

# Establishing Drivers of Brand Preference/Choice

Presented as a Webcast by the  
Advertising Research Foundation  
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**Marketing Accountability Standards Board  
of the Marketing Accountability Foundation**



## Frank Findley

**EVP, MSW•ARS Research  
Co-Lead, MASB Brand Investment  
& Valuation Project Team**

Frank's work has resulted in improvements to the copytest, tracking, media, and competitive intelligence product lines. He was co-inventor of the patented Outlook media planner and designed the industry's first multi-touchpoint holistic campaign testing system. His more recent work has focused on panel quality, the sales effectiveness of digital advertising, and transitioning behavioral measurement systems online.

# The Issue

- The “brand” is one of the largest assets a company owns
- Unlike tangible assets like factories which are quantified on the balance sheet, a brand’s financial value often goes unrecognized
- This puts marketing and finance teams at a disadvantage for assessing investments in the brand such as media
- It also has made it difficult for brands to uncover drivers of consistent brand growth

# This is Critical for Credibility...



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# Brand Investment and Valuation Project

- To bridge this gap MASB, The Marketing Accountability Standards Board, sponsored an ambitious project
- Phase I - Establish missing linkages between marketing & financial metrics and build a BIV model that any brand could use
- Brought together:
  - Leading Academics (LMU, Duke, Michigan, Cologne, Witwatersrand)
  - Specialists from research companies (Nielsen, MSW•ARS)
  - Finance and marketing practitioners from six blue chip corporate participants

# BIV Phase I Corporate participants



**PEPSICO**



**Kimberly-Clark**



**MillerCoors™**

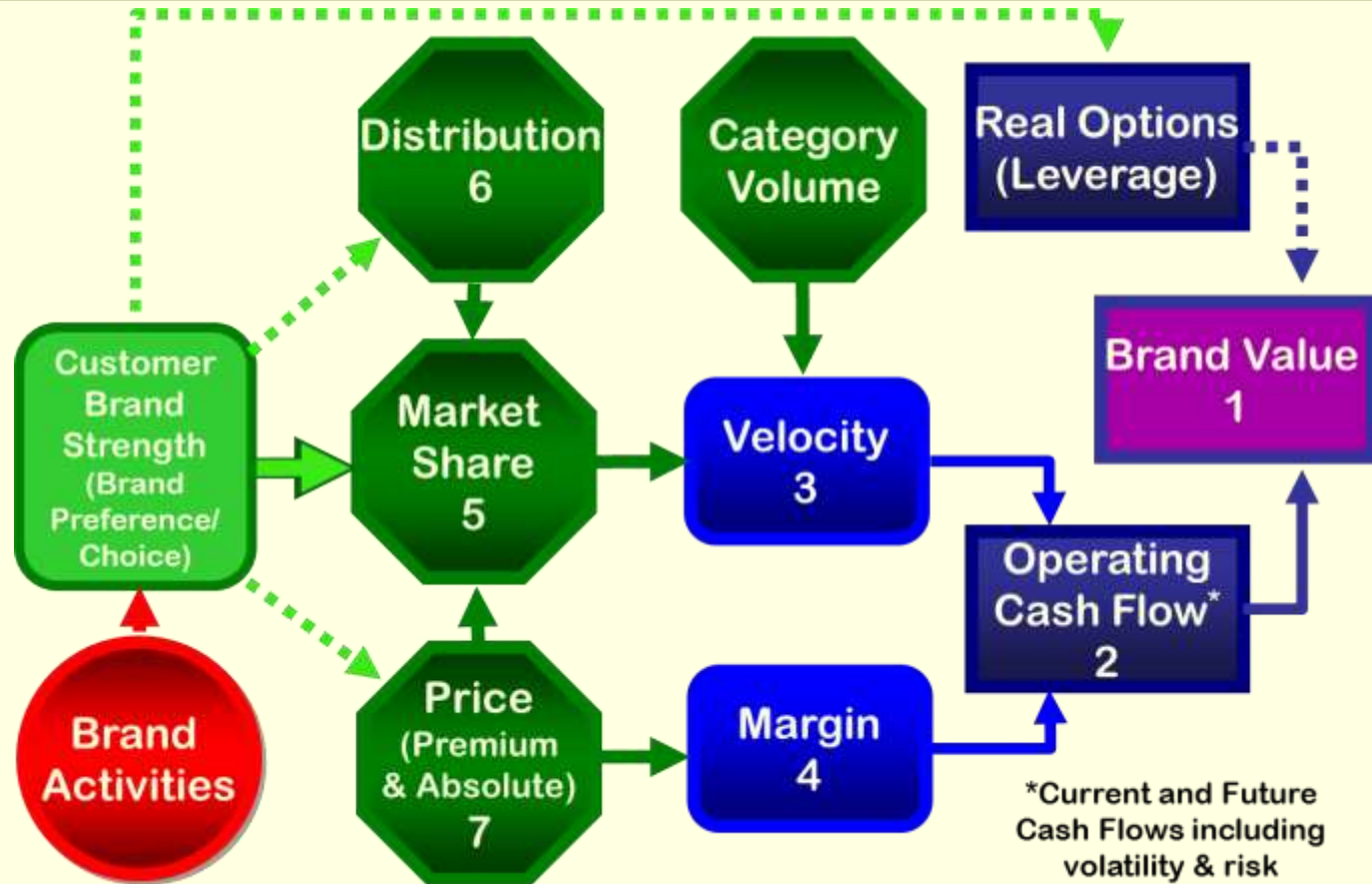
**ConAgra Foods**  
Food you love



**GENERAL MOTORS**

**HERSHEY'S®**

# Brand Investment/Valuation Model



# Brand Preference/Choice is Behavioral

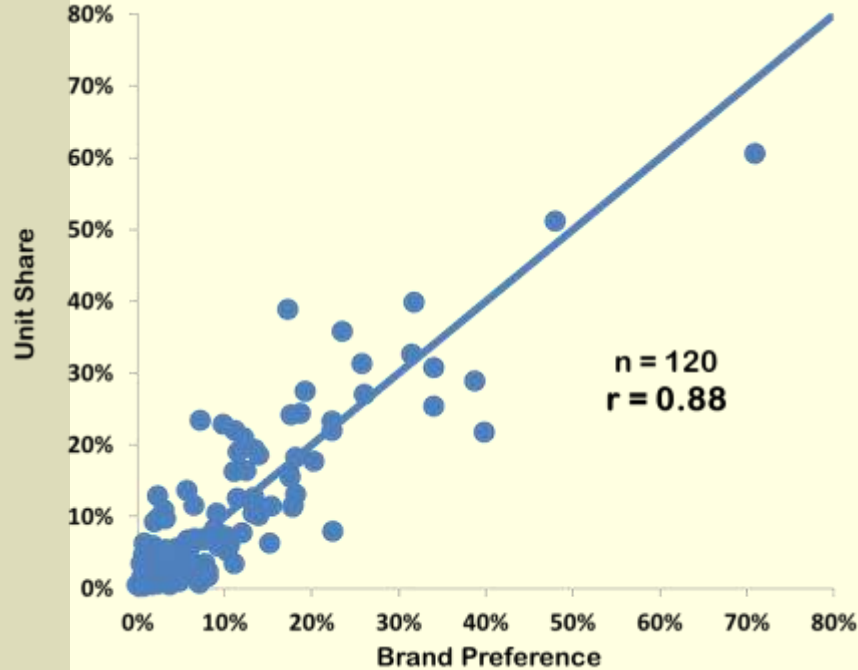


The MSW•ARS methodology isolates brand strength by holding everything else in the actual buying experience – price, promotion, shelf position, etc. – constant.

