Marketing Effectiveness in the Digital Era

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In association with
Google, thinkbox, IPA
Our research

What are the ingredients for effective marketing?
Are the rules changing?
How do the rules vary by context?
The fundamental principle: brand vs activation
Brand vs Activation

Sales activation
Immediate sales response
High efficiency & ROI

Source: Binet & Field 2013
Brand vs Activation

Sales activation
- Immediate sales response
- High efficiency & ROI

Brand building
- Long term growth in base sales
- Reduced price sensitivity

Activation effects dominate in short term (~6 months)

But brand is main driver of long term growth & profit
Maximising effectiveness
“Brand loyalty is key to success”

Loyalty strategies always under-perform (except for short-term activation)

Penetration is always the main driver of growth

Base: 2008-16 IPA cases
Reach is king

Loyalty strategies always under-perform (except for short-term activation)

Penetration is always the main driver of growth

Reach explains 91% of variations in media effectiveness

Base: 2008-16 IPA cases
Maximise mental availability

Awareness  Salience  Fame

Passively accept brand  Actively seek brand  Influence & advocacy

Increasing returns

Fame increases efficiency $\times 4$ and maximises profit
Messages vs emotions

Activation effects

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rational</td>
<td>45%</td>
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<tr>
<td>Combined</td>
<td>40%</td>
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<tr>
<td>Emotional</td>
<td>25%</td>
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Brand effects

<table>
<thead>
<tr>
<th>Type</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Rational</td>
<td>70%</td>
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<tr>
<td>Combined</td>
<td>60%</td>
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<tr>
<td>Emotional</td>
<td>80%</td>
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</tbody>
</table>

Emotional brand building works best, even for “rational” & highly researched purchases

Source: Binet & Field 2013
Invest in share of voice

SOV > SOM: brands tend to grow
SOV < SOM: brands tend to shrink

No evidence that the rule is changing
Balance the budget

![Graph showing the relationship between budget allocation to brand building and number of business effects reported. There is a sweet spot at a 60:40 ratio.](image)

Source: IPA Databank, 1998-2016 for-profit cases
Budgeting for a digital world

![Bar chart showing budget allocation percentages for different types of brands.]

- **All brands**: 62% brand activation, 38% optimum
- **High innovation**: 72% brand activation, 28% optimum
- **High online research**: 74% brand activation, 26% optimum
- **Online selling**: 74% brand activation, 26% optimum
- **Subscription selling**: 74% brand activation, 26% optimum

Source: IPA Databank, 1998-2016 for-profit cases
Media implications

Sales activation
- Tight targeting
- Informative
- Responsive

Brand building
- Broad reach
- Emotional
- Memorable

Online & offline, video formats work best
Best practise in action

John Lewis case study
John Lewis: online views

Source: Manning Gottlieb
John Lewis: total views

Source: Manning Gottlieb
Digital makes everything work harder

% increase in avg. no. VL business effects from adding Web 1.0 (1998 - 2006) vs Web 2.0 (2008* - 2016)

- TV: 40% vs 27%
- Press: 22% vs 27%
- Radio: 13% vs 22%
- Outdoor: 14% vs 27%

Source: IPA Databank
*Outdoor = 2012 - 2016
United States, FAANG TV adspend

$ millions

2011: 551
2015: 1,014
2016: 1,479
2017: 1,582
2018: 2,180

Note: Includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV, spot TV and syndication TV. Google includes YouTube.

SOURCE: Video Advertising Bureau (VAB)
Conclusions

• The fundamental rules of marketing have not changed.
• The digital revolution is increasing efficiency, but budgets still matter. Brands need to re-invest in marketing communications.
• The digital revolution is making activation easier, so brand building is becoming more important, not less. Budgets need to be re-balanced.
• Online and offline media work in synergy. Smart marketers use both together in balance.

Thank you