The Business of Brands

COLLECTIVE INTELLIGENCE FOR MARKETING TODAY

MillwardBrown

Contents

Foreword

It was Sir Francis Bacon who famously commented on the power that resides in knowledge. With 35 years of experience, Millward Brown harnesses the power of the company's collective knowledge and insight on a daily basis to help marketers around the world make smart decisions. We have a unique understanding of the marketing world based on the depth and richness of information we have collected about brands and communications. We understand how communications influence relationships between brands and consumers (or prospective customers), and we know how those relationships affect the financial well being of a business.

At Millward Brown, the culture of learning is the essence of our brand. When the company's founders, Gordon Brown and Maurice Millward, began the business they were already passionate about what made brands successful. They pursued their passion and focused on collecting data that would accurately reflect the way consumers build relationships with brands.

For the first 10 years, the company operated out of a single office and the accumulation and transfer of knowledge was relatively easy. As Millward Brown expanded globally, the opportunity for learning increased dramatically but gathering and synthesizing these learnings and sharing them with colleagues and clients became more complex.

In the mid-90's a Knowledge Management system was created, and since then a dedicated Knowledge Management team has provided the infrastructure to disseminate and share information globally. The Millward Brown Knowledge and Insight Center holds more than a thousand case studies across industries, as well as numerous papers that have been presented on public platforms and hundreds of thought-leadership articles and documents that synthesize core elements of learning about critical marketing issues. Our unrivaled databases contain hundreds of thousands of observations of consumers' views of brands and communications.

As we focus our knowledge building on today's important issues, we don't want to run the risk of overlooking what we already know. Therefore, we created this book, which is a synthesis and primer on everything we have learned, to counter that possibility. We have focused on making the book as short and simple as possible. Nothing in this book is conjecture; it is all based on observation from our databases and case studies. We have included only a very small amount of supporting information to demonstrate some of the evidence that lies behind the key points. There is much more evidence to back up all of the conclusions in the book.

The book's content development took its early form as a wiki on the company's intranet, which allowed all individuals across Millward Brown to contribute to this summation of our knowledge. In the last 35 years, we've grown from a company where learning was guided by two founders, to one where everyone contributes to our continual accumulation of knowledge and insight.

This book is not designed to be provocative or challenging in the manner of today's business books. It's intended to serve both as an introduction for those new to the business of brands, marketing and media, and also to offer a refresher for experienced marketers on the core principles of effective marketing. We hope you enjoy reading the book.

Acknowledgements

The original idea for this book was sparked by Sue Elms who joined Millward Brown after a career in media planning and research. She wanted to get her bearings quickly. Like many new arrivals to the company, Sue was astonished by the volume of information in our knowledge network — but at the same time; she also found no easy way of acquiring an overview of how it all fit together.

Drawing upon the wisdom of many senior people in the company, Gordon Pincott drafted the original material. In an effort to harness the power of our collective intelligence, the draft was published on our intranet as a wiki to allow all of our employees around the world to add to or amend the content.

Since the material was published as a wiki, many people have contributed to the content in this book but particular thanks should go to Graham Page, Dan White, Dale Smith, Nigel Hollis, Duncan Southgate, Ann Green, Graham Kerr, Paul McLean and Aurora Yasuda. Dominic Twose deserves a special mention, not just for his contribution to this book, but for the work he has done to create the knowledge base that made this book possible. And finally we would like to thank Dede Fitch for taking all of these amassed contributions and turning them into this clear and readable book.

Introduction

Today the business world is more challenging than ever. In a global business environment that is growing ever more complex, companies are confronted with the need to prove the value of every investment, and financial pressures require them to cut costs while continuing to grow revenue.

Against this backdrop, marketers are called on to demonstrate the value of what they do as they struggle with their own distinct set of challenges, which include consumers who are enjoying increased levels of control over their personal media exposure, societies in which attitudinal trends emerge more quickly, and an increasingly-fragmented media environment that is reducing opportunities for mass communication.

In addition, retail environments everywhere are changing. In developed markets, we observe both the growth of discount retailers and the re-emergence of local shopping. In developing markets, the retail trade is only beginning its inevitable consolidation. Online retailers, unfettered by the geographical and physical constraints of traditional brick-and-mortar stores, are capable of reaching the needs of a diverse base of customers who are looking for more personalized offers. New technologies have turned markets such as travel and music upside down.

Within this increasingly complex environment, every brand has its own strategy, its own unique competitive challenges, and its own marketing objectives. Marketers who manage large brand portfolios across many countries find these challenges compounded by different situations in each market. Very few brands were created with the intention of being global, and the challenge of adapting to differing local needs, desires and aspirations is a big one. This is further complicated by the decreasing amount of time that brand managers and even chief marketing officers spend in their jobs. They are asked to be stewards of brands they barely have time to get to know, let alone deeply understand.

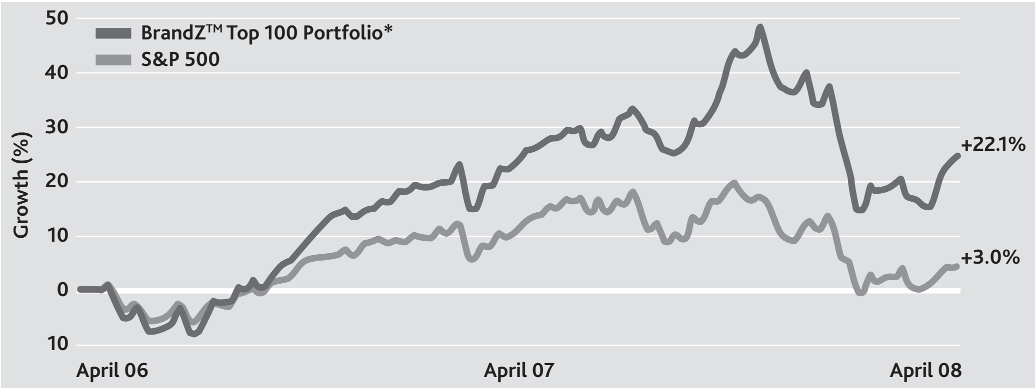
Yet within this maelstrom of change, the essentials of good marketing remain consistent. While there may be many new tools and contexts, the fundamentals of building strong brands have not changed. Engagement with consumers through powerful and effective communications remains at the heart of the marketing process. Having collected and analyzed a huge amount of data on brands from around the world, we understand the influence of all kinds of consumer touch points on brand success. That data also allows us to understand what goes into making a strong, successful and dynamic brand. In the pages that follow, we provide an overview of that knowledge.

Understanding and Building Better Brands

Strong brands drive strong financial performance

Most of today's consumer-driven businesses are built around brands. Though much less tangible than the hard assets owned by businesses, brands can have a very substantial impact on the financial success of a company. Companies with strong brands surpass others in generating profits and growing shareholder value.

Strong brands drive shareholder value



Prior to the financial crisis in mid-2008, a two-year investment in the S&P 500 would have seen a marginal gain of about 3 percent. But if you had invested in the BrandZ Top 100 Portfolio you would have seen a gain seven times better than the stock market.
The brands included in the BrandZ Top100 Portfolio are those where the brand contributes more than 30 percent of earnings.

As important as they are, brands can be difficult to understand and manage. It is far too easy to underestimate them and take them for granted. Yet the most successful companies recognize these intangible assets as resources to be nurtured, developed, and put to work to generate value.

Strong brands help build strong businesses in a number of ways:

- Strong brands command and sustain price premiums over competitors.
- Strong brands drive sales growth by attracting new customers.
- Strong brands create barriers to entry for new competitors when loyal customers are reluctant to switch.
- Strong brands are a form of insurance during economic downturns when a brand's loyal customers are more likely to stay with their favorite brand through tough times.
- Strong brands enjoy reservoirs of consumer goodwill that can help companies recover from a product or company crisis.
- Strong brands can help a business capitalize on opportunities to expand into new categories and geographies.

Brands are valuable to businesses because they are valuable to consumers

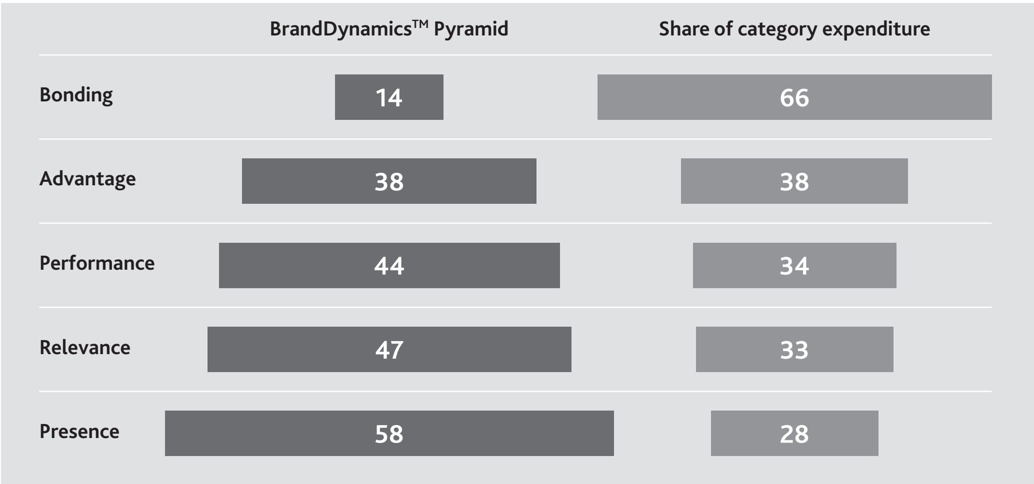
Ultimately, brands are only valuable to businesses because they are valuable to consumers. Because people rely on brands to deliver a consistent level of quality and reliability, they will pay more for a branded product than a generic one, and more for a favored brand than the alternatives.

Brands help to simplify life by imbuing a product or commodity with meaning. Brands allow people to express themselves, to help define who they are and what they stand for. By functioning as "trustmarks," brands help people minimize the amount of time and effort they need to make decisions while shopping. Brands become part of a system of "heuristics" (i.e., rules or shortcuts that are used for decision-making). For instance, if a brand is known to be popular, even someone who has never used it before may consider it to be a good, safe choice. The meaning conveyed by a brand allows shoppers to make purchase decisions without having to systematically weigh all the features and benefits of competing brands.

Strong relationships with consumers build value for brands

Even today's biggest, most established brands were once new to the market. Brands build their value as they evolve from unknown to well known, converting first-time users into loyal and devoted customers. But all brands, strong and weak, have users with varying levels of loyalty, so in managing a brand, it is critical to understand the strength of consumer commitment. Our research demonstrates that users with strong attitudinal loyalty toward a brand devote a much higher proportion of their category expenditure to that brand than do users with lower levels of affinity.

Share of category expenditure increases with loyalty



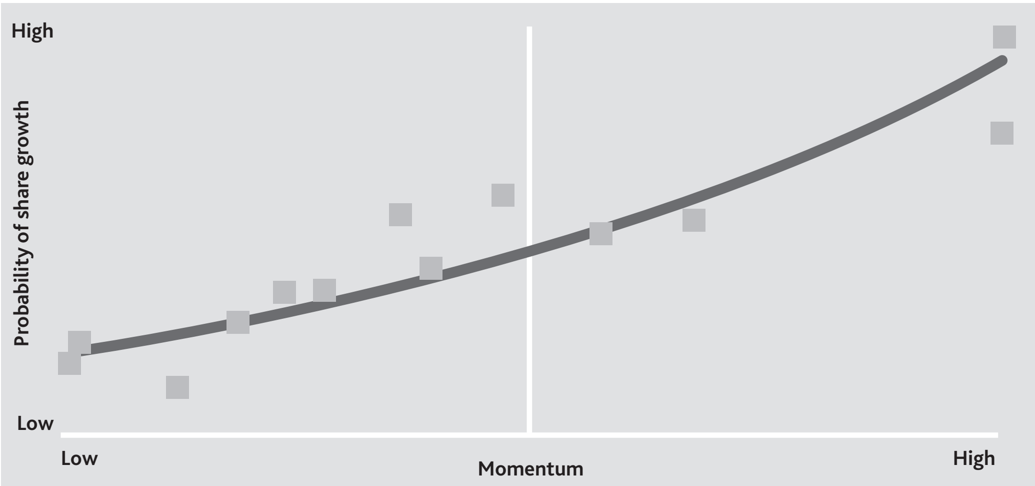
The 14 percent of category users who are bonded to this packaged-good brand spend two-thirds of their category expenditure on this brand.

Brands must be evaluated in their competitive context

In relating consumer relationships to financial success, it is crucial to understand the brand in its competitive context. No shopper chooses Coca-Cola over Dove or McDonald's over Visa. Rather, consumers choose among a competitive set of brands in a category, so financial performance will always be dependent on the relative strength of the brand compared to the competition. Brands that do well relative to their competitors at converting consumers from familiarity to high levels of loyalty have a positive momentum that usually bodes well for the future. Depending on the brand and category, consumer loyalty may develop relatively quickly or it may be a gradual process. Stronger loyalty will develop when the consumer believes that a brand is more relevant, delivers a better product experience, or offers rational or emotional benefits that make it the best choice.

We have developed a system for measuring current loyalty and for understanding the likelihood of a brand growing market share. The degree and direction of a brand's momentum can be predictive of short- and medium-term changes in a brand's market share. A brand with positive momentum has greater potential to benefit from its own marketing actions and resist the actions of competitors. A brand with negative momentum will have to work harder to grow and will be more vulnerable to the actions of other brands. However, momentum is not destiny. A brand with weak momentum can strengthen its position, while a brand with strong momentum can squander that potential.