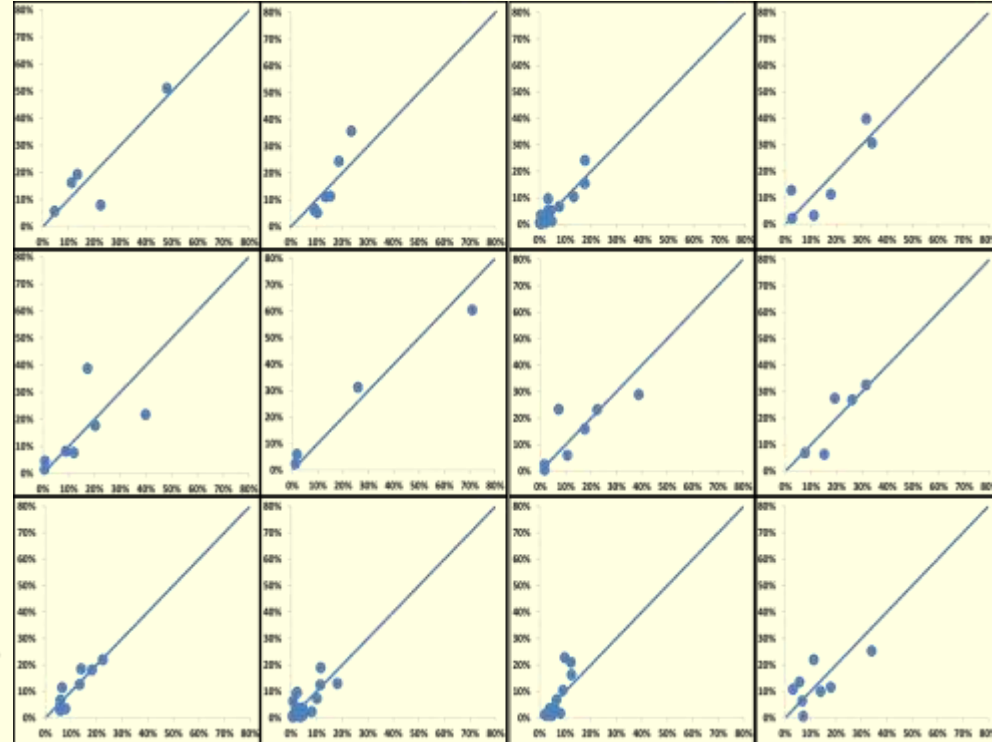


# Link Between Brand Preference and Unit Share

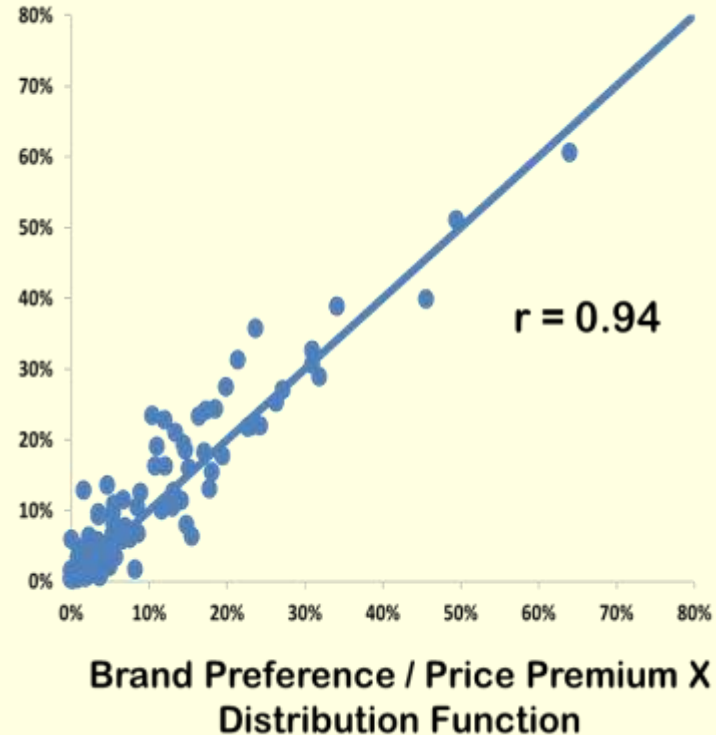
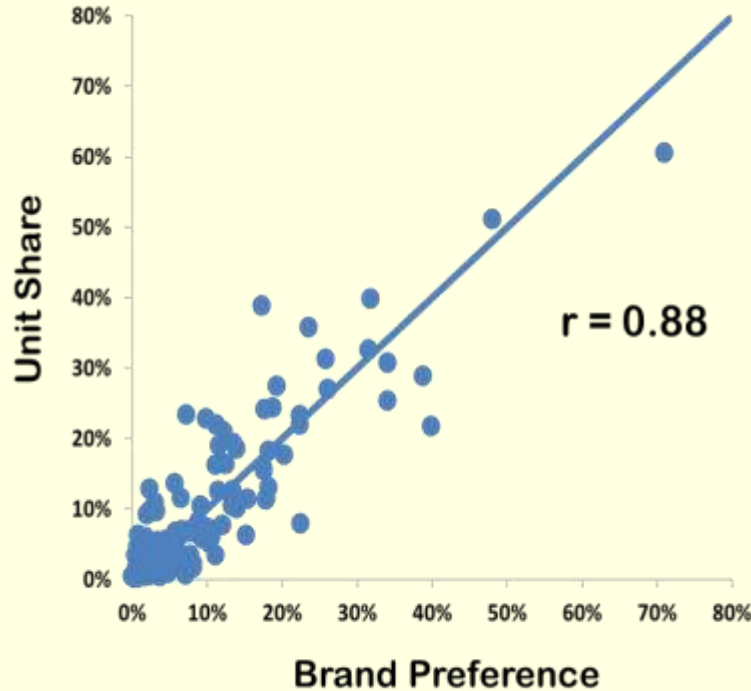
## Across All Twelve Categories



## Within Each Category



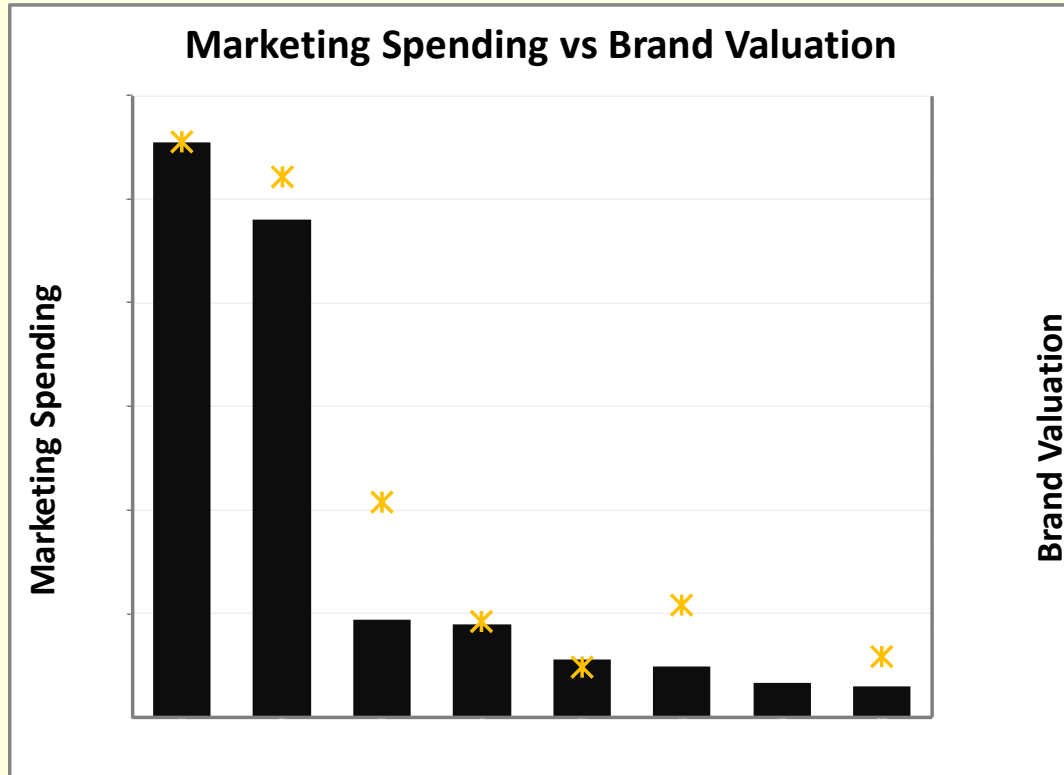
# Explains 89% of Differences w/ Price & Dist. Added



