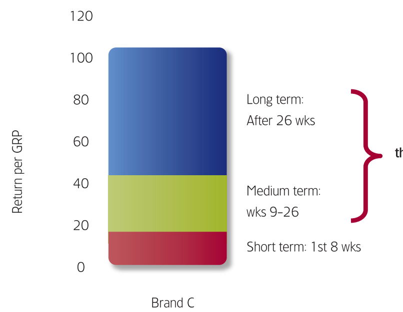
How can advertising be used to deliver long term growth?

Most advertising doesn't pay for itself in the short term. So, at a time when marketers are under ever increasing pressure to justify expenditure, it's important to understand the potential of advertising to deliver long term sales growth. Typically, the long term return per GRP is between two and three times greater than the short term effect on sales. And even better long term results can be achieved, usually through a combination of weight of spend coupled with highly impactful and memorable advertising.

The value of taking the longer term view

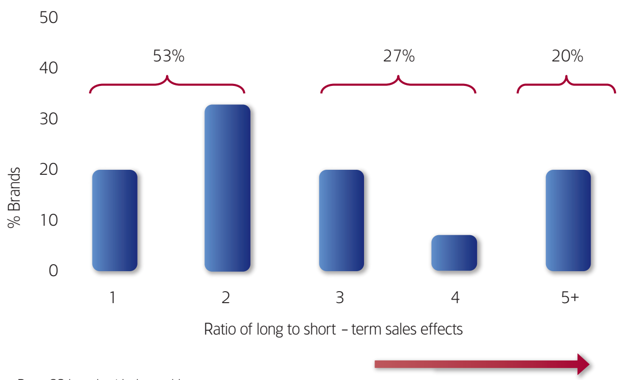
In one campaign for a major multinational client, the long term return per GRP from the brand's advertising was calculated to be almost six times the short term return. The short term return (over the first eight weeks) was small; not enough to justify continued investment. But when we add in the extra returns, generated after the first eight weeks, the picture becomes far more positive:

Long-term modeling case history total return/GRP



In general the ratio of long term sales to the corresponding short term impact is very variable. The overall average is between 2 to 3. However, across 94 ads we analyzed, 11 showed no long term effect; while, for 20 percent of those that did, the long term effect is at least five times greater than the short term impact:

Ratio of long to short - term sales effects



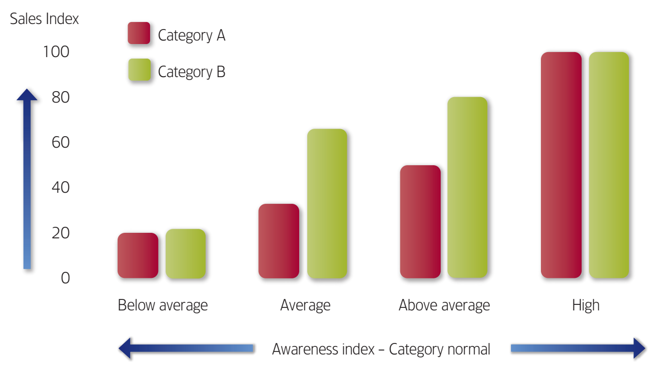
Base: 83 brands with detectable long - term sales effects from advertising

Branded memorability and long term sales

There is a clear relationship between the Awareness Index (AI) and long term sales effects. The more impactful the advertising, the stronger the long term effect. This is true across categories.

The chart below shows the effects from two different categories, with the sales effects indexed to adjust for the size of the brands and the differing nature of the categories. In category A (packaged goods), the long term sales effect increases with the AI. We see a similar picture when we overlay the long term ad effects for four competing automobile brands:

Stronger sales effects relate to higher AI

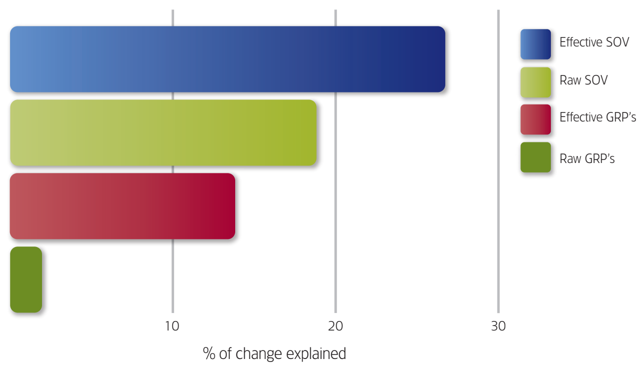


Spend v share of mind

The value of impactful advertising is highlighted by looking at changes in market share over time. Raw GRPs explain very little of the change in market share. But effective GRPs — taking into account the impact of the advertising by factoring in the Awareness Index — is around four times as effective at explaining the change.

