JOHN KEARON

Marketing from the heart for growth

Building on Binet and Field's work, **John Kearon** argues that long-term profit requires excess heart and voice from brands. He suggests a 'share of voice to brand share growth' model as an alternative to ROI

MARKETING WORKS IN TWO WAYS

Through meta-analysis of the IPA Effectiveness Awards Databank, Les Binet and Peter Field have demonstrated that marketing works in two different ways: it can achieve both long-term and short-term effects. Marketing can be broadly categorised into brand-building and sales activation. These two marketing activities work differently over time (Figure 1).

The effect of brand-building campaigns is cumulative and takes time to establish, whereas sales activation effects are episodic and immediate. The big payback comes from long-term profit effects, which are more than twice as large as short-term ones. Binet and Field show that emotional brand-building activity is key to long-term profit gain.

The challenge for marketers is that brand-building campaigns take longer to register than the immediate sales uplifts of sales activation activities. This is one reason why Binet and Field have found evidence of increased spend on sales activation at the expense of brand-building in recent analysis of the IPA Databank.

MEASURING MARKETING'S CONTRIBUTION OVER THE LONG TERM

The most widely used measure of marketing's financial contribution is return on investment (ROI). Binet and Field propose it is better referred to as return on marketing investment (ROMI):

$$\text{ROMI} = \frac{\text{(net incremental profit)}}{\text{(marketing spend)}} \times 100\%$$

However, ROI definitions are not consistent. ROI is variously expressed in revenue or profit terms, it can include or exclude costs, and is calculated over various time frames.

While ROI might be suitable for measuring the short-term effects of sales activation advertising, ROI is a poor indicator of the cumulative, long-term profit and market share gain created by brand-building advertising.

On average, short-term campaigns report strong ROMI, but their contribution to profit growth is low. Long-term campaigns report lower ROMI, yet it is precisely these long-term campaigns that achieve the most impressive profit gains.

Binet and Field's latest meta-analysis (*Marketing in the Digital Age*, 2016) shows that a focus on ROMI goes hand in hand with lower than optimum spend on brand-building and a higher than optimum spend on sales activation. The implication is clear: for market share and profit growth, invest in long-term campaigns and avoid ROMI as your guide to performance.

To measure the effectiveness of campaigns over a longer time period, we need a different approach. A brand's 'share of voice' relative to its 'share of market' allows this and helps with setting budgets. An established marketing principle dictates that a brand that spends above its size (and achieves excess share of voice – ESOV) can expect its market share to increase in that period; a brand that spends below its size (does not have share of voice sufficient for its size) will decline. Binet and Field indicate that, on average, across all campaigns, 0.5 percentage points of growth are achieved for ten percentage points of ESOV. This relationship forms a helpful model to assess share growth that might be expected over a longer time period, and to set targets.

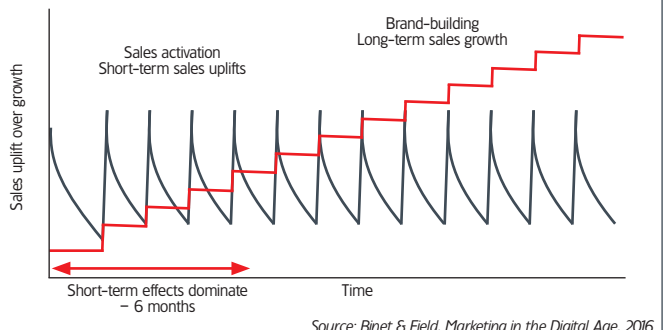
For example: if a brand's share of market is 10% and its share of voice is 20%, then its ESOV is 10% (20 - 10 = 10). It stands to grow by 0.5 percentage points as a result over the period.

