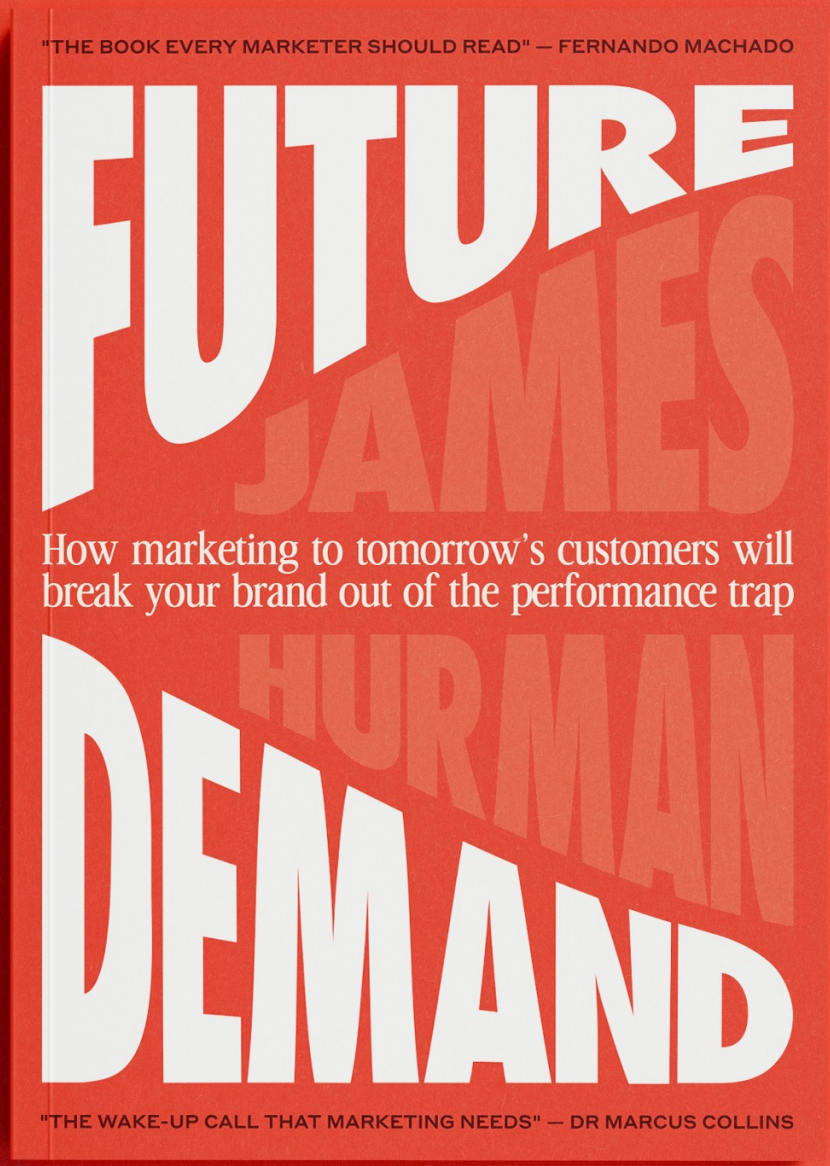

"THE BOOK EVERY MARKETER SHOULD READ" — FERNANDO MACHADO
FUTURE
JAMES
How marketing to tomorrow's customers will break your brand out of the performance trap
HUMAN
DEMAND
"THE WAKE-UP CALL THAT MARKETING NEEDS" — DR MARCUS COLLINS

75% of marketers are experiencing diminishing returns on their performance marketing spend

The Pulse of Performance Advertising: Diminishing Returns; 2025



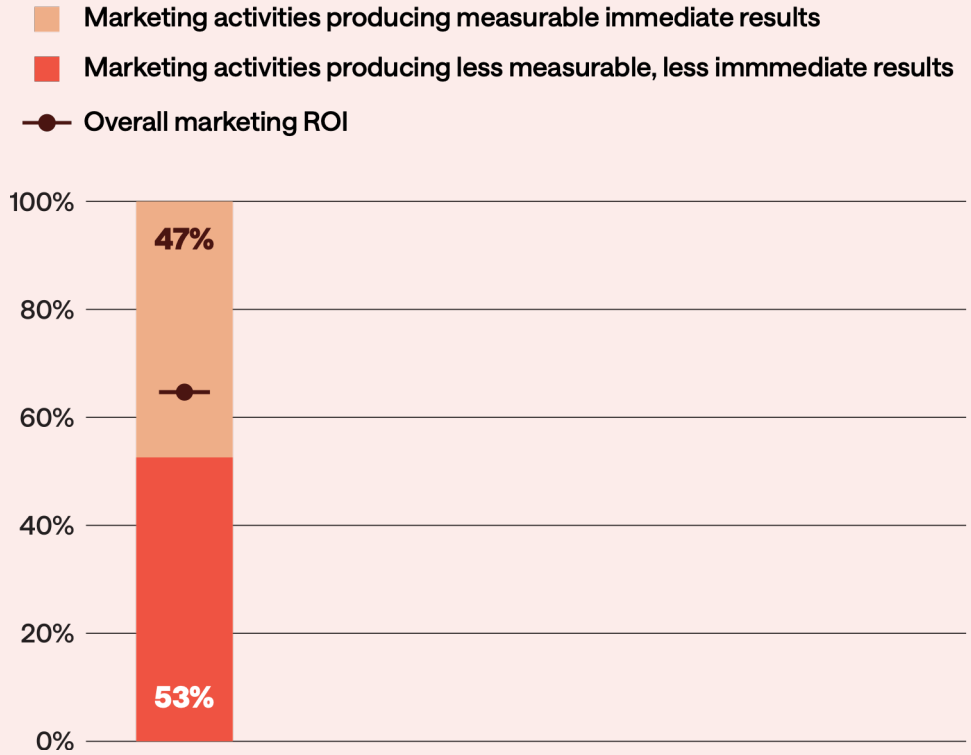
Performance campaign metrics identified by 66% of marketers as “looking successful” on dashboards yet failing to drive any real growth

The 2026 State of Performance Marketing Report



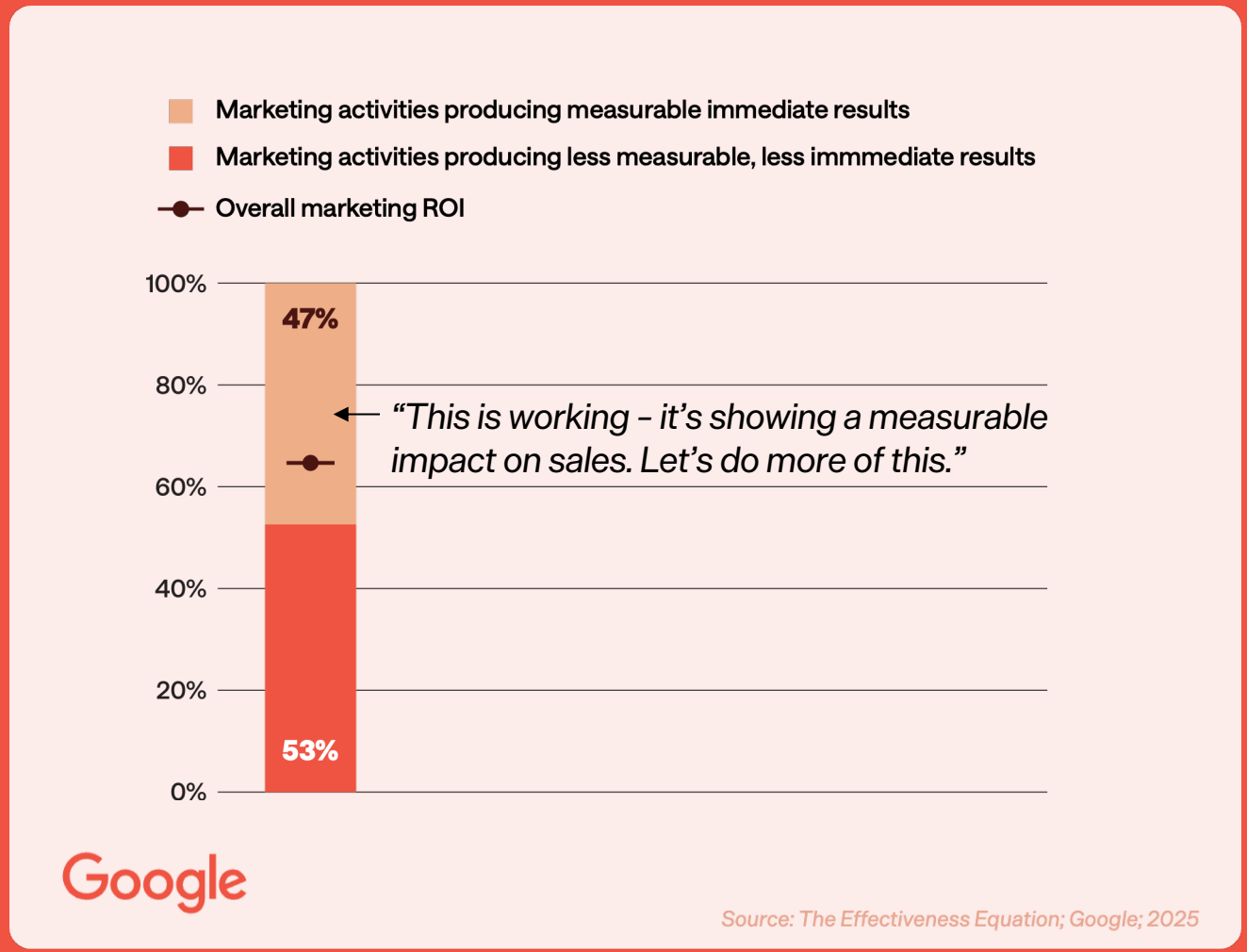
We have optimized ourselves onto a plateau



