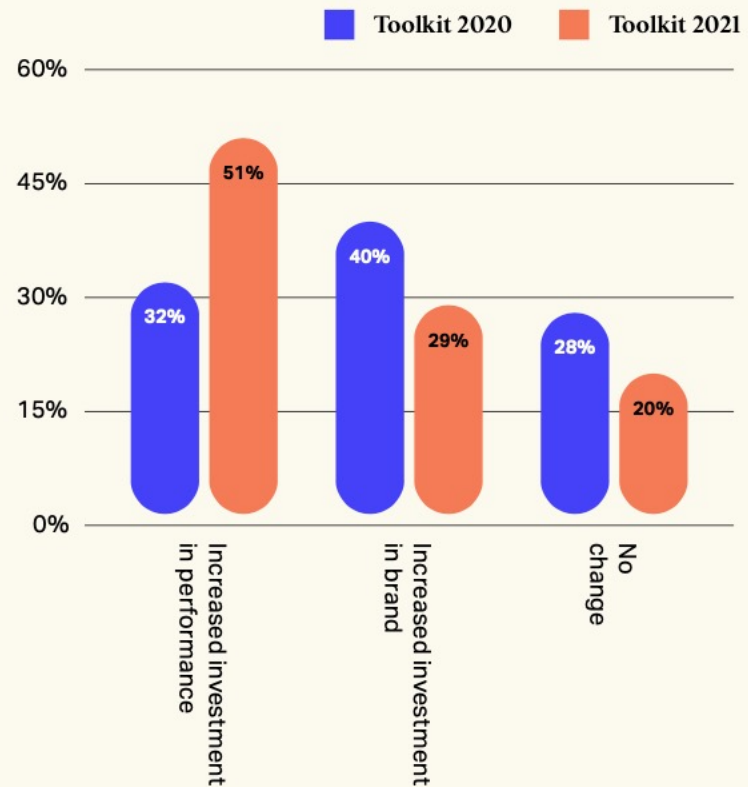


# Rethinking brand

for the rise of digital commerce

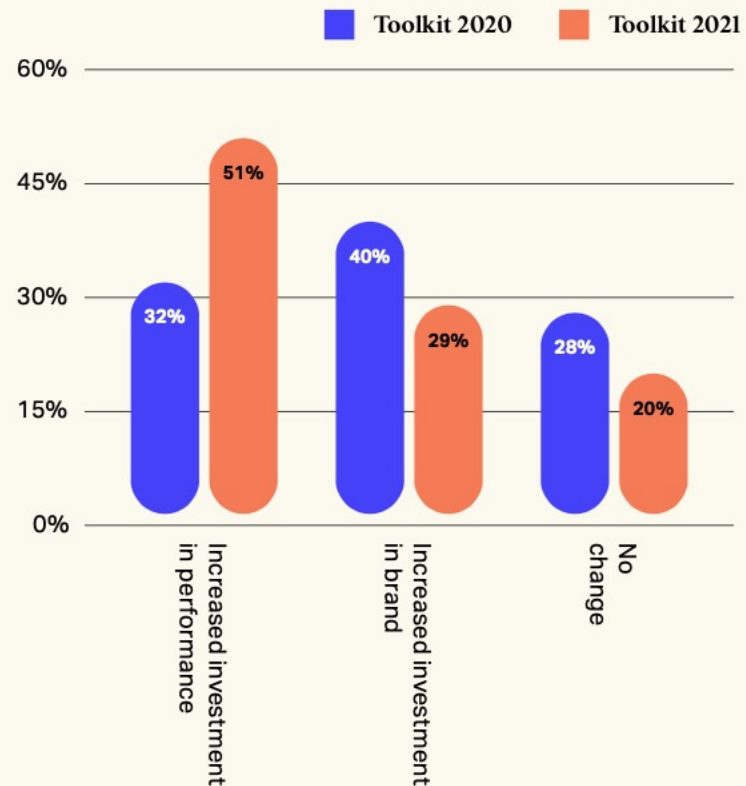


## How do you expect the balance of your investment to change in the coming year?



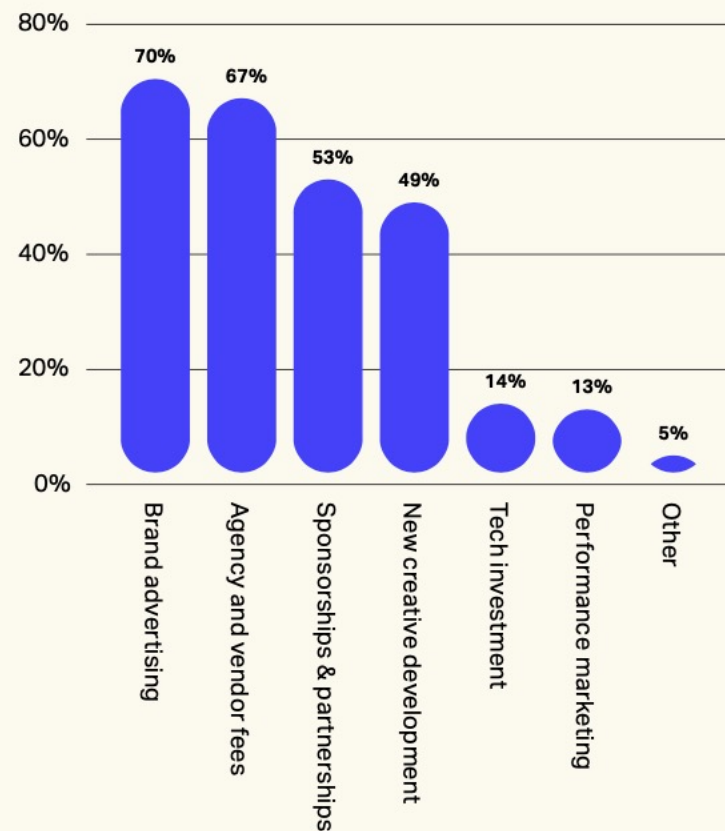
Source: WARC Marketer's Toolkit 2021

## 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?