Strong brands are more likely to grow



As brand momentum grows, the probability of market share growth also increases. This chart shows the best-fit line based on 350 brands clustered into 13 groups.

Six broad factors drive loyalty

If brand stewards understand what underpins the attitudes of a brand's most loyal customers — those who are truly "bonded" to the brand — they may be able to identify opportunities to convert other consumers to this profitable position. Our own analysis of brand loyalty data has revealed six broad factors that drive loyalty. In some categories, just one of these factors may be enough to make a brand the default choice for many consumers, but most strong brands benefit from a number of these advantages.

- **Rational benefits.** Rational benefits can drive success when those benefits make a brand the most desirable choice.
- **Emotional benefits.** Emotional benefits are an advantage when the brand or the experience of the brand makes people feel good.
- **Popularity.** Popularity can drive purchase by signaling that a brand is a safe choice, from either a functional or a social point of view, or both.
- **Difference.** A point of difference sets a brand apart and gives people a reason to choose it over alternatives.
- **Dynamism.** A brand with a sense of dynamism is one that is setting trends or shaking up the status quo.
- **Value.** A value proposition will always be appealing to people who are looking for a good deal or the lowest price.

These six basic drivers of loyalty will play out in different ways depending on the category, and the nuance of each will differ from brand to brand. For example, the satisfaction that someone feels when relaxing at a Starbucks is a different feeling than the satisfaction experienced when driving a Mercedes.

Looking at the successes and failures of other brands is an efficient way to learn

Learning from other brands can be a rich source of insight for marketers who seek to strengthen their own brands. It may be especially instructive to look beyond the direct competitors because the marketing tasks for two brands in the same category may be very different if one brand is well established while the other is unknown. Conversely, brands that compete in very different product categories may have faced similar issues and have relevant lessons to offer.

Brands in comparable circumstances can be identified using metrics consistently across categories. For example, segmenting brands according to momentum and familiarity creates four groups of brands, each with distinct marketing tasks:

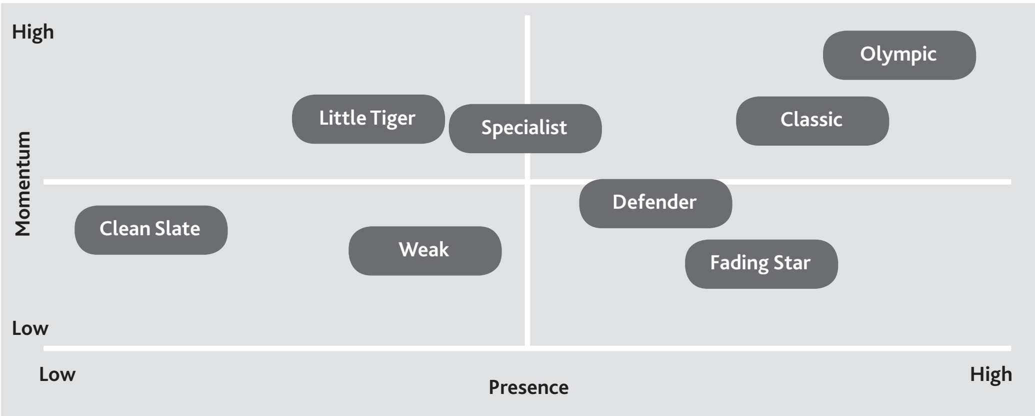
- **Brands that are not well known and that do not establish loyalty even among the few people who know of them.** These brands need to build awareness of their promise among a core constituency in order to establish their identity.
- **Brands that are well known only among a relatively small group of people, but enjoy strong loyalty among that group.** These brands need to decide if they can appeal to consumers beyond their core user group. If they believe they can, they should broaden their visibility to a wider audience.
- **Brands that are well known but lack highly loyal customers.** These brands need to discover and deliver the compelling news that will encourage them to be reconsidered.
- **Brands that are well known and have many loyal buyers.** These brands are in the best position but they cannot rest on their laurels. They must work to stay fresh and relevant while continuing to reinforce what they stand for.

Brand typologies help to draw comparisons and guide action

In an analysis of thousands of brands, we have classified the vast majority into eight clusters or "brand typologies." By understanding the characteristics of each typology, marketers can understand the types of strategies that will help their brands grow.

- The brands that we call **Clean Slates** are unknown to most consumers; few people have any idea what these brands stand for.
- **Weak** brands, though better known than Clean Slates, have little to offer that consumers really appreciate. These brands are unlikely to grow without major investment in marketing or product innovation.
- Like Clean Slates and Weak brands, **Little Tiger** brands are also relatively unknown. But among the "early adopters" who discover them, they are highly regarded. They are often niche brands that have found fertile ground with a particular demographic or attitudinal group in the population.
- By far the largest group of brands, the **Defenders** occupy the middle ground in their categories. They may not be the strongest brands, but they are not under extreme duress either.
- **Olympic** brands are well known and well loved, with a large core following. Talked about in everyday life, an Olympic brand is a touchstone or benchmark for other brands.
- **Classic** brands are also well known, and people like them well enough. Often leading their markets, Classics are good, solid brands — they're just not great.
- **Specialist** brands often have characteristics that make them unsuitable for a mass audience. Maybe they're too expensive or maybe what they offer is just not relevant to many consumers. However, those who appreciate what these brands have to offer are strongly committed.
- **Fading Stars** are usually well-known brands. They may even have been category leaders at one time, but now they find themselves overtaken by other brands. Consumers still know them, but they lack appeal and competitive advantage.

Brand typologies

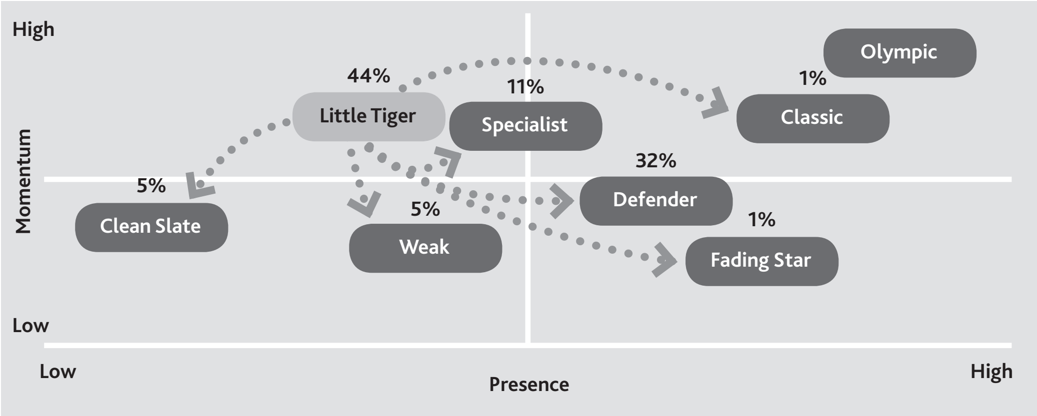


Looking at more than 50,000 sets of brand data and plotting brands according to their Presence (familiarity) and their Momentum, eight clear clusters emerge.

Brands do not develop in predictable ways

At first glance, it may appear that these typologies represent the stages that a brand will pass through from “birth” to “death”: starting as a Clean Slate, eventually becoming Classic or Olympic, and then finally declining through Defender to Fading Star. However, an examination of 1,200 brands over a two-year period showed that only half of the brands changed their typology over that time span, and only a third of those that did change moved in a direction consistent with the “life-cycle” model. Two-thirds of the brands bucked this trend. For example, Little Tigers, which would have been expected to grow in equity, actually seemed to have trouble maintaining the strength of their consumer relationships as they gained awareness. Almost three-quarters of the Little Tigers that shifted moved to a “weaker” typology (Defender, Weak, or Fading Star).

Where do “Little Tigers” tend to go?



This analysis takes all those brands identified as Little Tigers in any given year and looks to see where these brands were two years later.

Corporate brands are also vital assets

Corporate brands such as Kraft, Sony, Cadbury, and GE function the same way product brands do. By signaling something important about the products they make or the services they provide, corporate brands help people make purchase decisions. Perceptions of corporate brands will be heavily influenced by the quality of the products and services they deliver, but will also be affected by perceptions of their wider performance. Elements that factor into corporate reputation include a company’s sense of responsibility toward the public (the extent to which it is a good and ethical corporate citizen), the degree to which it is perceived as a leader, and its fairness in its dealings with consumers, employees and suppliers.

Corporate brands differ from product brands both in the nature of their audiences (which may include employees and potential employees, investors and potential investors, governments and non-governmental organizations, suppliers, partners, pressure groups, and journalists) and the outcomes they can influence.

A strong corporate brand contributes to the financial success of a company, both directly, as a product brand would, and indirectly. For example, a strong corporate brand might command greater loyalty and motivation among employees, thus making them more productive and easier to retain. The corporate brand might also make the company seem a more desirable place to work. This could make it easier to recruit new employees.

Multiple levels of brand identity add complexity

The interplay between corporate branding and multiple levels of product branding can result in complex systems of brand architecture and the need to understand the linkages across different levels of brand identity. A corporate brand may own two or more product brands that compete in the same product category. Each product brand may consist of different lines, each of which has variants within it. The relationship of the various brands and sub-brands must be carefully thought through to avoid confusing consumers.

Companies that own a number of different brands have some important issues to manage, including:

- Ensuring that each brand has a clear positioning in the marketplace.
- Understanding how different brands relate to one another and to the corporate brand that owns them.
- Continually assessing whether the company needs all of the brands, since each one requires time, effort, and investment.
- Deciding how to allocate investment across brands.

Global brand management is a supreme challenge

Another complexity of brand management is the challenge of successfully marketing a brand in different countries. While a few brands such as Coca-Cola, IBM, and British Airways have been able to use a very similar positioning across many markets, these brands are actually exceptions to the rule; some degree of brand customization by region is usually required.

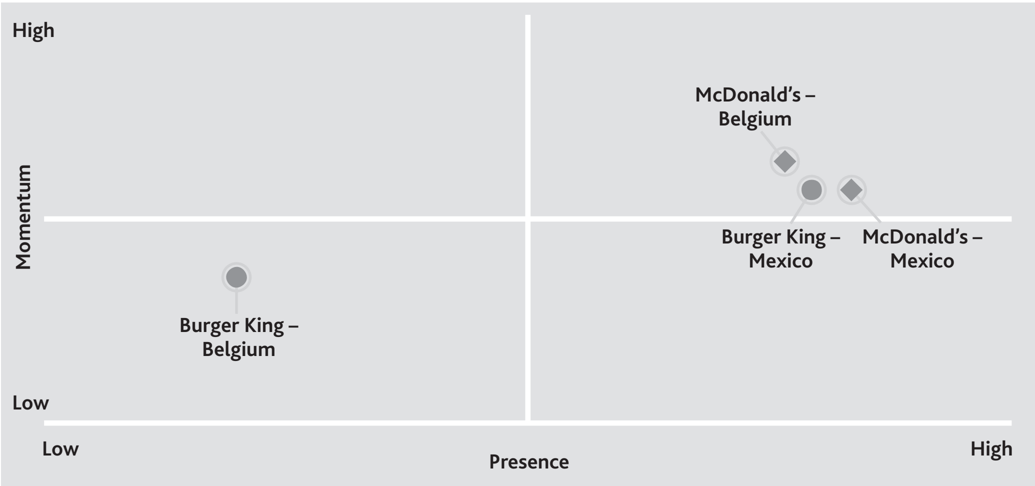
Developing and maintaining a brand in different parts of the world is a supreme challenge to an organization. Multinational corporations must consider the following eight variables as they launch and manage brands in different regions:

- **Political and legal issues.** Differences in laws can have a bearing on how a product or service is delivered and can constrain (or indeed prevent) communication about the offer. The variation in restrictions on advertising for alcohol and tobacco is one obvious example.
- **Practical and logistical constraints.** Infrastructure issues may need to be overcome to achieve both the creation and distribution of the product. The retail trade may be entirely different from one country to another. The density and spread of population will influence the scale and complexity of the distribution task.
- **Socioeconomic factors.** Socioeconomic factors are likely to impact many aspects of the brand offer, from product design to pricing and communication. Differences in disposable income will have an enormous impact on the nature of the brand offer. Products may need to be made more economical to

use or sold in smaller unit sizes to make them affordable.

- **Physical needs.** Some physical needs are the same the world over. Other needs are not so consistent; for example, hair care and skin care will be influenced by race and by climate as well as by prevailing cultural norms.
- **Local tastes, preferences, and customs.** Local tastes and customs will influence the way a category is perceived. For example, in the United States, people may well drink a Coca-Cola or Pepsi to give them their first caffeine hit of the day — placing colas in direct competition with coffee.
- **Local understanding of marketing and advertising.** People's experience with advertising shapes not only their expectations of it but also their interpretation of advertised messages. This is significant because advertising modes and styles vary enormously across countries as does the overall acceptance of advertising as a welcome part of the media landscape.
- **Competitive context.** The competitive context will have a major bearing on how you market your brand. This is particularly true if another brand already owns the positioning that made your brand successful in its country of origin. Different brand strategies may be called for depending on whether the major players in a market are local brands or global ones.
- **Brand status.** Another key factor that will influence brand strategy is the brand's status in its category. A brand may be small and not so well known in one market and the leader in another. This will almost certainly require different communication strategies and may also influence media choice.

Equity of McDonald's and Burger King in two different countries



The relative status of the brands is very different in these two countries. In Mexico the brands are very close in brand strength. In Belgium McDonald's is much stronger than Burger King.