# Link to Other Common Marketing Metrics

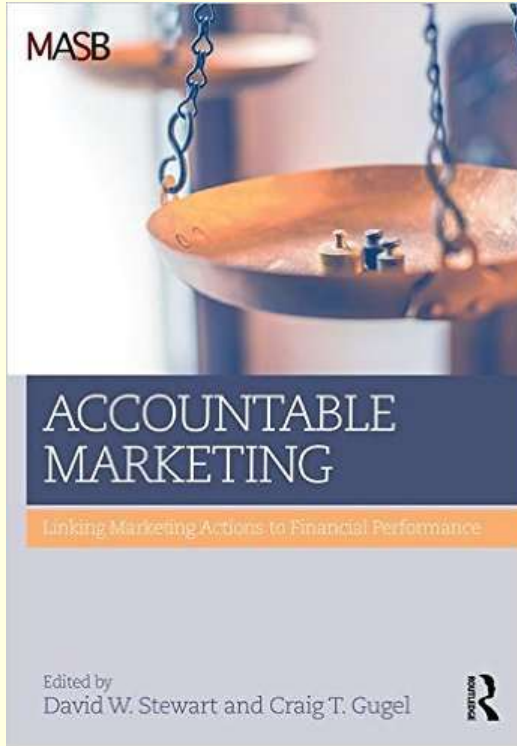
	Average Variance Explained in	
	Brand Preference	Unit Share
Brand Preference	NA	80%
Awareness – Unaided	52%	48%
Brand Loyalty	50%	45%
Value	41%	32%
Purchase Intent	33%	27%
Brand Relevance	28%	19%
Awareness – Aided	28%	18%
Advocacy	23%	15%

# Case Study: Long-term Investment & Valuation



- Long-term marketing spend behind brand
- ✱ Calculated brand valuation using MASB BIV model

# Learnings and Metric Readily Available



A continuous tracking of all brands in a category

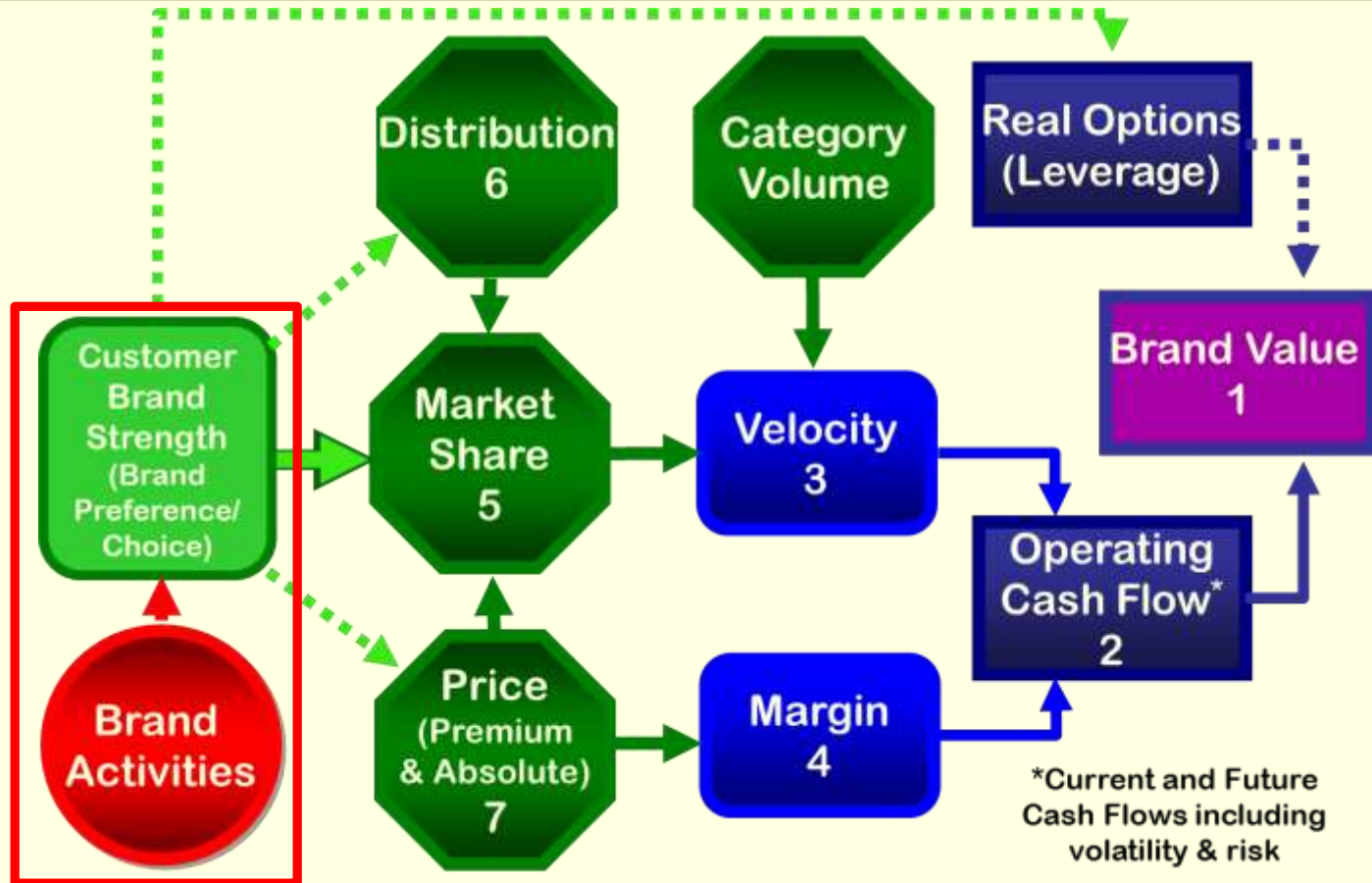


Online dashboard integrates with financial reporting software (e.g. MS Excel, SAP)



An affordable solution

# Brand Investment/Valuation Model



# Key Question Emerged After Phase I

*“What marketing/advertising drivers can be identified to continuously improve consumer brand preference and thus improve financial impact and, ultimately, brand values?”*