HEARTFELT ADVERTISING FOR LONG-TERM PROFITABLE GROWTH

Binet and Field's meta-analysis of the IPA Databank has repeatedly shown the effectiveness of emotional advertising. Campaigns in the IPA's Databank that are

The actual emotional response the viewer feels towards an ad can be used to explain its business success

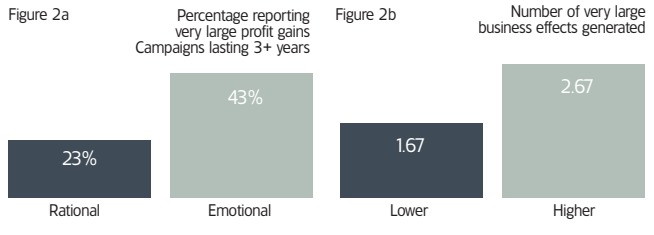
FIGURE 1: The contribution of sales activation and brand-building advertising over time



Source: Binet & Field, Marketing in the Digital Age, 2016

FIGURE 2: Contribution of emotional campaigns, defined by declared strategy and actual emotional response

Identifying best practice with the IPA's DataMINE

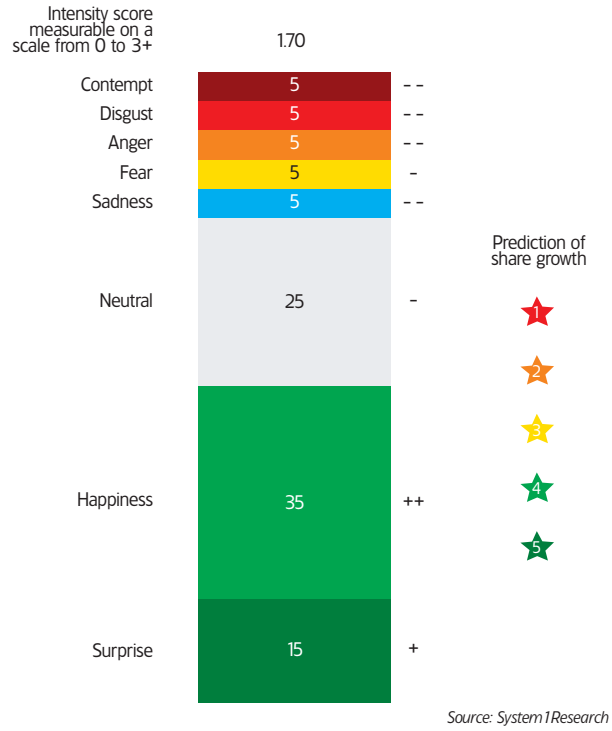


The Long and the Short of It
Binet & Field, Thinkbox, 2013

System1Research
Effects courtesy of IPA

FIGURE 3: An emotional measure to predict share growth

Constructing a model to predict share growth



Source: System1Research

declared to use an 'emotional' strategy by their authors are nearly twice as likely to report very large profit gains over the long term as those that do not (Figure 2a).

System1Research's work shows that the actual emotional response the viewer feels towards an ad can be used to explain its business success. In 2009, we tested campaigns for which the IPA holds business effect data. Independent analysis by Field on behalf of the IPA, using the IPA's effectiveness data, showed that campaigns generating a greater emotional response in System1Research's testing achieve a greater number of very large business effects (e.g. penetration gain, share gain and reductions in price sensitivity) in-market (Figure 2b).

This work also established that emotional response explains market share gain beyond the share gain that could be explained by levels of ESOV alone.

Emotional advertising is powerful because our emotions simplify and guide decision-making, and determine our behavioural response. As psychologist and neuroscientist Antonio Damasio explains, our brains register (actually mark physically in the flesh) every new experience as good, bad or indifferent. He calls these recordings 'somatic markers'. These somatic markers – emotional responses to situations laid down by memory in the past – help us make quicker decisions in the future. So a brand that has made us feel good through its advertising will encourage a future decision in its favour. The more you make people feel good over time, the more of your brand they will buy over time.

Emotion is an important component of what is known as System 1 or fast decision-making – the quicker, easier mode of thinking. System 1 is a fast, associative, pattern-recognition machine. It learns gradually over time and through experience, and enables us to assess situations and come to instinctive decisions.

When it comes to deciding between options, people are fast and frugal creatures, and care much less about brands than many of us in the industry would like to believe. Instead, they rely on shortcuts – 'Have I heard of it?', 'How do I feel about it?' or 'Do I recognise it?' If a brand can ensure that the answer to these shortcuts or proxies for analytical thought is 'Yes', then it will increase its chances of being chosen.

