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# IPA EffWorks Global 2022

A summary of the best new thinking and evidence-based decision-making research for marketing effectiveness

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October saw the IPA EffWorks Global 2022 conference take place presenting tools and resources to support the industry's marketing effectiveness. This year's agenda was 'Blunt truths, sharper strategies'; a reflection on the current macroeconomic volatility causing inflation and increased financial pressure on businesses. Since 2021 we've swapped 'Covid' for 'Cost' as the topic dominating decision making today.

A 'blunt truth' served by Dr Grace Kite from the Advertising Research Council's work was that in extreme cases some businesses won't survive the turbulence to see payback from their marketing investment. This was specifically directed at sectors deemed 'Victims' which are the most vulnerable to inflation affecting consumer demand. However, regardless of the nuances within your sector there are 'sharper strategies' to implement to support effectiveness and protect brands.

Echoed throughout the conference was the importance of brand building. There was a call for recalibration, away from short-term cost pressures and balanced back to longer-term strategic goals. This thinking underpinned all presentations and new research including Brand Finance's 'Why Brands Matter in 2022' and Les Binet's 'Planning Framework' for turbulent times.

This Hearts & Science summary of key presentations from the conference aims to provide an up-to-date view on the best practices in marketing effectiveness and further support decision making in these uncertain times.

Hope you find it useful.

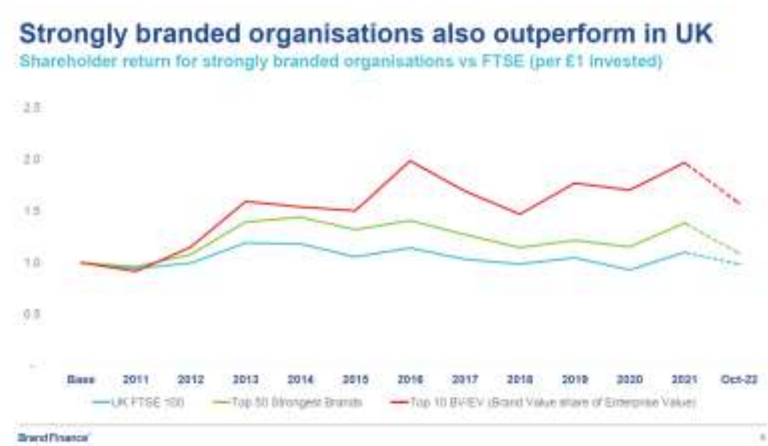
**Georgina Robb**
**Connections Planning Director**
**Hearts & Science**

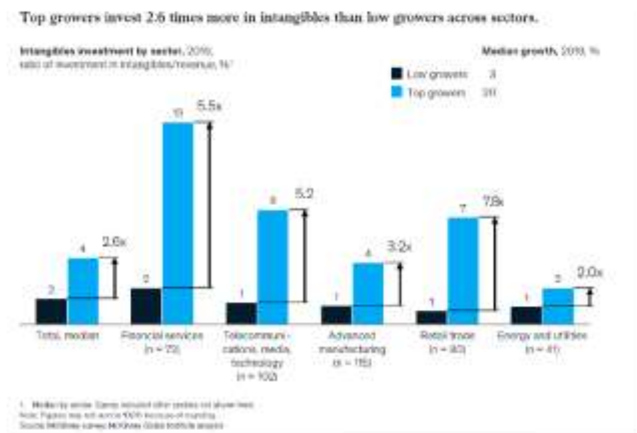
# **Brands’** economic resilience will be based on **‘brand strength’** and intangible assets being viewed as an investment, not a cost

*Brand Finance, a world leading brand valuation consultancy, in partnership with the IPA have produced a 2022 update to their ‘Why Brands Matter’ research. This further supports the importance of maintaining brand strength and the critical role brands play in the economy. As companies look for guidance on how to weather this new storm, Brand Finance present the role of intangible assets, how to reduce risk, increase competitiveness and ultimately deliver sustainable profit growth.*

## Brand strength delivers higher returns than FTSE 100 brands

‘Brand strength’ is an overall indicator of your brand’s health versus competitors and is measured through Enterprise Value, Branded Business Value and Brand Contribution. Strongly branded organisations can be seen to outperform the FTSE 100 delivering much higher shareholder returns. In the UK the top 50 brands delivered returns 30% higher in 2021 and even in the current climate, the cumulative return is 10% higher.




