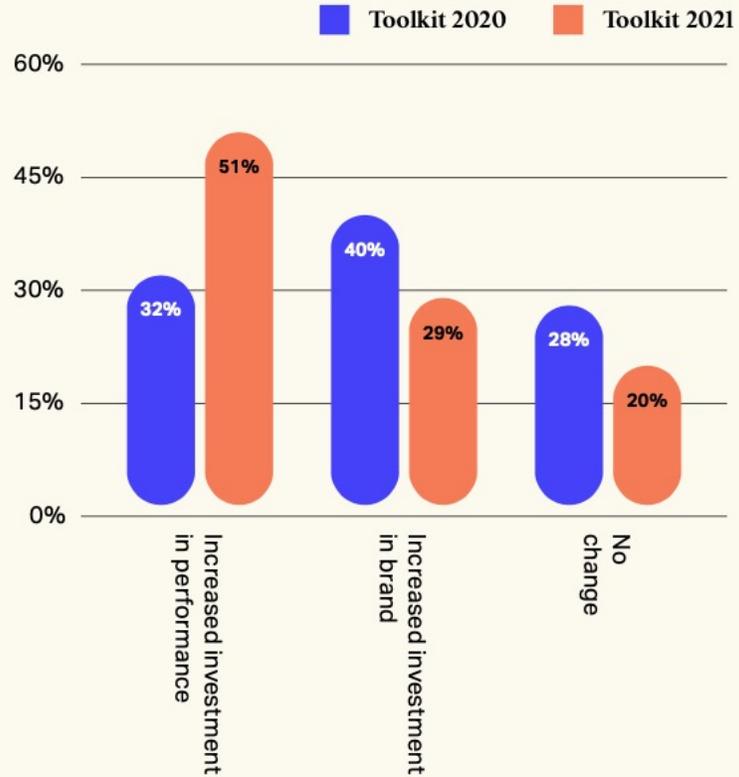


Rethinking brand

for the rise of digital commerce

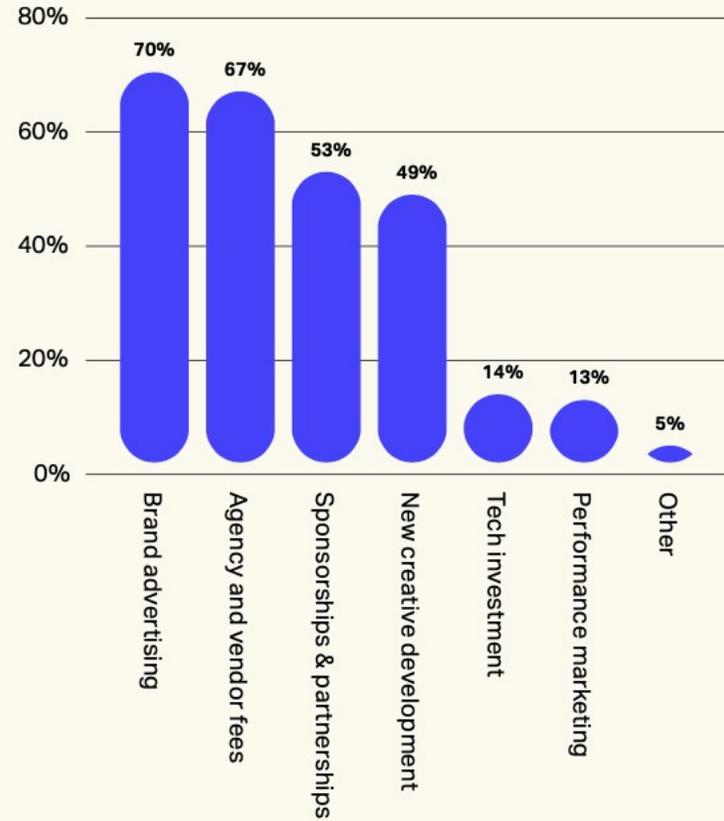


How do you expect the balance of your investment to change in the coming year?



Source: WARC Marketer's Toolkit 2021

Where are budget cuts being made?



Source: WARC Marketer's Toolkit 2021

Why is the marketing community abandoning brand?

Why is the marketing community abandoning brand?

1

Continuing short-termism

All I care about is maximum short-term sales ROI

2

Rise of performance marketing

I can see short-term returns, and I can prove them with data

3

Rise of high-growth start-ups

I want their growth, so I want to emulate their approach

4

Shift to e-commerce

Digital advertising is what I need to be doing to make digital sales

5

Brand hesitancy

I know there's all that evidence, but someone on Twitter said it didn't matter anymore

