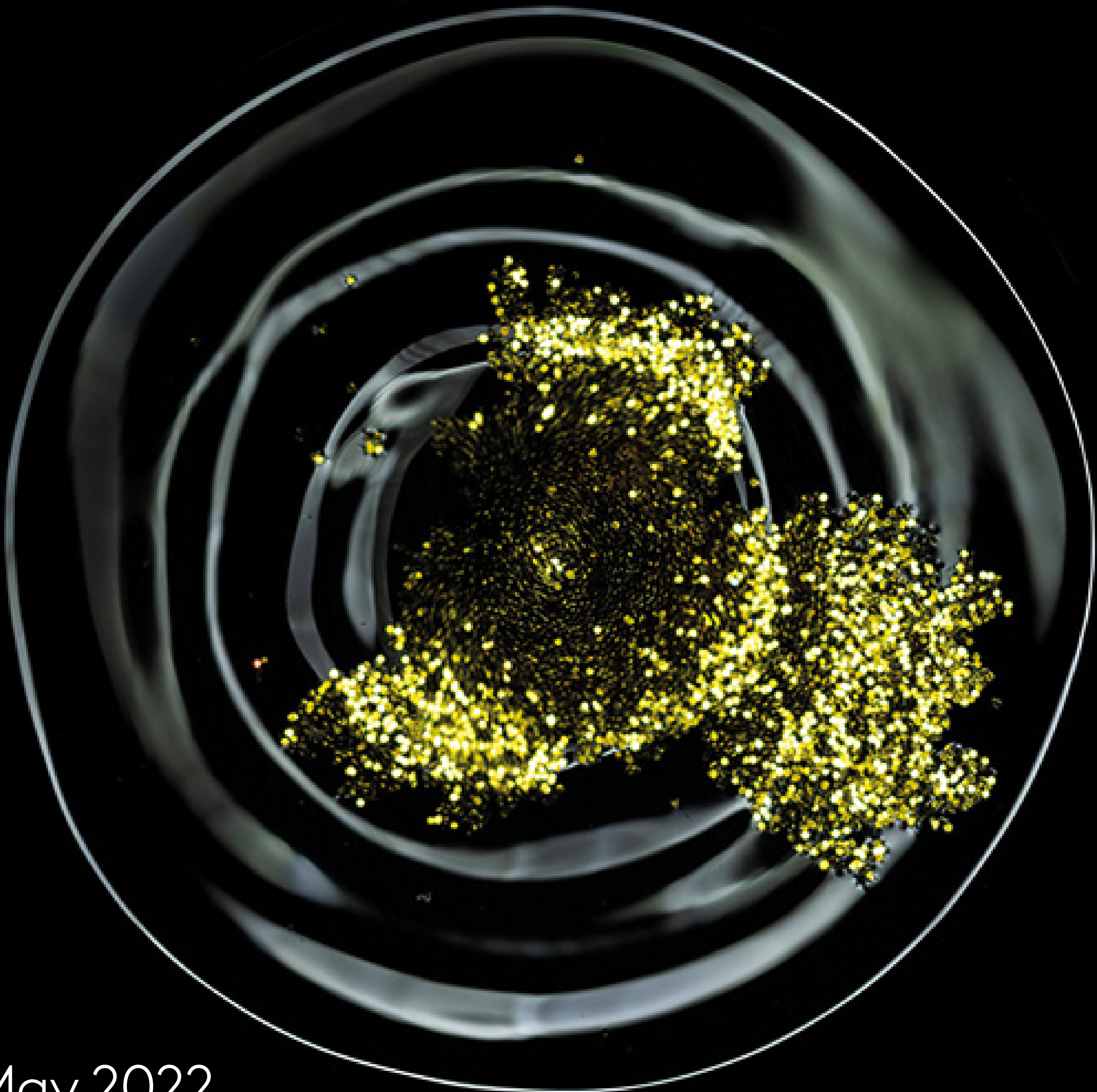
KANTAR

The New Rules of Marketing Effectiveness



May 2022

kantaraustralia.com

In this world of increasing media proliferation, there has never been a more critical need to measure your marketing effectiveness and ROI at a channel/publisher level for both on and offline media.

As such, we are thrilled to announce that the global Kantar business has reached an agreement to acquire the world-class AI-enabled marketing ROI firm Blackwood Seven.

What does this mean for our clients?

The ability to measure **marketing effectiveness** in real time by learning from the effects of past media investments and modelling a multitude of scenarios to optimise future media plans down to individual publisher level. Blackwood's Seven's Hamilton.AI integration teases out performance effects by channel at a granular level, augmenting a range of uses including:

— budget setting

— competitor analysis

— reducing customer acquisition cost and minimising churn

— measuring brand equity

— quantifying the impact of the creative.

Every day we are asked for a solution that brings together the insights needed for both strategic and tactical media investment decision-making future proofed against cookie deprecation. **And now it's here.**

Combining Hamilton.AI with our Athena platform to evaluate long-term brand contributions we will integrate granular touchpoint modelling into traditional marketing mix modelling delivering across all marketing decision-making needs.

It's a game changer for the Australian market and something we're thrilled to be able to bring to you.

If you'd like to **find out more** and **experience a demo**, please get in touch. We'd love to chat and help you combine behavioural and attitudinal data for actionable customer analysis to inform your every marketing and sales decision.

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Do you know your TMROI?

Total. Marketing. Return. On. Investment.

Do better best

Evaluate what great looks like with Kantar's

— global reach and local understanding
— extensive database benchmarks on Media ROI and brand performance across sectors.

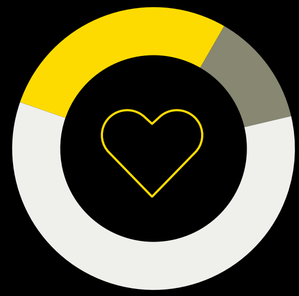
Discover the Kantar TMROI solution for the most valuable insights and return on marketing investment.

The key is understanding the impact of brand equity on sales today

Experience unrivalled brand expertise

Integrate brand tracking data into Marketing ROI models to provide holistic marketing performance evaluation

28%
Contribution of **brand** to sales as a result of media spend



13%
Direct contribution of media spend to sales

Sales Impact Index

Experience integrated creative evaluation

Use creative quality metrics to understand the role of creative to drive ROI and marketing performance

$	(megaphone)	70	100	110	120
Spend	Creative Quality Scores	Poor < 60	Average 60 - 80	Good 80 - 100	Very Good 100+

Successful brands maximising their TMROI are driving sales growth today and creating demand tomorrow

Experience cutting edge technology

Deliver granular data ingestion, strategic visualisation, modelling and optimisation across brands

<1%
typical investment from marketing budget

20-30%
average improvement in marketing effectiveness

10-20 X
average first year ROI

Strong Brands

01

Generate superior shareholder returns

02

Are more resilient in times of crisis

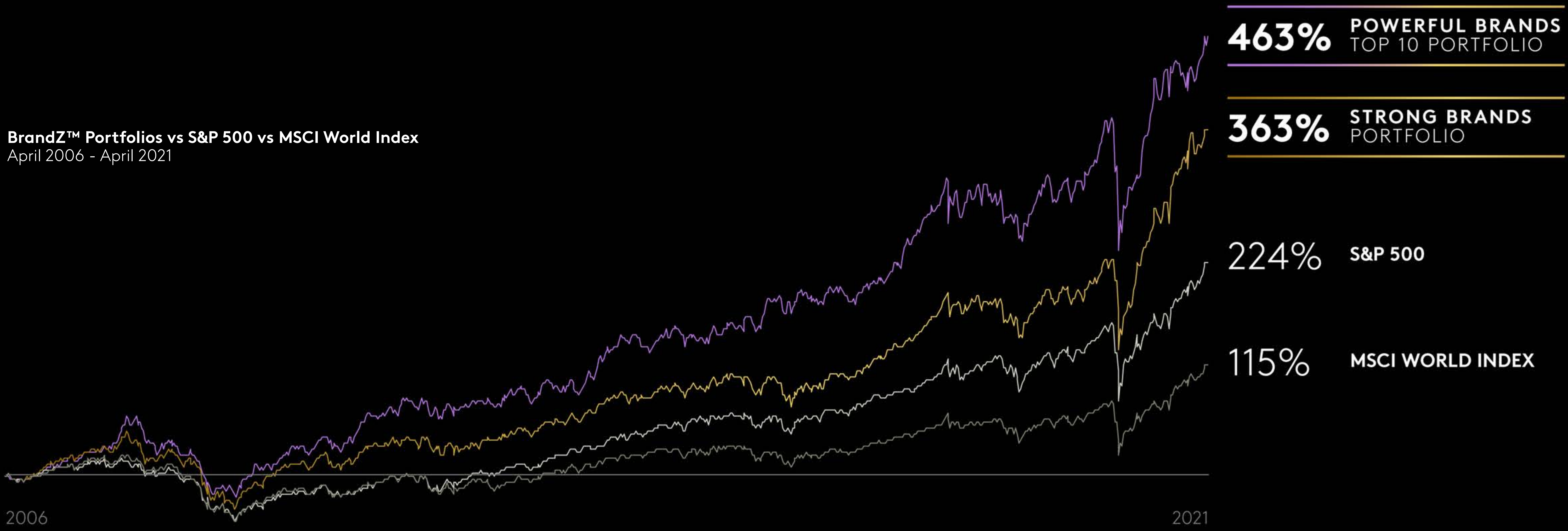
03

Recover more quickly

"Winning brands are the strong leaders and innovators. As we learned from the GFC, brands with strong equity declined less, and recovered *(much)* faster. Back then, meaning and a perceived difference provided the foundations of brand equity, and thus long-term resilience – and that still holds true today."

