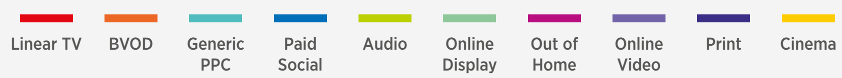
You can see how the media mix changes as it moves from very low to high risk – budget moves out of Linear TV and Broadcaster VOD, into Generic PPC and Paid Social. The average full-term profit ROI potential increases from £2.1 to £2.3, that's a potential 10% incremental revenue from the same budget. At the same time however, the confidence range widens from 31% to 55%.

The low point of the confidence interval means the worst-case ROI falls from £1.4 to £1.0, but on the flip side, the high point of the confidence interval increases from £2.7 to £3.5. This highlights the importance of balancing risk – does a brand want to go for a safer media mix with a more predictable ROI, or go for a higher risk media mix which has the potential for a higher ROI, but which equally might perform less well? The Media Mix Navigator allows advertisers to understand this trade-off and make informed decisions on what's best for the business.

EXAMPLE FOR FINANCE CATEGORY: CHANNEL MIX BY RISK LEVEL FIGURE 24



	Very low	Low	Medium	High
Full effect ROI top band £	2.7	3.0	3.3	3.5
Full effect ROI average £	2.1	2.2	2.3	2.3
Full effect ROI bottom band £	1.4	1.3	1.2	1.0
Confidence Interval	+/-31%	+/-39%	+/-47%	+/-55%



Source: Media Mix Navigator, Finance, Mass market, 51–60% online sales, £20m annual media spend, £2bn brand size, 20% profit margin.

SECTION FOUR:
SECTOR ANALYSIS

04

4.1 OVERVIEW OF THE MEDIA BUDGET SPLIT BY SECTOR

The Profit Ability 2 database identifies typical media budget splits. This data is an interesting reference point for marketers in the UK because it is based on real spend rather than estimates from ad monitoring services. In particular, this dataset does not have the same blind spots around direct media buying or auctioned digital channels like PPC and Paid Social.

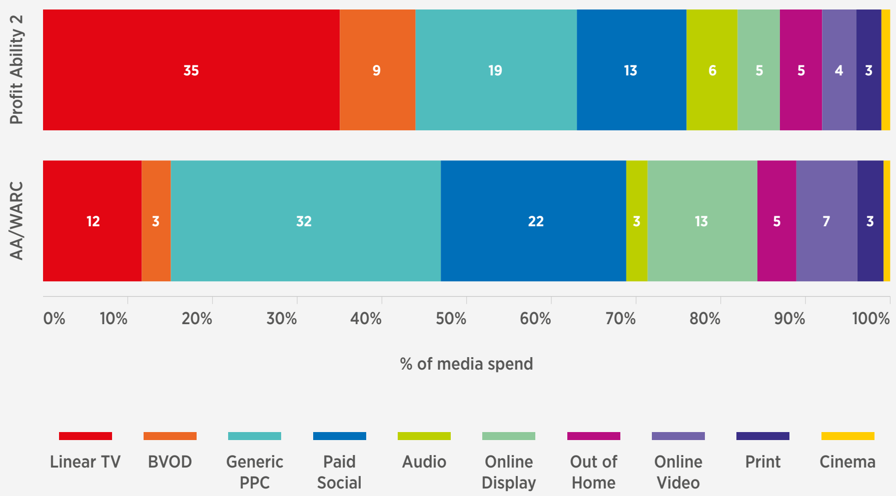
This is not a perfect representation of the market, however, as it is biased away from 'long-tail' media channels such as Paid Social and Search and towards larger B2C brands, with complex media plans across both established and digital media channels. The brands in this study typically invest in brand tracking and, by definition, they invest in econometrics.

These brands clearly do their homework and work on improving and optimising their media budget allocation. So, while these sector budget splits may not be representative of the entire market, this is an excellent reference point for comparison.

What is particularly interesting is how the media mix of this set of larger B2C brands compares to the total 'all UK advertisers' data from AA/WARC that includes the long tail of SMEs. Mass reaching channels like TV and Radio play a much larger role for larger B2C businesses in the PA2 database, whereas Generic Search and Paid Social play a larger role when the long tail of SMEs are included.

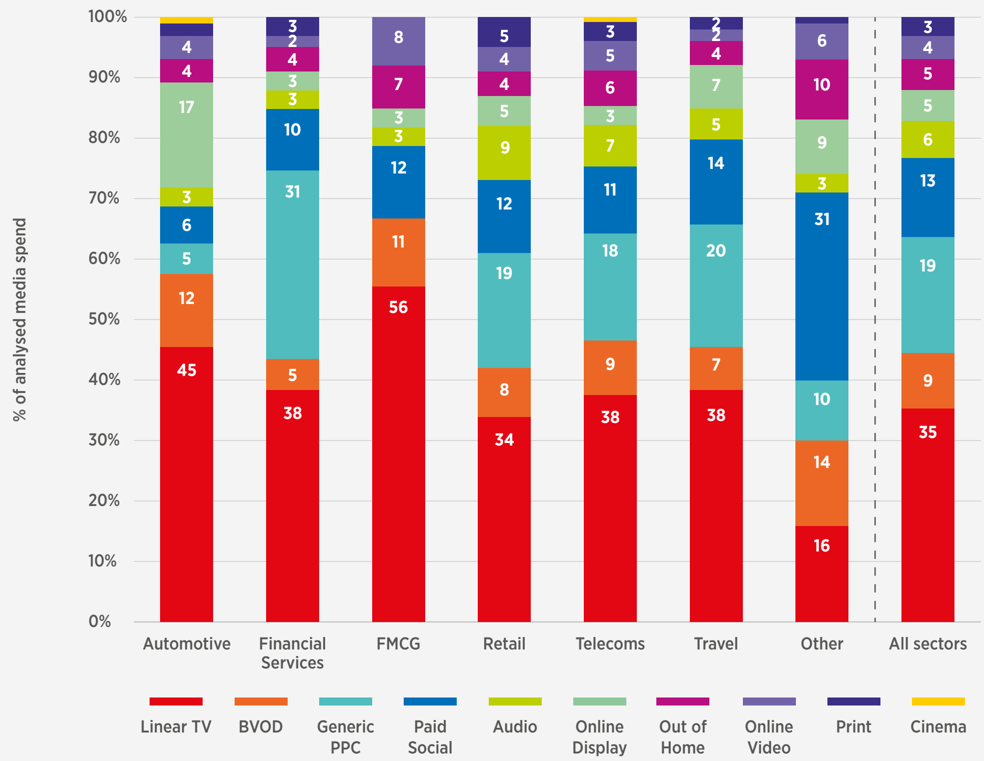
The same analysis but broken down by sector (as shown in Figure 26), provides an even more helpful view, as the data shows, there's no such thing as an average media mix – each category differs from the all-category average.

PROFIT ABILITY 2 DATABANK VS AA/WARC TOTAL UK MARKET ESTIMATED SPENDS BY CHANNEL FIGURE 25



Source: AA/WARC, Profit Ability 2

HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 26



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

HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 26 (CONT'D)

	Automotive	Financial Services	FMCG	Retail	Telecoms	Travel	Other	**All sectors**
Linear TV	45.3%	38.1%	55.5%	34.0%	37.6%	37.8%	16.3%	**35.0%**
Generic PPC	5.1%	31.3%	0.2%	19.0%	18.4%	19.8%	10.3%	**18.9%**
Paid Social	6.4%	9.6%	12.0%	12.3%	11.1%	13.9%	30.6%	**13.2%**
BVOD	11.9%	5.3%	10.9%	8.2%	8.8%	7.3%	13.9%	**8.6%**
Audio	3.5%	3.1%	2.5%	8.6%	6.8%	5.3%	3.3%	**6.2%**
Online Display	17.0%	3.2%	2.9%	5.1%	2.8%	7.1%	9.2%	**5.5%**
Out of Home	4.0%	4.3%	7.5%	3.6%	6.0%	4.0%	10.3%	**5.0%**
Online Video	4.3%	2.0%	8.3%	3.7%	4.9%	2.2%	5.5%	**3.9%**
Print	1.7%	2.8%	0.0%	5.1%	2.6%	2.2%	0.6%	**3.3%**
Cinema	0.8%	0.5%	0.2%	0.4%	0.9%	0.4%	0.0%	**0.5%**

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Please note sample sizes for each channel and sector in 7.3.

4.2 OVERVIEW OF MEDIA PERFORMANCE BY SECTOR

This section will explore differences in media returns across sectors. The sector level results will be unsurprising to MMM practitioners – certain outcomes such as the lower returns to FMCG or the high returns to larger retailers are very familiar findings. As each sector is explored in detail, there will be a focus on the benchmarks as well as further context and commentary from sector specialists.

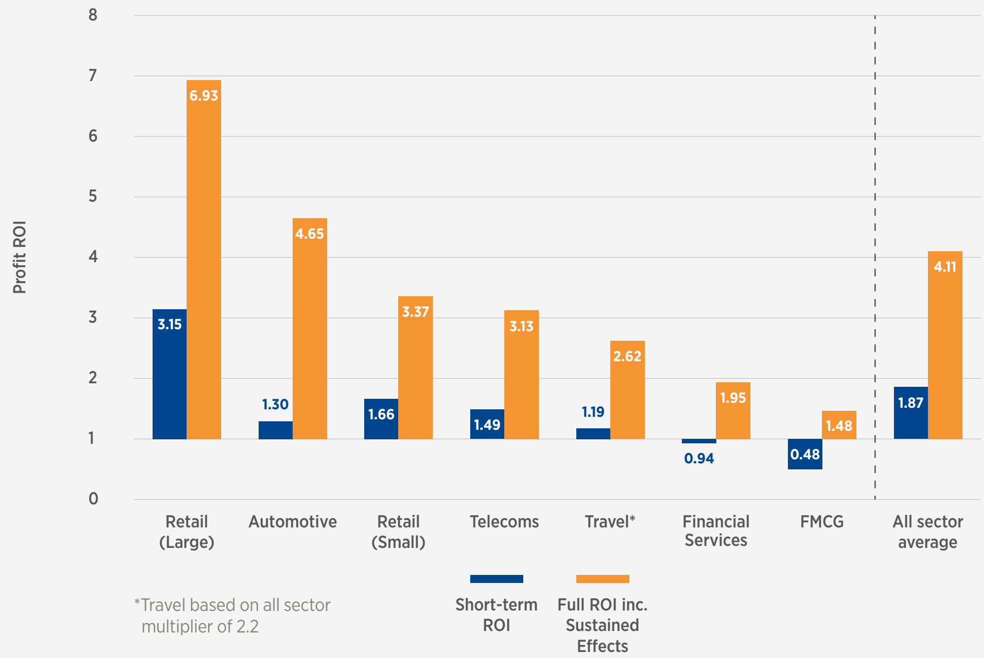
Explaining differences in performance across sectors

As media audiences and costs are similar across sectors (except in biddable media such as search where the value of keywords can vary hugely by sector), most differences in performance stem from fundamental commercial factors rather than media differences alone. One factor is profitability of the product category itself, which is bound up with competitiveness and commodification in that sector.

Another factor is scale. We know as a business gets larger it is more likely to generate positive returns. Why? Because it costs approximately the same to buy 100 GRPs in any given media line whether you are a £60bn per year retailer or a £100m per year FMCG brand. But for the former, a sales uplift of less than half a per cent may break even; while for the latter, the hurdle rate will be closer to 80%. While it is true that the larger business will certainly need to carry a larger advertising budget and will have broader marketing objectives, and it is also true that the smaller business may choose to be more targeted, the difference in the relative uplift required to break even is quite fundamental.

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

WHILST ADVERTISING GENERATES A PROFITABLE RETURN IN ALL SECTORS, FULL PROFIT ROI VARIES GREATLY SECTOR TO SECTOR FIGURE 27
SHORT-TERM ROI & FULL ROI INCLUDING SUSTAINED EFFECTS



*Travel based on all sector multiplier of 2.2

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

The scale point is easy to see within the Profit Ability 2 database. Retailers are divided into two groups based on annual revenue using £1bn as a dividing line. The large retailers include multicategory brands such as grocers and home improvement.

The smaller retailers are typically single category retailers or high-street services. While large retailers see a short-term profit return of c. £3.15, smaller retailers come in at £1.66.

4.3 AUTOMOTIVE

RICHARD WOODWARD, GROUP DIRECTOR, EBIQUITY

Automotive in context

In 2019, when we spoke to our UK automotive clients, the accumulation of issues such as Brexit, China, and net zero was seen as a perfect storm. I think it's fair to say that was an overstatement when you look at the headwinds the industry is facing today. On top of these issues, we now had to add Covid, a shock to consumer confidence, logistics and semiconductor supply issues, electric vehicle (EV) infrastructure issues, and even a short-lived financial crisis over the Truss premiership, which unexpectedly moved the goalposts on interest rates and affordability.

The regulatory environment for Automotive is also challenging across several areas including financing, insurance and electrification. Current UK policy is designed to incentivise increased investment in EVs. While the aim is to help automotive brands reach a better balance of engine types across their portfolio, consumer hesitancy around a cluster of issues (such as range, affordability and fast depreciation) means that some manufacturers may be hit with penalties for not making enough progress.

Another change in the sector that is worth mentioning is the distribution model. The status quo is that dealerships are the physical embodiment of car brands and responsible for first contact with the customer. Manufacturers are increasingly experimenting with different agency models and may shift towards more of a direct-to-consumer framework, with the role of the dealership being redefined.

We have seen a significant drop in the sales of new cars in the past three years, and a subsequent drop in media ROIs across all channels. It's only recently that we are starting to see positive signs of recovery. Looking forward, with competitive threats from cheaper new EV entrants and the evolution in the distribution model, we are unlikely to see big reductions in marketing investment from traditional automotive brands. There are too many big tasks ahead.

Automotive media performance

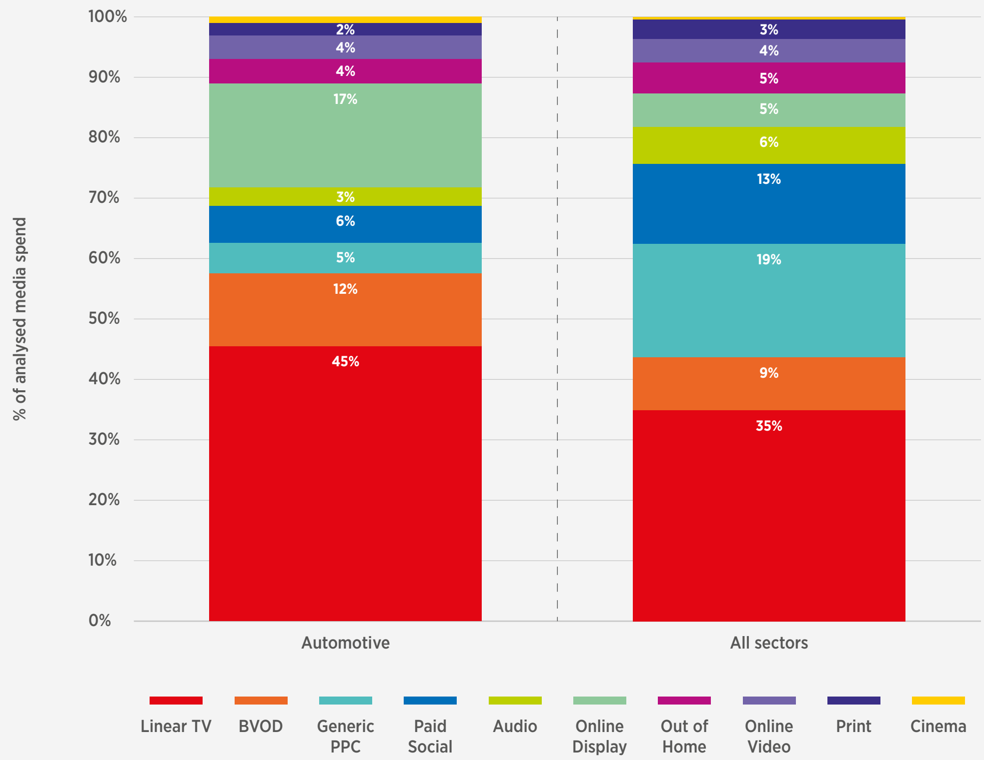
At a sector level, the Automotive category does relatively well from media investment delivering a short-term blended ROI of £1.30 across all lines. Most MMM solutions for this sector use intermediate KPIs such as web visits or leads as part of their model suite and, as such, it is generally possible to get a read on both digital and broadcast media lines.

It is clear however that in this sector, brands are not simply focused on driving short-term engagement but are far more interested in long-term tasks such as building desirability and reinforcing perceptions around quality, reliability and safety. In other words, more than most sectors, Automotive advertising is about long-term impact. The Profit Ability 2 dataset suggests that the Automotive long-term multiplier is 3.6 versus an all-sector average of 2.2. The full sustained ROI in this sector is £4.65 on a blended basis.

With this in mind, it makes sense that the Automotive sector is heavy in TV with 45% share of investment. Linear TV is still the first choice channel for a campaign, and probably will remain so for some time yet, given the nature of the brand building task and the fact that the average age of a new car buyer is over 50. Linear TV delivers a short-term ROI of £1.69 and taking the full sustained effect into account the PA2 databank suggests it should deliver a long-term ROI of £8.97. Zooming out a little bit to AV, inclusive of BVOD and Online Video, the blended short-term ROI is c. £1.40 and £7.22 in the long-term.

The Automotive results we witness in this study demonstrate that all channels when used in the right way can perform well. As the sector investment chart indicates, perhaps surprisingly, we find Print, Audio and Out of Home over-index in this sector.

AUTOMOTIVE: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 28



Source: Profit Ability 2, April 2024 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Cinema. More details on sample sizes can be found in 7.3.

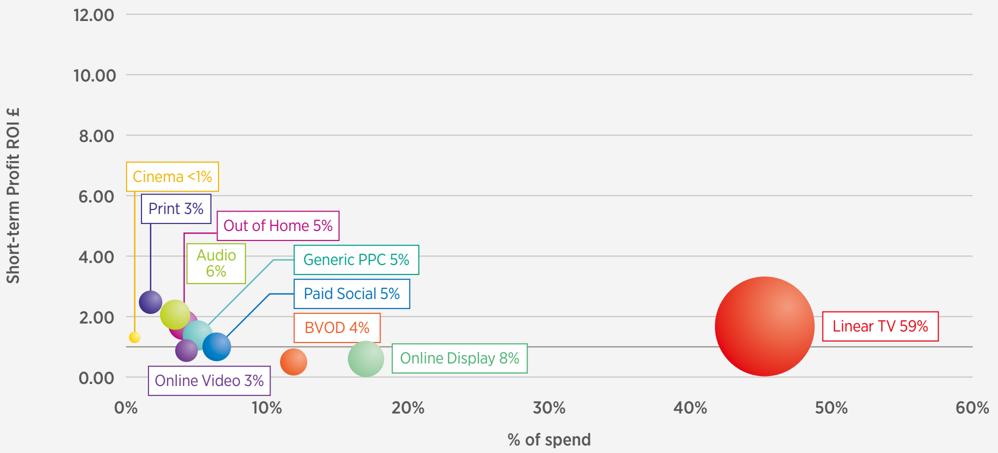
Print performs well with the strongest short-term ROI at £2.47 (full-term ROI is £9.33), it is typically used tactically to promote events in the showroom and so has a disproportionate but brief influence on orders. It is also a medium that dovetails well with the category as it can be used to reach car enthusiasts as well as those who are 'in-market' through specialist titles. Audio is similarly strong coming in at £2.08 in the short-term (FT: £6.85) and is also used to announce events.

The role of Out of Home on the plan is primarily for new car launches when there are fewer examples of the car on the street. With this context, it is understandable that Out of Home typically performs well coming in with a short-term ROI of £1.73 and a full ROI of £6.55.

A puzzle in the Profit Ability 2 databank is the poor performance of Online Display, which has a short-term return on investment in Automotive of only £0.61 (and FT £1.55) and yet we also see that Online Display accounts for 17% of ad spend in the category, versus an average of 5% for all sectors. It may be influenced by the fact that Online Display does very well on a tracking/attribution basis where there are strong retargeting signals, but not so well in an MMM or a geo-test that is more geared towards incrementality. Looking within the channel, in this sector we see some types of display seem to work better than others (for example, direct buys on relevant websites work better than programmatic buys).

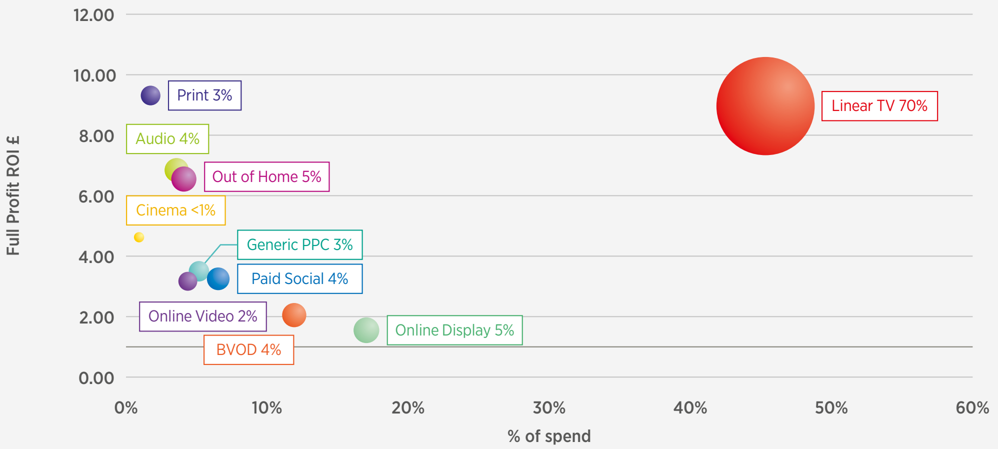
IN AUTOMOTIVE, LINEAR TV IS FAR AND AWAY THE LARGEST PROFIT DRIVER WITH ITS ROI ALSO VERY STRONG FIGURE 29

AUTOMOTIVE SHORT-TERM EFFECTS (SHORT-TERM PROFIT ROI: £1.30)



Bubble size represents % of short-term profit volume

AUTOMOTIVE FULL EFFECTS (FULL PROFIT ROI: £4.65)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Cinema. More details on sample sizes can be found in 7.3.

Bubble size represents % of full profit volume

AUTOMOTIVE DATA SUMMARY FIGURE 29 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£4.65	£1.30
TV (Linear +BVOD)	57.2%	74.3%	77.4%	63.4%	46.4%	£7.54	£1.44
Linear TV	45.3%	70.1%	73.3%	58.9%	39.6%	£8.97	£1.69
Online Display	17.0%	4.5%	3.6%	8.0%	13.5%	£1.55	£0.61
BVOD	11.9%	4.2%	4.1%	4.5%	6.9%	£2.05	£0.49
Paid Social	6.4%	3.6%	3.2%	5.0%	8.9%	£3.27	£1.02
Generic PPC	5.1%	3.1%	2.4%	5.5%	8.2%	£3.51	£1.40
Online Video	4.3%	2.4%	2.2%	3.0%	4.7%	£3.18	£0.89
Out of Home	4.0%	4.6%	4.3%	5.4%	7.0%	£6.55	£1.73
Audio	3.5%	4.1%	3.7%	5.6%	7.1%	£6.85	£2.08
Print	1.7%	2.7%	2.6%	3.3%	3.7%	£9.33	£2.47
Cinema	0.8%	0.6%	0.6%	0.8%	0.5%	£4.62	£1.32

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Cinema.
More details on sample sizes can be found in 7.3.