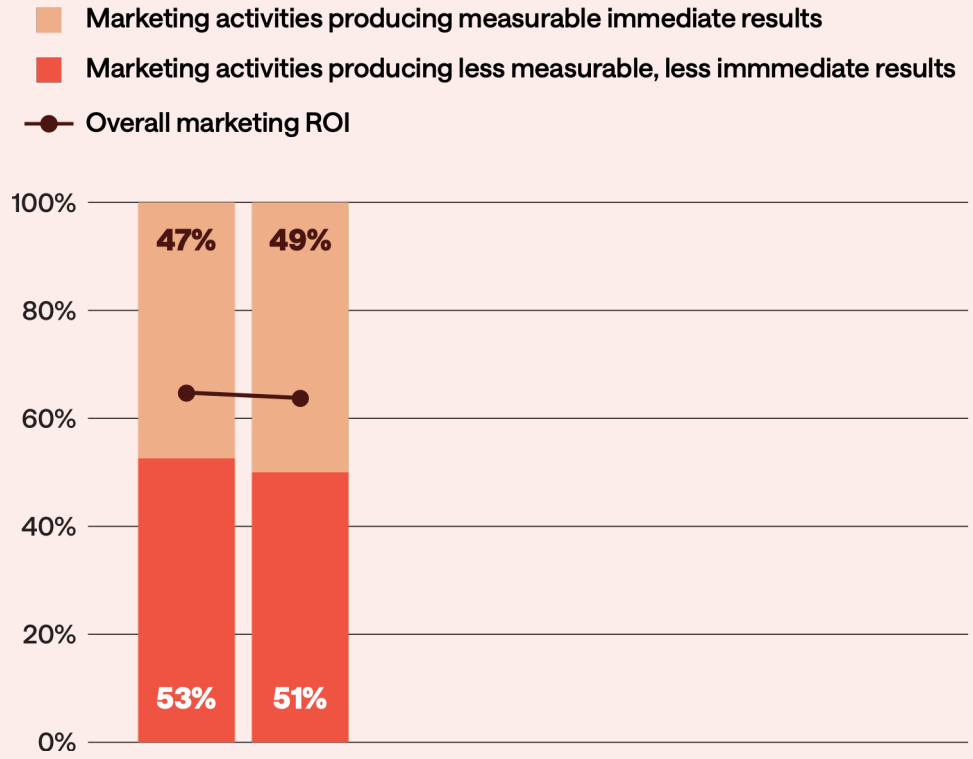


Google

Source: The Effectiveness Equation; Google; 2025

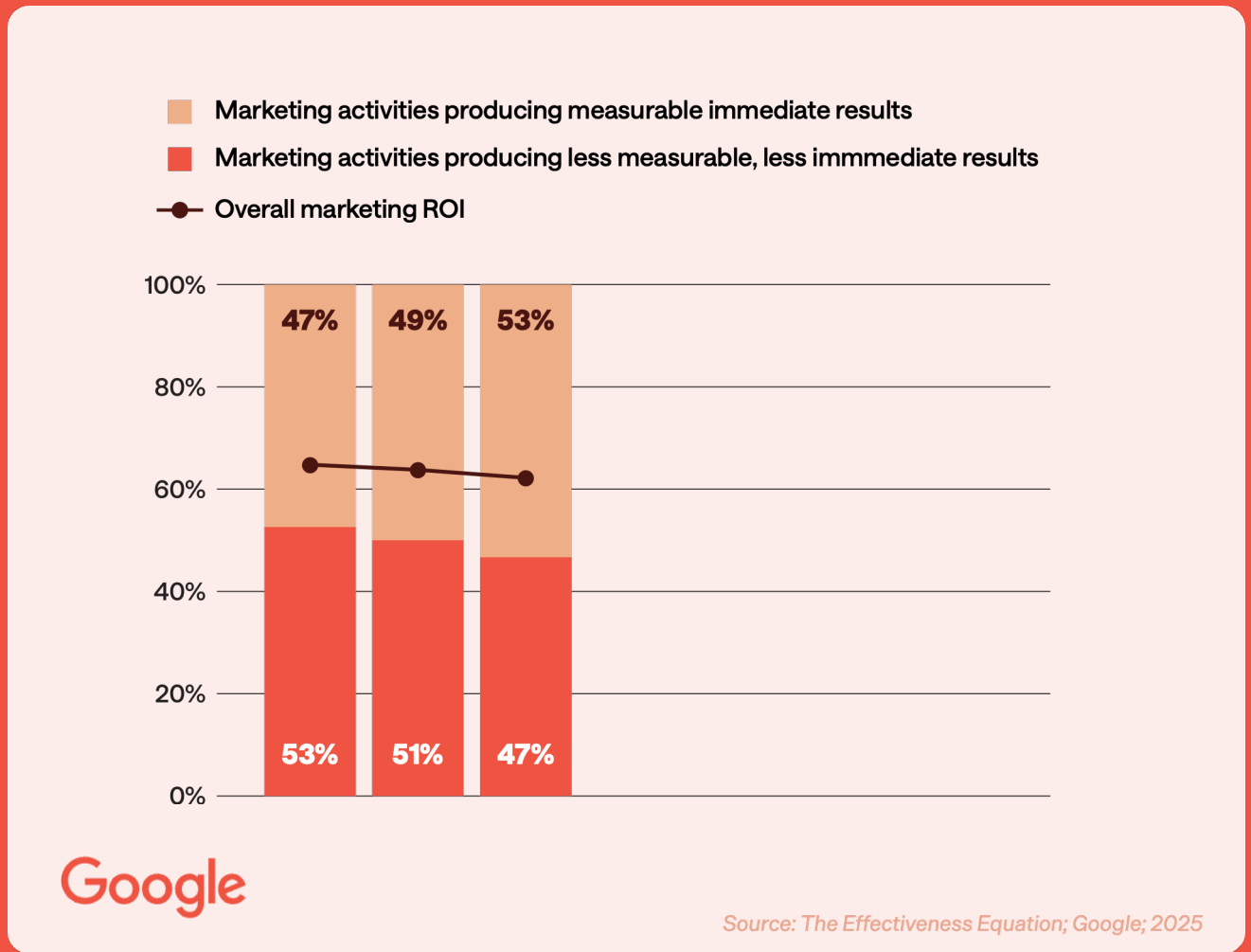


Source: The Effectiveness Equation; Google; 2025

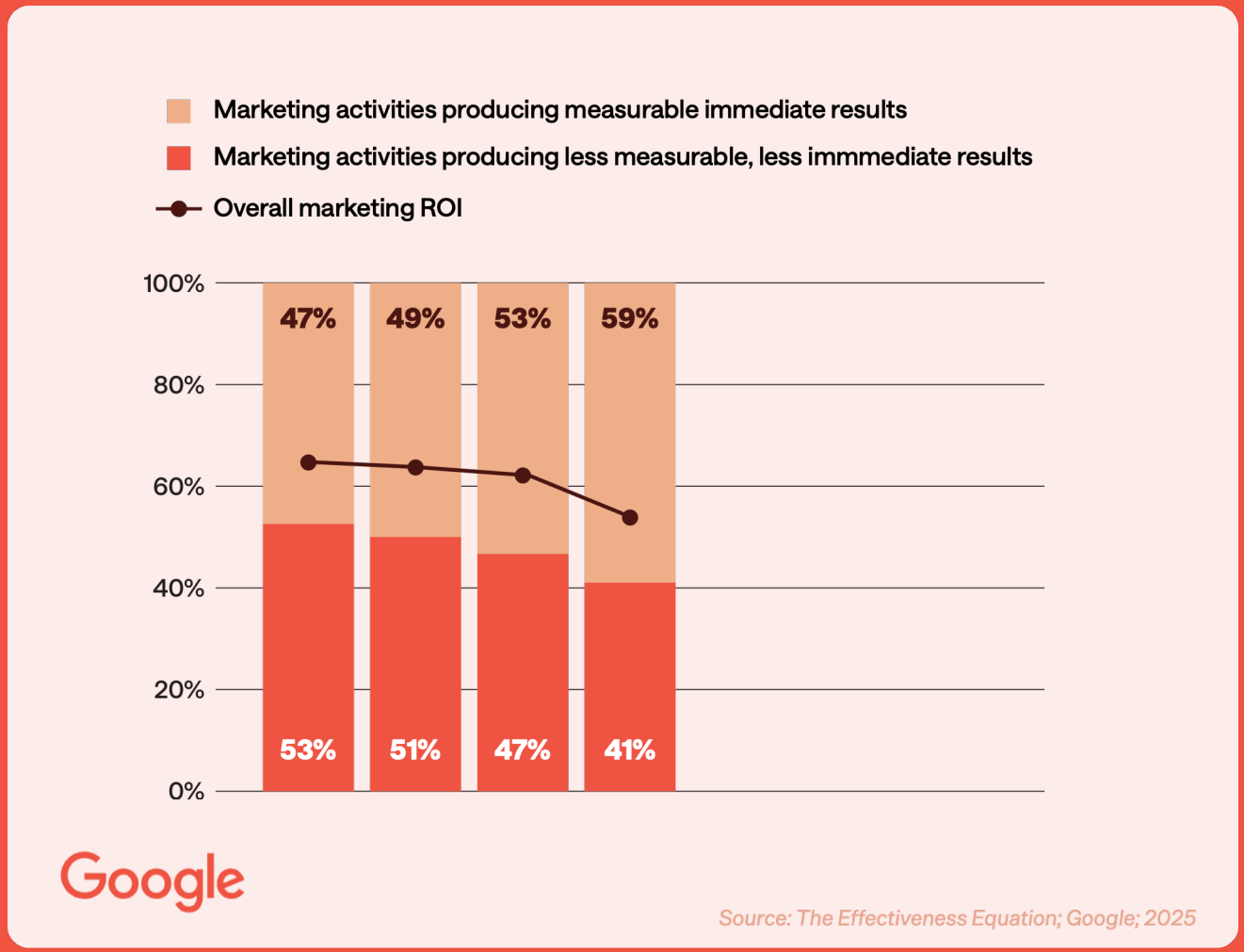


Google

Source: The Effectiveness Equation; Google; 2025

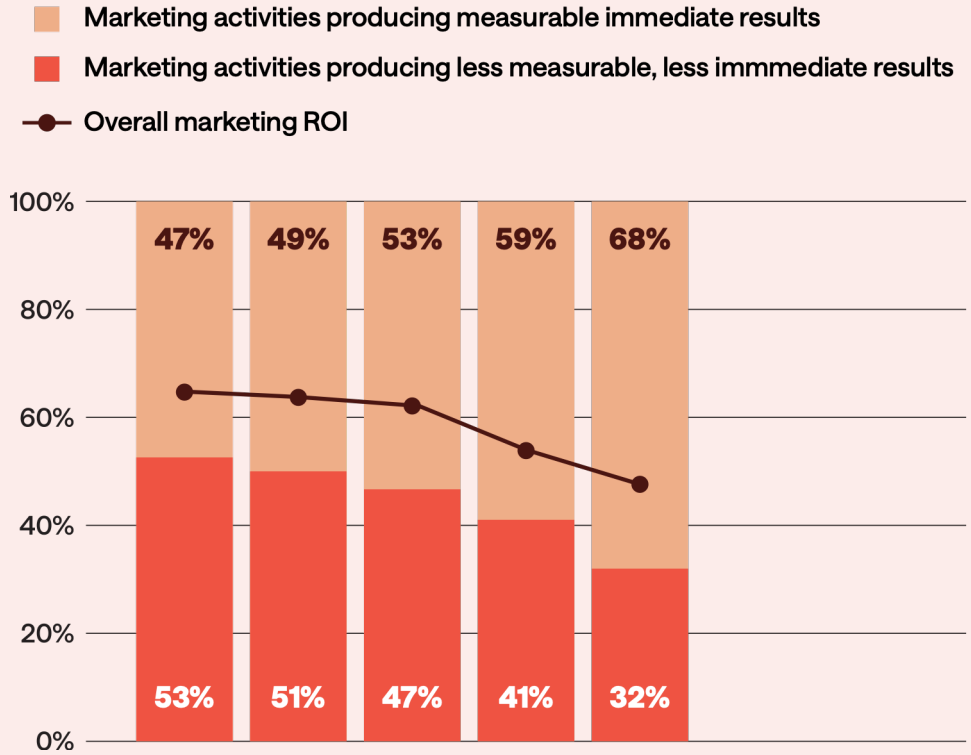


Source: The Effectiveness Equation; Google; 2025



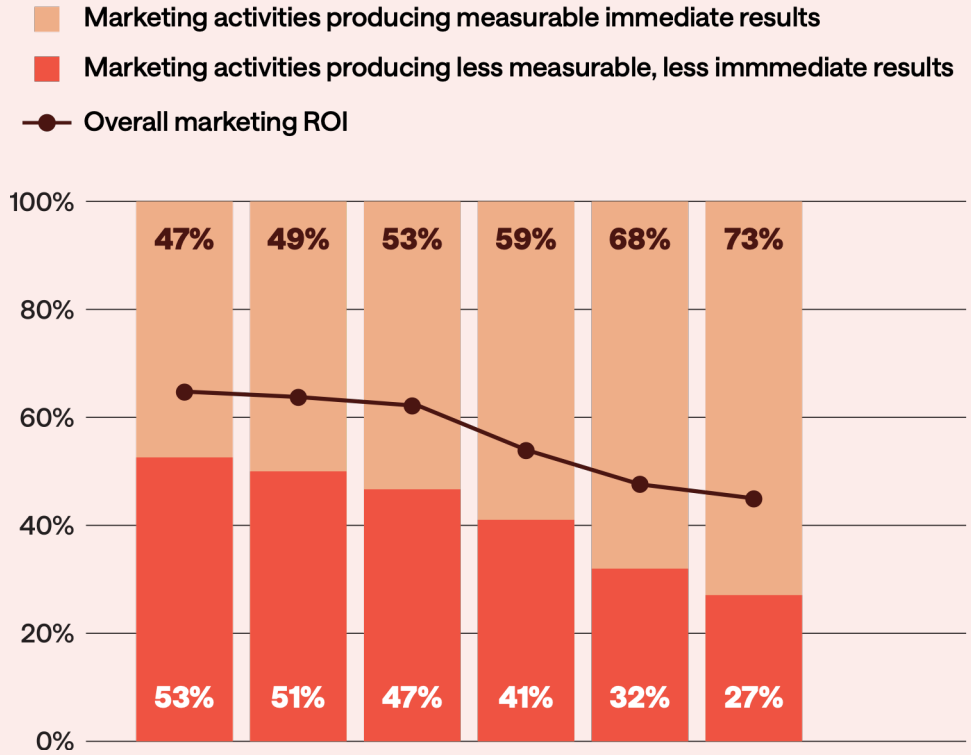
Google

Source: The Effectiveness Equation; Google; 2025



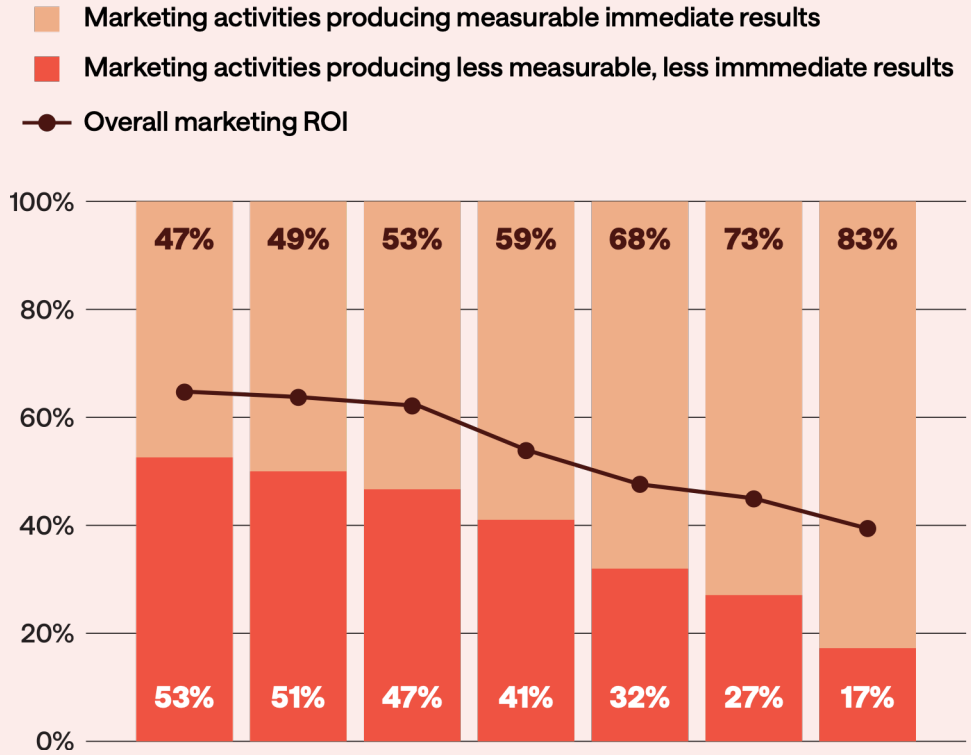
Google

Source: The Effectiveness Equation; Google; 2025



Google

Source: The Effectiveness Equation; Google; 2025



Google