Ryan France , Head of Brand Strategy, Kantar Australia

BrandZ™ Portfolios vs S&P 500 vs MSCI World Index
April 2006 - April 2021



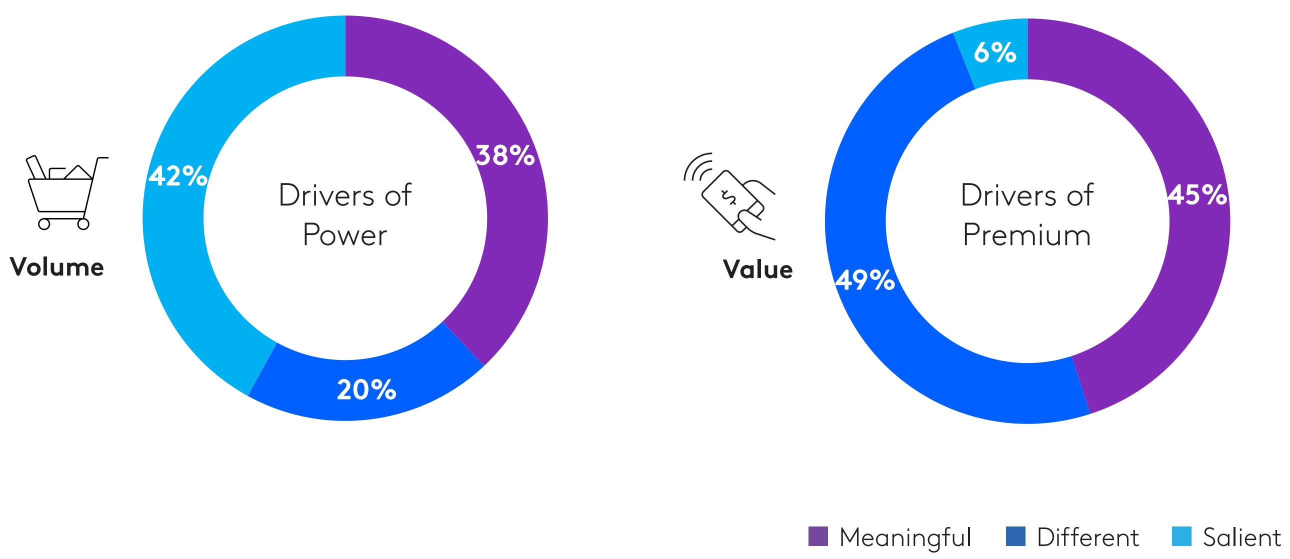
Brands with strong clarity contribute 70% more to sales

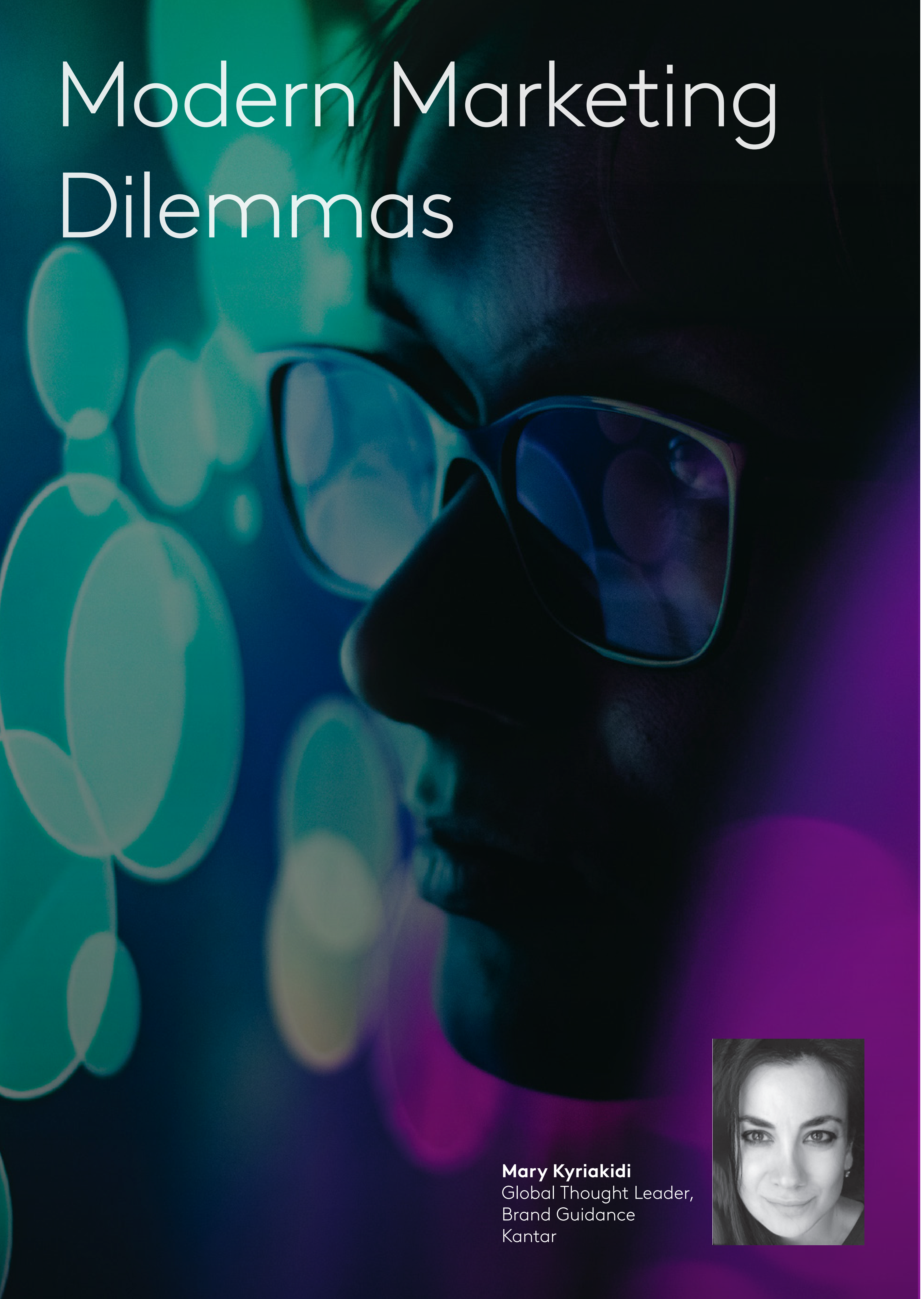
Make the most of every encounter with consumers.

Kantar BrandZ global data shows that brands with strong clarity (what they stand for is well understood) contribute 70% more to sales. In fact, **a brand's ability to charge a premium goes hand in hand with strong equity.**

Consumers are consistently willing to pay more for brands they regard as meaningfully different. Among people who are primarily brand-driven (they choose a brand first, then look for the best price), consumers are content to pay, on average, 37% more than for other brands. Even among price-driven consumers, there's still a willingness to pay 14% more for brands with strong meaningful difference.

Key drivers of a brand's premium





Modern Marketing Dilemmas

Mary Kyriakidi
Global Thought Leader,
Brand Guidance
Kantar

1. Where does performance marketing meet brand building?

We unravel the criticism against Marketing ROI as a key metric and explore how to get the balance right between short and long-term measurement.

If you invest correctly, sales will come – now and in the future. And Marketing ROI plays a critical part in this decision-making process, albeit only offering half of the truth.

Once upon a time in Marketing…

Return on Investment (ROI) has rightfully been a popular metric in business since the 1920s. Marketing executives, tasked to give people a reason to care about the products and services they sell, have been spending money to make money. And to measure their effectiveness, they had to offer proof that their endeavours brought a return on their marketing investment. In the earlier years, gut instinct was the standard operating model. Fluffiness and some degree of unaccountability were associated with it making marketing budgets a common casualty in economic slowdowns. Then, the digital explosion appeared like a knight in shining armour and numerous media solutions sprang up in the campaign measurement spectrum to help clean up the industry's act.

The Marketing ROI practice became more tangible, and the metrics easier to calculate. Industry executives breathed a sigh of relief: they could now justify their expenses with greater precision, and determine their most effective efforts, even compare their marketing efficiency against competitors. They felt closer than ever to finance – holding themselves accountable for using company funds wisely. But alongside these benefits, came a somewhat large degree of imbalance in measuring and equally recognising all aspects of a business's sales performance.

Is Marketing ROI nonsensical? No. But mind its bias when used on its own.

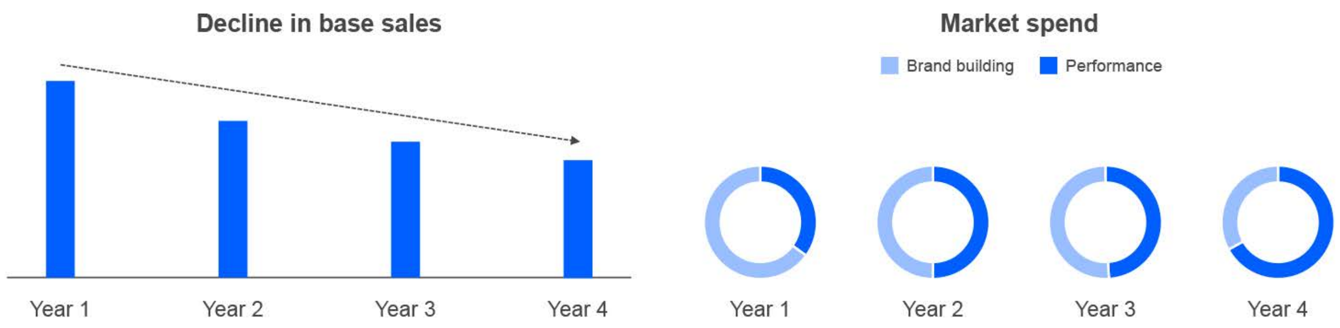
If Marketing ROI is such a good thing, why is it frequently criticised by the marketing academic community? "A silly metric to some degree," Mark Ritson says, "a stupid metric" exclaims Byron Sharp, picking not only on the (often too short) time variable on which it's calculated, but also on its synonymity with marketing accountability. "ROI is not so much understood as waved about as a totem to ward off evil spirits, namely those trying to cut advertising expenditure," writes Marketing Professor Tim Ambler of London Business School.

The top argument against Marketing ROI is that it excludes longer-term results. It creates a fallacy of growth that comes at the expense of building long-term brand profitability.

Because Marketing ROI's arithmetic calculation doesn't include the value that a brand creates for a business. It's a division (not a subtraction), with the cost of the current marketing expenditure as the denominator. If this is nil, ROI is infinite. This means that those hypnotised in a Marketing ROI trance will find it hard to see beyond the immediate gains of performance marketing. Hence, they'll end up making lower returns and less profit in the long run.

There is inalienable evidence that unbalanced brands won't win in the long term. Multiple Kantar studies reveal that if marketing mix allocation consistently favours performance marketing, baseline volume sales will steadily weaken.

Neglecting brand building results in base sale decrease and a greater reliance on performance marketing



Source: Kantar Analytics Marketing ROI norms database

Similarly, wisdom from Kantar BrandZ forewarns of restricted growth when brand building declines. Between 2019 and 2021, brands with growing equity increased their brand value by 72% compared to just a 20% increase for brands with declining brand equity. If the evidence advises against a partisan approach, why do many marketers still fall into the trap of favouring performance marketing and getting stuck in a vicious circle of discounting and eroding margins?

