The Long and Short of it

How to get the balance right

New Learning from the IPA Databank

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Scale & Methodology

- 996 case studies, 700 brands, 83 categories, 30yrs
- Effects over short term (up to 1 year), medium term (1-2 years) and long term (3+ years).
- Effectiveness measured in terms of effects, not prizes.
  - 'Annualised ESOV efficiency' relates share growth p.a. to ESOV: the primary measure of efficiency.
  - Number of very large effects correlates well with both effectiveness and efficiency - secondary measure.

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What’s the problem?

- Marketers need to balance short term cost-effectiveness with continuous improvement to efficiency over the long term.
- *But our research shows that short and long term effects are <u>different</u>.*
- So strategies that maximise short term sales can under-achieve long term profit, and those that maximise long term profit can under-achieve short term sales.
- Q: How do you balance short and long term?

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Balance activation and long-term brand building for great profit

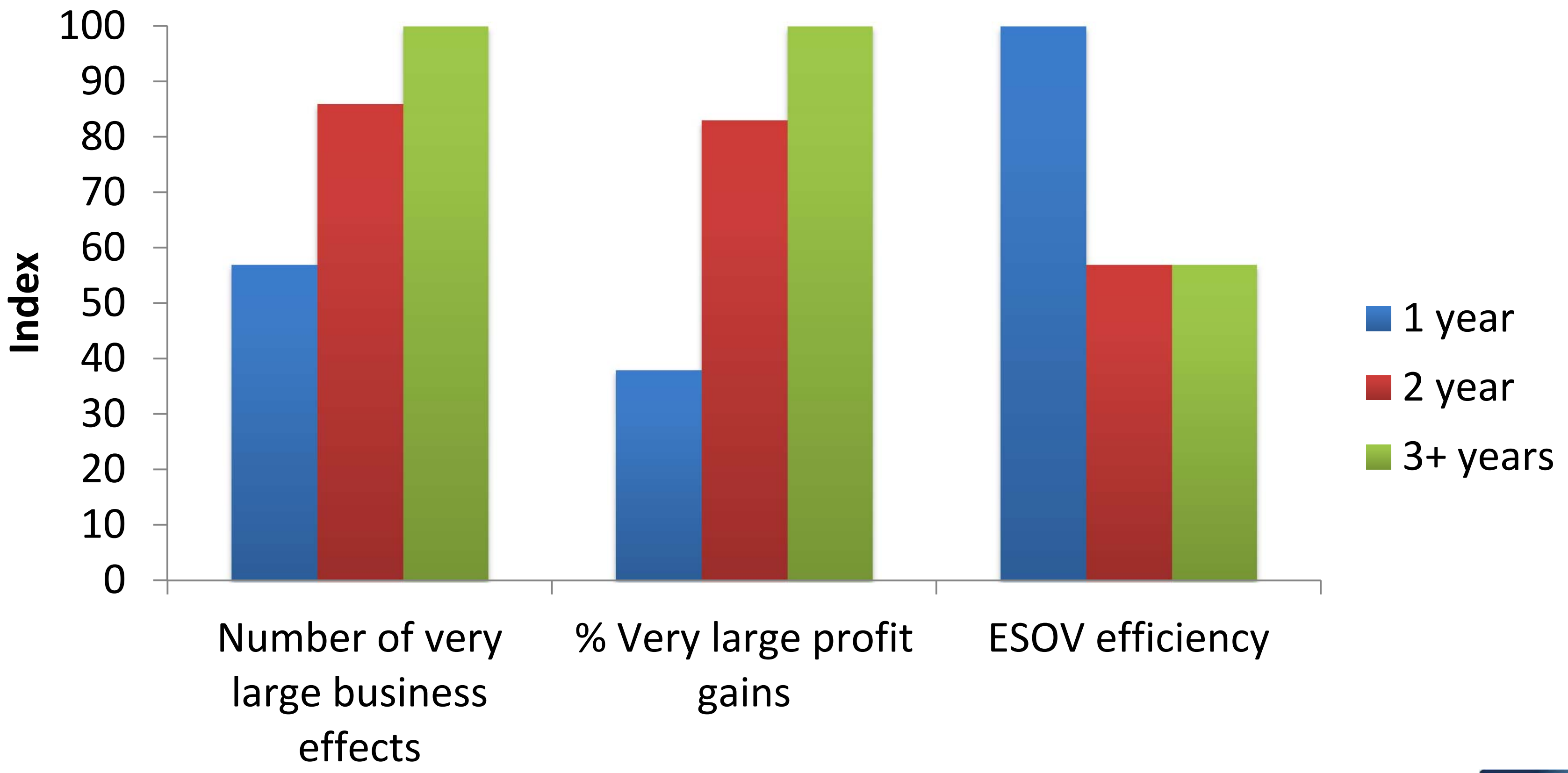
Campaigns need to strike the right balance between long-term investment in brand-building using mass media, and short-term, direct methods that stimulate sales. Campaigns that use both in harmony are more effective, more efficient and more profitable.