More useful than raw GRPs is share of voice. But "effective share of voice" — again factoring in the Awareness Index — is even more successful at explaining changes in market share. Individual brands with high spend and strong AIs can be particularly effective at growing long term share.

Effective share of voice best explains changes in long term share

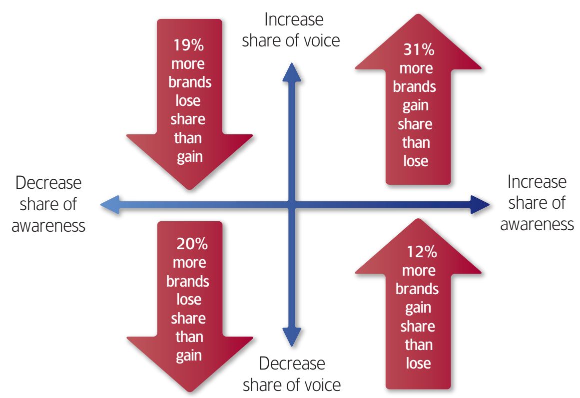


Is increased spend more important than greater impact?

While, ideally, you should aim for both, it is possible to grow with lower budgets providing the copy quality at least compensates for this.

In the chart below, the bottom left quadrant shows brands where both share of voice and share of ad awareness declined. On average 20 percent more brands lost share than gained. In the top right quadrant, we can see what happens when both share of voice and share of ad awareness increased. Nearly a third more grew than declined. The top left box shows what happened to those brands which increased share of voice — but with weaker copy than their competitors: 19 percent more declined than grew. The bottom right quadrant shows that when share of ad awareness grows, despite a drop in spend, more brands grow than decline:

Share of awareness



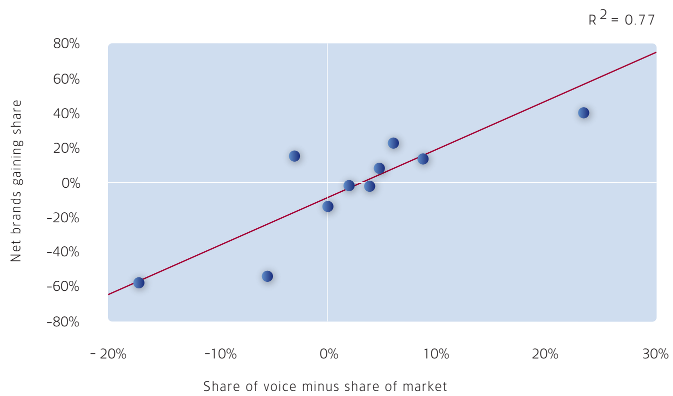
Share of voice v share of market

Having a higher share of voice than your market share is also likely to result in growth. Brands were ranked based on the extent to which their share of voice was above or below their market share; then the brands were divided into ten equal groups. Each square on the chart below represents one of those ten groups.

The bottom two groups, those with a share of voice between 10 and 20 percent less than their market share — were more likely to lose share over the following 12 months. In contrast, the top 10 percent of brands — spending more than 20 percent ahead of their market share — were more likely to grow.

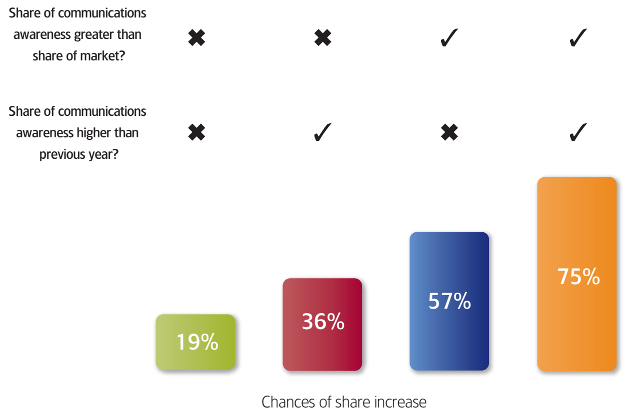
For the majority of brands however, there was little or no relationship between relative share of voice and change in market share. This is mainly because there are so many factors which can affect sales that it would be surprising to see a clear relationship with media weight alone; but it's also because the strength of the copy is a crucial variable.

Brands with a share of voice higher than their market share are likely to grow market share



Clearly then, increasing your share of communications awareness and having a share of communications awareness higher than your market share are both related to increased market share. These two factors are summarized here:

Share of communications awareness relates to probability of share growth/decline



Knowledge Points are drawn from the Millward Brown Knowledge Bank, consisting of our databases of 50,000 brands and 40,000 ads, as well as 1,000 case studies, 700 conference papers and magazine articles, and 250 Learnings documents.

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