Creating a quick mental shortcut through feeling – what psychologists might refer to as the Affect Heuristic – is therefore of enormous benefit to a brand. Not only will it make decision-making faster and easier for the buyer but it will also help it to maintain or even raise its prices as many IPA cases studies have shown.

SHARE OF VOICE TO BRAND SHARE GROWTH MODEL

A 'share of voice to brand share growth' model uses emotional response to adjust upwards or downwards the level of growth that might be achieved through share of voice alone. At System1Research, this is called an 'Emotion-into-Action' model.

Emotional response to advertising is measured with a pictorial scale. The scale is based on the work of Paul Ekman, a psychologist who has shown there to be seven basic emotions we all feel and express in exactly the same way in our faces, whatever our race, background or culture. They are: happiness, fear, disgust, anger, surprise, contempt and sadness. The scale also features neutrality, because, of course, it could be that people feel nothing in relation to an ad. People are asked to indicate how they feel about an ad; they select one of the seven basic emotions or a neutral response. ▶

FIGURE 4: System1's Emotion-into-Action model, illustrating likely annualised percentage-point share growth for any given star rating, assuming the ad enjoys ten percentage points of ESOV

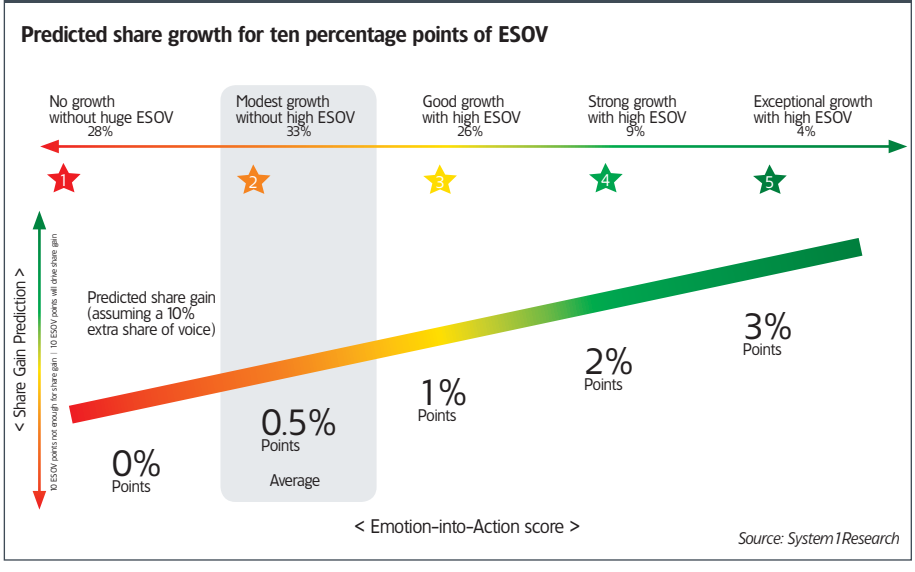


FIGURE 5: How IPA winners tested by System1 Research between 2006 and 2016 performed (35 cases)

