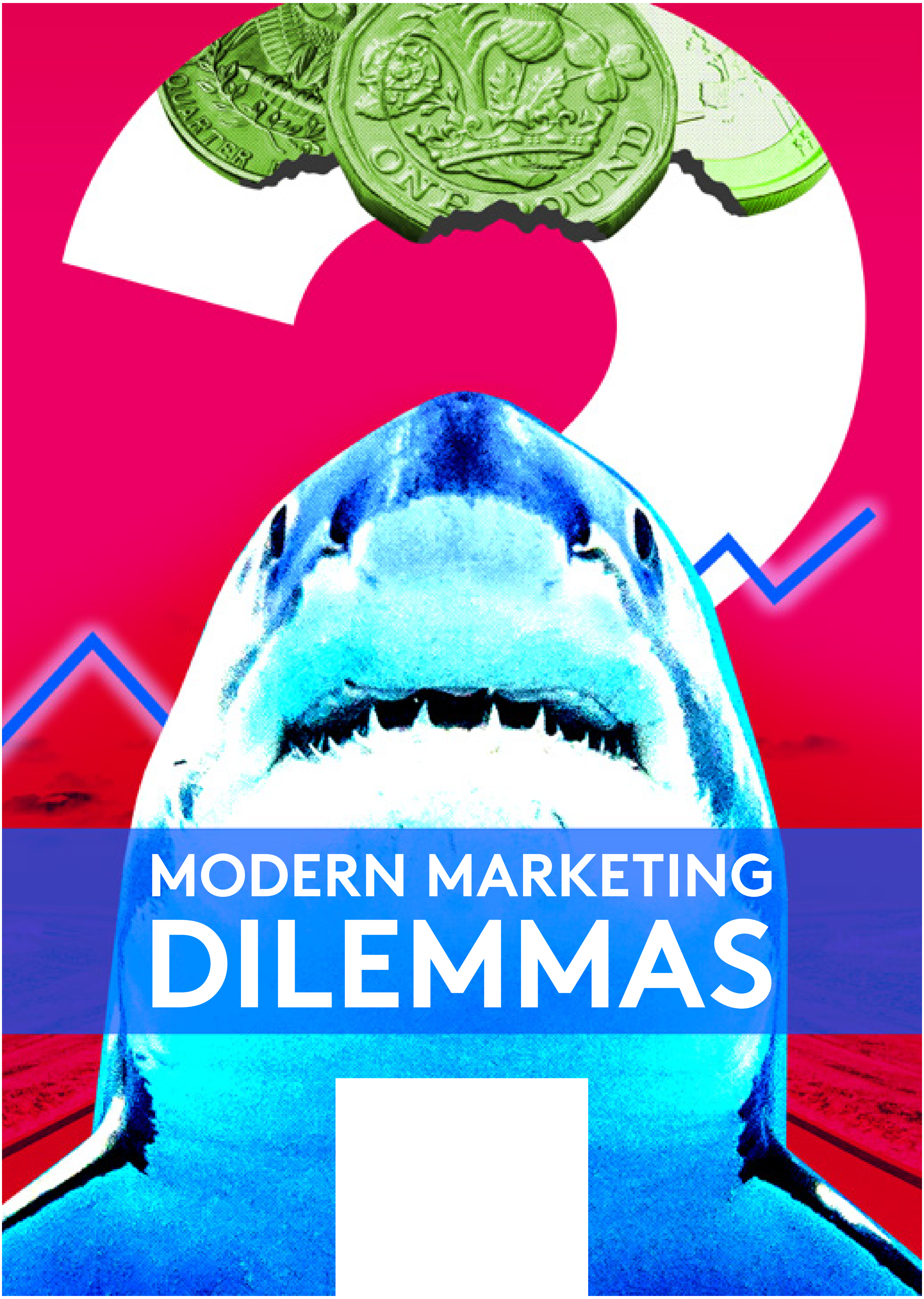
KANTAR



MODERN MARKETING DILEMMAS

MODERN MARKETING DILEMMAS

An evidence-based guide to help marketers protect their margins.

"What's your superpower?"
the other brands asked the successful brand.

"I have strong equity"
the successful brand replied…
before turning up its nose (i.e. price).

Seconds later it was grabbed by a consumer.

At Kantar, we are ardent advocates of the importance of brand equity and have the data to prove it.

What a brand has over and above its commodity version – is brand equity – it defines and redefines its fate. The greater its equity, the more desirable it is amongst consumers, retailers and employees, the more seamlessly it can fence off competitors, and the easier it is to command a premium price and protect their margins.

In this booklet, we challenge and provide solutions to Modern Marketing Dilemmas. We decode the art and science of marketing. We stress-test our theories, offering new empirical data on how marketing adds value. Our zealous research and development (R&D) take centre stage and the three layers of Meaning, Difference and Salience explain the magic that happens in the minds of people when functional benefits and emotional attachment work together for a brand.

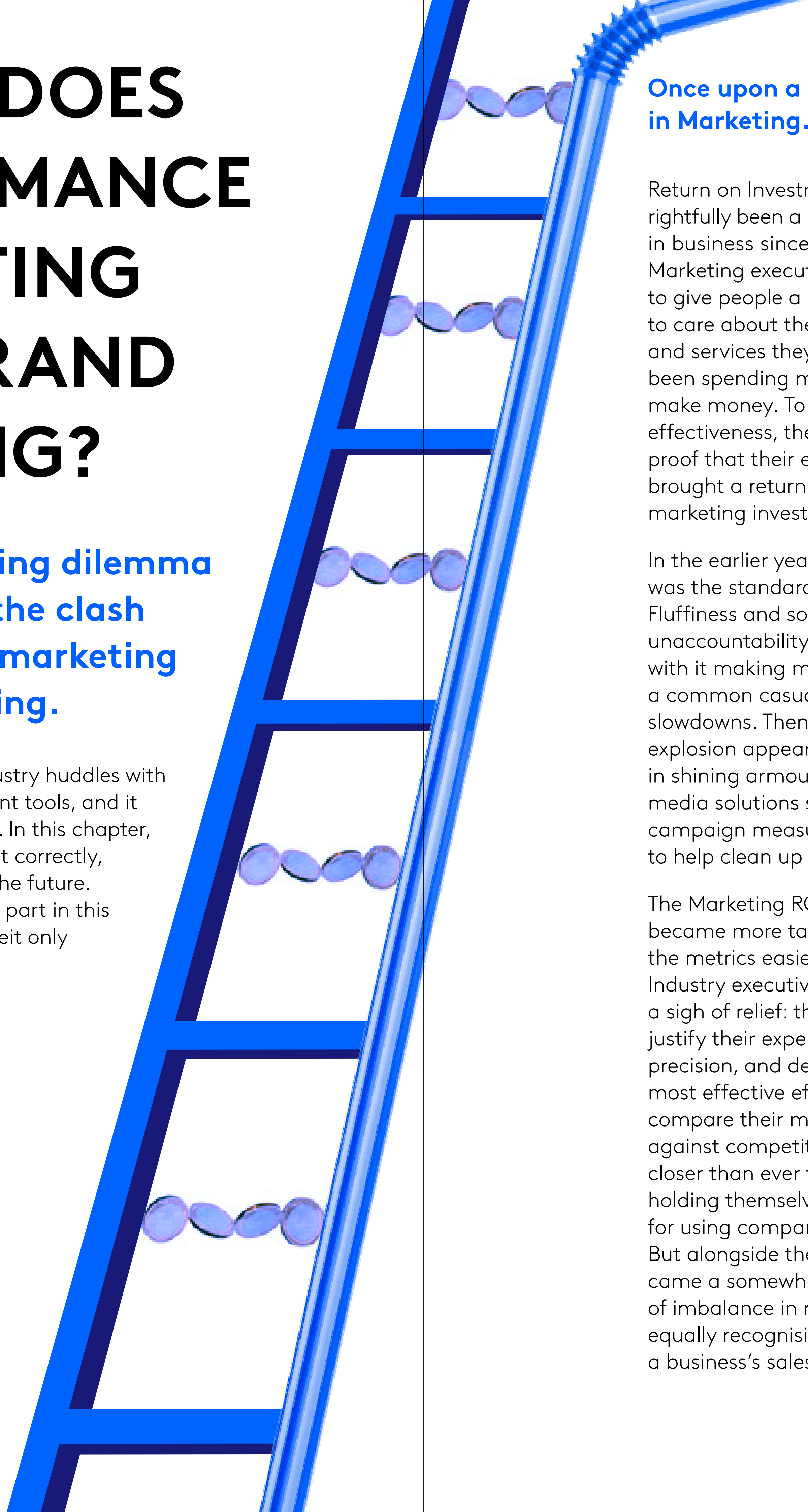
We embrace opposing perspectives throughout, and by conducting in-depth empirical investigation and applying the latest advances in neuroscience, we move beyond table stakes. With all eight chapters in this guide, we present actionable tips to help you strengthen your brand's intangible perceptions in the mind of consumers – what ultimately gets your brand chosen and brings tangible value to your shareholders.

Mary Kyriakidi
Global Thought Leader, Kantar

1 WHERE DOES PERFORMANCE MARKETING MEET BRAND BUILDING?

The first marketing dilemma we challenge is the clash of performance marketing and brand building.

The topic permeated the industry huddles with the rise of digital measurement tools, and it hasn't left the spotlight since. In this chapter, we will argue that if you invest correctly, sales will come – now and in the future. Marketing ROI plays a critical part in this decision-making process, albeit only offering half of the truth.



Once upon a time in Marketing...

Return on Investment (ROI) has rightfully been a popular metric in business since the 1920s. Marketing executives, tasked to give people a reason to care about the products and services they sell, have been spending money to make money. To measure their effectiveness, they had to offer proof that their endeavours brought a return on their marketing investment.

In the earlier years, gut instinct was the standard operating model. Fluffiness and some degree of unaccountability were associated with it making marketing budgets a common casualty in economic slowdowns. Then, the digital explosion appeared like a knight in shining armour and numerous media solutions sprang up in the campaign measurement spectrum to help clean up the industry's act.

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

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

If Marketing ROI is such a good thing, why is it frequently criticised by the marketing academic community?

> *"A silly metric to some degree"*
>
> **Mark Ritson says.**

> *"A stupid metric"*
>
> **exclaims Byron Sharp**

Picking not only on the (often too short) time variable on which it's calculated, but also on its synonymity with marketing accountability.

> *"ROI is not so much understood as waved about as a totem to ward off evil spirits, namely those trying to cut advertising expenditure"*

writes Marketing Professor Tim Ambler of London Business School.

The top argument against Marketing ROI is that it excludes longer-term results. It creates a fallacy of growth that comes at the expense of building long-term brand profitability. Because Marketing ROI's arithmetic calculation doesn't include the value that a brand creates for a business.

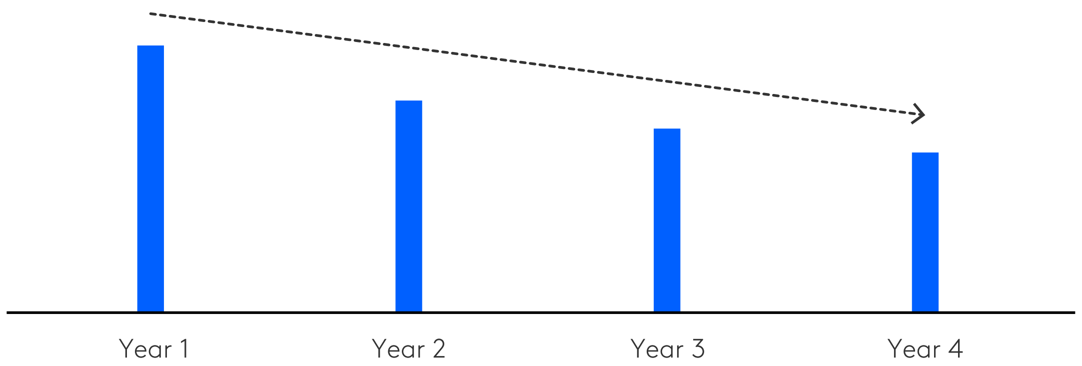
It's a division (not a subtraction), with the cost of the current marketing expenditure as the denominator. If this is nil, ROI is infinite.

This means that those hypnotised in a Marketing ROI trance will find it hard to see beyond the immediate gains of performance marketing. Hence, they'll end up making lower returns and less profit in the long run.

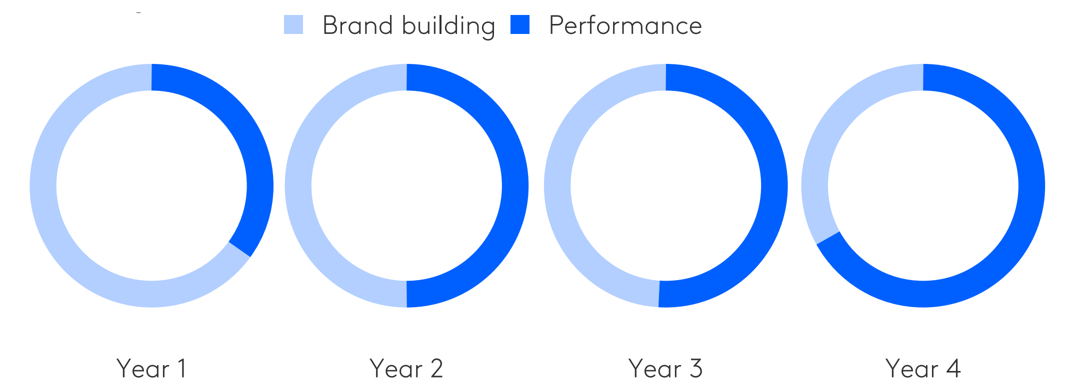
There is inalienable evidence that unbalanced brands won't win in the long term. Multiple Kantar studies reveal that if marketing mix allocation consistently favours performance marketing, baseline volume sales will steadily weaken.

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

Decline in base sales



Market spend



Source: Kantar Analytics Marketing ROI norms database

Similarly, wisdom from Kantar BrandZ forewarns of restricted growth when brand building declines. Between 2019 and 2021, brands with growing equity increased their brand value by 72% compared to just a 20% increase for brands with declining brand equity.

If the evidence advises against a partisan approach, why do many marketers still fall into the trap of favouring performance marketing and getting stuck in a vicious circle of discounting and eroding margins? The answer is multi-faceted, but largely lies in a practical caveat: metrics-driven performance marketing increases a marketer's fighting chance for a larger budget. Because although it's quite demonstrable to talk about generated leads, a sale, a click; in essence, the reflex consumer reaction to a marketer's short-term tactics, the contrary is true for brand building. As an industry, we still grapple to show the rewards of long-term investments and how these influence people's future behaviour.

The solution to getting the balance right comes from analytics

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

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

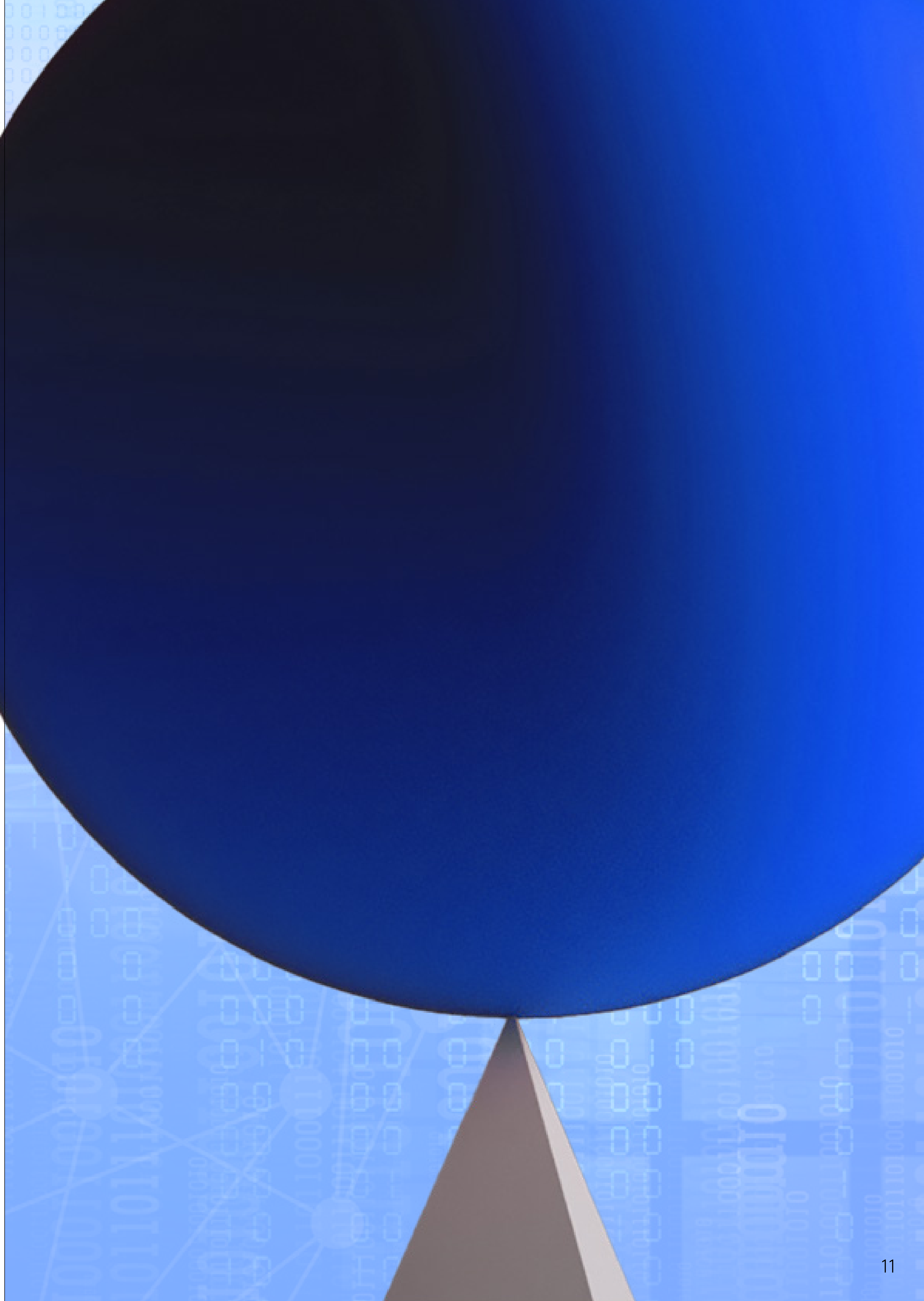
With the metrics under your belt, how can you make sure they deploy the right mix of brand building and performance efforts?

We urge you to go beyond the traditional marketing mix models and measure not only the direct, but also the indirect impact of marketing on sales, i.e. the equity impact of marketing on sales.

The inaugural and very important step to ensure you are deploying the right mix of brand building and performance efforts is to evaluate your marketing channels; are the dynamics of PR, TV, online, video, influencers, print, search, display and out-of-home generating both imminent and future sales growth for your brand?

Many aspiring balanced brands come to us for a comprehensive assessment of marketing ROI, or what we refer to as Unified Marketing Measurement and Optimisation (UMMO), a comprehensive and holistic framework to measure and optimise effectiveness across all marketing channels integrating sales and brand metrics into one predictive system.

Small but decisive tweaks in their channel mix allocation optimise our clients' impact, which lead to a healthy uplift in sales. This is exactly what our client from the retail sector experienced. By optimising their spending allocation between brand and activation they enjoyed a 10% increase in total sales, driven by long-term effects and baseline growth for the brand.



Building balanced brands

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

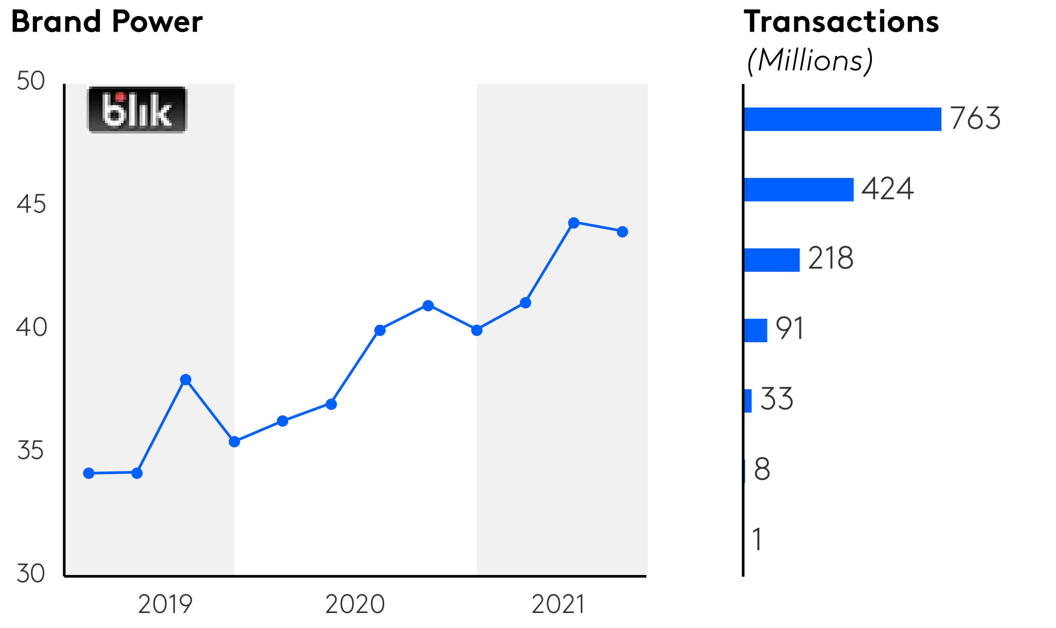
In marketing specifically, this leniency generates greater returns in the future. And, indeed, Les Binet and Peter Field have shown this empirically – that if you had just the choice of doing short or just the choice of doing long, you should opt for both. "You need to do both jobs," Binet explains,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

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

Even in a sector where it's least expected, like fintech, "the real differentiator is not technology, but the brand itself," Piotr Jan Pietrzak, Director of International Development at **BLIK** told us.