6

Brandless fallacy

Google, Facebook, Amazon didn't need brand

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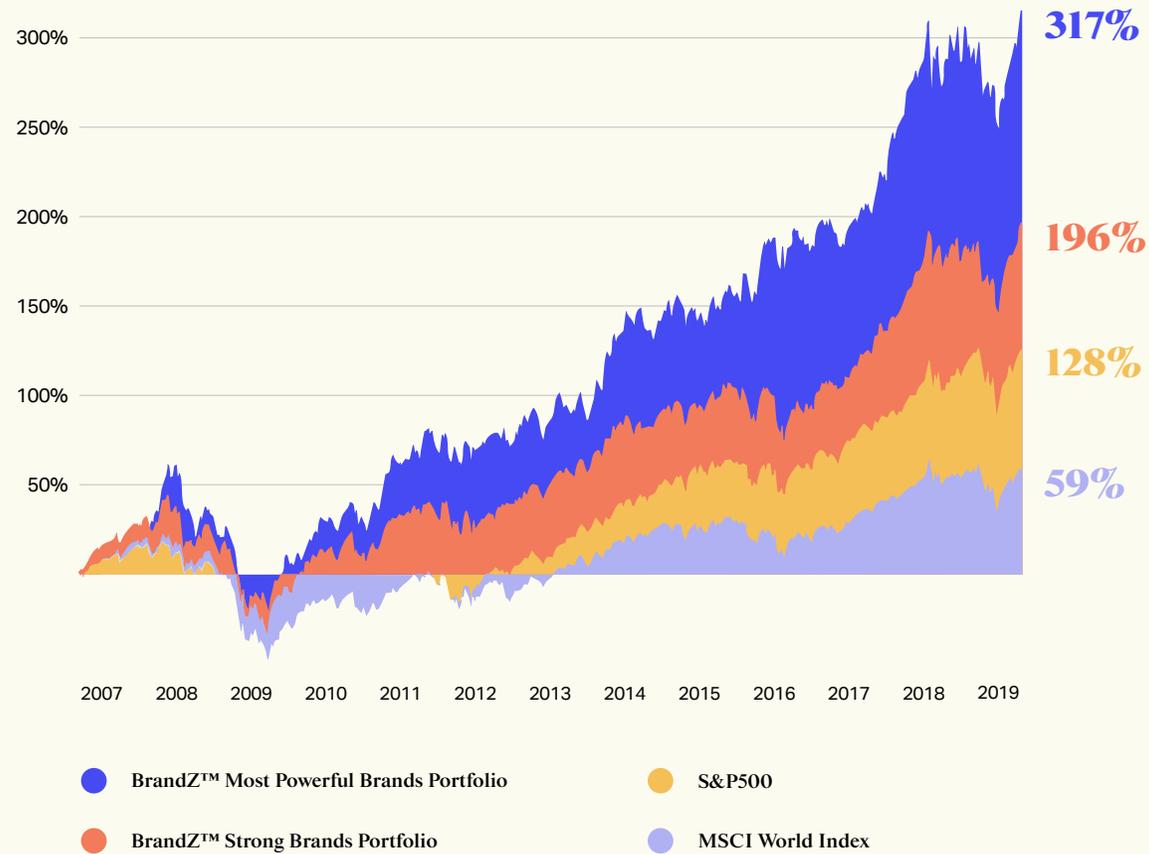
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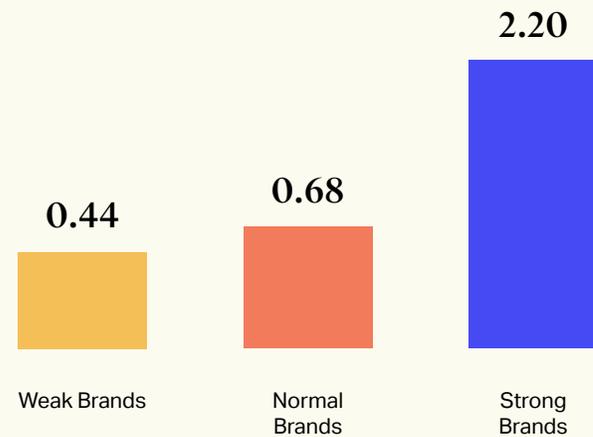
BrandZ™ Portfolios vs the S&P500 and MSCI World Index



SOURCE: Kantar BrandZ

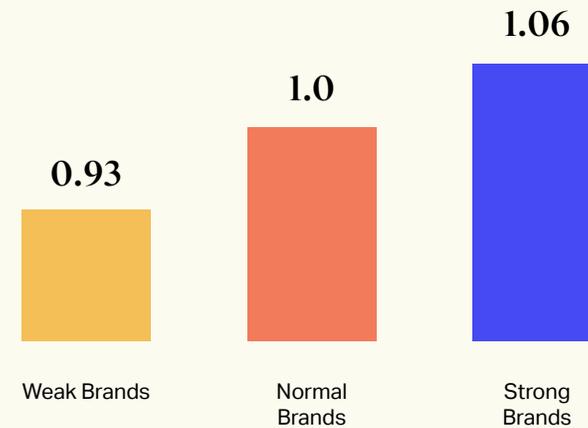
Sales Volume Captured

(Index to average)