Long-term (3+ years) investment in advertising delivers double the profit of a short-term approach (less than 1 year), but investing in both delivers even higher returns.

At least 60% should be invested in these brand-building media with the remainder spent on shorter-term activation channels to provide a response mechanism to capitalise on the effects of the brand-building activity.

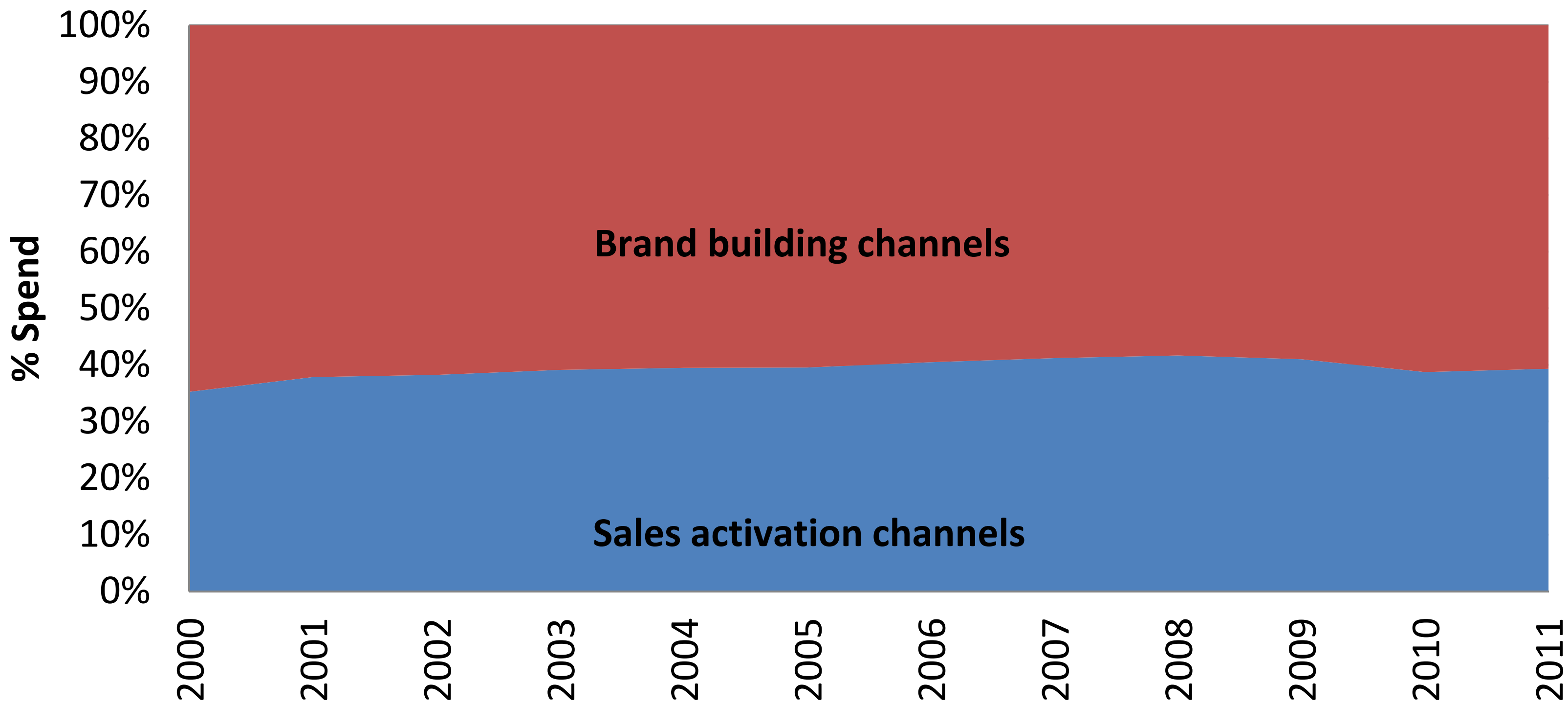
Source: The Long and Short of it – IPA Databank

Effects accumulate over time



Source: The Long and Short of it – IPA Databank

The 60:40 rule has not changed



Source: AA/WARC

Reaching a mass audience is most effective

Tight audience targeting, whilst desirable for activation, does not help long-term success. Campaigns which reach a mass audience of existing & new customers are more efficient.

Brands which target the whole market achieve 3 times as many large business effects than those that focus on existing customers (effects include increased profit, sales, or market share, and a reduction in price sensitivity).