> *"Quite early on, we started talking less about the product and the technology and really pushed the brand. It's the brand that eased the synergies with the banks and gently nudged our allies to become more compatible. As the brand grew so did our leverage."*

BLIK's Brand Power has steadily increased and has skyrocketed over the last two years, along with transactions



Source: Kantar BrandZ | BLIK Brand Power | BLIK transactions

BLIK's Brand Power and transactions have been growing in perfect sync.

CASE STUDY

Different brands address their balance thermostat at different points in their brand life stage.

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

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

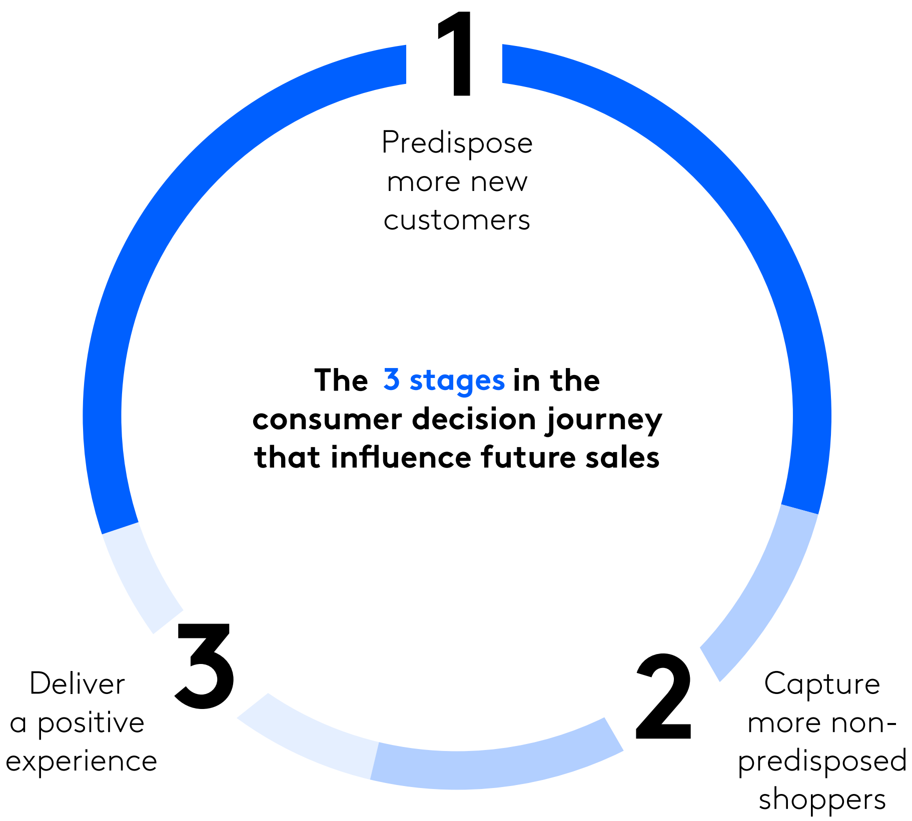
Marketing ROI optimises marketing spend, but it's based on half of the truth (the present and the near future) – and, for that, it falls short. We've done extensive research on the three phases of the consumer decision journey that build sales momentum now and in the future. We found that a strong performance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

1. Predisposing more new customers has the greatest impact.

2. Capturing more shoppers that were not predisposed (what we call brand activation) comes next.

3. Last is the stage of delivering a positive experience.

The greatest impact on future sales comes from predisposing new customers



Source: Kantar BrandZ

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

> *"but that is investment in the future, in reaching people who will be buying in the future".*

The tides are turning; balance is in the air

ROI remains a popular comparative practice across a business' different investments (how does a marketing investment fare against a technology one or a product one?) and as a metric, Marketing ROI remains very important for CMOs. Many will openly admit that the lures of performance marketing are bewitching. "Marketers often fall into the last-click attribution trap, which gives too much credit to direct response tactics." Brent Reinhart, GM, CMO, JP Morgan Chase & Co says, and then adds: "I've been guilty of that myself in the past." But the tides are turning: More and more companies are challenging the split between performance and brand marketing and creating more of a balance. The realisation comes first in this pursuit of marketing excellence. So, look around you; if you are sitting in a siloed performance or brand team with separate goals and KPIs, raise your hand. Now is the time to do something about it.

Mary Kyriakidi
Global Thought Leader, Kantar

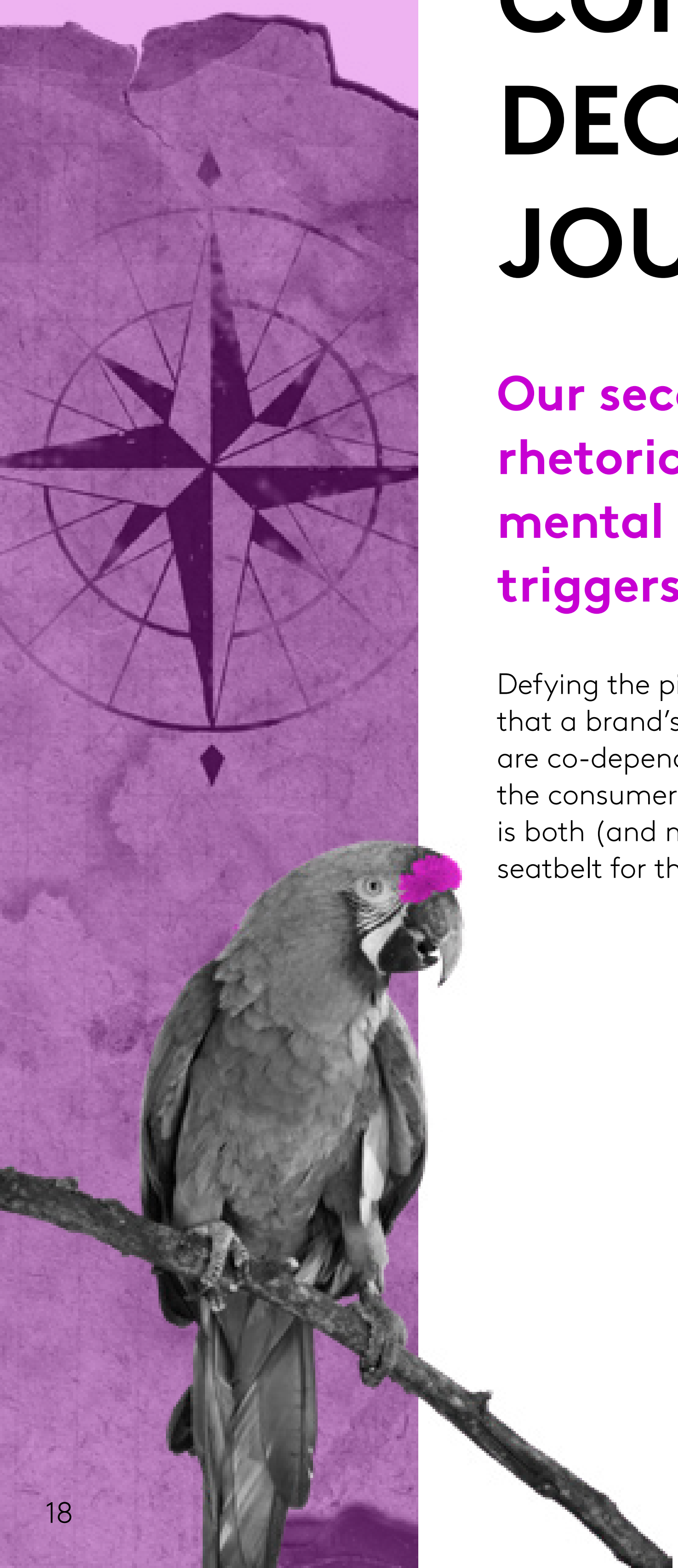
Be in control of your marketing budget and allocation

Deliver up 30%+ higher Marketing ROI and 10x-20x return on your investment with our Unified Marketing Measurement and Optimisation model (UMMO).

FIND OUT MORE

2

WHAT ROLE DOES BRAND PLAY IN THE CONSUMER DECISION JOURNEY?



Our second conundrum is rhetorical, as we explore if mental or physical availability triggers people's choice.

Defying the pitfalls of narrative spoilers, I admit early on that a brand's 'easy to mind' and 'easy to find' qualities are co-dependent and influence one another throughout the consumer decision process. That means the answer is both (and more), but now sit back and fasten your seatbelt for this zigzagging journey towards epiphany.

Double Jeopardy is a reality of brand life

Physical availability comes before everything else because, unless a product is there, people can't choose it. So, logic dictates that reach matters and penetration enables more sales of a product or service.

> *A brand that increases penetration will, on average, enjoy higher sales and stronger loyalty, reaping the benefits of the Double Jeopardy effect. It's a no brainer.*

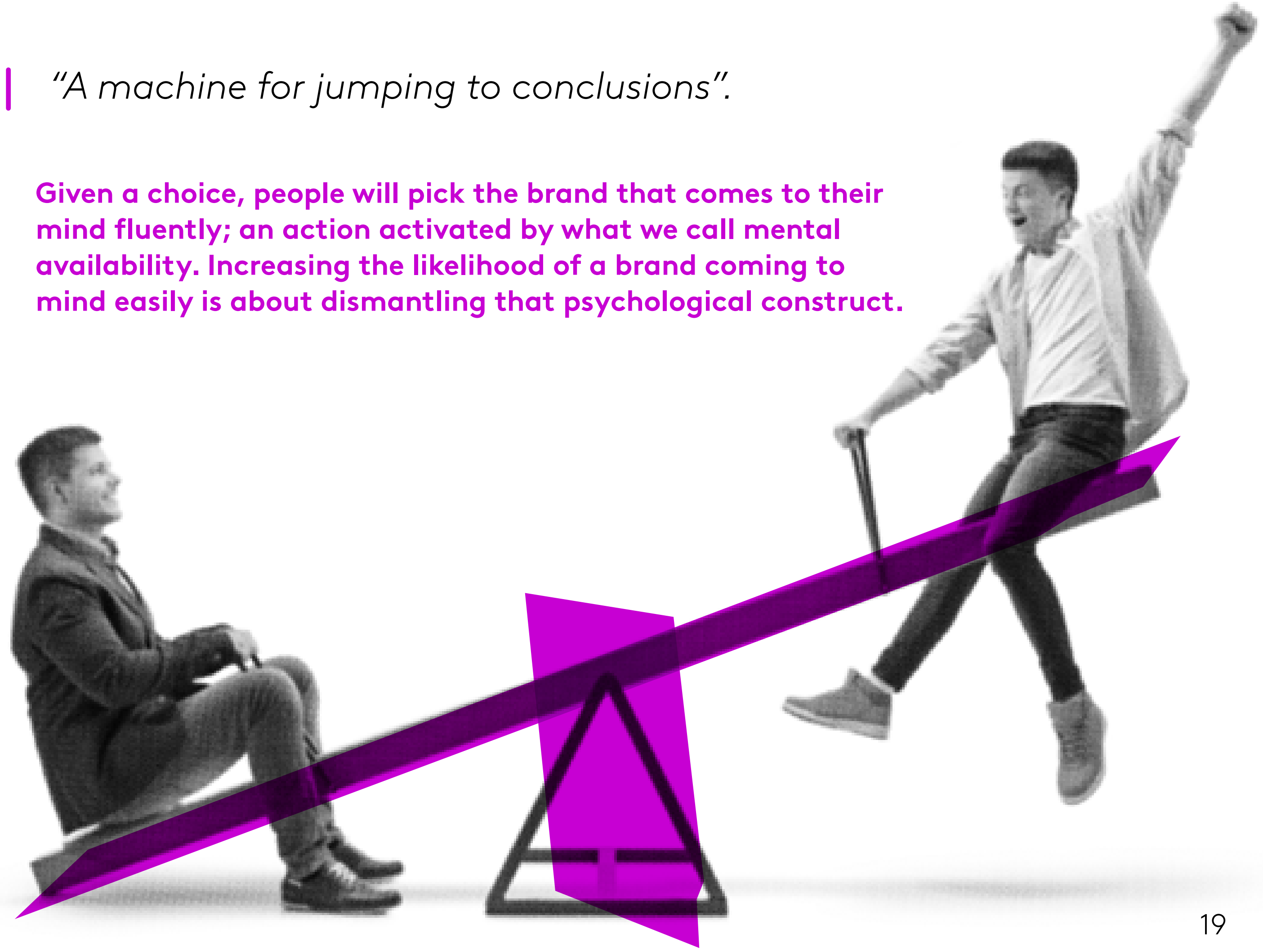
This doesn't mean that smaller brands are inherently weak or disadvantaged. In Byron Sharp's own words:

> *"The big brand has to complete a marathon, whilst the small brand (which suffers from a sore foot) only has to run 50 meters".*

Sustainable growth is up for grabs for all, it's not size constrained, because the human brain works in mysterious ways. According to Nobel laureate Daniel Kahneman it's largely

> *"A machine for jumping to conclusions".*

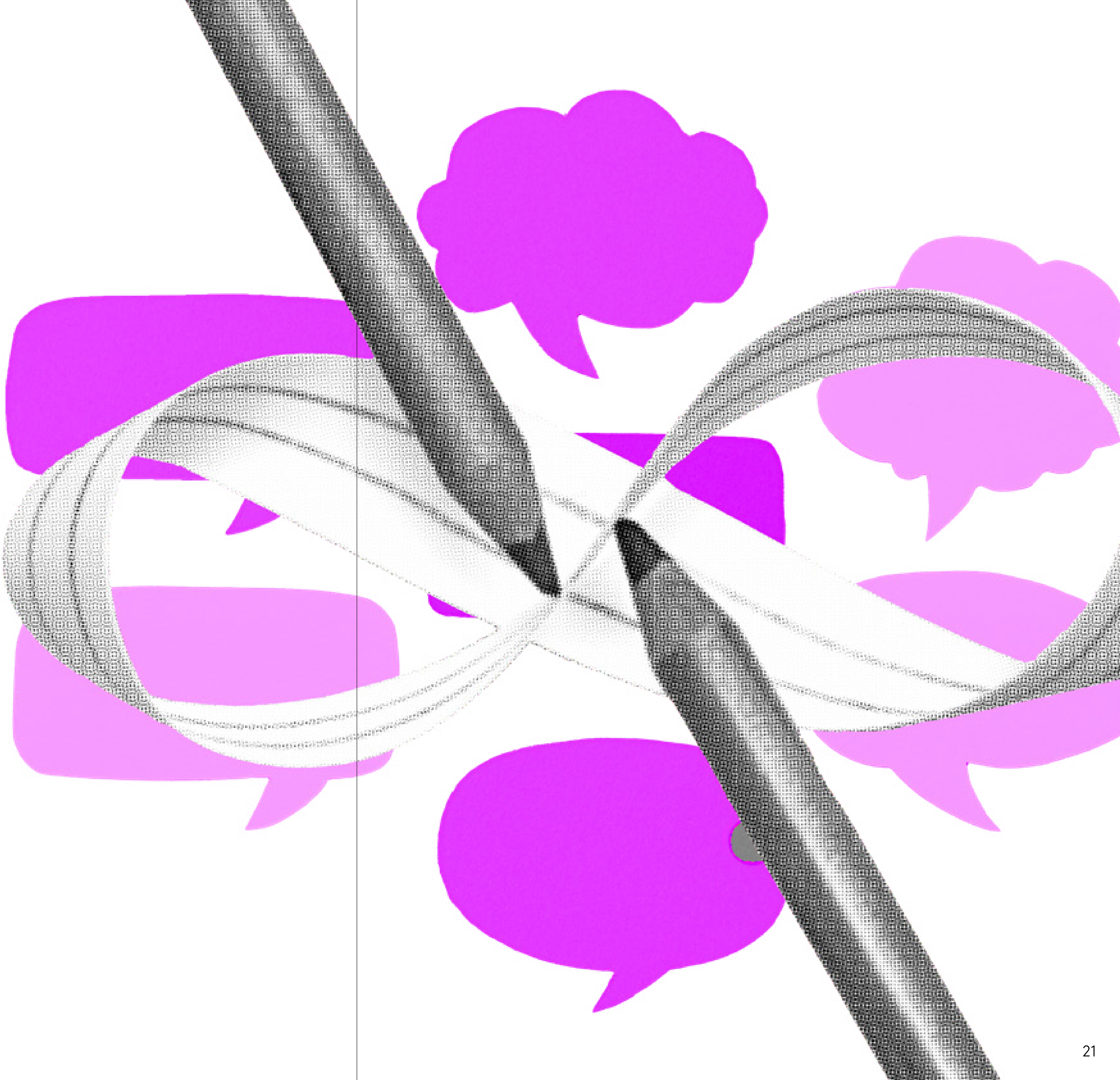
Given a choice, people will pick the brand that comes to their mind fluently; an action activated by what we call mental availability. Increasing the likelihood of a brand coming to mind easily is about dismantling that psychological construct.



The consumer decision journey is a feedback loop

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

Flipped on its head, this persuasion argument is how businesses build sales momentum now and in the future. Brands that succeed in the three facets of the consumer decision journey (Experience, Equity, Activation) realise a phenomenal 46% growth. And although the stages are presented in an orderly fashion, each person can jump on the decision bandwagon earlier or later in the journey. As they can bypass stages in accord with their self-rightness.



Here they are:

1. Experience - triggering repeat sales

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

Maximising the customer retention leads to

+7%

GROWTH

---

2. Equity - triggering future sales

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

Pre-disposing new customers to buy a brand in the future results in

+27%

GROWTH

---

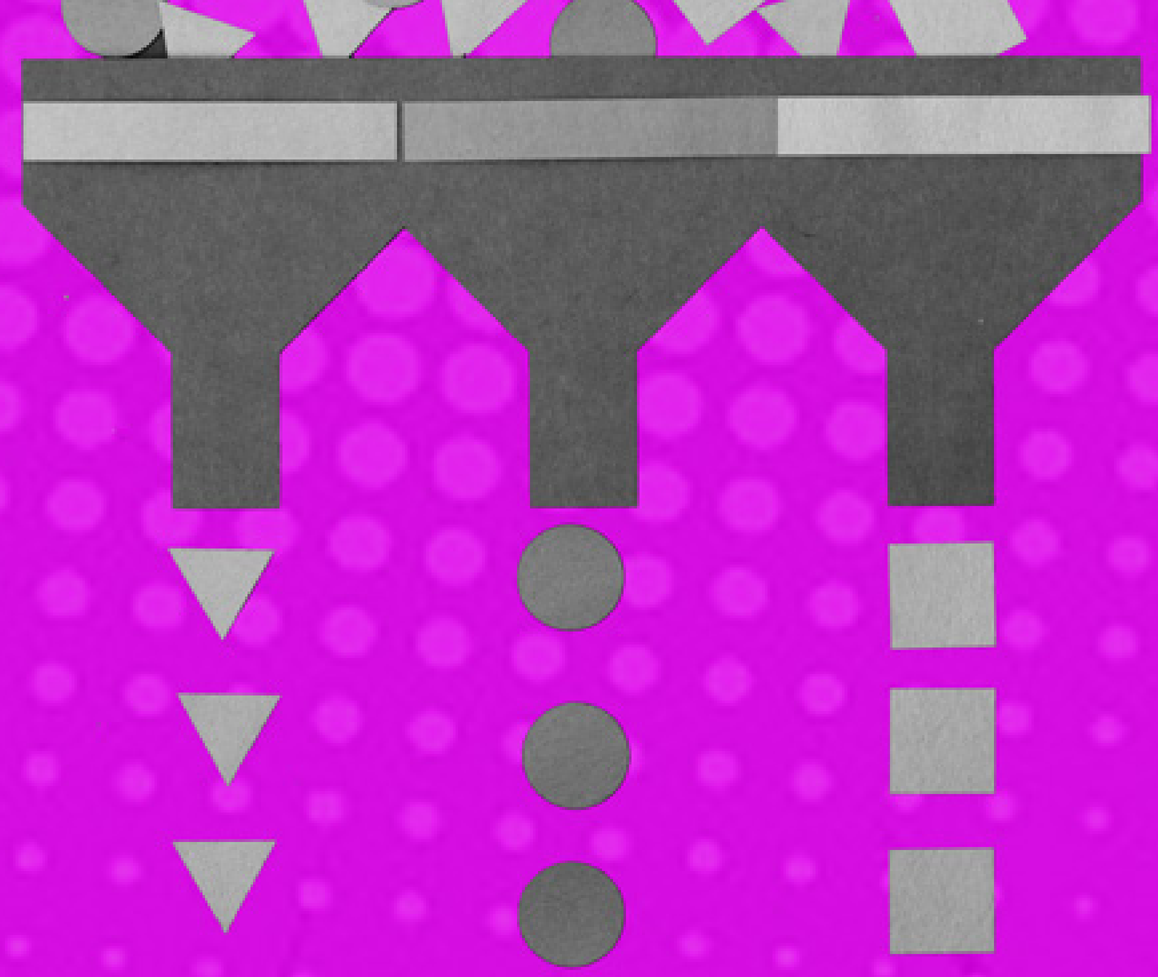
3. Activation - triggering current sales

Instead of shouting 'Notice me!', a product sits quietly on a real or digital shelf trying to stand out with its distinctive assets. The more it looks like itself, the more instantly recognisable it will be. As a result, people who find themselves at a moment of buying – whether it's an impulse or a deliberate action – will more easily identify the brand they've associated with a need. And just like that, a sale is made.