Not all consumers are the same, even in a single country

The needs and desires of consumers vary considerably. People will respond to a brand differently depending on their values, attitudes, life experience, socioeconomic status and knowledge of the brand in question. In large geographies (such as China) there may well be huge regional variations, sometimes at least as wide as those between countries. This level of complexity makes it essential to have an excellent understanding of the consumer. Without such an understanding, it is impossible to decide on the key targets for a brand and its communications.

Because much of what we call “knowledge” is reconstructed from our personal experience, a brand’s users will have different attitudes toward the brand than will non-users. For users of a brand, what they are told about it represents a relatively small part of their knowledge, while their direct experience will play a much bigger part. But for non-users, the opposite is true. Any investigation of brand perceptions and attitudes must take this difference into account as must the communications strategy and the channels that are used.

Having considered the value of brands to both consumers and to the companies that own them, as well as the competitive environments in which brands operate, the key question is how best to build and manage brand assets.

Sound business fundamentals are necessary but not sufficient for a strong brand

A strong brand cannot be built and maintained without sound business fundamentals in place. First, any brand must satisfy the basic functional requirements for products in the category, but the strongest brands deliver exceptional experiences. Marketing will never make up for the failure of an offer to provide something that meets and ideally exceeds consumers’ expectations. Second, the manufacturer must also be able to make and distribute the product efficiently, and in the longer run they need to sell it at a price that is high enough to cover the company’s cost while producing a profit. Getting these business basics in place is a prerequisite for success and, in some cases, a key driver of brand growth. For example, the success of Starbucks was founded on a robust distribution strategy.

A brand resides in the minds of its consumers

Building a brand is about more than building plants and production lines because, though a brand manifests itself in factories, offices, employees, and products, ultimately its value resides elsewhere. What a brand really consists of is the sum total of the perceptions of that brand in the minds of consumers. And while every individual will have some unique memories and experiences related to a brand, the perceptions of that brand that are broadly shared across a population ultimately define it and influence its destiny. Therefore, while it is necessary to establish production capabilities and efficient customer management systems, another essential task is to build and maintain strong positive associations in the minds of consumers — associations that are tightly linked to the brand’s name, its logo, its packaging, and the experience of the product or service itself. Strong associations often result from having a clear and consistent positioning, leaving no doubt as to what the brand stands for and what it is offering to its consumers.

The strongest brands also have a sense of dynamism, often created by a confident innovation strategy or through marketing activity.

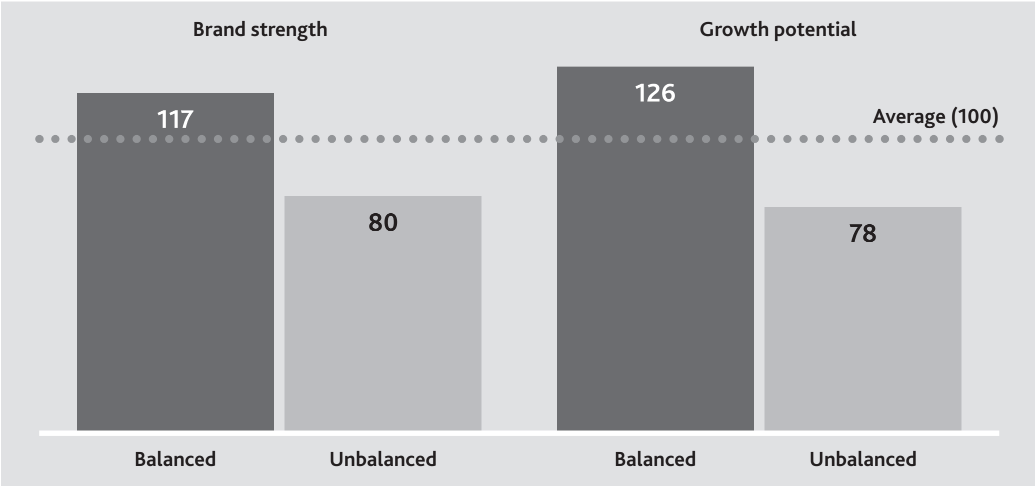
Recent learning on the brain is relevant to marketing

When trying to establish positive and powerful brand associations in the minds of consumers, marketers can find much that is relevant in some recent learning on how the brain works. According to the latest findings in neuroscience, the brain sorts out different bits of information according to whether they have to do with "knowledge" (the concrete characteristics of an object, such as its name, its appearance, or its physical properties), "experience" (which includes information about interacting with an object or idea), or "emotion" (the feelings, positive or negative, brought to mind by an object or idea). These three types of information are stored in separate neural networks. When a person thinks about an object or concept, the brain pulls together a "representation" of the object or idea by calling up the three types of information from long-term memory.

If the associations in each of the three areas (knowledge, experience, and emotion) are clear and distinct, they will be retrieved more readily and the representation will form more quickly. In this way, a representation of a brand is no different than any other representation: One that comes together quickly and easily is more likely to influence a decision at the point of purchase.

Another key piece of learning is that breadth as well as depth is important for brand associations. The strongest brands have associations that are relatively evenly distributed across knowledge, experience, and emotion. Therefore, marketers must work to establish associations in each of the three areas.

Strong brands have balanced associations across knowledge, experience and emotion



Using information summarized from 8,500 interviews about 42 brands, this analysis of the BrandZ database classified brand associations into the three areas of knowledge, experience and emotion. Brands with "unbalanced" associations were significantly weaker than those with a good balance across the three areas.

Consumers do not spend much time thinking about brands

In establishing brand associations, marketers face a fundamental challenge: While consumers value and appreciate brands, the reality is that they devote very little time and mental effort to thinking about them. A further challenge is that while sometimes brand associations are explicitly recalled and examined, most of the time people are not consciously aware of them and therefore they are not open to view or influence. Often consumers access them without even realizing it. This explains much habitual purchasing behavior.

But there are times when people do focus on brands and call up related memories and associations. Most occasions when people consciously consider brands are in response to one (or more) of the following four circumstances:

- When brand–directed marketing communication gets their attention.
- When they hear or see things about brands that are not directed or controlled by the brand itself, such as word of mouth.
- When they are "experiencing" the brand in some way, either by interacting with the product itself or with a person who represents the brand.
- When they are considering a product purchase.

The rest of this document will discuss the possibilities for building brand associations and influencing brand choice in these four circumstances.

Influencing Consumers with Brand-Directed Communication

Marketers face an uphill battle in trying to establish brand associations among consumers because consumers are not constantly tuned in to brands. Today, as media fragmentation and new digital technologies reduce mass communication opportunities and people are increasingly able to control their interaction with media and marketing communications, the task is more difficult than ever. However, brand-directed communication can still be the major influence on the development of people's attitudes toward brands.

Brand-directed communication takes myriad forms across many different channels. It can include traditional forms of advertising, sales promotion or sponsorship, as well as newer communication channels such as mobile phones or online social networks. In addition to having a short-term effect on purchase decisions, all forms of brand-directed communication have the potential to create, amend or refresh brand associations.

The success of a short-term strategy depends on news

Types of communication such as direct mail, direct response advertising, email marketing, and search marketing are designed to create immediate sales uplifts and are usually judged on that basis. However, while these channels very rarely seek to influence the long-term trajectory of the brand, they do have the power to reinforce or undermine existing brand associations. Wherever possible, these forms of communication should be consonant with brand advertising.

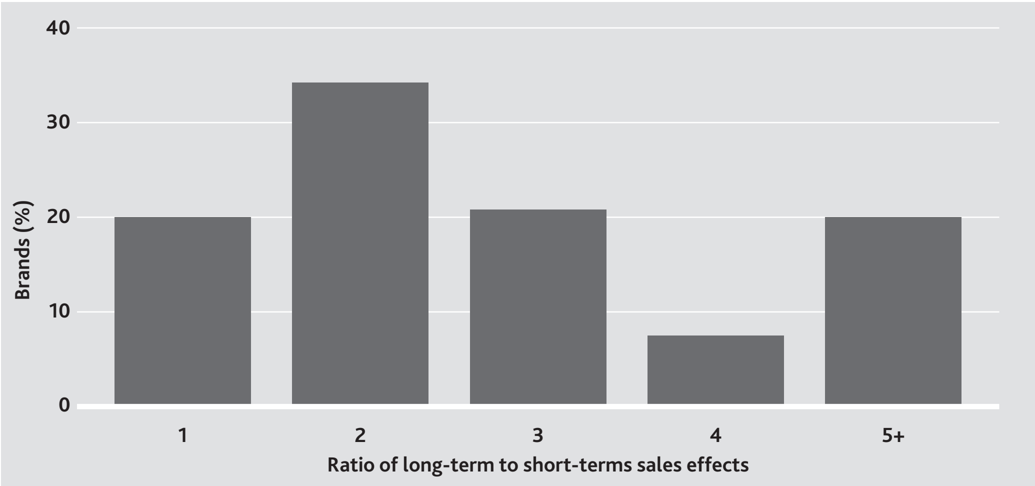
Brand advertising (that is, advertising whose sole aim is not to drive immediate sales via a call to action or direct-response mechanism) is geared to creating sales effects in the long term as well as in the short term. Short-term effects will be much more pronounced when there is a specific piece of new brand information because the success of a short-term strategy depends on news. If communication is to immediately impact sales, it must have a powerful, relevant, new and believable message. Sometimes advertisers set a short-term sales objective for their communications activity that is unrealistic and cannot be met because they have no compelling news to fuel those sales. The fact is that, most of the time, most established brands do not have anything new to say.

Effective brand advertising is a hugely beneficial long-term investment

An overview of results from sales modeling suggests that only around 10 percent of ads pay back in the short term. But this does not mean that advertising is not effective. Effective brand advertising is a hugely beneficial investment that builds sales over the long term by building brand equity.

When people say that advertising doesn't influence them, what they are actually saying is, "The advertising I see does not make me want to go out and buy the brand." This is not surprising and in fact is perfectly reasonable. People don't typically make decisions about brands when they're exposed to advertising. But advertising can and does seed ideas in people's memories that will be accessible at a time when they are thinking about brands. Advertising can help to keep a brand and its promise salient, add to its perceived status, make the brand seem popular and desirable, communicate a new facet of the brand, and much more. All of these effects can ultimately influence purchase decisions.

The long-term effects of advertising outweigh short-term effects in 80 percent of cases

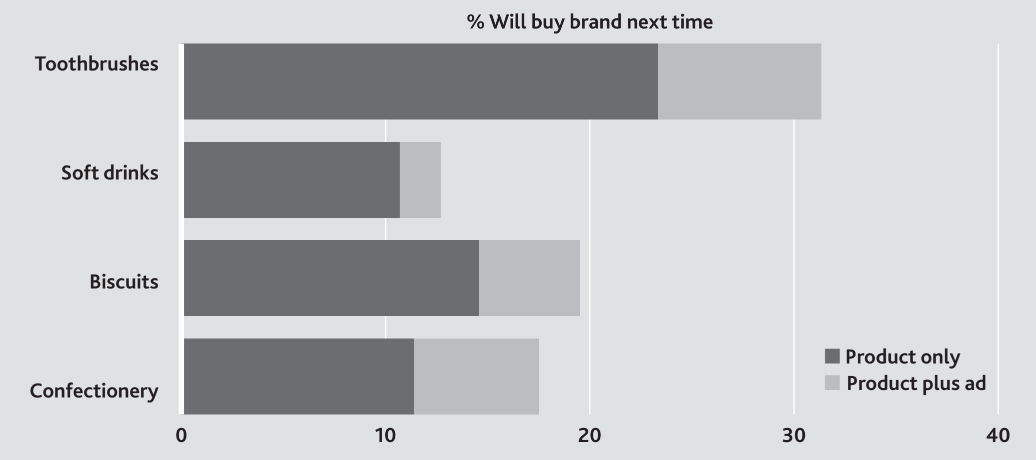


This analysis of advertising for 83 brands showed that long-term sales effects exceeded short-term effects in 80 percent of cases. The long-term effects were at least three times greater than short-term effects in nearly half of the cases.

Advertising can frame the brand experience

Advertising has a very powerful role in framing the brand experience. By emphasizing the positive, differentiated aspects of a brand, advertising can encourage its users to focus on those things when they experience the brand, causing them to take less notice of other aspects that are weaker. A bank, for instance, may claim that it offers outstanding service. If people who are aware of this claim go into the bank and actually receive outstanding service, the combined effect of the advertising claim and the experience is stronger than either would be separately. Together, these things might make the customers feel less critical of the bank for not offering the most competitive rates.

Advertising can frame the product experience in a way that stimulates sales



In an experimental project looking at advertising for biscuits, confectionery, toothbrushes and non-alcoholic drinks, when respondents saw advertising for a product and then tried the product, they were far more likely to consider buying the brand than if they had only tried it.

Consumers will accept some advertising claims at face value…

Just as they rarely go out and purchase a brand because of a piece of advertising, consumers rarely change their opinions about a brand purely as a result of advertising. However, this is not to say that consumers reject all advertising claims. If an advertising claim is factually based, such as “all our ingredients are now organic,” the consumer may well accept this as a fact, believing that while advertisers may sometimes bend the truth, they rarely make (or are allowed to make) unfounded claims.

