Account planners need to care more about share of voice

Share of voice has become too important an effectiveness issue to be left solely to media planners - account planners must engage with it too, says **Peter Field**

IN MANY WAYS, these are delusional times. The more we are all asked to do more with less, the more we think that it is always possible.

So the focus these days is on challenging communications to achieve more, rather than challenging clients to invest more in their brands. But account planners should know better than this it was established some years ago by Professor John Philip Jones (I) and Millward Brown (2), among others, that even the most effective campaigns will fail to generate growth for the brand if it is not backed with sufficient share of voice (SOV). More recently, Malik PIMS (3) has shown the effects on market share of cutting marketing expenditure in a recession. Thus, all brands have an equilibrium SOV at which their market share is stable: if SOV rises or falls from this level, then so too will market share (Figure I).

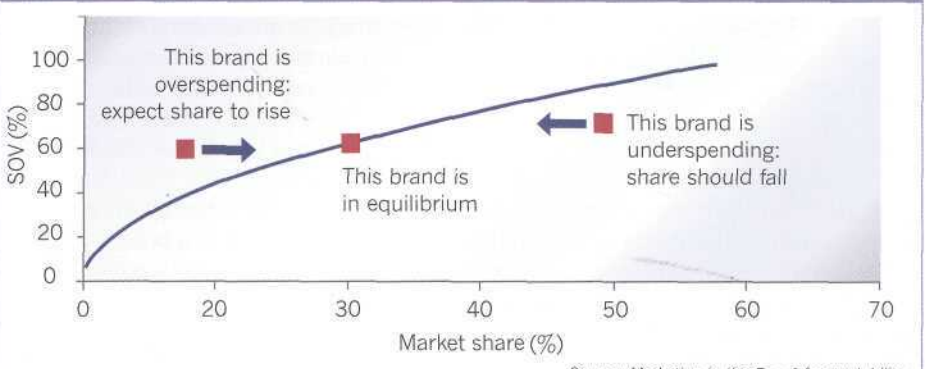
This relationship was very evident in the IPA dataBANK of effectiveness case studies going back to 1980 (4).

But it has become fashionable to regard offline media as 'things of the past', and with them traditional measures such as share of voice. In this accountants' Utopia, brands no longer depend on (expensive) offline media. A killer viral here and a compulsive social networking idea there and voila - the tills are ringing.

Perhaps account planners have now become the latest victims of this digital hyperbole. How else can one explain the apparent lack of interest among account planners in a recent landmark presentation about the importance of share of voice, given by Nielsen at the IPA? I'm happy to report that the presentation was extremely well attended, but sad to observe that this was largely not by account planners. They represented fewer than one in four of the attendees and were heavily outnumbered by media planners, and almost outnumbered by econometricians (the statistical significance of which will not be lost on them). In this article, I will argue that this is negligent - account planners should be as closely engaged with budget issues as they are with strategy and research, because budget is at least as important to effectiveness.

FIGURE 1

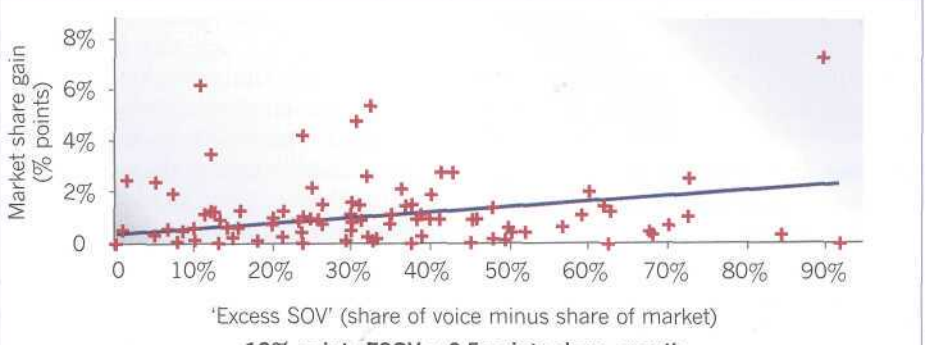
The concept of equilibrium share of voice



Source: Marketing in the Era of Accountability

FIGURE 2

Market share growth versus ESOV



Source: Nielsen

SOV still drives market share

The IPA asked Nielsen to explore whether, by combining its media and FMCG sales data, it could extend the IPA dataBANK findings on how SOV drives market share. Extend in two senses: from the limited IPA world of super-effective campaigns to average ones and from an IPA base of campaigns going back 30 years to one that is entirely up-to-date. The results were presented in June at the IPA.

Nielsen's analysis (5) included two years of media and sales data over the period ending August 2008, for 123 brands in 30 FMCG categories.

The brands and categories were chosen to reflect the diversity of the FMCG landscape. They included new and established brands, brand leaders, challengers and smaller niche players. They included a few brands that had entered campaigns into the IPA Effectiveness Awards and a great number that had not: a typical cross-section. They included brands with celebrated online campaigns and those that made little or no use of online beyond a website.