Source: McKinsey (2021), “Getting tangible about intangibles: The future of growth and productivity?”, Discussion Paper

## Investing in your brands’ intangible assets delivers tangible returns

A component of ‘Brand strength’ are intangible assets, which are a critical pillar of competitive advantage and value creation. Intangible assets aren’t just advertising or branding but what provides customer value including software, R&D and market research among others. The report has shown intangible assets continue to rise in value across the world. From 2020 to 2021, the total value of global intangible assets grew faster than usual to exceed pre-pandemic levels by nearly a quarter to US$74 trillion. Economies have shifted and we are now living in an intangible age. Recent analysis by McKinsey found that investment in marketing intangibles delivers long-term economic growth. Top growing companies invest 2.6 times more in intangibles than slow growers across sectors.

## Strongly branded companies will recover faster with higher returns

As we’re all too aware of, UK businesses are facing a new political landscape with economic volatility. Brand Finance acknowledge that cutting marketing budgets may seem like the ‘simple fix’ to help with the current challenges brands are facing. However historically, strongly branded companies have shown quicker recovery after a crisis and retain their performance. Those brands that keep their nerve to ensure their brand strength will experience a smoother ride in this turbulent time.

Click here to read the full report

# Effective advertising in uncertain times is nuanced based on your sector

*The Advertising Research Community (ARC) has undertaken research to update effectiveness principles for advertising in uncertain times. Using Covid as a period of analysis they have created specific guidance for brands based on the context of their sector.*

## Recessions affect some sectors more than others

ARC classified sectors into three categories based on how their output was affected in 2020 versus 2019. There are the 'Victims' who were the worst hit by a sudden drop in consumer demand, the 'Secure' group who broadly were able to 'hang in there' during the pandemic, and lastly the 'Beneficiaries' as the name suggests were the e-commerce and D2C brands who capitalised on consumer behaviour forcibly shifting to online services. The graph on the right forecasts consumer spending for the current period of uncertainty. Inflation and remaining pent-up demand will decide how each sector fares.

## Effectiveness Principles by sector

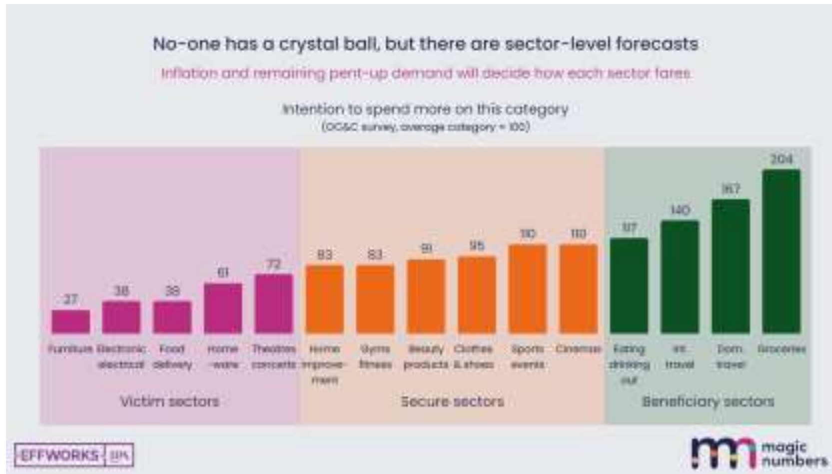
In terms of how these sector's apply to effectiveness principles, ARC have used 2020's results as a guide.

When in a 'Beneficiary' sector you should make the most of the existing demand and increase budget. 'Don't got dark' is too conservative of a principle. During Covid e-commerce/D2C advertisers made big bets committing to offline advertising (e.g. TV) and proper economic evaluation. This group saw a 30% uplift in revenue and £3.60 ROI per £1 spent on advertising.

When in a 'Secure' sector take advantage of cheap share of voice as 'Victim' brands lower their investment. In 2020, FMCG bigger spenders saw better uplifts and higher ROI.

In 'Victim' sectors there will be extreme cases of businesses that just won't survive the volatility to see the payback. Therefore there needs to be an evaluation of the potential advertising investment payback. Share of voice needs to be cheap enough in order to gain market share later on. Going quiet would be the last option in this scenario.

As inflation continues to dominate business' bottom lines, each sector will have differing contexts and this nuance should be thoughtfully considered to ensure effectiveness when it matters most.