**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 work

**6**

## **Brandless fallacy**

Google, Facebook, Amazon didn't need brand

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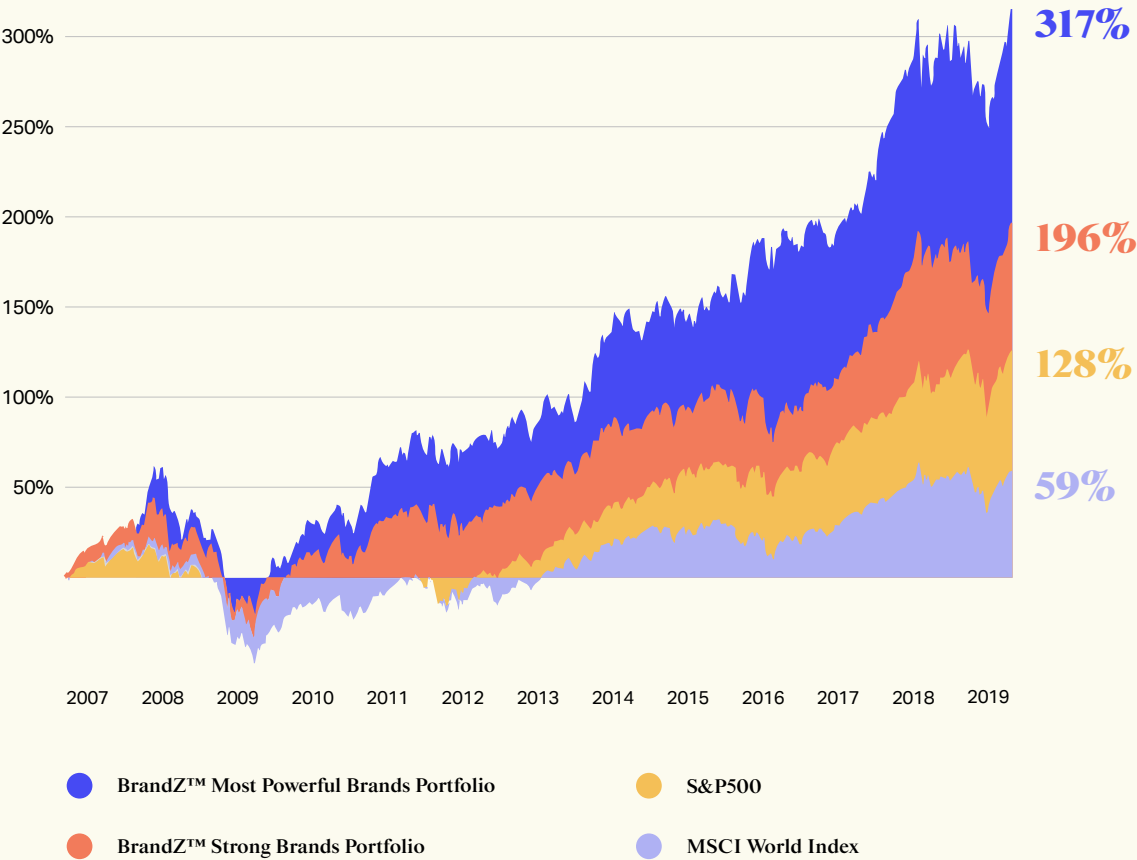
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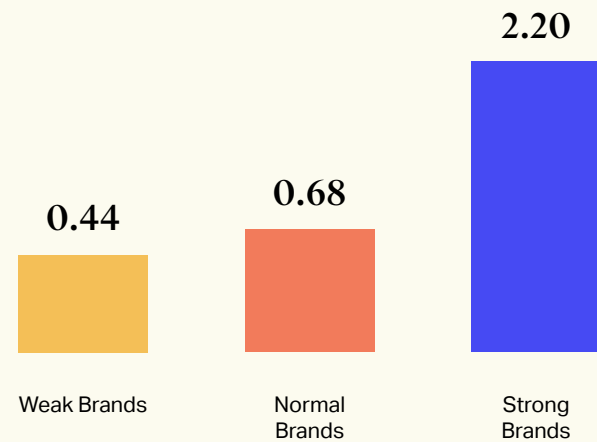
# BrandZ™ Portfolios vs the S&P500 and MSCI World Index