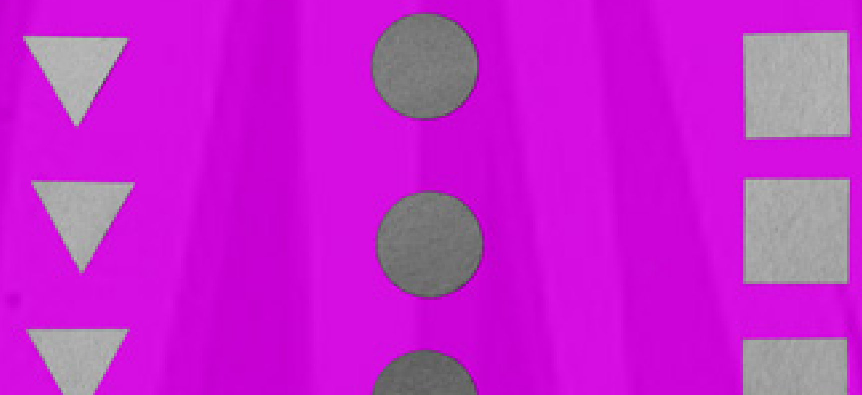
This stage of capturing shoppers that might or might not have been pre-disposed to a brand 'Activation' generates up to

12%

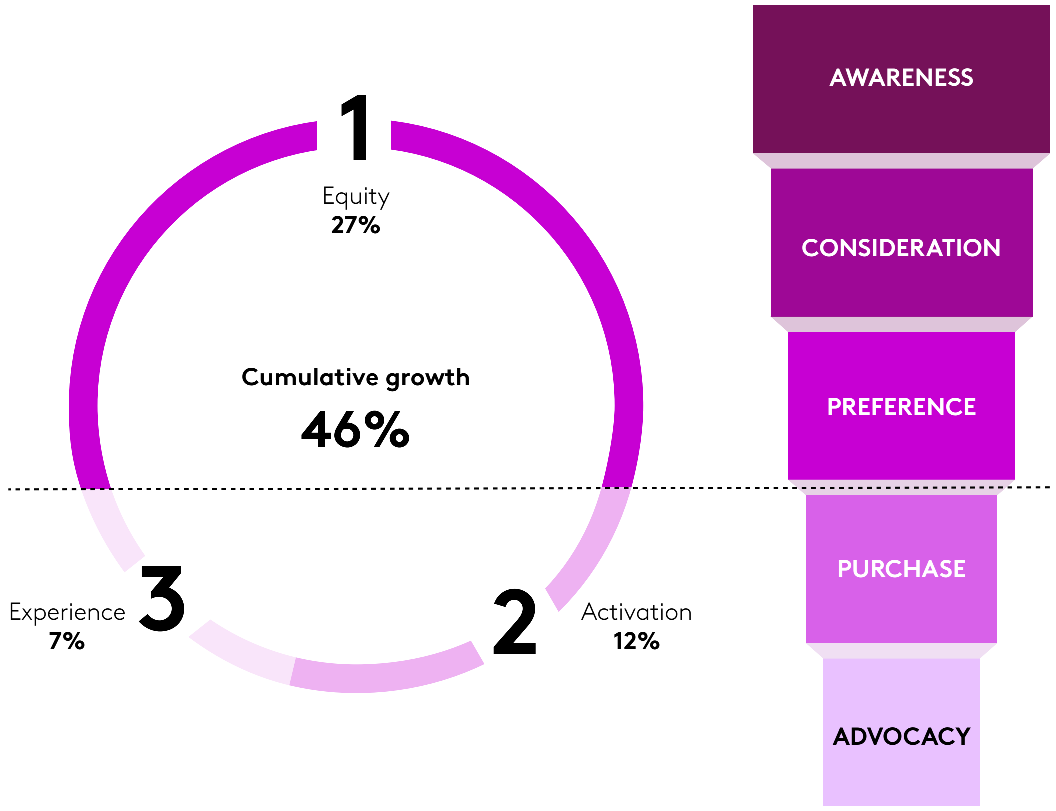
GROWTH



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



The 3 stages in the consumer decision journey that influence immediate, repeat, and future sales



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

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

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

CASE STUDY

Apple's story has been celebrated in Kantar BrandZ rankings over the last 15 years.

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

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

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

Brands that connect are…

Salient
The mental availability of the brand: how **quickly and easily** it comes to mind when making a purchase or usage decision.

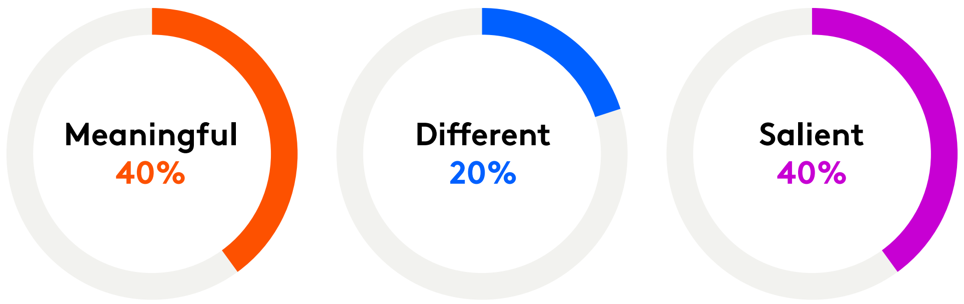
Different
The extent to which brands are seen to **offer something that others don't and lead the way.**

Meaningful
The extent to which brands build a clear and consistent **emotional connection** and are seen to deliver against **consumer needs.**

Not all levers contribute equally to sales though, and there is a distinction between the present and the future. Here's the typical make-up of brand growth in the short and the long-term. But of course, this can vary across categories and market situations.

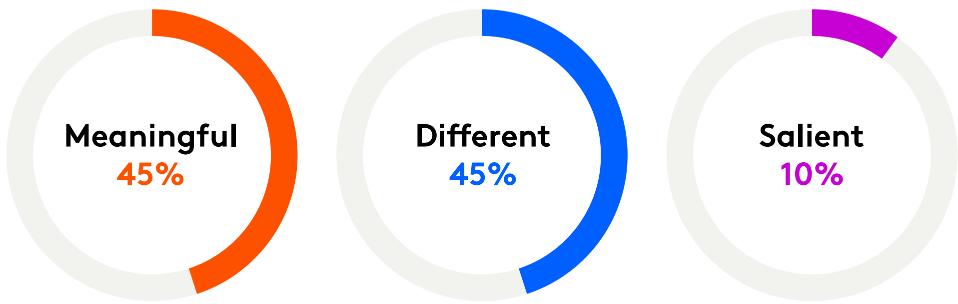
Power: Choosing a brand today

Mostly driven by:



Potential: Choosing a brand in a year

Mostly driven by:



Source: Kantar BrandZ

Our analysis reveals that a salient brand, one that comes to mind easily (NB: this is not awareness) is more likely to be chosen presently. But, to generate sales in a year's time, salience alone doesn't suffice.

Brands with 'excess Meaningful Difference' over Salience are those more likely to grow and be profitable in the future.

Here are three striking examples from Kantar BrandZ that recently bolstered their brand equity through meaningful difference.

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

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

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

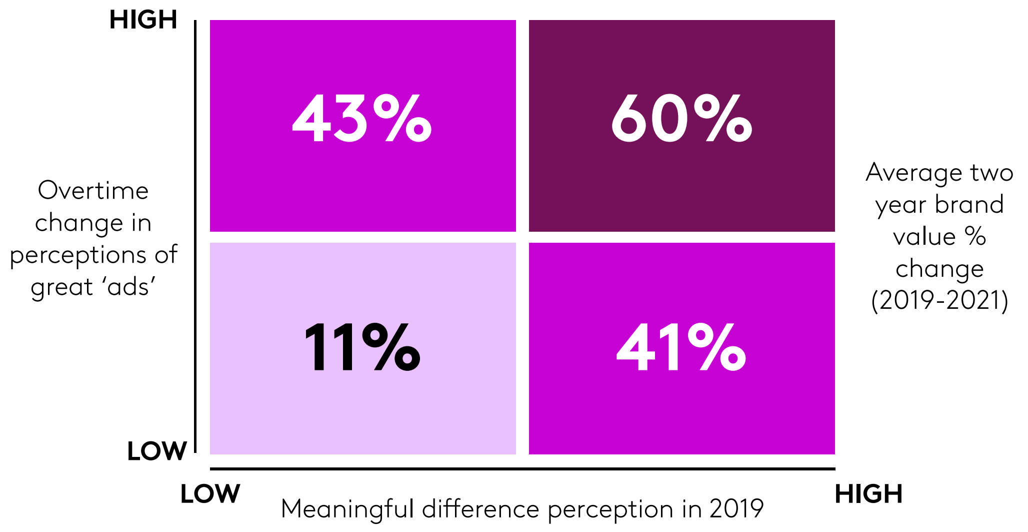
Brands that are on a mission to strengthen their brand value invest in brand marketing and brand advertising. If effective, surges in long-term sales revenue, margins, and profit follow.

What does this mean for marketing execution?

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

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

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



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

Because...

> *"people will forget what you said, people will forget what you did, but people will never forget how you made them feel"*

as Maya Angelou may or may not have said.

This Bosch ad that consumers rated as one of the best in the Kantar Creative Effectiveness Awards 2021, brings meaningfully difference to life.

Using the art of storytelling, the ad presents a considerate gesture of a loving son who is about to leave home for the first time. To soothe his mother's sadness, he uses Atino Laser and creates a gallery of their family memories on the wall, leaving on display the message: 'Bis bald!' meaning 'bye for now'.

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

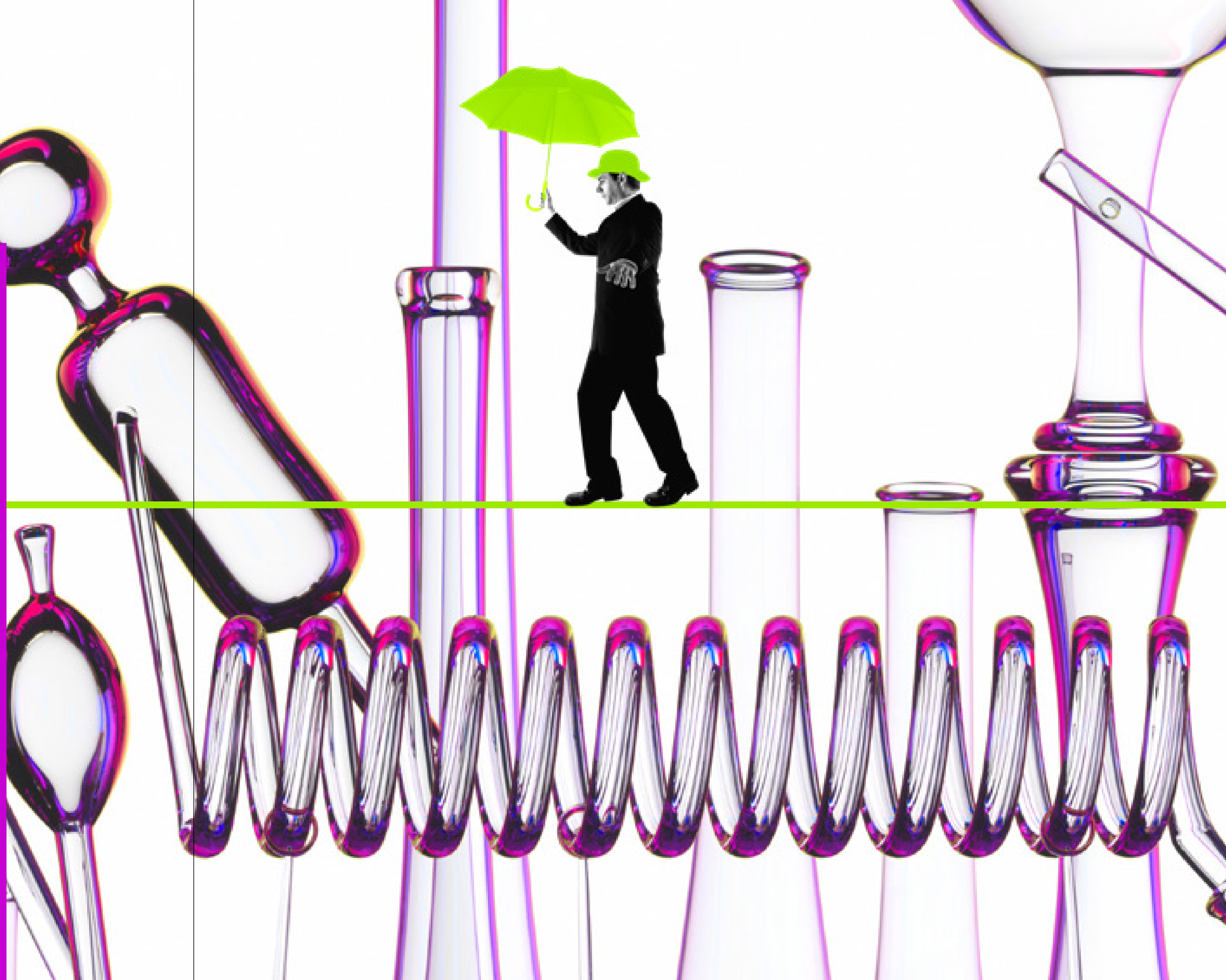
Keep calm and believe in science

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

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

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

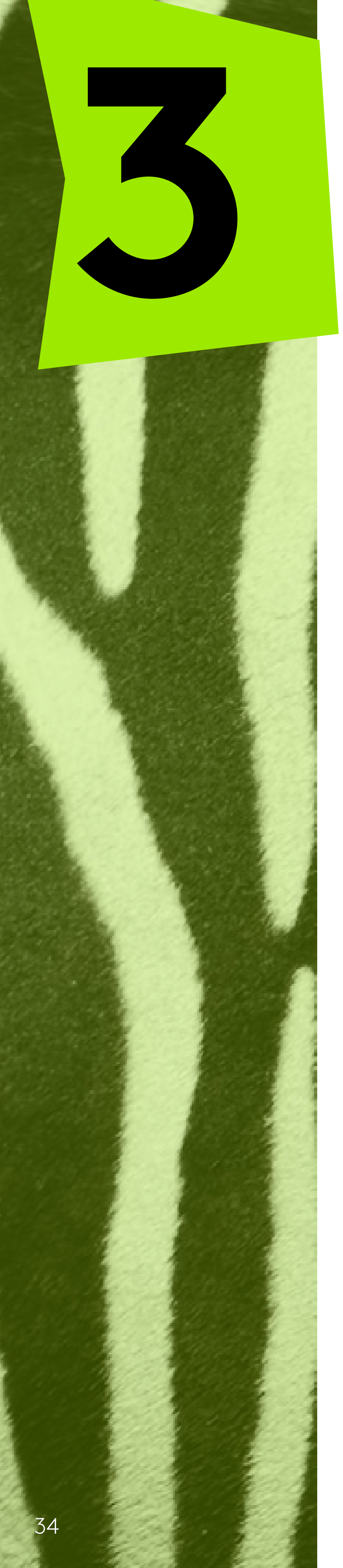
Mary Kyriakidi
Global Thought Leader, Kantar



Inform your brand strategy

Get the insights you need to create a compelling strategy for your brand. Understand your audience, optimise your brand positioning and deliver a consistent and compelling brand experience.

FIND OUT MORE



3

IS BRAND DIFFERENTIATION AN EFFECTIVE WAY TO REDUCE CUSTOMER PRICE SENSITIVITY?

Brand awareness is in every survey. Yet, despite its popularity, it's a metric that leaves room for interpretation; it often feels like the blank nod you give to someone whose words you haven't really heard.

Instead, asking consumers to rate a brand (and its competitors) against your chosen attributes – the ones you've decided to push – will signal to your brand: 'noted', 'I know what you look like', 'get what you stand for'. Arguably, distinctiveness and knowing how to answer our clients' frequently asked question: 'how can I make my brand more distinctive?', is one of the greatest challenges for brands.

We argue that 'being different' has legs, largely thanks to its connection to pricing power and business profit. Driven by our empirical data, we support that a distinctive brand will pivot to growth if it's different too.

How much are consumers' perceptions worth?

If a brand is salient, distinct and present at the category entry points – the moment a consumer enters a category – sales and growth will follow. This is what Professor Byron Sharp argues in 'How Brands Grow', possibly the most popular marketing book in circulation. This makes sense. One of the first rules of branding is that consumers must know it's you. Distinctive assets are truly useful in creative work, and help brands get noticed by distracted consumers without overspending on exposure.

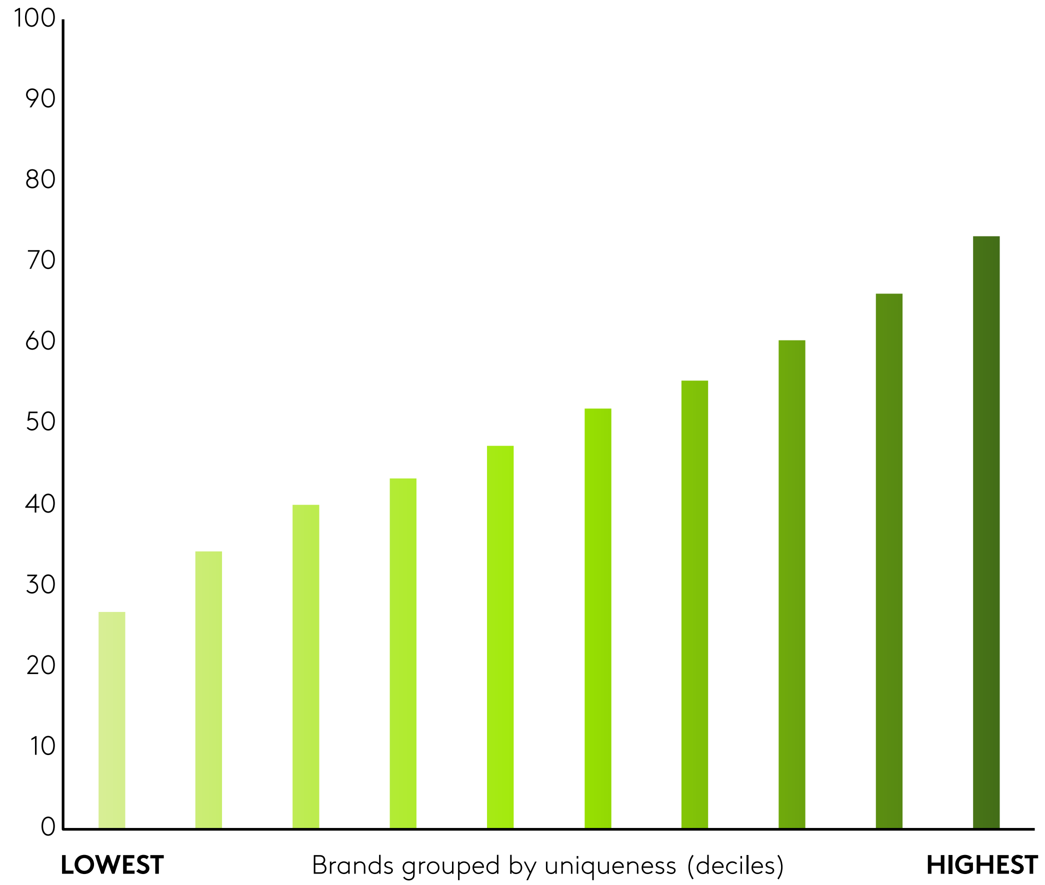
So, distinctiveness is branding 101. But it's not completely removed from being different. Yes, distinctiveness is just one type of difference.

Jeremy Bullmore and Stephen King of J. Walter Thompson discuss consumers' perceptions of brands in a treasured video from 40+ years ago and conclude that successful brands in mature categories with product parity 'have got a distinct and very favourable personality of their own' adding that this is where they think 'the difference lies'.

Differentiation is the intended brand image that you, as a marketer, hope to achieve in the mind of the consumer through positioning. Brand differentiation offers an opportunity for brands to go beyond the borders of distinctiveness, to find product-based, experience-based, even emotionally based differences that break through consumers' expectations of parity. It's then that a product becomes "more than a product" as Bullmore and King confer - it "begins to satisfy needs over and above purely functional needs. And if it does that, then it's worth more money".

Here's the proof. We analysed 40,000 brands in our Kantar BrandZ database and found a very strong relationship between increasing relative uniqueness and a consumer's willingness to pay more for a brand. More than boosting trial and share, achieving a differentiated brand position can lower customer price sensitivity, yield healthy margins and increase profitability.

Evidence: Difference is worth paying more for



Source: Kantar BrandZ global database

If you are different, you are hard to replicate

Outdoor apparel company Patagonia has been donating 1% of its sales to “save our home planet” for the last 35+ years, Tony’s Chocolonely exists to eradicate illegal child labour and modern slavery on cocoa farms in West Africa, Nubank was founded to serve the unbanked and underbanked in Brazil, developing products for financially excluded segments since 2013.

Can brand differentiation provide a moat of protection against competition, being a really hard thing to replicate in a business? In short, yes.