Attempting to build deep, loyal relationships with existing customers is less effective than investing in advertising that reaches as wide an audience as possible. Ad campaigns which target new customers report 60% more large sales effects in the first six months alone.

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Source: The Long and Short of it – IPA Databank

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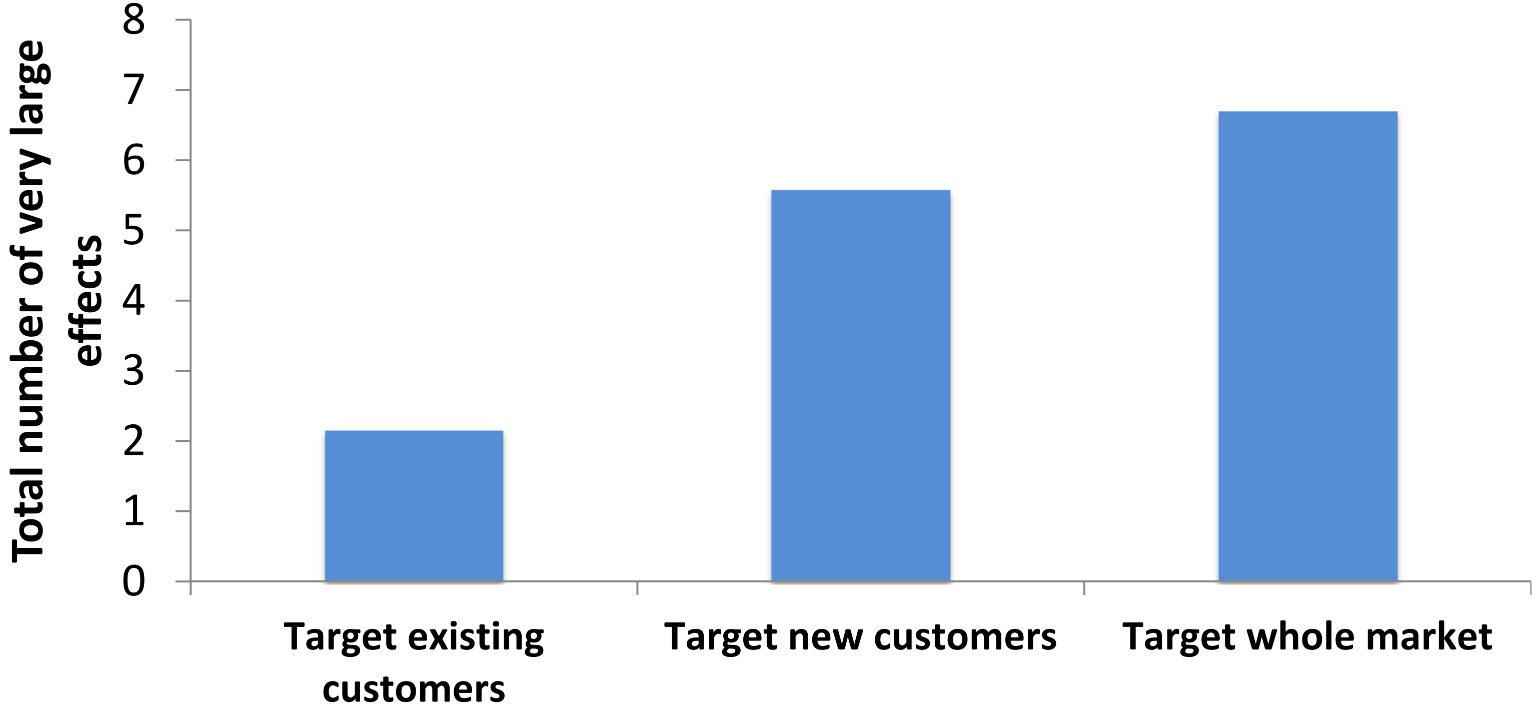
The broader the reach, the broader the effects



Source: The Long and Short of it – IPA Databank

TV advertising is crucial to long-term profit

TV advertising remains the most effective way to build a brand and creates larger business effects than other forms of advertising.

Including TV advertising in a campaign increases the campaigns efficiency six-fold.

TV advertising is becoming more effective due to growing synergies with online and increased competition reducing the cost of reaching mass audiences with TV.