SOURCE: Kantar BrandZ

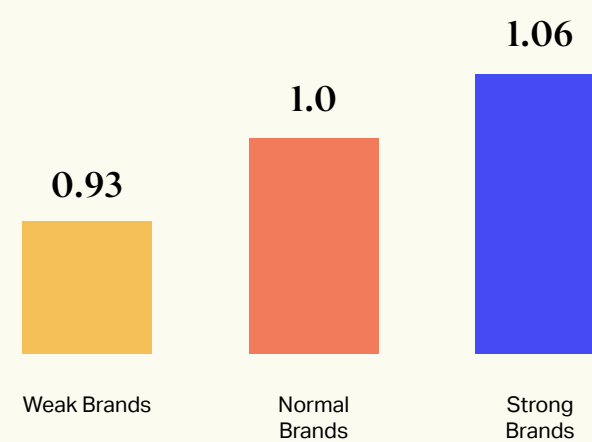
## Sales Volume Captured

(Index to average)

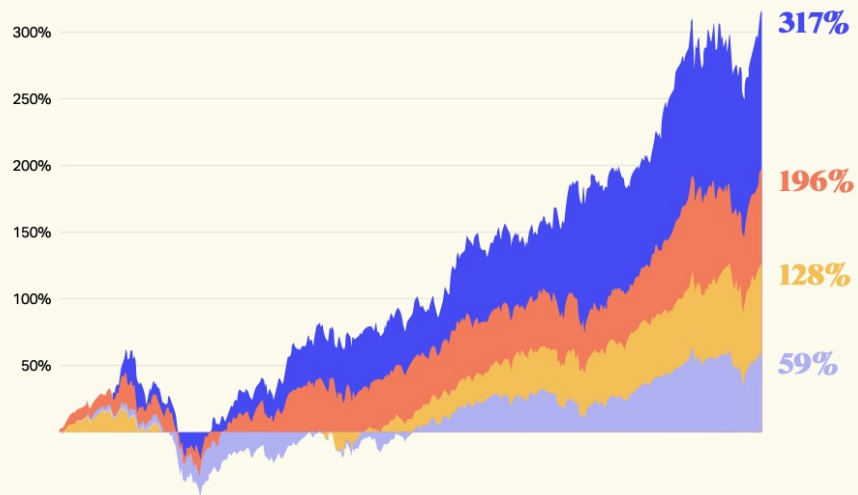


## Price Premium Achieved

(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**

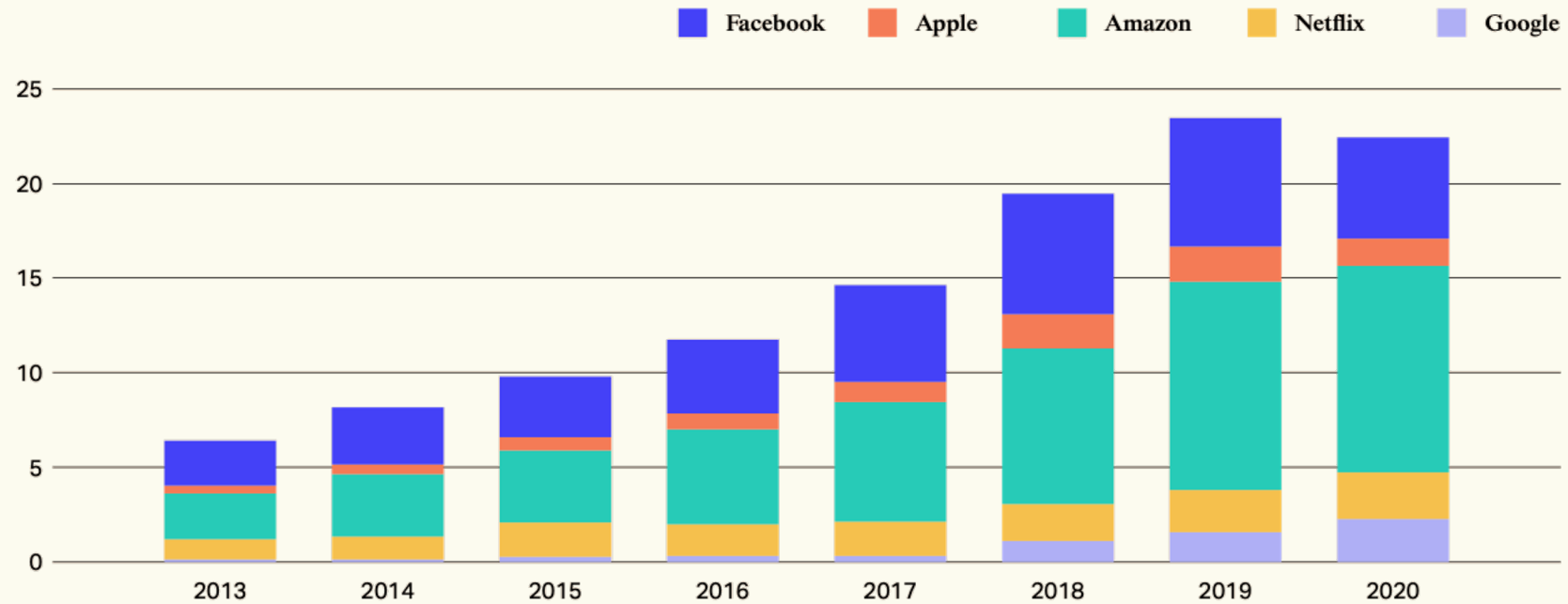
They are not 'the rule'