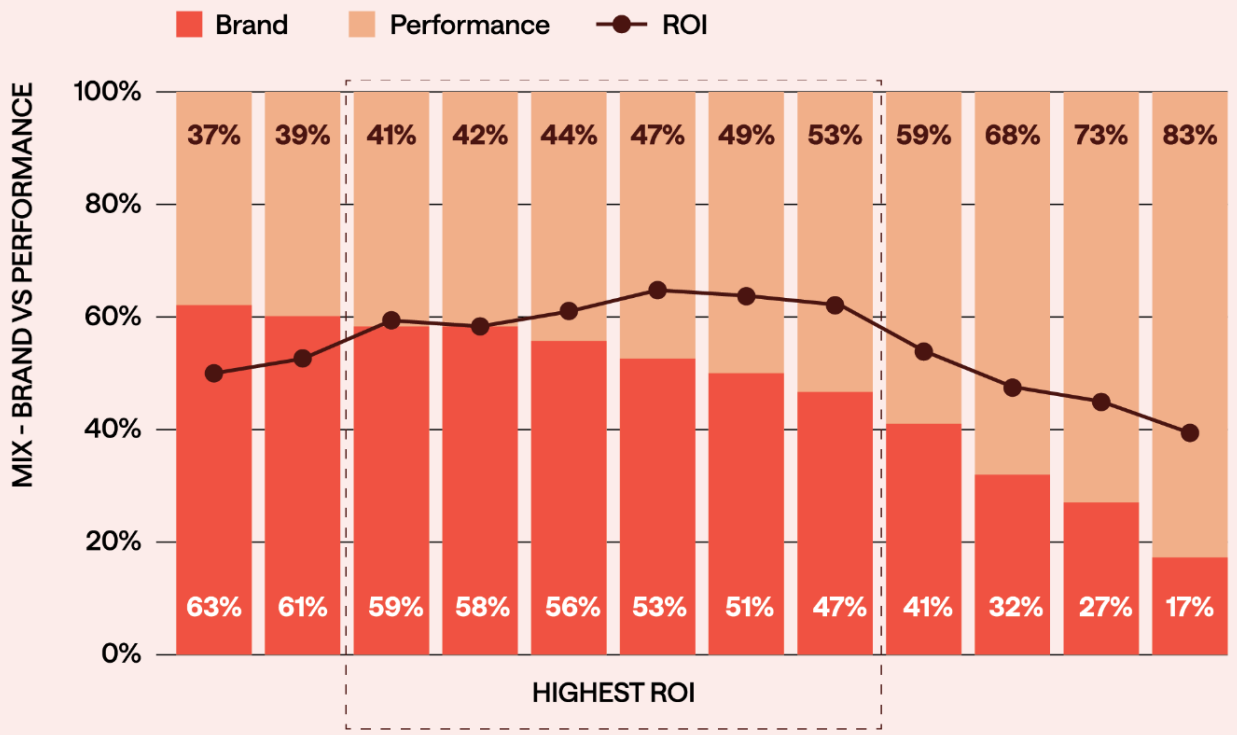
Source: The Effectiveness Equation; Google; 2025

At the end of 2025, the top regret for marketers was over-indexing on short-term tactics over long-term brand building

The 2026 Marketing Priorities Report



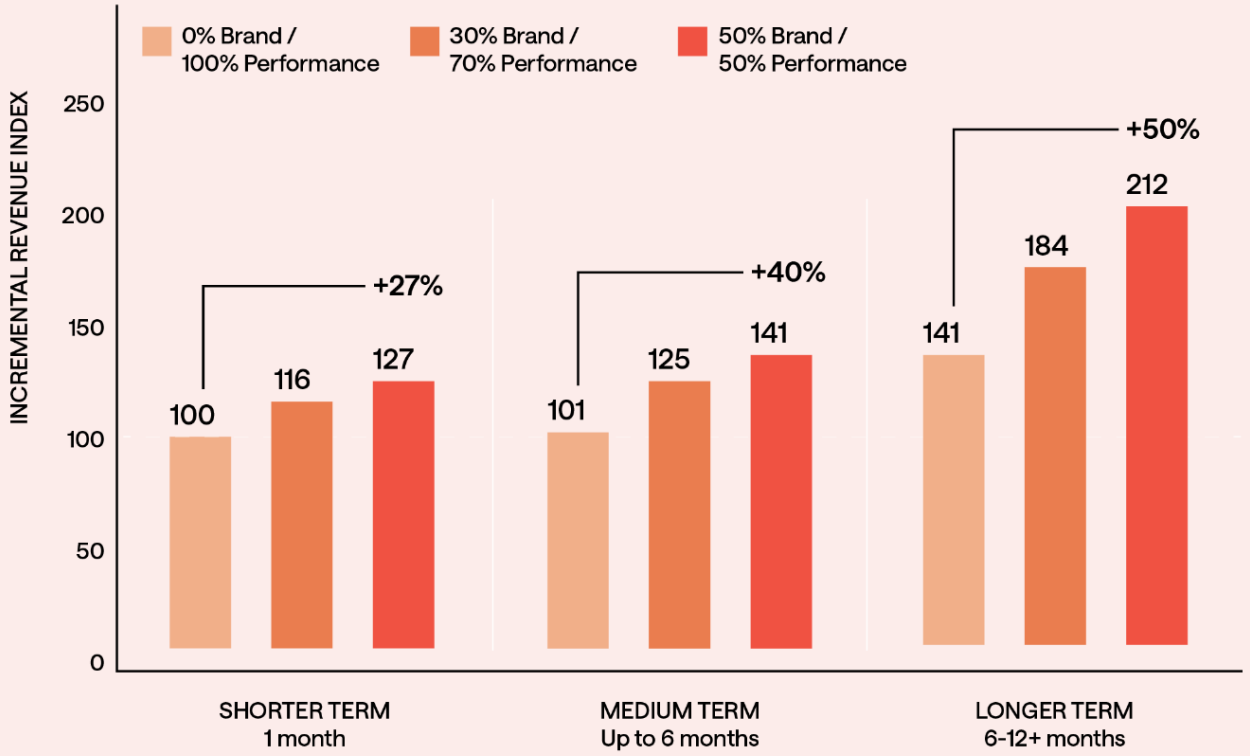
THE OPTIMAL SPLIT FOR ECOMMERCE BRANDS IN 2025



Google

Source: The Effectiveness Equation; Google; 2025

UNDERSPENDING ON BRAND COMES AT A SIGNIFICANT GROWTH COST



WARC × Analytic Partners

Source: The Multiplier Effect; WARC/Analytic Partners; 2025

EXHIBIT 3

Brand Marketing Investment Pays

Brands that invest boldly in marketing grow faster and deliver more business value . . .