4.4 FINANCIAL SERVICES

TOM SKINNER, DIRECTOR, EBIQUITY

Financial Services in context

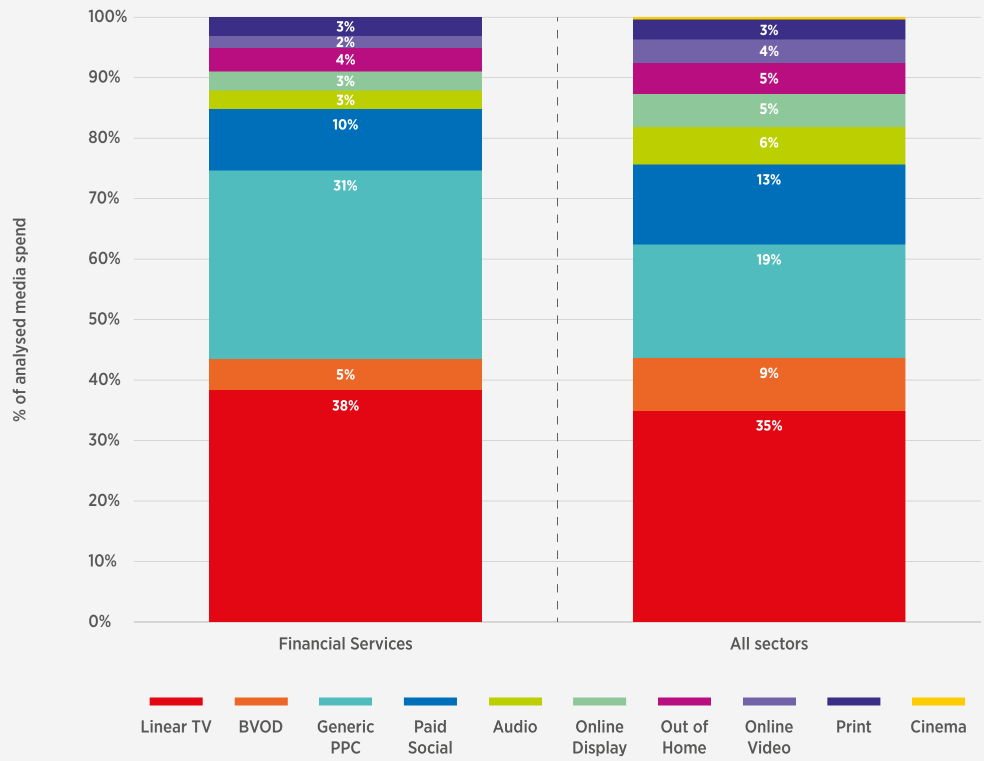
As a category within the Profit Ability 2 study, Financial Services incorporates many diverse kinds of businesses. The sample ranges from breakdown cover to current accounts, investments, mortgages, lending, insurance and price comparison websites (PCWs). This makes talking about profitability for this sector inherently difficult. In addition, most financial services brands measure the value of an acquisition either in terms of Income Per Sale (IPS) or in terms of Lifetime Value (LTV), so this adds complexity into a meta-analysis like this.

Within this sample, the way IPS or LTV is calculated between brands will also not be internally consistent. LTV may be calculated on a three-, five- or ten-year basis and every brand can use more or less conservative assumptions around risk or how to value future income streams. Current accounts, for example, have an average tenure of about 17 years, but as far as we know, marketing analysts rarely build a business case on this kind of time frame in practice. The Profit Ability 2 database captures profit according to whatever convention is being used internally or an industry approximation where LTVs are not known[20].

Understanding how profit is calculated in Financial Services is good context to bear in mind before looking at the benchmark outcomes. According to the PA2 database, media falls just short of breakeven in the short-term, coming in at about a £0.94 return on investment. Unsurprisingly, for many budget holders who find themselves on the wrong side of short-term breakeven, this does prompt some soul searching. This is also why marketers in Financial Services tend to focus on both long- and short-term returns.

[20] Where no LTV data is available, we have used presumptive LTVs: Mortgages £1,500, Pension Savings £800, Car Insurance £250, Savings ISA £170, Current Accounts £130, Home Insurance £120. The sector average ROI has also been scaled to a subset of clients where profitability is known with a higher level of certainty. These adjustments on overall profitability should not impact the media hierarchy as presented here.

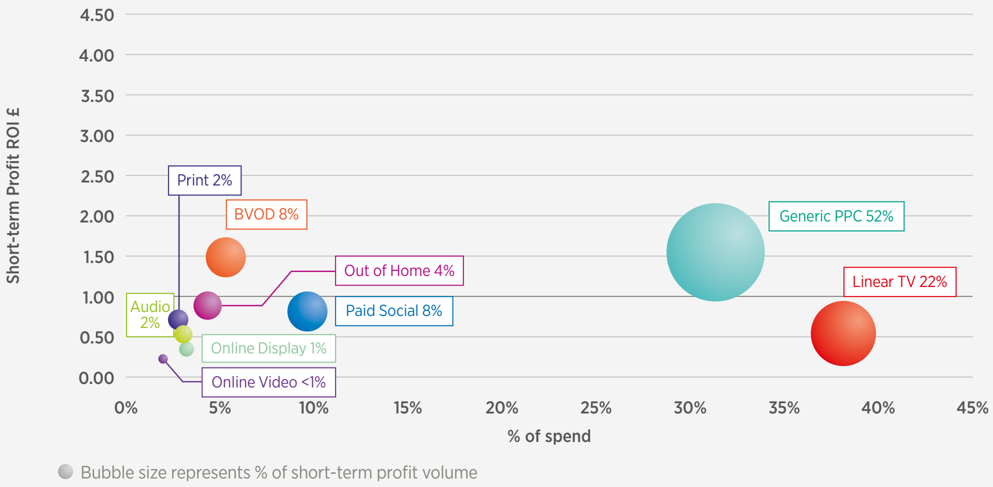
FINANCIAL SERVICES: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 30



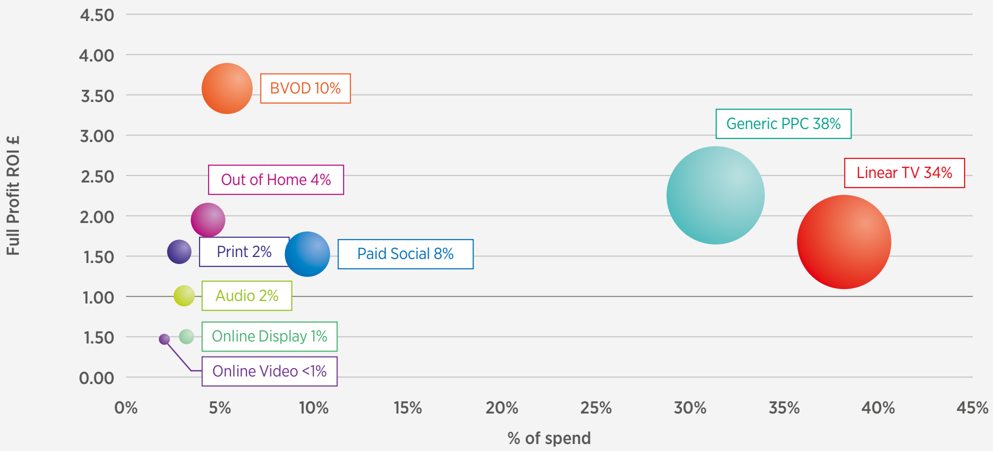
Source: Profit Ability 2, April 2024 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Please note low sample size for Out of Home. Due to very low sample size, Cinema has been excluded.
More details on sample sizes can be found in 7.3

FINANCIAL SERVICES SEES A VERY STRONG GENERIC PPC ROI; BVOD PUNCHES ABOVE THE EFFICIENCY OF LINEAR TV FIGURE 31

FINANCIAL SERVICES SHORT-TERM EFFECTS (SHORT-TERM PROFIT ROI: £0.94)



FINANCIAL SERVICES FULL EFFECTS (FULL PROFIT ROI: £1.95)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Out of Home. Due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

Bubble size represents % of full profit volume

FINANCIAL SERVICES DATA SUMMARY FIGURE 31 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£1.95	£0.94
TV (Linear +BVOD)	43.4%	44.5%	58.8%	30.4%	15.4%	£1.91	£0.66
Linear TV	38.1%	34.3%	46.8%	22.1%	8.1%	£1.68	£0.55
Generic PPC	31.3%	37.8%	23.7%	51.7%	68.8%	£2.25	£1.55
Paid Social	9.6%	7.9%	7.4%	8.4%	8.5%	£1.53	£0.82
BVOD	5.3%	10.1%	12.0%	8.3%	7.3%	£3.58	£1.49
Out of Home	4.3%	4.5%	4.9%	4.1%	2.8%	£1.95	£0.89
Online Display	3.2%	0.9%	0.6%	1.2%	1.1%	£0.51	£0.35
Audio	3.1%	1.7%	1.6%	1.7%	1.2%	£1.01	£0.53
Print	2.8%	2.3%	2.5%	2.1%	1.6%	£1.56	£0.71
Online Video	2.0%	0.5%	0.5%	0.5%	0.5%	£0.47	£0.23

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Out of Home. Due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

Brands in this category often have a tough sell. There are very few Financial Services brands that consumers can enjoy spending money on. In a period of 'high' inflation, interest rate pressure on mortgages, and a cost-of-living crisis, Financial Services marketing needs to sell a product people think of as a grudge purchase or, at best, an administrative chore.

It is also hard to make advertising work when consumers are not always 'in market', which is often the case in Financial Services. In insurance, for example, there is a very short window of time, about one month per year, where consumers are actively in shopping mode. The strategy marketers generally pursue is to build brand equity over the long-term so that when consumers do come back into a purchase cycle an advantage in awareness, consideration, trust and preference has been established.

Taking these sustained effects into account, the picture is less daunting for marketers in Financial Services. The blended all-media profit ROI is £1.95 and all individual media lines are above breakeven, with the exception of Online Display and Online Video.

Financial Services media performance

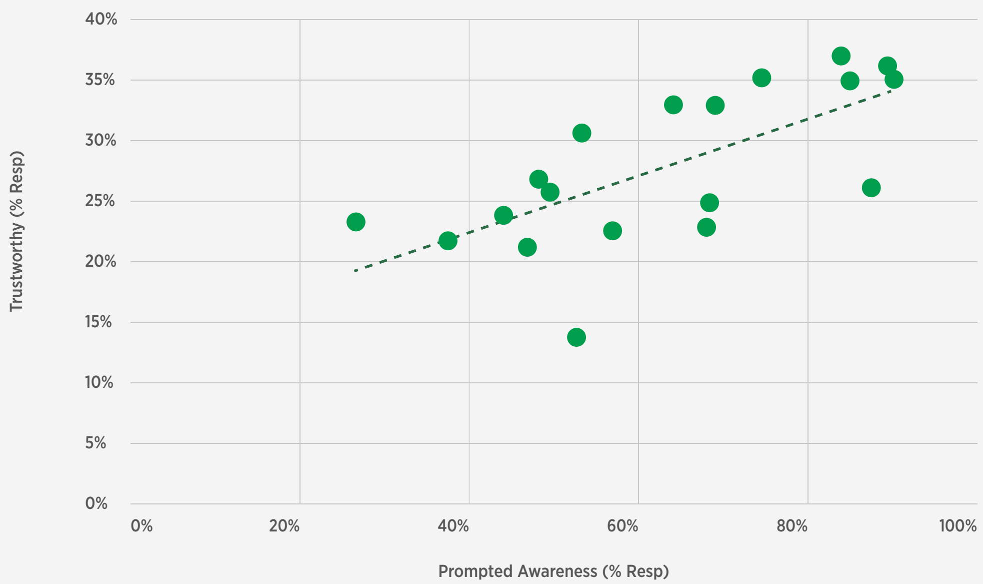
Generic PPC stands out as the top-performing short-term media line for Financial Services, accounting for over 30% of spend and yielding a Profit ROI of £1.55. Most marketers are not enthusiastic about a big slice of their advertising budget going to PPC – it is often treated as a tax that doesn't build the brand, but they do recognise that it needs to be on the plan and is required to hit volume targets.

In our experience, sufficient investment in AV as a whole (Linear TV, BVOD, YouTube etc.) is essential for supporting the long-term health of Financial Services brands. In the short-term the ROI of AV is challenging, coming in at only £0.64 blended, which is below breakeven. But with most financial clients working on only a three-year LTV basis, we must recognise that this definition of ROI is probably conservative. Most Financial Services brands make most of their profit from their existing customer base, a 'book' that is built up over the course of decades. Then there are long-term memory effects. Looking at all forms of AV together, the PA2 databank suggests that there is a c. 2.9 long-term multiplier for Financial Services, versus 2.2 for the study as a whole. This takes the blended AV long-term ROI to £1.84.

The value of long-term investment is that the product itself is intangible and relies on brand advantages like trust and familiarity to stand out in a competitive environment. Brands with more ad spend have higher awareness. Brands with higher awareness tend to have higher trust. Brands with high trust tend to have an advantage in click-through rates in crowded competitive environments like search engine results pages and price comparison sites.

The Direct Line Group IPA Paper 'They went short. We went long' published in 2018, demonstrates that consumers have a willingness-to-pay premium for stronger brands – a figure that could actually be quantified by looking at the performance gap between Privilege (where ad investment was reduced to zero) and Churchill (which benefitted from sustained ad investment).

GENERAL INSURANCE: AWARENESS DRIVES TRUST FIGURE 32



Source: They went short. We went long. IPA Effectiveness Awards Case Study 2018 (https://ipaeffectivenessawards.awardsengine.com/winners/view_awards_entry.cfm?id_entry=100067)

Online Video is by some measure the poorest performing channel for Financial Services. Even when considering the long-term, it only returns £0.47. The poor performance is reflected in its share of spend at c. 2%. If commercial objectives are paramount, this channel will struggle to justify its position in the media mix. This result is unsurprising as it is something we have seen in several econometric and geo-testing studies.

Despite its low ROI in this study, it is hard to be too critical about the performance of Online Video as it contains quite a wide range of inventory. We would expect that large screen, non-skippable advertising at a reasonable CPM should work just as well as Linear TV and BVOD, although it may lack the 'trust credentials' that TV is proven to deliver. It's also worth noting that some network video is more akin to Online Display in its quality profile and would struggle to pay back.

> “Brands with high trust tend to have an advantage in click through-rates in crowded competitive environments like search engine results pages and price comparison sites.”

4.5 FMCG

PRIYA PATEL, GROUP DIRECTOR, EBIQUITY

FMCG in context
FMCG advertising has always struggled to generate positive returns in benchmarking studies, at least in the short-term. In Profit Ability 2, we see FMCG coming last on the leaderboard at £0.48 versus an average of £1.87. Similarly, in the IPA ARC21 study, FMCG revenue-based ROI was less than half that of retail and durables.

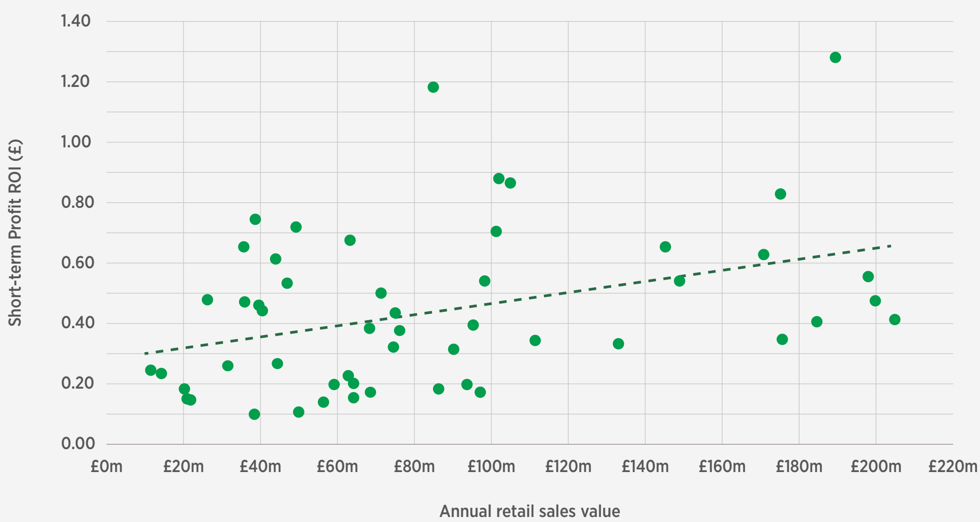
During Covid, many of our food FMCG clients saw a brief window of stronger returns because of increased consumption at home, cheaper TV costs, and transient low sensitivity to price increases – but this was counterbalanced by supply line headaches.

Within FMCG generally stronger demand was not always universal. Some product categories such as personal grooming, haircare, make-up and breath mints struggled.

One of the challenges in FMCG as a sector is scale. The typical advertised brand in the FMCG sector is just smaller than the typical advertised brand in other sectors, making breakeven harder to achieve.

And within FMCG, we see that scale rewards ROI – as illustrated by Figure 33. Based on Ebiquity benchmarks over the period from 2017 to 2023, we can see that small brands would typically only recover about £0.30 ROI for each £1 of media investment. Larger brands up to £200m should expect to earn a profit return between £0.65 and £0.70.

WITHIN FMCG, WE CAN SEE THAT SCALE REWARDS ROI FIGURE 33
ALL MEDIA PROFIT ROI



“ FMCG has one of the highest ‘sustained effects’ multipliers in the Profit Ability 2 study. ”

Clearly, however, a great deal of variation cannot be explained solely by scale. While scale is an important factor, we cannot forget that creative impact, media mix and the product itself will also be important success factors. This explains the relatively large spread in the data[21].

The question we often get from clients is, “If everything looks so bad for FMCG, why does anyone advertise at all?” The answer to this question is that even quality econometric analysis typically only captures short-term volume uplifts, but the way advertising works in this sector is much broader than that. To elaborate:

Repeat Purchase Behaviour
Profit margins on FMCG may be razor thin and are under constant pressure from retailers. So the aim of FMCG advertising is not to drive a single purchase but to increase household penetration and recruit customers who then make repeated purchases. This means the payback horizon is significantly longer for FMCG, but media mix models only capture part of the story in the short-term.

This is one of the reasons that FMCG has one of the highest ‘sustained effects’ multipliers in the Profit Ability 2 study (3.1 versus a study average of 2.2). It’s also worth noting that these long-term multipliers only cover the following 1-2 years, the reality is that repeat purchase behaviour can last much longer than this.

Distribution
Advertising is often necessary to gain distribution in the first instance, but even for established brands we know advertising plays a role in getting more items on the shelf with more facings[22].

One of the blind spots of econometrics is that credit will be given to distribution directly even if this is secured on the back of advertising commitments. This is not an abstract thing – campaign investment is discussed, considered and negotiated in joint business plans put together by retailers and national account managers.

New Product Development (NPD)
In FMCG, advertising specifically plays a role in securing distribution for range extension and NPD. These NPD campaigns do not typically break even and in fact drag down the average ROI in FMCG, but if the launch is successful the payback is measured in decades rather than months or years. Advertising also plays a role in driving sampling and consumer curiosity.

Pricing Power
Even factoring for advertising’s ‘long-term multipliers’, this is still only the volume side of the FMCG equation; it neglects the impact on consumer willingness to pay. Brands supported by advertising typically have more pricing power. For example, a study (Jam Today, April 2024) by ITV and Melt demonstrated how, in the soft drink sector, brand TV advertising directly impacts both price sensitivity and margin. Using a sophisticated modelling technique and 15 years of sector sales data from Kantar Worldpanel and NielsenIQ, the study calculated that these price effects added an additional third to the advertising profitability of TV advertising for a leading soft drinks brand.

[21] This analysis is based on cleaned and anonymised data. ROI outliers have been removed, including all observations above £1.50 and below £0.10. We have also removed brands above £250m Retail Sales Value (RSV).

[22] The number of items within a given SKU that are shown next to each other on the shelf edge.

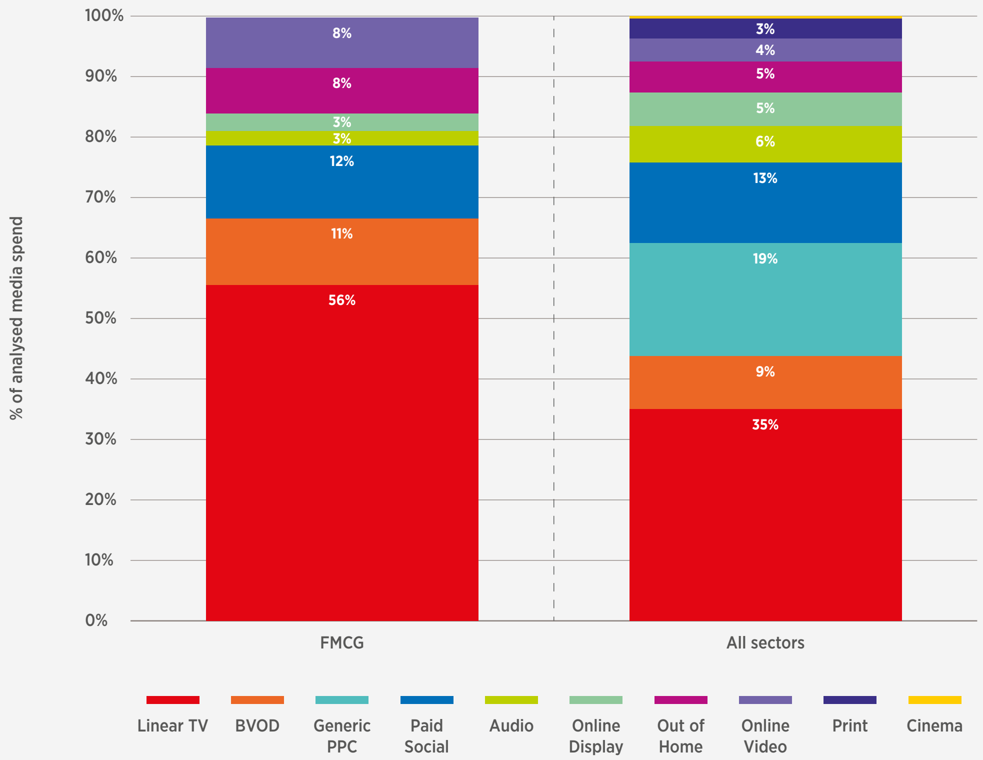
FMCG media performance
Linear TV remains the bedrock of most FMCG media plans. The current spend level on Linear TV is 56% in FMCG versus an average across other sectors of 35%. The reason for the continued reliance on TV is that, despite declining linear impacts as viewing is gradually shifting to BVOD, it continues to work.