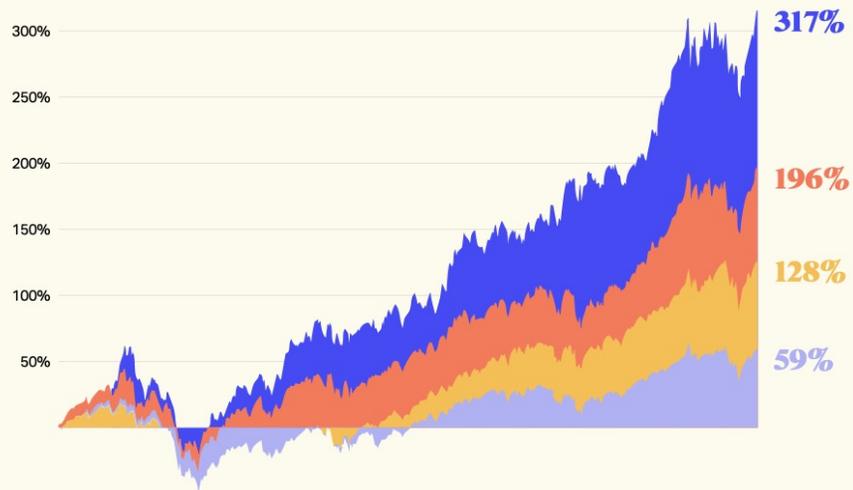


Price Premium Achieved

(Index to average)



SOURCE: Kantar Millward Brown



Brand Building is for companies who want to be the best

If you're fine with being average, then leave brand to those who care about being better than average.

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**The most revolutionary products of our time have spread
and grown without brand advertising**

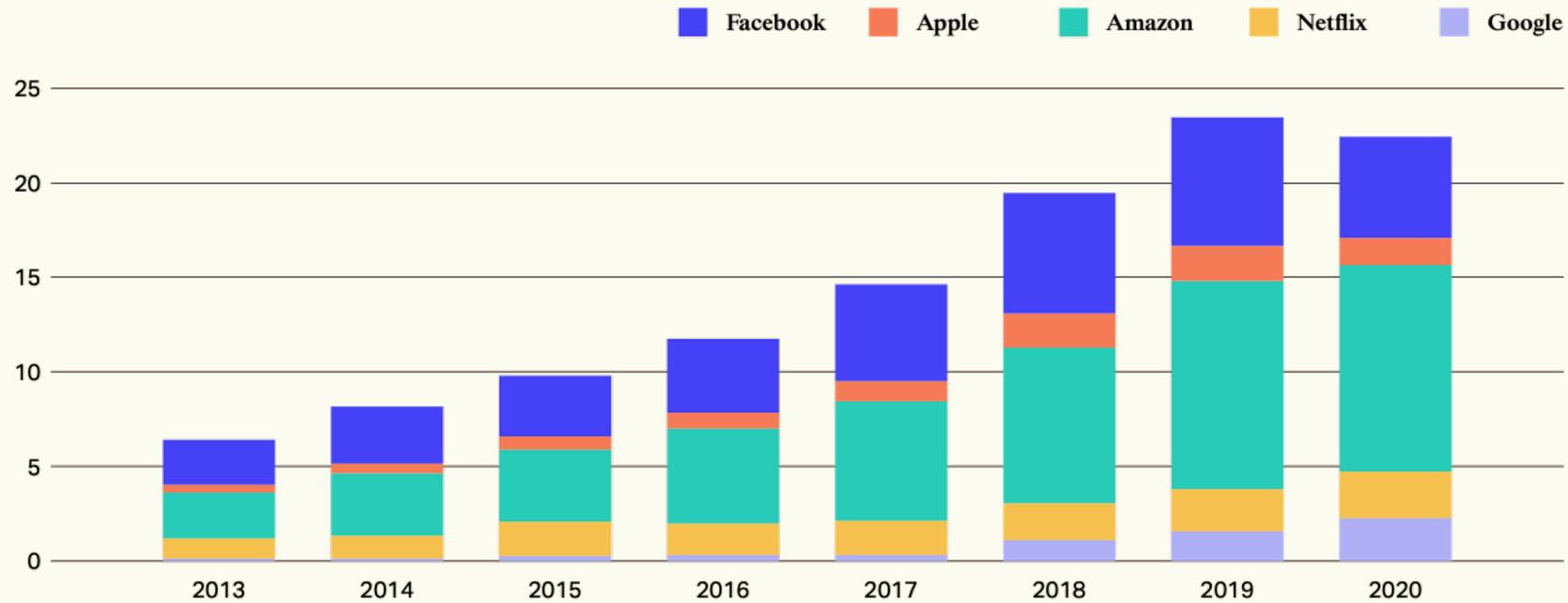
They are not 'the rule'

They are the most extraordinary and exceptional products in the world

The other 99.99999999% of companies do not make products with anywhere
near the same inherent virality

How big tech changed its tune on advertising

FAANG global adspend, \$ billions



Source: WARC Data



4% of global adspend today

They spend 1,000's of times as much on advertising as average companies

A huge amount of this is brand building in traditional media

If you still want to market like these companies, just increase your ATL budget by a few thousand percent.