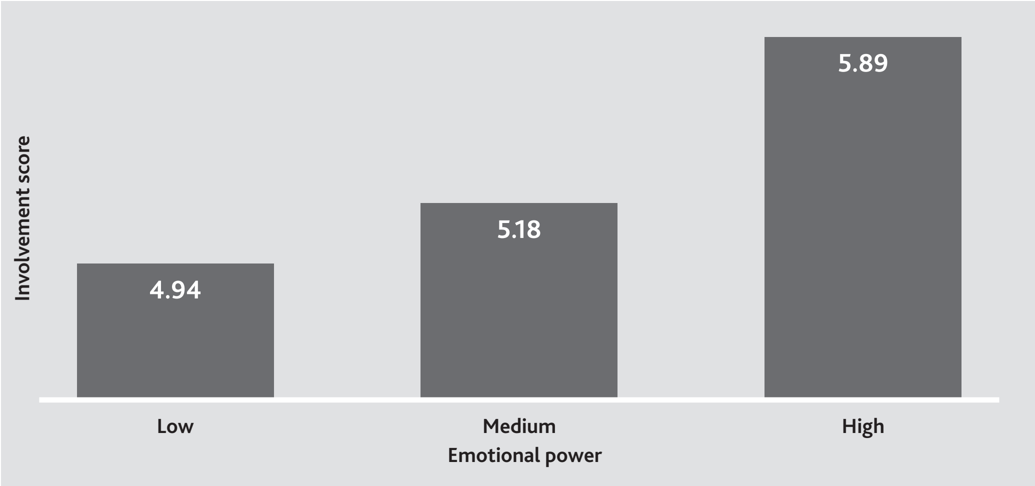
…But they verify other claims through experience

However, people are much less likely to readily accept fundamental claims about what a brand delivers until they’ve evaluated the claim themselves. For example, a software package might claim to be very easy to use. While this claim may register with consumers, they are likely to withhold judgment on it until they have had the opportunity to see for themselves. But that does not mean that the advertising has been ineffective. The brand’s claim has been placed in people’s minds; it simply will not be acknowledged as fact until people have tested it out. This explains why brand imagery does not necessarily move directly in line with advertising campaigns. People need a chance to verify the claim by trying the product; therefore, both purchasing and imagery tend to change simultaneously.

Communications engagement is vital for success

In recent years, some commentators on advertising have suggested that we can be influenced by communication that doesn’t make a conscious impression on us. While this is possible, evidence from a variety of sources (including our own research, findings of academic studies, and work by neuroscientists) overwhelmingly suggests that we form stronger memories in response to things we are consciously attending to. What types of things do we consciously attend to? We attend to things that are directly relevant to us, that have emotional significance, or that engage our senses in a very direct way. Things that are unusual, unexpected or out of the ordinary can also capture our attention; this explains the universal demand from marketers for creativity throughout all aspects of their communication.

Ads that evoke stronger emotions generate greater involvement



In this analysis, 150 ads were grouped according to their ability to generate an emotional response. The average involvement score (from Link™) is shown for each group.

Creativity is key to making communication memorable

Creative content that is different, emotionally engaging and relevant is at the heart of effective advertising. Advertising will have very little effect unless it captures attention and a place in people's memories. Ads that are dull or boring are simply not going to be remembered. The most effective ads are either compelling in the product offer they present, or they are distinctive or emotionally engaging as a result of the creative treatment. There are no rules as to what constitutes communications creativity. Whatever can bring the particular idea to life for the target audience will be effective. What is crucial is that it establishes a memory. Developing engaging creative work is surprisingly tough — which is why it is highly valued. This makes it one of the most variable variables in marketing success and therefore one of the most crucial to get right.

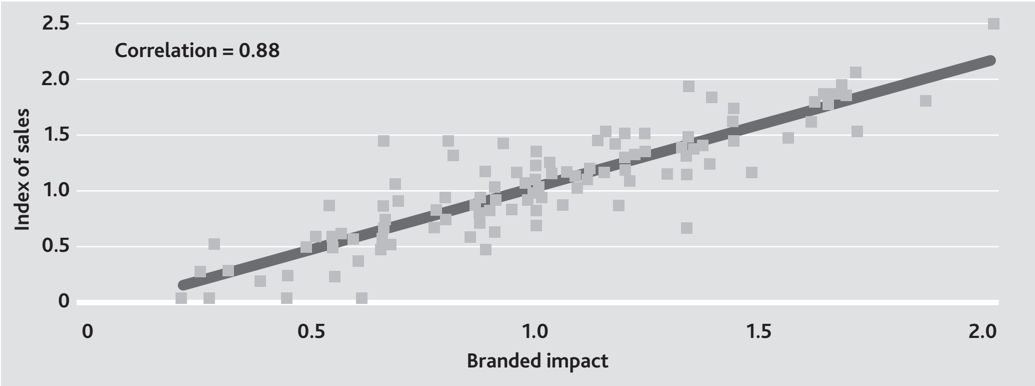
Great communication has the brand at its core

One of the most frequent comments in any advertising conversation is, "It was a great ad but I can't remember what brand it was for." This is a significant failing of much advertising regardless of channel: the failure to connect the brand to what is memorable in the ad. In a well-branded ad, the brand is integrated seamlessly into the execution. The mechanics of accomplishing this vary according to the media; in video advertising, the brand must be essential to the story, while in print the brand must be positioned well in relation to the reader's eye flow.

Good branding has nothing to do with the focusing on the pack, the logo or the product. It has everything to do with the brand being at the heart of the creative idea.

An ad that combines good branding with strong engagement will sell more than an ad that does poorly on these two variables, given the same strategic objective.

Doubling an ad's impact is likely to lead to a doubling in its sales effectiveness



This analysis looks at the relative impact of different ads on the sales of an individual brand and calculates the relationship between branded impact (a combination of branding and engagement) and sales as an index. This analysis excludes ads promoting product innovations; these have a different relationship between impact and sales.

Media proliferation has led to a long tail of communication opportunities

To engage people with communications, we need appealing creative ideas, but we also need to direct those ideas through the right channels at a time when the target audience will be receptive to them. As technology has provided people with more ways to be informed and entertained, to transact business, communicate with others and express themselves, the long tail of communication opportunities has grown, consisting of the many new and different channels that can now be used to reach an audience. New advertising contexts are being created through the combination of new media and new technology. For example, video screens are now abundant outside of homes — on trains, in stores and banks, and on mobile phones. Thus, many new spaces and contexts for video advertising have been created. As consumers move into these new spaces, advertisers will inevitably follow, and they will confront new challenges in these communication opportunities.

Engagement with the media channel facilitates engagement with the advertising

In engaging an audience, the relationship between audience and medium comes into play. Advertisers must consider how people feel about various media channels and how and when they use them. An audience that is attentive and appreciative of a channel's content may be primed to receive a compelling brand idea, especially if the brand's communication is relevant to the surrounding context. The caveat is that the brand must have "permission" to be in that context.

A brand needs permission to reach consumers through any given context

Different product categories enjoy different degrees of "permission" to speak to consumers in different contexts. For example, people readily accept advertising for computers and travel destinations on posters, but they might not be as positive towards outdoor display ads for sanitary protection. Advertising in a new or unexpected context might extend expectations of the brand or category, but offending an audience will rarely further a brand's objectives.

Lack of control over exposure can create resentment

The degree of control people have over their exposure to advertising in each medium is another factor in their response to brand-directed communication. Where they have little control over exposure, there is a danger that resentment toward advertising could rub off on the advertised brand. To understand the level of control available to a viewer or reader, you must consider how various media are consumed. Is a particular medium consumed passively or actively, or does it depend on the context?

Television, for instance, is a medium of relaxed entertainment. Both the programming and the advertising flow past a relatively passive viewer. This has a major bearing on the kind of creative that is effective in that channel.

By contrast, surfing the Web is often done with some intent, such as looking for information or reading email. Communications that interrupt or interfere with these tasks may be regarded as irritating, but advertising that is consonant with these tasks may be welcomed. In this context it is not surprising that search marketing has become such a powerful tool or that behavioral targeting is considered an area of great potential.

Attributes of a channel can rub off on a brand

The choice of channel can say something about the brand itself. For example, "public" media such as cinema and outdoor can put a brand into the public domain. TV advertising is associated with large established brands; therefore it may increase perceptions of a brand's size and its popularity. A presence in regional media may say something about a company's commitment to a local community.

Communication planning must take context into account

Communication planning decisions were once made largely on the basis of reach and frequency issues, cost per contact, and the match between audience and target. While all of these factors are still important, there are also new issues to consider as significant factors in engaging an audience. These are related to the context and deployment of advertising in each medium.

For example, we know that a video execution should be engaging, memorable, and well branded. But consideration needs to be given to how responses to that execution may change depending on the context in which it is viewed. It may even be appropriate to adapt the execution to maximize its effectiveness in different situations. In some situations there may be an opportunity for interaction that can be exploited (interactive TV, on the Web). There may be situations where the sound may not be audible (on the Web and out-of-home). Time length may be an issue for different contexts, and so may screen size. The recipe for achieving optimal engagement is not the same across all channel opportunities.

The dynamics that vary include the level of viewer control and the amount of attention the viewer wants (or is able) to give to the ad at a particular moment. And these issues do not apply only to TV or video ads. Every advertising channel and context now presents a different combination of issues to be considered. Some specific learning about different channels is highlighted in the section that follows.

Channel Considerations

Video Advertising

For decades, television was by far the dominant medium for video advertising. The dynamic audio-visual nature of the medium makes it ideal for telling stories and engaging emotions as well as conveying powerful messages about brands. Throughout much of the world, including North America and Western Europe, television advertising is still at the core of most marketing campaigns.

But in recent years, new outlets for video have emerged, and many advertisers have learned through experience that repurposing TV ads in other video contexts does not always work because the viewer mindset is not the same. In environments where viewers can more easily disengage from the advertising, gaining and maintaining viewer involvement are of paramount importance.

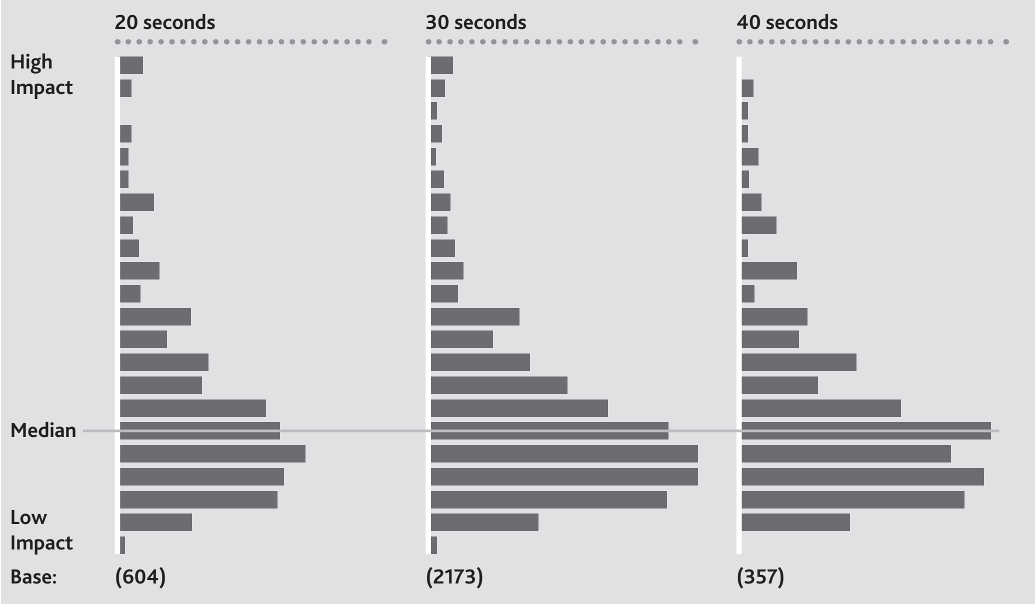
Successful TV ads can harness many different styles and formats

Our database of more than 50,000 ads, which covers all significant product categories in all major geographies, contains examples of every conceivable style of advertising. For every type of execution represented (e.g., cartoons, humor, slice of life), we can find examples of ads that have been successful. By the same token, we can find instances where each style was ineffective. There are no general conclusions to be made about the most effective type of ad. The critical factor is whether the executional style is appropriate to the brand and the brand's personality, and is the right vehicle to achieve the advertising objectives.

Shorter time lengths are not necessarily more cost-effective

Ad length is another characteristic that varies across TV executions, with each market offering its own range of options. One of the most interesting findings from our analysis of ads of different lengths is that, on average, ads generate the same return on a per-second basis. Therefore, it is up to marketers to determine how their money can best be deployed.

On a per-second basis, longer TV ads are as effective as shorter ads



In terms of impact per second, longer ads are just as effective as shorter ads. A 40-second ad is likely to achieve double the impact of a 20-second ad because it is twice as long.

Shorter ads are cheaper to make and buy ratings for. Effective short ads use messaging that is clear and to the point. However, a marketer who needs to build a story or convey a rich set of associations may choose to sacrifice some frequency in order to put money behind the increased communication power of a longer ad. A longer ad that holds the attention and interest of the viewer, does not compromise cost-effectiveness.

To optimize communication effectiveness, marketers may choose to draw on the strengths of both short and long ads by combining different ad lengths in a single campaign.

But many TV ads fail

Though TV is a channel that is very rich in options and capability, it can be hard to consistently exploit well, as evidenced by an abundance of eminently forgettable TV ads. While a few ads become famous, sometimes with relatively low media investment, many others disappear without a trace.

Ads can fail for a variety of reasons. In addition to the engagement and branding issues discussed earlier, sometimes commercials fail because they are too complex. Those creating TV ads should strive for clarity and simplicity because TV viewers are rarely motivated to untangle any complexity.