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

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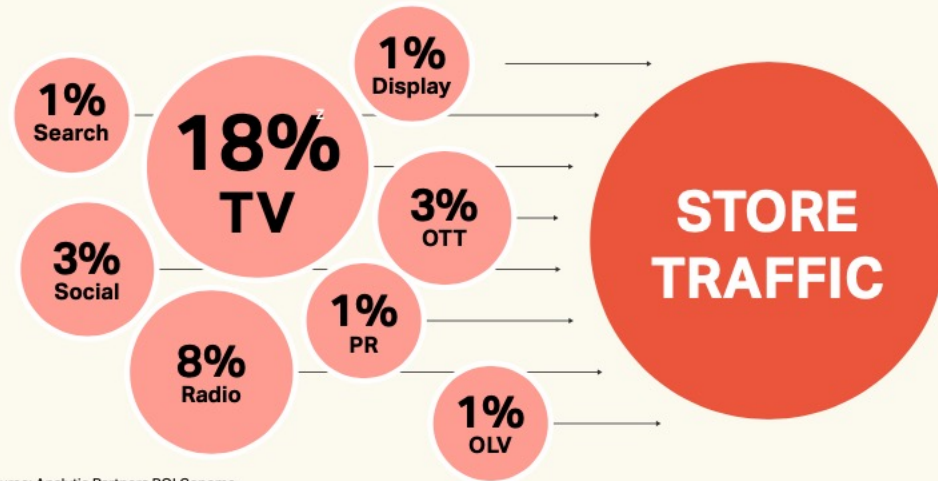
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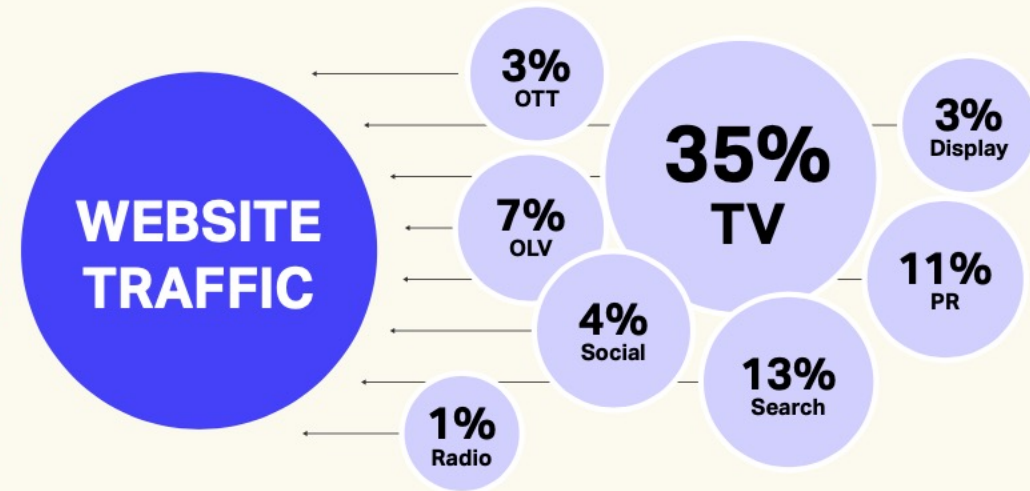
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### Drivers of store traffic