*Source: ARC & Magic Numbers, 2022*

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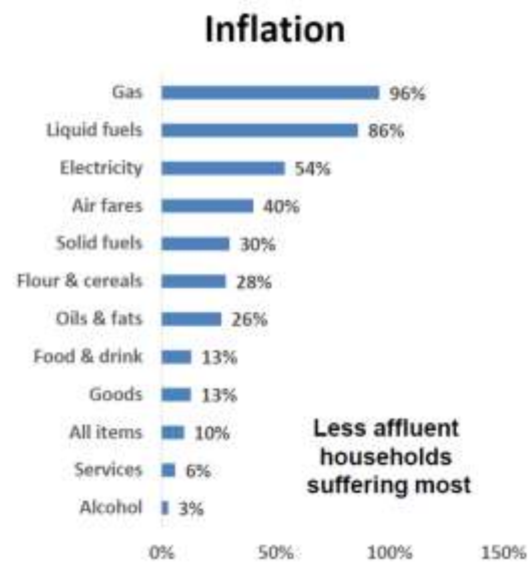
# De-risk advertising budget during inflationary times using econometrics to optimise approach

***Les Binet, the 'godfather of marketing effectiveness' presents a decision making approach to de-risk advertising budget during inflationary times. He argues econometrics and maximising net profit should be followed over attribution modelling and ROI.***

## Inflation makes 'Price' a starting point

Despite recent macroeconomic factors such as the Russian/Ukrainian war, inflation has been rising since the bounce back of post pandemic demand. This has left supply struggling to keep up. However not all sectors will be experiencing the same levels of inflation. Binet calls upon marketers to crunch the numbers in order to maximise profits, not revenue. Pricing is a critical component to effectiveness and the first step to de-risking advertising investment. Using econometrics to measure and therefore analyse the price elasticity of your product will allow for a more accurate understanding of how your inputs will affect outputs.




Annual CPI inflation Aug 2022, Source: ONS

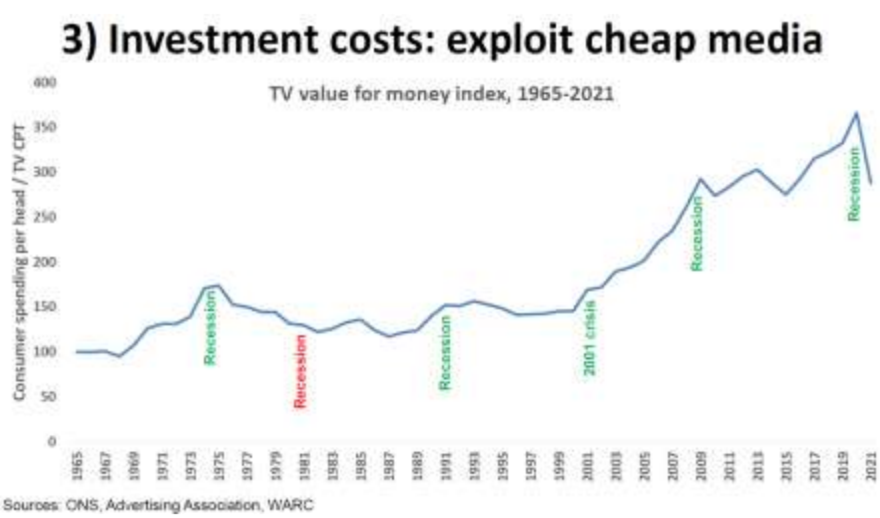
## 'Price promotions are the crack cocaine of marketing'

Binet warns marketers off the temptation of price promotions to generate sales. A recent study by Nielsen found that 84% of price promotions are not profitable. Continually setting price promotions increases your price sensitivity, reduces your pricing power and erodes your margins. Binet cites an example of a brand he consulted to cut their price promotions leading to profits increasing by a fifth. He states 'get that stuff right then optimise your advertising'.

Brand advertising helps to support your pricing. 'The stronger the brand, the lower the price elasticity, the greater the pricing power, the more margin you can make'. We can also see this supported by Brand Finance's valuation of brand strength.

## Exploit cheap media to build competitive SOV in your sector

When recessions hit and other brands start to pull investment from certain media, building SOV tends to get cheaper. In TV we can see the inventory's value for money across more than 50 years which tends to experience rapid increases in recessions. However this depends more on your sector than prices.