While TV is just above average in the short-term (£0.50 versus £0.48) we see that in the long-term it offers the strongest return for the FMCG sector at £2.30 versus an average of £1.48. AV is known for being a powerful driver of 'mental availability' and, as a result, improves the odds for low consideration, impulse purchases. TV also scales – delivering 58% of sector profit in the short-term and 68% in the long-term.

Increasingly, FMCG brand managers are aware of the reach and ROI challenges in Linear TV and are rebalancing towards non-linear options such as BVOD and Online Video. If we look at total AV share of FMCG budget, it rises to almost 75% versus an all-sector average of 44%. At Ebiquity, we have seen positive outcomes from gradual diversification to follow audiences – we generally support having Linear TV, BVOD, and YouTube on the plan if media budget allows.

The other channels are delivering similar ROIs for FMCG brands but at a much lower spend level. If the same spend levels as TV were to be put behind the other channels, we would expect the returns to be lower. Even if a client achieves strong returns in an econometric review for one of the smaller media lines, we generally recommend increasing spend gradually to monitor diminishing returns rather than switching away from AV as the central pillar of the media plan.

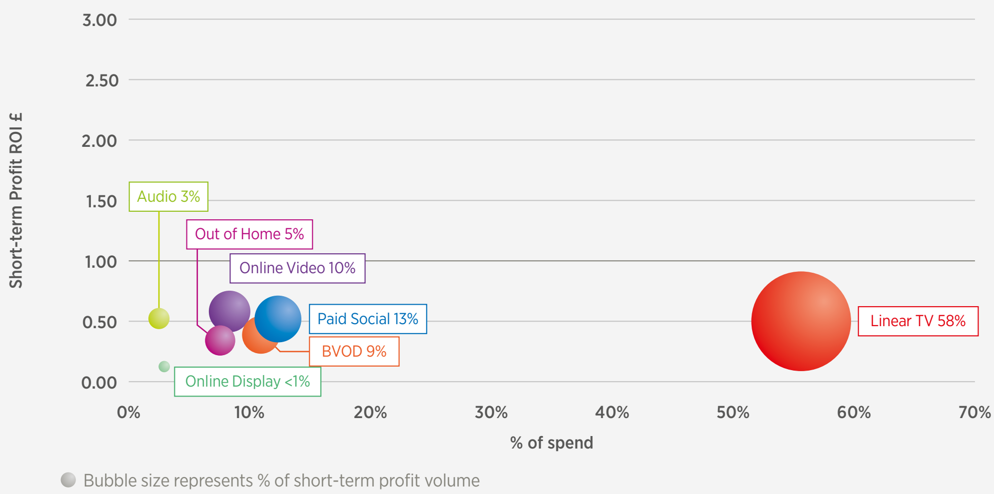
FMCG: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 34



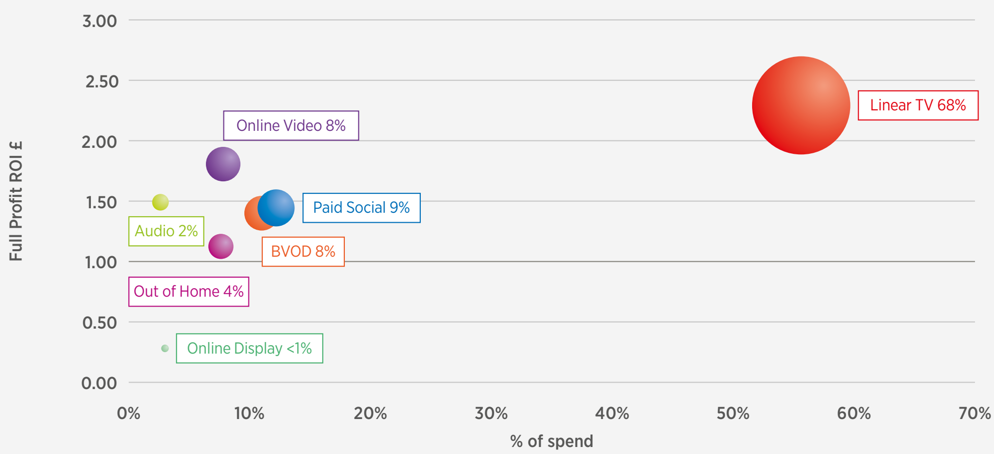
Source: Profit Ability 2, April 2024 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Please note that due to very low sample sizes for Cinema, Generic PPC and Print, these have been excluded, more details on sample sizes can be found in 7.3.

LINEAR TV IS A KEY VOLUME DRIVER IN FMCG BUT SHORT-TERM ROIs ARE ALL LOW WHILST FULL ROIs START TO SHOW PROFITABLE PAYBACK FIGURE 35

FMCG SHORT-TERM EFFECTS
(SHORT-TERM PROFIT ROI: £0.48)



FMCG FULL EFFECTS
(FULL PROFIT ROI: £1.48)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note that due to very low sample sizes for Cinema, Generic PPC and Print, these have been excluded, more details on sample sizes can be found in 7.3

Bubble size represents % of full profit volume

FMCG DATA SUMMARY FIGURE 35 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£1.48	£0.48
TV (Linear +BVOD)	66.5%	75.7%	78.5%	67.3%	36.7%	£2.15	£0.48
Linear TV	55.6%	67.6%	70.7%	58.4%	27.2%	£2.30	£0.50
Paid Social	12.0%	9.2%	7.9%	13.2%	28.5%	£1.45	£0.52
BVOD	10.9%	8.1%	7.8%	8.9%	9.5%	£1.40	£0.39
Online Video	8.3%	8.0%	7.2%	10.2%	17.3%	£1.81	£0.59
Out of Home	7.5%	4.5%	4.1%	5.4%	9.6%	£1.12	£0.34
Online Display	2.9%	0.4%	0.3%	0.8%	1.8%	£0.28	£0.13
Audio	2.5%	2.0%	1.7%	2.8%	6.1%	£1.49	£0.53

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note that due to very low sample sizes for Cinema, Generic PPC and Print, these have been excluded, more details on sample sizes can be found in 7.3.

As mentioned previously, even the so-called full long-term view published in Profit Ability 2 is still based on volume and not the whole picture for FMCG because advertising also helps brands support distribution and pricing power. That said, it is reassuring to see that all channels except Online Display generate positive returns when sustained advertising effects are included – a fact that should go a long way towards making the commercial case for advertising in this sector and answering the question, "Why does anyone in FMCG advertise at all?"

4.6

RETAIL (SMALL AND LARGE)

GAVIN DESIR, DIRECTOR, EBIQUITY

NIC PIETERSMA, GROUP DIRECTOR, EBIQUITY

Retail in context

The Retail sector benchmarks have been split into larger and smaller brands using a threshold of £1bn. Large retailers are typically multicategory and would include the likes of grocers, home improvement brands and personal care. The smaller retailers in the Profit Ability 2 database are more often single category businesses, considered purchase items like sofas or high-street services such as fashion retailers.

The reason Retail has been split by size in Profit Ability 2 is that advertising tends to reward scale and the kind of ROI large retailers see is simply not achievable for smaller retailers.

Retail was surprisingly resilient over Covid. On the food and grocery side, increased 'at home' consumption drove higher demand. While there were headaches over supply lines, this was somewhat offset by lower price sensitivity from consumers, cheaper TV advertising costs and better reach. From an advertising perspective, food and grocery retailers did well in 2020 and early 2021, before falling back to more normal advertising ROI performance.

On the non-food side, the blow from lockdown was offset by furlough support from the government. Later in 2020 and 2021, some retailers saw surging revenue because of pent-up demand and a build-up of household savings, which helped offset losses from lockdown weeks. This was particularly clear in home improvement as people looked to upgrade the houses they were spending so much time in. Unsurprisingly, trading conditions returned to more normal conditions in 2022 and 2023, albeit in the context of inflation and a cost-of-living crisis.

A brief word on some issues that were facing the sector long before Covid. One of the ongoing challenges facing traditional, large non-food retailers is how to compete against Amazon and the like. This is a major motivating factor behind the increased focus on apps, loyalty schemes, click-and-collect, improved delivery options and other innovations. From a marketing perspective, the anxiety around online growth also tends to shift emphasis to digital media investment as a strategic play even when the short-term ROI of traditional media is stronger.

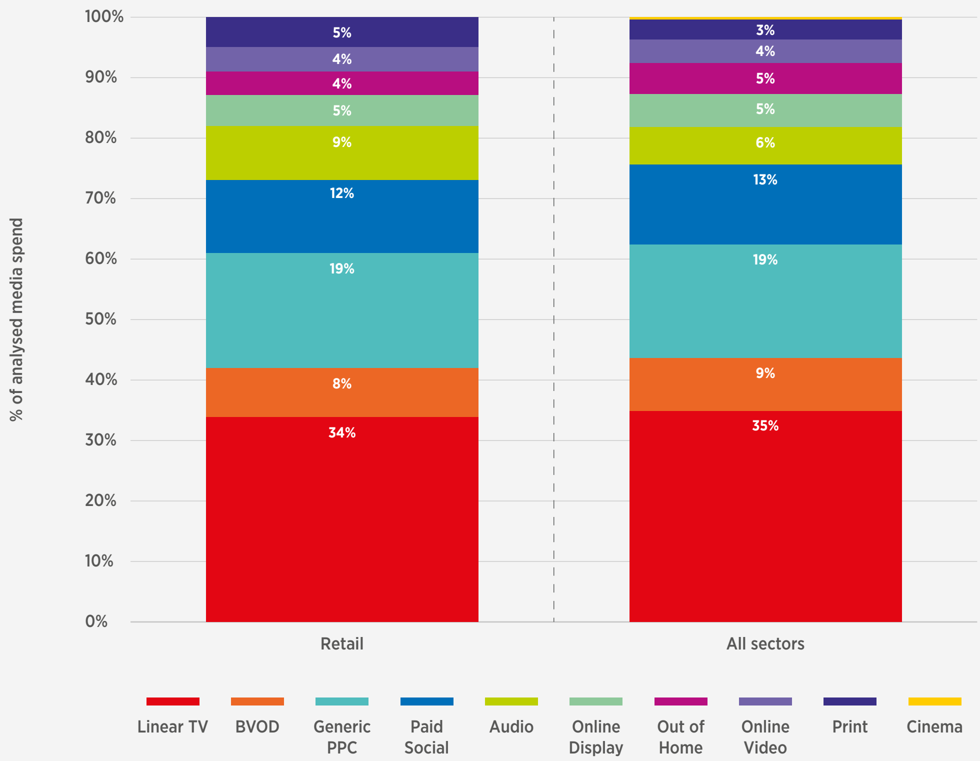
On the food side of Retail, the long-term trend worth commenting on is the sustained rise of the discounters Aldi and Lidl. In the context of the cost-of-living crisis and continued store openings, this trend looks set to continue.

Retail (Small)

In the Profit Ability 2 databank, Retail (Small) has a low sample size (the lowest across the sectors), featuring 5 brands vs. 23 brands for Retail (Large).

For more details on sample size, read 7.3.

RETAIL: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 36



Source: Profit Ability 2, April 2024 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Please note low sample size for Cinema. More details on sample sizes can be found in 7.3.

Media performance for Retailers

Retail generally earns good returns from marketing investment. For large retailers, the short-term ROI across all media lines is c. £3.15 and for smaller retailers the figure is £1.66. The evidence put together across the GroupM agencies for Profit Ability 2 suggests a further long-term multiplier of between 2.0 (for smaller retailers) and 2.2 (for larger retailers).

Looking at the story for AV as a whole[23], larger retail has a short-term ROI of £3.02 and smaller retailers see a return of £1.33 on average. Taking the long-term multipliers into account, the figure for larger retail rises to £8.59 and for smaller retailers £3.77.

Of the sector deep dives shown in the Profit Ability 2 study, Retail has the smallest proportion of investment in Linear TV at 34%. The main reason for this is that retailers typically have larger budgets – therefore many of these larger brands have enough budget to have some presence in all the major media lines and TV therefore takes a lower share. Because retailers have higher overall budgets, they end up further along the diminishing returns curve for TV and so must diversify into other channels.

But the proportion invested by these brands in Linear TV has also reduced since the pandemic. In our experience, this Linear TV ad spend reduction has helped TV to maintain a healthy short-term ROI of £3.20 for larger retailers as brands move down the diminishing returns curve and diversify into other forms of AV. Smaller retailers struggle to deliver such strong returns but on average still come in above breakeven at a short-term ROI of £1.31 in Linear TV (long-term ROI is £3.95).

Print offers excellent returns both for large and small retailers, coming in with short-term returns of £3.79 and £2.23 respectively. This is a result that needs some context. Where Print can still perform well it has stayed on the media plan. Where it cannot break even, we have seen significant levels of disinvestment. According to Nielsen, Print ad spend has fallen by almost 40% between 2019 and 2023 in the Retail and Food category. What this means is that the chart-topping ROI is being supported by retailers where the ‘fit’ is particularly good or the business has enough scale and margin to make it work.

[23] Including Linear TV, BVOD and Online Video.

Audio ad spend, which we believe is mostly linear radio here, tends to perform well for retailers, though in the Profit Ability 2 study this seems to be truer of larger retailers than smaller retailers. In Retail, the traditional role for radio is as a promotional activation channel telling consumers about events in store.

Out of Home and Cinema are not used heavily by large retailers and the lower efficiencies in the short term and the full effect justify these choices. Out of Home can be an effective driver of sales for bricks-and-mortar retailers when used locally to drive people into store, but national Out of Home campaigns typically underperform from an efficiency perspective.

In these Retail benchmarks, online channels generally don't seem to fare as well as their offline counterparts: many of the brands in this sector are mass market brands and thus channels which drive reach and attention in the most cost-effective manner will generally drive the best ROIs (as opposed to online channels that may have targeting advantages).

The last channel that warrants specific discussion is Generic PPC. Here we see quite a different story for the large and the small retailers, which we think is explained by the different dynamics of the product categories. In larger retailers, the short-term ROI is £3.57 versus a category average of £3.15, which is quite good. But for smaller retailers we see Generic PPC coming in at £2.85 (short-term ROI) which is head and shoulders above the average ROI of £1.66.

One of the reasons we believe smaller retailers do so well out of Generic PPC is they often trade in higher consideration categories, and we see strong evidence of 'research online purchase offline' or ROPO effects in econometrics and geo-testing.

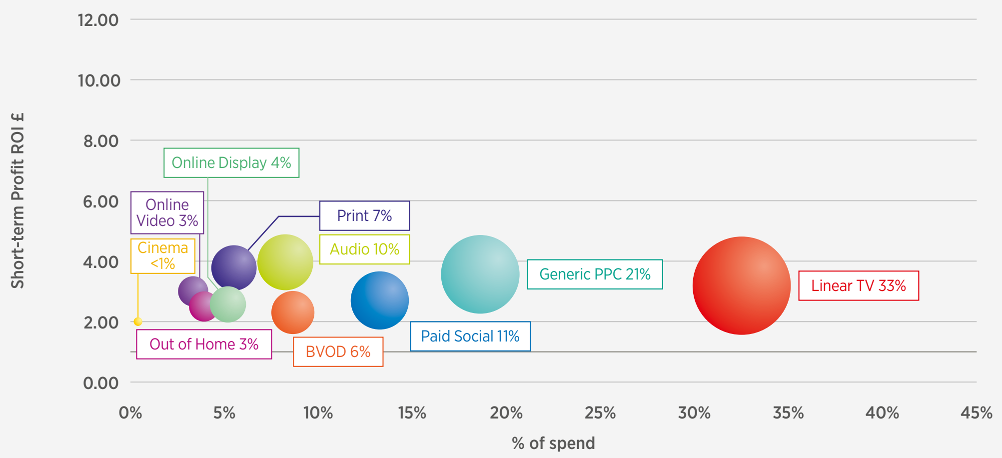
For many PPC advertisers, the profitability of the media line is quite transparent – you can see the volume of clicks, you can see the cost per click, and you can see what percentage of clicks will convert. To the extent that this captures the full story, the ROI is a known quantity to all competing brands. Because of this, there is constant pressure in the auction pushing cost-per-clicks towards an ROI somewhere around breakeven, as a rational bidder in an auction would be willing to increase their bid while there is still profit opportunity.

To the extent that ROPO effects are harder to measure within e-commerce, particularly if marketing departments are siloed, we might see some underinvestment which may support higher than average returns to Generic PPC.

For larger retailers, it once again helps to understand the kind of brands that may be included in the benchmarks. On the food side, grocers certainly have a presence on the search engine results page for FMCG products, especially through Google Shopping, but consumers are much more likely to either visit a store in person or find products in their online shopping session on the retailer website. We don't see outsized returns to Generic PPC in the large retailer sector.

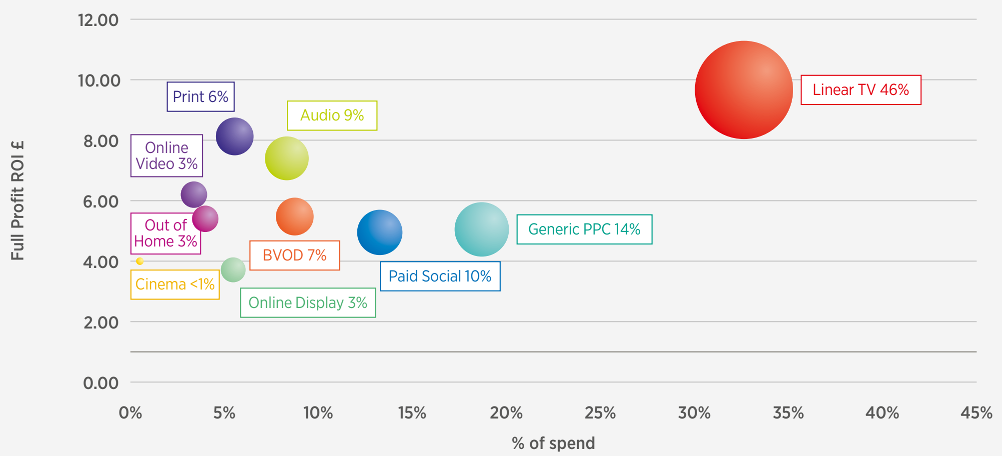
IN RETAIL (LARGE), ALL CHANNELS ARE PROFITABLE IN THE SHORT-TERM, GETTING EVEN STRONGER WITH THE FULL EFFECT FIGURE 37

RETAIL (LARGE) SHORT-TERM EFFECTS
(SHORT-TERM PROFIT ROI: £3.15)



Bubble size represents % of short-term profit volume

RETAIL (LARGE) FULL EFFECTS
(FULL PROFIT ROI: £6.93)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Cinema. More details on sample sizes can be found in 7.3.

Bubble size represents % of full profit volume

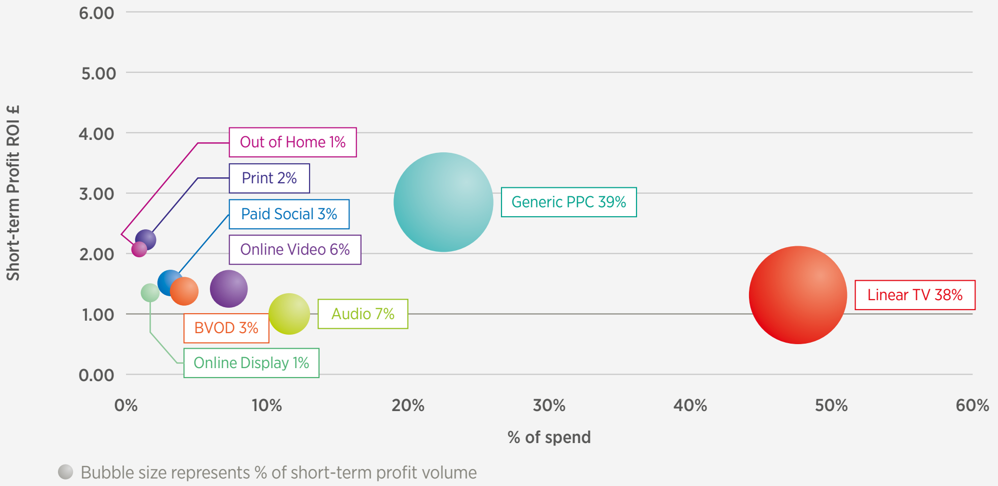
RETAIL (LARGE) DATA SUMMARY FIGURE 37 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£6.93	£3.15
TV (Linear +BVOD)	41.3%	52.3%	63.2%	39.4%	27.7%	£8.78	£3.02
Linear TV	32.6%	45.5%	55.9%	33.1%	21.5%	£9.66	£3.20
Generic PPC	18.7%	13.7%	7.4%	21.1%	28.1%	£5.07	£3.57
Paid Social	13.3%	9.5%	7.9%	11.4%	13.5%	£4.96	£2.71
BVOD	8.7%	6.8%	7.2%	6.4%	6.2%	£5.47	£2.31
Audio	8.3%	8.8%	7.5%	10.4%	12.0%	£7.40	£3.97
Print	5.5%	6.4%	6.3%	6.6%	6.4%	£8.11	£3.79
Online Display	5.4%	2.9%	1.6%	4.4%	5.7%	£3.72	£2.59
Out of Home	3.9%	3.1%	3.0%	3.1%	3.4%	£5.43	£2.52
Online Video	3.3%	3.0%	2.8%	3.2%	3.2%	£6.21	£3.06
Cinema	0.4%	0.2%	0.2%	0.3%	0.1%	£4.01	£2.02

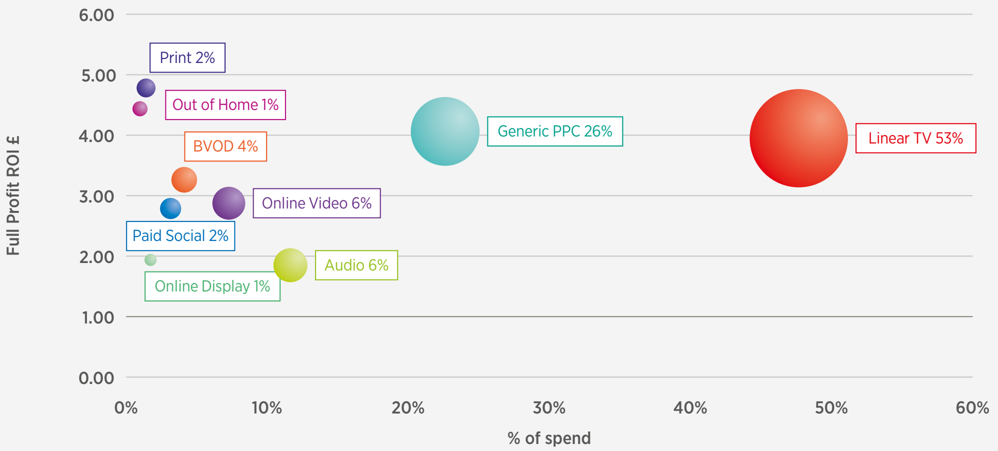
Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Cinema. More details on sample sizes can be found in 7.3.