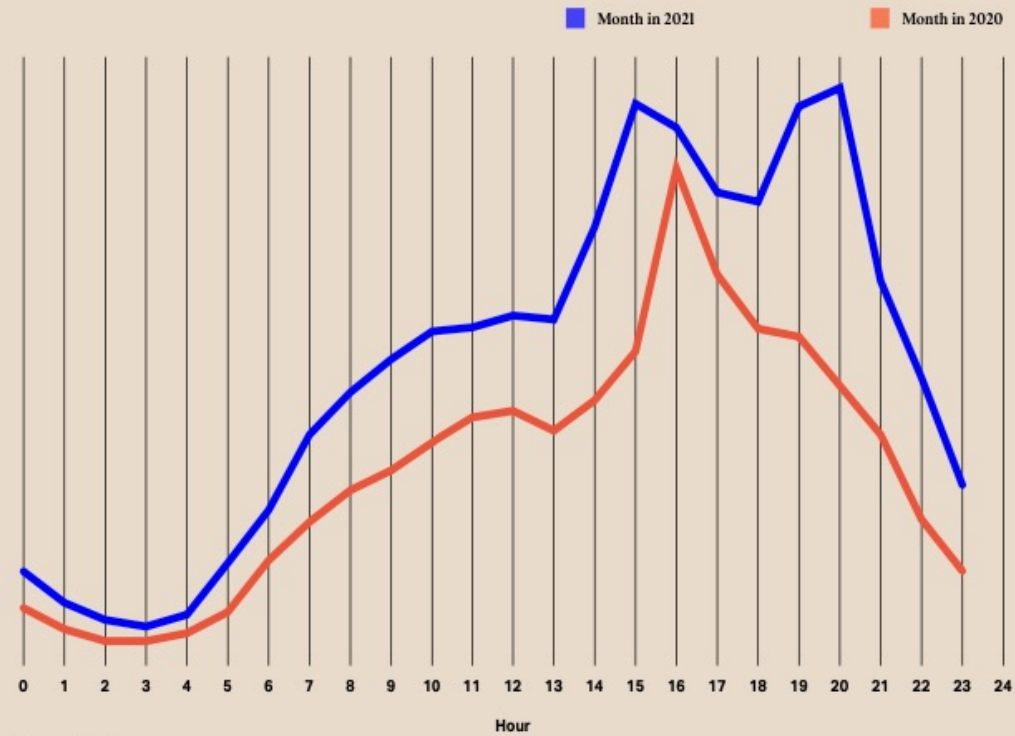
Source: Analytic Partners ROI Genome

### Drivers of website traffic



### TV sponsorship extends peak traffic period on-site

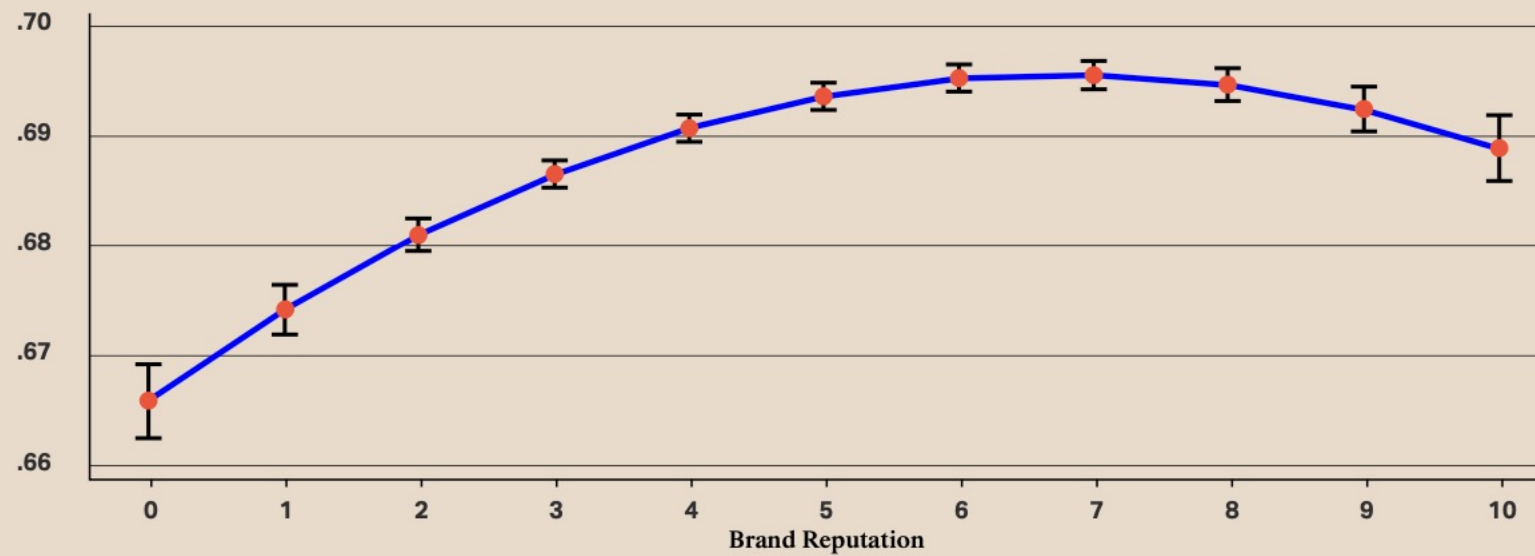
New user traffic onto site by hour during a single month