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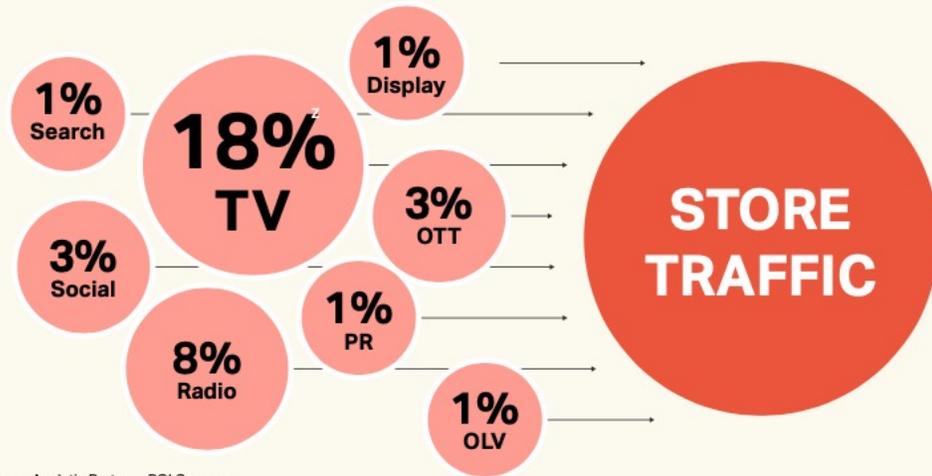
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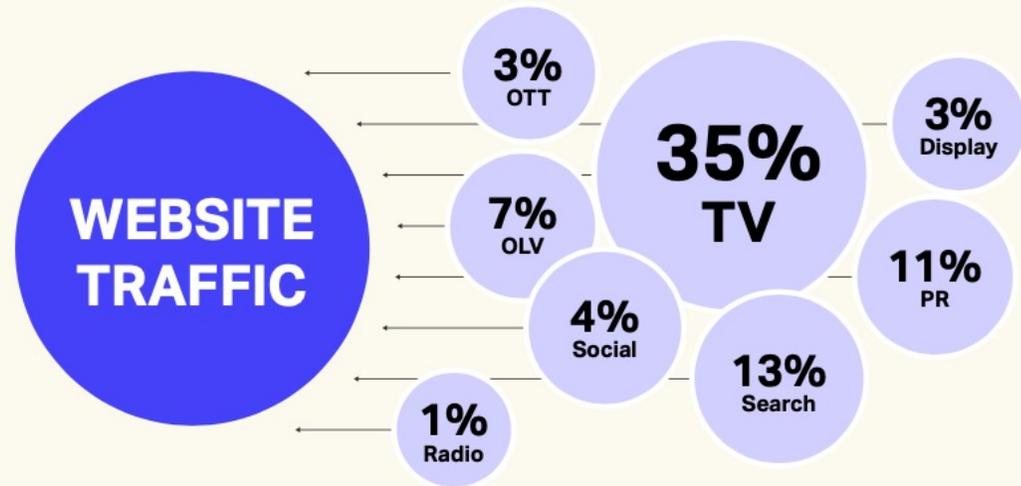
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Drivers of store traffic



Drivers of website traffic



Source: Analytic Partners ROI Genome

TV sponsorship extends peak traffic period on-site

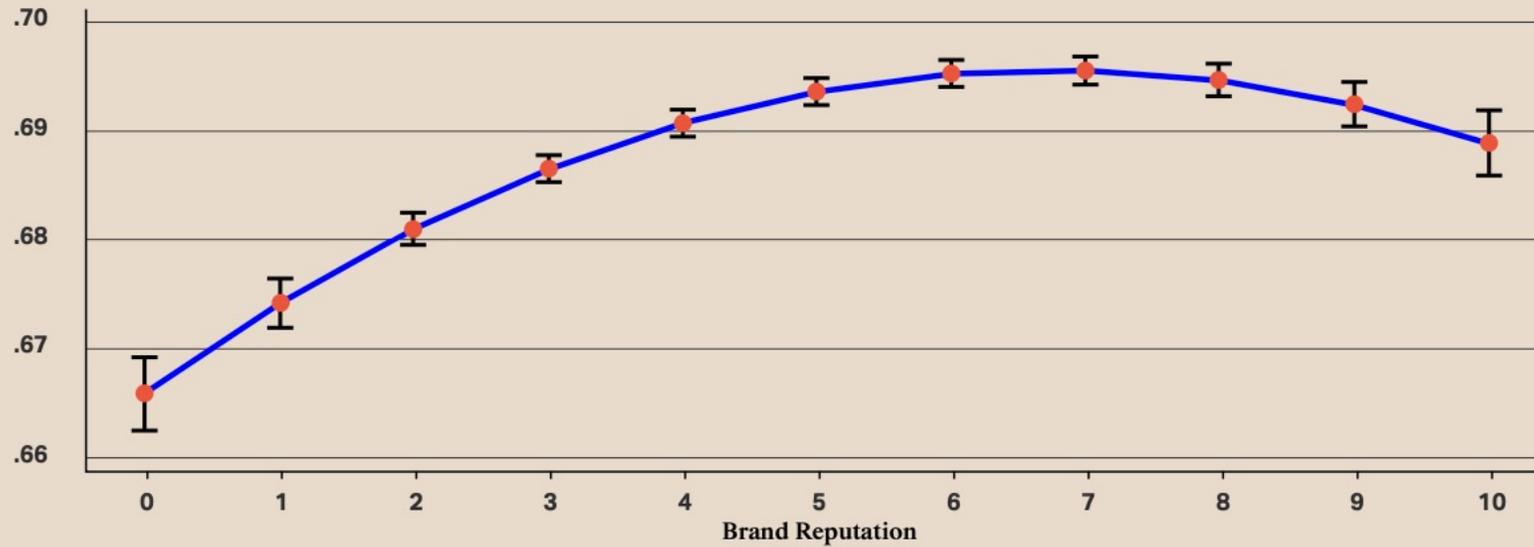
New user traffic onto site by hour during a single month