When watching TV at home, people are usually in a passive and relaxed ("leaning back") state. Ads flow past the viewers one after another, allowing them no time to reflect on the meaning of one before another starts. In such a passive viewing environment, viewers will attend to ads that are interesting, involving, and readily understandable and they will tune out the rest. Three important characteristics of TV advertising result from this fact:

- TV ad recall is selective.
- TV ads don't wear out in terms of being noticed.
- TV provides equal opportunity for both high- and low-interest categories.

TV ad recall is selective

When viewers are asked what they remember about an ad, they won't usually recount the entire ad. Rather, their recall will usually center on a limited number of elements. We call this phenomenon the "creative magnifier." If brand associations are to get into the viewer's memory, the creative should leverage the power of the creative magnifier by linking the brand and message to the most memorable and involving parts of the ad. Understanding the elements that are best remembered is also important in determining which ad elements to use in cut-downs.

TV ads don't wear out in terms of being noticed

TV ads rarely wear out in terms of their ability to get attention. Each time viewers see an ad, they tend to continue to focus on the most involving bits. Only an extremely engaging ad will get a higher level of scrutiny on subsequent viewings. Viewers tend to watch television passively and, as a result, they do not pay more or less attention to ads they have seen before.

TV provides equal opportunity for both high- and low-interest categories

Finally, the passive nature of TV viewing allows ads for brands in all product categories to have an equal opportunity to gain attention. TV advertising can work as well for products in low-interest categories as those in high-interest categories. Different categories have a fairly equal opportunity of exposure, and it is up to the creative idea to engage and involve the viewer.

Time-shifted viewing has yet to have a dramatic effect on viewing numbers

While time-shifted viewing has been possible for many years, when DVRs/PVRs first appeared, they made it easier to time shift and far easier to fast-forward through the ad breaks in a controlled way. As the penetration of these machines spread, the fear was that the number of viewers of the ads would diminish.

However, much of that concern has so far proven to be unwarranted. DVR users do not fast-forward through ads all the time. A great deal of time-shifted viewing is still consumed in the traditional relaxed mode of real-time television. For many, time in front of the TV is still a time to take the mind off the hook.

Even when viewers do fast-forward through ads, the ads have some effect. Unlike fast-forwarding on the VCR, accelerated playback on a DVR allows viewers to see a series of images. They can stop and watch ads that interest them, and even when they don't stop fast-forwarding, they can recognize ads they have seen before. Some research has shown that ads seen under these circumstances actually trigger the same emotional response that they did when they were initially viewed at normal speed.

Online video advertising carries a higher risk of irritation

The mindset of someone encountering video advertising online may be quite different from that of someone watching television. When people are online, they are often engaged in an active search for news or information. Advertising that interrupts these tasks may be viewed as disruptive and irritating. But advertising that is encountered in the course of viewing TV programs online is likely to be regarded differently. One important consideration here is the length of video ads in relation to the content. Someone who is online catching up on the latest episode of a program is not likely to object to a few 30-second ads during their viewing of it, but someone trying to watch a 90-second news video or a short item on YouTube may find even a 15-second pre-roll intrusive and annoying.

As with TV, we have found that online video ads perform best when they are enjoyable and entertaining, with creative intrinsically linked to the brand. The use of companion display ads can help to keep the brand visible, particularly when viewers do not watch the whole video. An adjacent display ad can provide a visual cue that reinforces the branding of the video ad, and can also provide an opportunity for the viewer to respond and interact with the brand.

Some online video ad pitfalls to avoid include failure to engage and establish relevance quickly, a lack of clarity as to what is being featured and communicated, and over-reliance on a catchy song, jingle, or voice-over, since many viewers may not have their audio turned on.

Viral video must be exceptionally engaging

Video that intends to exploit the possibility of viral transfer needs to be exceptionally engaging. People will pass on a link only when they think others will enjoy it and appreciate receiving it. Successful virals tend to be genuinely funny, edgy in some way (often showing material that may not pass the TV censors), gripping, or sexy (or, perhaps more accurately, sex-related).

Advertising can exploit the expectant and engaged nature of a movie audience

At the movies, video ads are viewed in a public setting. As people have paid for admission specifically to watch a film and there is little else to occupy their attention save the screen in front of them, their mindset is more focused, albeit on entertainment, than it is at home. Most moviegoers appreciate some form of stimulation as they wait for the film to start and many turn up with the intention of being there in time to see the ads. An ad seen at the cinema can be enjoyed more than the same ad seen at home, and can generate stronger brand appeal. The large screen and the public nature of advertising in this venue can help to enhance the status of a brand.

Display Advertising

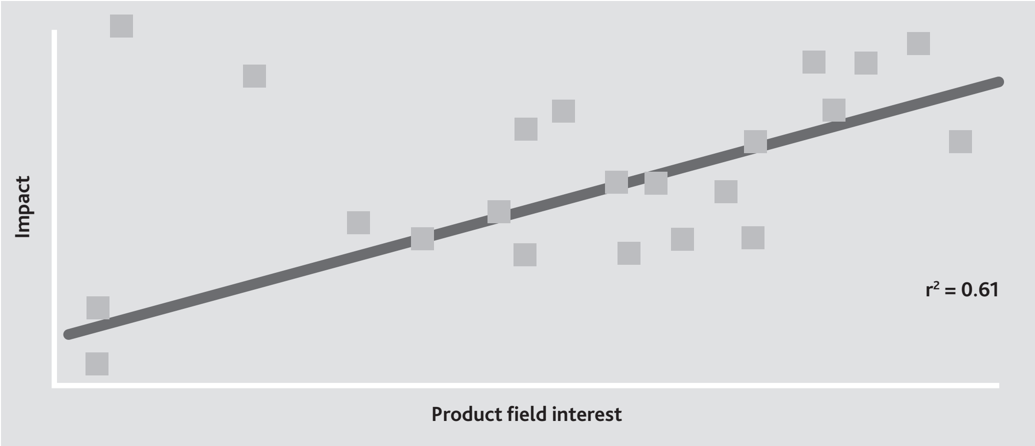
Until the advent of the Web, display advertising existed in a few distinct and static forms: the traditional print vehicles (magazines, newspapers) and outdoor displays (billboards, posters). Now various forms of display advertising — much of it dynamic and almost all of it interactive in some way — appear on many Web pages. Display ads are also seen on mobile phones and embedded in video games. Indeed the distinction between display and video is becoming increasingly blurred. Short soundless ads in elevators, on public transport or in the street are a hybrid of video and display, which indicates the necessity to think about communication channels at an increasingly granular level. As with video, the rules of engagement vary according to medium for display advertising.

The first task of a print ad is to stop the reader from turning the page

The traditional print media remain powerful because of their targeting capabilities. In terms of building impact on a dollar-for-dollar basis, print is at least as effective as TV. Using print vehicles, you can not only reach very specific audiences but also place ads in relevant content. And, because readers actively engage with printed material and are in complete control of the interaction, much more information can be conveyed than is possible in a more transient medium such as television. Readers can spend as long as they like with an ad to fully understand it and extract all the relevant information.

The flip side of reader control over exposure to print advertising is that it is easier for readers to ignore an ad and turn the page. The effect of category interest is therefore much greater in print than in other channels. Low-interest categories will have a harder time creating a response in print. Dramatic, interesting or intriguing creative executions are necessary to prevent an ad from being “edited out.”

Product field interest influences print response

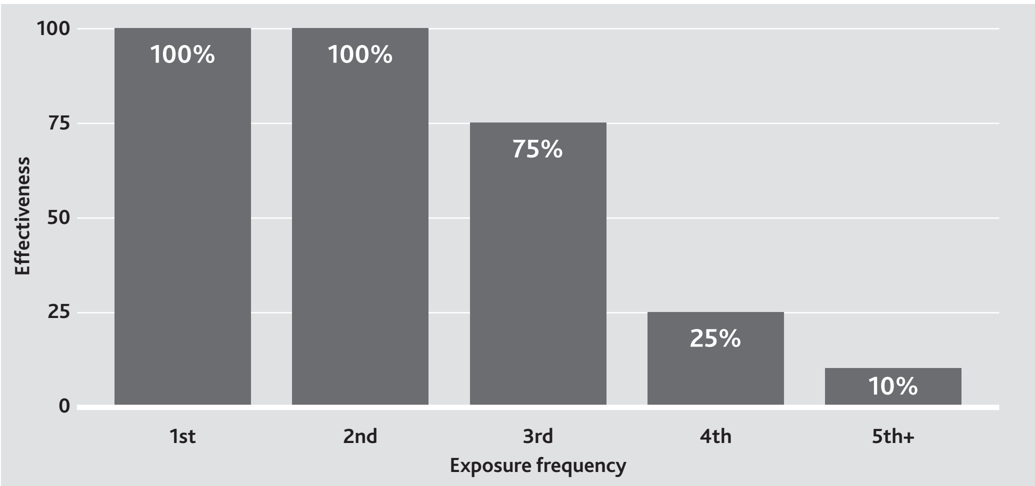


This chart, which represents data for 22 ads in 22 different product categories, shows that in general it is easier for ads to generate visibility for brands in product fields that are considered interesting. However, the outliers demonstrate that it is possible for individual ads in low-interest product fields to have a significant impact.

Once people have been drawn in, the way they then absorb the ad is crucial to its effect. The direction of eye flow through an execution will tend to follow the same pattern as reading: In Western markets, this would be down the page and from left to right. In order for the desired associations to be taken out of the ad and associated with the brand, the brand and the key messages must be incorporated into this flow.

Another key consequence of the high level of control people exercise in engaging with display advertising is the phenomenon of wear-out. A reader who has noticed an ad and read it is unlikely to keep repeating the process. Therefore, though an ad may be looked at in detail the first or second time it is seen, it will not be closely engaged with again. This has important consequences for frequency of exposure, copy rotation and media planning strategy.

The impact of print executions wears out rapidly



Tracking print campaigns over time demonstrates that the ability of an ad to create visibility is dramatically diminished after three exposures.

Web display advertising has to work harder to engage

When people are interacting with content on the Web, they are actively involved with the medium, seeking out items of interest, just as they are with newspapers and magazines. And, as with traditional print vehicles, display ads can be ignored or edited out of view. Thus techniques such as pop-ups, Flash media, and other animation are used to make Web ads more intrusive. But to avoid annoying Web users, advertisers need to use these features carefully, with consideration as to the context of the Web page.

Web display advertising is often used as a direct response tool, but it can also be effective in developing brand associations and consideration, provided that the executions manage to stand out in the busy environment of a Web page. Clarity and branding are also essential and must be considered in relation to each specific type of execution. For example, if a brand appears only in the last panel of a four-panel banner, it will be missed if the user has moved on to another page before the banner has completed its rotation. Brands at the bottom of a skyscraper are often missed because the display settings on a user's computer don't display the full page.

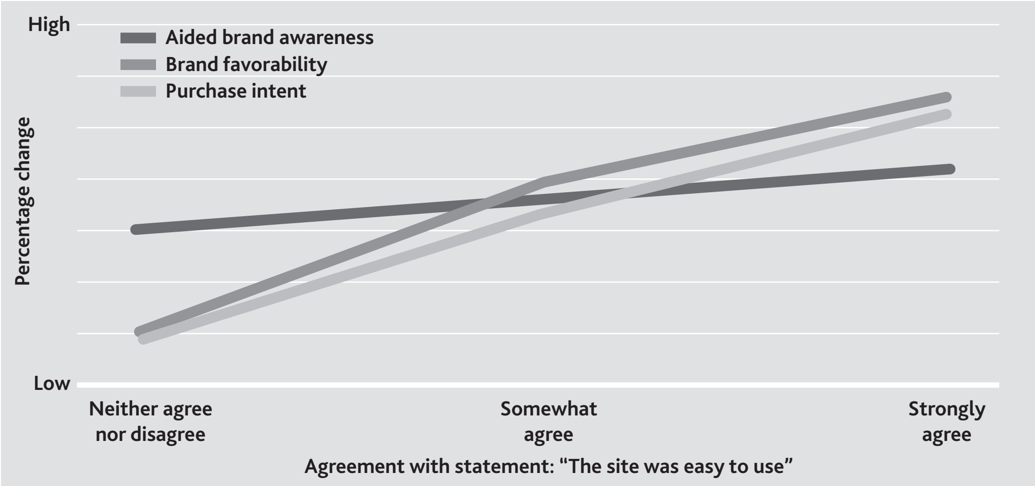
Web sites and microsites need to take account of brand objectives

Web sites are now an essential part of communications for many brands. Whereas initially many sites were little more than online sales brochures, current designs often incorporate games, community sections, video and the ability to interact (virtually) with the product. Some sites now have so much video that they are effectively brand TV channels.

When a brand's Web site is not likely to generate significant traffic (because interest in the brand or category is relatively low), marketers often use "microsites." A microsite may focus on a particular issue, a competition, or an event and should be designed appropriately for its purpose.

Any brand Web site, no matter what its purpose, must be designed with ease of navigation in mind. Those sites that are easy to use are much more likely to have a beneficial effect on perceptions of a brand.

The easier a site is to use, the greater the effect on brand measures



The degree to which a Web site allows visitors to navigate easily through the site makes a huge difference in the site's impact. An evaluation of over 110 Web sites showed that sites that were considered easy to use were most likely to have a beneficial effect on brand health.

Ease of use has many aspects but includes the ability to find relevant information quickly via the use of clear icons and labeling as well as the speed of page loads. Successful sites need to have something distinctive in what they offer in the way of entertainment, information, ability to engage with other like-minded people, or the product. Design is equally important — to enhance both functionality and perceptions of the brand. Sites need to be constantly developing to offer repeat visitors something new since their last visit.