GENERIC PPC NOTABLY STANDS OUT AS A STRONGER CHANNEL FOR SMALLER RETAILERS FIGURE 38

RETAIL (SMALL) SHORT-TERM EFFECTS (SHORT-TERM PROFIT ROI: £1.66)



RETAIL (SMALL) FULL EFFECTS (FULL PROFIT ROI: £3.37)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note low sample size for Linear TV, Out of Home, Online Display, Online Video, Paid Social, Print and Audio. Due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

Bubble size represents % of full profit volume

RETAIL (SMALL) DATA SUMMARY FIGURE 38 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£3.37	£1.66
TV (Linear +BVOD)	51.7%	56.3%	69.7%	41.0%	27.3%	£3.89	£1.31
Linear TV	47.6%	52.6%	65.7%	37.6%	24.1%	£3.95	£1.31
Generic PPC	22.5%	25.6%	14.2%	38.8%	50.9%	£4.06	£2.85
Audio	11.6%	6.0%	5.2%	6.9%	7.9%	£1.86	£1.00
Online Video	7.2%	5.8%	5.5%	6.2%	6.0%	£2.88	£1.42
BVOD	4.0%	3.7%	4.0%	3.4%	3.3%	£3.27	£1.38
Paid Social	3.1%	2.4%	2.0%	2.8%	3.3%	£2.80	£1.53
Online Display	1.7%	0.9%	0.5%	1.4%	1.7%	£1.95	£1.36
Print	1.3%	1.8%	1.8%	1.8%	1.7%	£4.78	£2.23
Out of Home	0.9%	1.1%	1.1%	1.1%	1.2%	£4.45	£2.07

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Retail. Please note low sample size for Linear TV, Out of Home, Online Display, Online Video, Paid Social, Print and Audio. Due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

4.7 TELECOMS

TOM LOUGHNAN,
DIRECTOR, EBIQUITY

Telecoms in context
Since Covid a lot has changed, but in Telco the trajectory was clear before 2020. The importance of this product category in our lives is greater than ever before. Telco is now a utility. The mobile phone has become almost an extension of the human body. Broadband is as important as electricity.

Despite this, the sector faces significant challenges, maintaining investment in modern network equipment is a high overhead and increased cost of energy has directly impacted profitability. Passing those costs onto the consumer carries clear risks as it is unpopular and stimulates more churn.

Telcos typically have large media budgets and rely on media for a significant portion of their sales targets. They also have diverse communication strategies with media plans typically split into tactical, product and brand elements.

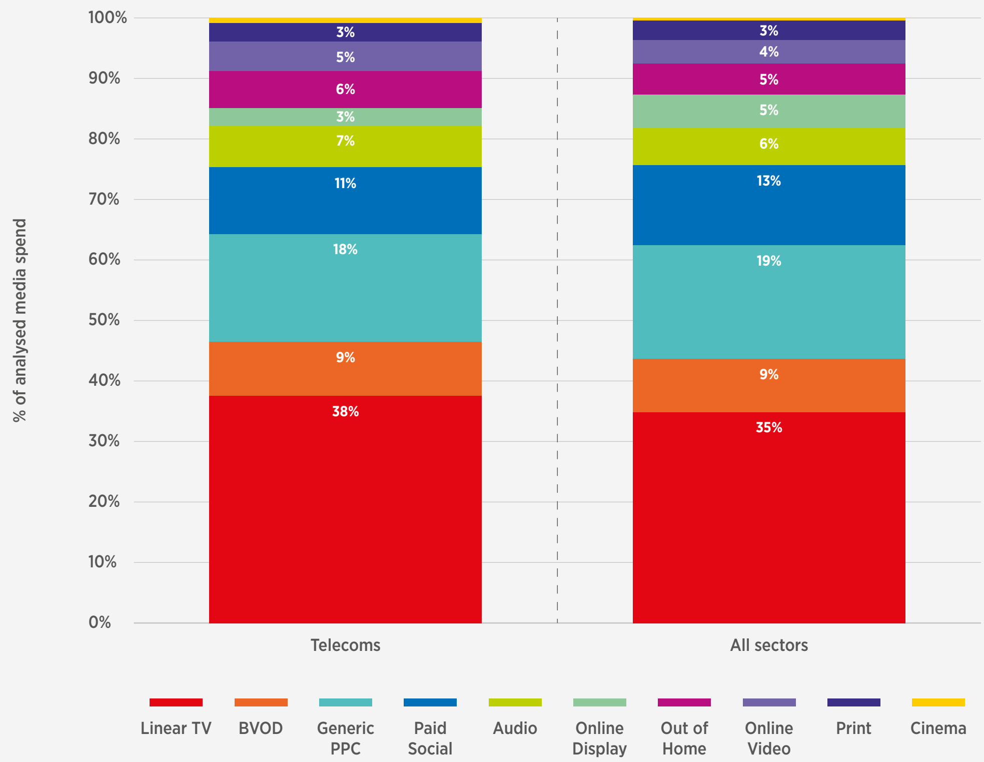
The purpose of the brand budget is to build broad affinity, establish perceived differentiation and stand out from low-cost competitors. The product budget may be used to amplify rational benefits such as family plans and connections speeds. As a sector, Telcos recognise that not every advert needs to carry a price or a deal.

The sector is also responding to cost-of-living crisis pressures. In mobile, we have seen low-cost carriers[24] gaining share and there has been an uptick in SIM-only plans. The once forgotten pay-as-you-go market has bounced back as consumers are holding onto their handsets for longer. But amongst all this, media return has been resilient, and brands have largely held firm with their budgets.

“ Linear TV continues to be central to the Telco media plan. The scale and attention characteristics of the channel mean that it drives both short-term (£1.55) and sustained return (£4.82). ”

[24] Mobile Virtual Network Operators including GiffGaff, Tesco Mobile, Voxi, Lyca, Lebara, Smarty etc. Many of these challenger brands are owned by major carriers EE, O2, Three and Vodafone.

TELECOMS: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 39



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

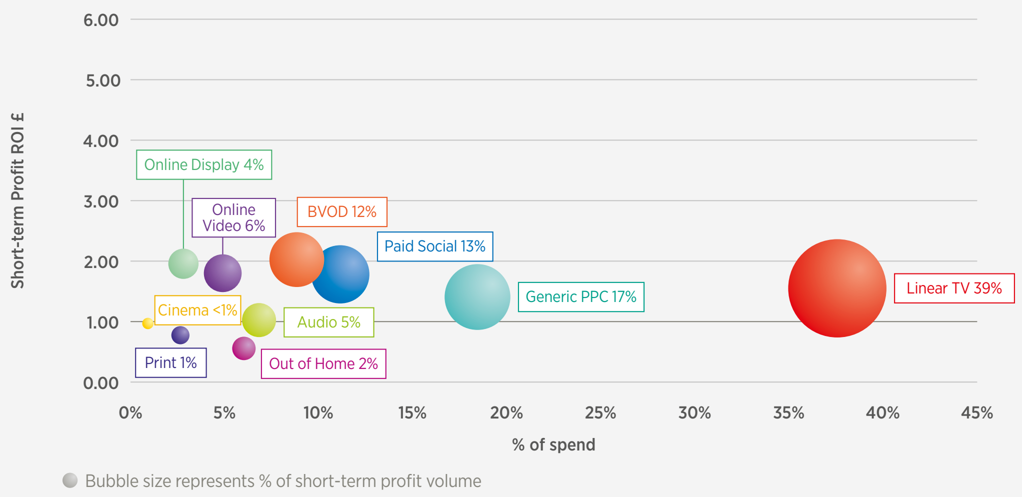
Telecoms media performance
Although reach pressure has translated to ROI pressure, Linear TV continues to be central to the Telco media plan. The scale and attention characteristics of the channel mean that it drives both short-term (£1.55) and sustained return (£4.82). Everyone needs broadband and everyone has a mobile phone, so high-quality attentive reach still reigns supreme when it comes to media channel choices in Telco.

With similar characteristics to Linear TV, BVOD also delivers a strong return from a full-effects perspective. This does not feel like an accident with heavy BVOD viewers likely to be towards the centre of this sector's target young and upmarket audience, with enhanced targeting offering the opportunity to find the audience sweet spot.

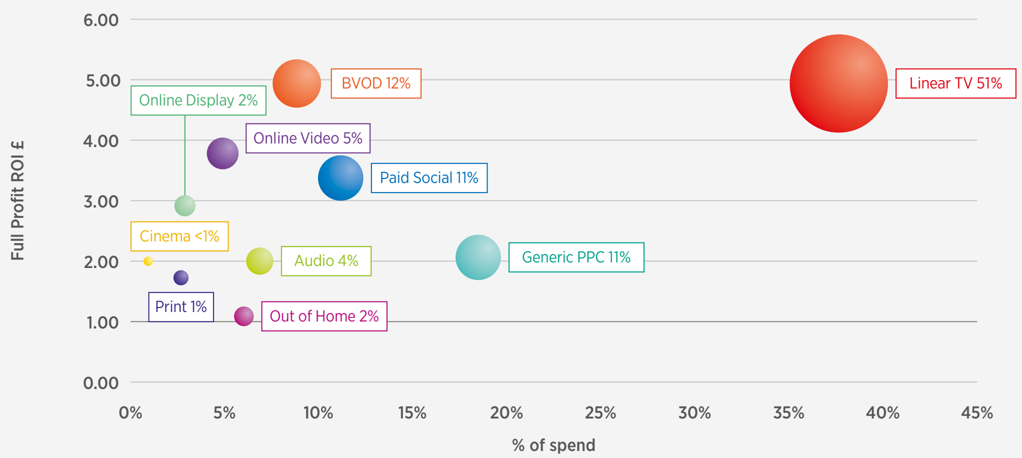
Online Video has emerged as another winner over the last few years. It claims an increasing share of audience/consumer attention which is reflected in a healthy overall ROI position. Whilst not enjoying the same scale as Linear TV & BVOD, there are nuances in targeting, geography and audience that have helped establish it as a key channel within AV.

A STRONG PERFORMANCE COMES THROUGH IN TELECOMS ALTHOUGH LINEAR TV DOMINATES THE VOLUME FIGURE 40

TELECOMS SHORT-TERM EFFECTS
(SHORT-TERM PROFIT ROI: £1.49)



TELECOMS FULL EFFECTS
(FULL PROFIT ROI: £3.13)



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

Bubble size represents % of full profit volume

TELECOMS DATA SUMMARY FIGURE 40 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£3.13	£1.49
TV (Linear +BVOD)	46.4%	63.5%	72.7%	50.9%	36.5%	£4.85	£1.64
Linear TV	37.6%	51.2%	60.1%	39.0%	24.5%	£4.82	£1.55
Generic PPC	18.4%	10.7%	5.9%	17.3%	25.7%	£2.06	£1.40
Paid Social	11.1%	10.6%	8.6%	13.3%	17.4%	£3.37	£1.78
BVOD	8.8%	12.3%	12.6%	12.0%	12.0%	£4.95	£2.03
Audio	6.8%	3.9%	3.2%	4.7%	5.1%	£2.00	£1.04
Out of Home	6.0%	2.1%	2.0%	2.2%	2.5%	£1.22	£0.55
Online Video	4.9%	5.2%	4.7%	5.9%	5.4%	£3.78	£1.80
Online Display	2.8%	2.3%	1.3%	3.7%	5.5%	£2.92	£1.96
Print	2.6%	1.3%	1.2%	1.4%	1.5%	£1.73	£0.78
Cinema	0.9%	0.5%	0.4%	0.6%	0.3%	£1.99	£0.97

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

An ongoing theme within AV is that many brands are looking to leverage first-party data and develop advanced targeting capability. The tricky thing is finding the right balance between paying a CPM premium for more targeting versus the improved sales uplift achieved. So far, we are seeing a mix of outcomes – so the jury is still out.

Online Display was a channel that historically struggled to pay back in the sector, but we have seen an evolution from impression bombing to a more targeted and effective channel with a better than average ROI, albeit at well-managed lower levels of spend.

The fortunes of Print have moved in the opposite direction. It was once the shop window of the sector and earned an acceptable ROI, but with reduced circulation has come reduced ROI and investment, meaning it now tends to appear on the periphery of the plan.

Another media line that is central to the plan, accounting for the second highest share of budget, is Generic PPC. 'Broadband deals', 'iPhone deals' and other associated terms remain a key entry point to the market for many consumers, but of course this is an incredibly competitive environment with everyone fighting for clicks and auction pressure constantly pushing short-term returns towards breakeven £1.00.

In terms of other channels on the plan, we see that Out of Home does not generally pay back in the short-term, but that is not why it is on the plan. Out of Home usually plays in the 'fame' or 'brand love' space and needs to be instantly recognisable to consumers. The strategic thinking from marketers in this sector is that this will play into better long-term returns, but we do not always see this in practice. Similarly, Cinema is usually on the plan to achieve brand goals. Recently, we have seen hit-and-miss results as fortunes are tied up with the success of blockbusters such as Barbie and Oppenheimer. It helps if you are lucky!

4.8 TRAVEL

NICOLA ASHLEY, BUSINESS DIRECTOR, ESSENCEMEDIACOM

STEVE GLADDIS, CHIEF STRATEGY OFFICER, ESSENCEMEDIACOM

Travel in context

In the UK, the Travel sector is highly skewed to online purchases, which have grown considerably in the last decade, driven in part by the increasing prominence of aggregators, such as Booking.com. Certain parts of the market have become highly commoditised, for example flights and hotel only purchases, with consumers searching across many websites and aggregators to get the best deal. These things together mean that the sector is very reliant on Generic PPC as a channel.

Travel was arguably the most affected sector during the pandemic. Not only was it illegal to travel oversees at times, but also travel and holidays within the UK were severely restricted. The most affected years were 2020 and 2021, but the market was still recovering in 2022. According to the Office for National Statistics, by 2023 spend on travel actually surpassed pre-pandemic levels by 16% (not adjusted for inflation).

Many forms of travel would be classed as non-essential, but interestingly during the cost-of-living crisis consumers are still ringfencing budget for a holiday, but are making trade-offs to do so. For example, by going away for a shorter period, or downgrading their accommodation option.

There has also been a trend towards booking later, potentially as consumers want to be sure that they have the budget in place before committing to what is a relatively big purchase.

Data from Mintel suggests that consumers are increasingly claiming they are concerned about the carbon footprint from their travel, but in the brands we work on in the sector, we've yet to see this translating through into a change in purchase behaviour. Some large travel providers have added green hotels and resorts to their portfolios to address the trend.

Travel media performance

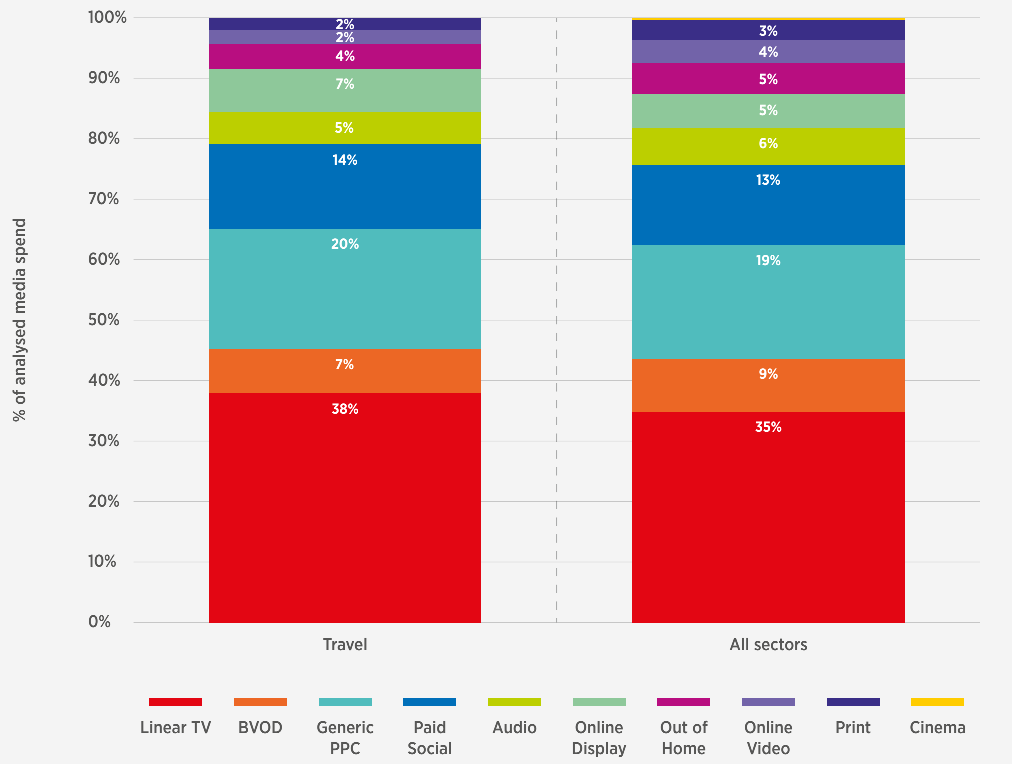
In terms of current spend levels, the Travel sector in the Profit Ability 2 databank is slightly more dominated by digital channels than the sector average. Given that c. 70%[25] of Travel transactions are made online, this makes sense.

The average short-term profit ROI for Travel is £1.19, although a number of channels are just below the breakeven level. Print and Online Video have the highest ROIs, albeit off small levels of spend. Both Print and Online Video have strong Travel-focused titles/content, which is likely driving this trend.

[25] Statista

> “The Travel sector in the Profit Ability 2 databank is slightly more dominated by digital channels than the sector average. Given that c. 70% of Travel transactions are made online, this makes sense.”

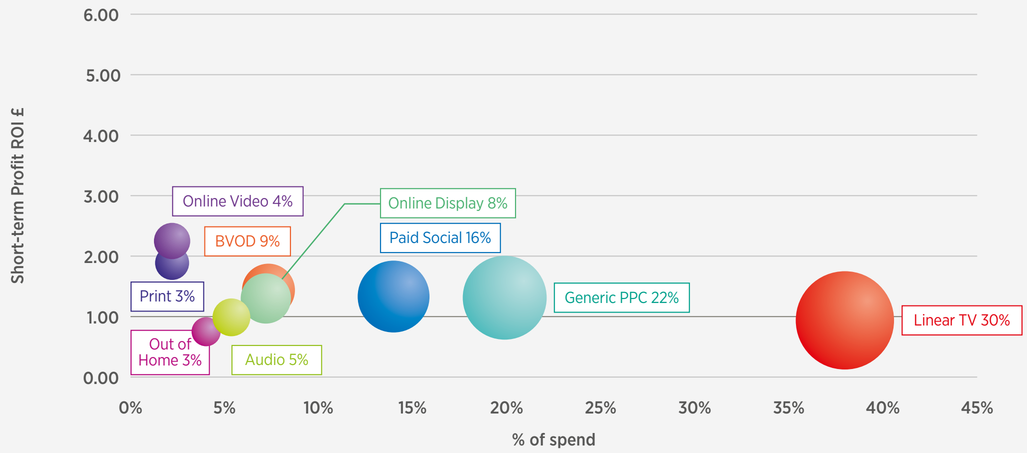
TRAVEL: HOW THE ANALYSED SPEND BREAKS DOWN BY CHANNEL AND SECTOR FIGURE 41



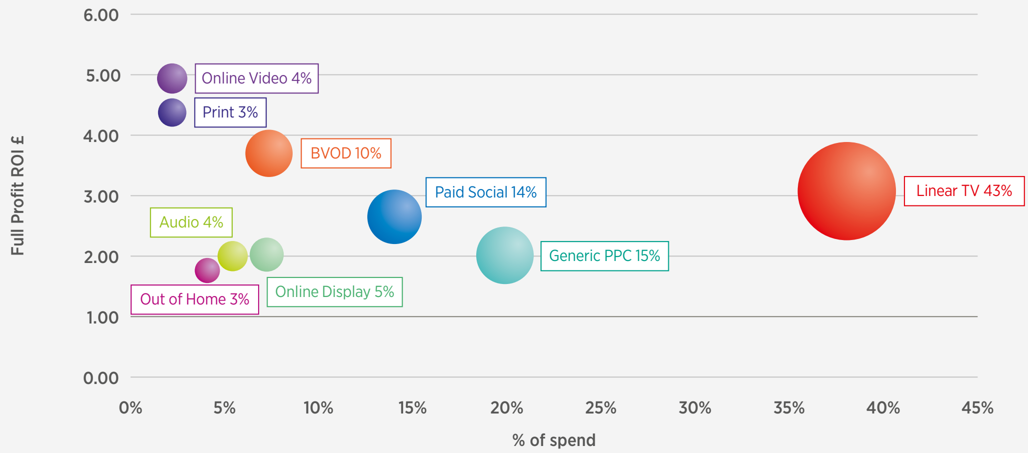
Source: Profit Ability 2, April 2024 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
Please note due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

TRAVEL IS FAIRLY DEPENDENT ON ITS SUSTAINED EFFECTS TO YIELD STRONG ROIs FIGURE 42

TRAVEL SHORT-TERM EFFECTS
(SHORT-TERM PROFIT ROI: £1.19)



TRAVEL FULL EFFECTS
(FULL PROFIT ROI: £2.62)



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

Bubble size represents % of full profit volume

Travel based on all sector multiplier of 2.2.

TRAVEL DATA SUMMARY FIGURE 42 (CONT'D)

		% of profit volume				Profit ROI	
	% of advertising investment	% of full payback	% of sustained payback	% of short-term payback	% of immediate payback	Full payback	Short-term payback
All media	100%	100%	100%	100%	100%	£2.62	£1.19
TV (Linear +BVOD)	45.3%	52.6%	62.6%	39.4%	21.6%	£3.18	£1.02
Linear TV	38.0%	42.7%	52.0%	30.4%	15.0%	£3.08	£0.94
Generic PPC	19.8%	14.6%	9.0%	22.1%	35.4%	£2.02	£1.31
Paid Social	13.9%	13.5%	11.7%	15.9%	20.3%	£2.65	£1.34
BVOD	7.3%	9.9%	10.5%	9.0%	6.6%	£3.70	£1.45
Online Display	7.2%	5.3%	3.3%	7.9%	8.8%	£2.03	£1.30
Audio	5.3%	3.9%	3.5%	4.5%	3.9%	£2.01	£0.99
Out of Home	4.0%	2.6%	2.6%	2.6%	2.1%	£1.77	£0.76
Online Video	2.2%	4.0%	3.8%	4.2%	4.7%	£4.94	£2.24
Print	2.2%	3.5%	3.5%	3.5%	3.2%	£4.38	£1.89

Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long-term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Please note due to very low sample size, Cinema has been excluded. More details on sample sizes can be found in 7.3.

When including the full payback, Profit ROI increases to £2.62. Online Video and Print still have the highest ROIs, off their modest spend levels, but the big changes are to BVOD and Linear TV.

BVOD's ROI moves to be amongst the highest and Linear TV becomes by far the standout channel in terms of the scale of profit driven, moving to 43% of profit in the full term, as opposed to 30% when only accounting for the short-term. This proves that, for Travel brands, focusing on short-term response is leading to overly digital-focused media mixes.