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## Use Econometrics to measure payback

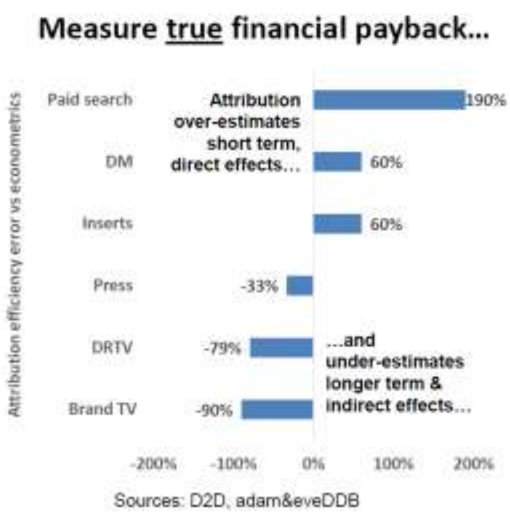
In order to effectively optimise advertising investment you need to be able to measure payback. Binet warns against using attribution modelling to do this. 'Attribution modelling overestimates the effects of short-term direct activity by a factor of 190%, and underestimates the effects of long-term brand building by a factor of 90%'.

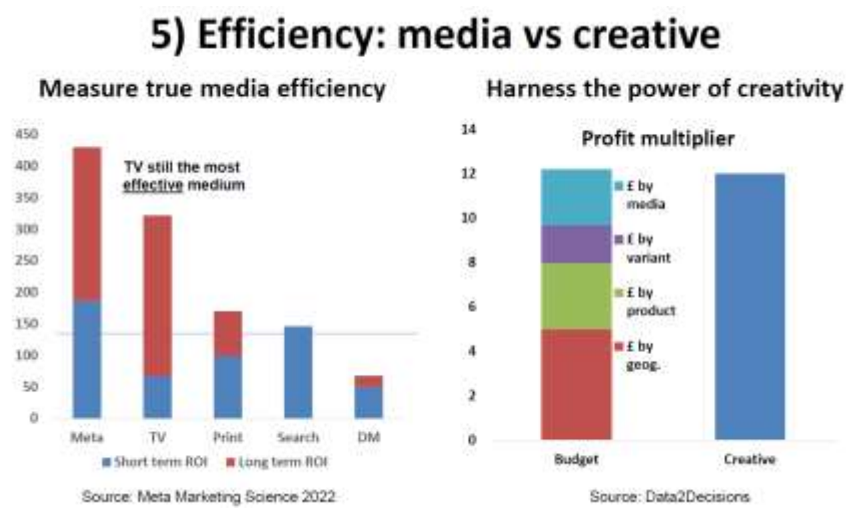
## Don't slash budgets, optimise them

Cutting budgets in this inflationary time may be necessary but don't cut them too much is the advice. Ideally you should maintain or increase your SOV by cutting less than your competitors, then optimise the rest.

Four factors to consider when optimising budgets

1. Measure your diminishing returns- as all media has diminishing returns
2. Maximise profit, not immediate return.
3. Do not optimise ROI – 'if you optimise ROI you will destroy your business'.
4. Don't cut too deep – if you cut, cut less than your competitors (Binet admits this is hard to figure out).




## Harnessing the power of creativity

Following media optimisation, creativity is a proven tool to further support effectiveness. Binet & Field's econometric research shows that 'outstanding creativity can make your budget go 11 times further'.

In summary, optimising marketing investment in inflationary times starts with protecting margins. Only then can advertising investment be optimised for effectiveness with creativity being a multiplier tool as budgets tighten.

▶ Click here to read the article

# Scale-ups: How Gousto used brand building to pivot their growth strategy

***In 2017, 5 years after launching, Gousto hit a 'performance plateau' having maximised these channels. They needed to pivot their growth strategy and use 'brand' as an accelerator to take the business to the next level. Tom Wallis, CMO, took us through the journey the brand went on to increase their effectiveness.***

## Performance spend had been maximised but growth hadn't

Gousto had focussed the first 5 years of their launch on driving cost efficient customer acquisition using performance channels. However their tipping point came as competitors like HelloFresh entered the market with substantial SOV pressure. This combined with low brand awareness scores meant they needed to look to other tactics for growth. In tandem with new competition in the market, this product category had become mass-market indicating head room to grow. This provided further support for introducing brand channels at this stage.