Source: Adgile

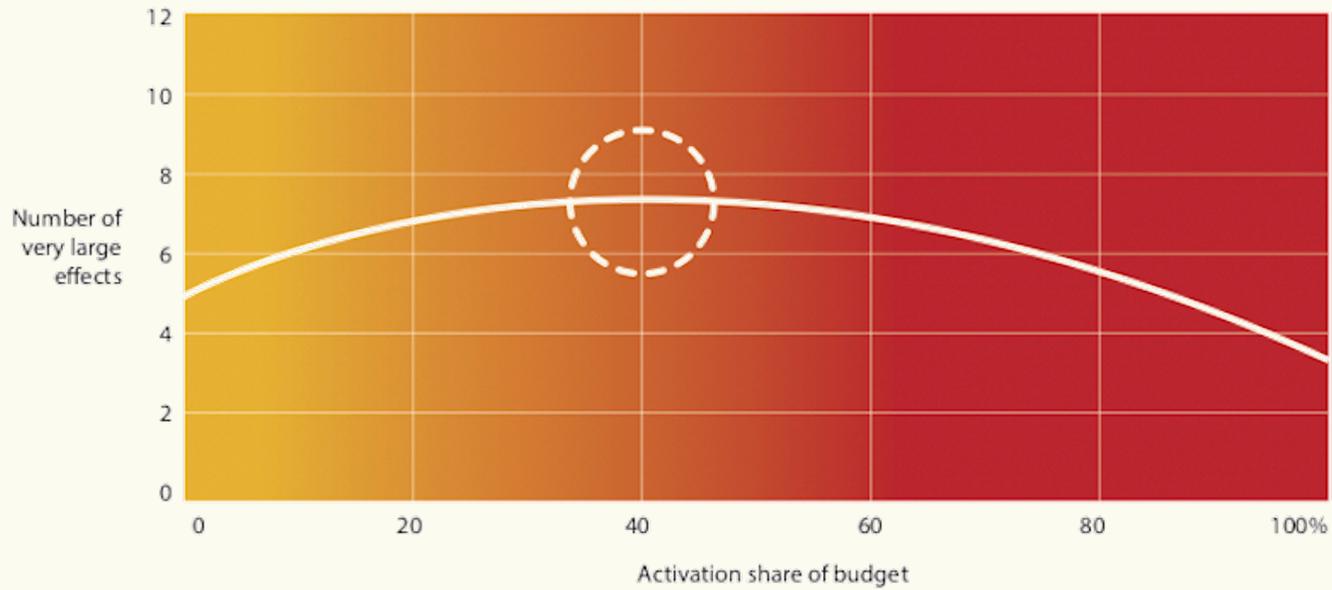
Relationship between brand reputation and click decision.

Predictive Margins with 95% CIs



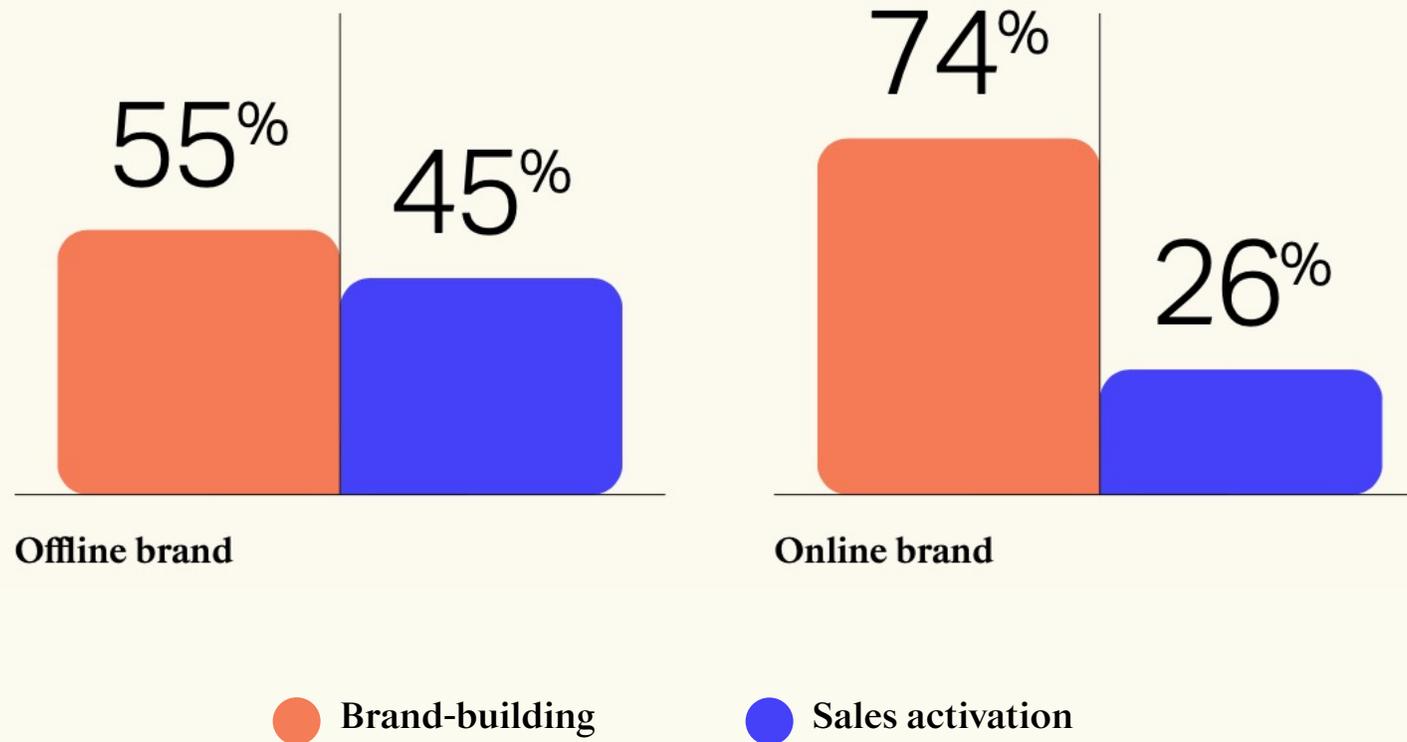
Source: 'Seller marketing capability, brand reputation, and consumer journeys on e-commerce platforms', Jifeng Mu & Jonathan Z. Zhang, Journal of the Academy of Marketing Science (2021)