These trends match what we see day-to-day. AV as a collective performs very well; nothing lends itself more to inspiring people than AV and driving an emotional response is key in the Travel sector.

Paid Social has an above average ROI for Travel, which bucks the trend compared to most other sectors. Paid Social lends itself well to Travel – #TravelTok on TikTok, for example, grew threefold between 2022 and 2023. Seeing posts of friends on holiday on Social is one of the biggest triggers when it comes to people starting to research their own holidays.

There is strong evidence here that the Travel sector is overinvesting in Generic PPC compared to other channels. As mentioned, Travel as a sector is highly transacted online and is fiercely competitive, which leads to inflated Generic PPC bids.

Brands in this sector also tend to be hooked on the 'trackability' of Generic PPC, but our database suggests that what's being tracked isn't all incremental. When considering full effects, Generic PPC ROI is significantly lower than average for Travel. This highlights the overinvestment into Generic PPC compared with channels such as Online Video, Print, BVOD and Linear TV, which all have strong longer-term effects which, of course, are never tracked via a click.

"Brands in the Travel sector also tend to be hooked on the 'trackability' of Generic PPC, but our database suggests that what's being tracked isn't all incremental."

SECTION FIVE:
CHANNEL ANALYSIS

05

5.1 INTRODUCTION

This section will explore different channels to explain why they perform as they do across the three dimensions of scale, efficiency and time. It will identify which sectors different media are most effective for and how they should be integrated into the channel mix.

When utilising the findings of this study, it is crucial to acknowledge that the Profit Ability 2 databank is built on advertisers who have been engaged in Marketing Mix Modelling (MMM) for several years, leveraging these results to fine-tune their channel mixes towards those yielding profitable returns.

Consequently, there may be differences in the channel mix used between brands included in the study (who have by definition used MMM) compared with brands who have not fine-tuned their channel mix.

Brands that don't employ MMM may lack comprehensive insights into the full incremental contribution of each channel, potentially basing decisions on partial, less holistic measurements, often accounting for short-term effects only.

This can lead to imbalanced channel mixes, with inadequate investment allocated to channels driving demand and excessive investment in channels focused on converting existing demand, such as online media.

Advertisers using MMM for media optimisation typically experience a significant improvement in media efficiency, with a 29% enhancement in the first year and a 39% improvement after two years of using MMM, based on a 2016 survey of ROIs across 20 EssenceMediacom clients before and after MMM implementation. The strong advertising payback reported in this study serves as evidence of this improvement.

Hopefully, the insights shared in this report, along with the Media Mix Navigator tool, will enable the entire industry to benefit from MMM measurements conducted by brands that have generously contributed to the Profit Ability 2 databank and will drive further improvements in advertising effectiveness and efficiency.

“Advertisers using MMM for media optimisation typically experience a significant improvement in media efficiency, with a 29% enhancement in the first year and a 39% improvement after two years of using MMM.”

5.2
OVERVIEW

Section 3 showed how all benchmarked media channels generate profitable returns on average, though to varying degrees. Some channels, like Print and Audio, have higher ROIs but are smaller in size, highlighting a trade-off between efficiency and volume.

The report introduced three effectiveness dimensions: Scale, Efficiency and Time.

Scaling advertising spend doesn't guarantee linear returns; as spend increases, incremental sales become harder to achieve (diminishing returns), linking scale and efficiency. Broad channels like Linear TV scale more profitably than precision-targeted digital channels.

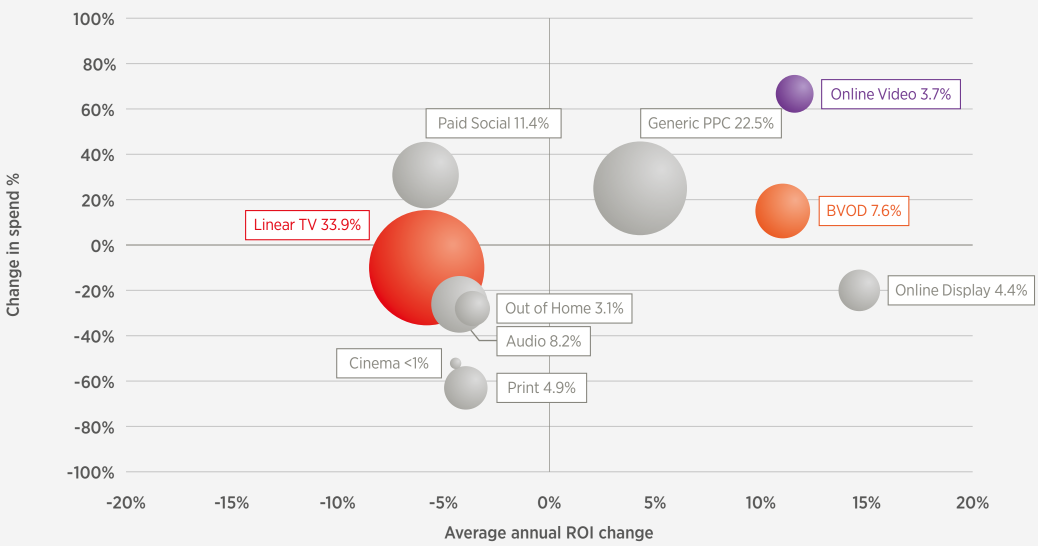
Regarding time, we analysed immediate, carryover and sustained payback periods. Different channels excel in different timeframes; for instance, Generic PPC shows the largest immediate sales effects, whilst channels commonly referred to as 'brand' like Linear TV perform well in driving long-term sustained effects.

Effective media investment planning requires balancing channels for desired sales effects, budget and timeframe. We'll now delve deeper into each channel's performance across these dimensions and its optimal use in the channel mix.

5.3

AV (TV, BVOD, ONLINE VIDEO)

ANNUAL SHORT-TERM PROFIT ROI CHANGE PRE- AND POST-COVID
FIGURE 43



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-Covid.

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

See footnote 26.

AV as an ecosystem
In total, spend on AV is just under half of the spend in the Profit Ability 2 databank (48%), covering Linear TV, BVOD and Online Video.

Since the first Profit Ability study in 2017, the AV world has shifted in line with changing consumption patterns. Eyeballs and spend have reduced for Linear TV, but this has been made up by increases in spend on both Broadcaster VOD and Online Video, both of which have also seen significant increases in ROI.

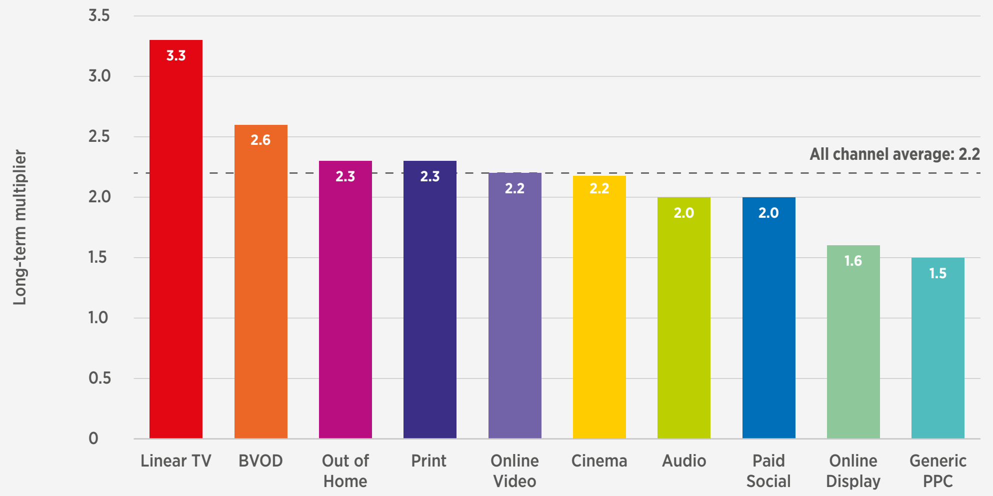
Despite these changes, Linear TV still drives three-quarters of the profit from AV, so remains a core part of most campaigns developed based upon MMM insights.

Linear TV, BVOD and Online Video are increasingly working as different elements of the same overall channel, as different types of viewing behaviour naturally favour different delivery methods.

Linear TV & BVOD have some of the largest long-term multipliers, which is not surprising given the large format, high attention nature of a normal TV commercial, but Online Video is growing in strength, driven by the growth in YouTube consumed on a TV set over the past few years.

[26] Change is first normalised to a compound annual growth rate between the latest available pre-Covid MMM project and the latest available post-Covid MMM project. Matched brands are then anonymised and pre-Covid ROI set to 100. Aggregate index is calculated using a post-Covid spend weighted average.

LONG-TERM MULTIPLIER BY CHANNEL FIGURE 44

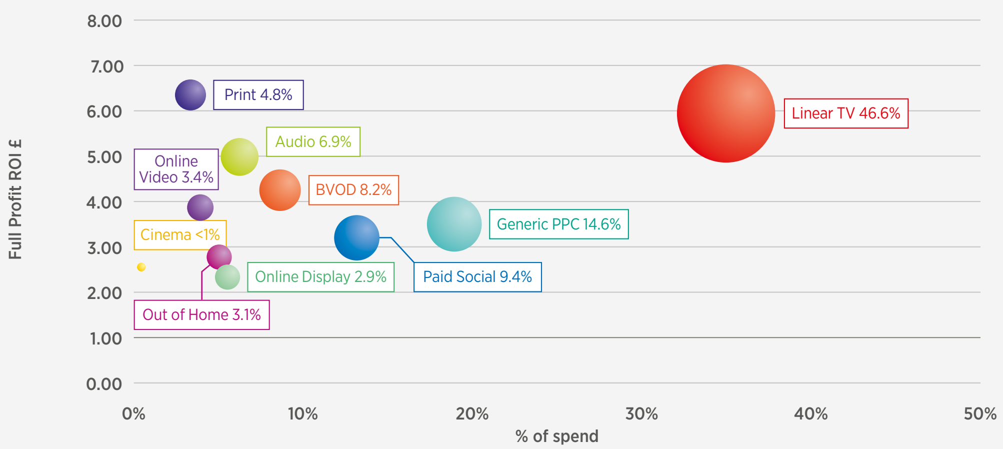


Source: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK – Long-term Multiplier = (Sustained Effect + Short-term Effect)/Short-term Effect.

Linear TV
Linear TV represents 35% of the spend in the databank, making it the biggest channel. This investment accounts for 34% of the advertising profit driven in the short-term, increasing to 47% of all profit when including its full effect.

When looking at full-effect Profit ROI, only Print beats the ROI of Linear TV. But Print has nowhere near Linear TV's scale, with Linear TV's full-effect Profit ROI coming in at a whopping £5.94 compared with the average all-media ROI of £4.11.

INCLUDING SUSTAINED EFFECTS, FULL PROFIT ROI IS £4.11 FIGURE 45
FULL PROFIT VOLUME & PROFIT ROI
(FULL PROFIT ROI: £4.11)



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

Bubble size represents % of full profit volume

TV's strength remains particularly in its ability to create large effects. Looking at the saturation point (see Section 3.7 for more details) for each channel, the point at which the next £1 of spend does not generate at least £1 of profit in return, TV can accommodate nearly 3x the scale of the next most scalable channel.

Looking at full ROI profit effects, Linear TV is the largest channel in all sectors except Financial Services, but for Automotive (70% of the full advertising driven profit) and FMCG (68% of the full advertising driven profit) it is relatively more important.

Linear TV's lowest contribution to full advertising-driven profit is in Financial Services (34%) where the channel sits second just behind Generic PPC (38%). Including BVOD, however, which is particularly strong in this sector, 45% of the full advertising-driven profit in Financial Services is delivered by TV.

TV Sponsorship
TV sponsorship is reported as part of Linear TV in the Profit Ability 2 dataset as there was not a sufficient sample size to report it separately on a sector level.

Directionally, the overall dataset indicates that TV Sponsorship works well – its short-term ROI is £2.36 compared to a Linear TV average of £1.82 across all sectors. A long-term ROI result for TV Sponsorship has not been calculated but it stands to reason that it would be similar to other forms of AV.

TV Sponsorship tends to work well when there is a good fit between the brand and the content, when there is no complex proposition to communicate and when the cost of the deal is appropriately set. If these success factors are met, then most marketing effectiveness practitioners would not hesitate to endorse putting TV sponsorship on the media plan.

Broadcaster VOD
Broadcaster VOD has grown significantly since before the pandemic, with the 53 pre-/post-Covid matched brands all experiencing on average a 15% increase in spend.

In the wider databank, the most recent data shows that 9% of media budgets are going into Broadcaster VOD. There are a handful of category outliers: Financial Services has only a 5% share of BVOD, but this is likely suppressed by this sector's significant use of Generic PPC. Both Automotive and FMCG have higher than average budget shares in BVOD (12% and 11% respectively) likely due to the relative lack of Generic PPC spend potential.

On average, BVOD's short-term ROI is in the middle of the pack, but when including sustained effects, it generates an above average ROI (£4.25 compared with the average of £4.11).

When looking at BVOD's relative strength across categories, an interesting pattern emerges. It ranks above average for Financial Services, Telecoms and Travel, whereas in the other sectors it is very much middle of the pack. There are a number of likely reasons behind this.

Firstly, the above average sectors tend to be the ones where there is a large number of good-quality data sets about people's behaviours in the category (i.e. it's relatively easy to access data sets on people's current mobile network or when their insurance is due to renew). This data naturally will strengthen part of a BVOD buy-in a way that it can't in Linear TV, likely contributing to higher ROIs in those sectors.

Secondly, the overall demographics for BVOD differ from Linear TV – BVOD is younger and more affluent – potentially working better for the over-indexing sectors (Financial Services, Telecoms and Travel).

On the flipside, we may be seeing BVOD perform less well for a sector like Automotive, as purchases in the sector skew heavily to older consumers, where Linear TV will be more effective than BVOD, given BVOD's younger profile.

Thirdly, BVOD is often used as part of a holistic AV buy alongside Linear TV. In these circumstances, BVOD's role is to work in tandem with the Linear TV buy to reach viewers who are harder to reach in Linear TV. These might be lighter TV viewers who have moved away from Linear TV and are now consuming their AV via BVOD. This can have a detrimental impact on the BVOD ROI and will be part of why we see lower ROIs for BVOD in categories such as FMCG. This is because BVOD has essentially replaced the last 10–20% of what would have been Linear TV spend 5–10 years ago.

Thinking about a diminishing returns curve for any channel, the last 20% of the spend will have a lower payback than the first 20%. Where BVOD is planned in tandem with Linear TV, it is essentially isolating the last part of what would have previously been the Linear TV curve and reporting its ROI separately as BVOD. When BVOD is used in these circumstances, it's often more appropriate to look at a combined ROI across Linear TV and BVOD combined rather than view them as discrete channels.

RESPONSE CURVES FOR DIFFERENT MIXES OF LINEAR TV AND BVOD FIGURE 46
REGARDLESS OF APPROACH, A MIX OF BVOD & LINEAR TV IS ALWAYS MORE OPTIMAL THAN EXCLUSIVELY ONE OR THE OTHER

Source: Profit Ability 2 – Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker, April 2024.
70%/30% mix used for illustrative purpose. Exact optimal mix varies based on spend level and sector.

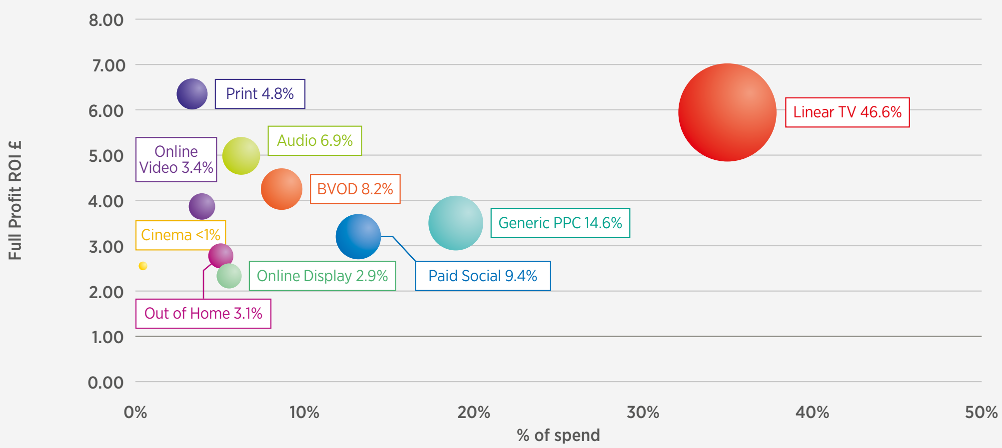
Figure 46 shows the response curves for AV campaigns with 100% Linear TV vs. 100% BVOD and then the two combined at a sensible ratio of 70% Linear TV and 30% BVOD. It's clear that the mix of Linear TV and BVOD gives superior outcomes, so would typically be the best recommendation for a brand.

Thinking about TV as a whole (Linear TV + BVOD), Figure 46 clearly shows the importance of the medium in helping deliver profit volume for brands.

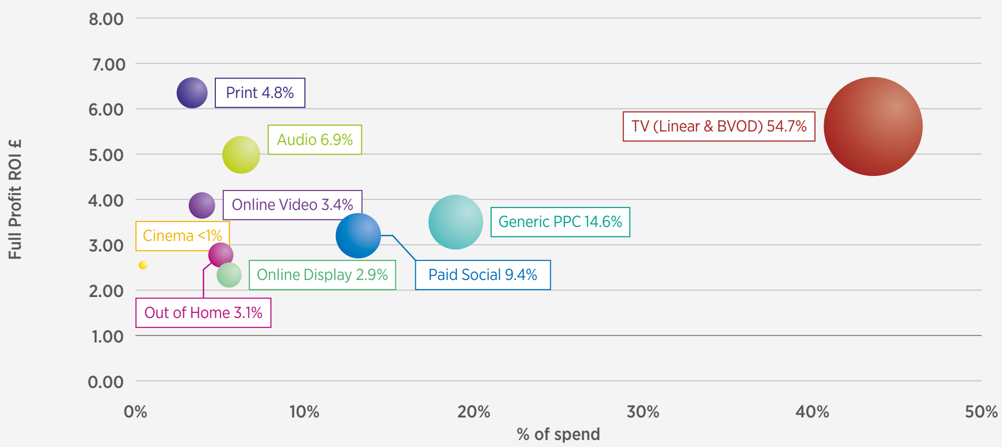
Showing the full Profit ROI landscape, if Linear TV and BVOD are treated as one overall channel, the chart on the next page shows that, combined, they account for nearly 55% of the full advertising driven profit in the Profit Ability 2 dataset, with an above average profit ROI of £5.61 vs. the all-media average of £4.11.

COMBINED, LINEAR TV AND BVOD ACCOUNT FOR 55% OF THE FULL PROFIT ROI FIGURE 47

FULL PROFIT VOLUME & PROFIT ROI (FULL PROFIT ROI: £4.11)



FULL PROFIT VOLUME & PROFIT ROI **(LINEAR TV & BVOD COMBINED)** (FULL PROFIT ROI: £4.11)



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

Bubble size represents % of full profit volume

DATA SUMMARY: FULL PROFIT VOLUME & PROFIT ROI FIGURE 47 (CONT'D)

	Full profit ROI and profit volume										
	Audio	BVOD	Cinema	Generic PPC	Linear TV	Online Display	Online Video	Out of Home	Paid Social	Print	TV (Linear + BVOD)
Spend %	6.2%	8.6%	0.5%	18.9%	35.0%	5.5%	3.9%	5.0%	13.2%	3.3%	43.6%
Full Profit ROI	£4.98	£4.25	£2.56	£3.52	£5.94	£2.34	£3.86	£2.78	£3.20	£6.36	£5.61
Full Profit Volume %	6.9%	8.2%	0.3%	14.6%	46.6%	2.9%	3.4%	3.1%	9.4%	4.8%	54.7%

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

One challenge that BVOD often faces is its relatively high CPM compared to Linear TV, suggesting that its ROI should automatically be higher than Linear TV. This argument is too simplistic and ignores the fundamental differences between the channels.

Aside from the targeting argument, BVOD is very much an appointment-to-view channel, often with more attentive viewing than Linear TV. It has commonly been referred to as 'permanent peak'.

For big dramas and specials, regularly almost half of all viewing is through BVOD – e.g. according to Barb, 48% of viewing in the first month after release of ITV's 2024 drama on the greatest miscarriage of justice in British legal history (Mr Bates vs The Post Office) was via BVOD.

Along a similar theme, Thinkbox's 2024 'Context Effects' research identified a number of factors which influence ad recall, all of which BVOD scores highly on:

- **Location:** the living room emerges as the most impactful, driving better ad recall than any other room in the house
- **Device:** the TV screen drives the highest ad recall of all devices (34% more than ads seen on a computer and 60% more than a tablet or smartphone)
- **Shared viewing:** ad recall increased by 23% when watching with others vs. alone
- **Content:** 60% higher ad recall for professional content (vs. non professional content) and we know that BVOD is essentially people's favourite shows
- **Mood:** ad recall is at its highest when viewers are in a relaxed, comfortable space. BVOD being an appointment to view would naturally over index here
- **Satisfaction with occasion:** the largest factor influencing ad recall, with each of the factors also enhancing this element.

In short, impression for impression, Linear TV and BVOD are not the same and there are many reasons why BVOD's increased effectiveness more than outweighs its higher CPM.

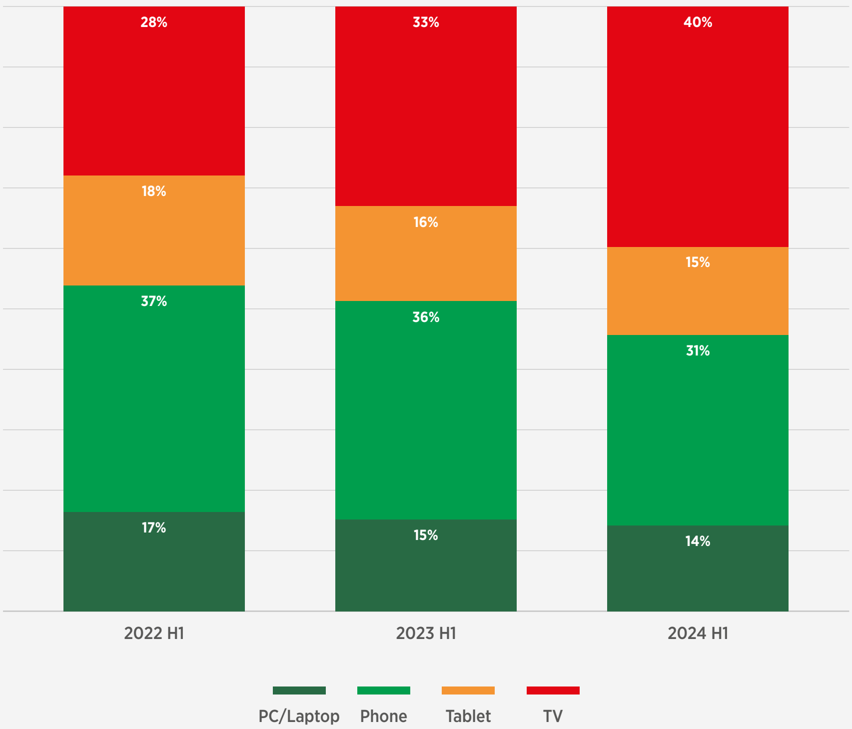
And while on the topic of higher CPMs, it's simply not true that BVOD is always more expensive than Linear TV. Whilst it may be the case looking at a broad All Adults audience, for younger audiences, such as 16–34s, it's actually cheaper than Linear TV.