Source: Adgile

## Relationship between brand reputation and click decision.

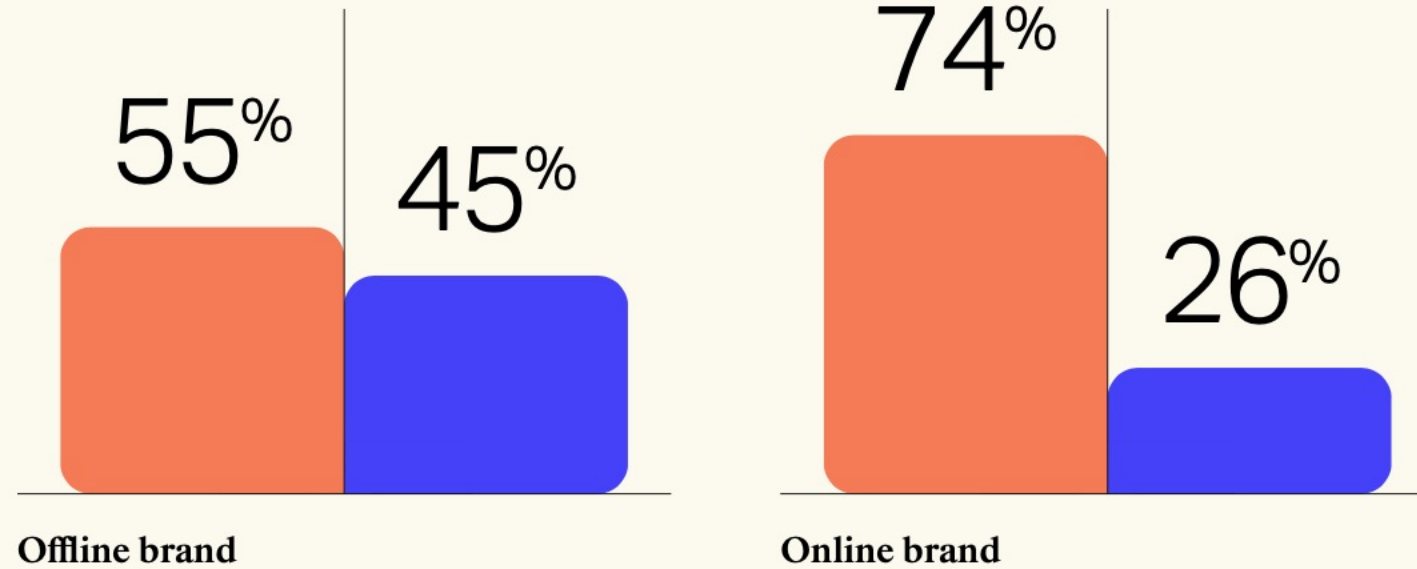
Predictive Margins with 95% CIs



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)



## Optimum split between brand-building and sales activation



SOURCE: Field & Binet, IPA

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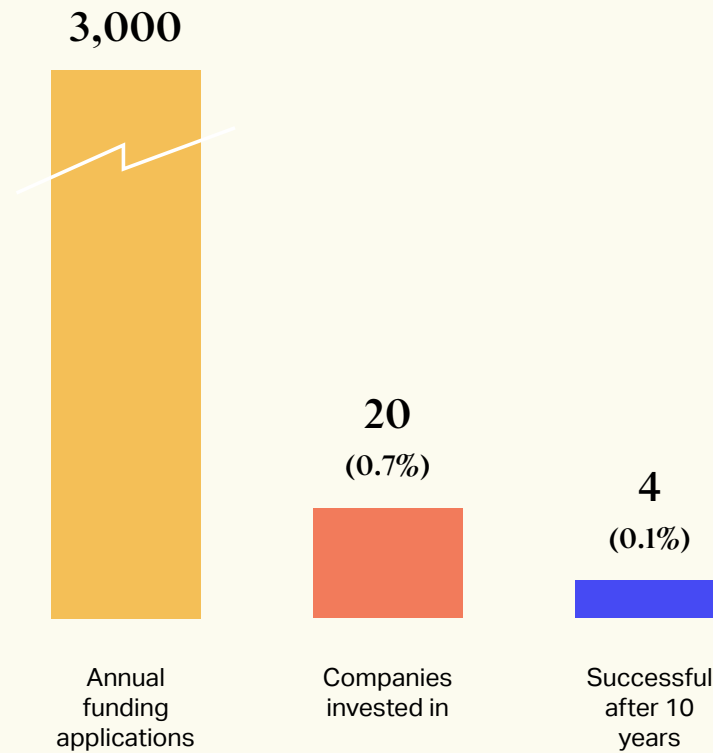
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# Investment & success at Andreessen Horowitz