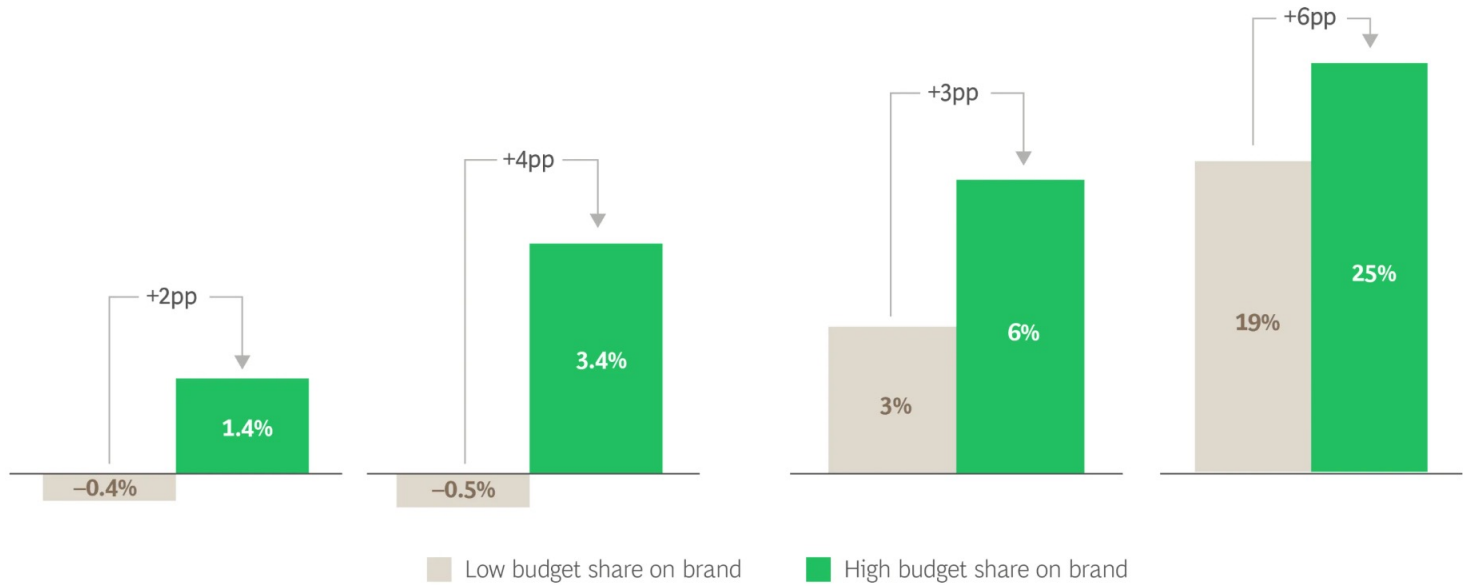
+2pp Revenue growth

+4pp Total shareholder value

. . . and sustain that edge over time across brand metrics that matter most

+3pp First-Fast Response

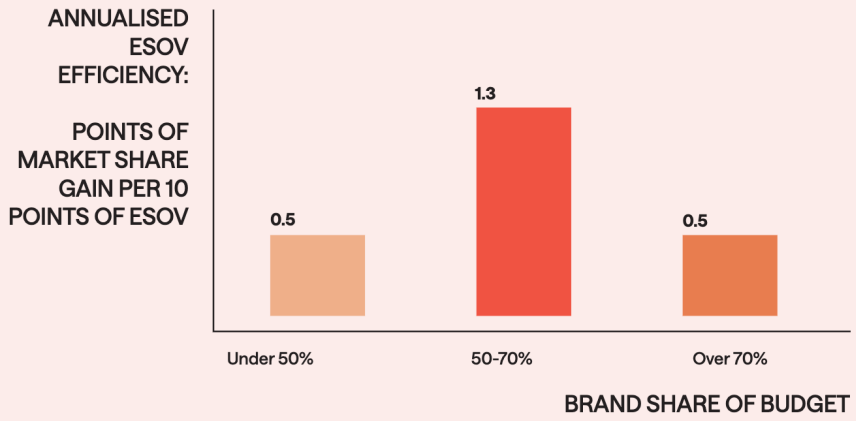
+6pp Funnel conversion



Sources: Pathmatics; Nielsen; Capital IQ; Euromonitor; BCG Consumer Brand Marketing Survey, 2025, n = 2,391; BCG analysis.
Note: Sample of 220 brands owned by public companies across verticals.

BCG

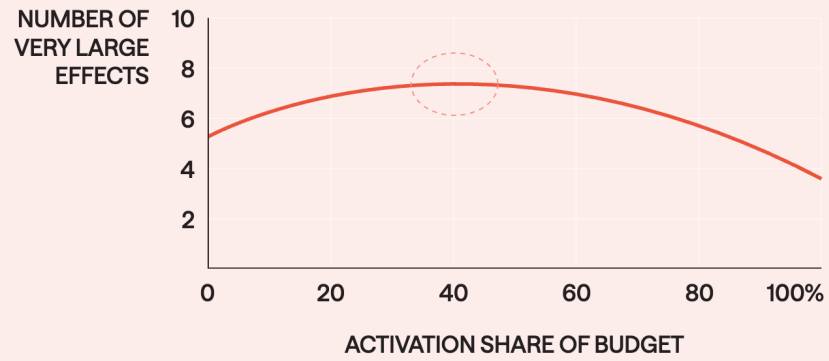
THE 60:40 SPLIT DELIVERS MAXIMUM EFFICIENCY



IPA

Source: The Long and the Short of It; Binet & Field; IPA; 2013

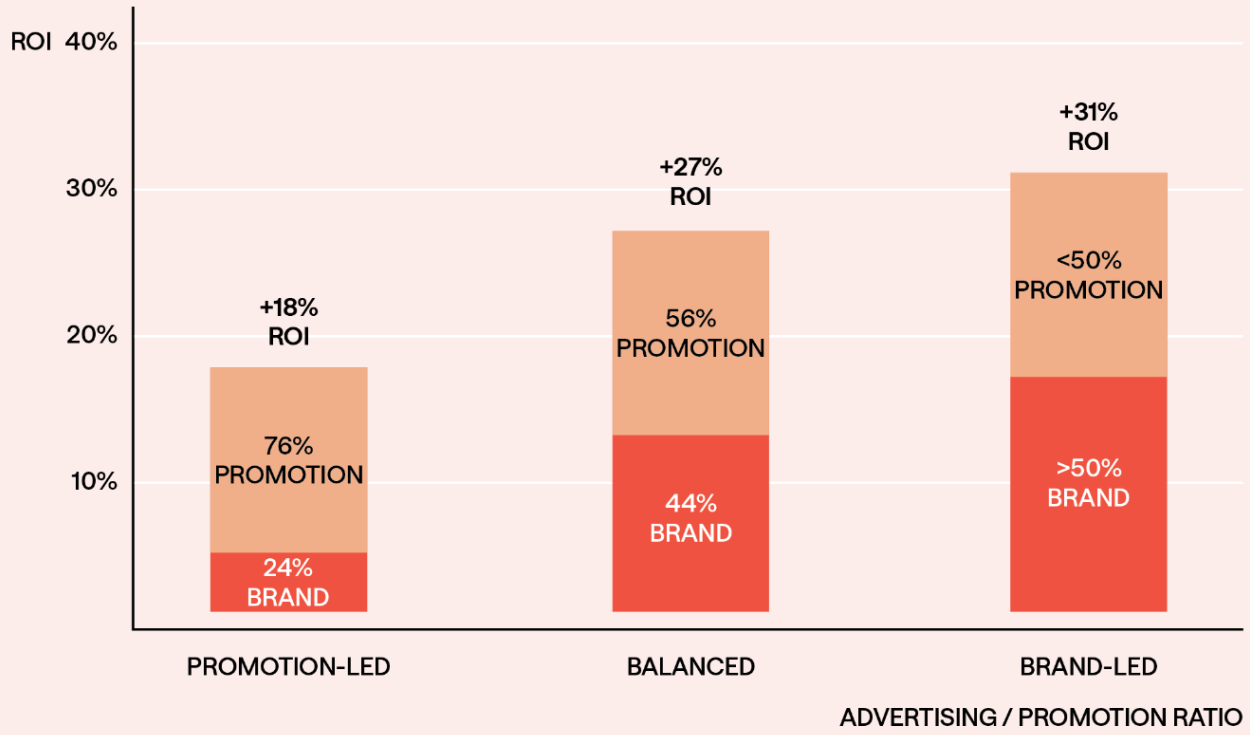
THE 60:40 SPLIT DELIVERS MAXIMUM EFFECTIVENESS



IPA

Source: The Long and the Short of It; Binet & Field; IPA; 2013

AD/PROMOTION RATIO AND ROI



Source: Does Advertising Work; Kim; Journal of Consumer Marketing; 1992

It doesn't matter where or when we look.

The companies with the best overall marketing ROI spend about 50/50 on brand and performance.



Why do brand and performance interact in this way?

Why are they both powerful on their own, but more powerful together?



Marketing is about how markets work and how humans make decisions.



Who is currently in the process of buying a new mobile phone, or thinks they will do so in the next two weeks?



Who expects to buy a new mobile phone in the next two years?



In any market, there are two types of demand



Current Demand

People who are ‘in the market’ and ready to buy



Future Demand

People who are not looking to buy now, but who will come into the category at some point in future.