Online Video

The smallest member of the AV family, Online Video currently accounts for 4% of spend in the databank. Its average ROI is very slightly below the all category average channel in both the short and full term. Its strongest sectors are Telecoms, FMCG and Travel.

As seen in Figure 43, Online Video's spend and ROI have increased since before the pandemic. Its increase in ROI will be somewhat driven by the evolution of the medium to be more like Linear TV and BVOD than it was in previous years.

YOUTUBE CONSUMPTION BY DEVICE FIGURE 48



Source: Barb H1 22, 23, 24. Online Multiple Screens Network, Individuals 4+. In-home viewing.

YouTube is by far the biggest platform within the Online Video category and has seen an increase in the proportion of content viewed through large screens, featuring professional content with longer formats. According to Barb H1 2024, TV sets accounted for 40% of total in-home YouTube viewing compared to just 28% for H1 2022. Average minutes for the same period across non-TV devices have remained relatively flat, despite the steady growth in total YouTube viewing (increasing by c. 3 mins each year).

In terms of viewer experience, Online Video is therefore becoming increasingly like Linear TV and BVOD – watched on a TV, probably in the living room, with longer-form content.

5.4
ALL OTHER CHANNELS

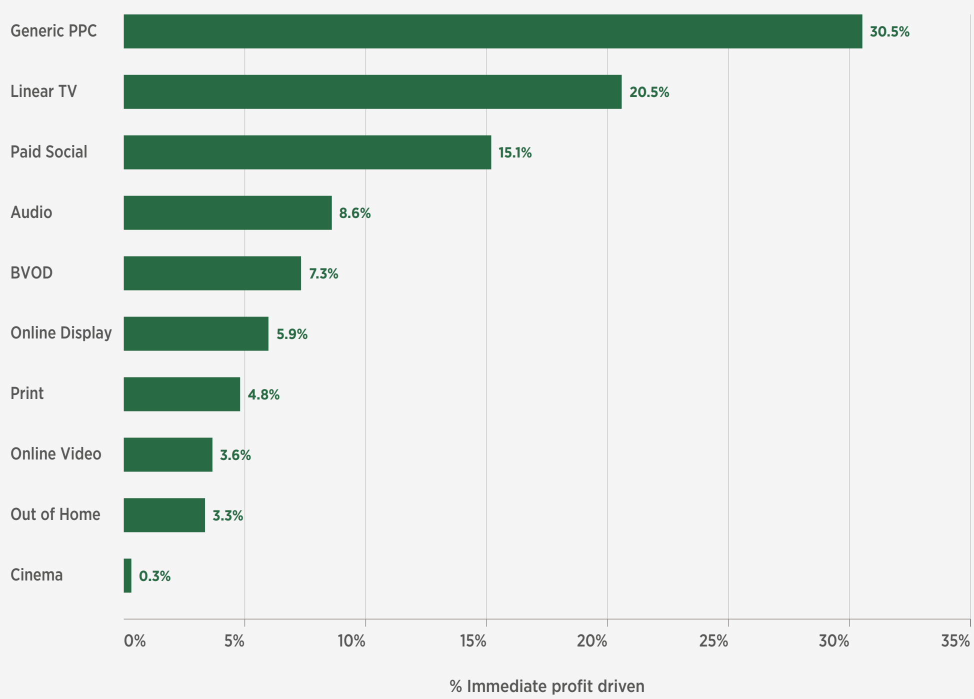
Generic PPC
Within the brands included in the Profit Ability 2 databank, approximately 77% of total Paid Search investment is directed towards Generic PPC, with the remaining 23% allocated to Brand PPC.

Brand PPC is excluded from the Profit Ability 2 analysis due to its focus on fulfilment rather than demand generation. Like Retail Media, Brand PPC primarily serves as an electronic point of sale rather than a traditional advertising platform. Generic PPC, typically making up the larger share of the Paid Search budget, plays a much bigger role in generating demand, positioning it comparably to other media channels featured in this study.

Averaging 18.9% of total advertising investment, Generic PPC boasts a well-above-average and the third-highest short-term profit ROI of £2.29. However, it has the lowest long-term multiplier of all channels at 1.5 versus the 2.2 average. Thus, when considering full payback, Generic PPC drops to a below-average position, generating a full profit ROI of £3.52 versus the £4.11 average.

These results highlight the strength of Generic PPC in driving short-term effects and particularly immediate payback, as demonstrated in Figure 49 where it emerges as the top channel at driving impact within the first week of activity.

GENERIC PPC IS THE TOP CHANNEL AT DRIVING IMMEDIATE EFFECTS FIGURE 49



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

However, Generic PPC has one of the lowest weekly carryover rates of all channels at 24% versus 66% for Linear TV, resulting in it dropping to second position in terms of total short-term effect once carryover payback is included.

Looking at the short-term effect timeframe, we can see that as a result of the low carryover rate, most of Generic PPC's short-term effect occurs within the first week of advertising. Linear TV requires about eight weeks to fully realise its short-term effect as illustrated in Figure 50.

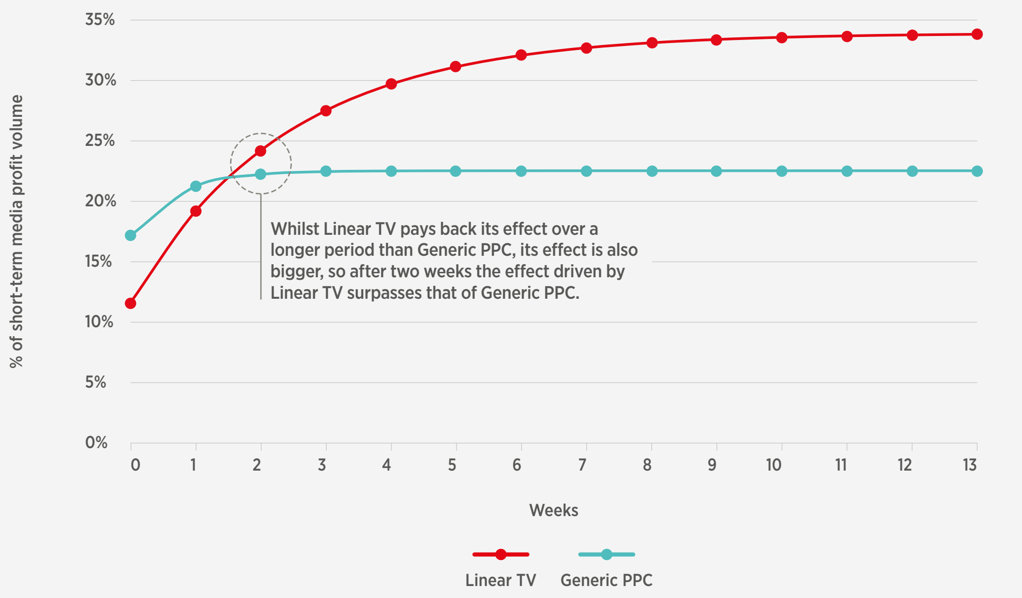
For Generic PPC, as diminishing returns kicks in quickly, its ability to drive scale is limited. Analysis shows that its saturation point (see Section 3.7 for more details) is £47,000 spend per week, which is below the average of all channels and significantly lower than Linear TV, which hits saturation at £330,000 per week. Overall, Generic PPC is a fantastic channel to drive immediate response; however, care needs to be taken to ensure the amount of investment is at the optimal level to avoid wastage. Another factor to consider is that some channels are suitable for being active in more weeks than others. For particular advertisers, channels like Generic PPC could be active 52 weeks of the year, whereas for other channels like TV, they may typically be active for a shorter period of time.

Further investigation reveals that Generic PPC demonstrates an above-average short-term ROI across most sectors where sufficient investment exists. However, its performance stands out notably in Small Retail and Financial Services, as highlighted in Figure 51, delivering over 60% better short-term ROI compared to the sector averages.

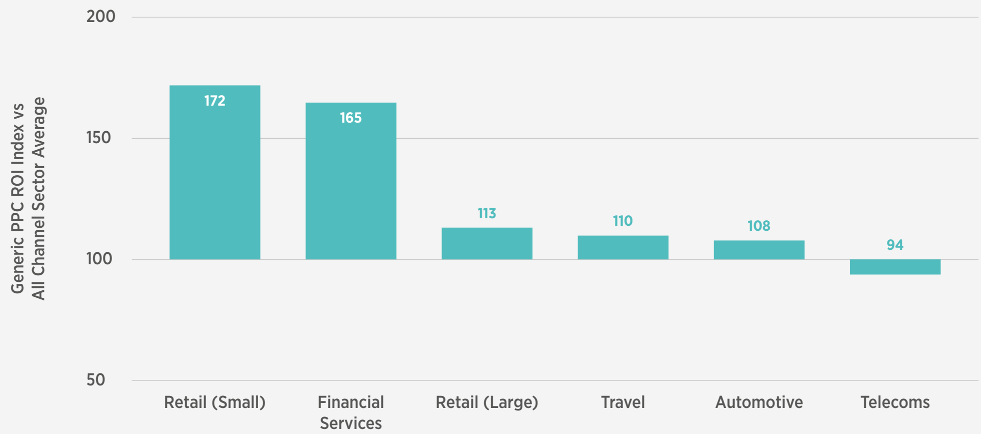
This finding is not unexpected. Small retailers represented in the databank predominantly operate as single-category establishments, often dealing with higher-priced items. Consequently, their products are typically considered purchases, prompting consumers to conduct thorough online research before making a purchase decision. This aligns with the effectiveness of Generic PPC, which capitalises on consumer online enquiries and search behaviours.

In the Financial Services sector, there is a similar pattern. Here, consumers frequently engage in generic search behaviour, seeking information on products such as 'car insurance' or 'mortgages' online.

76% OF GENERIC PPC'S SHORT-TERM EFFECT OCCURS WITHIN THE FIRST WEEK OF ADVERTISING FIGURE 50
% OF SHORT-TERM PROFIT VOLUME ADJUSTED FOR VOLUME



GENERIC PPC HAS ABOVE AVERAGE SHORT-TERM PROFIT ROI FOR MOST SECTORS FIGURE 51



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

Generic PPC Profit ROI indexed vs Sector average – Short-Term ROI 100 = Sector average Short-Term Profit ROI.

Among the 53 brands for which the study analyses both pre- and post-pandemic data, spends on Generic PPC have increased by 25%. Despite this substantial increase in investment, there has been no decline in ROI. In fact, ROI has marginally increased by 4.3%.

This trend highlights the increased significance of Generic PPC within the media mix, especially in driving immediate and short-term effects.

This shift in dynamics can be attributed to changes in media consumption patterns and shifts in consumer behaviour prompted by the pandemic. As traditional advertising channels faced disruptions and uncertainties during the pandemic, Generic PPC emerged as a reliable and effective tool for brands to engage with consumers swiftly and drive tangible results.

Paid Social

Paid Social constitutes just over 13% of the databank's media spend, contributing to 11.4% of total media-driven profit in the short-term, ranking it as the third-largest volume driver behind Linear TV and Generic PPC. However, Paid Social's short-term ROI of £1.62 falls below the average. Its weak sustained effect results in a lower than average full ROI of £3.20 too.

However, in specific sectors like Telecoms, Travel and FMCG, Paid Social displays a robust performance relative to other channels, as depicted in Figure 52.

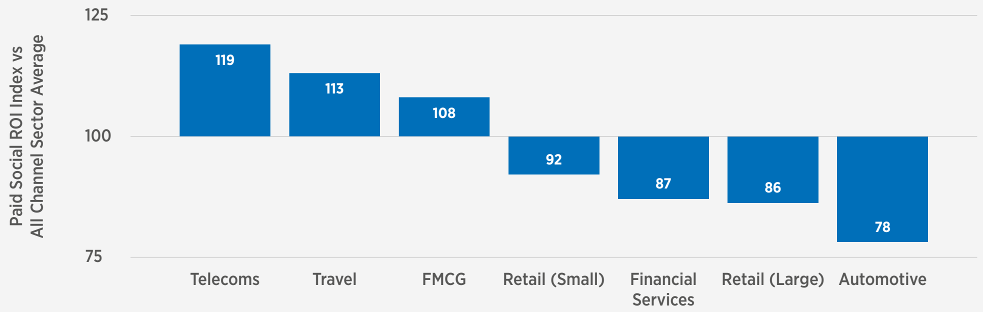
For others, it typically falls in the middle or bottom of the pack.

Compared to pre-pandemic levels, the sample's expenditure on Paid Social increased by 31%, but ROI declined by 5.9%, marking the largest efficiency drop across all channels, as shown in Figure 53.

This may be due to diminishing returns and rising media costs but also suggests that Paid Social is being overinvested in and, for many advertisers, there could potentially be a benefit from a right-sizing of expenditure levels.

Regarding 'risk', as outlined in Section 3.9, Paid Social emerges as the least predictable investment, exhibiting higher variability in results within the databank compared to other channels. While some outcomes are weak, many are notably strong, suggesting that Paid Social can yield superior payback when managed effectively.

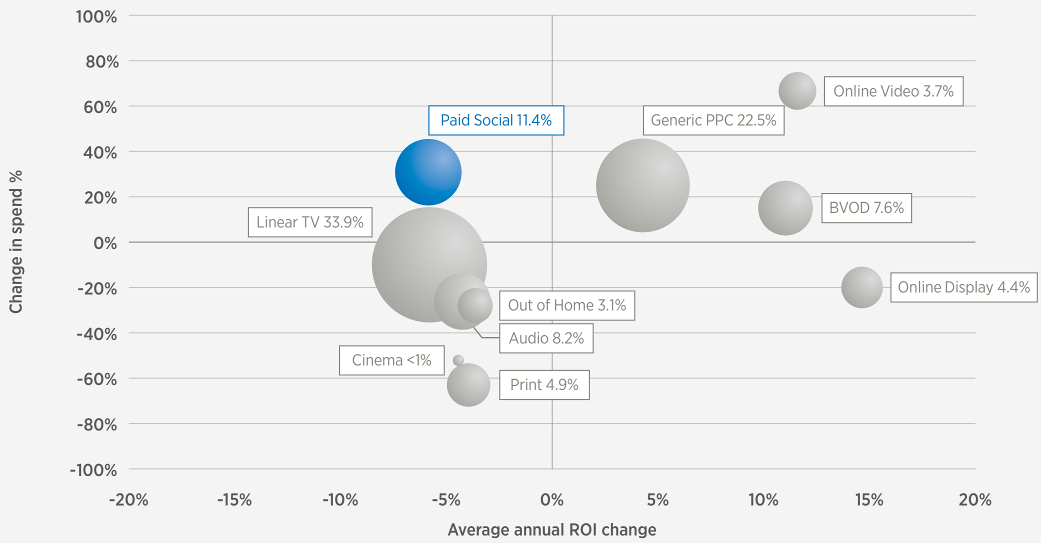
PAID SOCIAL PERFORMS STRONGLY FOR TELECOMS, TRAVEL AND FMCG SECTORS FIGURE 52



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

Paid Social Profit ROI indexed vs Sector average – Short-Term ROI 100 = Sector average Short-Term Profit ROI.

PAID SOCIAL SPEND INCREASES ARE OUT OF STEP WITH EFFICIENCY WHICH HAS SEEN THE LARGEST DECLINE OVERALL FIGURE 53
ANNUAL SHORT-TERM PROFIT ROI CHANGE PRE-/POST-COVID



Source: Profit Ability 2, April 2024 – Short-term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK.
ROI Change & Spend Change based on 53 matched brands with pre/post observations only. Profit volume percentage based on full sample post-Covid.

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

See footnote[27].

[27] Change is first normalised to a compound annual growth rate between the latest available pre-Covid MMM project and the latest available post-Covid MMM project. Matched brands are then anonymised and pre-Covid ROI set to 100. Aggregate index is calculated using a post-Covid spend weighted average.

Print
Print makes up only 3% of the spend in the databank, ranking as the second smallest channel after Cinema in terms of investment. Nevertheless, it boasts the highest short-term profit ROI of all channels at £2.74. Beyond its remarkable short-term efficiency, Print excels at generating sustained effects, with an above-average long-term multiplier, maintaining its top position in terms of full effects with a full ROI of £6.36.

Delving deeper, Print ROIs exhibit significant variation across sectors, as depicted in Figure 54. Sectors like Automotive and Travel benefit from Print's potency, owing partly to extensive specialist press. Despite lower scale, engagement with audiences plays a crucial role. Conversely, in sectors like Financial Services and Telecoms, Print's performance is less compelling.

Analysing changes in Print effectiveness over time across 53 brands, we observe a substantial 63% decline in Print investment and a mere 3.9% drop in ROI. Interestingly, of these 53 brands, 33 included Print in their pre-Covid channel mix, whereas only 18 did so post-Covid, indicating a significant drop-off in usage. Those brands retaining Print likely experienced strong returns, which explains its robust performance across invested brands.

Furthermore, Print emerges as one of the 'safest' investments. As detailed in Section 3, it exhibits one of the lowest variabilities of returns among all channels, implying stable and predictable payback for brands incorporating Print into their channel mix.

PRINT ROI VARIES A LOT BY SECTOR FIGURE 54

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

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

> “Audio’s ROI in the short and long term is amongst the highest in the databank.”

Cinema

Cinema is the smallest channel included within the databank, averaging 0.45% of spend. Its ROIs are amongst the lowest in the databank both in the short-term (£1.19) and full term (£2.56). The strongest sector for Cinema is Automotive, although spends are still less than 1% of total budget. For the 53 brands that were compared pre- and post-pandemic, Cinema spend levels have halved, with ROI falling by 4.4%. This may have been impacted by the recovering viewing habits post-pandemic, in addition to the writers’/actors’ strikes impacting the upcoming film slate.

Audio

Averaging 6.2% of spend, Audio’s ROI in the short and long term is amongst the highest in the databank (£2.47 and £4.98 for the short and full effect respectively). Amongst the strongest sectors for Audio are Large Retail and Automotive. Compared to pre-pandemic, spend levels for our sample have fallen by 26%, with ROI only falling by 4.2%.

Online Display

Online Display makes up 5.5% of the spend in the databank, with a slightly lower short-term ROI than average (£1.50). Its sustained effect is amongst the lowest of all channels leading to a full ROI of £2.34, which is just over half of the average level. There are no sectors in which Online Display stands out as a strong performer – Telecoms sees its best relative performance to other channels – but it is very much middle of the pack. Compared to pre-pandemic, spend levels for the sample have fallen by 20%, but ROI has actually increased by 15%, suggesting that it has been somewhat ‘right-sized’, with brands correctly reducing spends given the channel’s relative effectiveness.

Out of Home

Averaging just short of 5% of spend, Out of Home has amongst the lowest ROIs in the databank in the short-term at £1.19, and whilst its long-term multiplier is slightly above the average (2.3 vs. the average of 2.2) its full ROI of £2.78 is still one of the lowest in the databank. Out of Home ROIs are strongest for Automotive, Small Retail and, to a slightly lesser extent, Large Retail.

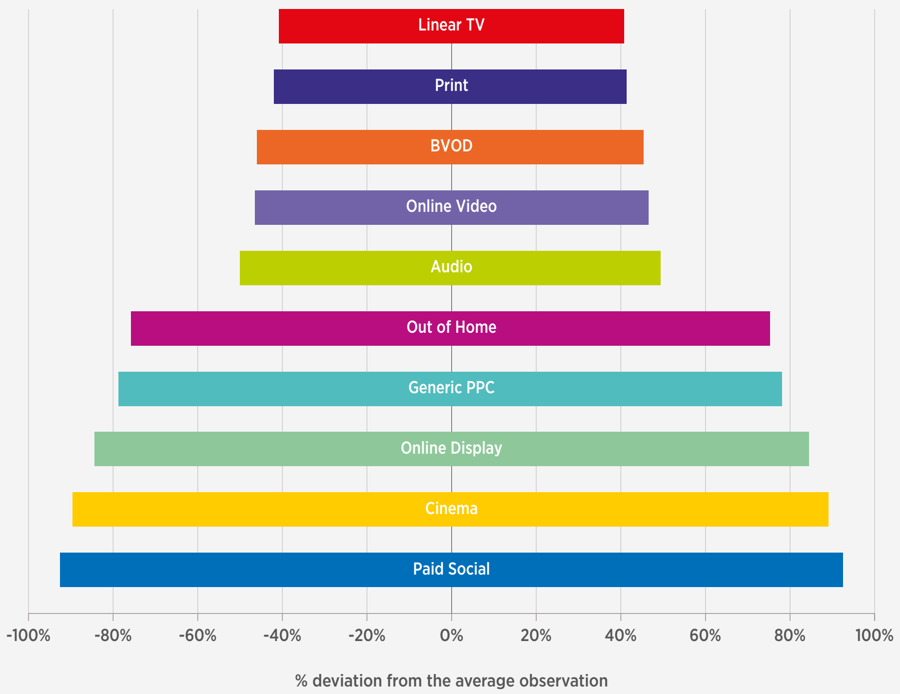
Out of Home has historically been one of the harder channels to measure via MMM. This was because estimating how many people had seen an Out of Home campaign, and particularly how that delivery varies week to week, was difficult when lacking a consistent source of delivery data such as Barb for TV or the various digital platforms.

More recently, however, the Route dataset increasingly provides that source allowing for richer, more granular delivery data to be fed in MMMs particularly in the past couple of years from which the Profit Ability 2 databank is built. This means that, whilst some of the results of Out of Home in the past may be due to the data available, the Out of Home results in Profit Ability 2 are more likely to be a genuine reflection of the channel's performance.

The results for Out of Home appear a little surprising at first. Ever-present mobile device connectivity has meant that one of Out of Home's barriers to generating short-term response should be much less of an issue than it would have been in the past and Out of Home's perceived strength has always been in its ability to create sustained effects. The answer appears to lie in the variation of Out of Home performance, as shown in Figure 55.

VARIATION OF ROIs BY CHANNEL FIGURE 55

STANDARD DEVIATION AROUND THE AVERAGE



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

In terms of risk, Out of Home has one of the highest ranges of deviation from the average. What this means in practice is that there is a lot of variation in Out of Home performance from brand to brand in the databank – for some brands Out of Home is incredible, for some it's terrible. The average ROI reported above, therefore, is a blend of these extremes rather than a value that most brands 'get'.

This is not surprising as there are a myriad of ways to execute an Out of Home campaign in terms of formats and environments and not all of them will be effective for a given brand and message.