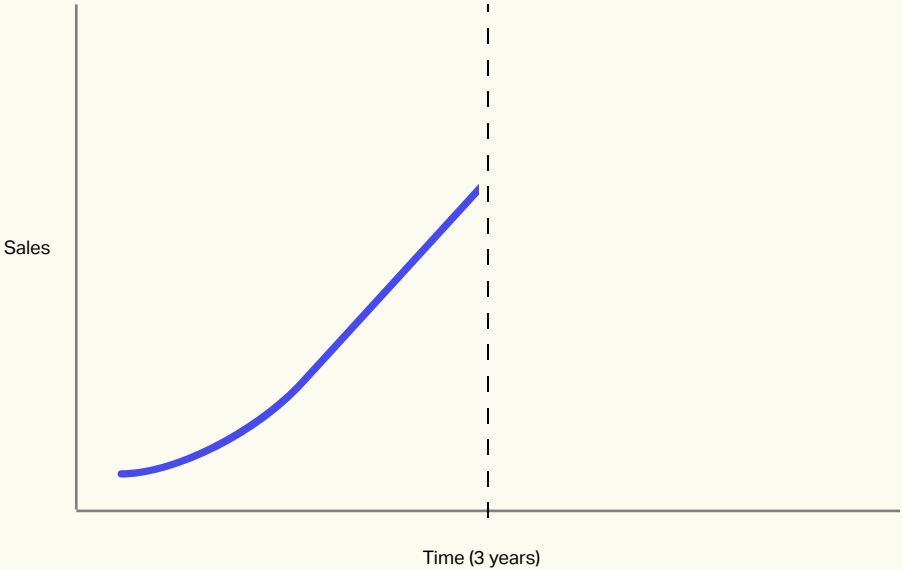


SOURCE: a16z.com

**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)

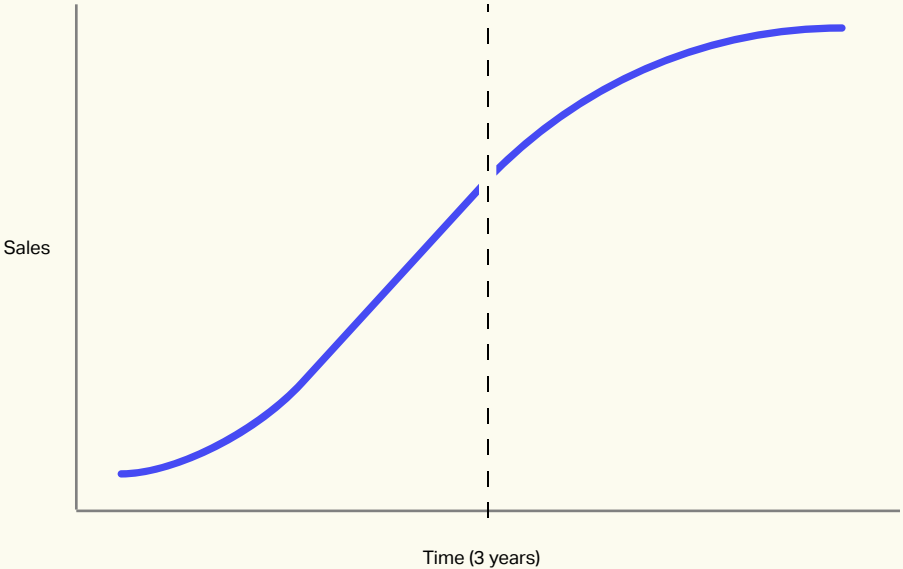
Cost-effective digital marketing  
used to get the solution in front of  
those customers

Strong growth

Low cost of acquisition

SOURCE: Various WARC & Facebook learnings

# The Easter Island Effect



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

New customers become more difficult and expensive to find

Pre-existing demand has all been captured

Product becomes less unique as competition increases

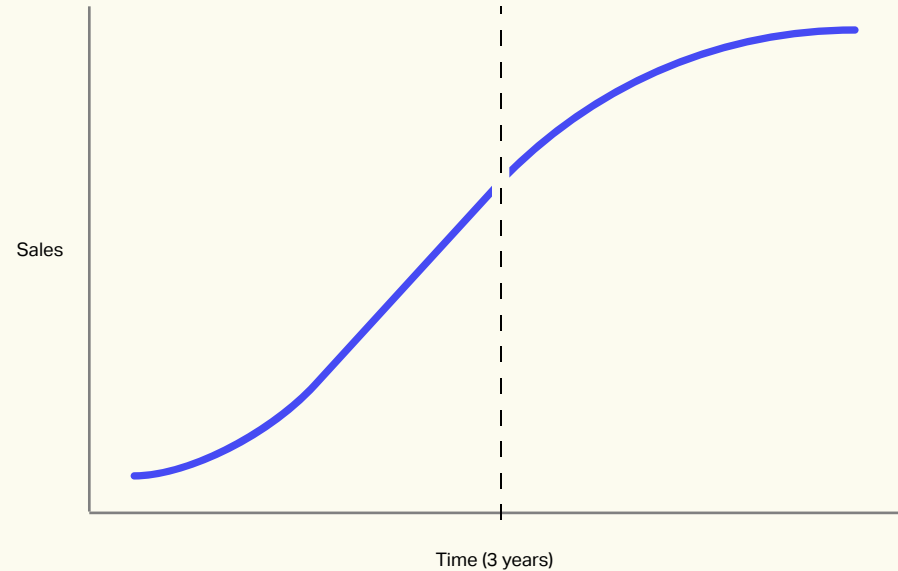
Growth slows

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



## 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

## Future demand

## Existing demand

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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