The 60:40 split delivers maximum effectiveness



Source: Les Binet and Peter Field, *The Long and the Short of It*, IPA, (Figure 38)

Optimum split between brand-building and sales activation



SOURCE: Field & Binet, IPA

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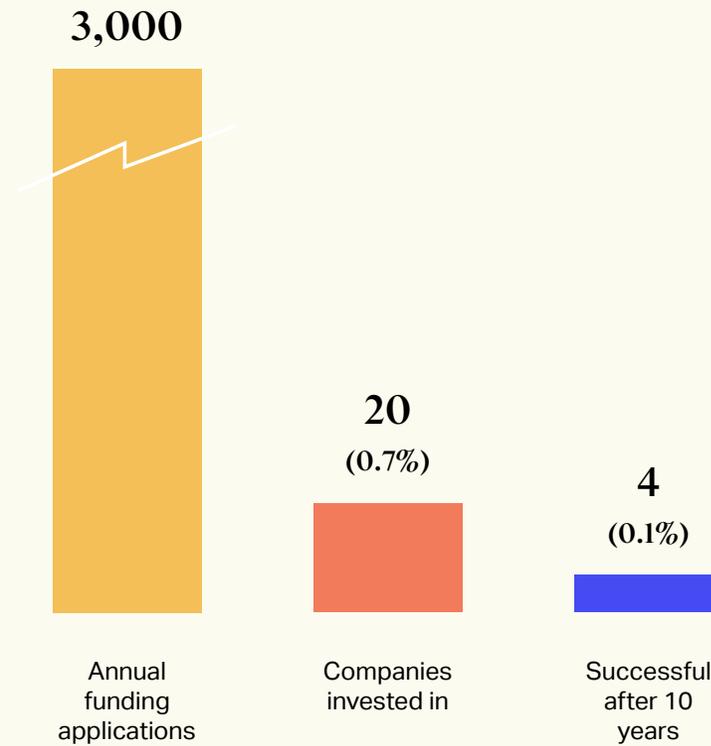
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Investment & success at Andreessen Horowitz

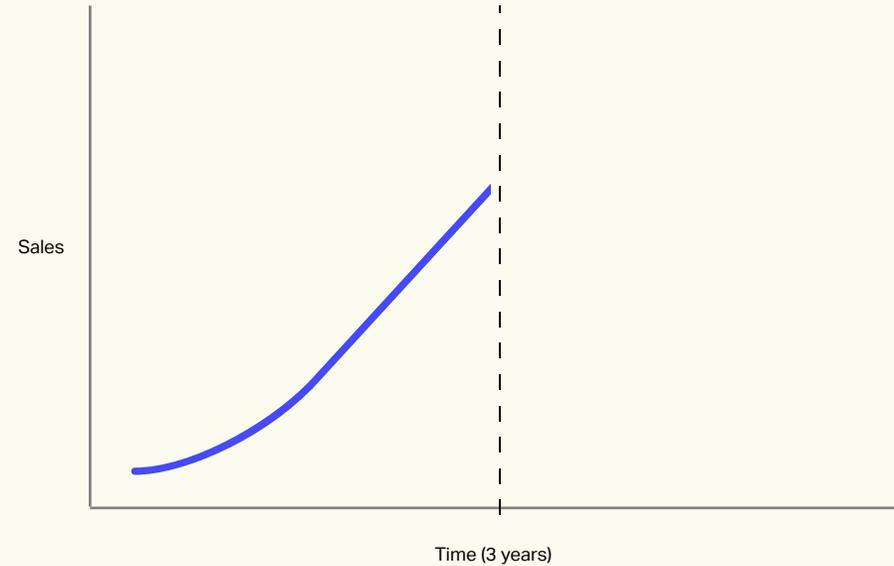


SOURCE: a16z.com

**High rates of short-term growth
are an extremely poor predictor
of the long-term success and
sustainability of a company.**