In any market, there are two types of demand



5% - 25%

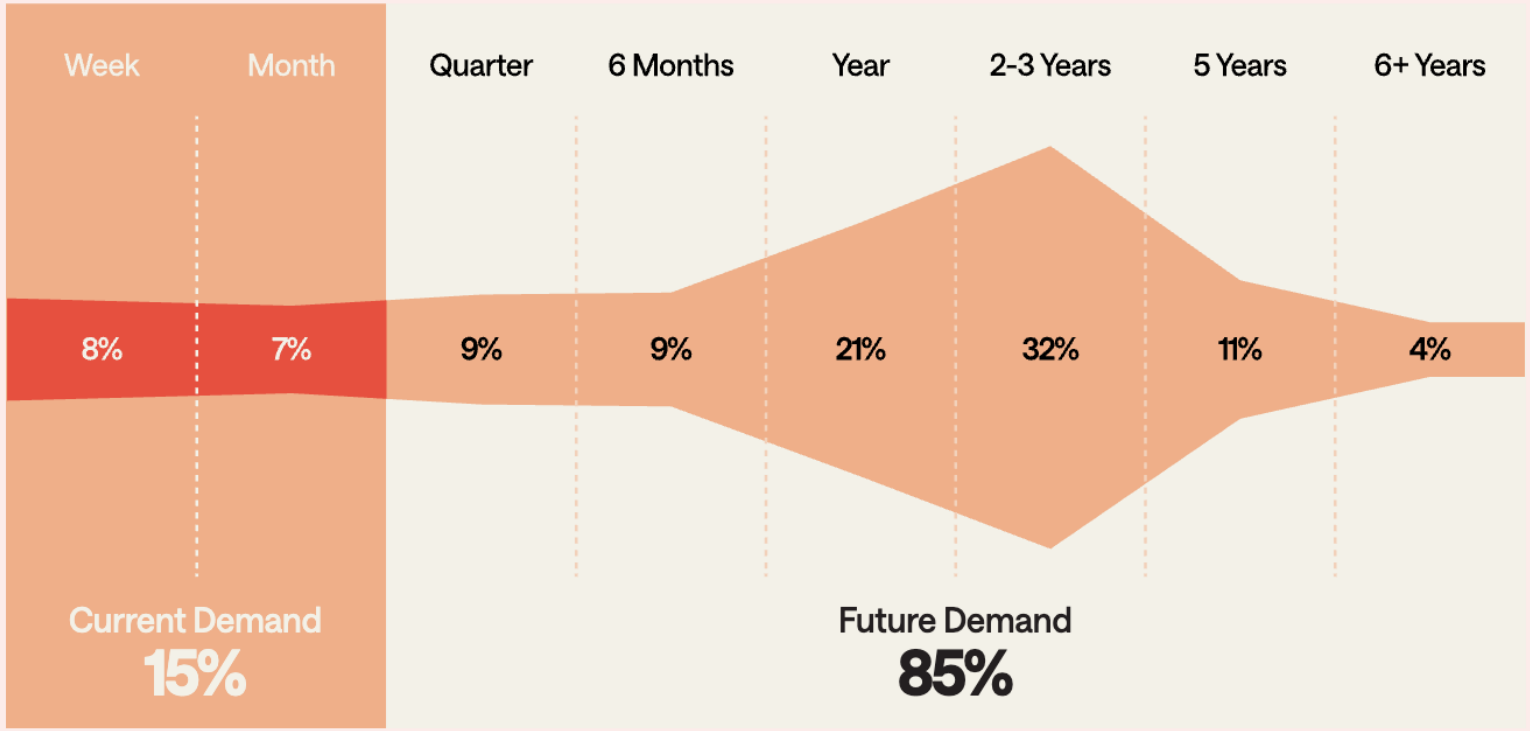


75% - 95%



FUTURE DEMAND OF SMARTPHONES

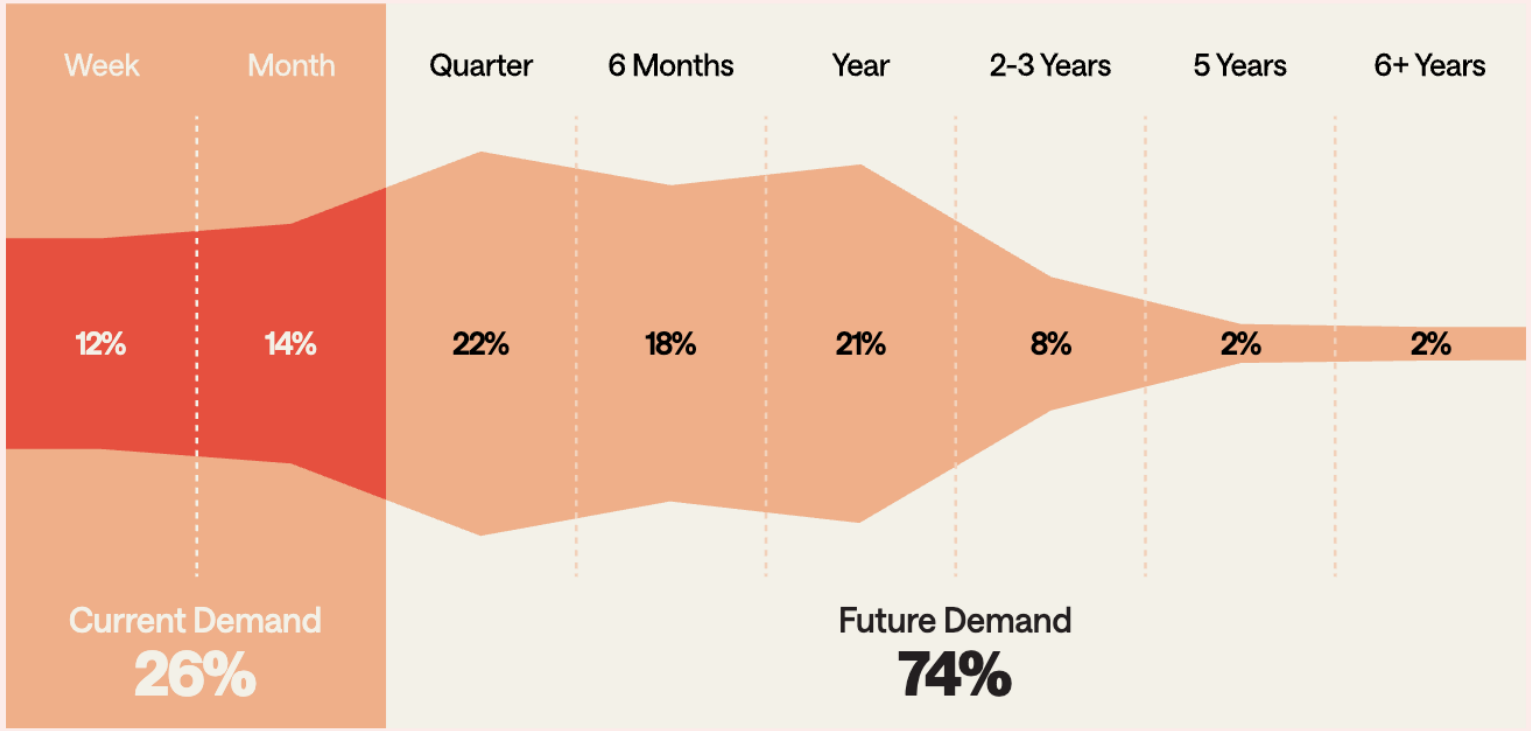
I intend to purchase a new smartphone handset in the next...



Source: 2025 survey of n=500 national representative sample of US consumers 18+

FUTURE DEMAND OF SNEAKERS

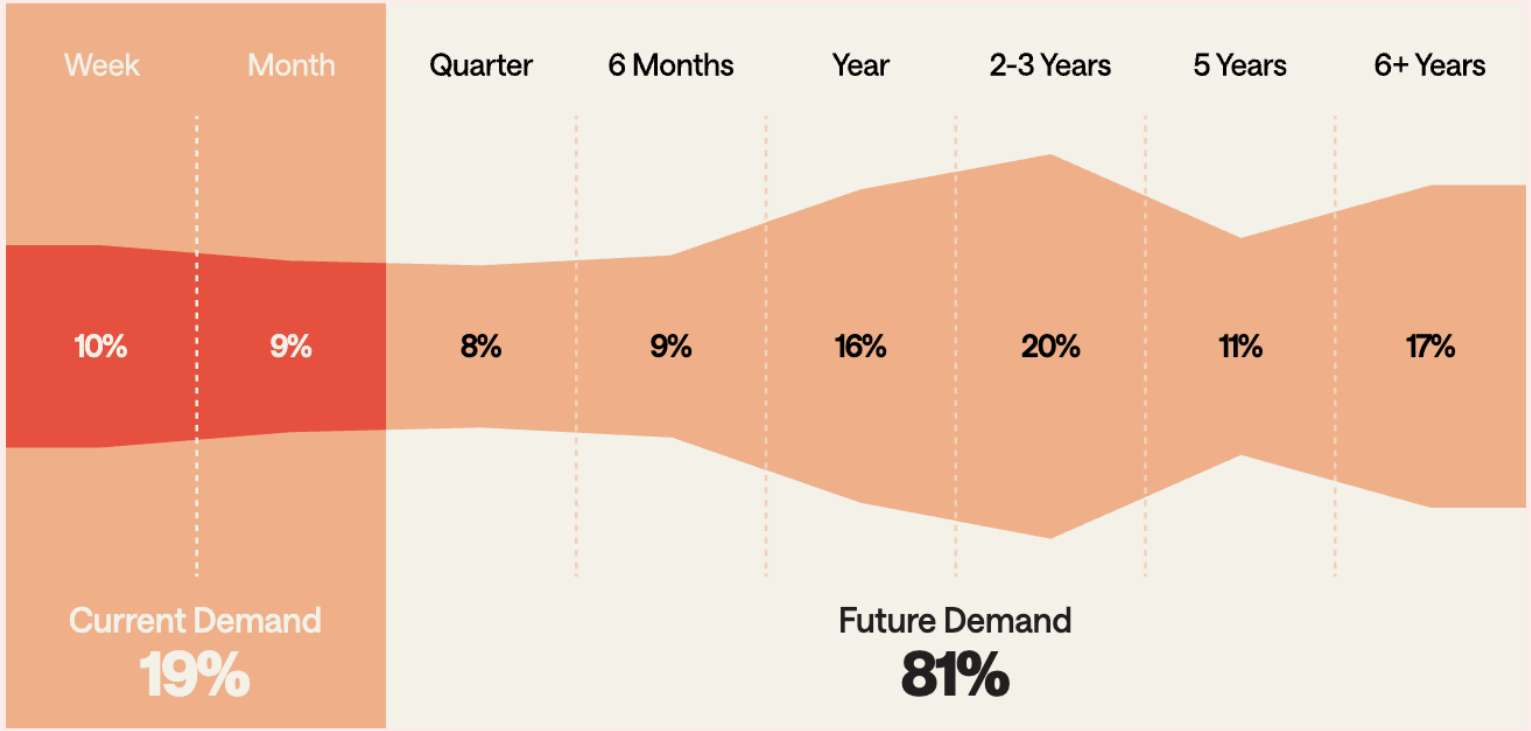
I intend to purchase a new pair of sneakers in the next...



Source: 2025 survey of n=500 national representative sample of US consumers 18+

FUTURE DEMAND OF INTERNATIONAL AIR TRAVEL

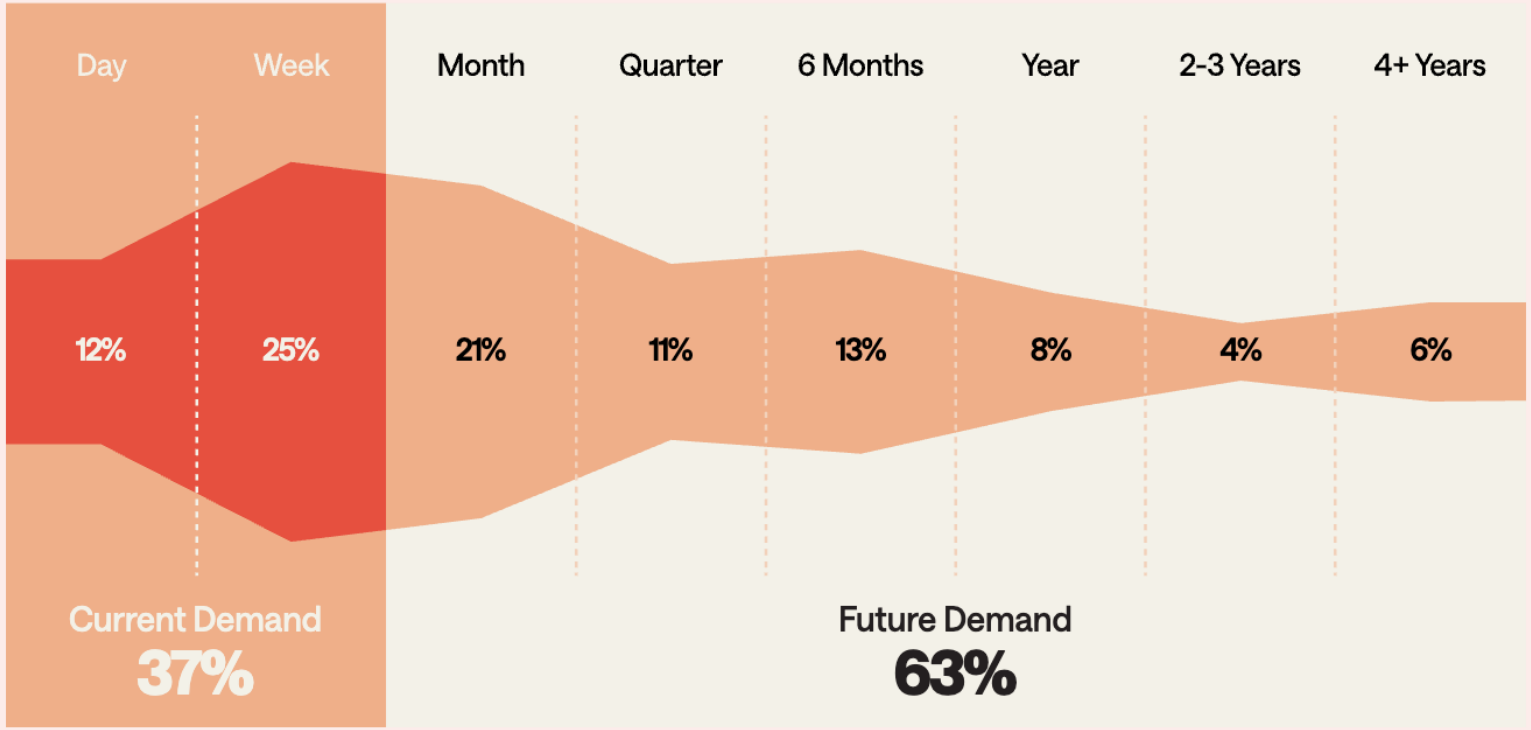
I intend to purchase an international airline ticket in the next...