CASE STUDY

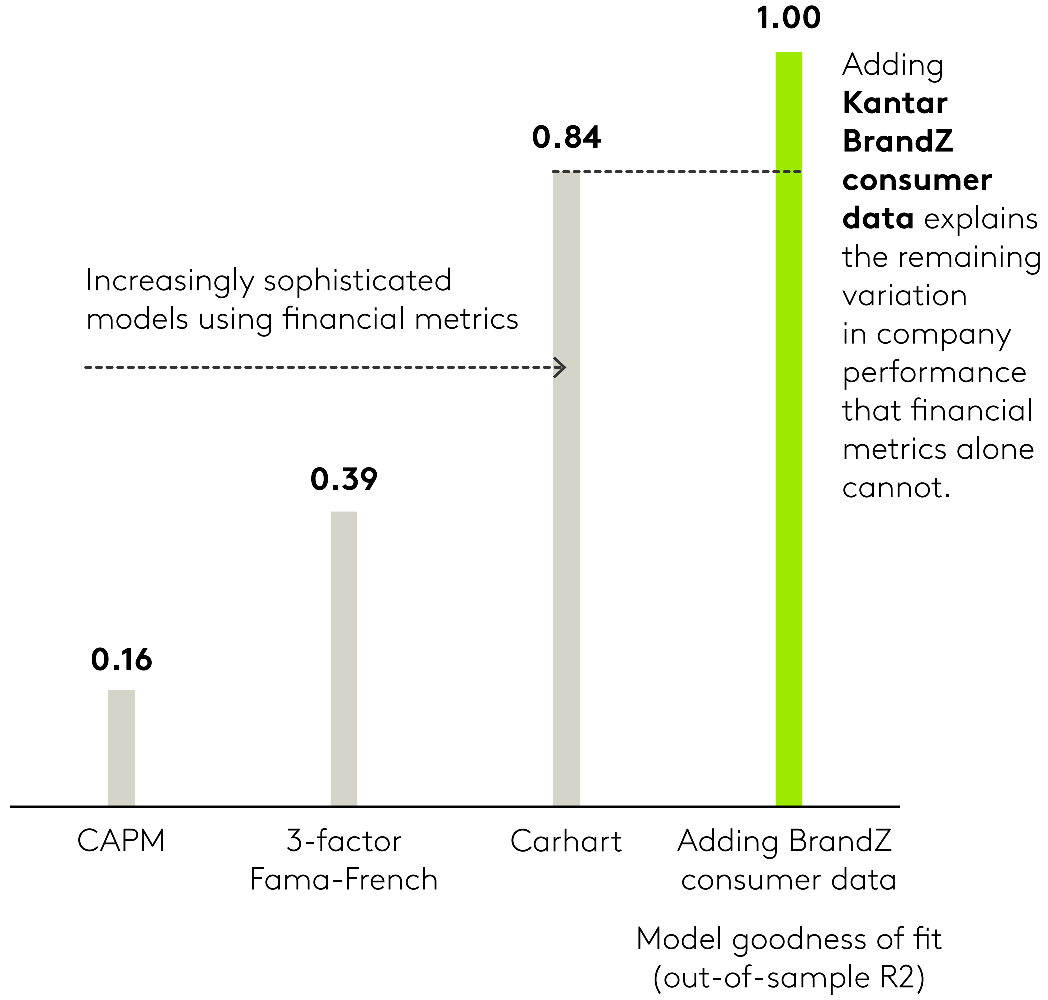
UNIVERSITY OF OXFORD | Saïd Business School

In 2020 Kantar partnered with the University of Oxford Saïd Business School to understand the precise contribution that different marketing activities make to “abnormal financial returns”.

These are the returns that are derived when a company’s stock performs better (or worse) than the market expected. Associate Professor Felipe Thomaz and team studied 872 brands and their expected financial returns over a period of 12 years, using a series of increasingly sophisticated models from academic literature and investment analysts. They then added thousands of brand equity observations from the Kantar BrandZ database and, with an enhanced model, identified the brand factors that contribute most to those abnormal business returns.

The crown jewel finding? Difference was the biggest contributor towards abnormal stock returns.

Difference is the biggest component of equity’s power to drive abnormal stock returns



Source: University of Oxford Saïd Business School

Brand differentiation example

Donki (Don Quijote) "the Japanese discount store of your dreams", offers lots of inspiration when it comes to brand differentiation. This store breaks all the rules of good retailing, but still wins because of its difference. Donki's brand differentiation strategy lies in the layout of its 160 stores, which is the antithesis of minimalist Japanese design; they consciously make items hard to find and hard to buy, encouraging shoppers to go on a treasure hunt. Still, consumers can't help coming back. Kantar's BrandZ data confirms Donki's Difference in the way the brand is perceived compared to regular grocery stores, and this brand differentiation has helped deliver growth, with the brand now expanding across East Asia.

The secret to good branding in advertising

Distinctiveness alone in creative execution doesn't guarantee that people will relate to what they are seeing. Brand consultant and virtual marketing professor, Mark Ritson, says that distinctiveness and differentiation have "equal weighting", working to achieve and improve marketing effectiveness. This combination of positioning and codes is the "important dual engine for brand success", he adds.

CASE STUDY

SNICKERS

In this Effie-winning Snickers case study, the power of such a blend is palpable:

with a campaign that reinforced mental association with 'hunger' and satiation that create difference for Snickers, but it also used brand codes and symbolic vocabulary to strengthen its distinctiveness. Snickers halted their declining sales and refuelled their market share.

In 2022 Kantar Creative Effectiveness Awards, Johnnie Walker's advertising stood out and scooped awards in three categories from over 13,000 ads we tested. Famous for triggering mental associations with its rallying cry to us all to 'Keep Walking', the brand injected freshness into its heritage whilst still adhering to its distinctive branding. It was as if the brand was playfully winking to its customers: 'I'm still me, but I am different; I now bring a fresh and timely take on life'. There was no doubt in the consumer's mind - Johnnie Walker's distinctive branding was recognised in every execution.

Johnnie Walker, Keep Walking Anthem

At the end of last year, in a webinar celebrating the 34% growth of Johnnie Walker, **Sally Smallman, Global Consumer Planning Director**, observed:

> *"If you work in marketing, there's a good chance that you are stuck in a marketing bubble... It may be easy for marketers to assume that they know what customers want, but it's actually impossible to assess a piece of work in the way a consumer would"*

> *"The skill for us as marketeers is not to mess around with the fundamentals but to figure out how you keep that core truth relevant", "One of the biggest mistakes we all make is even to think that people would necessarily remember or care deeply. Thinking always about our audience as being new.",*

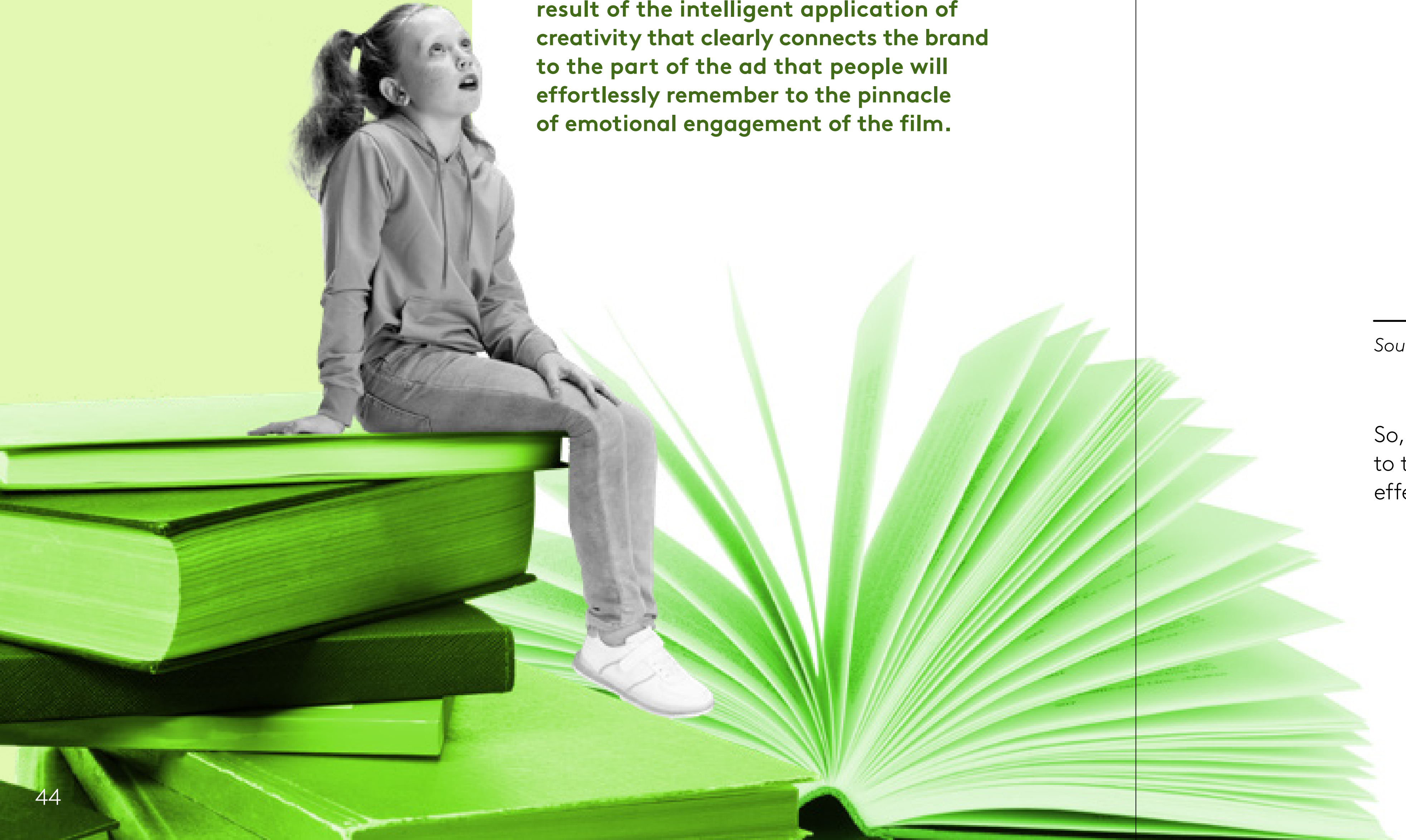
added Chris Goddard,
Johnnie Walker's Global Marketing, VP,
and Camilla Harrison, CEO and Partner, Anomaly

When branding in advertising goes wrong

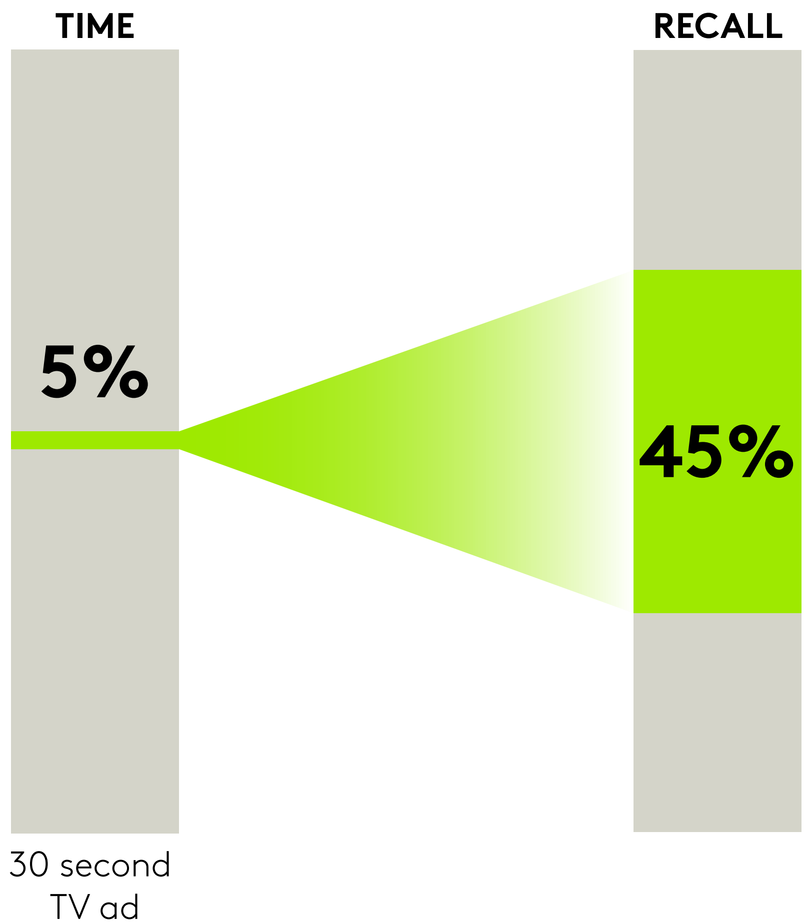
The problem occurs when people don't know what brands were advertised – more often than not they remember the ad but attribute it to the wrong brand, and only connect it to the category. The fix is not a single-minded pursuit of distinctiveness, as people still need to relate to what they are seeing.

Effective branding in advertising is not related to how early you show the brand in TV ads, nor does including the brand in the first five seconds guarantee strong brand linkage for digital (whether the ad is skipped or not).

Good branding is about a well-integrated story with distinctive branding coming at the most memorable moment. It's the result of the intelligent application of creativity that clearly connects the brand to the part of the ad that people will effortlessly remember to the pinnacle of emotional engagement of the film.



5% of the ad length creates 45% of recall



Source: Kantar Link database

So, ask yourselves, can the story be retold without reference to the brand? If not, expect the sweet smell of marketing effectiveness to permeate through the boardroom.

Improve marketing effectiveness by tapping into both layers of the brain

The equal weighting between distinctiveness and differentiation to improve marketing effectiveness is further rationalised by what we know about how consumers make choices.

When faced with a decision, reflective and considered reasoning processes in our working memory are called on – a type of thinking that takes effort and is slow. For that, it's well-established that our lazy brains seek shortcuts, drawing on automatic processes in our memory structures that lead to intuitive judgements - an easy and fast type of thinking.

For a while, it was thought that these two types of thinking were separate, independent systems. However, there is growing recognition among behavioural scientists (and certainly, us here at Kantar) that decision-making involves a more connected single system in which both types of thinking are always employed.

What does this mean for brand managers? That they need to be building different advantages to win in both types of processing. Simple, clear associations (or else distinctive branding assets: a logo, a colour, a shape, a brand character, a sound, a smell) should be used. These allow easy and fast thinking to effortlessly deliver a positive, intuitive output.

But richer, deeper associations (what we can achieve with differentiation, positioning, purpose) should be employed, so that the intuitive positive output can withstand the reflective, more considered check of the brain.

Our quest to find the answer to 'how to differentiate your brand' isn't new – 45 years ago, this exact subject was already featuring in Philip Kotler's list of a marketer's core questions. And, although we've moved on from the notion of having a USP and the idea of owning something – or else death would find us - the stories of many brands have taught us that relative strength in a few attributes vs the competition is possible, and that differentiation can exist through positioning.

The one best advantage it offers is on price sensitivity.

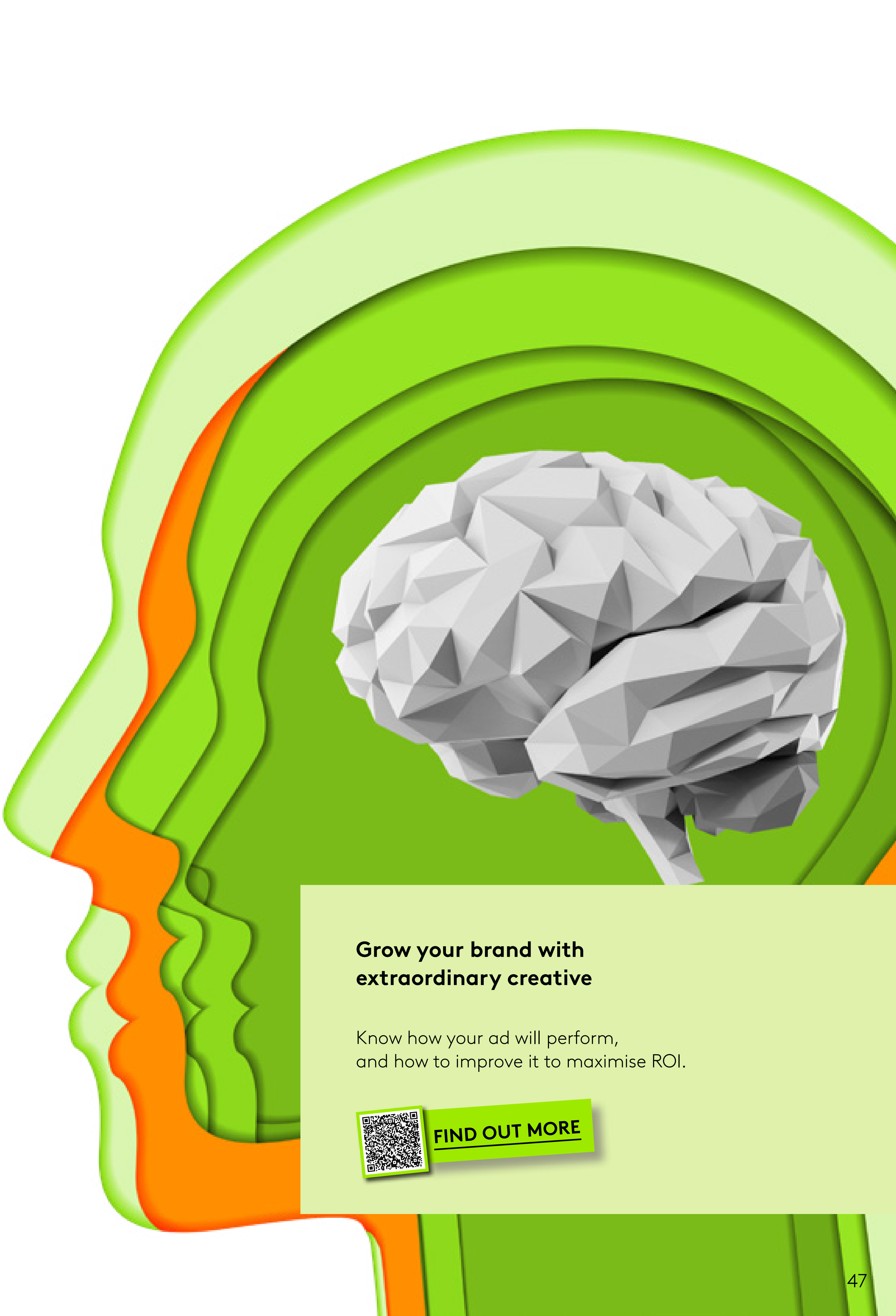
A differentiated brand can desensitise its customers to higher prices.

And just like that, you are no longer fighting against competitors on price and consumers feel that paying more for your product or service is justified - as we've seen in the evidence above.

This sounds good, but is this still the case when inflation is at a 30-year high and likely to hang around?

Mary Kyriakidi
Global Thought Leader, Kantar

Graham Staplehurst
Director, Thought Leadership, Kantar BrandZ



Grow your brand with extraordinary creative

Know how your ad will perform,
and how to improve it to maximise ROI.

FIND OUT MORE

4

HOW SHOULD YOUR BRAND REACT WHEN PRICES ARE GOING UP?

The scary thing about inflation now is not that it's the highest it's been in 40 years, it's that it's high and trending up.

The last time this happened – back in the late seventies and early eighties – recessions followed. Money supply was reduced, and interest rates were raised and, as in a perfectly built chain of dominoes, the last piece to fall was aggregate demand. Consumers spent less, unemployment rose, and, as a result, inflation gradually subsided.

The last two generations of consumers (and marketers) have only read about high levels of inflation in economic literature, they haven't had to deal with it in real life. But for the first half of 2022, the rate of change in the prices has been hard to miss. Labour shortages and rising energy, gas and oil costs have inflated consumers' basket of goods and shrunk businesses' margin potential.

History teaches us that strong growth isn't on the immediate horizon. And that's ok.

Growth is achievable if you sort out profit first

Clayton Christensen, Harvard Business School professor and the architect of the world's supreme authority on disruptive innovation, said that

> *"Innovators should be patient for growth, but impatient for profits."*

As sage as this advice sounds, our world currently has a fascination with billion dollar unicorns that hastily sacrifice profitability and sustainable growth at the altar of growth at speed (think WeWork: the making and breaking of a $47 billion unicorn).

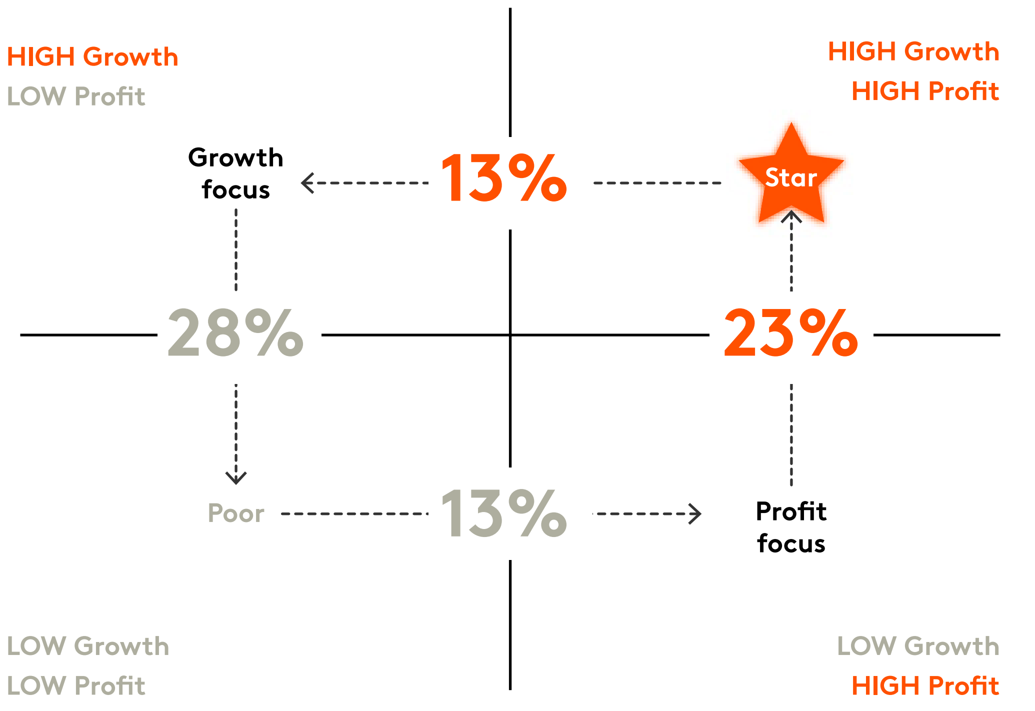
Growth at all costs might take you to the poor box. Such is the finding of a research study by Per Davidson et al. that was later replicated with greater rigour by Cyrine Ben-Hafaïedh and Anaïs Hamelin. The two academics conducted a study covering over 650k firms spanning 28 countries and a variety of different sectors and sizes.