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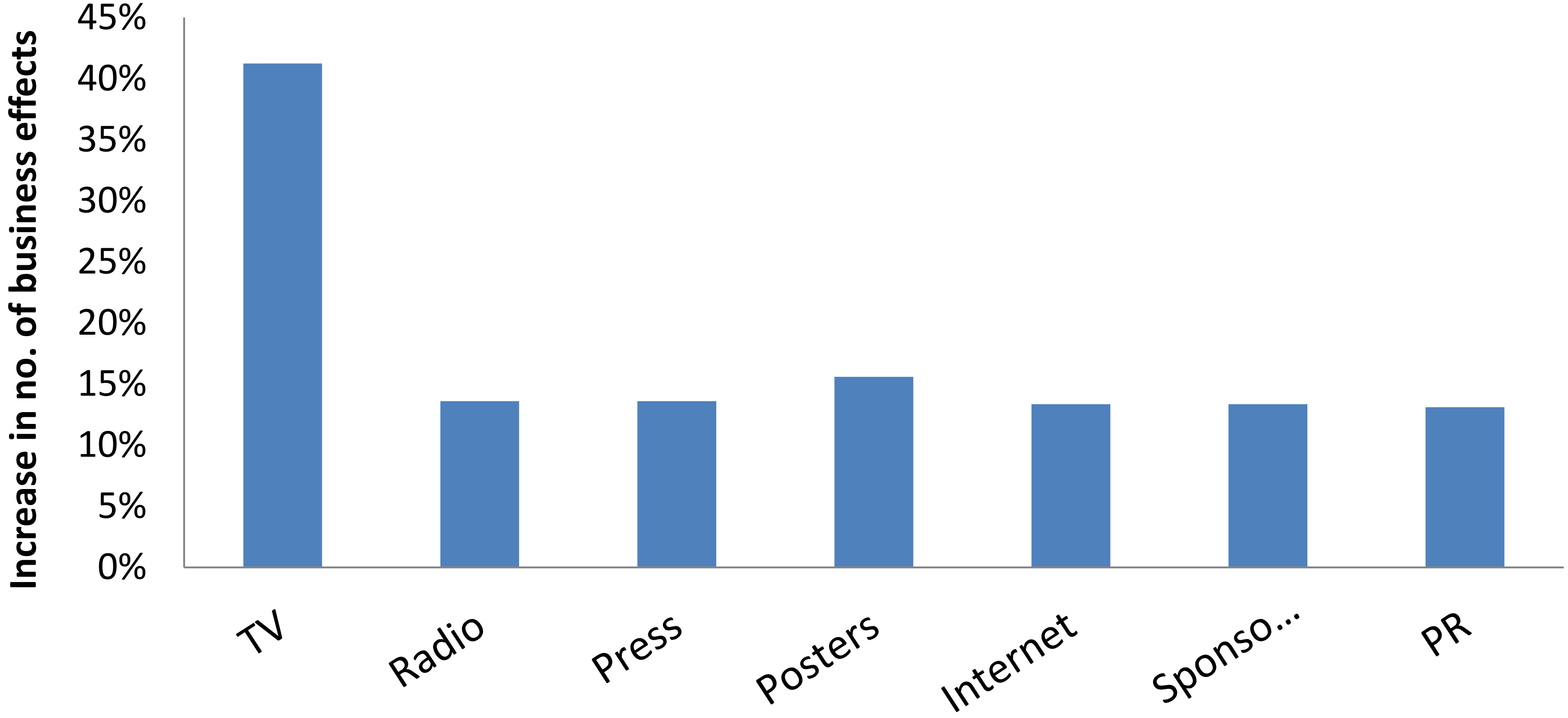
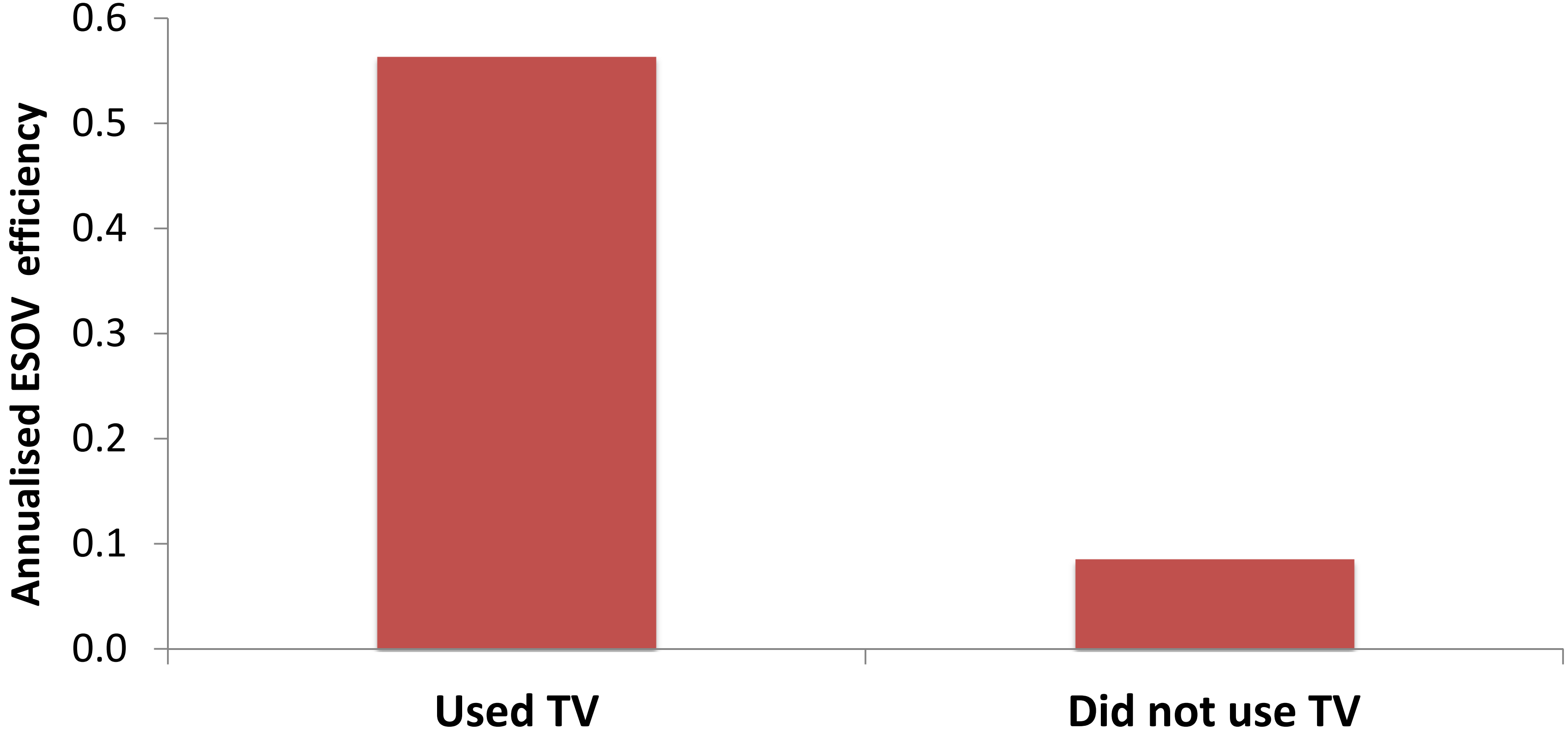
Source: The Long and Short of it – IPA Databank