Source: 2025 survey of n=500 national representative sample of US consumers 18+

FUTURE DEMAND OF BEER

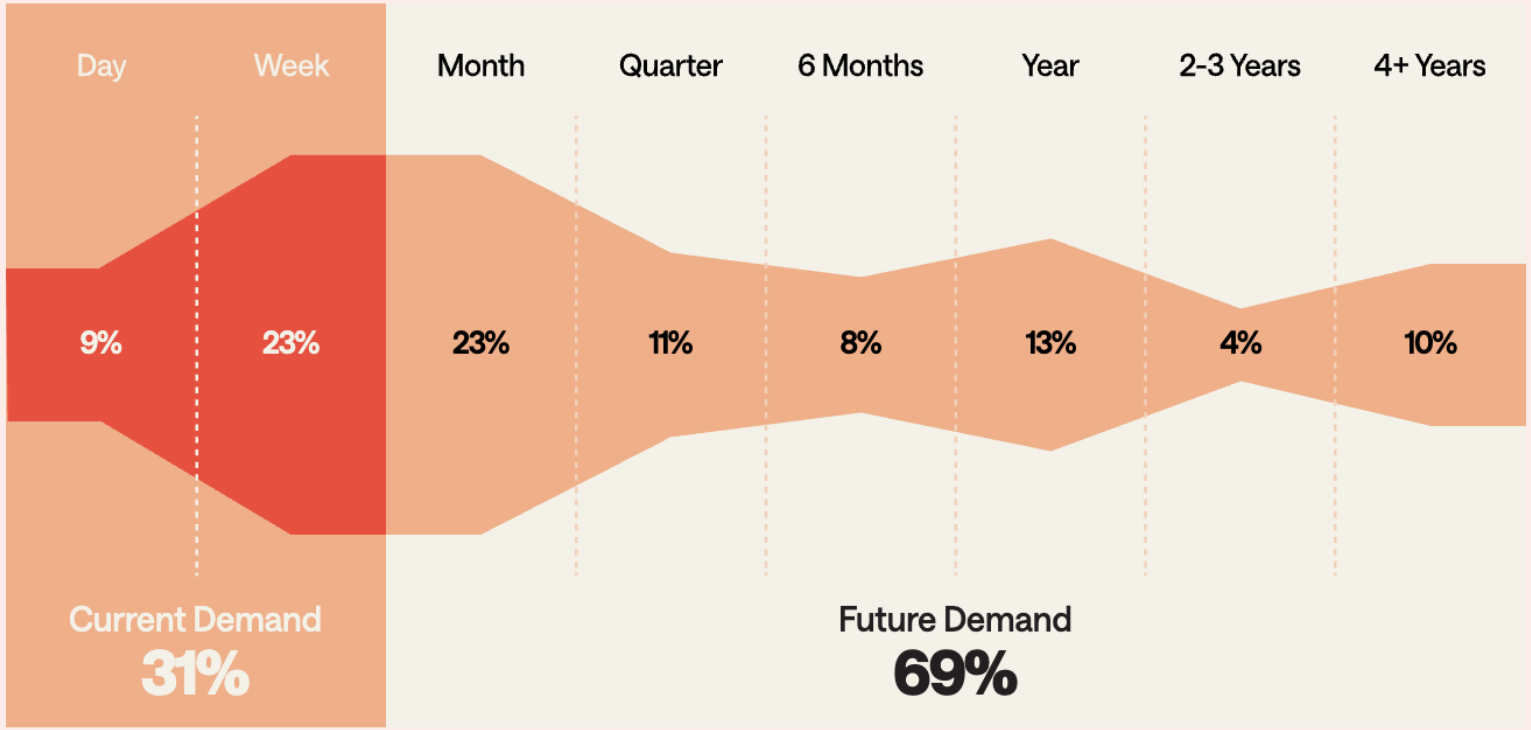
I intend to purchase beer in the next...



Source: 2025 survey of n=500 national representative sample of US consumers 18+

FUTURE DEMAND OF RECREATIONAL CANNABIS

I intend to purchase a recreational cannabis product in the next...



Source: 2025 survey of n=500 national representative sample of US consumers 18+

How markets work:

They have a small amount of buyers in them at any given point in time, and a massive amount of buyers who will come into them later.



So how do humans make decisions?



PROPORTION OF CATEGORY PURCHASES BASED ON PRIMING BIAS

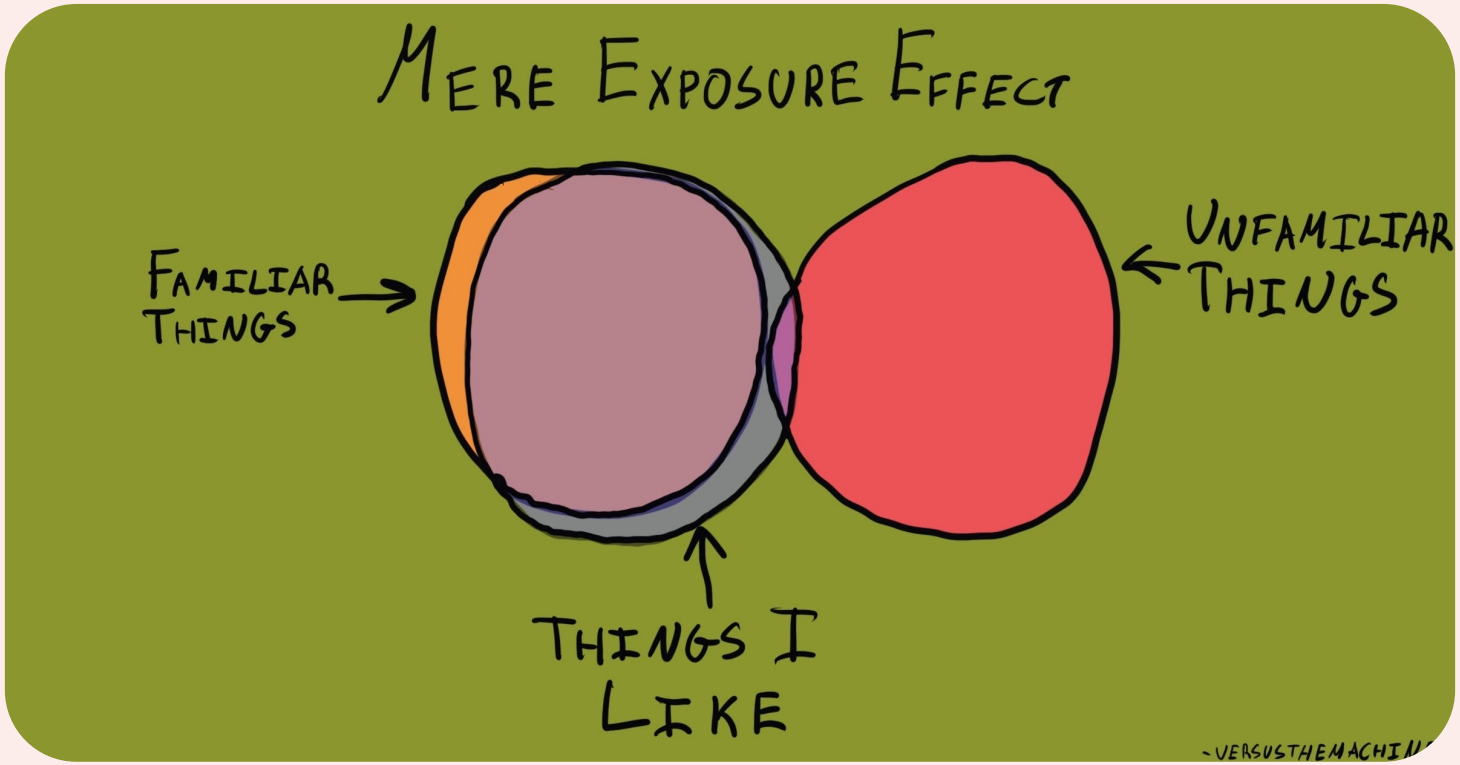
	% buying a brand with a priming bias	% buying a brand with no/lower bias
Home entertainment	93%	7%
Soft drinks	88%	12%
Quick-serve restaurants	85%	15%
Baby care	84%	16%
Personal care	83%	17%
Oral care	82%	18%
Financial services	82%	18%
Telecoms	82%	18%
Automotive	81%	19%
Consumer electronics	81%	19%
Luxury	79%	21%
All-category average	84%	16%

Source: How Humans Decide; WPP Media/Oxford, 2025

When people come into the market, they gravitate toward the brands they feel the most familiar with



Our Familiarity Bias makes us like, trust and choose things that are familiar




SHARPES CONVENIENCE STORE
drink
delicious
drink


CITY NEWS
Coca-Cola
Lebara
Ticket Stop


ONE STOP
CONVENIENCE
Coca-Cola
it
enjoy


Coca-Cola
MUHANMMED ALI STORES
alamy

How humans make decisions:

As people come into a market, they come with a powerful bias toward a small number of brands that usually results in them choosing one of those brands

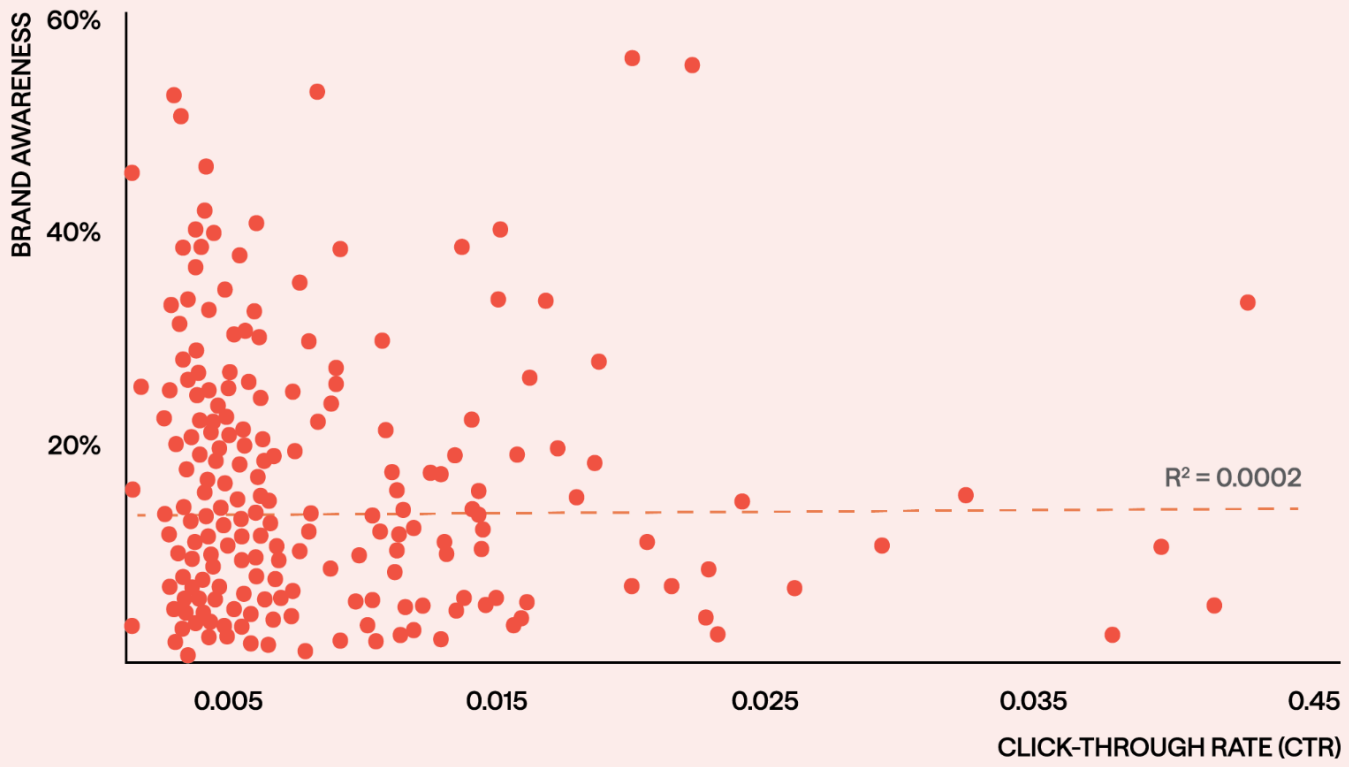
This often happens regardless of whether there is an objectively better product available from a brand they're not biased toward



When we make people familiar with our brand before they enter the category, they're biased to act on the marketing we do to drive immediate sales