Their findings?
Firms are much more likely to end up in the enviable position of achieving high growth and high profitability if they focus on profitability first, and then expand. They also found that firms are much less likely to become profitable because of their growth.

We believe the same principles apply to brands of any size. A focus on growth alone is not enough and can even be dangerous. Brands create value through higher margins and greater profitability.

Success is more likely to start with a profit focus, not growth

Chance of change after 1 year for 660,000 European SMEs



Source: Analysis of 660k European SMEs, Sage Journals

Fixing price is key to profitability

But hang on, whose job is it?

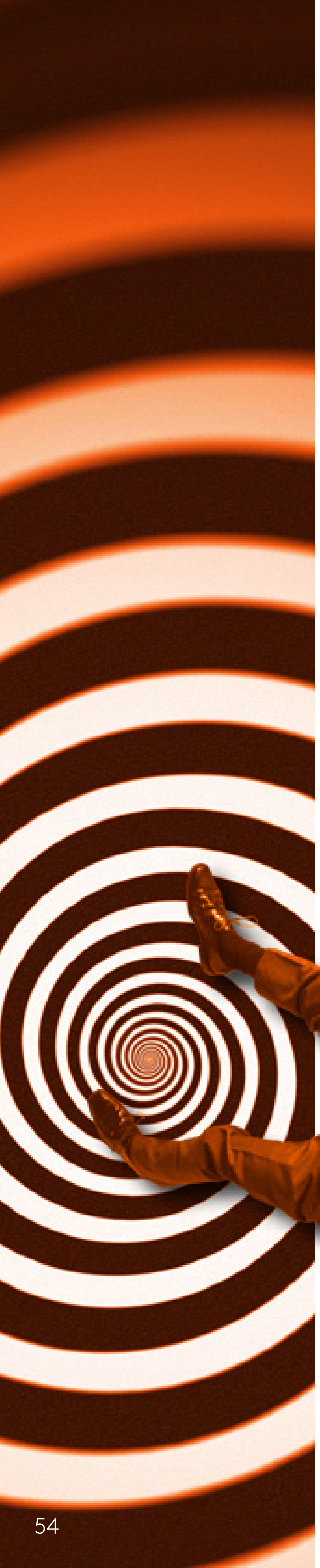
Pricing and profitability are unquestionably linked. It has been almost 20 years since McKinsey published evidence that a price increase of 1% could generate an 8% increase in operating profits. Seven years later, foremost pricing expert Rafi Mohammed revisited the question in his book 1% Windfall, in which he argued that profitability would shoot up by more than 10%. In fact, out of all the levers one can pull (including sales, fixed costs and variable costs), an increase in price will have the greatest impact on profitability.

The caveat? Not many want to pull it: 3 in 4 CMOs question whether pricing is even part of their remit.

Although for some, pricing is the overlooked P of the 4Ps of marketing, a brand's pricing power

– its ability to raise prices and still influence consumers to pay without losing business to competitors – is a measure of its perceived value. Once market research is done and segmentation, targeting and positioning have taken place, it's an opportune moment for pricing. At precisely this moment, marketers are asking: 'does our target segment believe our product or service is good value?' before they swiftly move on to reap the harvest of their hard work on behalf of the business.

But instead of seizing the moment, many succumb to the lures of price promotion.



Marketers often sabotage their profits. Why is that?

Although the very essence of marketing is to sell more stuff to a greater number of people at higher prices, marketers often resort to price promotions. Some of that is simply a necessary evil. Discounting is an established way to maintain or increase physical availability: being price competitive allows you to maintain retailer listings and ideally create short-term growth which opens up new line distribution opportunities.

However, you need to make sure you are managing against that objective, as perilous downsides will come from it: firstly, price promotions are often a magnate for existing customers - half of them would have bought your product anyway (at full price) and secondly, your competitors will follow suit with a similar sales promotion act. The temptation to do it again the following year just to hit your sales targets will likely land you in a price war, or a 'spiral of doom' cycle, and decimate your profits.

We analysed the chronicle of a price war for one of our clients, **a leader in a FMCG brand in Mexico.** They were determined to find out whether sales promotions are beneficial or detrimental to their portfolio and to the whole category.

A key factor was price elasticity of demand – a measurement of the change in consumption of a product, brand or category in relation to its price. We found:

1% decrease

A decrease of 1% in price brought relatively low incremental volume to the category, i.e. category volume is inelastic (-0.8), whereas demand for the average brand was elastic (-1.37) and resulted in lower volume and brand share.

---

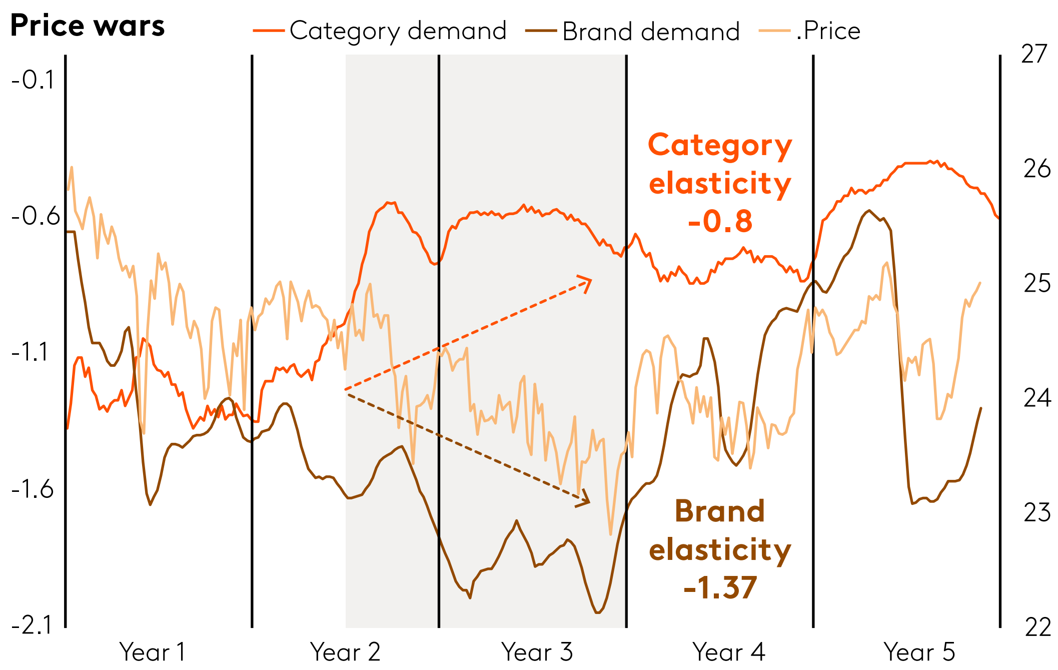
winning **losing**

The price war quickly turned into a game of winning and losing share but did little good to the category and brand portfolio profits.

5% decrease

A 5% decrease in price roughly resulted in a 5% increase in volume. Whereas a larger price cut of 15% resulted in a 22% increase in volume – an action that would, in all likelihood, trigger another damaging price war.

The anatomy of a price war - in the spiral of doom, the biggest loser is profitability



Source: Category and brand elasticity of demand during a price war / FMCG, Mexico

The perils of discounting are greater for name-brand or national-brand products and services compared to private-label or store brands. Research has shown that share gains made by private-label brands during economic disruptions are asymmetrical: when the economy recovers, private-label brands retain a good portion of their share gains, however, name-brands don't recover all the market share they lost.

Possibly the greatest tip about how to survive a price war (advice directed both at brands and retailers) is not to start it by signalling to your competitors in advance what you will do. Shoppers might be lured by a competitive price, still there are other values they seek on top of it. The reasons for choice vary by market (you can find more details in our eCommerce ON booklet) with product assortment, product quality, membership rewards, points programmes, ratings and reviews ranking highly internationally.

Evaluating your pricing position and Pricing Power is the most important thing to do right now

A brand's greatest strength is its ability to justify its price – its Pricing Power – and should be seen as the first line of defence against rising prices and inflation. Indeed, billionaire Warren Buffet rates his investment opportunities on their Pricing Power, so you know that "you've got a very good business".

At Kantar, we have a process for assessing perceived worth relative to price. It tells you directly how to make pricing decisions and how to prepare for inflation.

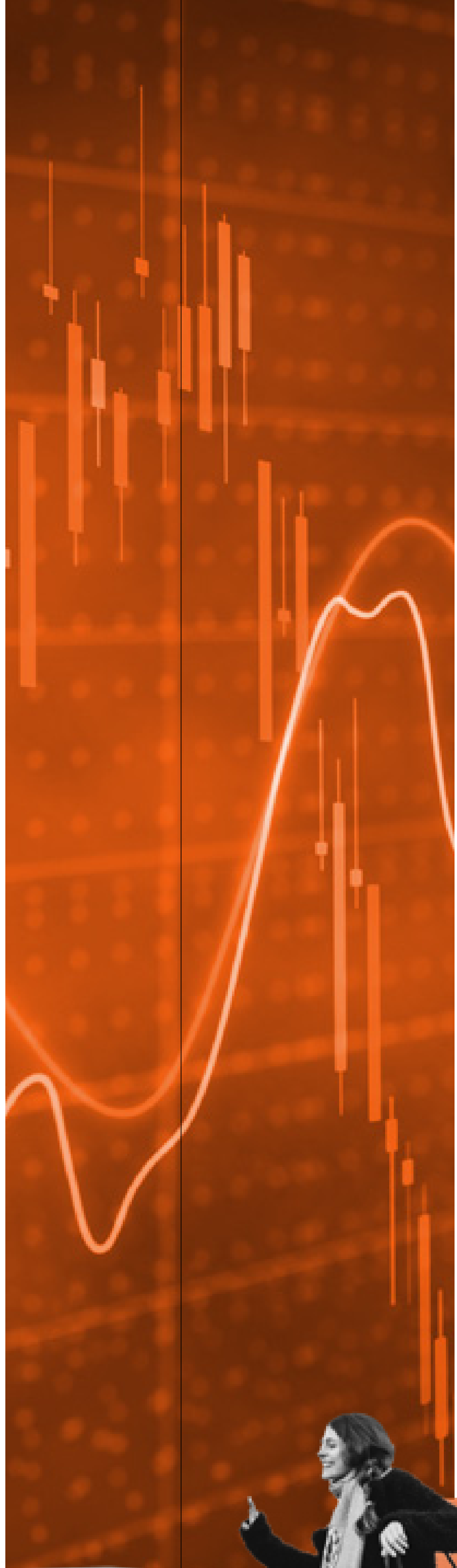
This measure of worth, a metric from our validated Meaningfully Different framework, is called 'Pricing Power'. It gives marketers the courage to resist the temptation of price discounting as a knee-jerk response to inflation.

Mapping the brand equity of thousands of global brands in our Kantar BrandZ database against their current price has enabled us to quantify Pricing Power's benefits:

- **For every 4 points of increase in relative price, 1 point of Pricing Power is needed to justify it.**
- **Consumers are willing to pay double for brands that have high Pricing Power compared with those lacking it.**

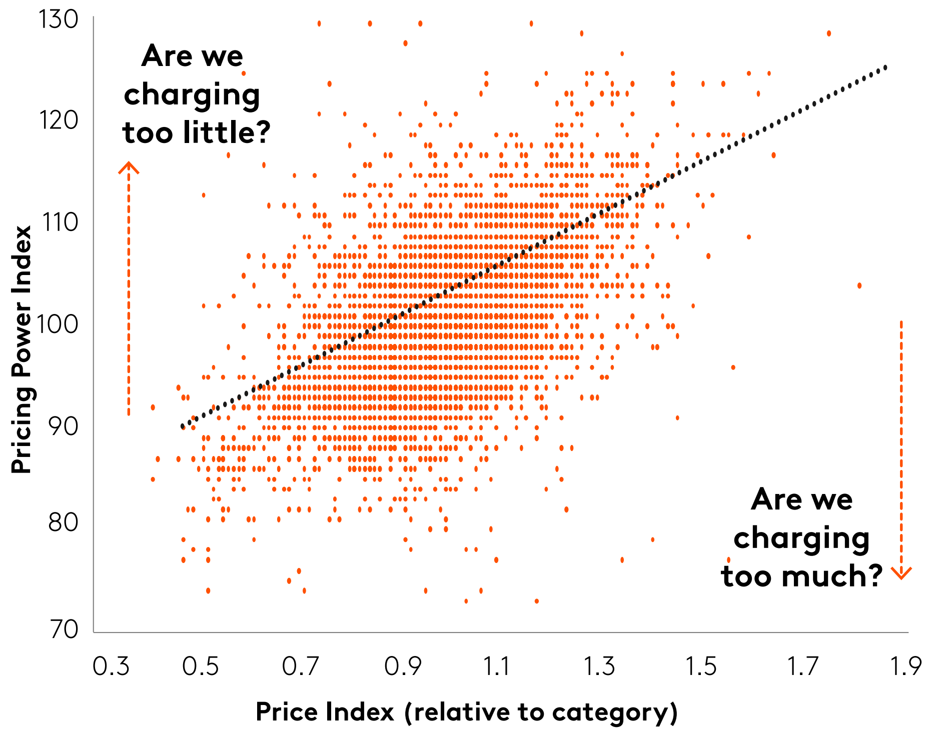
We have found many of the brands analysed were in vulnerable positions as their Brand Equity does not support their current price. Is your brand well-placed on the map to defend its price, maybe even capture more profits from each sale?

The answer rests with your place against the dotted black line in the chart opposite. The further away you are from the line, the greater the opportunity to re-think your pricing strategy. If your brand sits north of the line, there is likely an opportunity to increase price and, equally, to ease promotional discounting. If your brand is south, it suggests that consumers' price perceptions do not currently align with real price. This means you may have to advertise more than competitors or accept a reduced margin in the market.

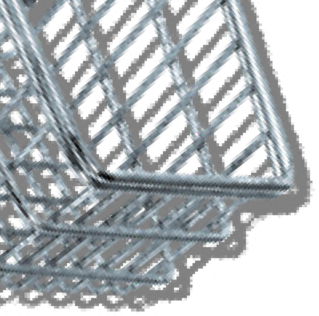


Reformat your territory around pricing

Link between Price and Pricing Power



Source: Kantar BrandZ



How brands achieve high Pricing Power

Three examples from our Kantar BrandZ data:

1. Loxonim S.

Pricing Power Index: 114

An over-the-counter painkiller in Japan

This category uniquely has three key players, but only one can demand a high Pricing Power - Loxonim S. Consumers' perceptions of superior performance and its personality associations with 'expert' and 'sage' archetypes reinforce its sense of difference and ability to justify a higher price.

2. Method

Pricing Power Index: 107

A detergent brand in the USA

Back in 2016, Method was a small brand with a strong potential for future growth. As more people began to use it and better understand its benefits, its high price point was considered reasonable.

3. Kaufland

Pricing Power Index: 108

A hypermarket/supermarket chain in Germany

Kaufland might be a bargain store, but its prices range well above those in Aldi and Lidl. The location of its stores, the shopping experience, and the range of goods on offer explain its strong Pricing Power relative to the category.

Torn between different scenarios of your brand's perception change? Our mind to sales simulator can predict the likely change in your brand equity and Pricing Power.

Consumer decisions are richer and more complex than price alone

Consumer data is key when it comes to fighting inflation. During the 2008-2009 crisis, our Europanel data on Food and Grocery revealed that consumers were absorbing 75% of the inflationary impact. Meaning that for two-thirds of the prices, they shrugged their shoulders and pursued with their purchase.

And now again we observe the same pattern. It's not that shoppers are happy with higher prices. But we find no proof that price has taken over consumers' decision-making, whether it's choosing the brands that they buy or the focus on sustainable practices. Quality, habit, and convenience rank highly as drivers of choice. Further down the pecking order, price-triggered choice was recorded as low as 11% during our first wave of the Kantar's Global Issues Barometer.

The reality is that some brands navigate the inflation waters more gracefully, aided by the lightweight but sturdy paddles of their Pricing Power. These brands are more inelastic than others; their demand doesn't go down when they increase price, a phenomenon we call in economics 'price elasticity'. But in simpler, everyday terms, pricing is just a muscle that we shouldn't neglect building, more so in prolonged inflationary conditions. As this muscle gets stronger, it yields healthier margins and better-shaped profits.

"Pricing is back on the agenda big time" Mark Ritson told me in our recent Future Proof podcast. "You've got to make profit otherwise you won't survive; failure will no longer be forgiven." For that, understanding your Pricing Power and how to handle price increases become critical, especially as we might have to do it a few times.

Mary Kyriakidi
Global Thought Leader, Kantar

5 HOW CAN YOU PROVE MARKETING ADDS VALUE TO YOUR BRAND?

In marketing, we fall head over heels for a good disagreement.

Often, such disputes escalate into a good old street fight which marketers from around the world watch from their social media windows. Only in this fight, each punch doesn't weaken the diverging marketing theory, but marketing itself as a business doctrine.

This article celebrates where we are in accord; that marketing creates business value. To argue this decisively, we gave our **Meaningfully Different framework** (MDf) a stress test and re-assessed hypotheses we first proved 15 years ago. Our fresh validations will arm you with inarguable data to defend your budget against any upcoming marketing budget cuts.

What we all agree on: Marketing's role is to create value

Value creation is the most important job in any business. Marketers will agree that high-quality marketing can be a key differentiator in driving brand value growth. We could look at a marketer as a value engineer; their job is to create value by meeting people's needs. The greatest benefit for brands? With an outstanding marketing touch, people will buy more, at a higher price and this will have a knock-on effect on the business's profit margins. In McKinsey's research of S&P 1500 companies, it's estimated that businesses can pocket a further 8% of profit after increasing prices by 1%.

Renowned thought leaders in marketing present a united front when it comes to advice about investing in, not halting advertising when finances begin to bite and avoiding sales promotions that only give the illusion of increased sales.

In fact, it's during the toughest of times that the strongest brands actively put value back into their brands. The reason? To be able to sustain customer price perception and price position when consumer decisions get harder.

So, it is not surprising that **Coca-Cola** – currently enjoying a 12% year-on-year brand value increase according to Kantar's BrandZ Global report – announced that they are further increasing their marketing spend to create more of it. That surplus investment in marketing was fuelled by their intention to raise their prices.

What we also agree on: Perceptions matter

As Jeremy Bullmore and Stephen King debated decades ago when choosing between product A and product B: "most knives cut, but people are happy to pay more for some and they are not deceived in any way". Essentially, consumers don't merely consider the function of a product. They want more than that and that extra intangible aspect is a product's perceived value.

Having evolved from once marking cattle, contemporary branding involves creating a brand in the mind of the consumer – contrary to the tangible product itself being created in the factory. The value we create through such mental connections is not only possible but also has the added benefit of being more environmentally friendly.

Vice chair of the **Ogilvy & Mather** group, Rory Sutherland wittily observes as it

> *"Requires a lot less carbon consumption to make something 3x bigger, or 10x faster for example"*

So, perceptions can drive behaviour and that behaviour drives sales. But, more recently, the reverse has been heavily debated too: that sales strongly affect perceptions. Depending on which side of this dilemma a marketer sits on, they are called to decide whether they spend their budget on persuading consumers or instead focus on widening their distribution coverage. Professor Koen Pauwels sheds light on the conundrum of where to invest marketing budget with evidence that finds truth in both theories.

On measurement...we agree to disagree

Most marketers agree that it's important to measure marketing effectiveness and there is evidence to suggest that its prominence has risen within the business. The 'what to measure' though remains well-disputed.

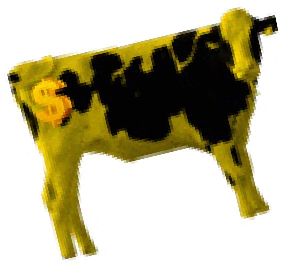
First, the good news: despite the persistent dichotomy between a digital and a 'plain' marketer, almost two-thirds of the marketers we interviewed as part of our Media Reactions 2022 study told us that their ROI measurement comprises a mix of both short-term and long-term metrics – those being sales and brand growth. That's promising!

But our research also reiterates that data gaps persist: **42% of marketers believe they need access to data they currently don't have.**

The data suggests that marketing roles remain binary: 14% of marketers want to expand their performance marketing capabilities, whilst the same number question their business's overreliance on ROI as a gauge of success. Such were the findings of Marketing Week's Language of Effectiveness survey.

Still, the most alarming reveal in the study links to marketers' definition of success. This is deeply rooted in the misconception that advertising is the main (or the only) part of a marketer's job.

Almost three quarters (73%) of brand-side marketers don't consider that improving brand equity is evidence of marketing effectiveness. Instead, they favour shorter-term gains, such as a triumphant communication campaign. Sigh.