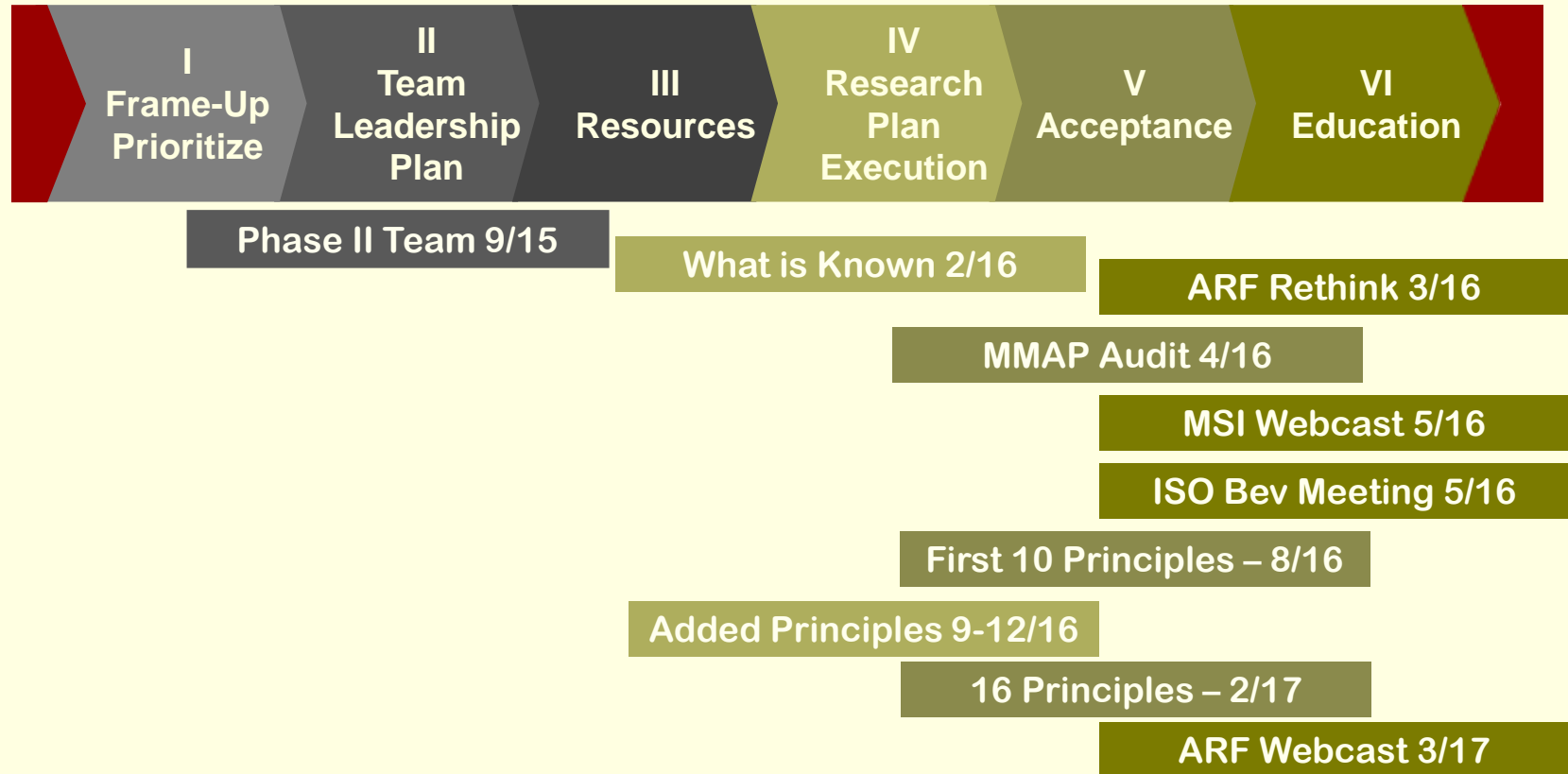
**Note: “drivers” refers to actions or decisions brand and finance teams can implement that will have a statistically significant and business relevant effect on financial performance.**

# BIV: Game Changer (Phase II)

Project	Brand Investment & Valuation Drivers (Stewart, Tsvetkov, Findley)	<b>Strategy</b> Find drivers to continuously improve the consumer brand value metric to improve market impact & financial performance
Issue Addressed	Brand Preference/ Choice → Brand Value (but how to increase it)	
Project Objective	Establish drivers of “generally accepted” BP/C standard metric	
Expected Outcome	Empirically proven drivers for increasing BP/C & Brand Value	
When	2018	



# BIV Milestones: Phase II

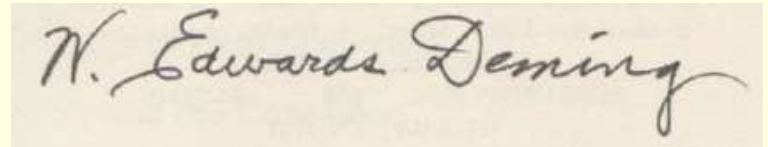


# Why Proven Principles?

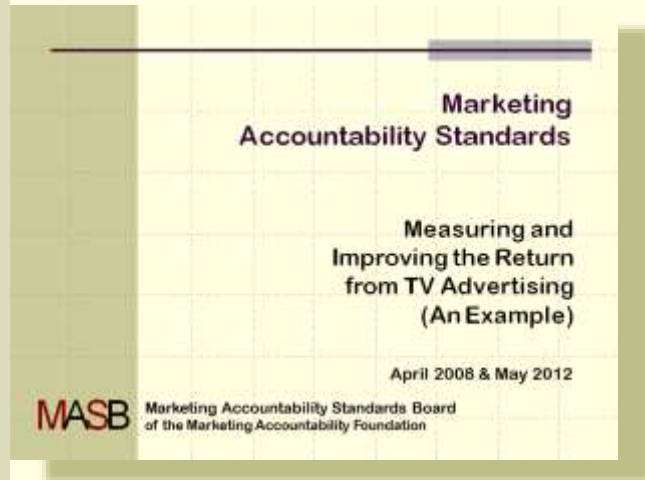


“Best efforts are essential. Unfortunately, best efforts, people charging this way and that way without guidance of principles, can do a lot of damage.”

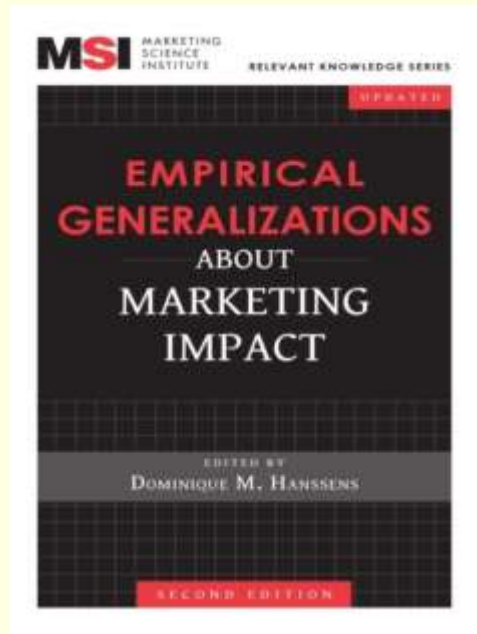
“In God we trust; all others must bring data.”

A handwritten signature of W. Edwards Deming in cursive script, written on a light-colored background.

# Meta-analyses + Sources: ‘Best-of-the-Best’



Detailed review of proven practices for driving television ROI



123 evidence-based findings on the impact of multiple types of marketing activities



A recent industry collaboration led by ARF yielding new media “Ground Truths”

# 16 Principles w/ Practice Implications

## Promotion (communications):

1. TV activity explains 65% of variation in Market Share changes, quarter-to-quarter.

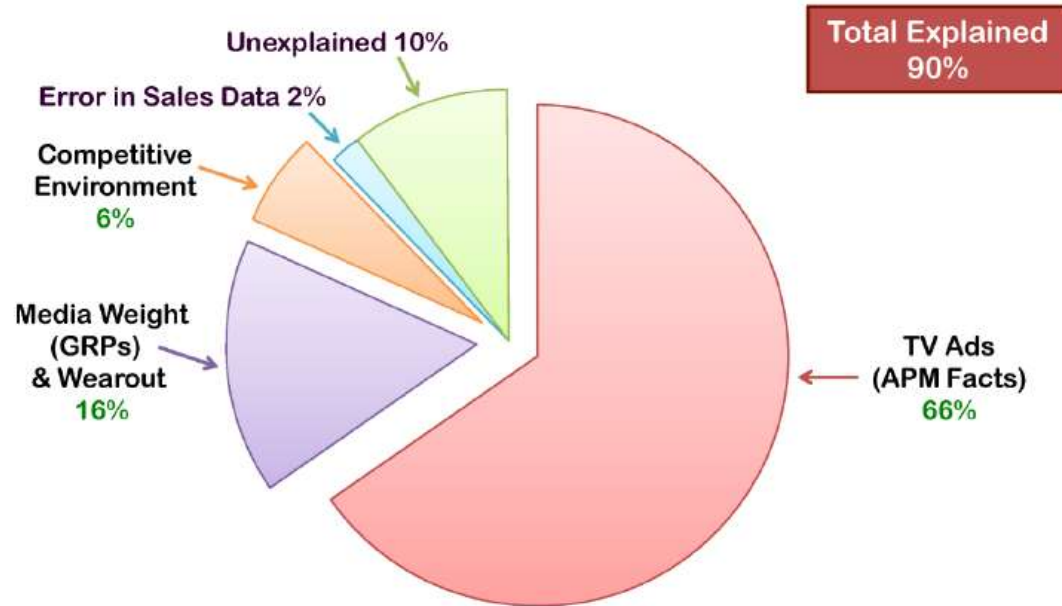
**PI: Use TV to impact Market Share; improve the ads & use of the medium**

2. Variation in strength of the TV ads that aired (APM Facts, as measured by Brand Preference/Choice) explains 52% of the variation in Market Share.