**Deciding how to steward a
brand by emulating the
approach of a sector with a
0.1% success rate is insane.**

The Easter Island Effect



Launch of innovative new offering that solves customer problem in unique way

A naturally occurring group of people are prepared to pay to have the problem solved (pre-existing demand)

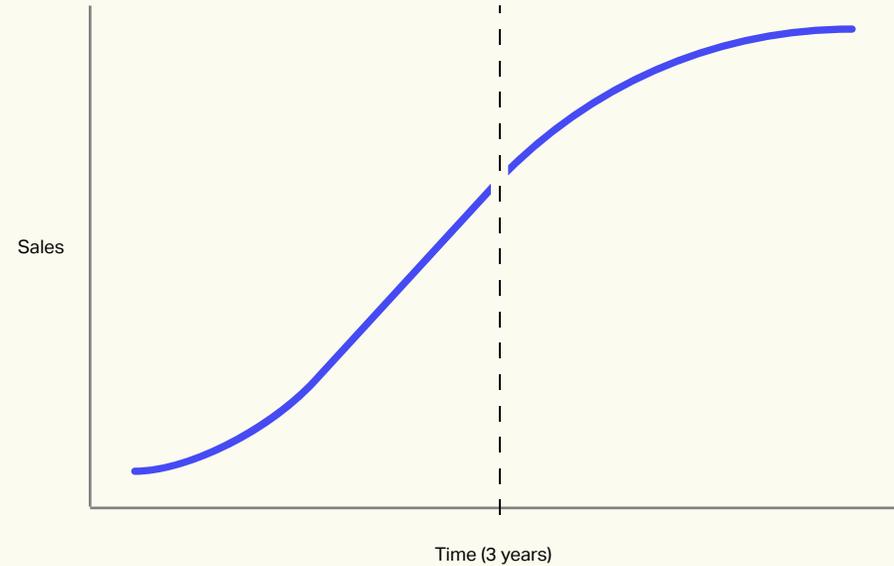
Cost-effective digital marketing used to get the solution in front of those customers

Strong growth

Low cost of acquisition

SOURCE: Various WARC & Facebook learnings

The Easter Island Effect



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Strong growth

Low cost of acquisition

New customers become more difficult and expensive to find

Pre-existing demand has all been captured

Product becomes less unique as competition increases

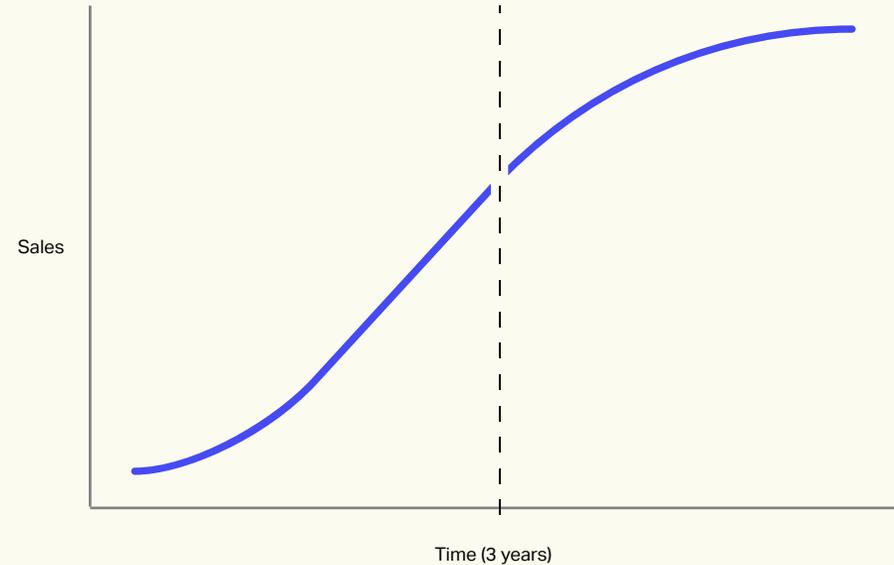
Growth slows

Cost per acquisition begins to rise – and keeps rising

Business model in jeopardy

SOURCE: Various WARC & Facebook learnings

The Easter Island Effect



Deftly created a product for which there was pre-existing, unmet demand. Skilfully converted all of that demand.

Ran out of customers before they'd done the critical job of creating future demand.