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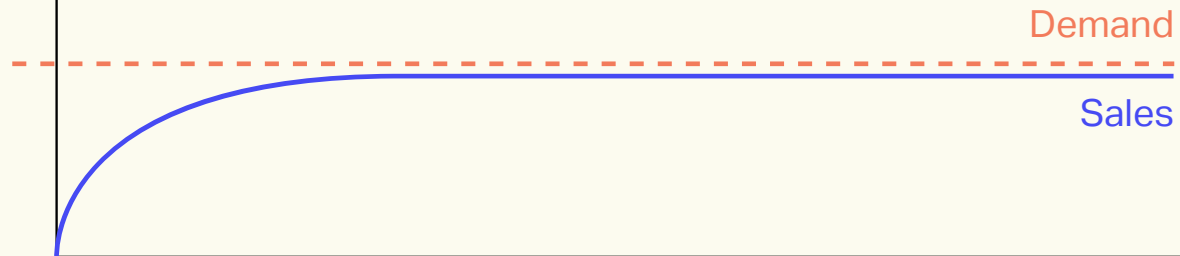
**Marketing's job is to harvest existing demand and create future demand**

### 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

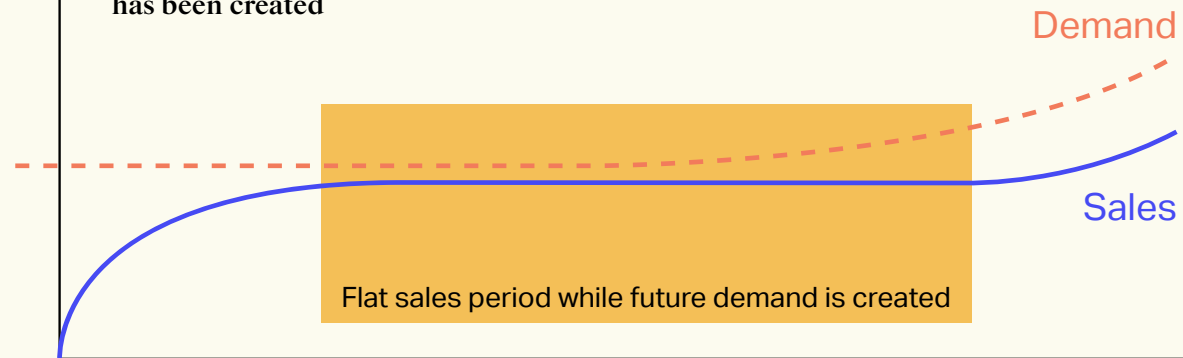


## Future demand creation after the fact

Sales plateau when demand is exhausted

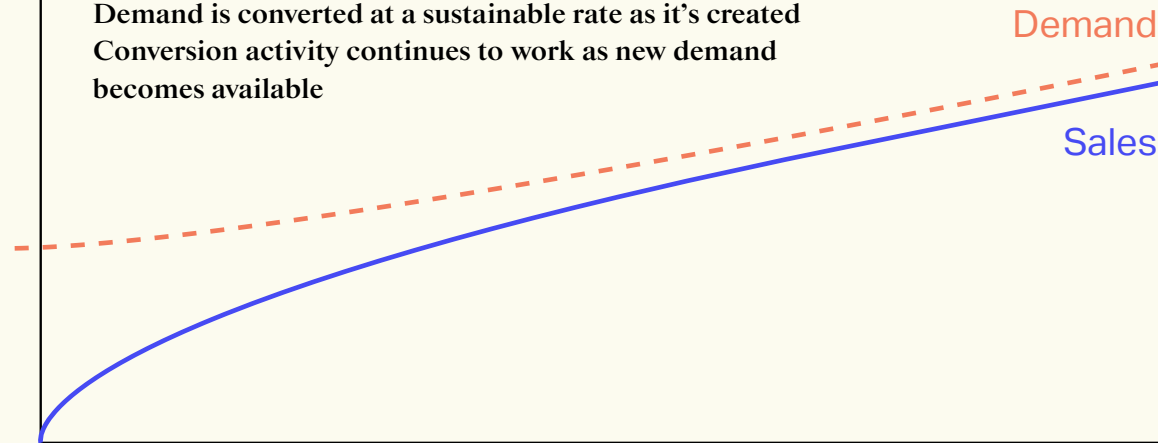
Future demand builds slowly over time

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**