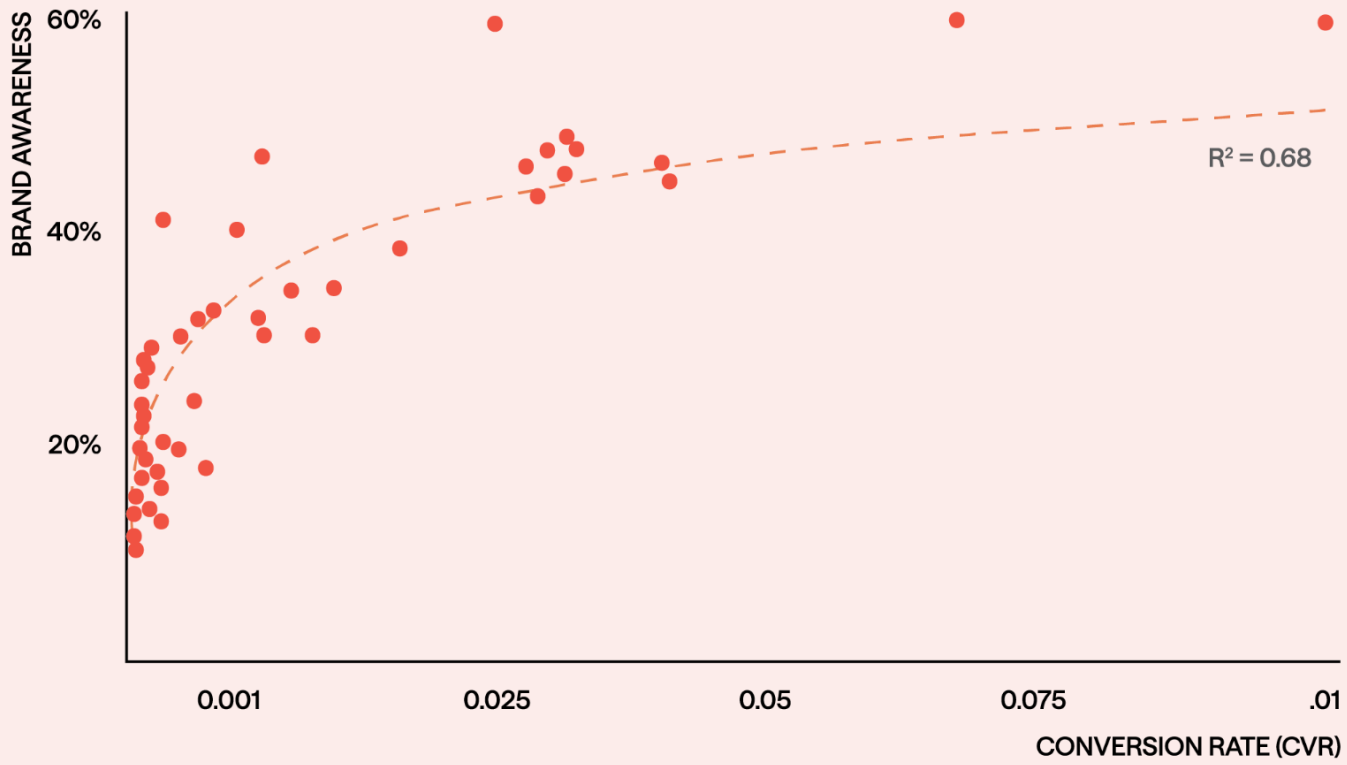
NO CORRELATION BETWEEN AWARENESS AND CLICK-THROUGH RATE



TikTok × Tracksuit

Source: The Awareness Advantage; Hurman/Tracksuit/TikTok; 2024

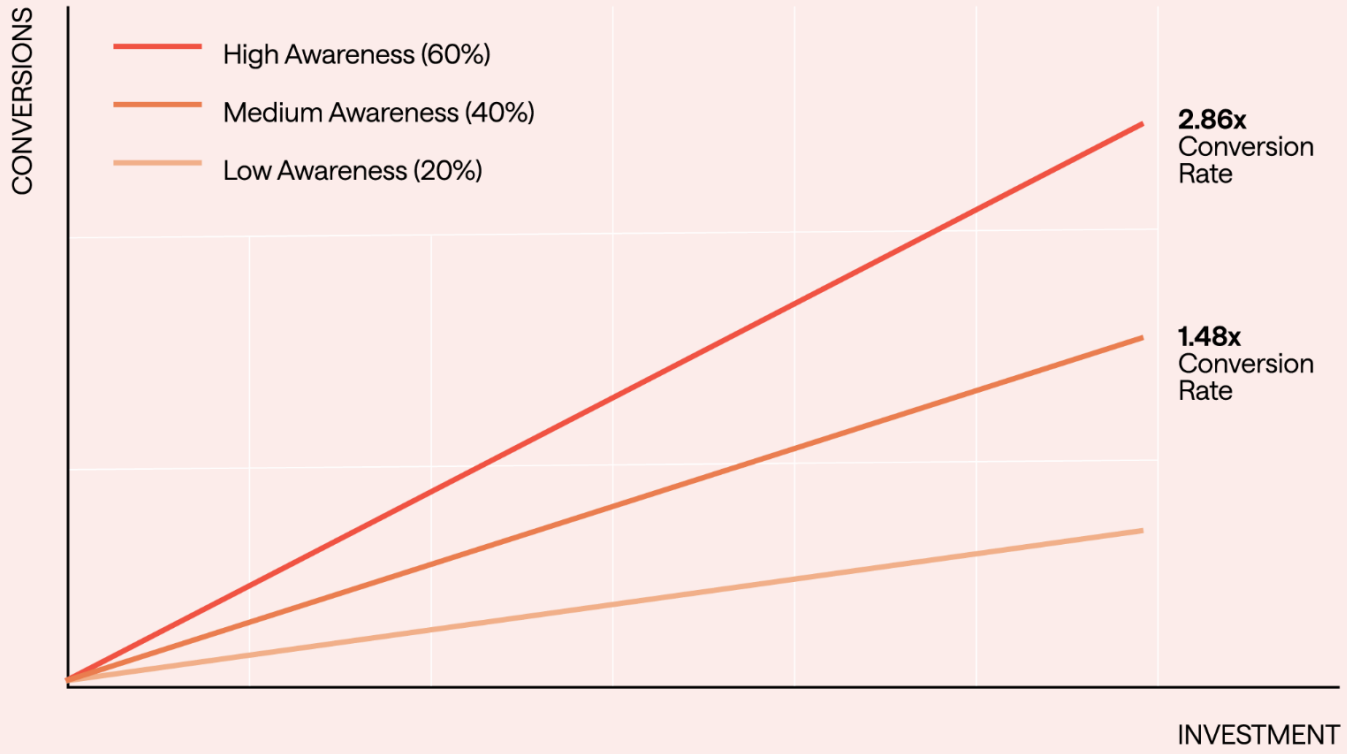
STRONG CORRELATION BETWEEN AWARENESS AND CVR



TikTok × Tracksuit

Source: The Awareness Advantage; Hurman/Tracksuit/TikTok; 2024

PERFORMANCE MARKETING EFFICIENCY



TikTok × Tracksuit

Source: The Awareness Advantage; Hurman/Tracksuit/TikTok; 2024

Making our brand more well-known makes our performance marketing more efficient and effective



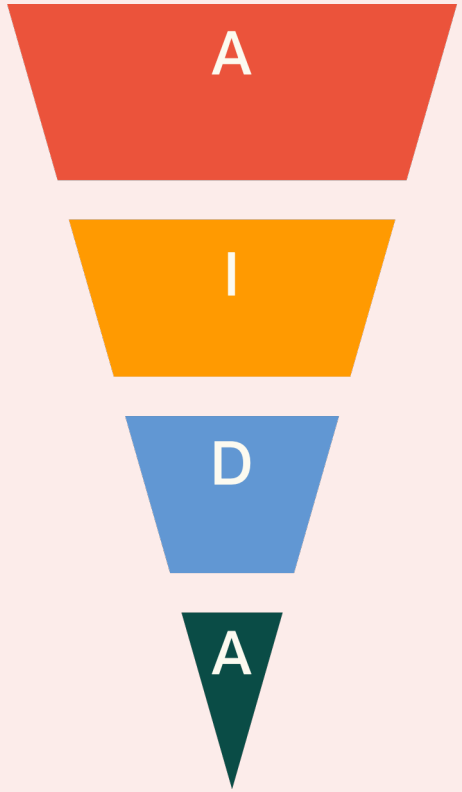




The most familiar brands in the world - the Apples and Nikes and Coca-Colas - they take the lion's share of sales not because their ads are more persuasive. Their ads work better because their brands are so much more familiar to so many more people.



The AIDA Mental Model



Awareness

Interest

Desire

Action

“Advertising causes sales by putting the right argument for our product in front of the right people”



The AIDA Mental Model

CONVERSION RATES OF ADVERTISING

Never over 15%



Sometimes up to 5%



Usually ~1%



If advertising really caused people to buy products, then logically we should see the very best advertising causing most of the people who see it to buy the product. There should at least be some cases of universally persuasive ads. Yet there are none.



Advertising does not ‘cause’ sales.



Advertising does not ‘cause’ sales.

But it does ensure brands win a greater share of them.



Advertising does two equally important things



Creates Future Demand

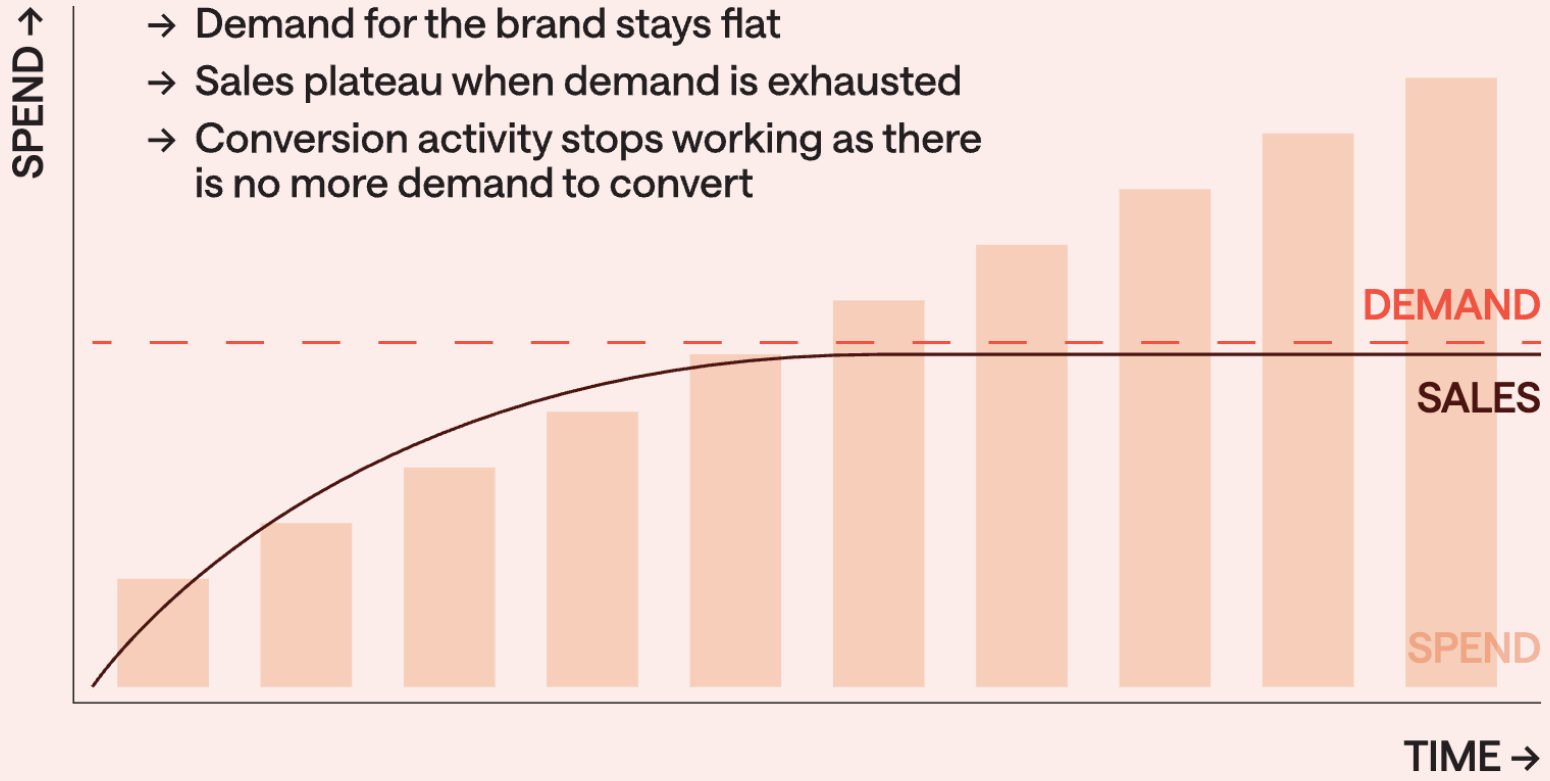
Warms up the large group of ‘out-market’ people, so when they do come into market, they come with a bias toward us