The answer is multi-faceted, but largely lies in a practical caveat: metrics-driven performance marketing increases a marketer's fighting chance for a larger budget. Because although it's quite demonstrable to talk about generated leads, a sale, a click; in essence, the reflex consumer reaction to a marketer's short-term tactics, the contrary is true for brand building. As an industry, we still grapple to show the rewards of long-term investments and how these influence people's future behaviour.

The solution to getting the balance right comes from analytics

When it comes to evaluating the effect you have on customers, and the likely effect in the future, the metrics are different: to foresee short-term gains, metrics are rational and direct (they measure behaviours), whereas those more likely to predict long-term success are emotional and indirect (and slow-moving! They measure attitudes that shift slowly).

But don't let the ancillary nature of the latter cluster fool you; these indicators still influence sales over the long run as they come as a package deal with an improved consideration, a boosted salience, and an enhanced perception that a product is good value for money and there is greater tolerance for a higher price.

With the metrics under your belt, how can you make sure they deploy the right mix of brand building and performance efforts? We urge you to go beyond the traditional marketing mix models and measure not only the direct, but also the indirect impact of marketing on sales, i.e., the equity impact of marketing on sales. The inaugural and very important step to ensure you are deploying the right mix of brand building and performance efforts is to evaluate your marketing channels; are the dynamics of PR, TV, online video, influencers, print, search, display and out of home generating both imminent and future sales growth for your brand?

Many aspiring balanced brands come to us for a comprehensive assessment of marketing ROI, or what we refer to as Total Marketing ROI (TMROI): a comprehensive and holistic framework to measure and optimise effectiveness across all marketing channels integrating sales and brand metrics into one predictive system. Small but decisive tweaks in their channel mix allocation optimise our clients' impact, which lead to a healthy uplift in sales. This is exactly what our client from the retail sector experienced. By optimising their spending allocation between brand and activation they enjoyed a 10% increase in total sales, driven by long-term effects and baseline growth for the brand.

Building balanced brands

Ancient Greeks strongly believed that you should live your life choosing the mean (average) and avoid the extremes on either side, as much as possible. Because having 'everything in moderation' produces harmony, goodness and beauty.

In marketing specifically, this leniency generates greater returns in the future. And, indeed, Les Binet and Peter Field have shown this empirically – that if you had just the choice of doing short or just the choice of doing long, you should actually opt for both. "You need to do both jobs," Binet explains, "because each enhances the other, and you need to do them in balance."

These brand stories breathe life into the theory. When Heinz shifted focus to sales activations and neglected its brand, the woes didn't take long to surface. But when Dove masterfully balanced a strong emotional connection (pushing the beauty boundaries) with good old fashioned persuasion (product benefits), sales soared.

Even in a sector where it's least expected, like fintech, "the real differentiator is not technology, but the brand itself," Piotr Jan Pietrzak, Director of International Development at BLIK told us. "Quite early on, we started talking less about the product and the technology and really pushed the brand. It's the brand that eased the synergies with the banks and gently nudged our allies to become more compatible. As the brand grew so did our leverage." BLIK's Brand Power and transactions have been growing in perfect sync.

Different brands address their balance thermostat at different points in their brand life stage: GoDaddy initially doubled down on brand marketing and it was only much later that the web hosting company shifted its efforts to telling people what they do and who they do it for. For a while, people knew the brand, but they couldn't quite tell what they did. In the case of Airbnb, in one of the sectors hit hardest by COVID-19, it was the change in focus from performance marketing to brand building that paid off. In 2021, its first large-scale global brand campaign in five years, 'made possible by hosts' resulted in a +20% increase in traffic, proving that some long-term marketing efforts can also produce some short-term effects.

Ease the pressure to appeal to existing buyers and the overreliance on Marketing RO

Marketing ROI optimises marketing spend, but it's based on half of the truth (the present and the near future) – and, for that, it falls short. We've done extensive research on the three phases of the consumer decision journey that build sales momentum now and in the future. We found that a strong performance at each stage adds up to an overall increase (in sales) of 46% across three years.

But, more pertinently, we discovered that one of the three stages influences future sales much more than the other two.

1. Predisposing more new customers has the greatest impact
2. Capturing more shoppers that were not predisposed (what we call brand activation) comes next
3. Last is the stage of delivering a positive experience.of home generating both imminent and future sales growth for your brand?

The greatest impact on future sales comes from predisposing new customers

The headline of this article could read: 'Future growth will come from future buyers'. Because those buyers who are currently not wired to choose your brand (i.e., your infrequent buyers or even the non-buyers of the category) are, ironically, the ones who will help your company grow. From an ROI perspective, the focus on predisposing more new customers and long-term returns seems like "the miserable thing to do," as Byron Sharp explains, "but that is investment in the future, in reaching people who will be buying in the future".

The tides are turning; balance is in the air

ROI remains a popular comparative practice across a business's different investments (how does a marketing investment fare against a technology one or a product one?) and as a metric, Marketing ROI remains very important for CMOs. Many will openly admit that the lures of performance marketing are bewitching. "Marketers often fall into the last-click attribution trap, which gives too much credit to direct response tactics." Brent Reinhart, GM, CMO, JPMorgan Chase & Co says, and then adds: "I've been guilty of that myself in the past."

But the tides are turning: More and more companies are challenging the split between performance and brand marketing and creating more of a balance. Realisation comes first in this pursuit of marketing excellence.

Source: Kantar BrandZ

> "So, look around you; if you are sitting in a siloed performance or brand team with separate goals and KPIs, raise your hand. Now is the time to do something about it."

2. What role does brand play in the consumer decision journey?

Mental vs. physical availability: winning brands are easy to mind and easy to find. Find out how to make sure your brand will be chosen.

Our second conundrum is rhetorical, as we explore if mental or physical availability trigger people's choice. Defying the pitfalls of narrative spoilers, I admit early on that a brand's 'easy to mind' and 'easy to find' qualities are co-dependent and influence one another throughout the consumer decision process. That means the answer is both, but now sit back and fasten your seatbelt for this zig-zagging journey towards epiphany.

Double jeopardy is a reality of brand life

Physical availability comes before everything else because, unless a product is there, people can't choose it. So, logic dictates that reach matters and penetration enables more sales of a product or service. A brand that increases penetration will, on average, enjoy higher sales and stronger loyalty, reaping the benefits of the 'double jeopardy' effect. It's a no brainer.

This doesn't mean that smaller brands are inherently weak or disadvantaged. In Byron Sharp's own words: "The big brand has to complete a marathon, whilst the small brand (which suffers from a sore foot) only has to run 50 metres".

Sustainable growth is up for grabs for all, it's not size constrained, because the human brain works in mysterious ways. According to Nobel laureate Daniel Kahneman it's largely "a machine for jumping to conclusions". Given a choice, people will pick the brand that comes to their mind fluently; an action activated by what we call mental availability. Increasing the likelihood of a brand coming to mind easily is about dismantling that psychological construct.

The consumer decision journey is a feedback loop

What triggers your brand and what your brand triggers is revealed in the way people make decisions. Whether System 1's unconscious processing prevails or System 2's brain gymnastics triumph, shoppers make decisions under the influence of persuasion that occurs in each of the three stages of the decision journey.

Flipped on its head, this persuasion argument is how businesses build sales momentum now and in the future.

Brands that succeed in the three facets of the consumer decision journey (Experience, Equity, Activation) realise a phenomenal 46% growth. And although the stages are presented in an orderly fashion, each person can jump on the decision bandwagon earlier or later in the journey. As he or she can by-pass stages in accord with their self-rightness. Here they are on the following page:

1. Experience - triggering repeat sales

Brand purchasing is like a leaky bucket; a lot goes out the bottom. A loyalty-first strategy undoubtedly sets limits on company growth. However, it's simple plumbing economics that the less goes out the bottom, the less you have to put back in. In marketing terms, the more likely you are to grow by penetration gain. Our research shows that maximising the customer retention leads to +7% growth.

2. Equity - triggering future sales

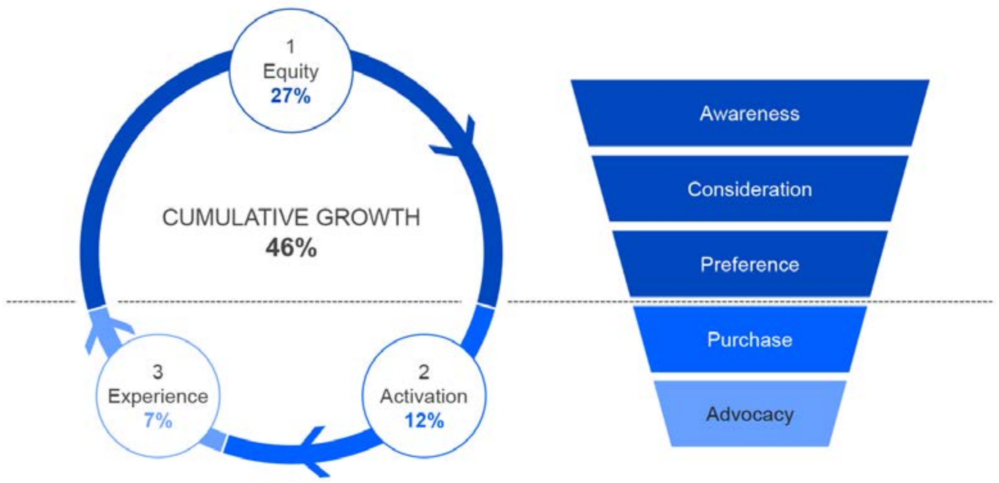
If investors believe that sales and profit will come from future buyers, they relish the intangible value of your brand and give it a generous market capitalisation; a value reflecting goodwill that sits well above the brand's book value. So, it's no surprise that seeding positive perceptions in the minds of every buyer (not just those in-market to buy right now) is the most important driver of growth. Our research shows that pre-disposing new customers to buy a brand in the future results in +27% growth.

3. Activation - triggering current sales

Instead of shouting 'Notice me!', a product sits quietly on a real or digital shelf trying to stand out with its distinctive assets. The more it looks like itself, the more instantly recognisable it will be. As a result, people who find themselves at a moment of buying – whether it's an impulse or a deliberate action – will more easily identify the brand they've associated with a need. And just like that, a sale is made. This stage of capturing shoppers that might or might not have been pre-disposed to a brand 'Activation' generates up to 12% growth.