Nielsen looked at the impact of brands' SOV in the first year on sales over the two-year period and used 'base sales' to exclude the sales effects of distribution changes, price promotions and other in-store activity. The scale and rigour of the analysis undertaken is hugely impressive and the results invaluable.

Perhaps the most important result is that the relationship between SOV and share of market (SOM) growth is confirmed, and is still strong. Eye-catching online initiatives, such as the Cadbury 'Gorilla' viral, may produce occasional uplifts, but brands like Cadbury still

Peter Field has been a marketing consultant for the past 10 years. Before that, he ran the account planning departments at Bates and Grey. He set up the IPA dataBANK in 1996 and was a judge of the IPA Effectiveness Awards in 1998. He is an honorary Fellow of the IPA.
peter.field@dsl.pipex:com

Foto

depend on SOV to maintain or build market share over the longer term.

The lesson for account planners is clear: brand targets as well as campaign and agency assessments cannot be divorced from the communications budget. A target that is realistic with one budget level can become unrealistic when this is lowered. And a campaign that might have generated strong growth with sufficient budget can fail without it. Fortunately, the Nielsen study now provides us with a powerful framework for setting realistic targets for FMCG brands. Account planners should be aware of this and make use of it in campaign evaluations.

The framework for growth

The key metric that drives growth is often referred to as excess share of voice (ESOV), though Millward Brown's nomenclature of 'media pressure' is perhaps smarter in the current climate. ESOV is defined as SOV minus market share (SOV-SOM), and a number of studies, including those of the IPA dataBANK (4) and Millward Brown (2) have shown that the rate of share growth (or decline) is strongly governed by it. The Nielsen study also found a strong correlation between ESOV and share growth and enables us to put the most accurate scale to it to date.

Nielsen found that, on average, across the 123 FMCG brands, 10 points of ESOV produced 0.5 share points of growth per year (Figure 2). Thus a brand with a market share of 20.5% and ESOV of 10% points would expect to grow over a year to 21% market share. Any growth targets set with lesser ESOV are at best optimistic, at worst unrealistic. And any growth achieved above that predicted by the framework should trigger payment-by-results (PBR) rewards.

The precise relationship varies from brand to brand, partly for reasons I shall return to, but also because categories differ. So account planners should be encouraging their FMCG clients to ask Nielsen to use econometric modelling to measure accurately the relationship for their categories - ideally before setting budgets and targets, and certainly before deciding whether a campaign was effective or not. Nevertheless, in lieu of accurate modelling, this broad analysis provides some invaluable norms for FMCG brands.

Foto

The impact of a strong campaign

The study's implications for target setting and PBR models do not end here. Because we can compare the Nielsen findings for 'typical' FMCG campaigns with the findings of the IPA dataBANK for best-in-class FMCG campaigns, we can also put a scale to the level of ambition that might reasonably be placed on an agency. The best-in-class FMCG campaigns in the IPA dataBANK achieve 0.8 points of share growth per annum for every 10 points of ESOV. Therefore, the maximum a client could reasonably expect their agency to achieve is a campaign 60% more effective than the category average (0.8 ÷ 0.5). This might sensibly represent the trigger for maximum bonus levels - and an IPA Effectiveness Award submission.

But given that, for most account planners, improving effectiveness means developing a strong campaign, it is important to set this in context. Imagine that you have just started work on an FMCG brand with a 10% market share and a £3m annual advertising budget, which gives it a 10% SOV. To date, the campaign has been pretty average and the brand stable. Quite rightly, your first priority is to improve the campaign.

Let's imagine that this turns out to be one of those rare career-building opportunities to develop an IPA Award contender campaign. A year later, your client is rewarded with a 10.3% market share.

Alternatively, you could have suggested that your client invest an additional £I.8m behind the previous campaign and achieved the same result. Improving the campaign is probably more profitable (depending on the costs involved) but is a lot less certain. And we all know how finance people view uncertainty: somewhere between tooth extraction and limb amputation. Best, of course, is to achieve improved campaign effectiveness and to use this to argue for additional investment behind the campaign. The client would be looking at a 10.8% share and you would almost certainly have a potential IPA Award-winner on your hands. But how many account planners make that extra leap? Everyone should, and the Nielsen framework gives you the ammunition you need to make it.

Size makes a big difference

I mentioned above that the precise relationship varies from brand to brand, and here the Nielsen study reveals further valuable findings. The major brand-specific factor that determines the responsiveness of market share to ESOV is the size of the brand. Brands with market share levels of over 10% achieved on average around two-and-a-half times the level of share growth per point of ESOV than brands with market share levels of under 10%. This applies whatever the level of ESOV (Figure 3).

Work done by Professor Jones in the US (I) suggests that much of this big brand advantage lies in the relatively lower equilibrium share of voice they enjoy compared with their market share. He found that brands with market share in excess of 25% could get away with ESOV of around

-5%, whereas brands with less than 10% market share typically needed ESOV of around +4% to remain stable. This probably reflects the various economies of scale that big brands tend to have in terms of price, distribution and innovation, as well as 'double jeopardy' advantages (6), which may mean they don't have to rely quite so strongly on advertising to maintain market share. So it takes considerably more ESOV to drive growth for small brands than for big ones: something that should be factored into targets and budgets, but seldom is. The scale of the disadvantage they face suggests that small brands will struggle to grow through share of voice alone, and will almost certainly require campaigns with above-average effectiveness as well.