TV gives the best business results



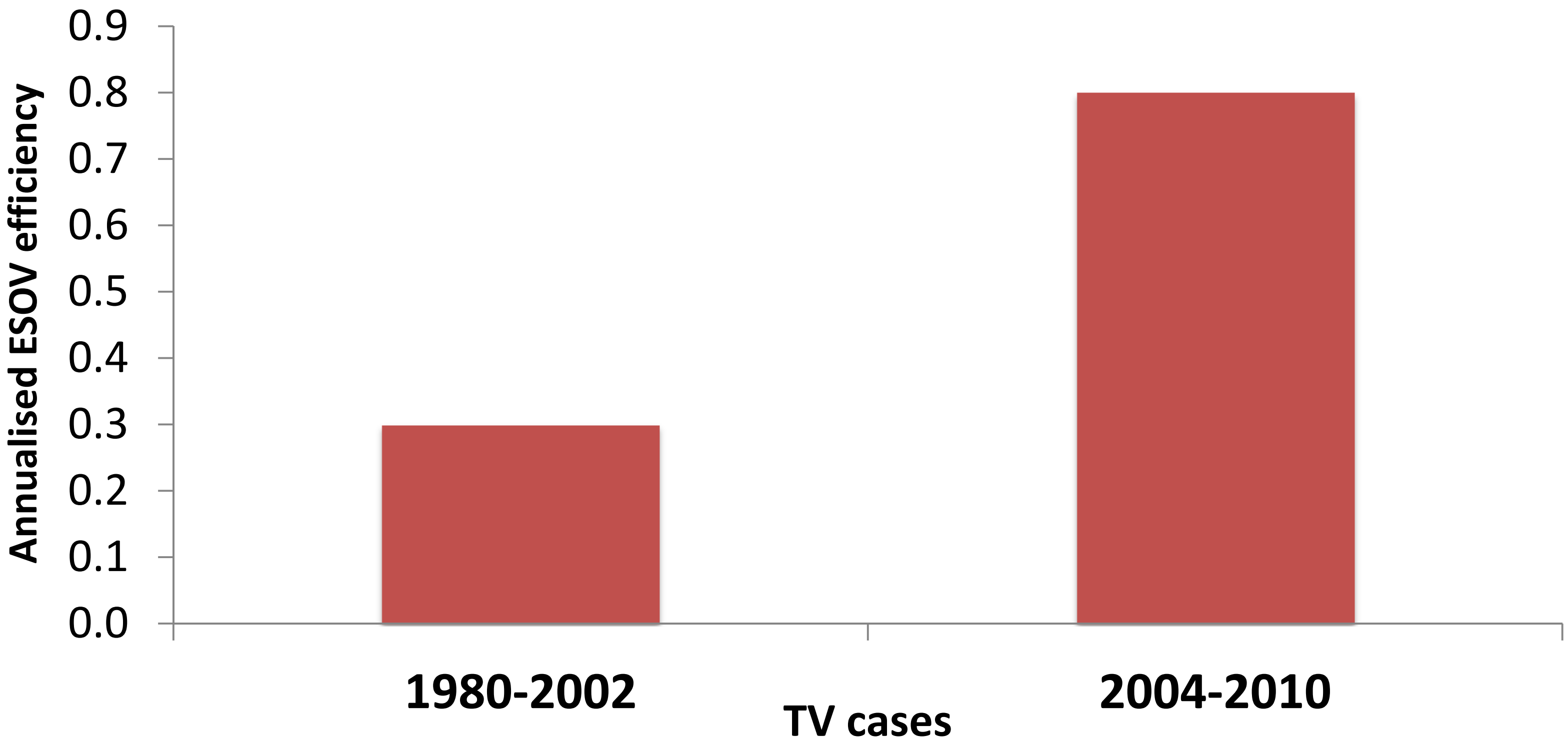
Source: The Long and Short of it – IPA Databank