These three facets of the consumer decision journey bear a remarkable resemblance to the traditional purchase funnel. Equity subsumes the top of the funnel: awareness, consideration, maybe even some preference. Activation syncs with purchase. Experience that meets (or exceeds) promises and expectations nurtures advocacy. Equity yields long-term benefits, whilst Activation and Experience are bound to bear fruit more presently, turning a positive perception into sales, i.e. what marketing and sales aspire for from the bottom of the funnel

The 3 stages in the consumer decision journey that influence sales



The influence exerted on future buyers during the Equity phase is much greater than simply widening the mouth of the funnel (top) as in due time, its neck (bottom) will widen too.

'Easy to choose': Why accreting brand value trumps a brand image boost

When iPad launched in 2010, 45% of consumers couldn't name any other new products that year. What sits behind Apple's mammoth recognition endeavour was not simply an unescapable campaign, rather the greatest brand value case study in the history of marketing. The brand's clear positioning around the three core tenets of simplicity, creativity and humanity and their concerted execution in everything they did make Apple one of the most striking turnaround stories of the last two decades.

Apple's story has been celebrated in Kantar BrandZ rankings over the last 15 years. In the 2021 report – for the first time ever - Apple exceeded a half trillion US dollars in brand value. But the knack of building brand value is not restricted to the biggest, era-defining brands (like Apple and Amazon). Five much smaller brands: Nvidia, Texas Instruments, Qualcomm, AMD, and Tata Consultancy Services -all from the business solutions and technology provider category - succeeded in turbo-charging their brand value and proudly featured in the Kantar BrandZ 2021 Global report.

So, what is brand value and how can you grow it?

A brand's value is compatible with its brand equity, the power in the mind of the consumer that is revealed in their choices. No longer an enigmatic concept, brand equity can be tangibly measured with our validated Brand Power and Potential metrics, our surrogate metrics for understanding and predicting sales. With these measures we can detect if a brand is moving the needle in being perceived as:

Meaningful: is it meeting people's needs?

Different: is it perceived as a trend setter for its category?

Salient: a brand that comes to mind quickly in a purchase situation?

Not all levers contribute equally to sales though, and there is a distinction between the present and the future.

Mostly driven by:	Power Choosing a brand today	Power Choosing a brand in a year
Meaning	40%	45%
Salience	40%	10%
Difference	20%	45%

Our analysis reveals that a salient brand, one that comes to mind easily (NB: this is not awareness) is more likely to be chosen presently. But, to generate sales in a year's time, salience alone doesn't suffice. Brands with 'excess Meaningful Difference' over Salience are those more likely to grow and be profitable in the future. Here are three striking examples from Kantar BrandZ that recently bolstered their brand equity through meaningful difference.

— TikTok experienced astonishing growth in recent years by offering something genuinely different to the world of social media. It's the simple fact that everyone can become a content creator...at the click of a button.

— Puma hasn't just grown empty salience but strengthened its consumer relationships by building meaningful difference. And although Puma lacks the size of other global sports giants, it has enjoyed a significant brand value growth rate.

— Haitian's culinary range has shown strong brand equity in China. Having built a superior relationship with consumers through corporate responsibility, Haitian continues to demonstrate high Meaningful Difference ahead of Salience. A positive gap that signals real potential to grow further.

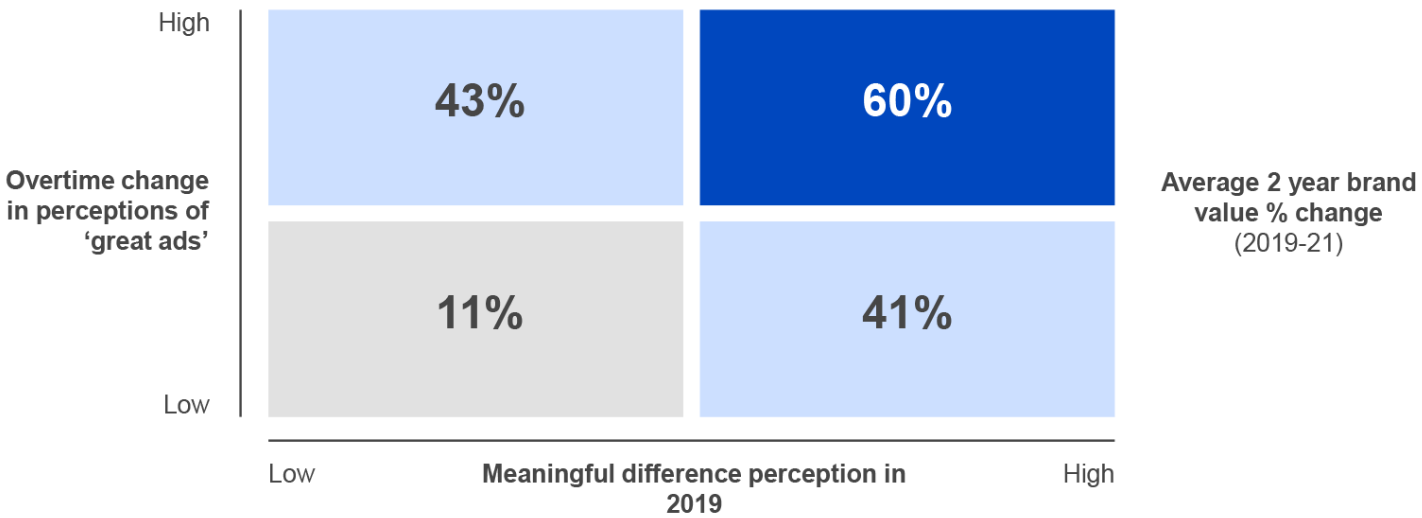
Brands that are on a mission to strengthen their brand value invest in brand marketing and brand advertising. If effective, surges in long-term sales revenue, margins, and profit follow.

What does this mean for marketing execution?

Each year, we test over 13,000 ads using Link to identify the crème de la crème of ads around the world - as judged by the consumers. Ads that hit the mark both in terms of generating short-term sales and building equity. In 2021, we revealed the five habits of highly effective advertisers five common denominators of the best performers that can act as guidelines for advertisers. In 2022, we build on these learnings, revealing the winning ads from 2021 and showing what ignites their success.

And guess what? Being Meaningfully Different was one of the five habits. We found that that to spur market share and to shield a price premium, an ad should create impressions that frame a brand in meaningful and different ways in people's memories. Going beyond addressing the consumer's functional needs with the standard approach to product and benefits, these ads strike a chord with emotional and social needs in the category leaving viewers with a lingering thought. Here's the evidence:

The effect of strong communications is ever greater for a brand a with meaningfully different proposition



Source: Kantar BrandZ most valuable brands 2019 vs 2021 (158 consistent brands)

Because "people will forget what you said, people will forget what you did, but people will never forget how you made them feel", as Maya Angelou may or may not have said.

This Bosch ad that consumers rated as one of the best in the Kantar Creative Effectiveness Awards 2021, brings meaningfully difference to life. Using the art of storytelling, the ad presents a considerate gesture of a loving son who is about to leave home for the first time. To soothe his mother's sadness, he uses Atino Laser and creates a gallery of their family memories on the wall, leaving on display the message: 'Bis Balt!' meaning 'bye for now'.

Although meaningfully different creative is a good way to stand out and boost effectiveness, it doesn't solve the day-to-day more tactical marketing conundrums.

Keep calm and believe in science

It seems to me that Peter Markey, Chief Marketing Officer at Boots UK, is right: the modern CMO is "part artist, part scientist, part champion for marketing with a business" perpetually striving to strike a balance between gut instinct and data-led decision making. At the top of her balancing act, the marketer/juggler is adding value and driving profitable share growth.

The stages of the consumer's decision journey are a great tool to help marketers divide their efforts and ease the tension between equity and activation, between mental and physical availability. Influencing future buyers (those not currently primed to buy their brand) and their future decision-making contributes the lion's share to cumulative growth. Strategically it's the right thing to do as future customers align with future cash flows and business prosperity but selfishly it's how they will do right by themselves as they (marketers) have a monopoly at the top of the funnel; up there, no one else can steal their thunder.

> "Science can help. Those in possession of great data (like Kantar) are on a mission to help marketers foster their brands whilst in parallel giving them ammunition for their short-term strategies. "

What should my Brand KPIs be?

Knowing the expectation of what moves and what matters will help us build a balanced scorecard to know where to look for growth. But how can we give greater certainty as to the linkage from marketing activity to business outcomes?

This is not a new question but increasingly, marketeers are realising how critical it is for brand growth.

The expectation has also become more specific in recent times: in addition to short term metrics, how can you identify longer term brand metrics that are connected to business outcomes?

Or put differently; what survey-based metrics best capture drivers of sales today and demand tomorrow?

There are several ways that marketeers have been identifying their brand KPIs. A common way is to select metrics that align with different stages of the purchase funnel. For example, a large body wash brand chose as their KPI:

- unaided brand awareness
- moisturise your skin
- brand consideration

In doing so, they picked an upper funnel short-term metric (unaided brand awareness), a lower funnel long-term metric (brand consideration) and a mid-funnel metric that formed the basis of their messaging (moisturise your skin). Logically that made complete sense, but the in-market reality was very different.

What we saw was sales volume growing very rapidly but the brand metrics were either growing very slowly (unaided brand awareness) or were stagnant (consideration). The metrics also had a very low correlation with sales volume.

This opened up the discussion on whether or not the brand was measuring the right outcomes.