A brand could reach the same group of people in very different contexts with very different results (e.g. the same audience may be reachable in rail environments during their commute and in shopping malls at the weekend which may lead to different outcomes depending on the consumer mindset and how they interact with the brand being advertised). Additionally, the increased digitisation of Out of Home real estate means that finding the right time of day/day of week to be active is an additional consideration.

This is ultimately what creates the variation seen in the databank – some brands are nailing this Out of Home complexity whilst others are still testing to find what works for them.

An additional challenge with Out of Home is the extent to which Covid has altered some of these behaviours. For the 53 brands that were compared pre- and post-pandemic, spend levels for Out of Home have fallen by 28%. ROI has only changed marginally over the same period, decreasing by 3.6%. This is again slightly surprising as a reduction in spend will typically improve ROI.

Covid did create permanent changes in people's behaviour after restrictions were lifted e.g. more home working. Prior to the pandemic, just 4.7% of UK employees worked from home[28], post pandemic, 14% of UK workers worked from home[29] and therefore potentially affecting people's interactions with and response to Out of Home advertising. This may have an impact on which formats/environments/times etc. are effective for a given brand, which will naturally take a little time for the brands to observe, learn from and optimise. An Out of Home approach that worked in 2019 may no longer be as effective now because consumer behaviours have changed and so it will take some time to test and identify the new effective approach.

[28] https://wiserd.ac.uk/wp-content/uploads/Felstead_Reuschke_2020_Homeworking-in-the-UK_Report_Final.pdf

[29] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/characteristicsofhomeworkersgreatbritain/september2022tojanuary2023

> “Out of Home ROIs are strongest for Automotive, Small Retail and, to a slightly lesser extent, Large Retail.”

SECTION SIX:
MEDIA MIX NAVIGATOR

06

6.1
MEDIA MIX NAVIGATOR

ELLIOTT MILLARD,
CHIEF STRATEGY AND PLANNING OFFICER,
WAVEMAKER UK

The critical thing about the Profit Ability 2 work and the Media Mix Navigator tool that enables planners to access the database behind Profit Ability 2 is that it shows the extraordinary variance by category – there is no one-size-fits-all when it comes to effectiveness.

That breadth and depth of information allows for a variety of excellent use cases but here are four of my most regular uses:

Context setting
The Media Mix Navigator allows us to contextualise effectiveness for our clients – we can benchmark our performance vs. the market as well as the category, and look for where there might be new areas to explore with channels that are underused or overexposed.

New business
Any business where you don't have econometrics in place can benefit from the Media Mix Navigator. Whether this is forecasting uplift (with suitable caveats) for an existing client or getting a view for a new business pitch, the fact that the Media Mix Navigator is a third-party tool and in the public domain makes it a powerful solution that adds depth to a discussion.

Answering seemingly impossible questions
We get these a lot from clients but having a single source to start from allows us to unpick some of those questions. From 'What sales effect will I get?' to 'How many new users?' or even 'What would a good outcome look like?', the Media Mix Navigator often gives us a starting point where we can layer in other assumptions but know that we're at least starting from a credible base.

Sense check econometrics
The Media Mix Navigator is an invaluable tool for sense checking and benchmarking your own econometric results. By adjusting channel combinations, Media Mix Navigator identifies which channels impact ROI significantly and which do not. This provides powerful context, ensuring the accuracy of econometric findings and highlighting genuine client strengths and weaknesses, giving brilliant insights for future planning and optimisation.

The Media Mix Navigator

The Media Mix Navigator (MMN) is a free media mix allocation tool, powered by the Profit Ability 2 databank. The tool provides a view of the optimal media plan and the likely return you should expect given the context of your specific business.

It allows you to explore different scenarios to define the optimum media mix for your business, whether your objective is to drive increased profit or revenue. The tool also allows you to choose from a selection of different product categories as well as four levels of risk.

SECTION SEVEN:
METHODOLOGY

07

7.1 EXPLAINING MMM

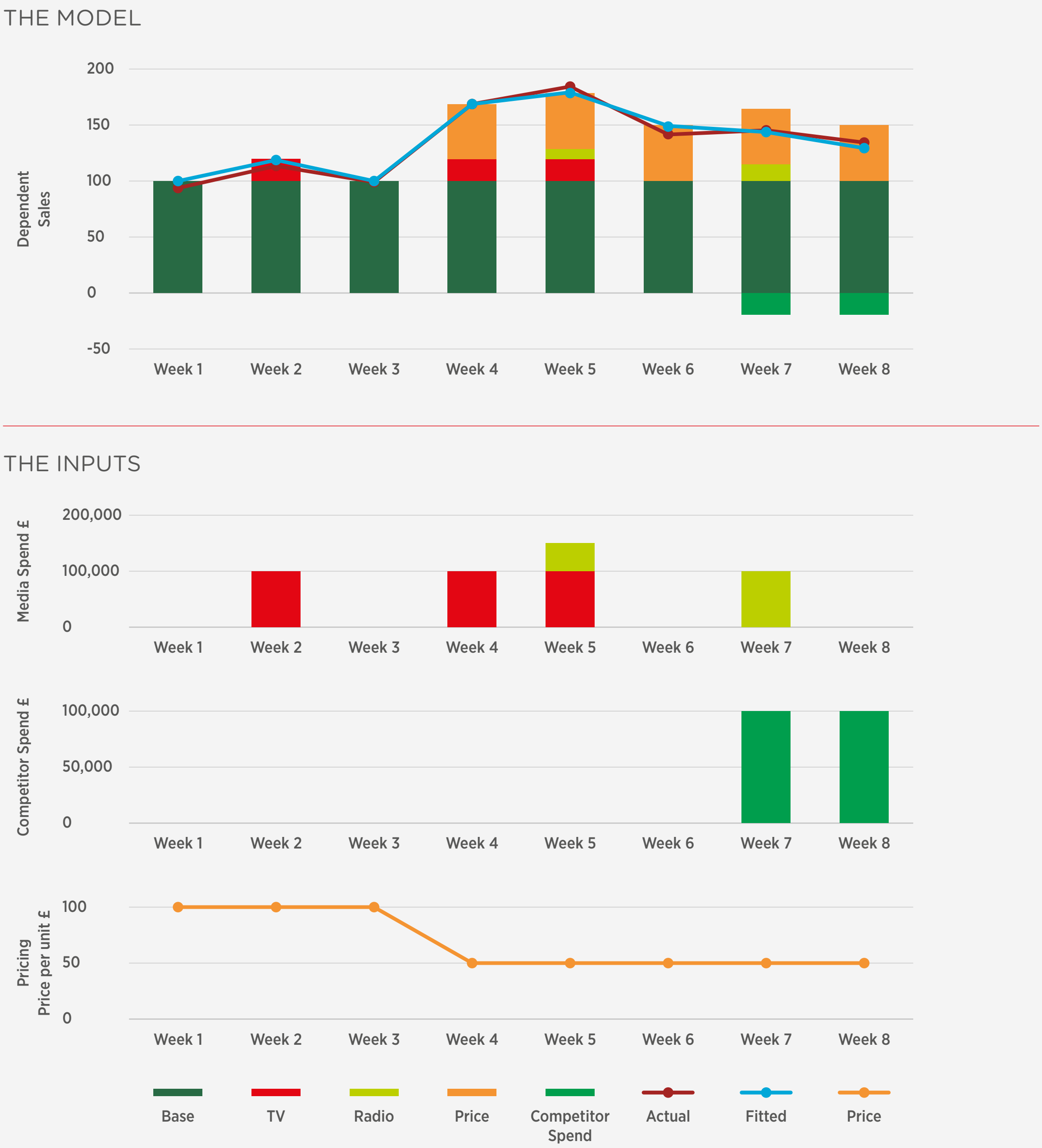
Explaining Marketing Mix Modelling (MMM)
Marketing Mix Modelling (MMM), also known as econometrics, is a robust methodology used to measure and enhance marketing effectiveness. Widely adopted by leading global companies across various industries, econometrics is taught in universities and business schools and is endorsed by the scientific community. It provides a comprehensive view of business drivers, offering insights into the impact of advertising spend on incremental profit.

MMM employs statistical modelling techniques, typically multivariate regression analysis, to analyse patterns and trends in marketing data. By correlating variations in outcomes with changes in inputs, such as advertising spend, MMM isolates the contribution of advertising from other factors like pricing, distribution and seasonality as illustrated in Figure 56. This allows for a deeper understanding of how different marketing channels and investment strategies affect business performance.

One of the key advantages of MMM is its ability to measure marketing impact using aggregated weekly or daily data, eliminating the need for costly experiments or respondent-level data. It directly measures sales and profit, encompassing both online and offline marketing efforts, including advertising, direct marketing, product development, distribution, pricing and promotions.

> “Marketing Mix Modelling (MMM), also known as econometrics, is a robust methodology used to measure and enhance marketing effectiveness.”

MARKETING MIX MODELLING CAN BE USED TO LINK ADVERTISING SPEND TO INCREMENTAL PROFIT FIGURE 56

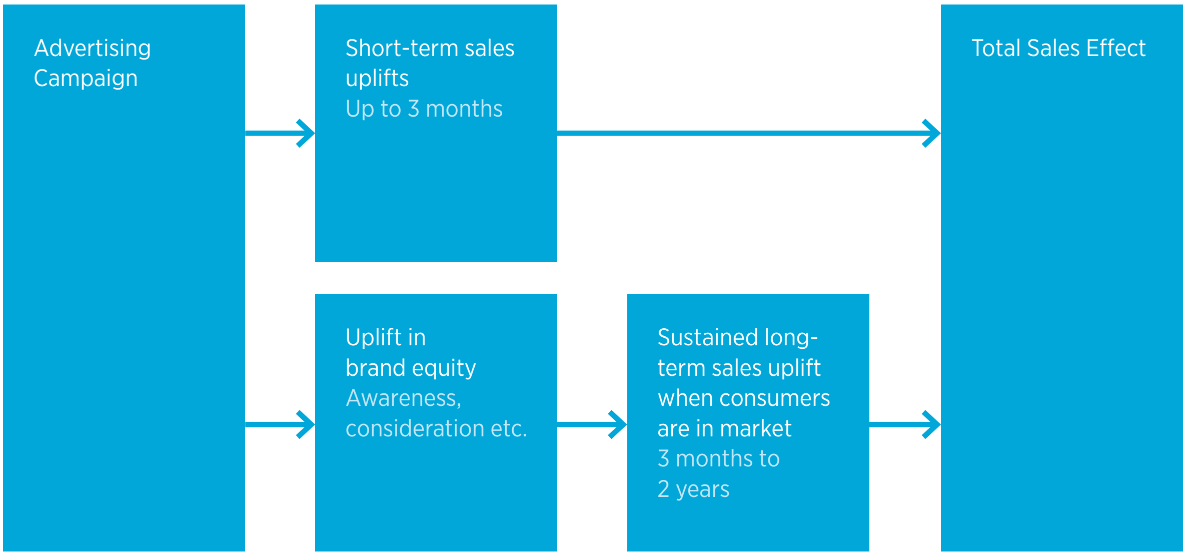


Please note: Actual = the actual sales; Fitted = the model, i.e. what the variables below predict sales should be.

Furthermore, combining MMM with brand health modelling allows the measurement of the sustained long-term effects of advertising, extending from three months up to two years after a campaign. The sustained contribution of advertising is typically evaluated by its impact on brand health metrics, as shown in Figure 57.

The total sales effect of advertising is the sum of short-term sales uplifts and sustained long-term effects. This approach demonstrates advertising's contribution to 'base' sales development over time, ensuring that marketing decisions align with brand health objectives and drive future business growth.

MMM ALLOWS MEASUREMENT OF BOTH THE SHORT-TERM AND SUSTAINED LONG-TERM EFFECTS OF ADVERTISING FIGURE 57



Recognised as a proven discipline in advertising and communications by the Institute of Practitioners in Advertising (IPA), MMM has been extensively documented in publications such as 'Econometrics Explained' and 'Econometrics and the C-suite'. These resources offer detailed insights into MMM methodology and applications, making them valuable references for those interested in exploring MMM further.

7.2
TERMINOLOGY

This section will cover the primary short-term sales models first and then turn to long-term or brand equity models.

Multiple Regression: A statistical approach[30] used to understand the relationship between a single dependent variable and several explanatory variables. In marketing effectiveness, the term econometrics or Marketing Mix Modelling or MMM is commonly used. The dependent variable or KPI may be unit sales, revenue, quotes, leads or donations.

Frequency and Period: The most common data frequency for Media Mix Modelling in the Profit Ability 2 databank is weekly. As a rule, MMM also requires between three and five years of data to capture seasonality correctly.

Nesting: It is common practice to include secondary econometric models which may be 'nested' into the main model. This technique may be used to capture dynamics for any important stepping stone in the path-to-purchase. For example, consider web visits leading up to a transaction. If we believe that web visits account for 10% of transactions, and we also believe that social media accounts for 50% of web visits, then it stands to reason that social media delivers 5% of transactions via web visits. This technique is also commonly used in brand equity analysis.

The Base: This is a relatively broad concept that is present in all econometric models. The base is defined as the sales a brand can expect that are not driven by short-term marketing or price and promotion levers. It is described as 'broad' here because what gets grouped into the base is often a matter of convention and presentation convenience. However, it is commonly the case that market variables, weather and brand equity are grouped into the base, along with an intercept, which in turn can be interpreted as sales that cannot be explained by anything else in the model.

Controls for Market: It is best practice to capture relevant market variables as a control. This may be readily available for some sectors via third-party vendors, industry bodies or syndication services. Where good-quality data is not available practitioners typically use proxies such as Google search trends for a relevant term ('car insurance') or more broader market drivers such as consumer confidence, ONS[31] retail sales indices, seasonality, weather etc.

Controls for Pricing and Promotions: It is also best practice to control for price competitiveness. At a minimum this should include own-price and promotion effects, but where possible should also include competitor price effects or relative competitiveness.

Media Mix: Media is captured using spend, ratings or impressions. Media lines are typically transformed using diminishing returns and adstocks to better explain sales dynamics. Media lines may also be broken up over time to capture campaign-specific impact though this is most common for large AV campaigns, rather than smaller always-on media lines.

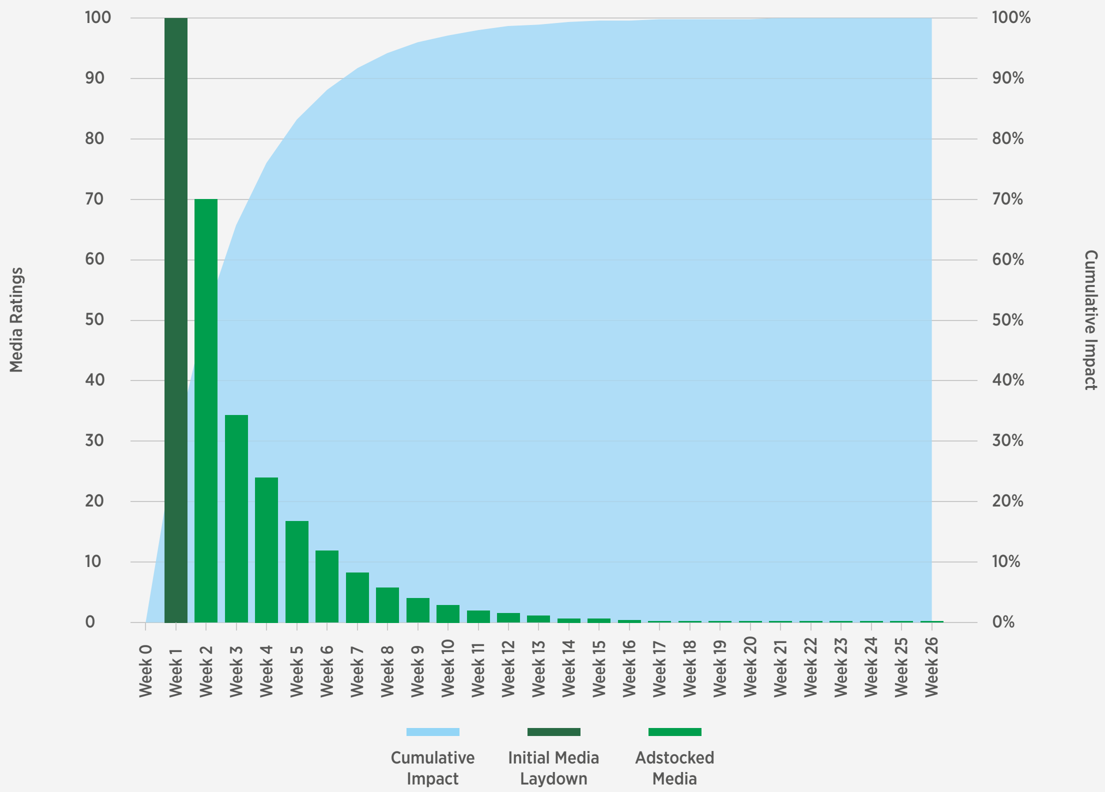
Diminishing Returns: Most media lines suffer from some form of diminishing returns as weekly weight is increased. For TV, this is because each additional rating point delivers less reach than the previous and higher weights are associated with excess frequency. PPC is bought in an auction, so here diminishing returns manifest as a cost per click price increase. For Print, larger budgets may be associated with lower efficiency if this means appearing in a title multiple days per week or booking worse titles from a target audience CPM perspective. Whatever the underlying mechanism, a variety of transformations are used in the studies fed into the Profit Ability 2 database.

Adstock: Media lines are also transformed using adstocks or retention effects. This transformation reflects the fact that consumers do not necessarily buy products in the same week they see an advert. Adstock transformations typically capture memory effects using a geometric transformation.

[30] Regression methods in common use include Ordinary Least Squares, Elastic Net, Bayesian Regression etc. It is also worth noting that many model suites include secondary models to explain drivers of footfall, web visits and other intermediate outcomes – which are in turn nested into a final sales model.

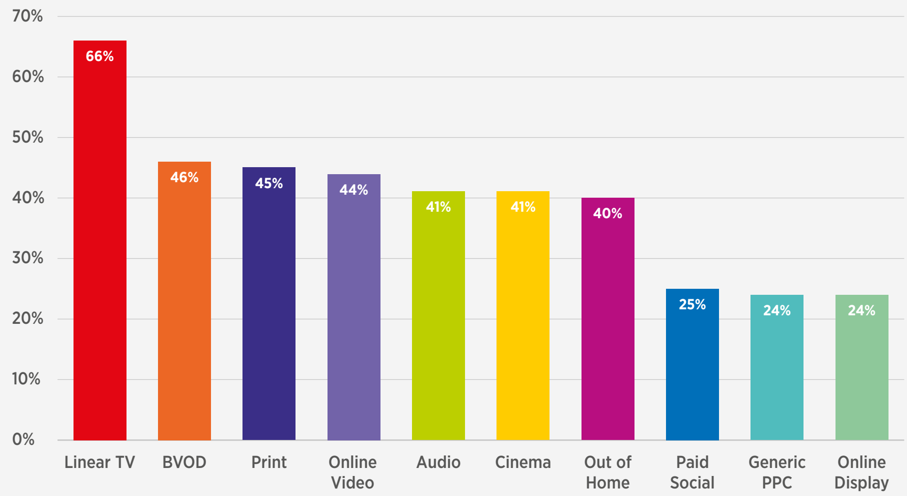
[31] Office of National Statistics.

ILLUSTRATION OF 100 RATINGS AT 70% WEEKLY ADSTOCK RETENTION FIGURE 58



LINEAR TV & BVOD HAVE THE HIGHEST ADSTOCK CARRYOVER WHILST GENERIC PPC & ONLINE DISPLAY HAVE THE SHORTEST FIGURE 59

MEAN WEEKLY ADSTOCK CARRYOVER RATE BY CHANNEL



Source: Ebiquity

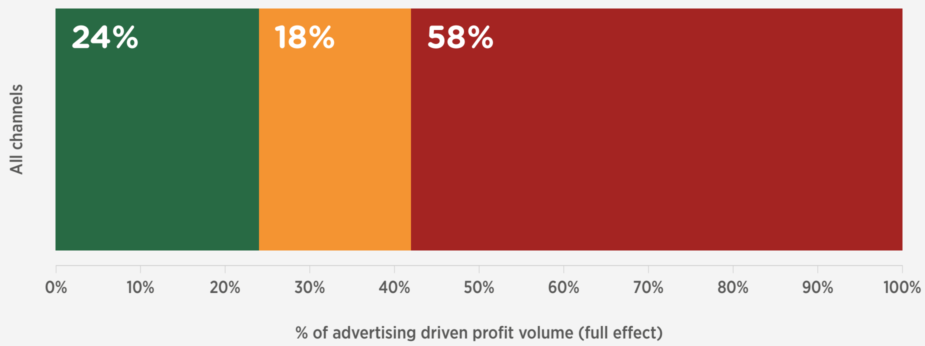
The exact adstock transformation is usually chosen empirically. Multiple iterations of an MMM may be run to test the sensitivity of the model to different adstock assumptions, with the 'best fit' against the data selected by the analyst. Where this approach is not informative the analyst may select a value based on benchmarks or prior knowledge.

Typically, TV has the highest weekly retention rate, but the range can be relatively wide based on the communication objective. Brand campaigns tend to have higher retention rates of 70% to 90% while trading or tactical campaigns more often range from 40% to 60%.

By convention, additional sales captured in a model using adstocks would still be classed as so-called 'short-term' impact. We can use more precise language and break this out into the immediate payback we see in the same week as the advertising and the carryover payback which we get because of using adstocks.

Timescale: This study benchmarks the impact of advertising both in the short-term and the full term. By convention in the MMM industry short-term ROIs are taken to include immediate effects as well as a small carryover effect into the weeks after a campaign ends. This 'adstock' approach is covered in more detail in Section 3.8. Full payback, including sustained effects are also reported. These longer-term effects are usually captured in secondary models that rely on brand tracking and survey data.

SUSTAINED EFFECTS ARE SUBSTANTIAL – 58% OF ADVERTISING'S OVERALL CONTRIBUTION TO PROFIT FIGURE 60



Immediate Payback
The contribution of advertising in the same week as the advertising.

Carryover Payback
The contribution of advertising within 13 weeks of the advertising.

Sustained Payback
The contribution of advertising from week 14 onwards (generally within two years of the advertising).

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

Brand equity analysis

To understand the full payback of advertising we need to look beyond standard market mix models towards brand equity data and long-term multipliers.