TV boosts efficiency



Source: The Long and Short of it – IPA Databank

TV is becoming more efficient



Source: The Long and Short of it – IPA Databank

Creative advertising and scale are crucial

Emotional advertising is twice as efficient as rational, and delivers twice the profit.

Highly creative advertising is the most effective of all, but even the best creative work will fail if it does not have sufficient scale and is not evaluated over the longer term.

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Source: The Long and Short of it – IPA Databank

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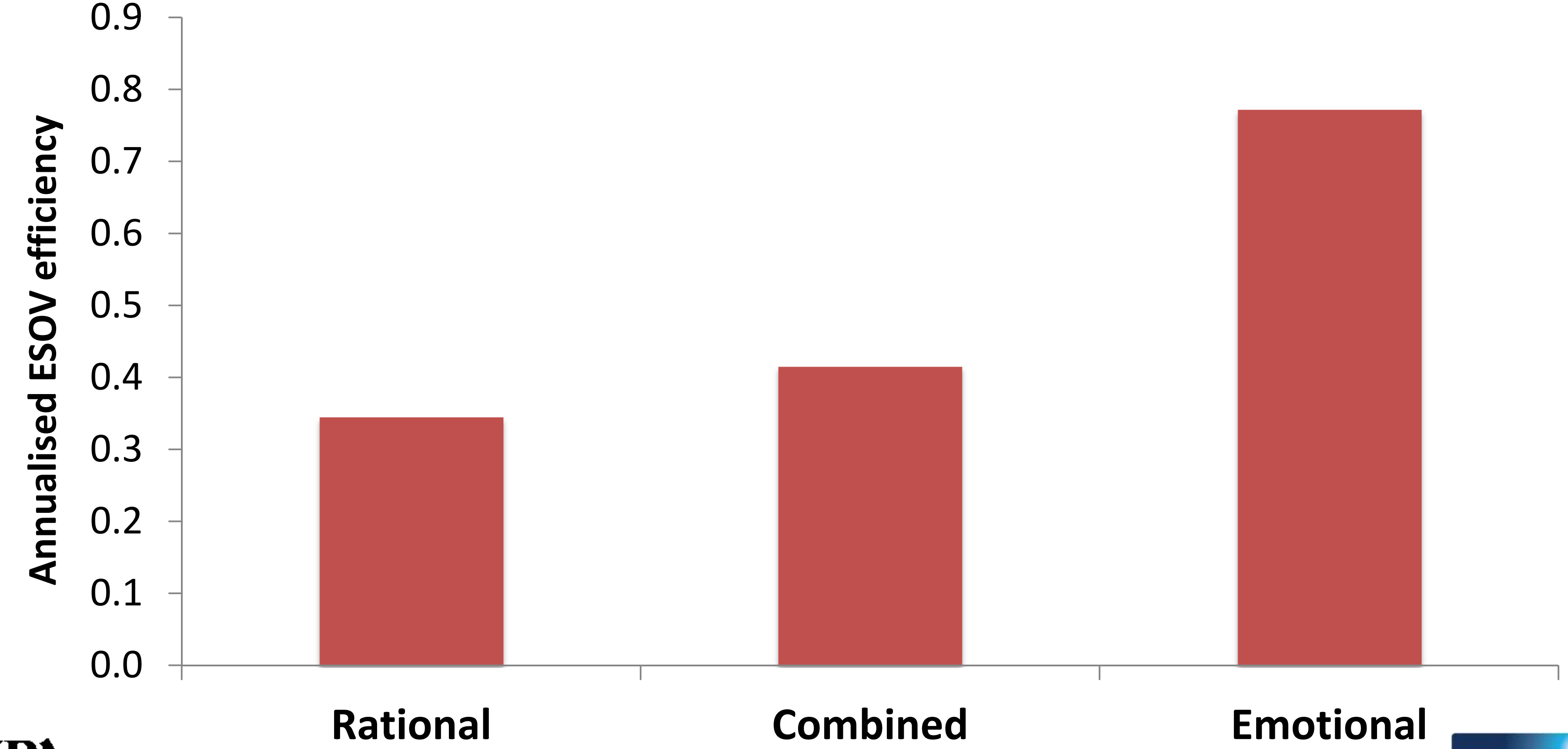
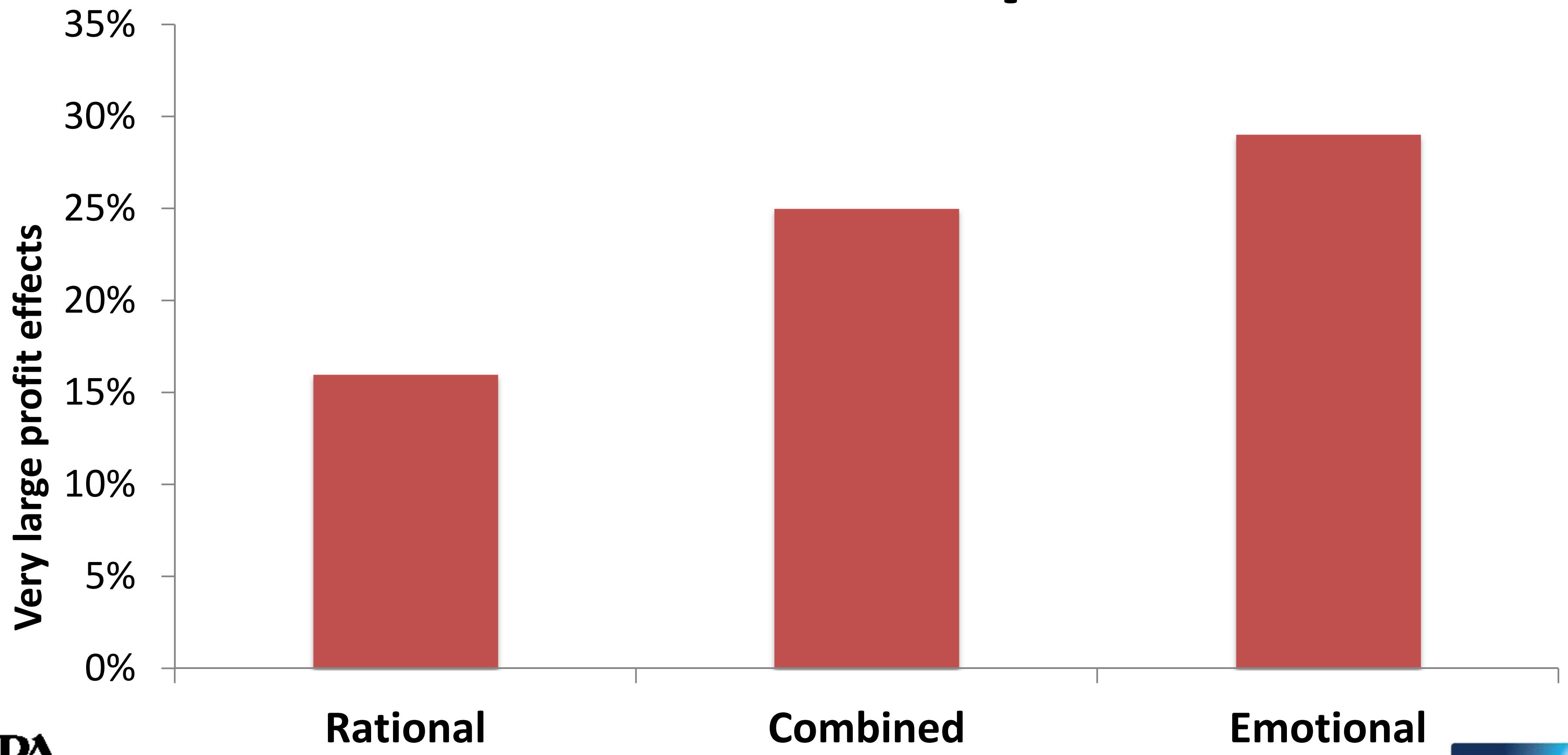
Emotions are more efficient