Our brand guidance

Kantar undertook this analysis by decomposing sales volume into

- short-term incremental sales
- long-term base sales

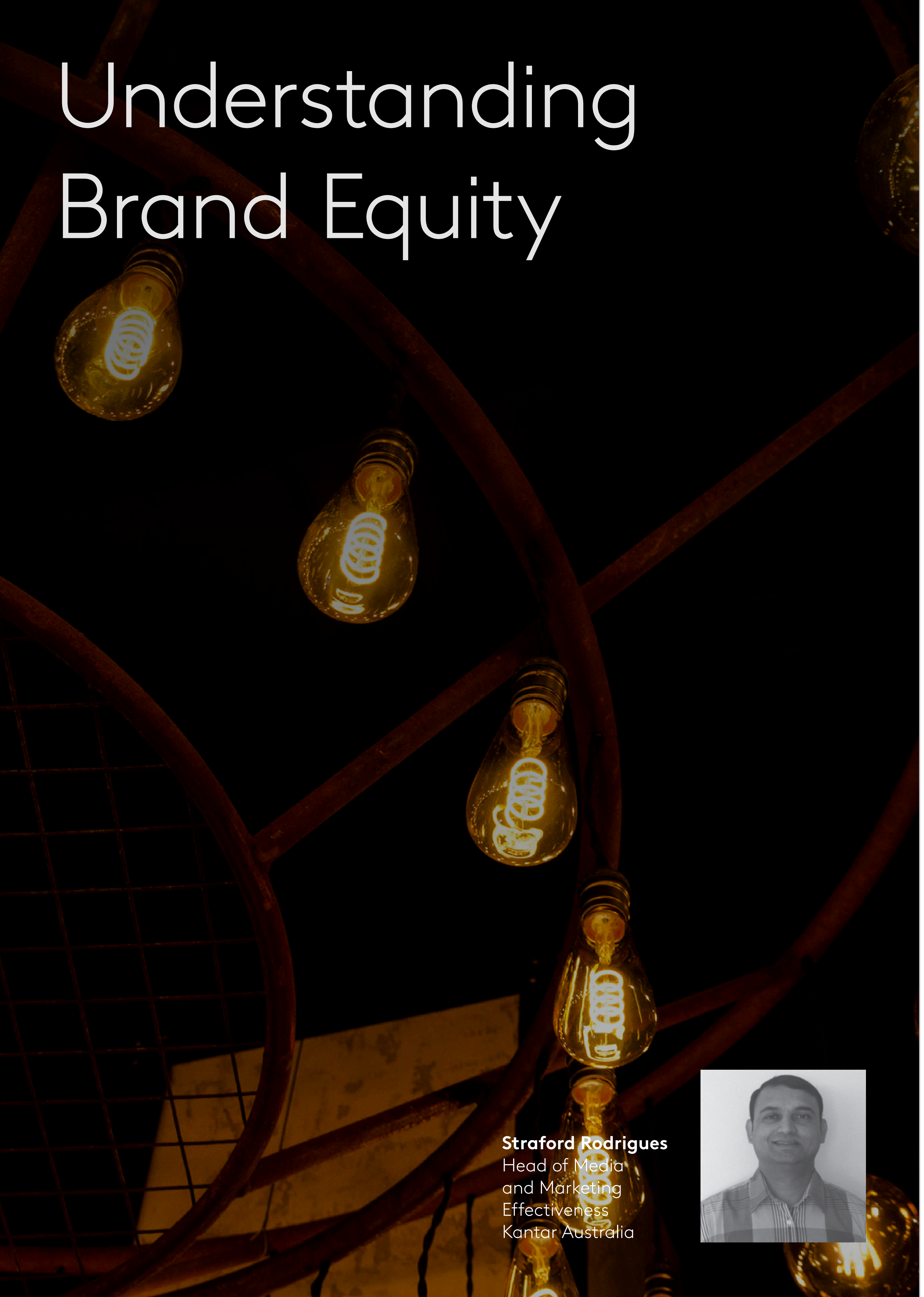
This not only improved the relationship between brand outcomes and sales, but also pinpointed that the brand metrics originally selected were not the most representative of business outcomes.

Our recommendation was to choose 'bought in the last 4 weeks' as a short-term metric and 'brand affinity' as a long-term metric. 'Moisturise your skin' proved to be a good leading indicator of both short- and long-term sales.

With strong analytical rigour, we were able to unpack the metrics in tracking that do have a relationship with business metrics, so that they could track the right ones - metrics that mattered to their brand.

The measurement insight was to not look at brand measures in a vacuum, but account for the full range of brand and non-brand related factors (as best as possible) that impact business outcomes.

The analysis we do at Kantar provides the foundation for a simpler, more actionable selection of brand equity metrics based on what is proven to relate to sales/business outcomes.



Understanding Brand Equity

Straford Rodrigues
Head of Media and Marketing Effectiveness
Kantar Australia

1. The importance of brand equity in understanding sales

Brand metrics can help quantify the effects of advertising over the long term. But how might you explain an inverse relationship between brand equity and sales?

At the beginning of the COVID-19 pandemic, our local supermarket only had own-brand pasta sauce in stock. We bought some, ate it with pasta and, while I couldn't really tell the difference, my wife insisted I never buy that brand again. We were able to purchase our favourite brand on our next purchase, and we continue to do so.

'Repeat purchase' (as in the pasta sauce example) comes from consumers who will seek your brand out; they like it and will continue to buy it.

On the other hand, 'advertising retention' is when potential customers remember past advertising and buy the brand when they are in the market to do so.

Repeat purchase and advertising retention play a crucial part in understanding the long-term effects of advertising.

We know advertising drives sales in both the short and long term. While short-term sales are relatively easy to measure, quantifying long-term sales is trickier.

There are numerous reasons for this. For example, advertising memory can last for years, so an ad could be leading to sales for decades after your campaign has finished. But a big problem is not including brand equity as part of your analysis. Of course, the relationship between brand equity and sales is complex.

We have seen from work we've done at Kantar that brand equity metrics are a great surrogate for understanding and quantifying long-term sales driven by advertising.

Four scenarios emerge in this association between brand equity and sales:

1. When sales are increasing, and brand equity is declining
2. When sales are decreasing, and brand equity is increasing or flat
3. When both sales and equity are increasing
4. When both sales and equity are declining

While 3 and 4 are more common, Scenario 1 occurs more often than you might think and it's a phenomenon seen more recently.

Two possible reasons for this are:

1. Your brand is in a growing category

Brands could see an increase in sales as the category itself grows. They are 'riding the wave'. The hard seltzer category in the US is a great example of this. It has grown in double digits since 2018 and it continues to do. Almost all brands in the category have seen a growth in sales but only a few have seen a positive affinity towards their brands. And some even show a decline when it comes to key brand attributes.

Category growth provides weaker brands a tremendous opportunity to develop brand-building communication to generate long-term sales.

2. Your brand is trying to drive short-term sales via sales activation

Sales activation or promotional activity will no doubt increase sales in the short term but could have a damaging effect on your brand equity.

Sales activation in itself is not a bad thing. It could be a great way to recruit new buyers as long as it's not done too frequently.

Promotional tactics often tend to appeal to existing buyers, who now enjoy the benefit of obtaining their regular brand at a lower price.

Case Study

We recently did some work with a financial services provider who saw 22% growth in the opening of investment accounts. They were spending on brand building versus acquisition-based advertising in the ratio of 1:3. From the modelling work we conducted, we saw growth was mainly attributed to a higher interest rate being offered to prospects during the first six months after signing up, and the advertising to communicate that message.

We saw two other things:
— a decline in brand favourability and consideration as well as a subsequent decline in their base sales (or sales that come from customers who are predisposed to buy from your brand)
— a much higher short-term sales contribution compared to long term (75% in the short-term, 25% in the long-term.)

The insights:

It was unlikely the promotional offer was changing peoples' perceptions of the brand. They seemed to have been dissuading customers who would have come to them anyway.

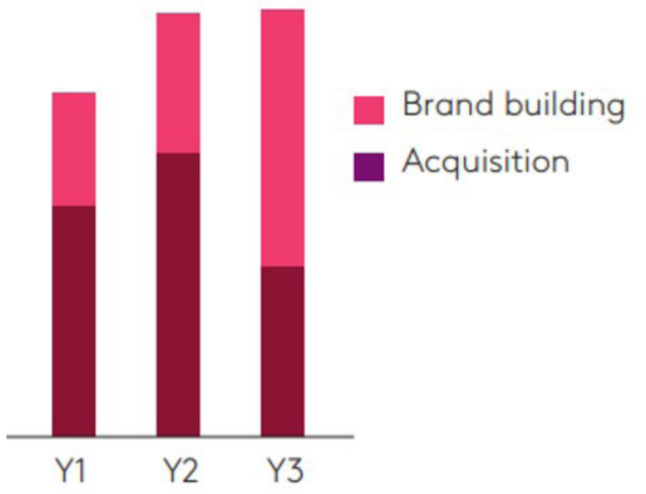
We suggested they increase spend on brand-building activity by 70%, establishing a ratio of 2:1 in favour of brand building. This would as simulated:

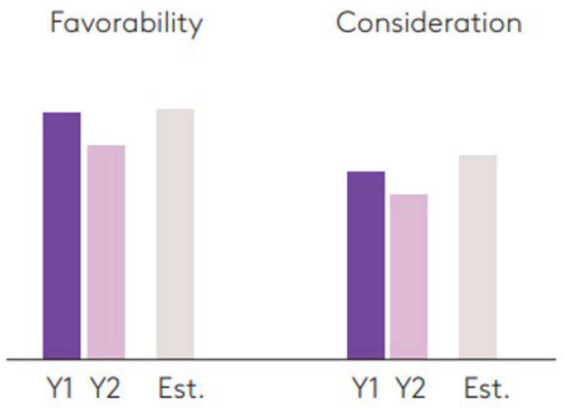
— reverse the trend around brand equity metrics (3% points growth in consideration)

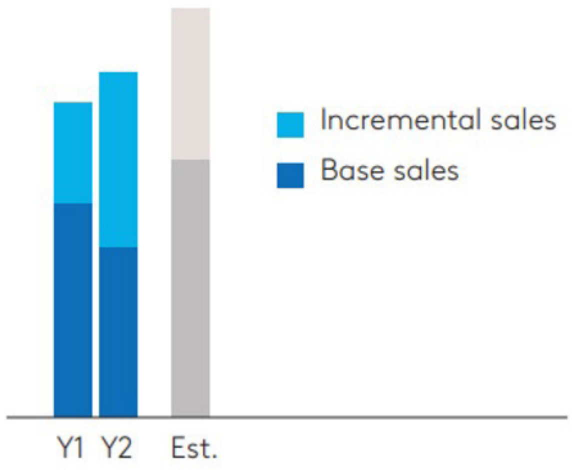
— increase short-term sales by 15%

— increase long-term sales by 60%.

Marketers should be concerned if sales are increasing and brand equity is declining. The sales increase may give a false sense that all is well and may set the brand up for long-term failure. But this scenario does provide an opportunity for brands to drive long-term effects, knowing that they are generated differently to short-term effects; that long-term activity tends to generate short-term effects, but the reverse may not always be true.







2. Why sales might decrease but brand equity does not

Discover why sales volumes might go down while brand equity stays flat or increases, and what brands can do about it.

'Repeat purchase' and 'advertising retention' are an important part of understanding the long-term effects of advertising. Quantifying long-term results is tricky for several reasons, but most importantly comes down to a limited understanding of brand equity and its relationship to sales.