Finally, visitors need to be able to find their way to the site. The choice of the URL will be a factor in site discovery, as will the degree to which the site is optimized for search engines. But advertising the site to encourage traffic is often essential — particularly for microsites.

Company Web sites are often run by teams quite separate from the marketing teams, yet the Web site is an important part of overall brand communication and needs to dovetail with the strategic objectives for a brand and its other communications.

Out-of-Home Advertising

The traditional vehicles for out-of-home display advertising have always been outdoor billboards and posters. As people all over the world become more mobile, advertisers have taken advantage of additional opportunities in this area, which include everything from banners pulled behind airplanes to shopping carts and public toilets.

Out-of-home display advertising often has to make the most of limited dwell time

By putting marketing messages in a public space, out-of-home provides an opportunity to generate word of mouth and PR, but advertising context is critical. Some sites offer very limited dwell time, thus dictating the need for simplicity. Large highway and urban displays may be viewed from some distance; thus they need to boldly convey a simple message. The constraints of simplicity and boldness often lead to powerful and involving executions.

Some environments, such as spaces within public transport systems or in waiting rooms, may offer the opportunity for greater viewer involvement. Executions designed to occupy dead time in an interesting way may better exploit this particular media niche.

Out-of-home advertising also provides the opportunity for specific geographic or demographic targeting. Business travelers can be reached in airports. City dwellers can be reached on public transport. Grocery shoppers can be reached outside supermarkets.

Audio Advertising

Radio continues to be the main channel for audio advertising, but as a result of the huge growth in downloadable content, an increasing volume of listening is happening on mobile devices, such as iPods, as well as on computers. Each type of listening experience has some special characteristics that need to be considered by the advertiser.

The key challenge for radio advertising is getting into the foreground without irritating

The power of radio advertising has traditionally been its ability to reach people at times and locations that other media channels cannot — e.g., while people are getting dressed in the morning or commuting to work by car. Because radio is often a "background" medium, the key challenge for radio advertisers is getting through to listeners who may be actively engaged with another activity. Once listeners are engaged, the next challenge is for the ad to present something compelling, either by means of the creative or the product offer. As with TV, radio ads have to have the brand as a clear focus in the execution. There is no time for the listener to stop, reflect and interpret the ad.

Podcast listeners are more engaged with the medium

The rise of podcasting opens up new possibilities for advertising but also imposes new constraints. Those who are listening online, especially those who have gone to the trouble of downloading a program to a mobile player, will be much more actively engaged in listening. Therefore, advertising needs to be focused and relevant. Thematic links between programming and advertising should be exploited.

Mobile and Gaming

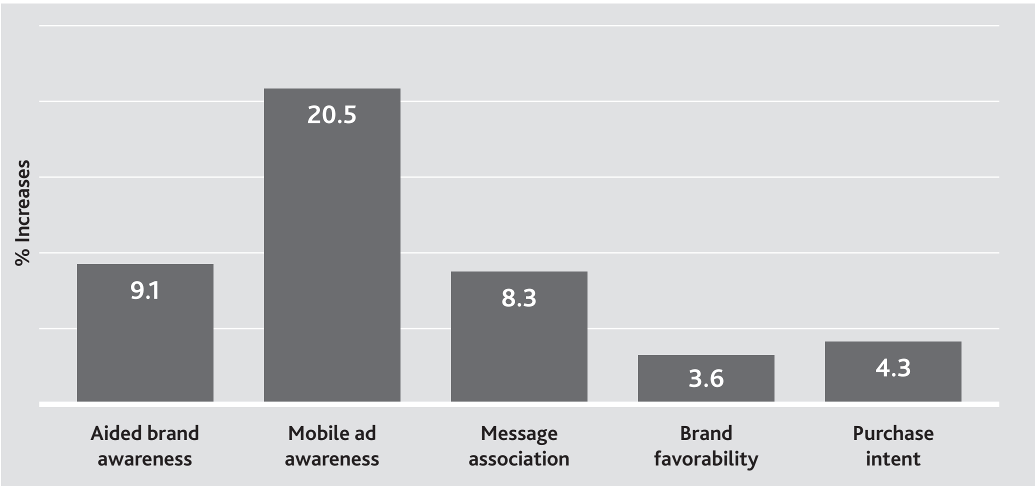
Mobile content needs to work in a small and personal space

Advertisers must tread carefully in using the mobile phone for marketing because, whether people view their mobile phone as an indispensable lifeline or a necessary evil, they believe strongly that their phone belongs to them, not to advertisers. Gaining permission to reach consumers over the phone is essential. This permission may be obtained by offering mobile subscribers something of value (such as exclusive content or free minutes in exchange for viewing ads) or entertainment (such as a game). When moving from mass marketing to more targeted activity, there is greater potential to offer relevant, involving content with which the consumer will want to engage.

After permission has been granted, the next task for advertisers is to deliver relevant content. We have seen significant uplifts in brand metrics for brands that have sponsored relevant content to a highly defined target audience.

The size of a mobile screen obviously imposes constraints on what can be shown and what will be effective. At present, most brands are using mobile for direct response as part of a multimedia campaign, rather than for mobile display advertising. However, mobile advertising does seem set to increase in prevalence, particularly as connection speeds increase and handset capabilities improve. And early findings from effectiveness research show that mobile communications can impact core brand metrics.

Advertising on mobile can create significant increases in brand measures



Early evaluation of this emerging medium demonstrates the strong shifts in ad awareness and brand perceptions that can be achieved. This chart shows the combined results for a range of campaigns in a variety of product fields.

In-game communication must dovetail with the gaming content

Communicating through games can take a number of forms: static or dynamic ads embedded within the game, display ads surrounding the game, streaming ads appearing between rounds, or sponsorship of the game itself. In order to succeed in this channel, a marketer must have permission to be present, usually by having a brand that is relevant within the context of the game.

Affiliation Marketing

When using affiliation marketing, advertisers seek to establish a connection between their product and the affiliated property. Opportunities include sponsorship of programs, sports teams, arts and cultural events and Web sites, affiliation with celebrities and charitable causes, product placement and branded content.

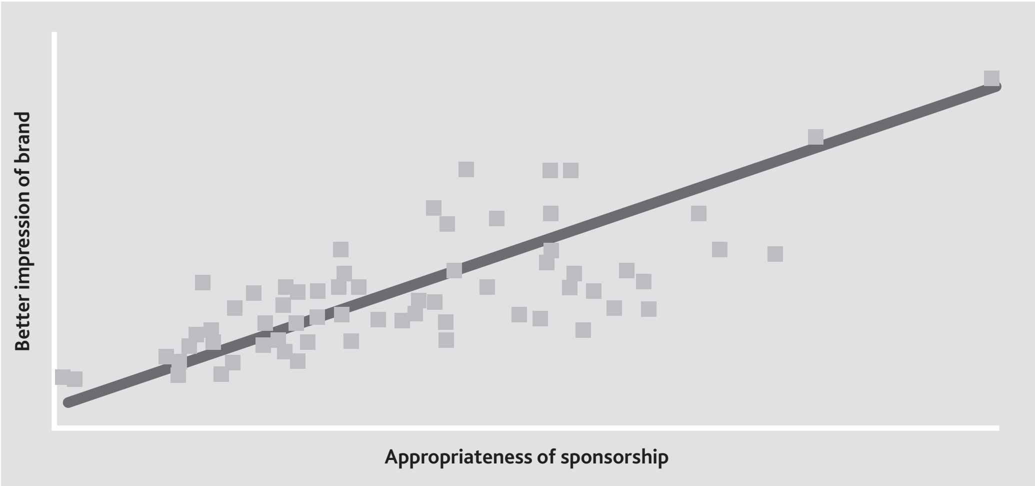
A good fit between the brand and the property is crucial

The key to successful affiliation marketing is "fit." For the association to have a positive effect, there must be a logical fit between the brand owner and the sponsored or affiliated property. When affiliation is being used to extend the associations or image of a brand, the credibility of this linkage is crucial.

It is also important to clearly communicate the nature of the relationship between the sponsor and the property. Is the relationship purely a financial one or is the sponsor actively engaged with the property? Lenovo was not only a major sponsor of the Beijing Olympics in 2008 but also provided the computer infrastructure. To maximize the value of the sponsorship, it was important that this was understood by consumers. Most sponsorships need communication plans developed around them to clarify and highlight such issues.

Product placement often takes the form of inserting a brand into the story line of a film or program. The brand needs to achieve just the right amount of prominence. It is a fine line that separates a brand that fades unnoticed into the background from one that is so much in the foreground that it actually interrupts the viewing experience. Of course, the content itself must also be engaging enough to attract an audience.

The most appropriate sponsorships are the most effective



Analysis of 70 TV sponsorships reveals a strong relationship between perceived appropriateness of the sponsorship and a positive impression of the brand.

Experiential Marketing

Product trial has always been part of the marketer's tool kit. In-store taste tests, door-to-door sampling and trial subscriptions all encourage the customer to experience the product, which will then hopefully speak for itself. By connecting the trial of a product with a marketing message (as occurs with sampling), a marketer can frame the experience so as to put the product in its best light. Marketing that encourages the consumer to spend more time with the brand in a relevant way helps build the relationship and add to the consumer's brand associations.

Experiential marketing extends into co-creation

Another form of experiential marketing has emerged in recent years: the direct engagement of the consumer in the process of creating marketing materials. This co-creation process has been applied not only to TV and print ads but also to product concepts and packaging. Sometimes these activities result in the production of an effective ad or an improved product, but the purpose of these activities is to encourage consumers to become more interested and involved with the brand. Typically only a tiny minority of consumers get involved in the process, but those who do spend significant amounts of time relating to and thinking about the brand. Other consumers who do not take part in the activity may still be impressed by the brand's "open" approach.

Public Relations

Public relations seeds positive brand stories into a wider arena

Still another way of transmitting an interesting story to consumers is to seed it in various media channels. While the advertiser is not ultimately in control of exactly how it will be expressed, the creation or formulation of the story increases the possibility that the outcome will be beneficial for the company. PR is usually seen as more credible than most other marketing activities, but consumer response to a negative story can be far stronger than its response to a positive story.

Multimedia

Media investment can be optimized by using multiple channels

Using multiple media channels in one campaign requires an understanding of each individual channel as well as the ways in which various channels interact and work together. Drawing on multiple connection points can work in three ways:

- Multiple media can be used to reinforce communication. The impact of the core brand communication idea can be increased when it is presented to the same target through a number of connection points. Seeing or hearing the same communication across channels can reinforce that specific message. Using channels to convey different angles may cumulatively create broader and more powerful communication.
- Multiple media can be used to remind people of something they've seen or heard before. This can be done efficiently by leading with the most expensive channel and following up with a less expensive one. For instance, radio advertising that picks up on audio cues from a TV campaign can rekindle memories of the TV ads. Reminding works when there is substantial advertising equity to be leveraged by cheaper channels.
- Multiple channels can reach more of your target audience. Light TV viewers may be reached using print or radio. Web advertising may reach an audience that is difficult to reach in any other way.

It is not universally true that using multiple channels is always a good thing. The danger with multiple connection points is that they can dissipate a message, failing to create enough visibility, or they can confuse the message if different creative treatments do not work together.

Spend, Effort and Share of Voice

Audience reach is still a vital factor in the choice of channels

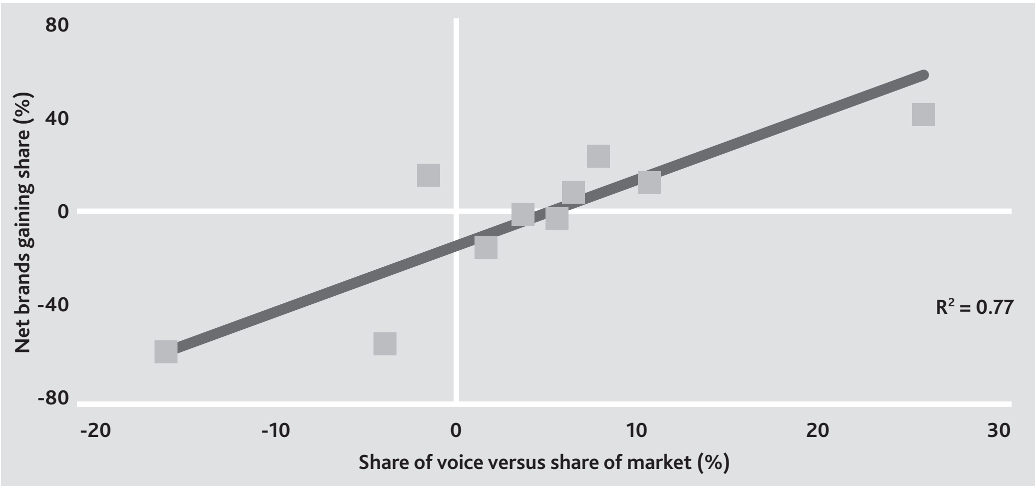
No discussion of channels can be complete without acknowledging the importance of coverage and frequency. Many of the channels touted as exciting new ways of engaging with consumers reach very small numbers of a brand's key target audience. Some clever ways of connecting with consumers may not require the purchasing of media space, although they often involve a lot of time and effort to reach small audience groups. Even the most successful viral campaigns reach only a fraction of a brand's core target, and highly successful viral campaigns are few and far between. So the weight of spend remains critical to ad effectiveness. A great campaign cannot bring in new customers if it does not get sufficient exposure.

Share of voice is a universally important factor

Absolute levels of spend are not always closely related to effectiveness. Marketing is often a zero-sum game; a high spend behind one brand may be nullified if a competitor spends more. Therefore, the level of spend relative to competitors is a better predictor of effectiveness.