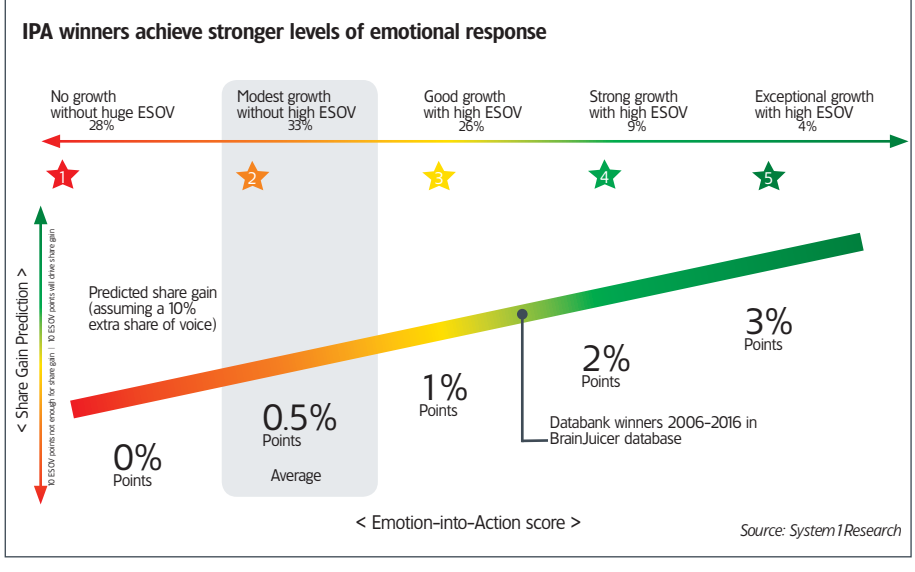


Figure 3 shows the proportion of people feeling surprise and happiness at the bottom of the bar, neutral in the middle, and then the negative emotions at the top. Historical testing has established weights for each emotion and enables us to translate raw emotional response into an Emotion-into-Action score and star rating summary – from the weakest 1-star (representing 28% of all ads) through to the strongest 5-star emotional response (representing just 4% of all ads).

Highly emotional 1-star ads achieve greater growth than you would expect for the same 10% points of ESOV. Rather than the expected 0.5% points of growth, a 5-star ad can expect growth of three percentage points. Ads that are weaker than average emotionally (1-star) will grow less than the established ESOV to share-of-market-gain marketing principle dictates. To achieve strong growth, create 3-, 4- or ideally 5-star emotional work (Figure 4).

ADS WITH GREATER EMOTIONAL RESPONSE

IPA Effectiveness Awards winners perform substantially better than average on the star rating system – on the boundary of 3 and 4 stars – meaning they elicit stronger emotional response than average. The model would therefore expect them to achieve greater than average market share growth for 10 percentage points of ESOV.

Several of the 2016 IPA winners have submitted their extra share of voice and share of market growth data to the IPA as part of their award entry. The average percentage point share growth for ten points of ESOV for these award winners is 1.7 (see Figure 5).

This is in line with the model: ads with greater than average emotional response, will achieve greater share growth than you would expect for their investment.

THREE THINGS TO ACHIEVE LONG-TERM PROFITABLE GROWTH

Rather than ROI or ROMI, long-term profitability is best measured and predicted with a model that combines ESOV with the emotional response to the ad. We call this the Emotion-into-Action model.

Research by Binet and Field on behalf of the IPA and our own research mapped to the IPA's Effectiveness winners demonstrates the relationship between emotional advertising and market share growth. While the IPA's analysis establishes the relationship between the campaign's declared strategy and effectiveness, our analysis shows the relationship between actual emotional response to an ad in the viewer and levels of share growth seen in market per point of ESOV.

Emotional response helps to lay down brand advertising experiences in memory as good, bad or indifferent, guiding and simplifying future decision-making between brands. For your brand to achieve long-term profitable growth beyond the levels you might expect from extra share of voice alone, brands need to do three things:

- Create a long-running, heartfelt brand campaign whose ads build on each other. John Lewis has produced consistent, emotionally strong advertising at Christmas every year since 2012, with a distinctive look, sound and feel. Unlike sales activation advertising, emotional ads with consistent branding devices build on each other over time and their effect is cumulative.
- Test early and test often to empirically guide development and ensure you are achieving a strong emotional response to your creative.
- Commit to a 10% ESOV to maximise long-term brand profitability.

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JOHN LEWIS CHRISTMAS CAMPAIGNS

Analysis of the 2016 IPA Effectiveness Awards Grand Prix

The four seasonal ads featured in the IPA paper include 'The Journey' in 2012, 'The Bear and the Hare' in 2013, 'Monty the Penguin' in 2014, and 'Man on the Moon' in 2015 (Figure 6).

The Grand Prix-winning paper shows how the campaign generated £8 of profit for every £1 spent. Perhaps, more significantly, the campaign has helped John Lewis grow its market share over the longer term.

In the period from 2012 to 2016, John Lewis' share of department-store sales grew by 5.5% points, outstripping its competitors and growing well ahead of the market (Figure 7).