Here we investigate scenario 2 (refer page 25) where sales are decreasing and brand equity is increasing or flat. There are two possible reasons for this (outside of a seasonal decline in brand and category sales.)

1. A price increase

Higher prices might lead to a reduction in sales volume but they can also build perceptions that increase brand equity. Price increases may be part of a strategic plan to become a 'premium' or 'higher-quality' brand or it may just be the business passing on higher costs to its customers. As a marketer one needs to assess the potential implication a price increase could have on sales volume.

The question is: would you like to attract a succession of price-sensitive, one-time consumers, or would you prefer ones who stick with your brand and continue to be 'repeat purchasers'? An increased price could lead to a loss in consumers and therefore sales, but the brand still has strong equity, which in turn could lead to higher profits.

2. A reduction in media pressure

Low quality/weak creative, reduced media weight (reducing share of voice), or changes in media flighting/phasing could result in a decline in sales, but brand equity may stay the same (at least in the short-term.) To better diagnose why this might be the case, it's important to look at sales as 'base versus incremental' when comparing to brand metrics.

As we know, incremental brand sales reflect the short-term response of the brand, whereas base brand sales reflect the long-term equity of the brand. Stronger brands are usually able to sustain base sales despite a change in strategy. Signals of short-term and long-term sales impact (effectiveness drivers) typically reside in different brand KPIs. They vary by category involvement, brand status and competitive activity. This gives us a view on the brand perceptions driving short-term volume, long-term brand predisposition or both.

At Kantar, our experience has led us to a set of short-and long-term metrics that are indicative of 'base versus incremental' movements in sales.

— **Short-term metrics:** drivers of mental availability or salience such as communications awareness, top of mind, unaided awareness, rational brand associations.

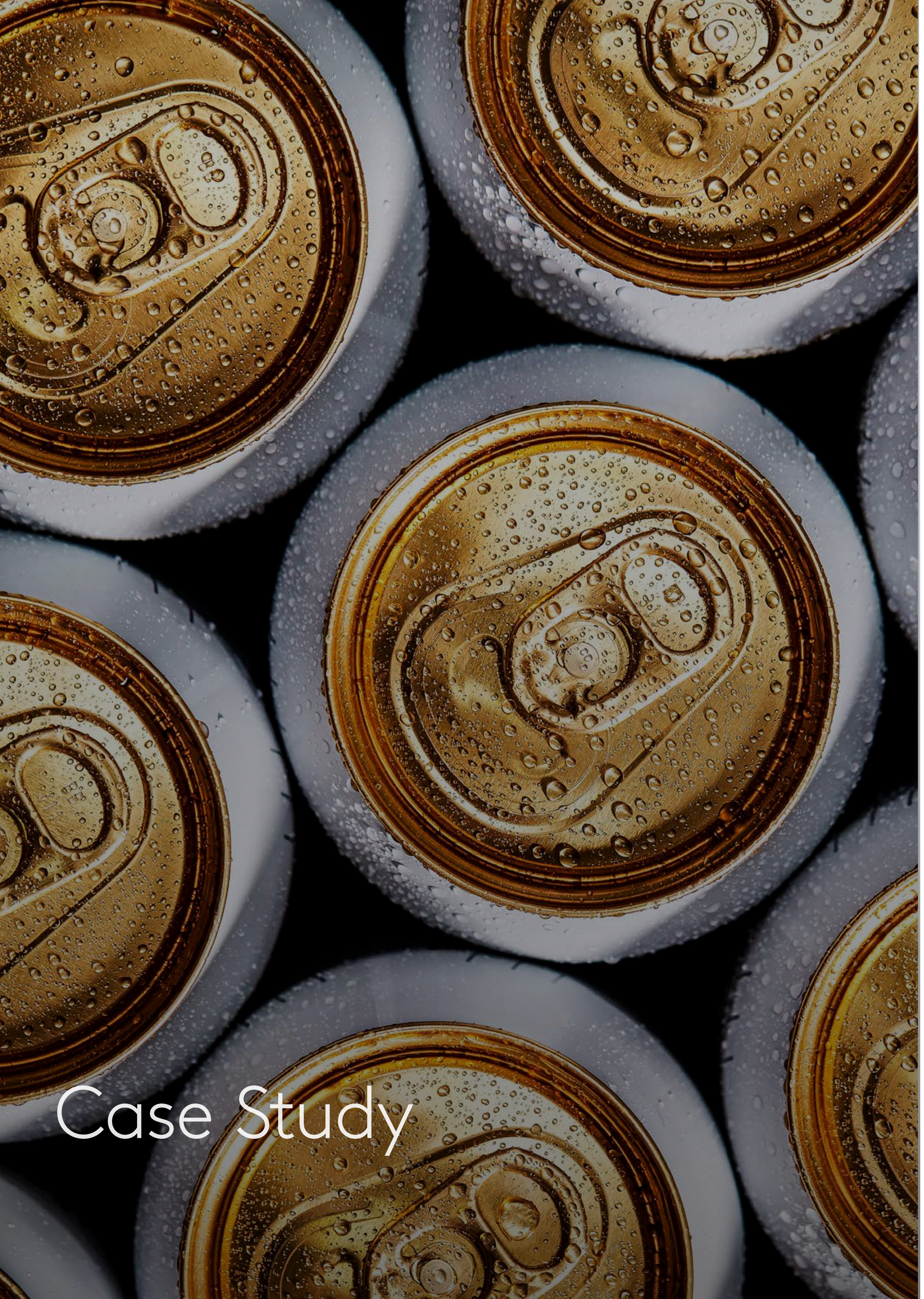
— **Long-term metrics:** brand affinity, emotional brand associations, purchase intent/consideration.

Short-term versus long-term metrics often turn out to be complementary, not contradictory.

A decline in sales is always a cause for concern

Sales could be dropping due to a decline in short-term brand metrics (while long-term metrics are holding up), as changes in the strategy may not have translated to equity changes. The good news is this can quickly be reversed by identifying the cause and addressing the problem.

For example, if it's a creative issue, it would be essential to change elements within the creative, the message, or the execution itself. It could be due to a decline in long-term brand metrics (while short-term metrics are holding up or even increasing). This is a bigger cause for concern, as it might reflect changing attitudes to the brand (despite the growing awareness) which will in time translate into (more) declining sales.

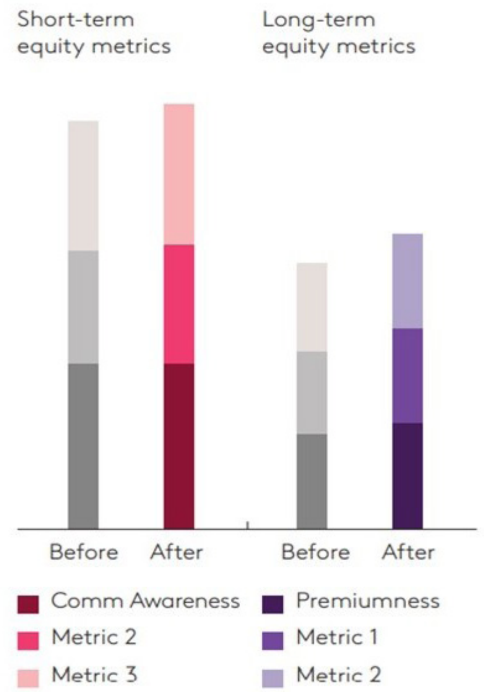


A large beverage brand faced a challenge in understanding the disconnect between brand tracking metrics and sales. Sales for this brand were declining but brand metrics were not. As a first step we identified the core brand KPIs that best represented its 'base and incremental' sales. Using short- and long-term brand KPIs as part of a broader modelling framework, we determined that the 'premiumness' of the brand was getting eroded slowly over time and this was not being reflected in its overall brand equity scores.

The decline in sales was due to a proliferation of brands within the premium segment. This was having an immediate impact on the company's sales, but its short-term brand KPIs were either increasing or staying the same. The premium beverage segment was under a spotlight - but the brand was being perceived as less premium compared to the other competitors.

The model helped to disprove the idea that sales activation tactics were eroding quality perceptions. It also proved that 'premiumness' declines were mainly coming from increased perception of 'high quality' amongst a range of other beverage brands.

The brand incorporated these learnings into new messaging focused on premium quality and sophistication. This resulted in an increase in average scores for those metrics, which in turn drove brand KPIs including consideration, 'worth what it costs' scores, and claimed recent consumption. More importantly, it reversed sales decline – in fact, sales grew by 2%. Decline in short-term KPIs (like awareness) could well be addressed with a quick fix, whereas declines in long-term KPIs might suggest bigger issues.



> "A sales decline is always cause for concern. To better understand the severity of the problem, break down sales into 'base and incremental' and identify the brand metrics that best relate to each."

3. When sales and brand equity move in the same direction

While a correlation between sales and brand equity may be expected, you need to dig deeper to establish if there are issues to address.

Where sales and brand equity move in the same direction (whether that be positive or negative), there are strategies brands can adopt to stay ahead.

Sales and brand equity are both increasing

One would think if both sales and brand equity are increasing, it would be the perfect position for a brand – yes and no. The best way to diagnose any issues is to establish if sales are base or incremental.

If we find that both base and incremental sales and both short- and long-term brand metrics are on the ascendency, then all is well. In addition to closely monitoring both sales and brand equity, in this case the brand must think about how they can continue that trajectory.

They might:

— Continue to spend on brand building and maintain a healthy ratio of brand versus performance-based advertising.

— Ensure their media and creative are working effectively (and they are getting bang for their buck).

— Explore new 'targeting' opportunities where they might take a hit on ROI in the short-term but it will help grow the brand in the long term.

— Test and learn with new media and new geographies, and (if relevant) ensure the master brand versus sub-brand spends are optimised.

— Continue to innovate; for example, product, sub-brands, packaging, distribution outlets or even brand extensions such as beers have done with hard seltzers. This is essential.

— Review pricing strategy to see if there is greater margin to be leveraged and increase profitability.

On the other hand, if brand equity appears to be improving but either short or long-term brand metrics are flat or even declining, there is some cause for concern. Equally, if base sales are increasing but you are not moving the needle on incremental sales, there is a problem to address.

A decline in both sales and brand equity means that the brand is in trouble. Again, it's important to diagnose if it's a short- or long-term problem - but often you'd find it is both. The issues in this case may well go beyond marketing effectiveness.

But are specific questions to ask about their communications:

— Is the brand's Share of Voice in line with their Share of Market? Are they underspending?