**PI: Improve the ads**

# Quarter-to-Quarter Variance in Market Share

## The Media & The Message



\* Marketing Mix Modeling Output: Sales Volume Impacted from TV.  
Source: MASB 2008.  
Copyright © 2010 MASB

# 16 Principles w/ Practice Implications

3. It is no longer a matter of whether or not TV advertising is effective, but whether it is effective enough to meet the specific business objectives.

**PI: Establish quarterly business objectives as cornerstone of the advertising plan**

4. When there are indications that the advertising plan will not meet the business objectives, just a “couple of points” improvement will often make the difference.

**PI: Use proven better practices to improve the ads and use of the medium**

# Ad Quality (Creative) Impact

Change in Difference of: Brand Preference <u>Range</u>	<u>Average Share Change</u>	Percent of Ads Achieving Share Point			
		<u>0.0+</u>	<u>0.5+</u>	<u>1.0+</u>	<u>2.0+</u>
12.0+	+5.4	100%	100%	94%	83%
9.0 – 11.9	+2.2	100	97	72	49
7.0 – 8.9	+1.6	100	87	56	36
4.0 – 6.9	+0.8	80	58	33	9
3.0 – 3.9	+0.5	80	46	26	6
2.0 – 2.9	+0.0	53	19	6	0
<2.0	-0.2	47	12	2	0



“It is possible to identify sales-effective advertising before airing if the proper measurement tools are used.”

*- John Philip Jones*



# 16 Principles w/ Practice Implications

5. Executing from a superior (best-in-class) proposition results in superior (TV) ads over two-thirds of the time.

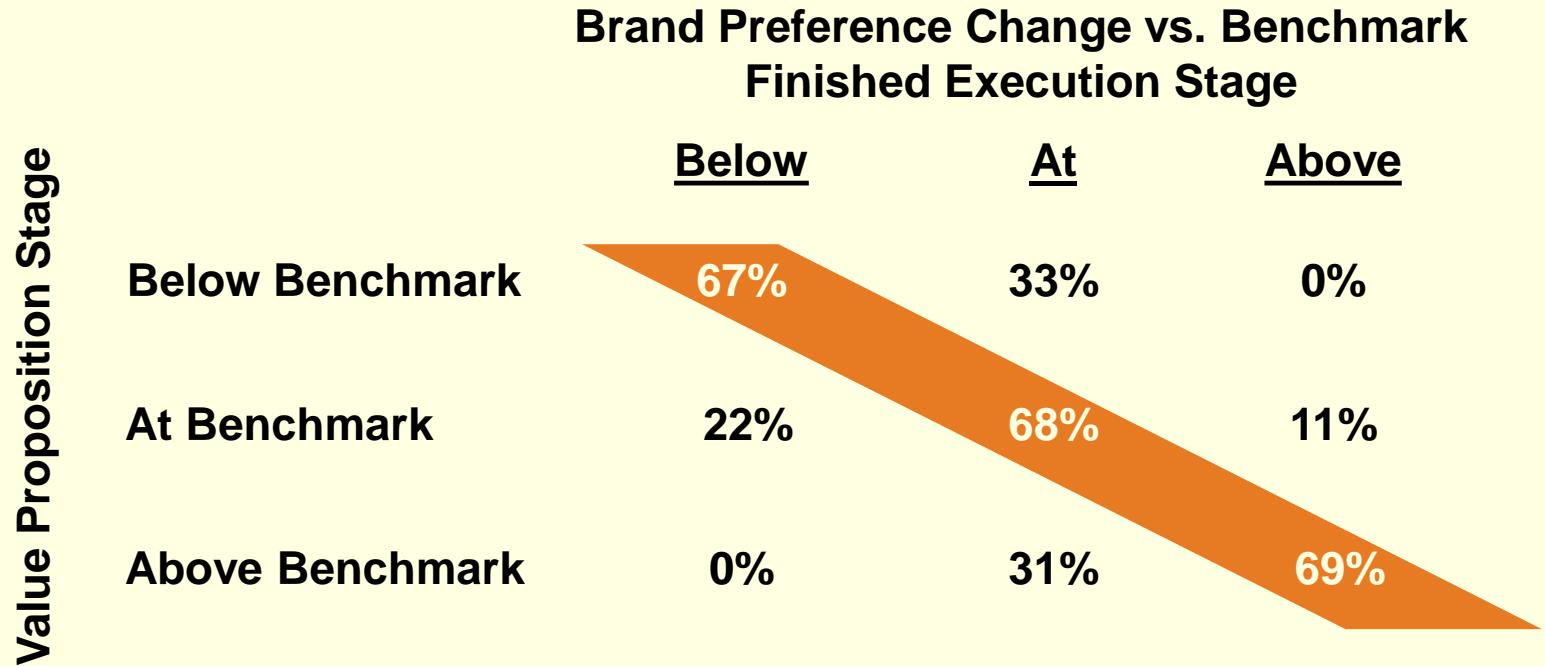
**PI: Measure upstream (with BP/C) to find a value proposition strong enough to support subsequent ads that meet the business objectives... spend a little more early in the process and less later...in classic Deming fashion**

## Corollary:

- 5a. Use of a consistent value proposition across media platforms leads to stronger lifts in brand health metrics. (Note: creative strategy also would take into account the specific targets, venues and path to purchase/use)

**PI: Advertisers should create and implement a consistent value proposition across media platforms**

# Superior Propositions Translate into Superior Ads



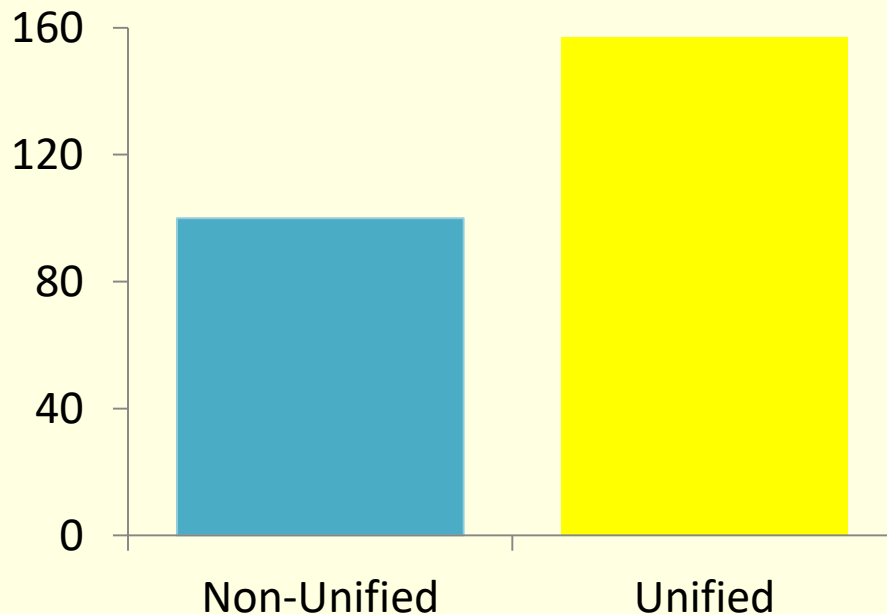
# Case Study – Emotional Propositions Can Be Compelling



- The insight was simple: There is a strong emotional moment of anticipation when opening a bag of Lay's Chips
- When tested as a proposition it performed at multiples to benchmark levels and the finished copy exceeded those results
- In market, this campaign produced some of the highest incremental sales the brand had seen
- It won numerous industry accolades including a coveted **David Ogilvy Award**

# Consistent Value Proposition Across Platforms

**Indexed Impact of Different Types of Cross-Platform Creative Strategy on Equity Metrics**





“In my experience, the most valuable use of research in the creative process is in testing promises. If your promise is strong, your advertising will sell. If your promise is feeble, your advertising won’t sell.”