The size effect becomes even more apparent when you compare brand leaders with challenger brands. In his first challenger brand manual, *Eating the Big Fish* (7), Adam Morgan reveals that in the original contract DDB drew up with Avis, the promise was made that 'a serious attempt would be made to produce advertising with five times the effectiveness of Hertz'. It turns out that for FMCG challenger brands, such an ambition would not be so wide of the mark.

Nielsen found that FMCG brand leaders achieved 1.4% points of share growth per 10% points of ESOV compared to challenger brands' 0.4% points per 10% points of ESOV. So we can put a number to just how much more effective a campaign for a typical FMCG challenger brand needs to be to 'level the playing field' with the brand leader: no less than 3.5 times as effective.

The logic of Adam Morgan's argument that challenger brands are unlikely to prosper by playing by the same rules as the brand leader is now undeniable. They need a radically more effective approach to deliver this scale of efficiency. In fact, challenger brands will need a combination of category-leading effectiveness as well as significant investment in ESOV to drive growth reliably. The implication of this for account planning is clear: available budget affects not only targets and assessments but also the kind of strategy you will need.

News is nice

It is widely known that new brand news boosts the effectiveness of campaigns. This has led to a news-focused school of advertising that, for some clients, drives out other proven models of influence, such as emotional engagement or generating word-of-mouth.

The Nielsen data allows us to put a scale to the maximum effect of news in FMCG categories: brand launches or relaunches typically achieved 15-25% greater growth per point of ESOV than is the norm. Clearly, most news campaigns stop well short of relaunching the brand, seeking only to add some new feature or benefit, so the impact of more typical news will probably be less than this.

It is instructive to compare the impact of news with that of category-leading IPA campaigns (60%) and with the scale of disadvantage faced by challenger brands. It is difficult to avoid the conclusion that news alone is unlikely to deliver the required level of effectiveness for reliable growth for most brands. So while news is always worth creating, it should not be to the exclusion of other, more effective influence models widely used by IPA-grade campaigns. Nor is news a complete substitute for investment in ESOV for brands seeking growth.

In *Brand Immortality* (8), Harmsjtv Pringle and I reported that new categories in the IPA dataBANK enjoyed 7% greater share growth per point of ESOV than is the norm. In one of many parallels between the two datasets, the Nielsen study also found that brands in new categories were more responsive to ESOV than those in mature categories. In the less competitive environment of a new category, share growth is easier to drive. Of course, for account planners, this should mean greater growth targets.

FIGURE 3

Large versus small brands

Growth versus ESOV for large brands versus small ones

FIGURE 4

Responsiveness to ESOV

Responsiveness to ESOV across sectors

IPA dataBANK findings	SOM growth (% points) per 10% points of ESOV
Services brands	+2.7%
Durables brands	+2.4%
FMCG brands	+0.8%
Average of all sectors	+2.2%

Source: IPA dataBANK

Other sectors

Sadly, Nielsen can only teach us about the FMCG sector, which leaves the many brands in the services and durables sectors high and dry. However, we know from analysis of the IPA dataBANK that services and durables are around three times more responsive to ESOV than FMCG (Figure 4).

But these results are for best-in-class campaigns, so we would need to apply a correction factor to predict the results for typical campaigns. If the FMCG finding that best-in-class campaigns are 60% more effective than average also applies in services and durables, then typical campaigns in these sectors might expect to achieve around 1.5% points of share growth per 10% points of ESOV. As more IPA data becomes available, we will be able to refine this benchmark.

A new opportunity

We have seen that SOV is too important an effectiveness issue to be the concern only of media planners - account planners need to engage with it too. As accountability in the shape of payment by results grows in importance, so too does the issue of share of voice. With the upturn still some way off, account planners should not rely on market growth to make their campaigns look effective. This is the opportunity to root accountability in the more robust basis of ESOV. So, get along to the next Nielsen presentation on your brands and start asking questions: they missed you at the IPA event.

1. Jones, JP (1990) 'Ad spending: maintaining market share', Harvard Business Review, 68, 1, (Jan/Feb)
2. Twose, D (2005) 'Driving Top-line Growth' IPA dataMINE No 1, WARC
3. 'Advertising in a Downturn' (2008) IPA
4. Binet, L & Field, P (2007) 'Marketing in the Era of Accountability' IPA dataMINE No 2, WARC
5. 'Budgeting for Growth' (July 2009), IPA
6. Ehrenberg, A (2005) 'My research in marketing', Admap (May) Issue 461
7. Morgan, A (1999, 2009) 'Eating the Big Fish', Wiley
8. Pringle, H & Field, P (2008) 'Brand Immortality', Kogan Page

More on share of voice at www.warc.com

FIELD, Peter. Account planners need to care more about share of voice. **Admap**, Washington, v. 44, n. 8, p. 28-30, September 2009.