For clarity:

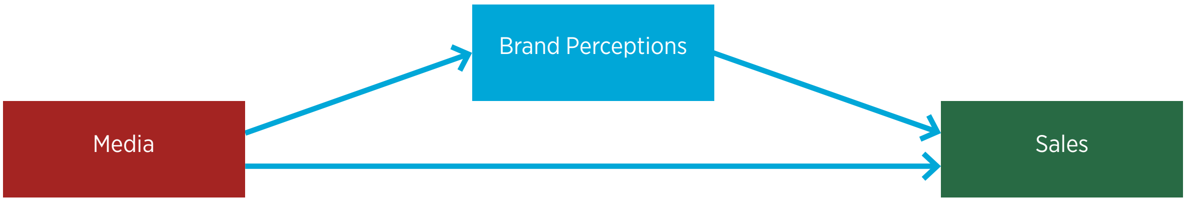
$$\textit{Long-term Multipliers} = \frac{\textit{Full Effect}}{\textit{Short-term}} = \frac{\textit{Short-term + Long-term}}{\textit{Short-term}}$$

Long-term multipliers are usually estimated using secondary econometric models. A relatively wide range of brand metrics may be appropriate for this purpose. There is no single *right* measure of brand equity to use or universally accepted approach. A challenger brand may focus on awareness, while a market leader may find this measure uninformative and focus on more specific metrics like quality or ease-of-use.

Brand analysis is then typically linked to the main sales model to calculate a full ROI. The impact of advertising both directly on sales and indirectly via brand perceptions is the full or 'long-term' effect. This broad-brush description by necessity covers a wide range of techniques[32] that are used in practical work[33].

Practitioners generally acknowledge that even their best efforts to measure the link between advertising investment and long-term brand outcomes is imperfect. Brand metrics move slowly, survey data is noisy, and perceptions are formed over decades rather than the three to five-year window that MMM projects typically provide. Within the participating agencies for Profit Ability 2 a wide range of methods are used ranging from simple nested models to structural equation modelling market share modelling, and respondent level methods.

There is no claim of methodological consistency or perfection; the criterion for inclusion is once again simply that the approach used to understand long-term impact is the best available method as used by commercial decision makers.



[32] Approaches include simple brand to sales nested time-series models, structural equation modelling, market share analysis as well as respondent level approaches such as conjoint or logistic regression.

[33] The long-term multipliers presented in this study were compiled across EssenceMediacom, Gain Theory, Mindshare and Wavemaker UK and do not include Ebiquity estimates.

7.3 PROFIT ABILITY 2 DATABANK DEFINITIONS

The Profit Ability 2 study is based on a dataset of businesses who use econometrics or Marketing Mix Modelling (MMM) to link advertising spend to incremental profit and to optimise their advertising spend.

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

Each MMM analysis in the Profit Ability 2 dataset was paid for by the respective advertiser and designed to address their own specific marketing and evaluation needs.

In Profit Ability 2, the short-term advertising payback benchmarks are based on MMM results from Ebiquity, EssenceMediacom, Gain Theory, Mindshare and Wavemaker UK. Long-term multipliers used to estimate sustained payback are based on EssenceMediacom, Gain Theory, Mindshare and Wavemaker UK results only.

The Profit Ability 2 databank incorporates £1.8 billion of media spend across 141 brands over 2021–2023 with 47% of this spend in 2023. These brands have been carefully chosen to represent as many business types as possible and sit across 14 sectors, of which seven have sufficient granularity to be reported on individually.

Of the 141 brands, 53 brands in the databank were matched pre- and post-Covid to see how the advertising effectiveness has changed since 2018–2019 compared to today.

PROFIT ABILITY 2 STUDY IS FUELLED BY THE ULTIMATE MEDIA EFFECTIVENESS DATABANK FIGURE 61

5 Agencies	**141** Brands
£1.8BN Media spend analysed (2021–2023)*	**14** Sectors**
10 Media channels	**53** Brands matched pre- and post-Covid

* Based on end date of analysis period. Spend by year: 21% 2021, 32% 2022, 47% 2023. All analysis based on most recent 52 weeks available.
** Total databank has 14 categories, of which seven have sufficient granularity to report individually.

In Profit Ability 2, 10 media channels reached an expenditure threshold where individual Profit ROI performance could be included in the published dataset. The aim is for Profit Ability 2 to provide apple-to-apples comparison across as many media types as possible. As such, future analyses will hopefully include even more channels should spend amongst the advertisers in the dataset in those channels reach an appropriate statistical threshold.

Figure 62 shows the number of brands by channel for each sector. Please note the exclusions that apply:

NUMBER OF BRANDS BY CHANNEL AND SECTOR FIGURE 62

	Automotive	Financial Services	FMCG	Retail (Large)	Retail (Small)	Telecoms	Travel	Other**	**Total**
Audio	15	13	7	20	4*	12	9	4	**84**
BVOD	18	14	16	21	5	17	8	7	**106**
Cinema	3*	3**	1**	4*	1**	8	3**	0	**23**
Generic PPC	14	17	1**	17	5	16	7	8	**85**
Linear TV	25	18	16	19	4*	16	7	5	**110**
Out of Home	7	3*	9	14	3*	13	5	4	**58**
Online Display	25	6	10	21	3*	13	7	10	**95**
Online Video	7	9	16	16	3*	12	5	7	**75**
Paid Social	18	14	18	21	3*	15	8	9	**106**
Print	9	10	0**	14	3*	13	5	3	**57**
Total	**33**	**21**	**22**	**23**	**5**	**17**	**9**	**11**	**141**

* Please note these channels/sectors have a low sample size.
** Data has been excluded for the relevant sectors in Section 4: Sector Analysis due to very low sample size.

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

There is a lot of variation in how advertisers refer to media channels and choose to group things on the media plan, so it is also helpful to clarify the media-naming conventions used in this study. The full list is shown in the box below.

Audio includes linear radio, digital radio, podcasts and streaming platforms such as Spotify and Deezer. However, it is fair to say that linear radio is the centre of gravity and does dominate this grouping.

Within BVOD there is both large screen and hand-held device formats, however, between Jul 23–Jun 24, this is dominated by large screen 'lean back viewing' which accounts for 88% of commercial impressions.[34] Most of the ad spend in this category is accounted for by the mainstream UK broadcasters (Sky, ITV, Channel 4, Channel 5) but small amounts of spend may also be with newer AVOD entrants such as Pluto, Samsung TV Plus etc. Similarly, SVOD investment has been excluded as ad tiers were yet to be introduced.

Within Generic PPC, all the agencies typically exclude Brand PPC as a matter of standard practice, but some elements of the PPC mix such as Smart Shopping may include some branded terms. PMAX, which is a newer product, has been excluded where possible.

A final discussion point is the decision to report on Linear TV rather than splitting into Brand Response TV (BRTV), Direct Response TV (DRTV), and TV Sponsorship. The reason for this is that BRTV and DRTV are not consistently split out across the dataset's client list. Some brands make the distinction and others do not. Similarly, TV Sponsorship has not been split out across the Profit Ability 2 benchmarks as detailed in Section 5.3.

WHAT'S INCLUDED IN EACH CHANNEL FIGURE 63

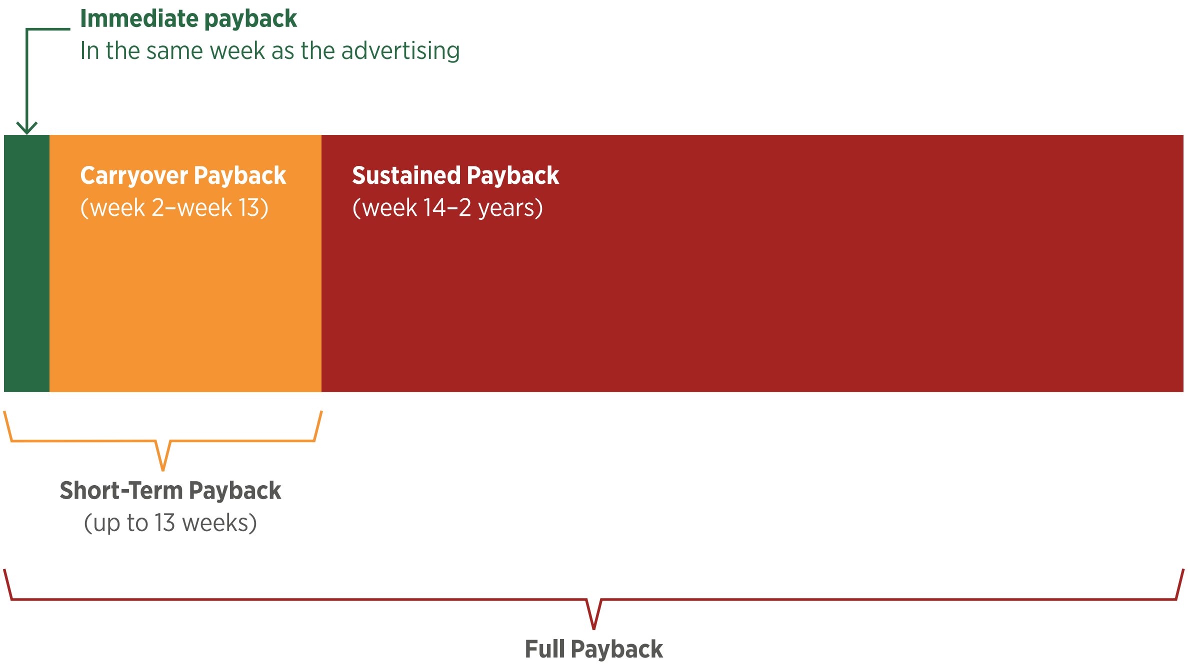
Audio	All forms of audio advertising including linear radio, digital radio and podcasts.
BVOD	Video on Demand on broadcaster platforms.
Cinema	On screen advertising in cinemas.
Generic PPC	Pay per click search advertising on non-branded keywords.
Linear TV	Broadcast TV advertising.
Online Display	All formats of display advertising.
Online Video	All formats of online video pre/mid/post roll including YouTube.
Out of Home	Digital and static posters in all environments.
Paid Social	All advertising within social platforms including in-feed video.
Print	All advertising within newspapers and magazines. Digital spend with newsbrands etc. included in Online Display.

Important considerations

- Direct Mail and SEO are not included. This is because the data for the 141 brands which fuels this study does not include a robust volume of effectiveness data for these two channels.
- Brand PPC and Affiliates are not included. These are considered pure 'fulfilment' media which facilitate a sale but don't generate demand for a brand. These channels should be budgeted separately.

[34] Source: Barb, Jul 23–Jun 24, Commercial VOD, Online Multiple Screen Network, Individuals

ADVERTISING PAYBACK TIMEFRAMES FIGURE 64
SOME IMPORTANT DEFINITIONS



Advertising payback metrics

Profit contribution:
The incremental contribution of advertising to business profit based on unit sales, revenue contribution, profit margin and/or lifetime value.

ROI:
The ratio between profit contribution and advertising spend (excluding production costs).

(ROI = profit contribution/media spend where 1 = breakeven).

SECTION EIGHT:
APPENDIX

08

8.1
CURRENT VS. OPTIMAL INVESTMENT

MATTHEW CHAPPELL,
GLOBAL CLIENT SUCCESS OFFICER,
GAIN THEORY

Two questions are always asked of marketing effectiveness practitioners: how do my results compare to the category benchmark, and how are we doing compared with what we could optimally be doing?

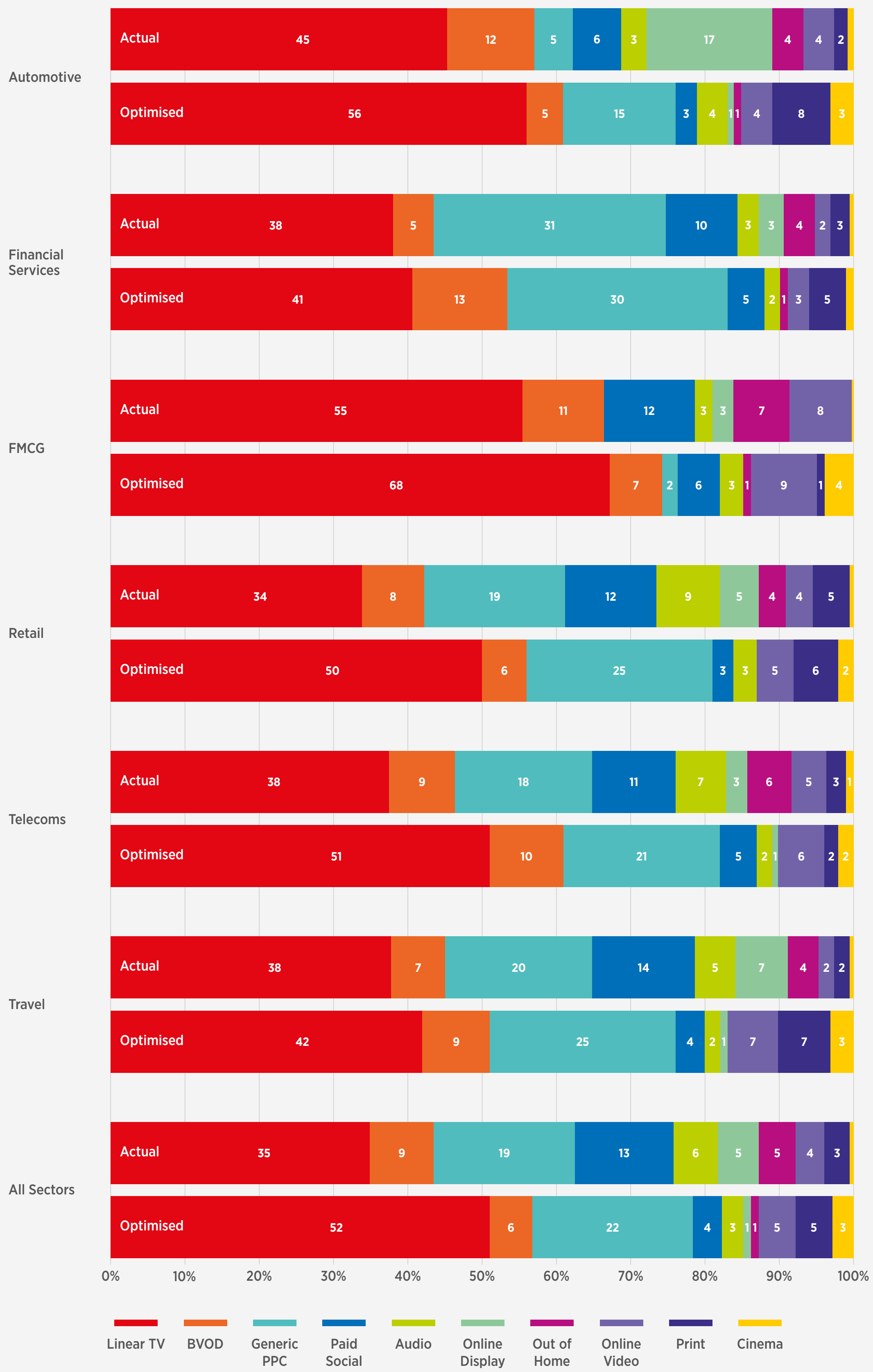
For the first time, through Profit Ability 2, data is available at scale to comprehensively answer these questions.

The first thing to say is that there are some consistent trends across channels, but the optimal investment levels vary a lot. Channel investment strategy depends on not only a brand's objective but also the category it is in, as well as budget, brand size and risk appetite. There is no better tool than the Media Mix Navigator (MMN) to provide a benchmark view that takes into account these crucial factors.

Having said this, there are some interesting trends:

- Linear TV investment could be increased for Automotive and Retail – two categories that seem to have swung the Social and Online Display pendulum a bit too hard and who could benefit from a slight shift back towards TV and Audio.
- The difference between optimal and current investment for BVOD is variable across categories. The optimal view in some categories suggests an increase in BVOD investment (vs. a decrease in others), especially in categories where the audience skews younger, and where there is more data on purchase behaviour (e.g. Financial Services, Telecoms, Travel).
- Out of Home appears over-invested in most categories when measured against sales. It can do a job for brand metrics, if used in the right way, which should not be underestimated, but if the target is short-term sales then other channels offer a better return.
- Paid Social is another channel that appears overinvested in most categories. This probably reflects the flexibility of this channel, with its ability to fulfil upper and lower funnel objectives and be bought at late notice. However, do not let the flexibility outweigh the decisions on sales returns which suggest Paid Social should be pared back.
- Cinema is underinvested across the board to varying degrees. The current investment is probably a reflection of post-Covid nervousness about audiences, but the research shows that there is still a place for the ultimate big screen.
- There is still room for Print on the media plan, especially in categories that have a large element of specialist press, e.g. Automotive and Travel. Equally, there is an opportunity to expand Print spend in Retail, where the immediacy of newspapers offering this weekend's best deals cannot be overlooked.

ACROSS ALL SECTORS MMN OPTIMISED SCENARIO RECOMMENDS HIGHER SHARE OF LINEAR TV+BVOD VS. ACTUAL DATABANK SHARE FIGURE 65
ACTUAL VS. MMN OPTIMISED CHANNEL MIX



Source: Media Mix Navigator, Optimised based on £500m brand size (£300m for FMCG), 21–30% online sales, mass market, high risk and media budget of £20m.

> “Paid Social is another channel that appears overinvested in most categories. This probably reflects the flexibility of this channel, with its ability to fulfil upper and lower funnel objectives and be bought at late notice. However, do not let the flexibility outweigh the decisions on sales returns which suggest Paid Social should be pared back.”

SECTION NINE: CONTRIBUTING COMPANIES

09

9.1
ABOUT THE COMPANIES

Ebiquity
Ebiquity is the world leader in media investment analysis.

We deliver data-driven solutions that create value and eliminate waste, enabling brand owners to increase returns from their media investments and improve business outcomes.

Our independent fact-based advice is delivered through four service lines:

- Media Management
- Media Performance
- Marketing Effectiveness
- Contract Compliance

We stand out because we do things differently:

Independent advice
We can provide independent advice and solutions because we have no commercial interest in any part of the media supply chain.

Unparalleled data expertise
We analyse c.$100bn of media spend and contract value from 110 countries annually, including trillions of digital impressions.

Innovating for the future
Solutions for the challenges of today and tomorrow, including CO_2 emissions, disinformation, diversity, and rapidly emerging channels.

Global reach and expertise
We cover 80% of the global advertising market, providing us with the most comprehensive, independent view of the world's media investment.

More than 70 of the world's top 100 advertisers today choose Ebiquity as their trusted independent media advisor.

Creating a Better Media World, Together.

EssenceMediacom
EssenceMediacom is GroupM's newest and largest agency, committed to delivering breakthroughs for brands in the New Communications Economy. It has disrupted the old models across media, creative, innovation and analytics to find new opportunities for advertisers and deliver truly integrated media solutions.

Born out of two pioneering agencies, EssenceMediacom fuses Essence's performance, data, analytics and creative technology DNA with MediaCom's scaled multichannel audience planning and strategic media expertise.

As part of WPP, the world's largest marketing communications services group, and GroupM, WPP's consolidated media investment management arm, we have access to the richest data, most robust benchmarks and most advanced capabilities in the market. This helps us provide comprehensive solutions to all marketing challenges.

Our 'breakthrough' ambition is underpinned by our commitment to 'continuous learning'. We aim to ensure our people fulfil their potential by investing in their whole-person wellbeing, careers and capabilities, which in turn helps grow our clients' businesses.

EssenceMediacom, with 10,000 people across 120 offices in 96 markets, is one of the world's leading communications specialists, with billings of more than US$24.5 billion (Source: COMvergence, 2023). Its global client roster includes Adidas, Coca-Cola (TCCC), Dell, Google, Hasbro, Mars, NBC Universal, P&G, Richemont and Sony.

Find out more at www.essencemediacom.com. Alternatively, follow us on LinkedIn, Twitter, Instagram or Facebook.

Gain Theory
Gain Theory is a leading global marketing effectiveness and foresight consultancy, dedicated to accelerating growth for ambitious brands. Our mission is to empower clients with the confidence to make better data-informed investment decisions.

Using a combination high-touch consultancy, unique partnerships, and proprietary technology, we offer award-winning solutions that are proven to deliver results.

As part of the WPP network, we benefit from unparalleled access to a wide range of data, expertise, and cutting-edge tools, creating a truly differentiated offering in the industry.

Please visit gaintheory.com for more information.

Mindshare UK
Underpinned by our values of Empathy, Energy and Impact, Mindshare offers clients full-service media agency capabilities. Together we generate growth for our clients that is enduring, diversified and sustainable. We drive this Good Growth by placing people at the heart of what we do through the intentional use of media. We work with some of the most famous businesses and brands in the UK – such as Unilever, KFC, UK Government, LV=, Ford, Weetabix, Vinted, Marks & Spencer and TK Maxx. We are fiercely proud of our open and inclusive culture – everyone, and their opinion, is respected and welcome. Mindshare is part of GroupM and ranked 5th by billings in the UK.

Wavemaker UK
Wavemaker is a global media agency. We believe there is a better way to grow. By leveraging our deep understanding of audiences, Provocative Planning process and the world's largest database of purchase journeys, we deliver exceptional growth for clients including Nationwide, Rightmove, Danone, Jet2, Asahi and Morrisons.

Unlike traditional linear planning, our modular approach combines machine learning and human intelligence to unlock, maximise and transform growth for the world's leading brands and businesses.

A part of GroupM, WPP's global media investment management company, our 7,560 people across 88 markets have the deep knowledge, confidence and courage to challenge what's gone before and imagine a better way to grow.

Discover more at wavemakerglobal.com/uk or follow us @WavemakerUK.

9.2
ABOUT THINKBOX

Thinkbox is the marketing body for commercial TV in the UK, in all its forms. It works with the marketing community with a single ambition: to help advertisers get the best out of today's TV.

Thinkbox represents over 99% of UK commercial TV advertising revenue. Its shareholders are Channel 4, ITV, Sky Media and UKTV. Associate Members are Amazon, Disney+, DSTv (South Africa), Netflix, TAM Ireland, Think TV (Australia), thinktv (Canada), TVN Media (Poland), Tenk TV (Norway), TV4 (Sweden), Vevo, Virgin Media, and Warner Bros. Discovery (UK & Ireland). STV also give direct financial support.

From ensuring that the facts about TV are known (and myths challenged) to understanding how and why TV advertising works, explaining how TV is changing, showcasing innovative and affordable solutions and constantly providing the rigorous proof of effectiveness that advertisers need, Thinkbox is here to help businesses meet their marketing objectives.

Thinkbox is a member of The Global TV Group, the informal grouping of TV broadcasters, sales houses, and trade bodies in Europe, the USA, Canada, Australia and Latin America. The Global TV Group is a forum for sharing knowledge, exchanging best practice and collating global TV intelligence.

9.3
FURTHER INFORMATION

VISIT THINKBOX.TV TO

- Download a digital version of the book
- Download a full set of Profit Ability 2 slides
- Sign up for updates on our latest research and events
- Access more research trends and opinion pieces

GET IN TOUCH

- If you want to know more or if you have any questions on Profit Ability 2
- If you would like us to come and present Profit Ability 2 to your team

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ABOUT THIS BOOK

Profit Ability 2 is the first post-Covid analysis of advertising's financial impact. It brings advertising's collective knowledge bang up to date in eye-watering detail, analysing 141 brands representing £1.8 billion in media spend from 2021 to 2023. It examines different media and business sectors in granular detail, finding that all forms of advertising pay back, especially when sustained effects are measured. A focus on immediate returns from advertising, while tempting, leaves significant value on the table. Its findings are crucial for businesses seeking to understand and optimise the return on their advertising investment and to allocate budgets more effectively for growth.