- Ogilvy

# 16 Principles w/ Practice Implications

6. A handful of strategic elements have been found to be present in stronger ads.

**PI: Consider use of these elements when formulating value propositions and ads**

7. A few executional elements have been found to be present in stronger ads.

**PI: Consider use of these elements when creating ads**

# These Popular Elements Can Be Effective

<u>Percent of Ads with Presence</u>		<u>Percent of Ads with High Prominence</u>	
Brand-Differentiating Key Message	46%	Setting Directly Related to Use	40%
New Product/New Feature	47%	Actual Product on Screen	34%
Product Convenience	7%	Brand Name Mentions	36%
Competitive Comparison	35%	Brand Name/Logo on Screen	41%
Superiority Claim	29%	Category Identification	60%
Brand Name Reinforces Benefit	42%	Product/Package Shown	69%
		Demonstration of Product in Use	68%

# And Implemented in Radically Different Creative

Apple Mac - 1984



Apple Mac - 2006







“It is...clear from these studies that there is no magic formula for the creation of effective advertising. While some general guidelines for creating effective advertising appear to receive support from the findings, it is also true that no one executional factor accounts for much of the total variance... The single most important ...factor identified...was the presence of a brand-differentiating message....”

- *David W. Stewart*

# 16 Principles w/ Practice Implications

8. An ad's selling power (BP/C) works quickly (and predictably) with diminishing returns...and wears out in the process.

**PI: Account for wear out at the “shoot” so that there is enough footage to refresh executions w/others when they will no longer be working at desired levels**

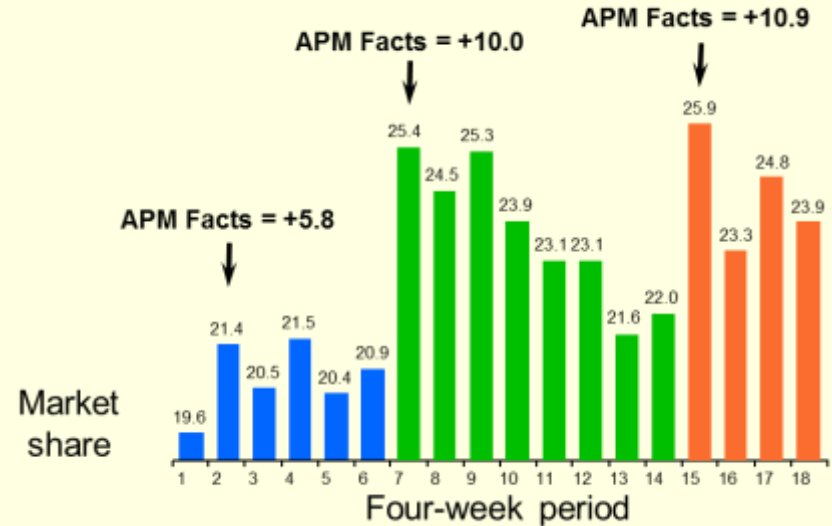
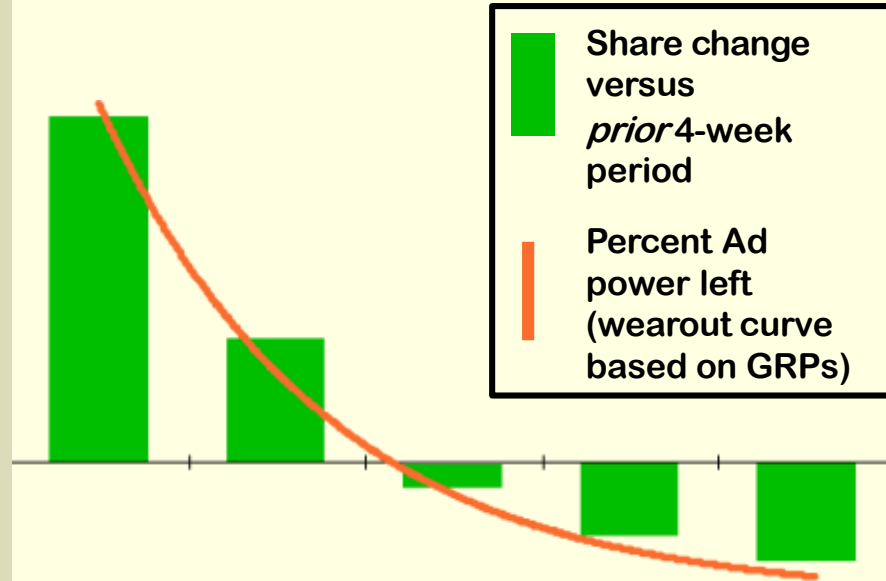
9. Each execution—even within a campaign—has its own unique Brand Preference building power/value.

**PI: Measure executions as they go to air & apply weight (“traffic GRPs”) relative to size of market, profit margins and business objectives**

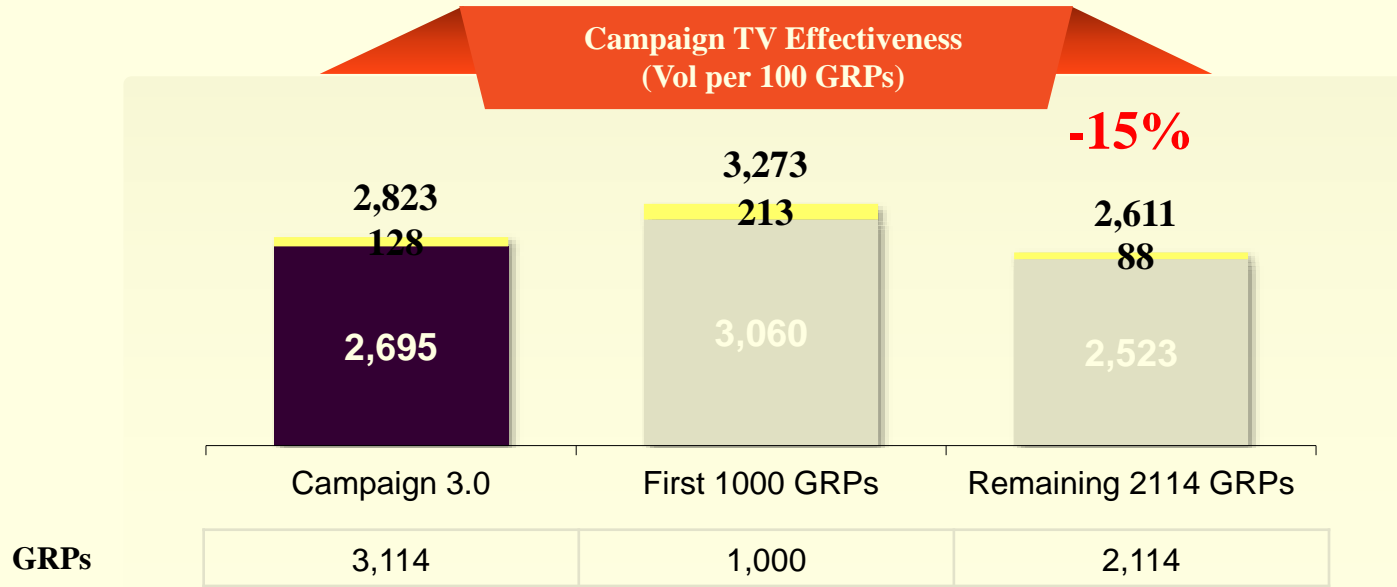
10. Continuous airing produces more sales than flighting (w/similar weight).