A generally accepted rule is that in order to gain market share, a brand's share of voice (SOV) should exceed its share of market (SOM). But the quality of the creative material deployed is critical. Even a relatively low level of spend or SOV can result in sales success if the creative is more powerful than the advertising that competitors are running. Ultimately, what really matters is the "effective" share of voice, which is the degree to which a particular level of spend is leveraged by highly effective executions. Marketers intent on achieving communications success should put sufficient spend behind highly memorable creative work in the channels in which people's ability and desire to engage will be highest.

When share of voice is higher than market share, growth is likely to result



300 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 10 groups, each containing an equal number of brands. (It is these groups that are represented by the squares on the chart.) The top 10 percent of brands — those that spent more than 20 percent ahead of their market share — were the most likely to grow.

Clutter undermines cut-through

Looking around the world at different advertising contexts, it is clear that TV ads are more visible in less crowded advertising markets. The consequence of this is that high-clutter markets require much higher volumes of ratings to achieve the same visibility as a lower volume of ratings in a low-clutter market. It is also likely to be true that, as many more channels are used by advertisers, the competitive noise and the volume of consumer comment will make it more difficult to create all-around visibility for the brand. The need to think through the choice of channels to maximize the delivery of communication, ensuring that it is noticed and engaged with, is greater than it has ever been.

Uncontrolled Communications

All of the communication channels discussed so far are under the direct control of the brand. However, consumers are also exposed to a multitude of messages about brands that come from other sources, not least from competitors using paid-for channels. But the brand associations people have are also impacted every day by informal conversations, news stories and publicity, as well as by experiences they have while using or shopping for brands. We know that these kinds of communications can have a very significant impact on a brand's success.

People are constantly exposed to word-of-mouth messages about brands and products from a host of sources. We may seek advice about brands from friends and family, or they may spontaneously offer their own recommendations. When we are planning a major purchase, we study articles, product reviews, and the results of consumer testing in both print and online sources. We can also tap in to a wide network of conversations online, from casual comments in chat rooms to expert comment in blogs or online publications.

Since it is difficult for advertising to match the impact of an unsolicited testimonial, marketers have much to gain from harnessing the power of word of mouth. But word of mouth has the power both to build brands and to harm them, and there is risk in attempting to manipulate this form of communication. Brand owners should definitely listen and learn from what consumers are saying, but if they go too far in trying to influence consumers' conversations, they risk not only negating the benefit of word of mouth, but turning it against their brands.

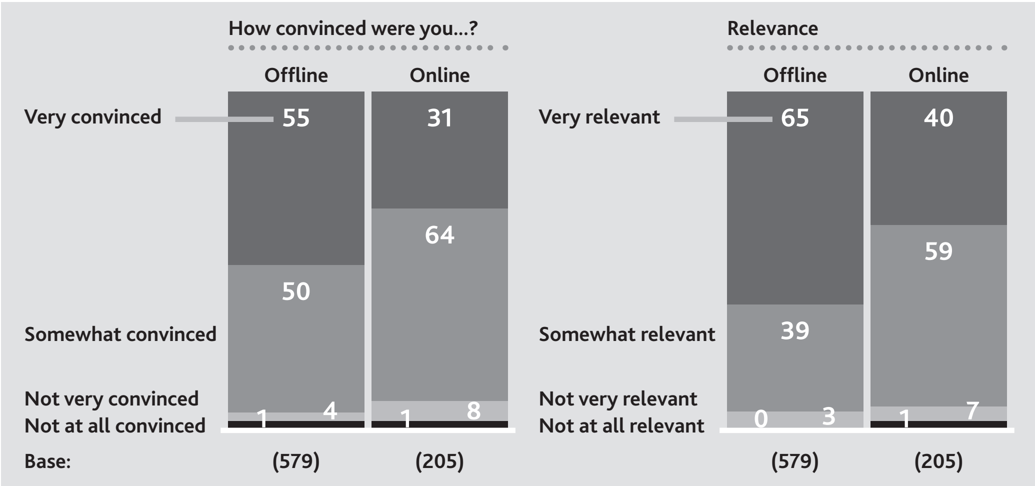
On the other hand, advertising can provide users with things to say in defense of their brands, and when users repeat an advertised claim, its power is further enhanced by the "second hearing" mechanism. When you hear something for the second time, it is particularly convincing because it is confirmation.

Trust and expertise influence the power of word of mouth

People not only face more brand choices than ever, but they also have grown increasingly distrustful of traditional marketing communication and big business. So it is no surprise that word of mouth is one of the most influential touch points in creating brand demand and informing purchase decisions. And though it is not a new touch point — people have been offering one another advice since the development of language — word of mouth continues to have a major influence, amplified by the enabling power of the Internet.

The key factor that determines the power of a given piece of word of mouth is the trust the receiver places in the source. Trust may be rooted in a valued relationship or in perceptions of expertise or impartiality. Consumers do not expect a brand's advertising to be objective, but they do expect their friends and relatives to provide an unbiased view. So a piece of advice from a family member or close friend will have more influence than an anonymous comment on a Web site.

Offline recommendations tend to be more convincing and relevant



A study conducted in the U.K. and the U.S. across a range of categories showed that, on average, advocacy from offline sources is more powerful than that encountered online.

However, for some decisions, such as those involving financial services, we might not consider our friends and families to be the best source of advice. When it comes to highly significant decisions and expensive purchases, we may be more likely to look to acknowledged industry experts for guidance and recommendations.

Advocacy and buzz are very different things

Though the terms are often used interchangeably, there are some important differences between the two types of word of mouth we call buzz and advocacy. Buzz reflects interest in something new, cool, different or provocative, and can form a social currency, encouraging "pass-along" from one person to another. While buzz about a brand conveys a sense of excitement and energy, it can also be empty noise with little or no relevance to the brand and its objectives. Getting your brand talked about is fine, but if it is only related to a stunt that has no relevance to the brand proposition, it is at best a missed opportunity and at worst something that might actually damage the brand.

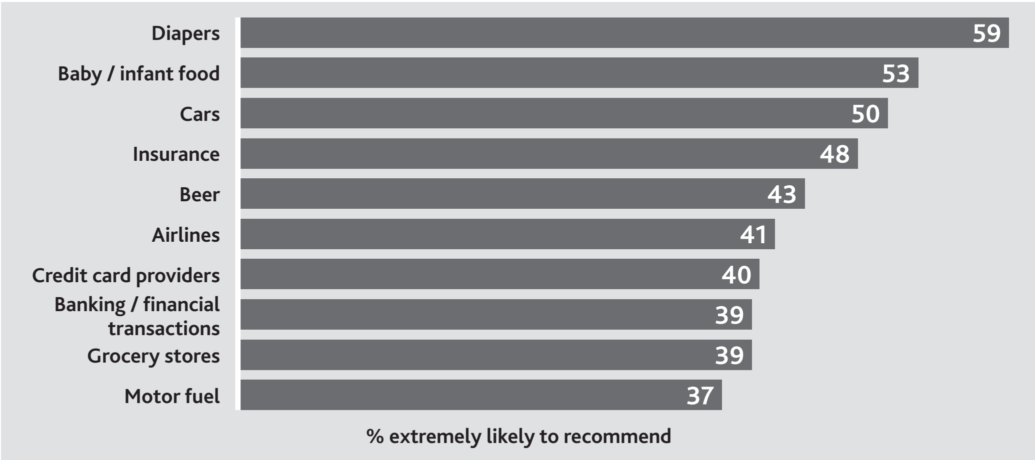
Advocacy, on the other hand, is word-of-mouth communication focused on a brand and its merits. While buzz may influence purchase among those who like to keep up with current trends, advocacy is more likely to sway brand choice in both the short and the long term, thereby building business and financial wealth for brands.

Potential brand advocates need four things to power their advocacy:

- Something positive to say about a brand.
- A reason to say it; i.e., something that triggers them to talk about the brand.
- The ability to influence an attentive audience (through persuasive power, personal appeal or recognized expertise).
- A network through which the advocacy can spread.

The challenge in creating advocacy differs greatly according to the circumstances of the brand in question. For brands in categories that people talk about often, providing a great experience may be enough to inspire people to recommend the brand. But in categories that aren't often talked about, even highly regarded brands may need to do something unusual or unexpected to get people talking.

The diaper category has the largest global advocacy



The extent to which consumers will recommend a brand varies enormously by category. This chart, based on data from 22 countries, shows that diapers and baby food are most likely to be recommended, while motor fuel providers, grocery stores and banks are far less likely to be recommended.

Social networks facilitate sharing and advocacy based on trust and common interests

New communication technologies, most notably the Internet, have greatly increased the speed with which information can spread. Through email and online social networks, consumers exchange information, images and video. Mass social networking sites like Facebook have very substantial communities; such sites represent the "mass media" of social networking.

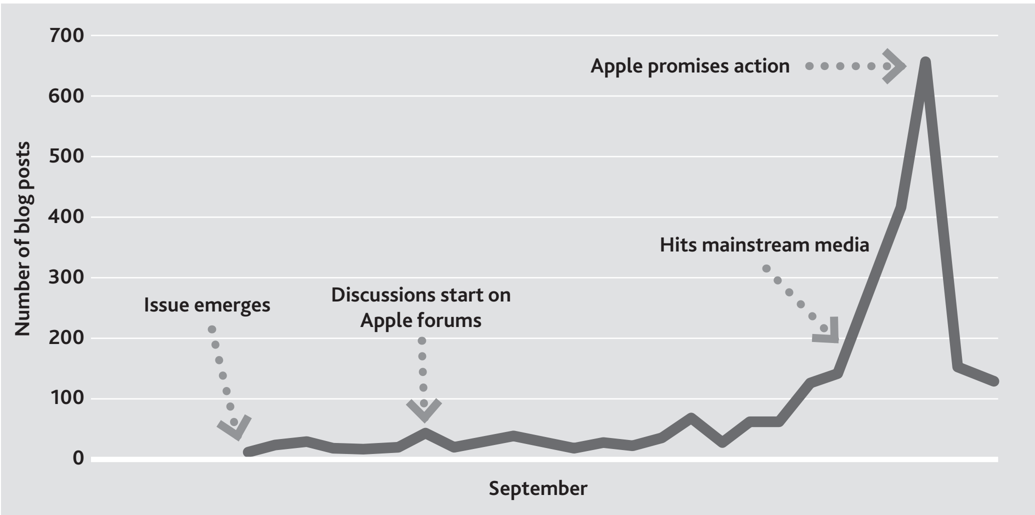
But there are many other digital communities that fulfill a similar function among groups of people who share a common interest, such as a hobby, a life stage or a medical condition. These shared interests create a high level of trust among group members. For example, in the United Kingdom, three out of five pregnant women belong to a message board for expectant mothers. Often these women form lasting personal relationships and have occasion to share views on all types of brands, not just those directly associated with motherhood.

Therefore, a brand that has developed strong advocates may benefit greatly from advocacy occurring across social networks in both the real and virtual worlds. Some brands are attempting to harness the power of such advocacy by building both private and public online communities to engage with their brand devotees. While such groups may not be representative of the brand's entire user base, a brand's most vocal customers can provide a great deal of useful and actionable feedback.

Negative information also spreads across social networks

Social networks can facilitate the spread of all manner of information, both good and bad. Bad news can travel especially quickly over the Internet. Groups of disaffected consumers, who may be geographically dispersed, can quickly connect with one another to form coordination hubs, gathering and disseminating bad news. This can make it easy for mainstream media to pick up rich information to further publish to an even wider audience. The cracked screens on one of the early versions of the iPod nano are a case in point.

Negativity can generate quickly online but gains momentum when it crosses into mass media



This chart shows the number of blog posts over a single month as the issue of cracked iPod nano screens gathers momentum, moves out into the mass media and is dealt with by Apple.

Experience

No brand will be successful for long without a good product that delivers on expectations. Great marketing behind a weak product will only heighten the levels of dissatisfaction when it fails to live up to the claims made in any communication. A great product, on the other hand, provides the perfect material for marketing to harness. The experience of using a brand should then contribute to refreshing and reinforcing brand associations every time a user comes into contact with it. Not surprisingly, prior product experience is one of the primary drivers of purchase in many categories.

The same criteria apply to both product and service brands: Businesses should strive for outstanding, differentiated products that fully meet the needs of their target consumers.

Experience with product brands goes beyond consistent performance

Variations in quality will have negative consequences for a branded product; the manufacturer must maintain complete consistency of product delivery. But consistency alone cannot create a great brand experience. Marketing must highlight product differences and ways in which the product is superior to those of competitors. This makes it essential to understand the drivers of consideration and purchase. It is also important to know whether there are different consumer segments that make their brand choices on the basis of different criteria. In the ideal situation, a brand is differentiated by those things that are the main drivers of brand selection for the largest market segments. Being differentiated by a purchase criterion that is less important may be just as powerful if the brand is at parity on the more important criteria.

Sensory branding has been much discussed as a way of adding more differentiation to a product or service. Cars have patented smells that they try to uniquely associate with their brand. A Mercedes will have a different smell from a BMW based on what the marketers and product developers think is best for each brand. Not all senses will be relevant to all brands, but most brands can benefit from cues using at least two senses. This not only enriches the product experience but also adds new and different elements to the brand associations that people have.

Packaging is another element of the brand experience. Although packaging has a very practical role, it can also refresh or add to existing associations with the brand. The physical construction of the packaging (Does it feel robust? Is it easy to use?), as well as the on-pack graphics, will play a part in this. For some brands, the packaging may even be the key differentiating feature that will drive the purchase decision.