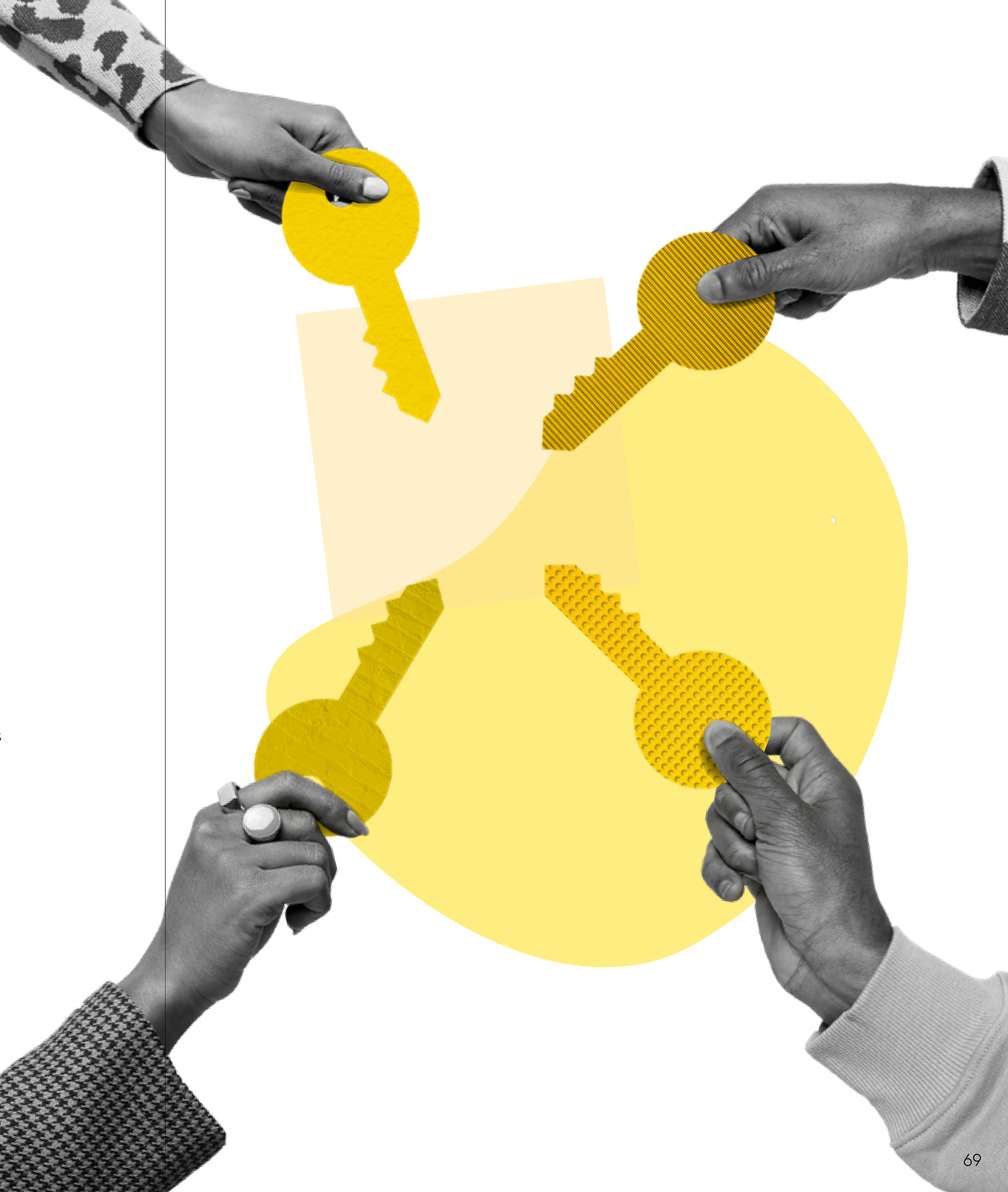
Quantifying the value of marketing

For the last 20 years Kantar has been advocating that brands shouldn't merely be famous, they should also stand for something meaningful and different. That marketers should go beyond brute salience and think outside the box of mental and physical availability. By doing this, the rewards would be manyfold: more sales, better margins and greater efficiencies...now and in the future.

The common denominator across these benefits is the added value in the brand, the marketing outcome. But how should you go about measuring the impact of marketing?

Measuring the impact of marketing with four key performance metrics

Throughout 2022, we were busy examining our hypotheses and revalidating our Meaningfully Different framework. We reviewed our key metrics and – using new data – we shook up what we knew about the impact they can have on brands. The metrics we use to measure meaningful, different and salient can be combined to help measure and predict sales, future growth and pricing potential. We call these Power metrics.

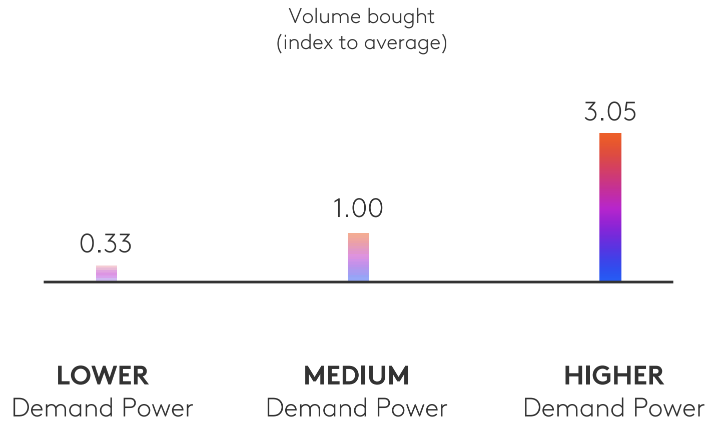


Demand Power:

Based purely on perceptions of the brand, it measures consumer demand and correlates with market share.

Our validation shows that if you get this right, your brand can capture 9x more volume share than weaker brands.

DEMAND POWER:
High Demand Power brands capture nine times higher volume share



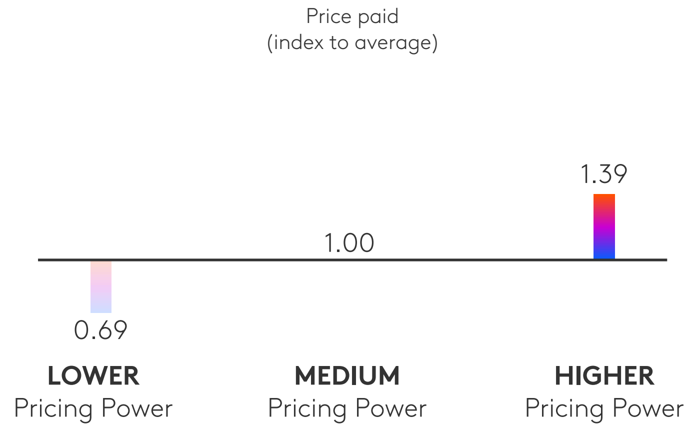
Source: Kantar's 2022 MDf validation

Pricing Power:

A brand's ability to justify a price premium relative to the category average, based purely on consumers' perception of the brand.

Pricing Power is a reflection of price sensitivity and elasticity: the more you have, the less willing a consumer will be to switch to a substitute at a lower price. Our data has revealed that people are happy to pay double for brands that have high Pricing Power compared with those lacking it.

PRICING POWER:
People are prepared to pay double for brands with high Pricing Power



Source: Kantar's 2022 MDf validation

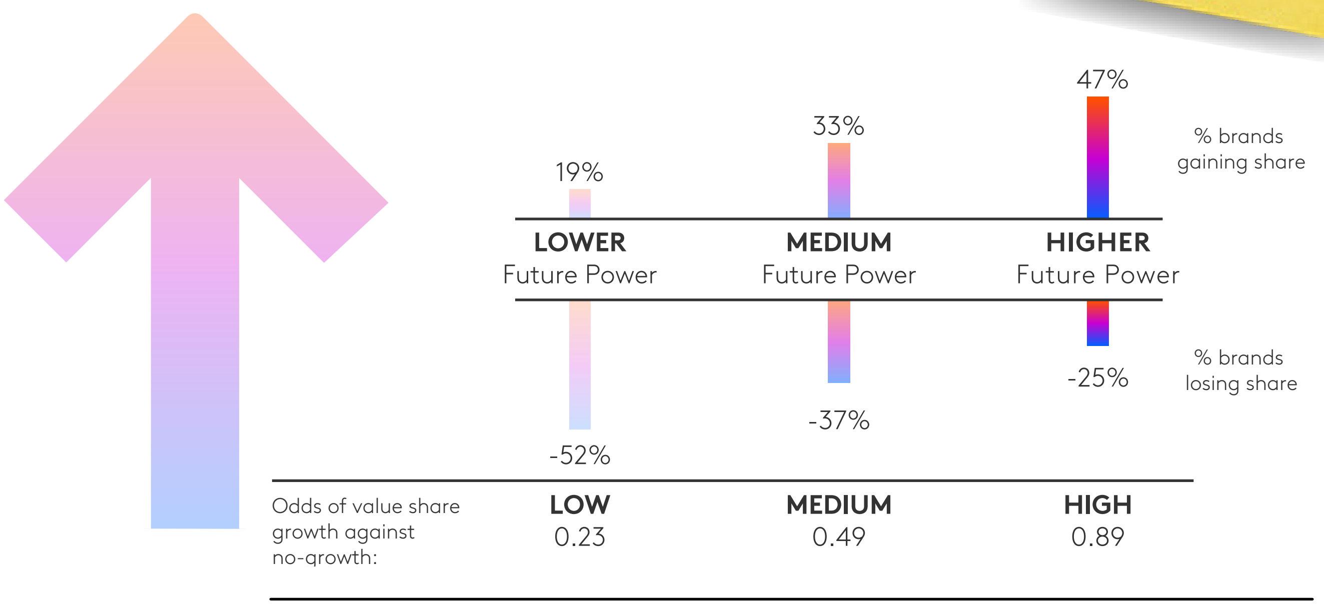
Future Power:

The probability that the brand will grow value share in the next 12 months.

Again, this is based purely on consumers' current perceptions of the brand. Brands with high Future Power are four times more likely to grow value share than brands with low Future Power.

FUTURE POWER:
High scoring brands are four times more likely to grow value share

4X grow value share



Source: Kantar's 2022 MDf validation

Activation Power:

The fourth and last Power is about converting consumers' predisposition into brand choice.

Brands need to be easy to mind, yes, but they also need to be easy to find. A brand with a stronger shelf presence has a higher likelihood of getting picked. Meanwhile, a brand that's out of stock suffers an immediate loss of buyers; some of whom may never get regained.

Activation Power is the practical application of a brand's physical connections and availability.

Our initial validation of Activation Power revealed that it can be a catalyst for brand growth: Brands that are strong (Demand Power) and activate well (Activation Power) accelerate their growth 2.5x more than those with weaker Activation Power.

Accelerate their growth 2.5X

ACTIVATION POWER:
Strong brands that activate well accelerate their growth 2.5x more

These four headline metrics complement the amalgam of indicators and other behavioural measures (for instance, point of sale data) that help marketers answer the all-important question: is my marketing effective?

The four Power metrics can act as confirmation that you are injecting value back into the brand, that you can sustain and increase your price, and that your future cash flow is in good shape.

The value of marketing in the face of consumer cutbacks

As we move from a jolly period of deflation to the uncertainty of inflation, some will find solace in brand stories that defied all rules in similar times. They will reference the time when **Apple** introduced the iPhone: 'it was in the wake of a financial crisis' marketers will say 'and despite the several years of recession that followed, people were still standing in lines outside Apple stores'.

Which is true, but also a heavily rose-tinted paradigm. Apple's case is a gold standard of consumer perceived value to aspire but can't provide a blueprint for success for every other brand. Instead, strong marketing teams must focus on doing what needs to be done to create brand value. Because you need to keep on feeding the brand perceptions monster with value, to be able to sustain your price position and even defend a higher one during a difficult economic period.

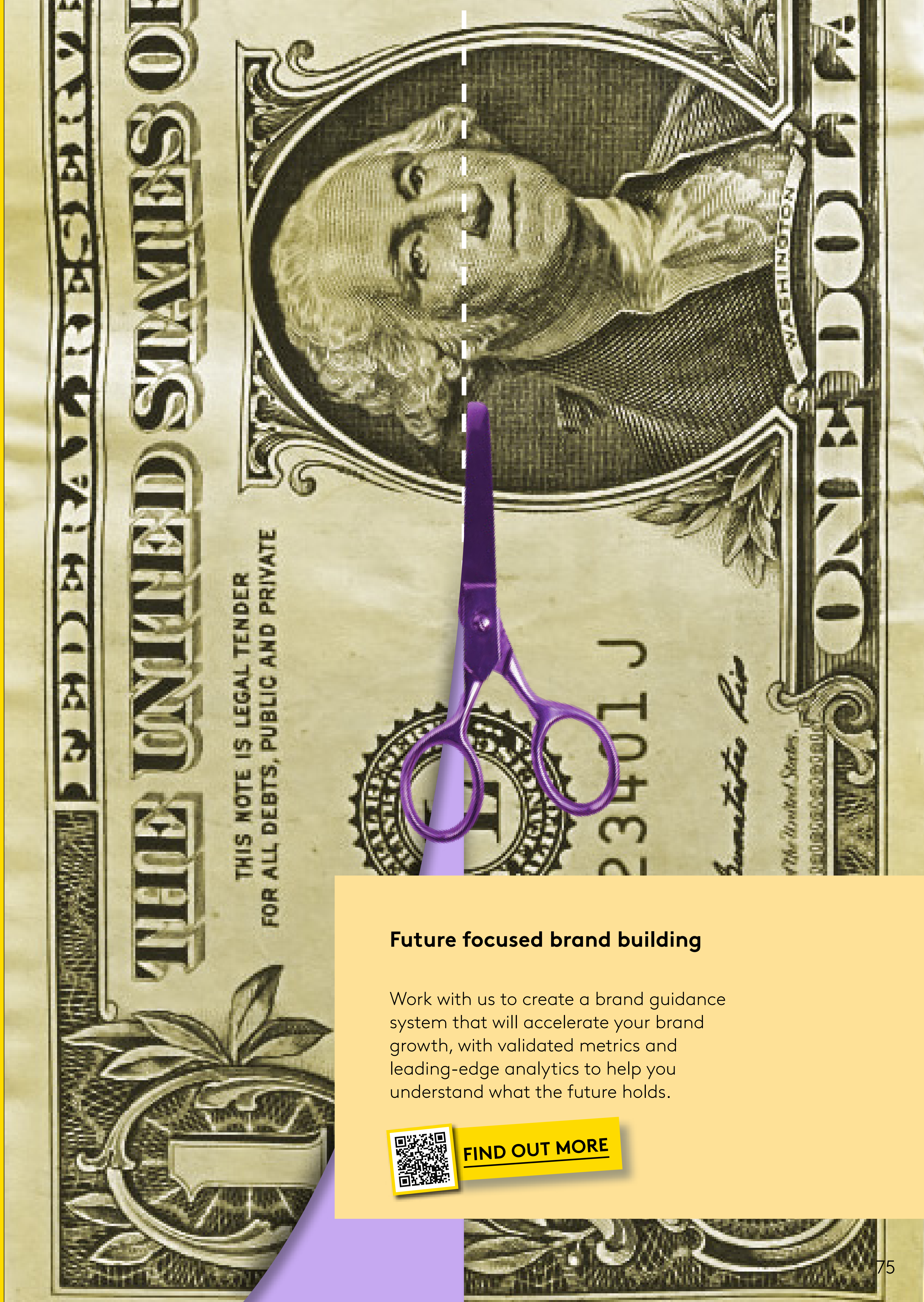
In September Kantar's Global Issues Barometer research shows that consumers are, predictably, planning to make cutbacks to spending. Naturally, they gave us a long list, but the items clustered in three ways: cutting back on items bought, avoiding buying certain categories of products entirely, and downgrading the brands they buy from.

Even though people will be prudently working on saving money, irrational spending desire will remain all around us. Some brands will be clearer and louder about the value they bring to their customers, giving them compelling reasons to stick around, and even justifying to themselves any splashing out. Or as marketing professor Mark Ritson, summarises this consumer choice: "in order to justify the continued purchase of some premium brands that are deemed different and meaningful enough to retain their place, customers trade down on weaker, less essential fare".

There you have it - you've read the value theory, and you've seen its practical application in our freshly validated metrics. Now what remains is to track your brand against them. Understanding the brand value your marketing activity brings to consumers and to your business is quintessential to foster and leverage a strong brand.

Mary Kyriakidi
Global Thought Leader, Kantar

Jorge Alagon
Global Head of Data Science Innovations



Future focused brand building

Work with us to create a brand guidance system that will accelerate your brand growth, with validated metrics and leading-edge analytics to help you understand what the future holds.

FIND OUT MORE

6 HOW SHOULD MARKETERS STAND UP TO RECESSION?

Presbyopia comes with age. You reach 40 and suddenly distant objects become clearer.

The word itself ‘presbys’ = ‘old man’ implies you’ve entered an older age group. And with age comes the joy of far-sightedness, also the difficulty focusing on up-close things.

We will explain why some degree of presbyopia is good for every business; marketers who have the ability to see beyond inflation, recession and any other type of financial dislocation will not get knocked off by the crisis. They will rather emerge victorious to tell their story of endurance.

Managing your marketing budget: Keep investing (but note exceptions apply)

In 2008, right at the heart of another severe worldwide economic crisis, Financial Times’ posters all around the globe discouraged businesses from cutting ad spend. And although the joke is still on marketers, it feels we’ve learned a thing or two from past economic downturns. I believe that marketing’s inflection point is in full view. Never before in our industry has there been a default, choral response to a crisis: “maintain your marketing investment” the experts say, all giving convincing reasons for it.

Unless of course your category is slowing down. When demand fades for a product group, your growing market share might not equal profitability. For instance, just before its downfall, Nokia’s market share was still growing, but the whole category was gradually shrinking. Our advice is to stay cognisant of what’s happening in the market, in your category and be attuned to the new set of circumstances for consumers.

The art of prioritising

Consumers are very familiar with prioritising. In good times and bad, people have been rating their needs and wants in order of priority. Each person (or family) searches for their own optimal compromise; they save money on some stuff and spend more on others.

With the rise in prices, this give and take intensifies. In our latest Global Issues Barometer study,

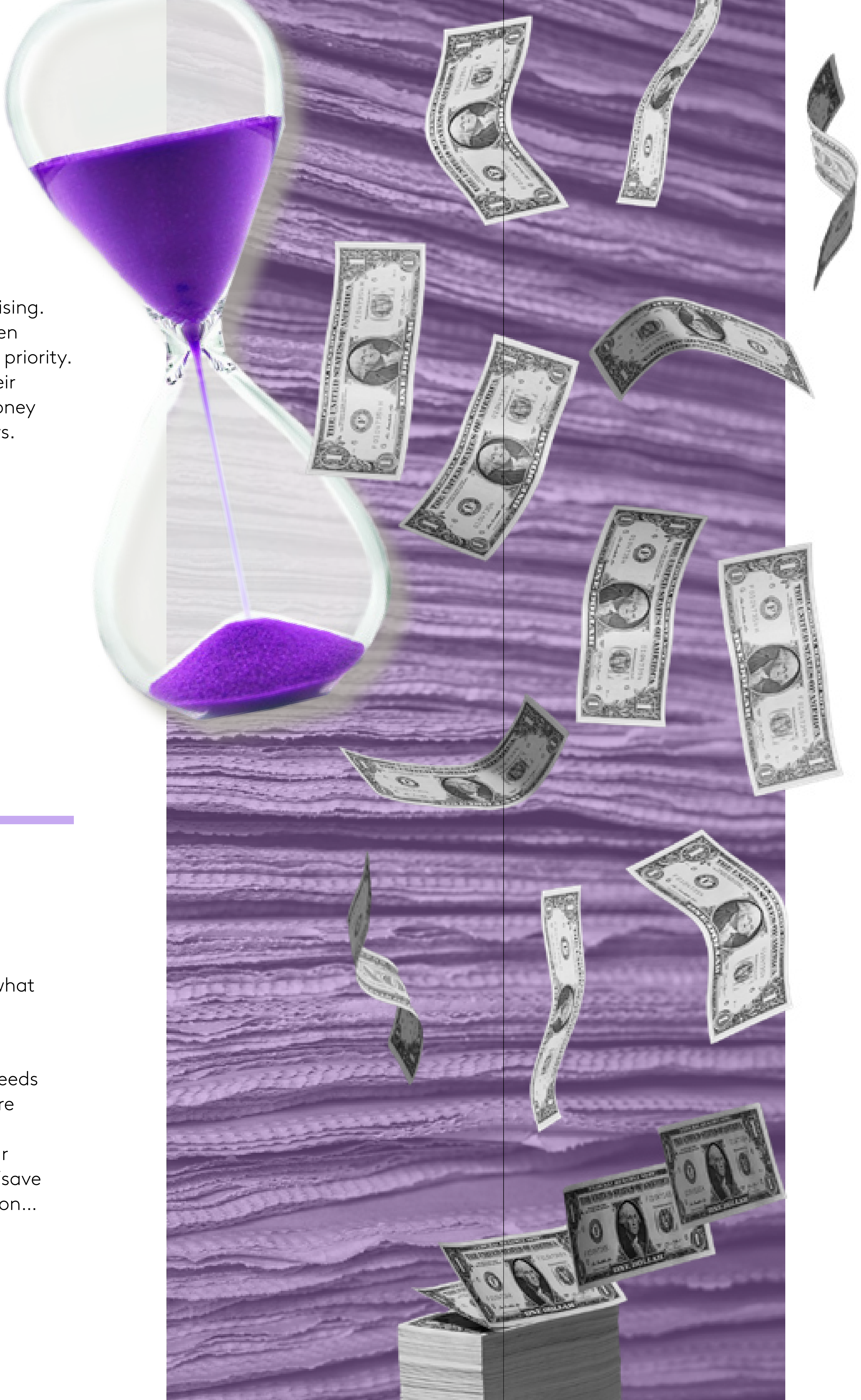
73%

of the global population

exasperatedly admitted that they don't expect their incomes to keep pace with inflation.

Then, they went to lengths to describe what measures they already take to conquer affordability by managing price hikes.

During this 'self-triage' of consumers' needs and wants, businesses are under pressure to manage challenges and re-prioritise too. Instinctively (and rightfully so), their survival imperative is to stay out of the 'save money' bucket; albeit their true aspiration... a worthy place in the safe bucket.



But how?

This new crisis shall pass too before the next one surfaces. With our data-fuelled long-sightedness we see a series of disruptions on the horizon. For that, we urge you to stay far-sighted too; take note of these three evidence-based marketing acts and don't get entirely caught up in the moment.

1. Keep calm and carry on advertising

Whether you are a big player or a small one, advertising will remind people why you should be bought. Because a brand that gets remembered gets bought. That's why the LinkedIn B2B institute playfully advises businesses to create 'memorable rather than clickable' advertising.