**PI: Plan for continuous airing versus flighting**

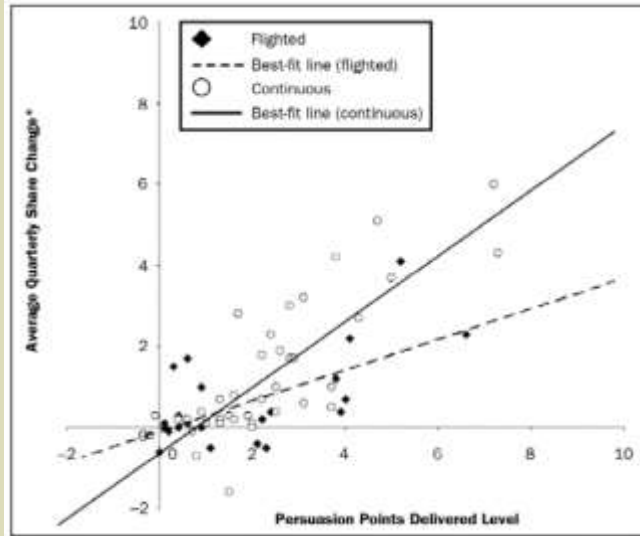
# Ad Wearout and Its Sales Impact is Predictable



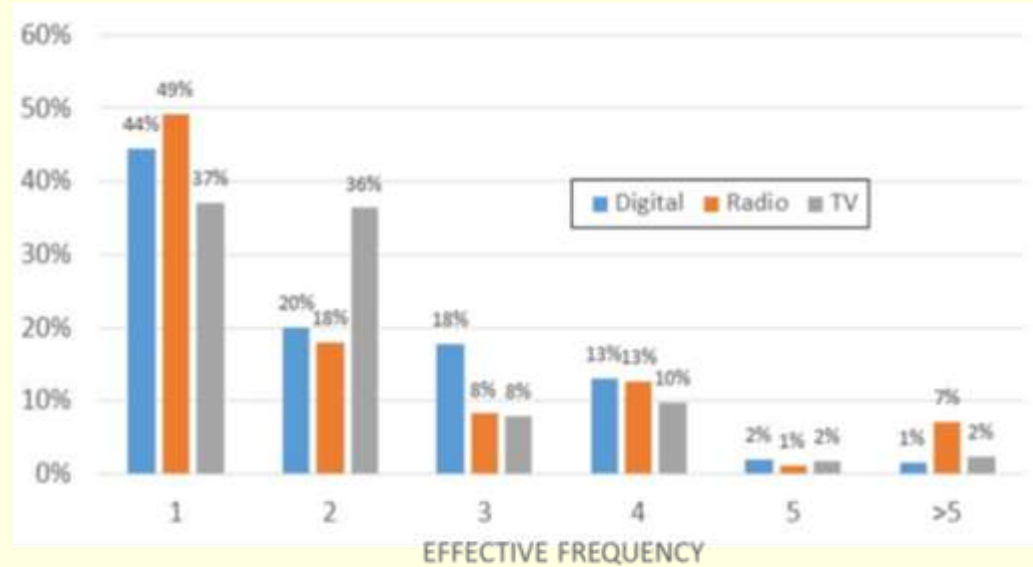
# This Has Been Further Confirmed Through MMM



# Continuous Airing Typically Outperforms Flighted plans (with moderate spend)



PERCENT OF CAMPAIGNS



Based on 7,775 campaigns in Nielsen MMM norms database: 4,677 TV campaigns; 2,830 digital campaigns, and 268 radio campaigns.



**“While never perfect, the knowledge, measurement, and models are available to account for advertising’s impact after the fact, and to forecast the expected contribution of the plan for the next business quarter—before going to air and with time to adjust the plan.”**

- *M. R. [Signature]*

# 16 Principles w/ Practice Implications

11. Advertising across platforms (especially TV and digital) delivers larger changes in brand preference and reach resulting in higher ROI

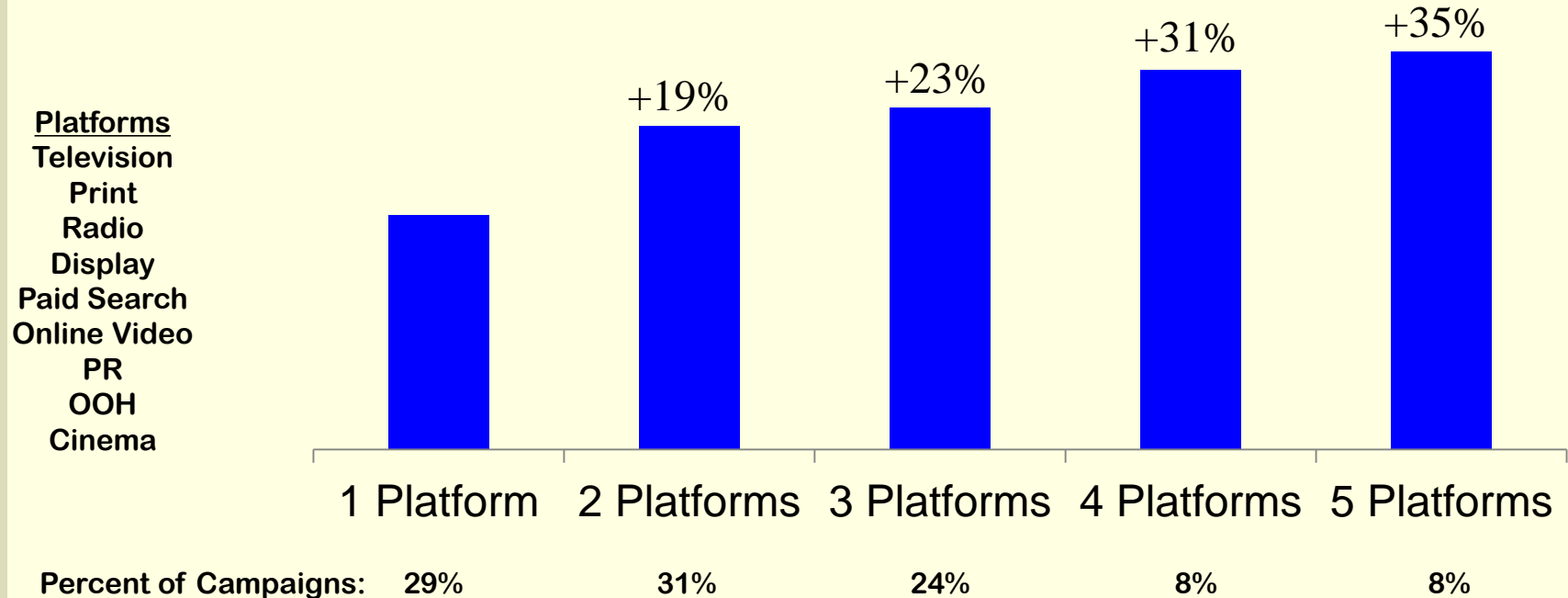
**PI: Advertisers should invest in multiple platforms instead of shifting media dollars from one platform to another.**

12. Word of Mouth (including e-WOM) has a measurable impact on sales and brand preference; often impact from negative WOM is larger than that from positive.