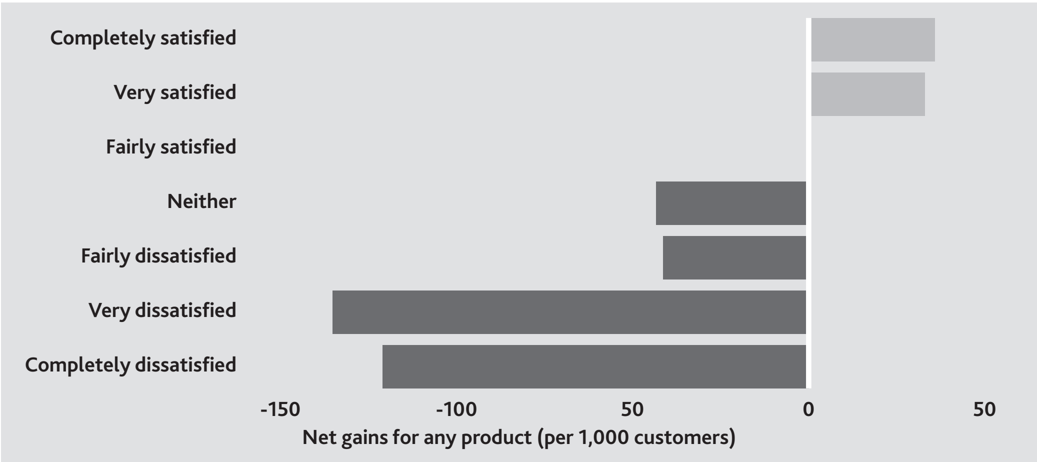
Some product brands have taken the bigger step of allowing a new level of interaction with the brand in an effort to enrich the experience. Creating a physical retail experience (NikeTown, Apple) is one route. Creating an online experience is another. Many car sites allow users to "build" the car of their choice (Fiat, Mini) and NikeID allows you to design and order your own sports shoes online.

Perceptions of service-based brands are dominated by experience

For service brands, effective management of the customer experience is key to building customer commitment, retention and sustained financial success.

Experience is the critical factor that will dominate the associations that users have with a service brand, but when the brand experience is delivered through a company's employees, it is inevitable that there will be variations in the delivery. Control and monitoring mechanisms must be in place to highlight lapses but also to look for ways to spread outstanding performance across more of the business. An understanding of the memorable positive and negative moments of service delivery is vital to maintaining consistent quality and to a process of continuous improvement of service delivery.

Greater satisfaction will lead to stronger uptake of a company's products



Analysis for one financial organization highlighted the relationship between customers' satisfaction and the degree to which they added or dropped services over the following 12 months.

In sectors such as financial services and utilities, the experience of a brand is based largely on things such as purchase and billing processes and interactions with online support and call centers. Therefore, these are the things that offer the primary opportunity for brand differentiation. They are also the interactions where negative experiences will have disproportionately severe consequences for the brand. While these features represent costs that need to be kept under control, the consequences of any cost reduction that results in a change in the quality of service must be carefully anticipated.

Usability is the foundation of a positive experience for Web-based brands

Web–based brands such as Google, Yahoo! and eBay offer product experiences that are completely virtual. The most important elements of "product" satisfaction with such brands are site usability and the delivery of a reliable outcome (e.g., a Google search coming up with the sites you are looking for). However, the style and tone of these sites also play a major role in ensuring that users return frequently.

Brand communications can play a vital role in framing experiences

The interaction of brand communication and product experience can make a good brand experience seem better and a disappointing one seem worse. By highlighting benefits that consumers recognize from their own brand experience, communication can reinforce those brand benefits. However, communication that sets expectations that are not fulfilled will lead to customer disappointment. A brand promising a great experience sets expectations that need to be met. Failure to meet them will produce a more profound disappointment than that created by the product on its own.

Just as marketing messages across different media benefit from a degree of consistency, brand communications will be most effective when they are consistent with and amplify the benefits that the brand actually delivers to customers.

Point of Purchase

Brand associations that are generated or influenced by brand-directed communication, word of mouth, or brand experience can create demand for a brand, causing consumers to shop a category with the intention of purchasing a particular brand. Pre-existing demand is the main motivation for brand selection in numerous categories — in many frequently purchased categories, demand accounts for close to 80 percent of purchases.

But even in the most demand-driven categories, there is still significant scope to influence brand selection at the point of purchase. Motivating brand associations can be called up to bring a demand-driven purchase to completion or to activate desire for a different brand. At the point of purchase, existing brand associations can — and should — be reinforced, but new associations can also be created.

At the same time, in-store activities such as promotions designed to drive volume are also exerting an influence to counteract the influence of demand.

The nature of the purchase affects the way brand associations come into play

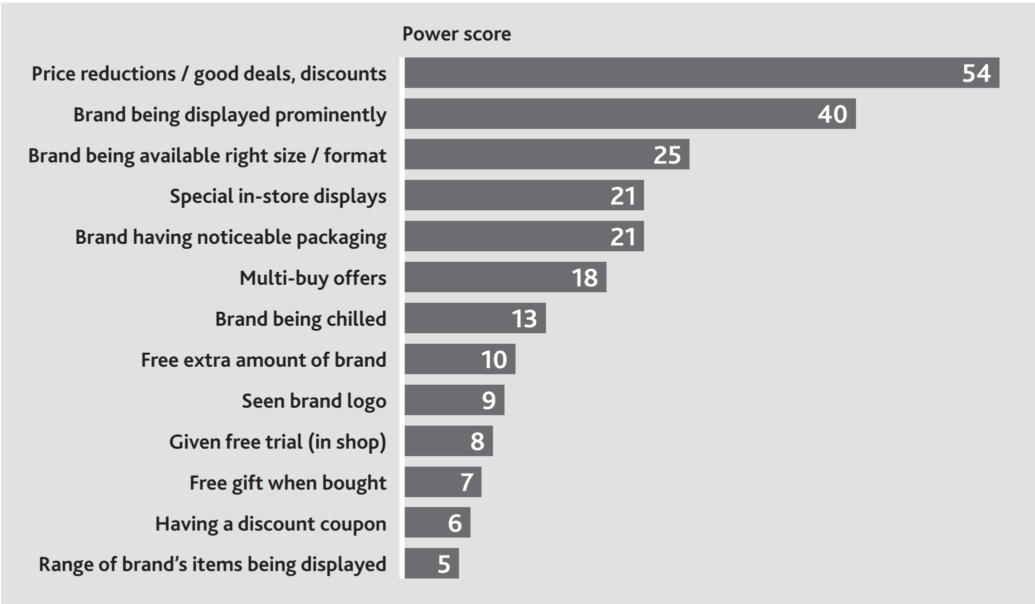
The way in which brand associations come into play will vary depending on a shopper's mission and mindset, which in turn vary according to the nature of the purchase and the purchasing environment. At one extreme are habitual grocery purchases. Shoppers who need coffee may simply buy the brand they bought last, which is probably the brand they always buy. For leading brands that are purchased this way, the task of the marketer is to ensure that the shopper can find the brand easily without distractions and disruptions. For other brands seeking to challenge the leaders, the need is to present their case loudly and strongly at the point of purchase. Challenger brands can stand out by offering financial inducements or by making their uniquely differentiated product proposition clear at the moment of purchase.

At other points on a grocery shopping trip, a shopper may stop and take time to consider the available options. Perhaps they have never shopped this category before. Or perhaps they have become dissatisfied with the brand they have been using. In this situation, communication on signage and display can remind and augment messaging that has been used in advertising, or perceptions of the brand may be reframed, as when a brand that carries a higher price tag is presented as a good value because it lasts longer.

Visibility at the point of purchase is crucial

For both leaders and challengers in frequent-purchase categories, visibility at the point of purchase is crucial. Everything a brand can do to get into shoppers' lines of sight without irritating them is worth doing. Leading brands that are in demand should be easy to find, while challenger brands seeking to disrupt shoppers' established habits must be hard to overlook. And for any type of brand, visibility is key in appealing to shoppers who may not have a specific brand in mind. Those people often use perceived popularity as a selection heuristic, and high visibility reinforces the perception that a brand is popular. Looking across all our activation studies around the world, prominent display is the second most critical in-store factor.

The most important in-store factors influencing purchase



Power Scores are a summary metric of the degree of influence of different in-store factors. This data is an aggregate of 16 categories in 15 countries.

Assuming a brand has good visibility in-store, it will have the opportunity to speak to shoppers through its packaging. As a fundamental part of a brand, packaging should achieve both familiarity and distinctiveness. Ideally, packaging should summon up associations created by communication outside the store. But such a strategic use of packaging requires clear thinking up front as to how all the pieces of the marketing plan will fit together. Packaging should be a strategic vehicle, not a tactical one. When used for tactical purposes, packaging tends to undermine the integrity of the brand; creating disruption at the point of sale is much better accomplished through other activity.

The role of marketing is more complex for infrequent purchases

Some purchase decisions are considered for weeks, months or even years. The process of gathering information for such purchases may involve multiple visits to various points of purchase, such as different retail establishments for consumer electronics, numerous car dealerships, and various online sources of information that may also serve as purchase outlets.

For infrequently purchased brands, the process of information gathering and shopping can include elements of brand experience that may shape, reinforce or modify associations with the brand. Marketing is needed to encourage people to participate in these experiences; then marketers must work with the retailers and dealers involved to ensure that these experiences are positive.

Activation opportunities take a different form when purchases are made or researched online

Online research is a major influence in the investigative process for considered purchases. Often the path to purchase for products such as cars and mobile phones leads to an offline purchase. But some products, such as consumer electronics, may be both researched and purchased online, and offline research can precede online purchasing. For example, shoppers may visit an electronics store to gather firsthand experience of a variety of new television sets before heading home to look for the best deal for that product online.

At an online point of purchase, visibility is achieved through prominence in search listings and good placement or recommendations on retail Web sites. The ability to gather information and compare prices makes most online shoppers well informed, so brands should be working hard to ensure that positive information about their brand is readily available in this environment.

Conclusions

Although the tools and media of marketing today are evolving rapidly and the business environment is growing ever more complex, the fundamental realities of how brand-directed marketing communication builds long-term brand success and financial return remain consistent.

- Brands that deliver a strong and differentiated product experience enjoy a double advantage: They provide consumers with reasons to purchase and repurchase, and they provide marketers with the material they need to craft motivating communication.
- Based on the strategy, objectives, budget and competitive environment of a particular brand, an effective marketing plan is designed to make optimal use of the most relevant communication channels. Great marketing is tailored to the context in which the consumer receives the message and is delivered at a relevant time and place.
- Communication that is both engaging and clearly related to the brand builds emotions and values around that brand.
- Consumer-to-consumer communication often plays an influential role. Marketers who understand the significance of word of mouth to their brands can positively engage with uncontrolled brand communications. They can create talking points, encourage dialogue, and even facilitate conversations to add a powerful informal element to more structured advertising messages.
- Marketing needs to follow through at the point of purchase to evoke brand associations that drive purchase.

If, after buying a brand, the consumer enjoys a positive product experience, fulfilling the expectations set by marketing activity, a reinforcement cycle is created: Advertising communication will be more positively received, advocacy will be stimulated, the brand will grow, and the brand owner will reap the financial return that is both the promise and the reward of great marketing communications.

APPENDIX: Millward Brown's Approach to Research

Our resources

Millward Brown has been advising many of the world's leading marketers for more than 35 years. Our knowledge and experience have helped these businesses manage and grow their brands.

Through our rich tradition of qualitative research combined with more recent experimental work in the field of neuroscience, we understand how brand associations are structured in people's minds. Our quantitative tools can measure these associations, assess the relative strengths and weaknesses compared to the competition, and predict the likely future trajectory of the brand.

With both qualitative and quantitative approaches, we can measure the impact of all forms of marketing communication on brand associations. We can predict and monitor the financial consequences of marketing actions both at the time they are being developed and after they have gone live in the market. Our financial analysis tools can quantify the bottom-line value that a brand adds to a business. These are the foundations that enable us to help businesses manage their brands profitably in both the short and long term.

Our approach

The fundamental tenet of our business is the pursuit of knowledge based on empirical research. This does not stop us, however, from developing hypotheses or making assertions based on what we observe. And we continually check our new observations against what we already know. This is vital to a learning organization in order to challenge ourselves and avoid dogma. We build solutions based on what we know while accepting that knowledge is never complete and is always subject to review and revision.

All connections matter and their effects must be teased apart in the context of all influences. For example, sales always result from many influences. The challenge is to isolate the effects of each contributing factor: The forms of communication, the channels it occurs in, the creative executions. There is no magic answer to this and it is not always possible, but we are aware of the pitfalls and possibilities and we have more tools to do this than any other organization.

By tracking changes in these influences alongside brand associations, we can disentangle the effects. Ongoing monitors of brand health should be customized to reflect all the relevant brand connections that may influence the future success of the brand. Anything less will only give part of the story.

While fundamental human motivations will remain unchanged, the tools and techniques used to act on these motivations will continue to evolve. Thus our approach to research will evolve along with the modes of consumer behavior and communication.

We believe in looking at all brand, media and communication issues with the aim of understanding the financial implications for a business, but we don't consider our work to be complete unless we also answer the "why" questions: Why did this work so well? Why did this achieve less than we'd expected? Answering these questions requires a qualitative mindset.

This approach and the case studies and evidence we have built up over the years put us in a unique position to give advice about how to move a brand forward. We believe we should have a view based on what we know, and we should express that view unequivocally and in as constructive a way as we possibly can.