Other factors such as product range, prices and a loyalty scheme launch are shown in the IPA paper to have played a much lesser role. While new stores opened over the campaign period, the paper shows the same impressive growth was seen in like-for-like sales, and new stores were therefore not the main driver (Figure 8).

A growth-focused model for target setting

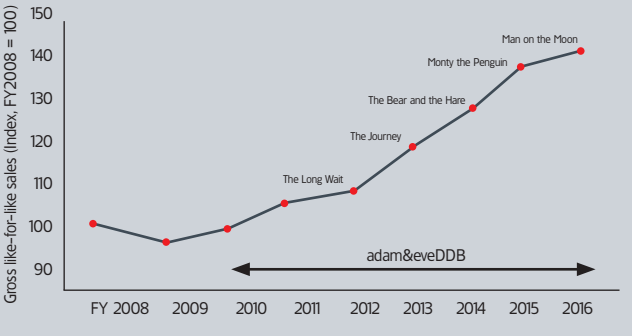
System1 Research has tested each new ad from the John Lewis campaign every year and the results can be seen in Figure 9 (Emotion-into-Action scores). This case study is significant because there is variation in the data. A range of emotional scores across the campaign (from less emotional to more emotional ads), together with corresponding share growth data, enables us to stress-test the model.

Modelled share growth prediction for each of the four John Lewis ads is shown in the left-hand graph, relative to the emotional response each ad achieves. The IPA paper does not provide share-of-voice figures, so our illustration shows the percentage point share growth that would be expected for ten points of ESOV. It is fair to assume the same ESOV for every ad in the campaign spend was similar for each ad and the IPA paper's author assures us that share of voice would have been approximately the same for all ads in the campaign. The graph on the right shows the annual percentage point share growth that is reported in the IPA paper for each year of the campaign, relative to corresponding Emotion-into-Action scores for each ad.

The Emotion-into-Action model achieves an excellent fit with the actual share growth seen in the market (a correlation of 0.85 and an R^2 of 0.72).

FIGURE 6: John Lewis Christmas campaigns 2012-16

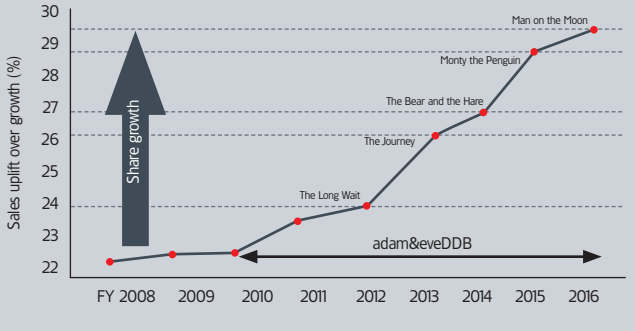
FIGURE 8: John Lewis Christmas campaign 2012–2016 (like-for-like sales, from *Advertising Works 23*)



Source: John Lewis financial reports

FIGURE 7: John Lewis share growth over Christmas campaigns, 2012–2016

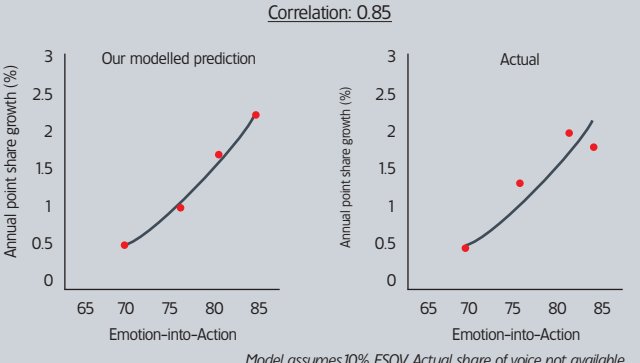
Emotional advertising contributes to exceptional share growth



Source: John Lewis, Mintel

FIGURE 9: System1 modelled share growth assuming 10 percentage points of ESOV vs actual share growth

Emotional advertising contributes to exceptional share growth



Model assumes 10% ESOV. Actual share of voice not available but "roughly equivalent for each ad in campaign" (Les Binet)