— Are they using the right media channels, allocated in the right proportions?

— Is the creative copy cutting through?

— Is the message resonating with their audience? Do they need to consider other messages?

— Are they communicating to the right audience? Do they need to expand coverage?

— Is the media laydown consistent?

— Is it time for a deeper overhaul of brand positioning and marketing strategy?

On the following pages we showcase two quite different situations within the same category – where the correlation between sales and brand equity had to be unpicked.

Sales and brand equity both increasing

The marketing, insights and analytics teams of a large alcoholic beverage company believed in the promise of brand marketing, but the reality they were seeing in market supported the notion that brand 'did not matter.' For this brand, sales volume was growing very rapidly while brand metrics (such as consideration) were growing very slowly. The client team challenged us to show how brand marketing still mattered. We broke down sales into short- and long-term trends, to compare with brand metrics over time.

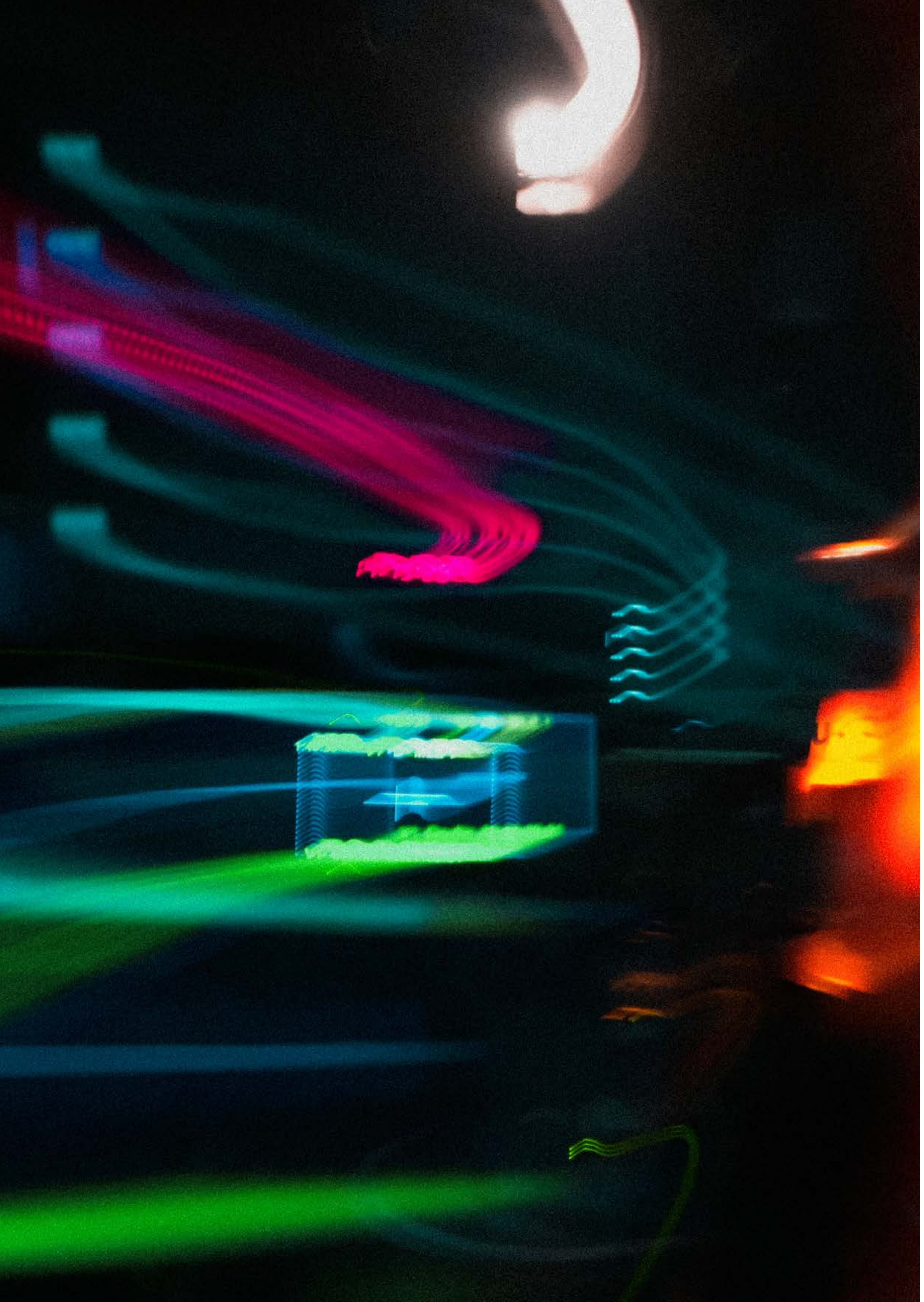
The trends in long-term sales volume brand measures like consideration were the same in terms of direction and magnitude. However, we know that looking at brand or campaign measures in a vacuum is not wise, and that we need to account for the full range of brand and non-brand related factors that impact business outcomes.

We uncovered that the brand had a unique set of associations that included social dimensions (people wanted to be seen drinking this beverage) and personal dimensions ("helps me relax"), all underpinned by brand heritage and tradition that had worked together to support long-term growth.

Brand Associations that drive consideration

This led to a complete "re-thinking" of how brand marketing was helping drive business growth and how attitudinal measures on brand should be used by the business.

> "After learning what drove short-term and long-term sales, we were able to create specific pathways to equity and revenue growth for our brands. We focussed on KPIs that link to long-term brand equity."
>
> CMI leader for the beverages client



Sales and brand equity both declining

For another alcoholic beverage brand, the client wanted us to help them identify the reason for their decline in both brand equity and sales and suggest a way forward. For this brand, sales and brand equity were showing signs of decline for the last two years.

In addition, we saw:

- a 22% decline in media spend year-on-year
- a change in strategy from offline to online media (reduced TV and radio budgets; higher spend on online display)
- focus shifting from more brand-building advertising to sales activation (both in terms of choice of media and messaging)
- key brand measures like taste, refreshment, setting trends, drinkability and consumption showing a decline.

From the modelling work, we saw:

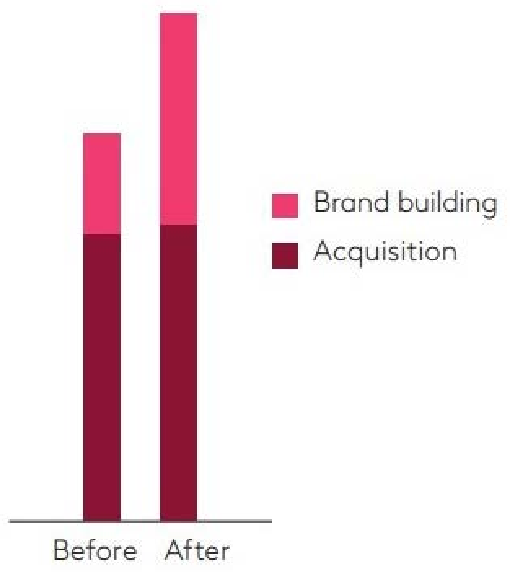
- a 9% year-on-year decline in ROI, as sales declines were steeper than spends
- media contributed strongly to each of the brand's key brand perceptions but had lower contribution in year two.
- TV and online display were the strongest drivers of brand perceptions - radio, social media and sports sponsorship were also strong contributors.

We identified two attitudinal pathways to driving consumption: one was around taste and refreshment, and the other around setting trends and being innovative.

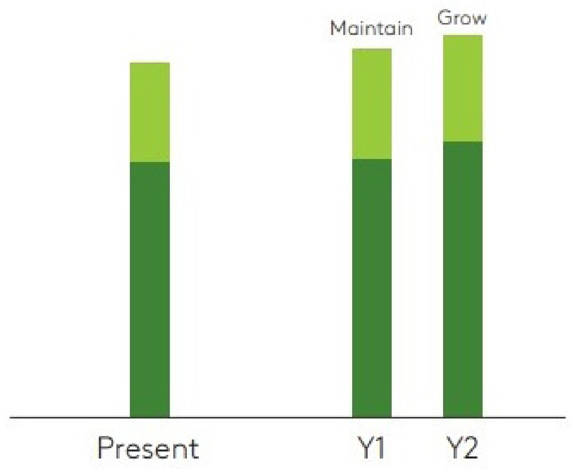
We recommended the following to our client to help reverse the sales and equity trends and move them in the right direction:

- 30% increase in media spend (to increase TV spend by 36%).
- Drive return on equity through full integration of media channel by ensuring a 70:30 mix in favour of brand building - optimising spends across media to maximise both equity and sales.
- Customise content planning across channels. Different brand objectives require different levels of creative customisation/integration.
- Maintain the brand's positioning on core alcoholic beverage characteristics to drive equity and consumption.
- Continue to differentiate the brand by targeting a persona and in doing so demonstrate them both 'setting trends' and 'being innovative'.

Media spends



Sales



An increase in both sales and brand equity doesn't necessarily mean all is well for the brand. It is important to diagnose short- and long-term metrics to determine the best strategies to either continue to grow or to reverse a decline.

Are you in control of your brand's equity?

Don't let short-term fixation hurt long-term growth.

Brand power is all about comprehensive brand equity metrics that explain and predict a brand's market reality.

– **Meaningful** (is it meeting people's needs?)

– **Different:** (is it perceived as a trend setter for its category?)

– **Salient:** a brand that comes to mind quickly in a purchase situation?

But beware of two things: the combination is greater than the sum of its parts, and the needle here moves slowly. These are crucial but slow-moving indicators. By using a well-balanced blended scorecard that channels your focus from the short to the long and from the long to the short in the pursuit of brand equity and sustainable growth.

Meaningfully different brands stand out and stand for something

Meaningful brands meet people's needs, and people feel emotionally connected to them. Difference contributes to perceptions that a brand is a trend setter in its category and is unique. Salient brands come to mind quickly in a purchase situation.