Source: The Long and Short of it – IPA Databank

Emotions are more profitable



Source: The Long and Short of it – IPA Databank

Don't steer by short term metrics alone

Short and long term effects work differently

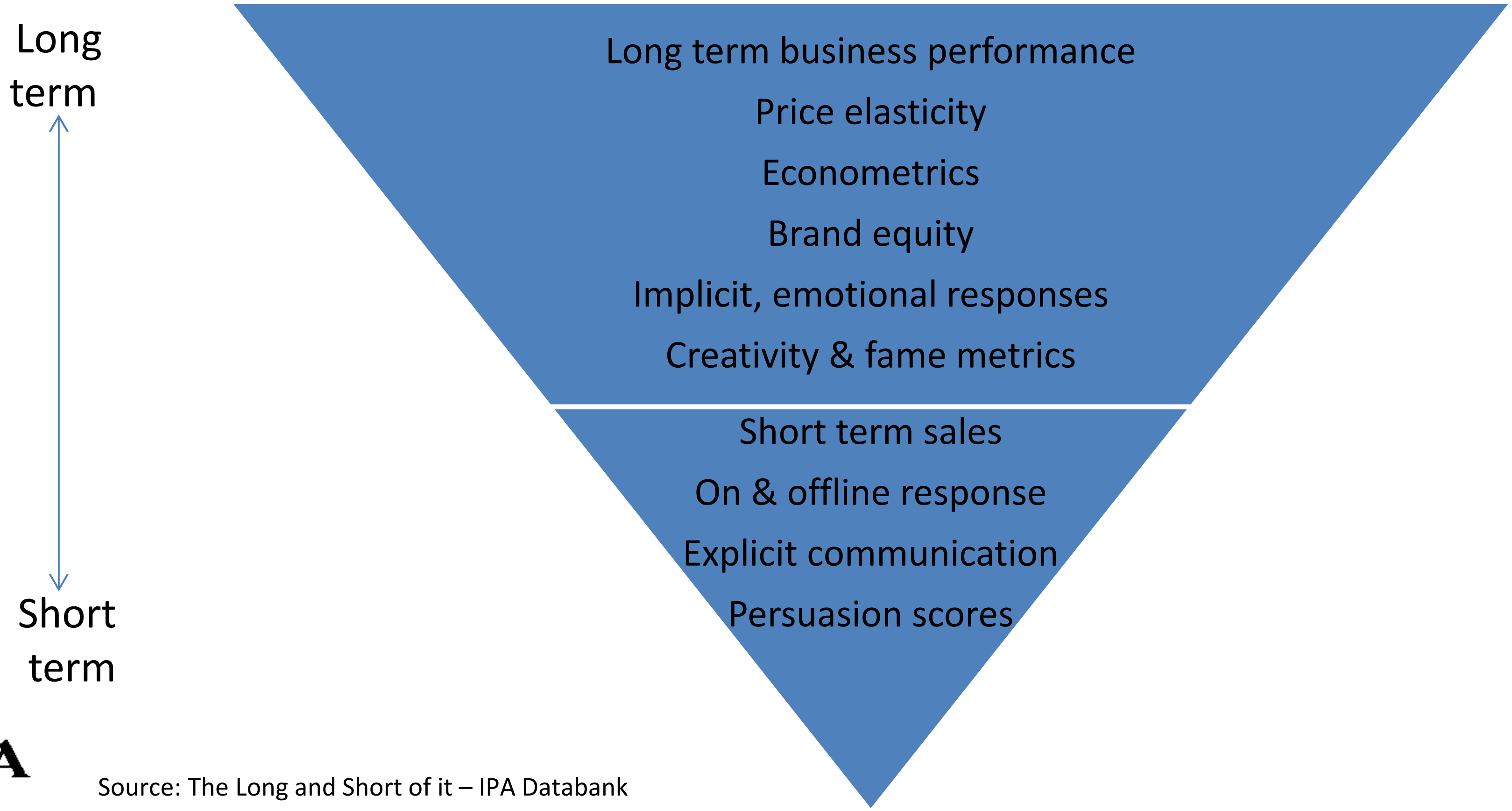
So short term metrics may not be a good guide to long term success

Use short term measures, especially direct response rates, with care

Unless balanced with proper long term evaluation, they can compromise creativity and steer you in the direction of lower profits

Source: The Long and Short of it – IPA Databank

You need a balanced scorecard



Source: The Long and Short of it – IPA Databank