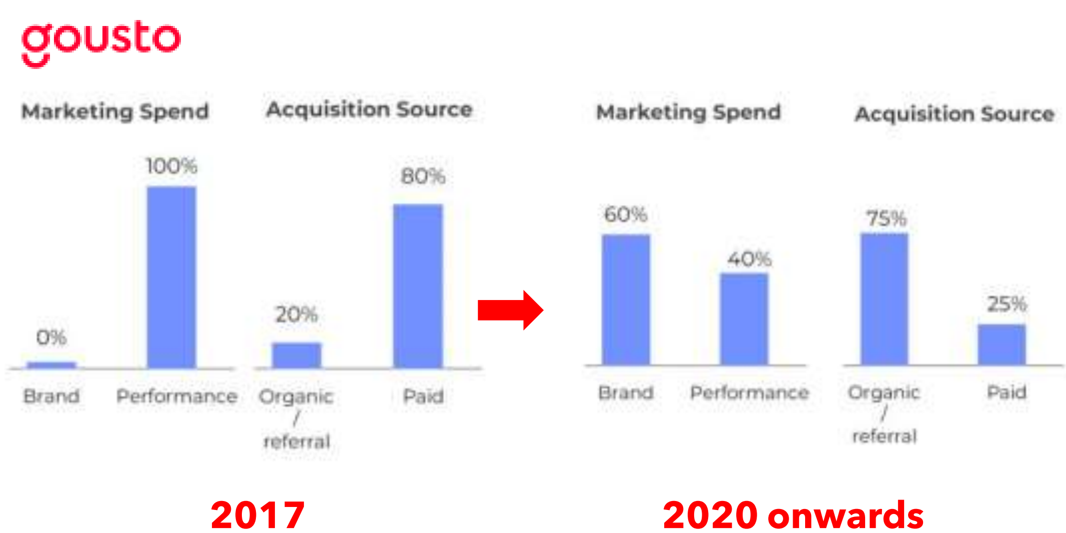
## Using econometrics to find the balance between Performance and Brand

Performance channels historically made up 100% of their marketing spend however in 2017 the source of acquisition was becoming an inefficient 80% in Paid versus 20% from Organic. When building their brand strategy they conducted measurement using Econometrics and came to a new marketing spend split of 60:40 in brand and performance. HelloFresh were outspending Gousto twice over therefore it was important to understand SOV by channel in order to achieve quality cut-through. Gousto focused a large part of brand budget on TV and OOH to create impact.

## Creating a focused measurement framework

In order to review the effectiveness of this new marketing approach they created a robust measurement framework. Metrics included, 'Prompted Brand Awareness %'. 'Intention to Purchase', '% point of awareness growth per £ of brand media', '% of organic sign ups' and 'Blended annual cost per acquisition over time'. In order to understand the long-term effects of marketing spend Gousto reviewed CPA annually, blending the metric across channels. This provided a holistic understanding of effectiveness over time.

As a result of Gousto's pivot to brand building they increased acquisition efficiency with paid media now only accounting for 25% of all customers and increased brand awareness from 17% to 60%. Over 4 years, with consistent investment Gousto have successfully navigated their journey from start-up to scale-up.




*Source: Gousto, 2022*

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# From stalking to seducing: Creativity as an effectiveness tool to build long-term relationships

***Sir John Hegarty, the world recognised advertiser delivered an impassioned talk on how brands are failing to connect with consumers and build long-term relationships. Increased focus on digital technologies have shifted focus away from inspiring audiences. With creativity delivering it's lowest effectiveness in 24 years, he urges marketers to be braver to support effectiveness.***

## Business creativity is not an oxymoron

The title of the talk, 'Business creativity is not an oxymoron' sets the scene for Hegarty's plea for creativity to permeate clients' whole business. Business has been seen as separate from creativity when in actual fact creativity drives business. Quoting Einstein, 'Logic will get you from A to B. Imagination will take you anywhere', Hegarty argues creativity is an essential component for effectiveness. A sentiment echoed in Les Binet's EffWorks talk, as creativity produces a campaign multiplier effect. Using the 'Black Swan' theory, Hegarty reminded us that very few business are an exception to the rule that you need to innovate and think creatively to survive in the long-term.

## From 'stalking' to 'seducing'

In the graphs shared we can see creativity is hitting a historic low for effectiveness as Hegarty states there is now 'obsession with promotion over creativity'. The rise of digital technology has led brands to push aside creativity in favour of metrics, and 'stalking' audiences rather than 'seducing' them. Online advertising was acknowledged as a necessity but not at the expense of inspirational creative within wider broadcast channels. Just focusing on these 'stalking' tactics won't build a relationship with the consumer and ultimately reduces effectiveness.


*Source: IPA Databank, 2018*

## Value the power of difference

A key component of creativity is differentiation. Hegarty praised milk alternative brand *Oatly* as an example of marketing that is daring to be different. They have used stand out creative and traditional brand building channels such as TV/Print/OOH. On the flip side Hegarty took aim at the Automotive industry's lack of differentiation in marketing new car releases with the copy 'all new'. This category status quo compromises brand differentiation.

Overall, Hegarty wants marketers to be braver and lean into the power of creativity to create brand value in difference, because 'if a brand isn't different why does it exist'.


For more information or to speak to one of the Hearts team please contact

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