When your brand has all three of these attributes, it:

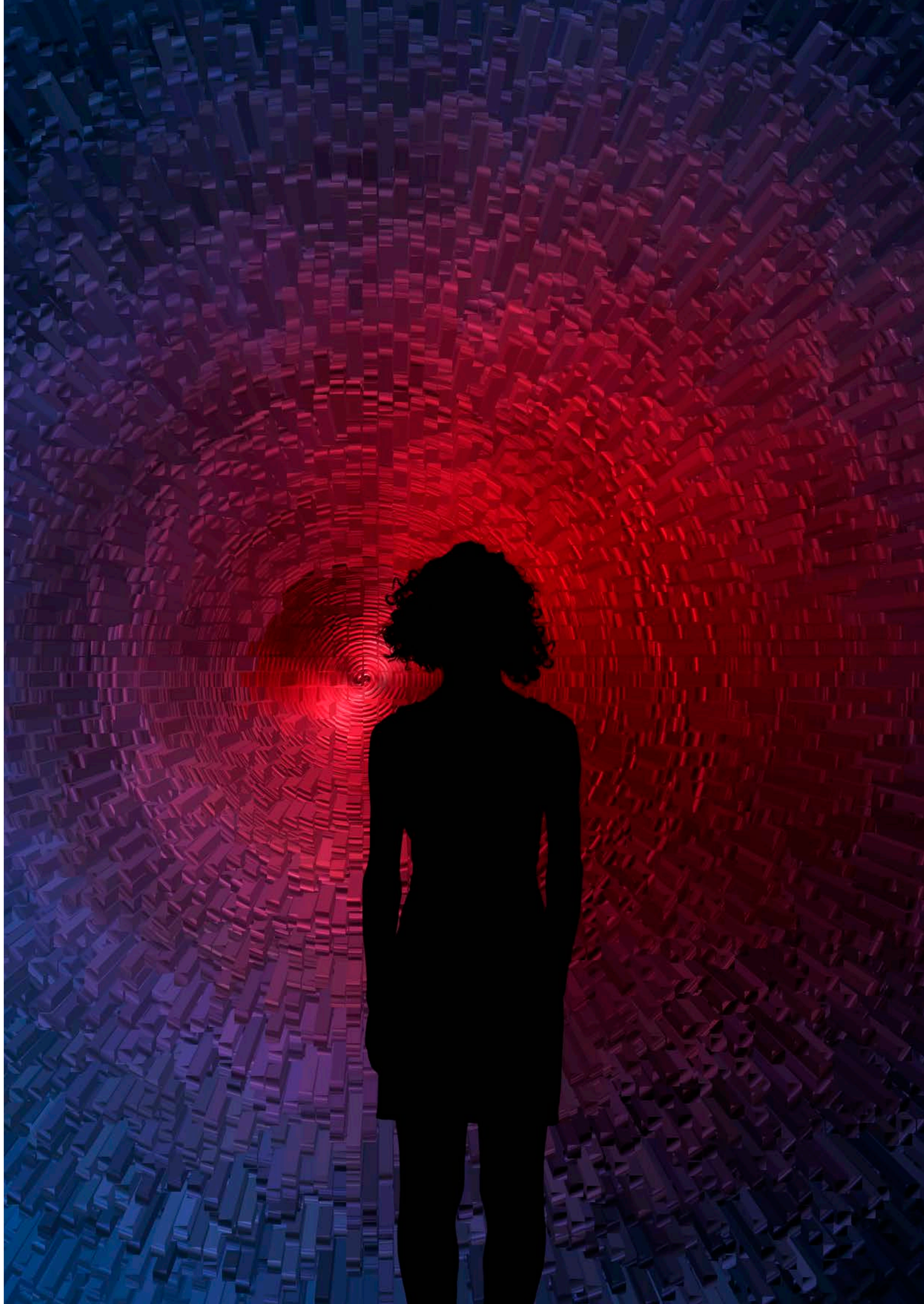
– has the power to capture significantly more volume

– can command a price premium

– has much greater potential to gain value share

A brand's ability to charge a premium goes hand in hand with strong equity.

Consumers are consistently willing to pay more for brands they regard as meaningfully different. Among people who are primarily brand-driven (they choose a brand first, then look for the best price), consumers are content to pay, on average, 37% more than for other brands. Even among price-driven consumers, there's still a willingness to pay 14% more for brands with strong Meaningful Difference



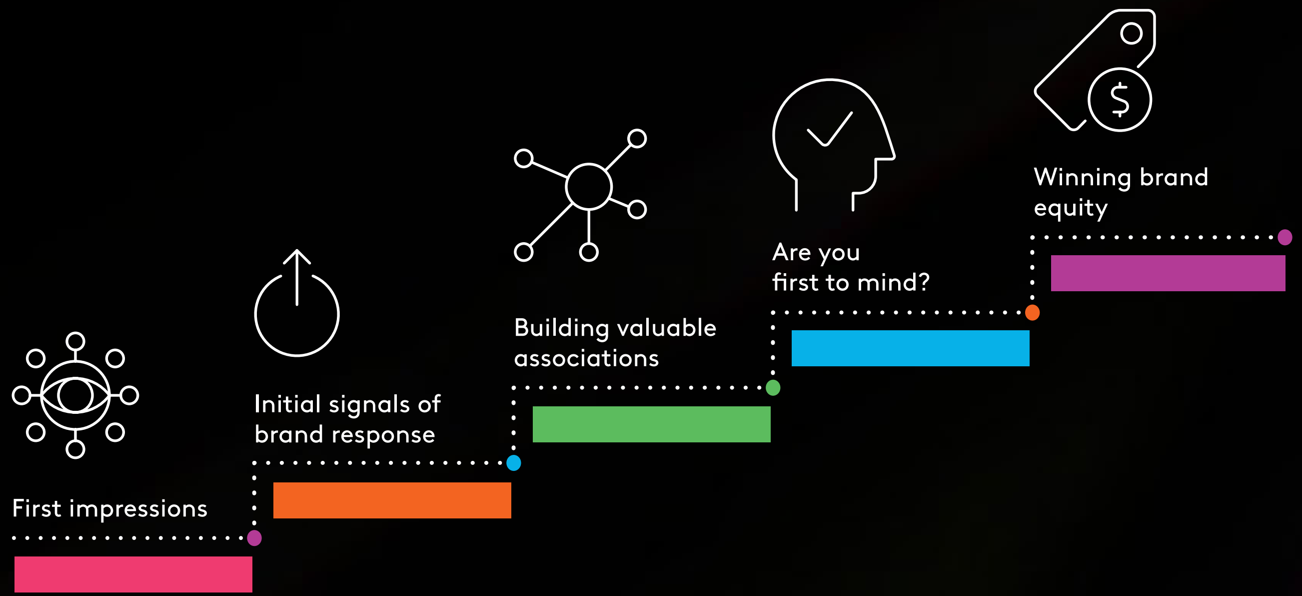
Maximise your marketing ROI with the magic formula for brand growth

What we are saying is that brand equity matters and that it's crucial to measure it.

Why? Because it's 'brand magic, a fundamental step to ensuring brand marketing is hardwired into the future growth strategy of your business. And what we need to do this is a 'blended scorecard'.

The magic formula for brand growth exists and it's rooted in your brand tracker. Systematic tracking leads to sustainable brand growth.

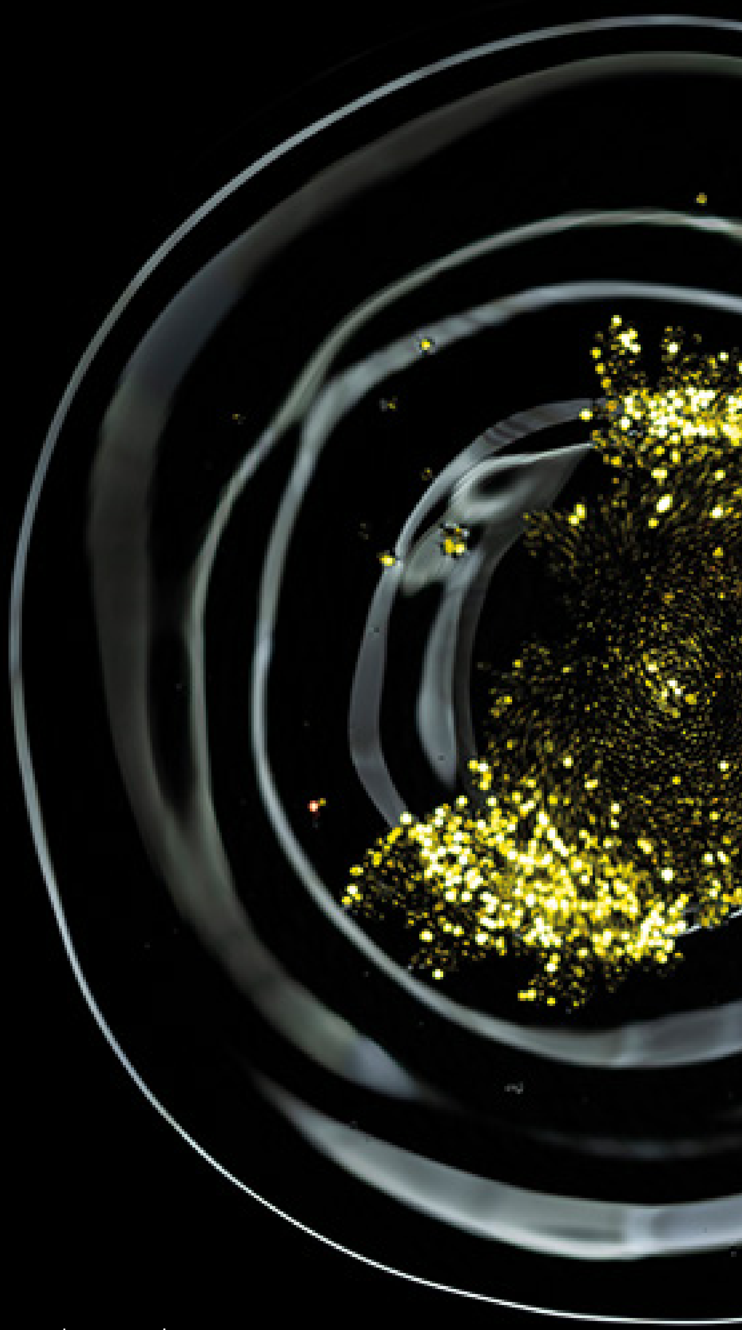
The trick is to pay attention to the right signals and act and react quickly. But remember, order matters – and your brand tracker comes first. It is fundamental to your hunt for growth and must be used for diagnosis before building, tweaking or revitalising your strategy. Then to supercharge your brand's growth, simulate 'what if' scenarios through advanced analytics.



Kantar Marketing Effectiveness

The insight you need for marketing ROI

Book a demo now



About Kantar

Kantar is the world's leading evidence-based insights and consulting company. We have a complete, unique and rounded understanding of how people think, feel and act; globally and locally in over 90 markets. By combining the deep expertise of our people, our data resources and benchmarks, our innovative analytics and technology, we help our clients understand people and inspire growth.

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