The next two case studies show the crucial role of marketing and the importance of maintaining it, covering:

- The role branded memories (long-term memories built over time, on top of short-term memories) play in immediate sales
- How these branded memories also affect a company's profitability levels for years to come

Additionally, using analytics and time series data, we've modelled and simulated real scenarios for our clients. We discovered that although it's possible to rectify the short-term memory gap with surplus advertising the following year, it will take several more years and more media investment than was originally cut to repair the damage made to long-term memories, and thus to long-term sales.

CASE STUDY 1

The long-term impact on brand equity

A leading **UK beverage brand** with a stable market share decided to go dark for a year (Year 2) in region B while continuing to invest in region A. The effects of this choice of direction for their marketing during the recession included:

— Market share declined by two percentage points in region B where no investment was made, while it remained stable in region A. In practice, the main effect of most media investments is to maintain market share rather than increase it

— The resumption of marketing investment the following year (Year 3) did not recover the lost market share

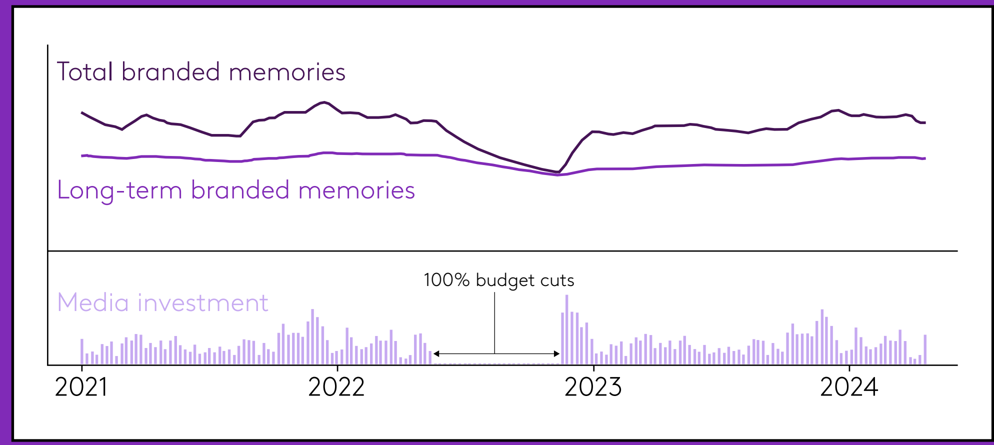
— The long-term for the brand was crippled

The message is clear: Short-term losses and gains have a long-lasting effect, and the cumulative impact of going dark can be devastating for a brand's future profitability.

Source: Kantar's case study, FMCG, UK

CASE STUDY 2

Serious long-term consequences of drastic budget cuts



Source: case study, Telecoms, Germany

A leading **German telecommunication brand** was under pressure to reduce or eliminate all media investments by mid-2022. Using time series regression to model branded memories of media investment to understand efficiency, we simulated the likely impact of going dark for six months. We concluded that:

— The decline is strong for both short-term and long-term memories

— Recovery is possible but would require additional investment and several months

The message again is clear: It will take a long time – and require more media investment than before the downturn – to repair the damage to long-term memories and long-term sales caused by the advertising disruption.

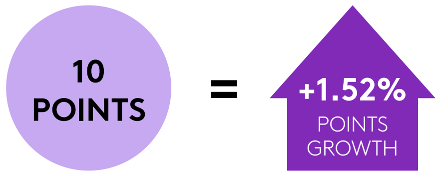
Regrets from ASOS over a lengthy period of under-investing in their brand and elation from Airbnb over their 'strongest ever' fourth-quarter results hit the headlines in recent months. The moral of both stories is that continued investment in brand-building advertising is hugely beneficial to brands in the long term.

2. Keep calm and pursue the market share you want

There is enough empirical evidence to assert that brands with a **share of voice** (SoV) greater than their market share (SoM) tend to grow. Conversely, brands with a SoV smaller than their SoM tend to decline. Analysis of the IPA DataBank by Les Binet and Peter Field suggests the growth rate of brands over time is proportional to the difference between SoV and SoM. This is usually called extra share of voice (eSoV).

By how much exactly?

We've analysed the impact of eSOV in hundreds of categories around the world in order to evaluate the impact of eSoV on brand growth in a recession:



— Some categories are very sensitive. For example, a European drinks category where for every 10 points of eSoV a brand can expect 1.52 percentage points market share growth per annum.

— Most other categories are a lot less sensitive. On average, a brand would need to sustain an eSoV of 20 points to drive market share growth of 1 point per annum.

This illustrates how slowly market share responds in most cases to communication - and why it is so important to measure long-term effects. As mentioned before, media investment largely aims to maintain market share rather than grow it.

Clever marketers aiming for ambitious market share growth will hope to outperform this average by making their budget work harder with stronger creative and better media deployment.

Most companies spend 8%-12% of their revenue on marketing. But this benchmark is easily broken by businesses aiming higher. If like me, you opened your eyes widely at the news that ByteDance (parent company of TikTok) spent $19bn (31% of its revenue) on marketing, it's because they aim for the moon; going after the market share they want rather than what their growth trajectory indicates.

Evidence confirms that media spend plays a crucial role in gaining and losing market share. A data truth that is even more valid during a crisis, when one's spend will likely be filling awkward silences from their competitors. Alex Biel and Stephen King provide the evidence. They analysed consumer businesses in the Profit Impact of Modern Strategy database during recessionary and growth times and found that their gains were greater during the former. With an increased ad spend by more than 20% these brands gained +0.9 SoM during recessionary times vs +0.5 SoM during growth (expansion) times.

> *"In other words, the possibility of gaining share through increasing advertising appears to be greater when the total market is soft.", as they say.*

The case of food manufacturing conglomerate Kellogg's gaining dominance in the cereal market during the Great Recession is well known; **Kellogg's** doubled its ad budget whilst Post – their competitor – cut it back. But more recently, during the pandemic, the cases of P&G and Coca-Cola re-affirmed this theory – both brands kept their marketing investment in and saw a significantly better share of voice as a result.

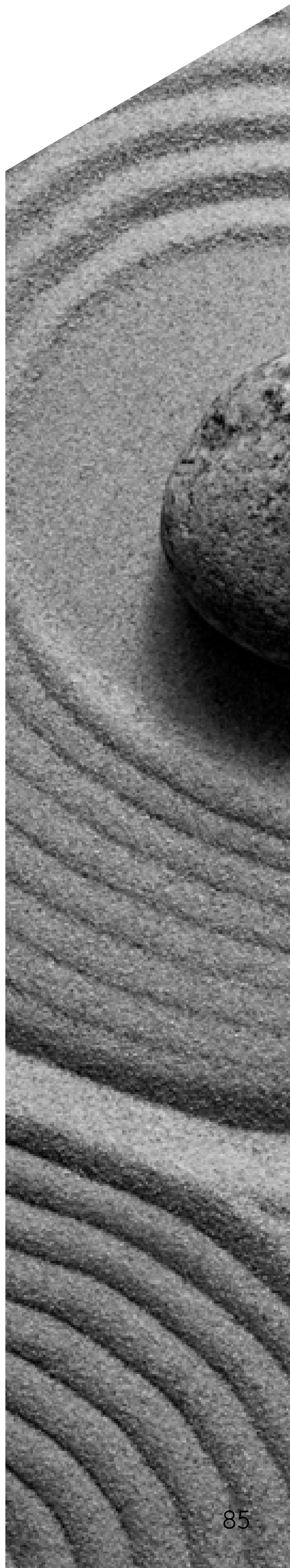
3. Keep calm and stay focused on profits

Profit is not a dirty word, not even in inflationary times. And although many of us feel somewhat infuriated by the growing cases of profiteering vs profit, my clarity on the role of the marketer remains intact.

Great marketing leads to great profits. The stronger the brand, the higher its pricing power, and the more margin it makes. And it’s not just us saying so. Using the IPA dataBANK, Binet and Field have proven that investing in eSOV during a recession will drive long-term profit, also that by making ‘reducing price sensitivity’ your campaign objective (vs share gain or share defence), the profit gained will be much greater by comparison.

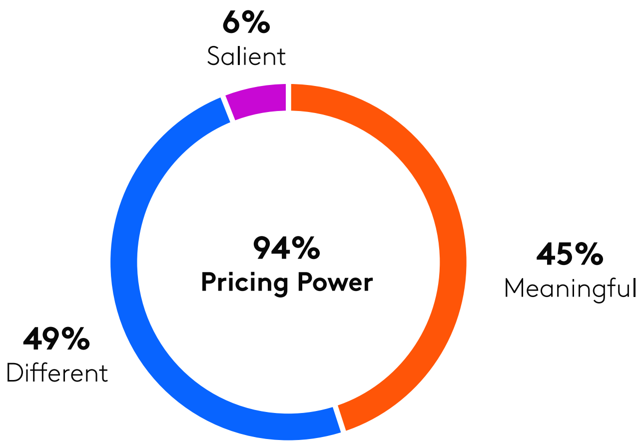
But how can a brand maintain its pricing power during a time that consumers are looking for price reductions?

We found the answer in our Meaningfully Different framework (MDf), a framework designed to measure the different dimensions of a brand’s equity. Pricing Power is the offspring of Meaningful, Different and Salient, put together in precise quantities. Meaningful Difference accounts for 94% of a brand’s pricing power whilst salience contributes with a mere 6%.



Meaningful Difference drives Pricing Power

Margin drivers



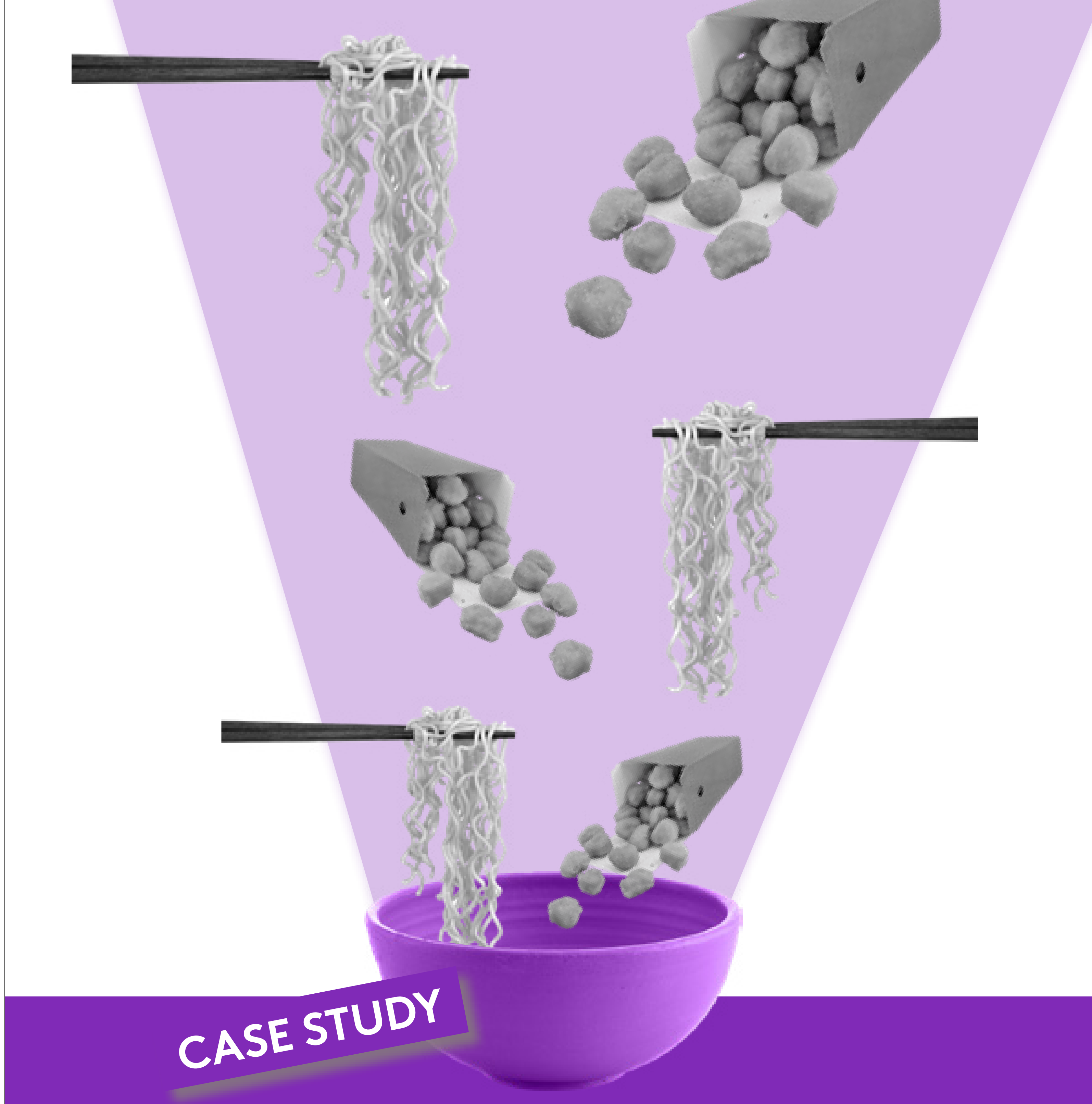
Source: Kantar BrandZ database

So, how does this affect how you plan your marketing during a recession?

— The more a brand is perceived as different, in addition to the belief that it stands for something, the more valued it is

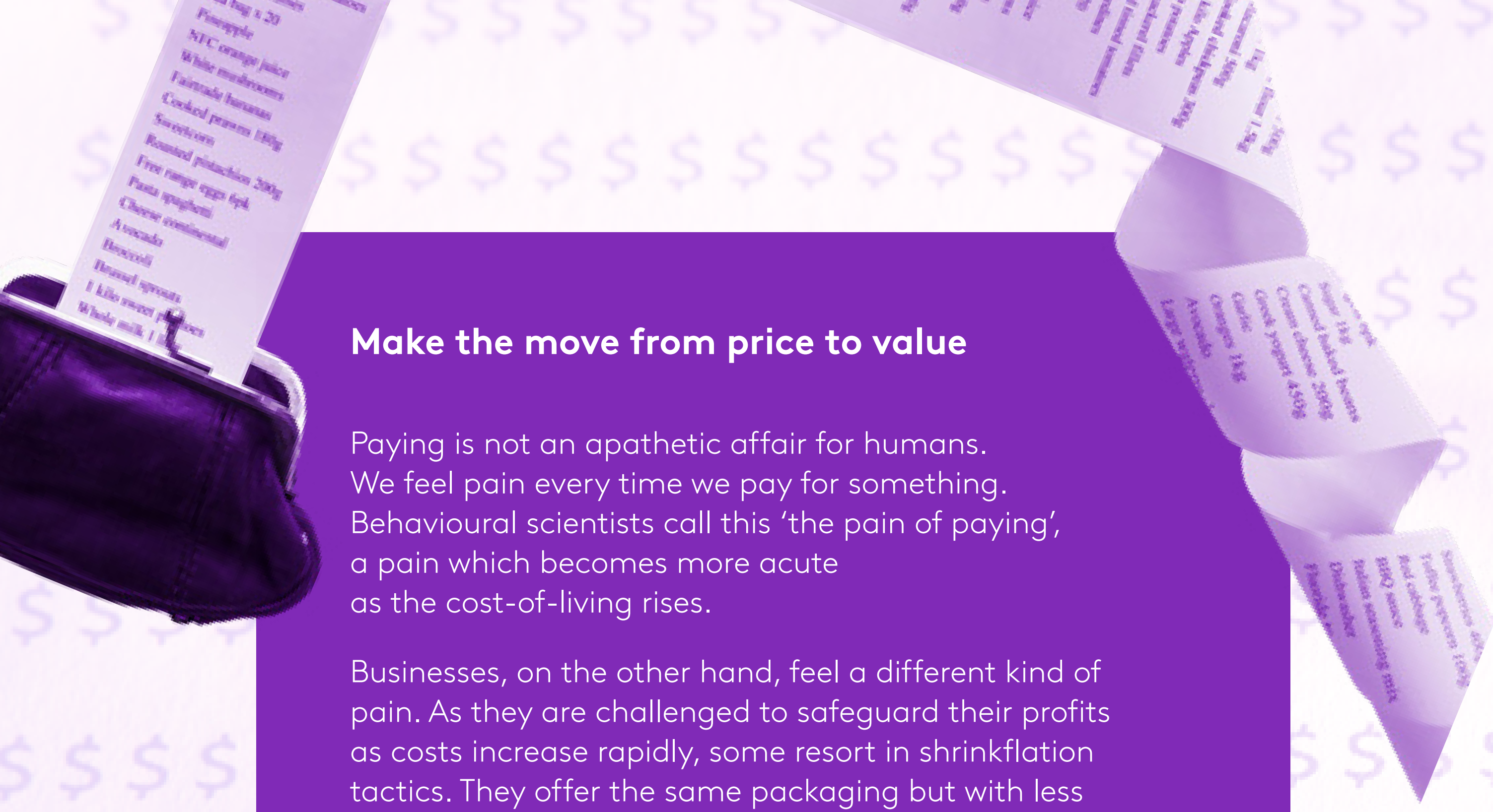
— People are not looking to cheapen every aspect of their lifestyle, and as they prioritise, meaningfully different brands stay at the top of the list

The case of **Unilever** stands out here. For over a century, they've been creating brands that people want to buy and are willing to put in consumers' safe bucket. Whilst they could easily play in the commodity business, they waltz elegantly in the brand business. Their recently released quarterly results further validate the concept of Pricing Power and its direct link to healthy margins.



Maggi and KFC India collaborated to deliver their fusion bowl of popcorn chicken and noodles…

bringing double the value to consumers with their successful partnership. Cafu has created a completely new re-fuelling option for motorists, saving them time and effort.



Make the move from price to value

Paying is not an apathetic affair for humans. We feel pain every time we pay for something. Behavioural scientists call this 'the pain of paying', a pain which becomes more acute as the cost-of-living rises.

Businesses, on the other hand, feel a different kind of pain. As they are challenged to safeguard their profits as costs increase rapidly, some resort in shrinkflation tactics. They offer the same packaging but with less product in the forlorn hope that consumers won't notice. They always do, by the way, even if not instantly.

Others have taken a different path in times of turmoil. Genki Forest, for instance, decided to go after a younger audience through its healthy positioning and developed new products with 0 sugar, 0 calories and 0 fat in half as much time as their competitors.

The examples of brands that have proudly demonstrated what makes them special and relevant in the consumers' lives are many. They've positively levelled with the consumer's thrifty mindset and spoken with clarity about their tangible benefits, that surplus value they are bringing when it's needed most. They've exhibited empathy and consumer understanding and have proven that growth in recession really is possible.

It's not a contradiction; brands can maintain their Pricing Power in ways that are also affordable to consumers. By focusing on your brand as a value producing asset, you align your interests to those of the consumers'. Because consumer choice will always tilt towards brands that are meaningfully different, both now and in the future.

Mary Kyriakidi
Global Thought Leader, Kantar

Future focused brand building

Work with us to create a brand guidance system that will accelerate your brand growth, with validated metrics and leading-edge analytics to help you understand what the future holds.

FIND OUT MORE

7 IS IT STILL OK TO TALK ABOUT BRAND LOYALTY?

"Is it cheaper to sign a new customer or to keep an existing customer?"...

...the freshly enrolled Business School enthusiast (and office beau) Ryan asked Michael Scott in the fourth episode of the second US Office series.

"It's equal" Michael responded, which was widely considered the wrong answer back in 2005.

Many business schools at the time were giving courses on what brand loyalty is and how to build it. Reminiscent of the big-ticket concept of 'service' from the 80s and 90s; its popularity jumped up by the best-selling books of Tom Peters' 'In Search of Excellence' and Jan Carlzon's 'Moments of Truth' that carried the momentum for years.

From 5-95 to 95-5

The axiom at the time was that simply by retaining 5% more of your clientele, you could boost your profits by around 95%. It was a factitious fact that perfectly fitted the imperfect discipline of marketing and generated the necessary criticism for its maturity.

Decades of tension elevated probability as the predominant branch of maths to explain brand loyalty. You shouldn't sweat over customer infidelity as it's nothing more than an overdramatised expression of infrequent purchase. Loyalty for almost every company can be compared to and predicted by its penetration levels.

> *"Think of loyalty more as an open marriage, very few people are exclusively loyal to one brand",*

Sarah Carter and Les Binet advise in their 'How not to plan: 66 ways to screw it up' book. "Nope, loyalty hasn't disappeared, you've got competitors now" Byron Sharp explains in this WFA Better Marketing Pod, labelling the famous leak as merely infrequent buying.

And more recently, that perfect (almost 100%) score came to light again in the joint research between the LinkedIn B2B and the Ehrenberg-Bass Institutes (EBI): "95% of the buyers that you reach are out-of-market and won't buy for months or even for years", a truth dwelling again on purchasing being probabilistic, not certain.

If it's all a matter of probability, who we target becomes somewhat irrelevant. The five studies discussed in this article prove that the acquisition vs retention dilemma sits on the periphery of things. What's most important is to win ground in the mind of every consumer.