**PI: Marketers should invest in creating and managing positive brand conversations in social media.**

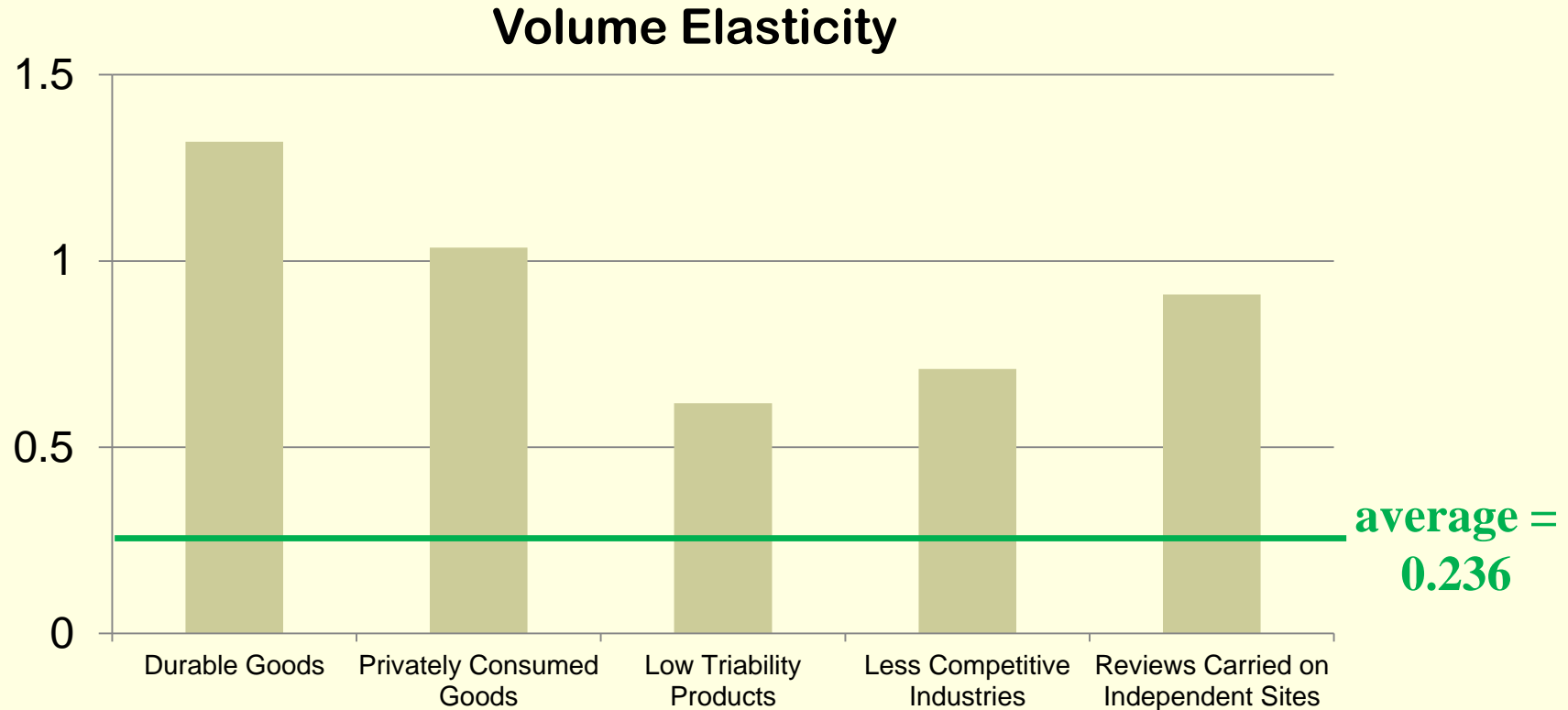
# Advertising Across Platforms Delivers Higher ROI

## Incremental ROI of Additional Platforms





# e-WOM Meta-Analysis of Blogs, Forums, Social Network Sites & Online Reviews Shows Positive Volume Impact



# 16 Principles w/ Practice Implications

## Product:

13. Quality affects brand preference, price and share, but investments take time to be fully realized.

PI: Invest in product quality as it will pay back on a long-term basis.

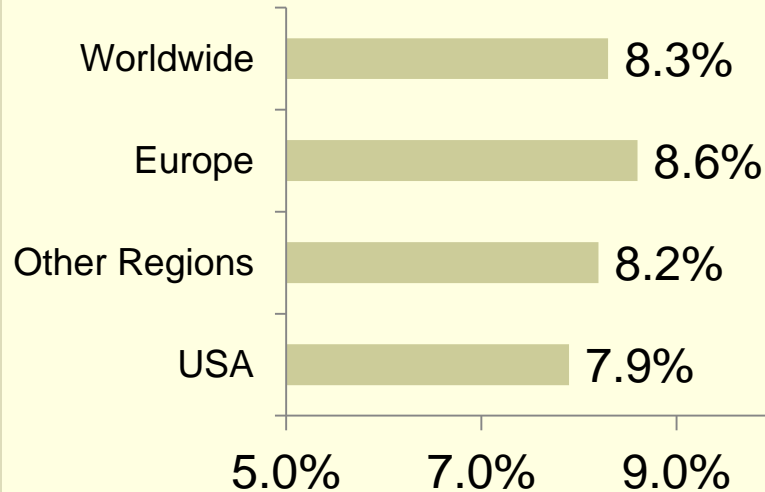
## Placement:

14. In CPG categories, brand preference and market share increase with retail distribution, while out of stocks translate into lost sales and earnings per share.

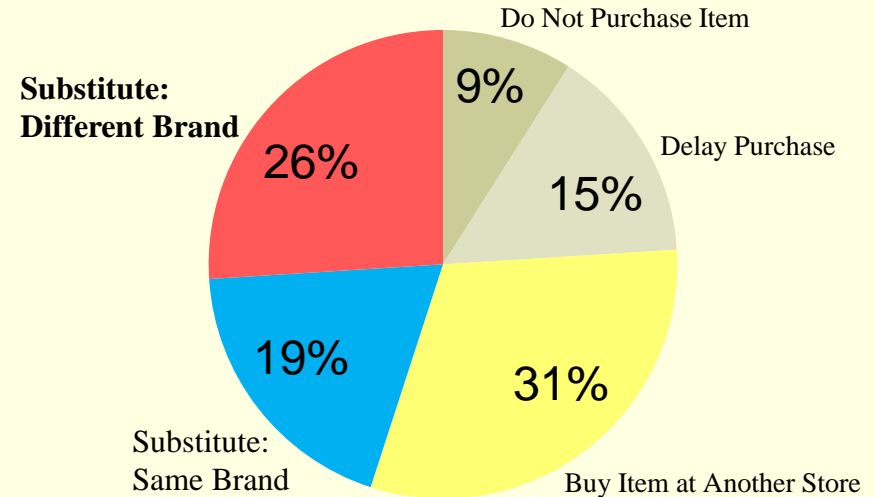
PI: Invest/execute at retail to expand and maintain shelf presence.

# Brand Out-Of-Stock Situations Lead to Lost Sales

Percentage OOS (Averages)



Consumer Responses to OOS  
(from 8 categories worldwide)



# 16 Principles w/ Practice Implications

## Price:

15. CPG products are generally quite price-elastic, becoming more so over time, with a predictable interplay between brand preference and price.

**PI: Managing the interplay between preference and price affects level of market share versus level of profitability.**

16. Price cuts not supported by retailer advertising (features) or in-store displays generate moderate to strong sales lifts short term but weaken brand preference long term as they train consumers to buy on discount

**PI: Reduce unsupported price discounts (TPR Only) and shift funds to quality merchandising events like feature and display to increase short-term spending efficiency. Invest more in innovation and advertising to drive long-term brand cash flow growth.**

# Price Cuts are Best Executed with Retailer Support

## Effect on Long-term Sales Response to Trade Promotion (N = 75 FMCG Brands, 25 Categories)

Retailer feature or display support	+10%
Retailer category management effects	-6%
With brand competitor price reaction	-10%

- As little as 1/3 of trade promotion sales comes from brand switching, the rest comes from stockpiling/category expansion
- This makes retailer in-store support all the more important

# Marketing is More Than Just Media Advertising



“Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

# BIV Drivers Team – BIV Project Phase II

## Team Leaders



Dave Stewart  
LMU



T Tsvetkov  
Nielsen



Frank Findley  
MASB ED

## Team Heroes



Jim Meier  
MillerCoors



Peter Cushing  
GM



Edgar Baum  
Strata Insights



Mike Donahue  
ANA



Tim Gohmann  
BSL



Sunny Garga  
(m)PHASIZE



Harold Geller  
Ad.Id.org



Tobias Roelen-  
Blasberg, SAP

## Staff



Tony Pace  
MAF/MASB



Erich Decker-Hoppen  
Communication



Karen Crusco  
Executive Assistant

# Questions?





# Thank-you!



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of the Marketing Accountability Foundation**