SOURCE: Various WARC & Facebook learnings

ThinkTV

WARC
AN ASCENTIAL COMPANY

Existing demand

People who are 'in the market' and ready to buy now (a relatively very small group in most categories)

Because they're ready to buy, they're interested in product information and offers

They just need an offer to be put in front of them

Can happen very quickly, often with a single offer or campaign, makes this quarter feel exciting

Future demand

People who are not 'in the market' now, but who are likely to be in the future (a much larger group)

Because they're not ready to buy, they're not interested in product information and offers

They need to become familiar with the brand and develop a connection with it, so that when they enter the market, they'll choose that brand

Takes time – months or even years – but makes next year vastly more efficient and successful

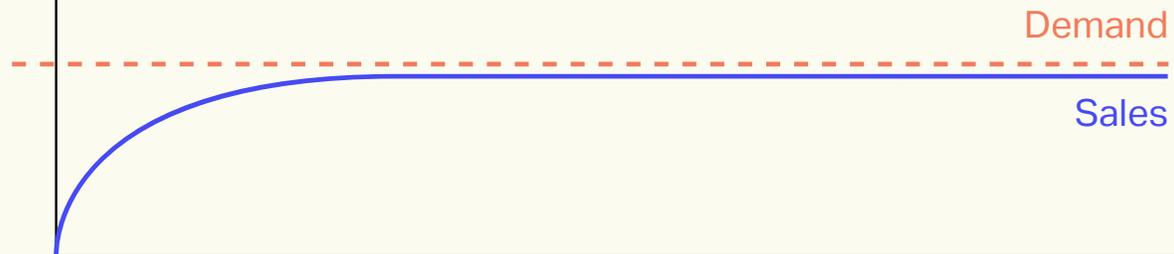
Marketing's job is to harvest existing demand and create future demand

No future demand creation

Demand for the brand stays flat

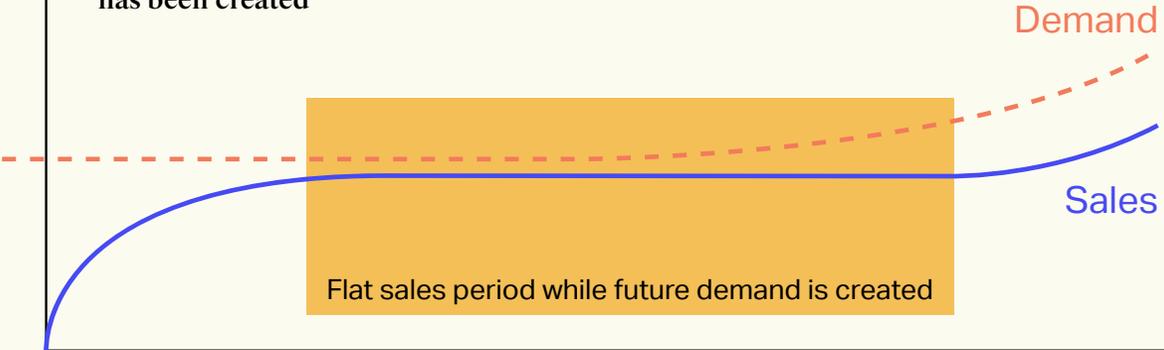
Sales plateau when demand is exhausted

Conversion activity stops working as there is no more demand to convert



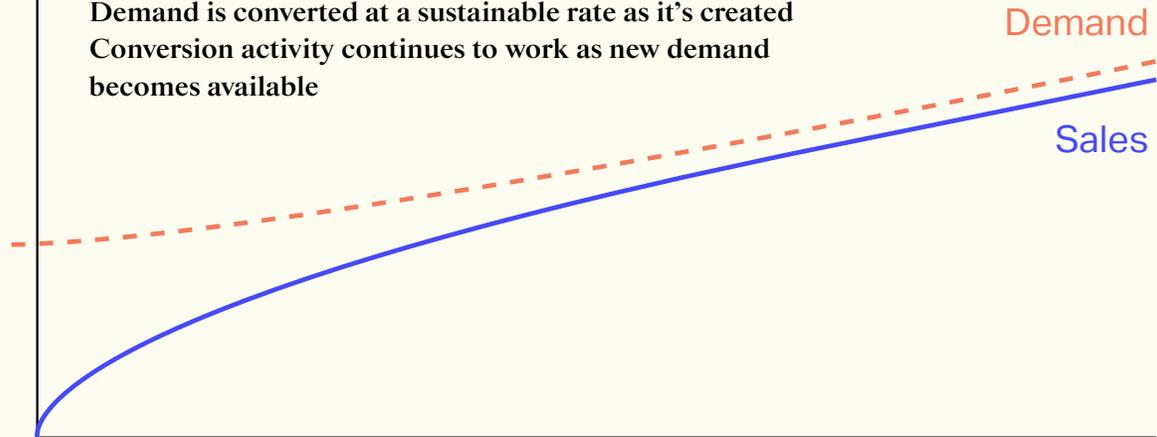
Future demand creation after the fact

Sales plateau when demand is exhausted
Future demand builds slowly over time
Demand can only begin to be converted efficiently once sufficient future demand has been created



Consistent future demand creation

Future demand is consistently built
Demand is converted at a sustainable rate as it's created
Conversion activity continues to work as new demand becomes available



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What is your job?

Drive short-term growth as fast and efficiently as possible, at the direct cost of the future growth, efficiency or even existence of you company?

Harvest as much short-term, existing demand as is available and build future demand to ensure the future growth, success and value of your company?

Facts

Almost all young, innovative companies have high rates of short-term growth.

Almost all of them fail.

Truly valuable and successful companies are never built in the short term and always built over the long term.

Managing the short-term and harvesting existing demand with performance marketing is the easy half of your job.

Managing the long-term by creating future demand with brand building is the important half.

Thank you