Studies #1 & #2: Both heavy and light buyers matter (almost equally)

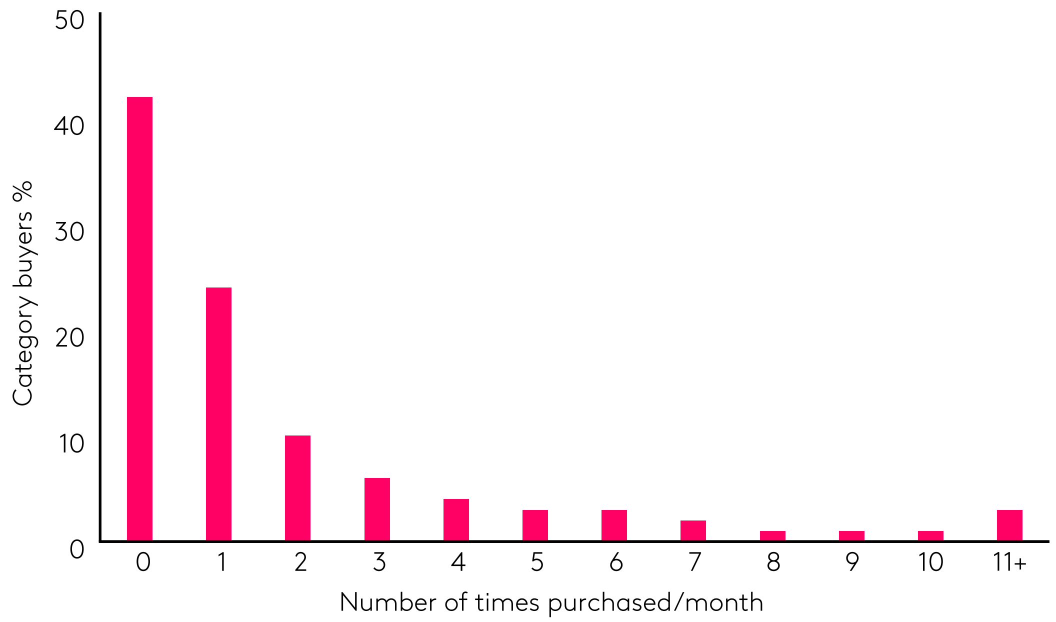
Five years ago, Professor of Marketing Jan-Benedict Steenkamp debunked the 80/20 rule (often referred to as Pareto's Principle) with newer evidence. Using purchase frequency as his compass in the analysis of BG20 data, he concluded that reaching light buyers and no buyers are at least as important as reaching currently heavy buyers.

When Steenkamp presented his cross-category findings, each brand's buyer frequency distribution closely resembled the shape of a flipped ice-hockey stick. Imagine nil times purchased/ nil buyers matching the one end of the stick, the increasing frequency/ dwindling percentage of buyers reflected along its long, slender handle and the heavy users tying in with the blade at the other end of the stick. He then calculated what each brand's sales generated from every group and convincingly concluded that

20% of a brand's users (the top, high-frequency buyers) account for 50% of its sales volume, not 80%.

Still, paying some attention to those frequent buyers to reduce defection wouldn't bear insignificant fruit.

Buyer frequency distribution for Pampers nappies in Germany



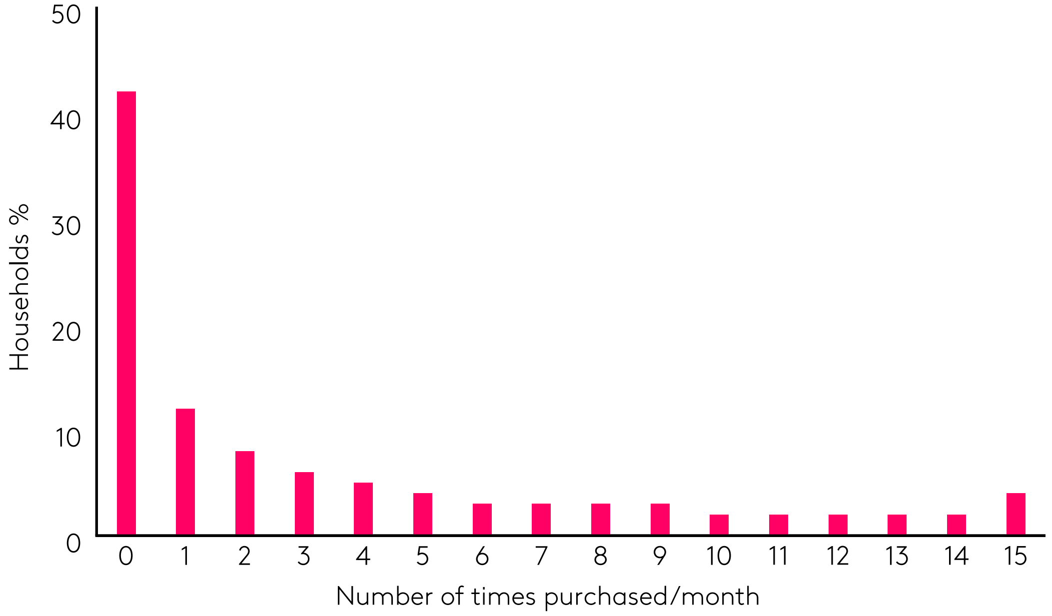
Source: BG20 Project, Al Mark/Europanel. Data refers to 2014

Kantar's Worldpanel team then replicated the analysis at a category level. Let's say there are budget limitations to pursue a sophisticated mass marketing approach, would it be better to focus on the heavy category buyers?

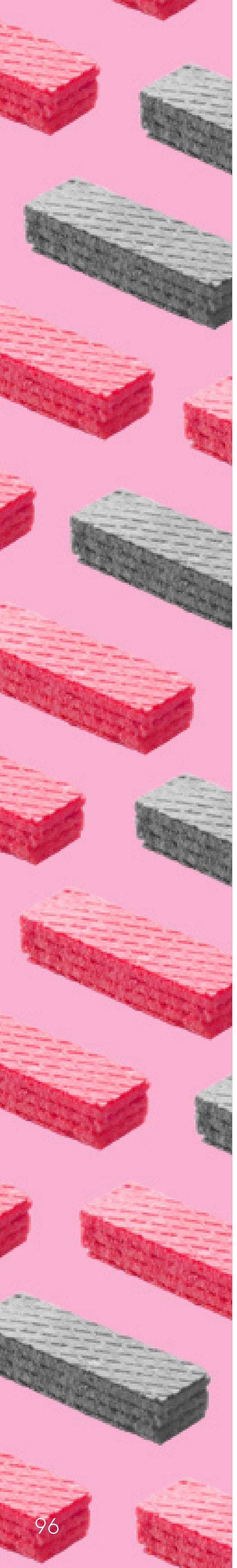
Using 2021-2022 UK data based on 200 FMCG categories, his findings were not dissimilar to Steenkamp's.

As the data was laid out, that flipped hockey stick formed again although more faintly. Heavy buyers account for (on average) 60% of category spending (see below), so by solely focusing on them you would be ignoring 40% of the category sales. Similarly, by only targeting new or light buyers, you'd be dismissing 60% of the pie.

Average buyer frequency distribution across the top 200 FMCG categories



Source: Kantar Worldpanel, UK Sep '21- Sep '22, based on 200 FMCG categories



Study #3: Emotions can trigger repeat purchasing

As humans, we are creatures of habit. It's mainly habit and social copying that drive our behaviour. But we can also develop strong emotions with 'things' that resonate with our needs, motives, values, and aspirations. Back in 2015, cross-divisional Kantar scientific minds joined forces and techniques to understand the relationship between brand equity and purchase behaviour and whether the former can predict changes in the latter. The team used shopper panellists' purchase data and overlaid their attitudinal perspective i.e. how consumers perceived brands via a survey.

What did we find? Repeat purchase levels varied significantly between brand buyers with above and below-average affinity. Where affinity was high, the percentage of buyers who repeated their purchase in the following nine months doubled.

Percentage of buyers who repeat purchase in the following nine months

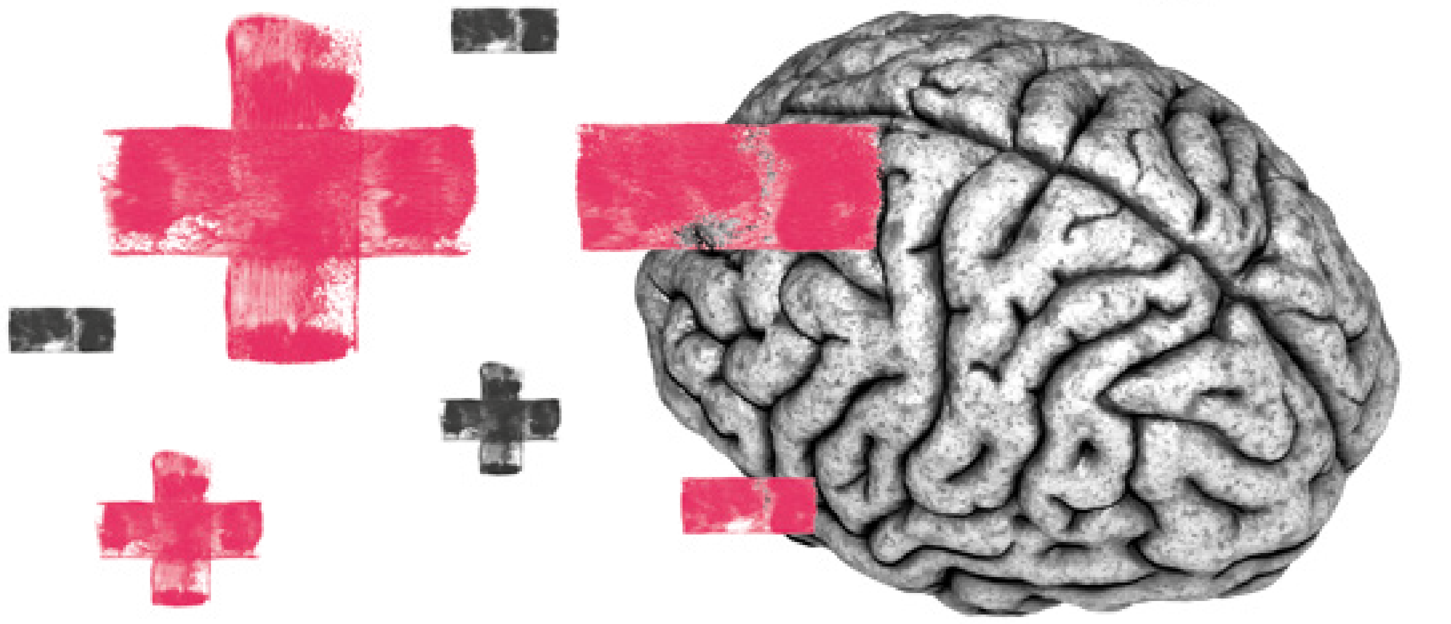
Source: Kantar BrandZ/Kantar Worldpanel data

Given that the heavy buyers with a likely high brand affinity were not skewing our sample (we adjusted the results for pre-wave purchase frequency), we logically concluded that some brands are more effective than others in building affinity. Also, leveraging that affinity to drive purchase frequency is a sensible growth strategy.

Studies #4 & #5: Brand experience creates preference for all buyers

Daniel Kahneman has done extensive work into the brain and his discoveries around **System 1** and **System 2** thinking have had a powerful influence on marketing for over a decade. In his TED talk 'The riddle of experience vs. memory', he explains that "we don't actually choose between experiences, we choose between memories of experiences."

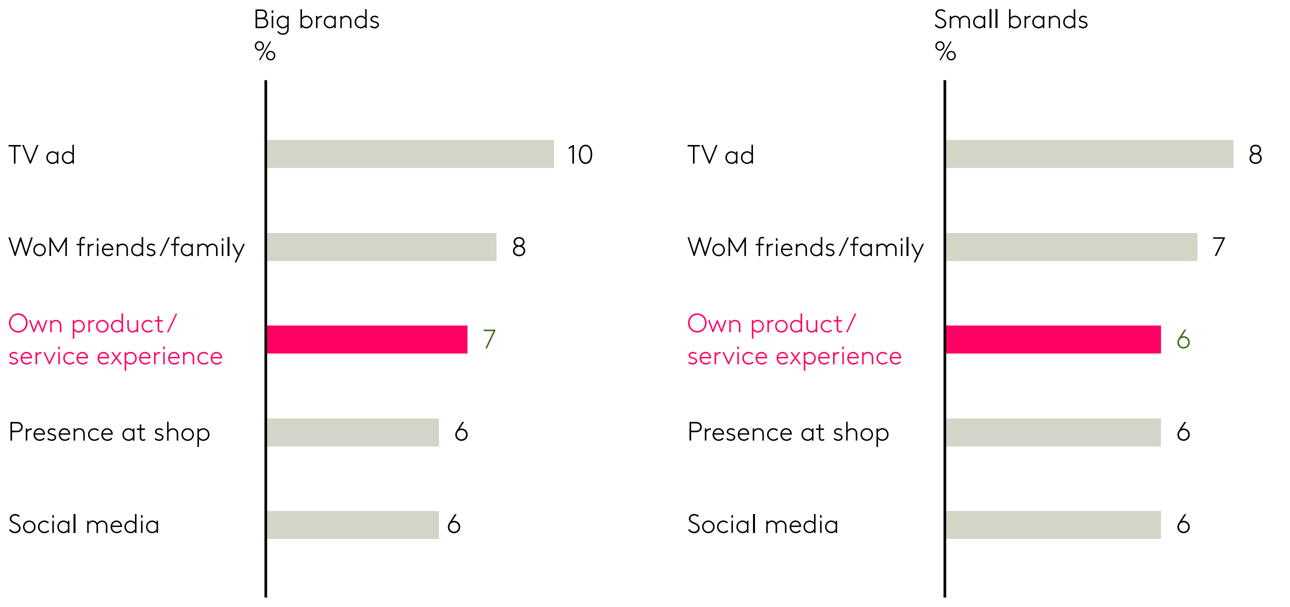
What does this mean for brands? Experiences turn into memories which form the various associations (both positive and negative) that consumers have for each brand. It's what we call brand image – a step above salience. Yes, we might know that the brand exists, but what do we associate with it?



Two recent Kantar studies emphatically prove that experience plays a consequential role in getting a brand chosen, also that consumers are willing to pay a premium for experiences that will delight them. **We surveyed more than 7,000 brands in almost 500 projects asking consumers to rank all touchpoints that impacted their memory (recall), but also the quality of their memory (whether it's a good memory or not).**

The results? Product/service experience posed as the #3 most influential touchpoint no matter the size of the brand or the age of the audience we looked at.

Experience is the #3 most influential touchpoint

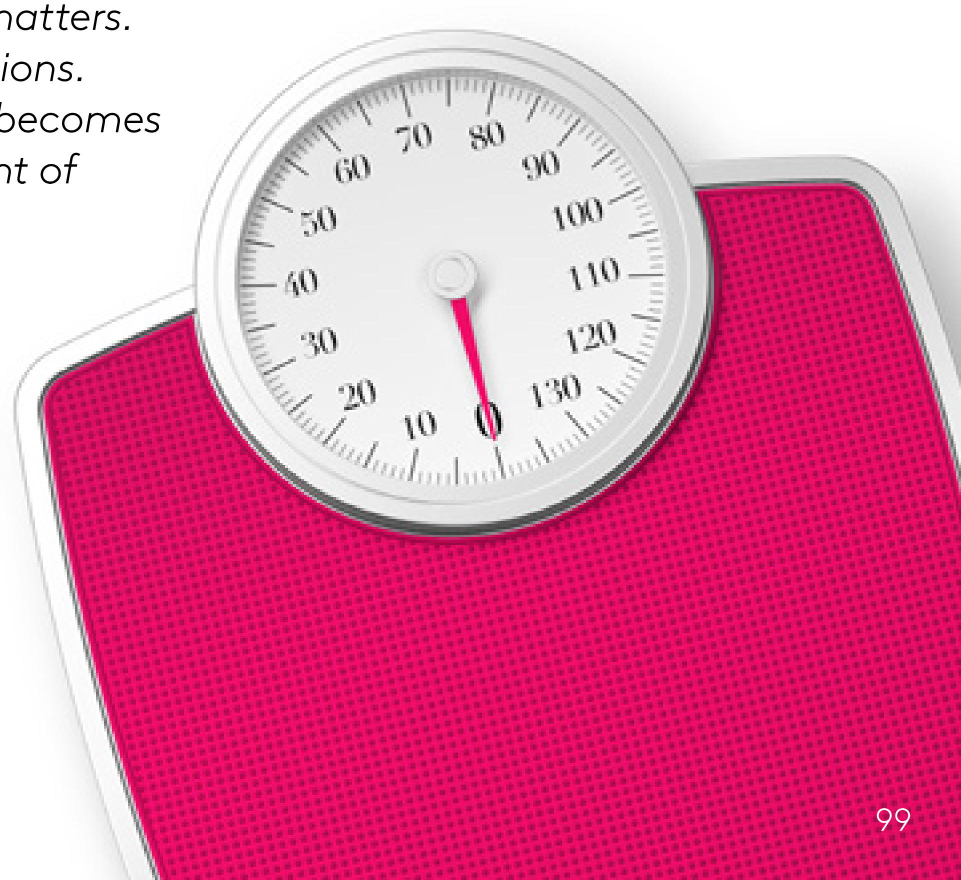


Source: Connect Touchpoint Database

Separately, we analysed the performance of more than 3,900 brands from our Kantar BrandZ global brand equity database (that covers 58 categories and 21 countries) in order to decipher what triggers people's decisions. **We discovered that experience influences repeat purchase and that brands that maximise retention yield a +7% growth.** Because a good experience entices repeat sales.

'Skimpflation' is a relatively ugly word reflecting what some brands have resorted to as an antidote to inflation/recession. "It's like customer service...on diet" as Shep Hyken puts it. According to Forrester, a respectable 19% of brands skimped on the quality of their products or services in 2022. But it hasn't gone unnoticed by the consumers:

66% experienced skimpflation and 87% of them vow to spend less or stop spending money altogether at brands that reduce service. Experience matters. So do brand associations. Without these, price becomes the single determinant of consumer choice.



Forget about loyalty, it's all a matter of preference

At a very high level, the concept of loyalty promises strong feelings of support or allegiance, but in marketing, it's become a very muddled idea. EBI's marketing law of double jeopardy (a rule that states a brand with lower market share also has lower loyalty than its bigger rivals) crowned customer acquisition the only viable growth strategy and settled the acquisition vs retention debate of over two decades. But in our view, it was a misplaced dilemma all along. The question to ask is not whether to target heavy or light/no buyers, but rather: 'how can I make my brand the preferred choice among all category buyers?' This is what surfaces from our five studies; loyalty in marketing is nothing more than 'the preferred brand'.

We see that both cohorts of current and future buyers have a fair impact on sales, also that people don't buy randomly; their predisposition towards a product or service massively affects a brand's chances of being chosen. The right response for marketers is to invest in building brand associations and expectations across the broadest audience, then to optimise activation to make their brand the easy and obvious choice.

Just remember: it's not an either/or. By increasing brand predisposition, repeat purchasing will go up too. And so will penetration – its growth pace will be determined by your activation spend and effectiveness.

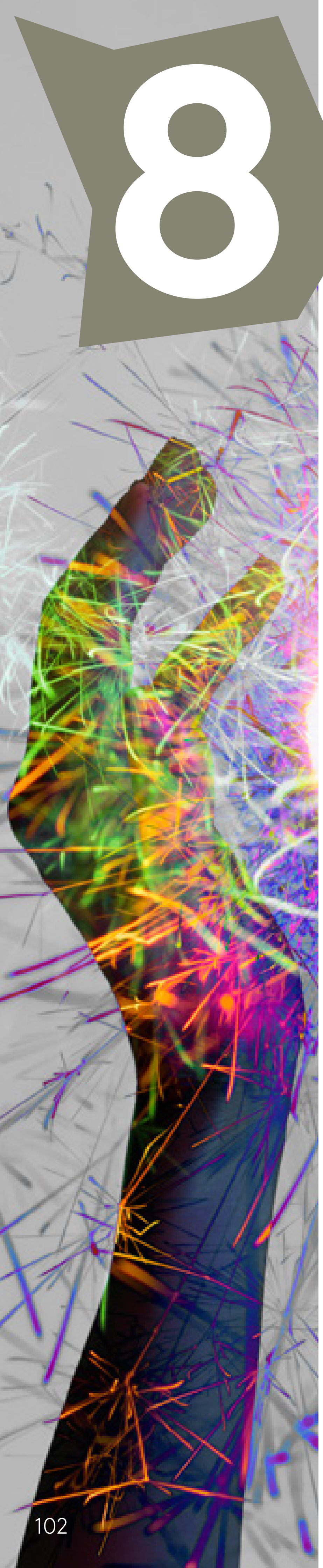
Mary Kyriakidi

Global Thought Leader, Kantar

Optmise your marketing investment

Supercharge brand growth through meaningfully different experiences that are aligned to the brand promise.

FIND OUT MORE



8

CONCLUSION

Our industry longs for an evidence-based approach to marketing, yet often the varied and contradictory scientific inputs leave marketers scratching their heads about what they should do.

For every finding, there is an example that contradicts it and none of the data truths are absolute; they can't be because the things we are looking at are intrinsically difficult to generate rules from.

And this is where the beauty lies in marketing, in its imperfections. New data doesn't invalidate existing truths, it just proves that other paths exist too. This is true for all the dilemmas we've addressed. Marketers don't have a gun to their head to pick between acquisition vs retention, salience vs meaning, performance marketing vs brand building or any of the other dilemmas we've debated.

The best results won't come from picking a side, but from carefully listening to both sides and considering a more balanced approach. Because "nothing is one dimensional, nothing exists that has only one side" Darken Rahl advises us in the 'Wizard's First Rule'. And despite his fictional persona, I stand by him; we've got to look at the whole and investigate the data objectively. The answer most certainly (and most frequently) lies somewhere in between.

Mary Kyriakidi
Global Thought Leader, Kantar

KANTAR BRAND GUIDANCE CONNECTS...

...expertise, data and predictive analytics, so you can take action that deliver more value and impact.

From optimising campaign effectiveness, to staying ahead of competitors' activity, it's a totally holistic solution.

Meaningfully different brands...

Have higher volume share **x9**

Can command a higher price **x2**

Are more likely to grow value sales **x4**

FIND OUT MORE

KANTAR

About Kantar

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


GET IN TOUCH
If you are looking for evidence to support your business case or if you are at a decision-making crossroad.
www.kantar.com