Converts Current Demand

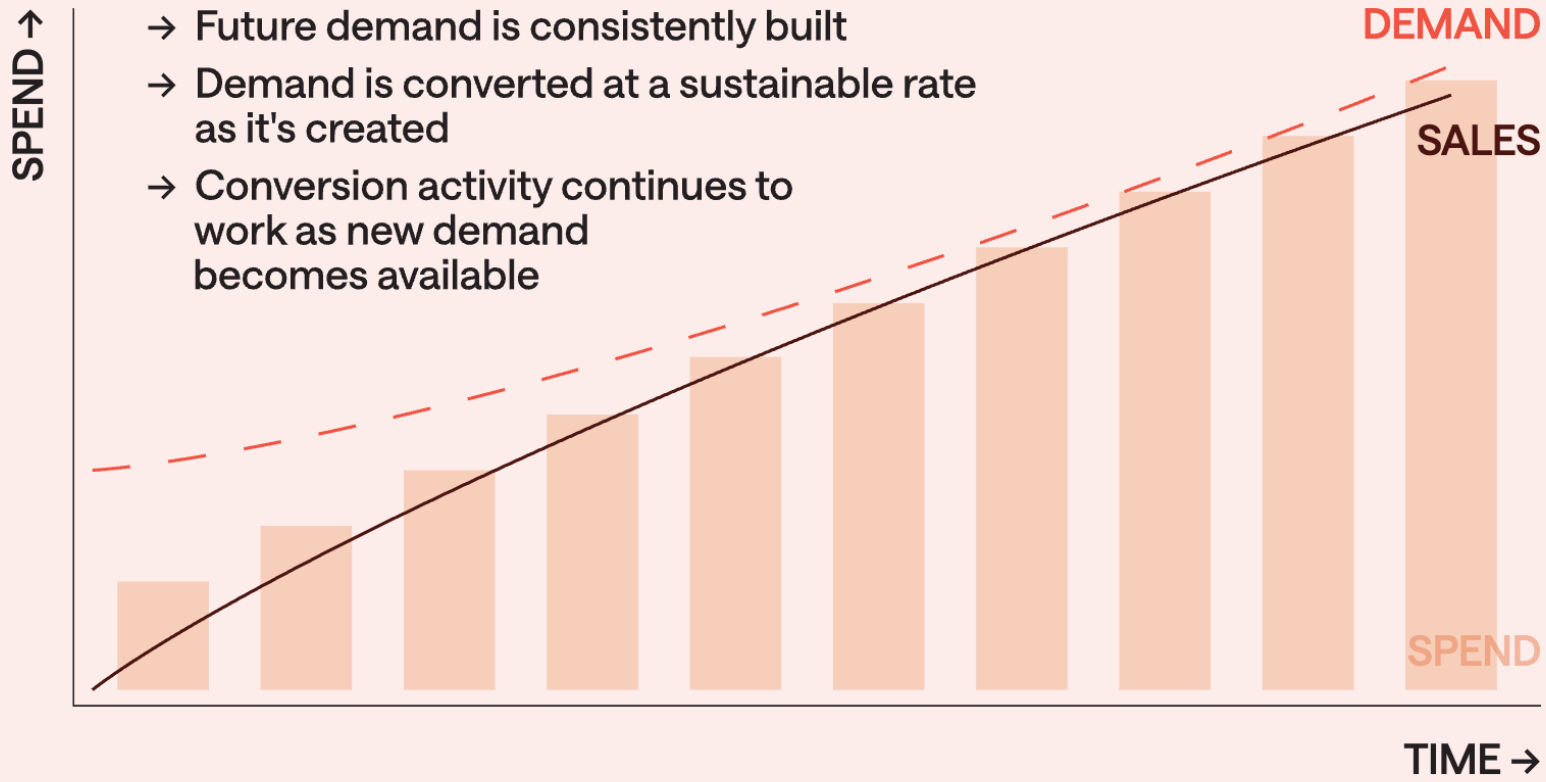
Gets as many of the small group of ‘in-market’ people as possible to act on the bias we’ve created, and choose us

NO FUTURE DEMAND CREATION



Source: Future Demand; Hurman; 2026

CONSISTENT FUTURE DEMAND CREATION



Source: Future Demand; Hurman; 2026



Current Demand

What's most effective at converting current demand?



Future Demand

What's most effective at creating future demand?





Current Demand

5 - 25%



Apple iPhone 17

★★★★☆

iPhone 17 **$799**
iPhone 17 Pro **$1,099**
iPhone 17 Pro Max **$1,199**

The classic iPhone is full of upgrades, with a brighter and tougher display, a faster processor, more capable cameras, longer battery life, and a starting price that's hard to ignore.

For

+ Ease of Use & UI
+ Performance & Longevity
+ Camera Quality
+ Security & Privacy
+ Resale Value
+ Social Media Optimization

Against

- Restrictive iOS (Lack of Customization)
- No Expandable Storage
- Ecosystem Lock-in



Samsung Galaxy S25

★★★★☆

Galaxy S25 **$799**
Galaxy S25 Edge **$899**
Galaxy S25 Ultra **$1,049**

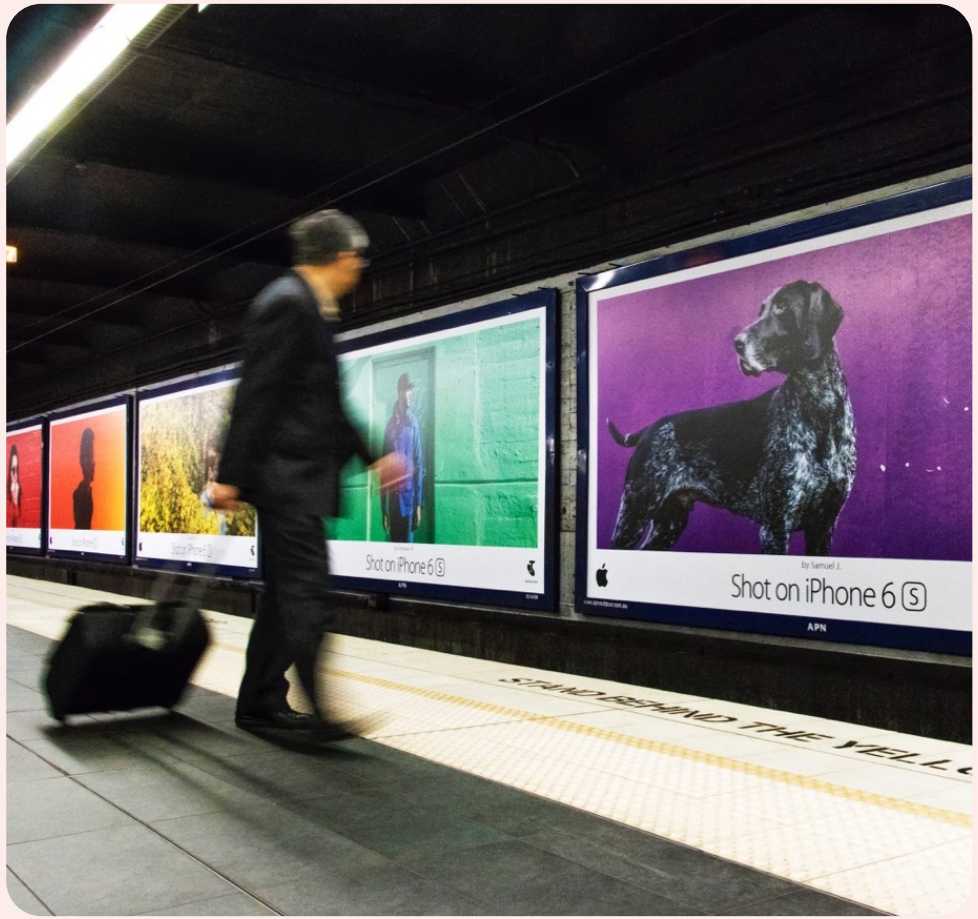
The Galaxy S25 delivers almost everything you want from a flagship Samsung phone in a compact device and accessible price while maintaining the performance of its larger siblings.

For

+ Diverse Lineup & Price
+ Points
+ Top-Tier Displays
+ Excellent Cameras
+ Customization (One UI)
+ Ecosystem & Productivity

Against

- High Price for Flagships
- Bloatware
- Charging Speeds
- Foldable Fragility/Cost





Future Demand

75 - 95%



Current Demand

5 - 25%



Introducing Volvo FH with I-Save – our ultimate long haul truck. Now you can cut fuel costs by up to 7%* – without compromising productivity and the joy of the road ahead. It includes the new D13TC engine – our most efficient long haul engine ever, and a package of updated, fuel-saving features, like map-based I-See. You can also look forward to extra torque at low revs for an increased average speed without using more fuel. Not to mention quick torque response and a smoother, quieter ride. With I-Save, the farther you drive, the more you can save – and it's never felt so good.

Learn more at volvotrucks.com/i-save

* D13TC Euro 6 step D with the Long Haul Fuel Package (I-Save) vs. D13 e SCR Euro 6 step D. Actual fuel economy will vary depending on many factors, such as use of cruise control, actual topography, the driver's driving experience and weather conditions.

VOLVO FH WITH I-SAVE

Volvo Trucks. Driving Progress





100M+ Views

Sales increased 24%

"Volvo Trucks has exceeded our expectations and contributed to the Volvo brand increasing its market share in Europe to historically high levels”

- Olof Persson
  CEO, Volvo Group.

Press release

Record year for Volvo Trucks in 2022 – all-time high volumes and market share increase in 41 countries

2023-02-06

2022 was a record year for Volvo Trucks. The company delivered an all-time high number of its trucks to customers and also increased its market share in 41 countries.




SAVING FUEL HAS
NEVER FELT SO GOOD
Introducing Volvo FH with I-Save – our ultimate long haul truck. Now you can cut fuel costs by up to 7%* – without compromising productivity and the joy of the road ahead. It includes the new D13TC engine – our most efficient long haul engine ever, and a package of updated, fuel-saving features, like map-based I-See. You can also look forward to extra torque at low revs for an increased average speed without using more fuel. Not to mention quick torque response and a smoother, quieter ride. With I-Save, the farther you drive, the more you can save – and it's never felt so good.
Learn more at volvotrucks.com/i-save
* D13TC Euro 6 step D with the Long Haul Fuel Package (I-Save) vs. D13 e SCR Euro 6 step D. Actual fuel economy will vary depending on many factors, such as use of cruise control, actual topography, the driver's driving experience and weather conditions.
VOLVO FH WITH I-SAVE
Volvo Trucks. Driving Progress
VOLVO



Creating Future Demand is all about planting positive memories of our brand in the heads of that huge group of future buyers



Which requires creativity, emotion and reaching a lot of people





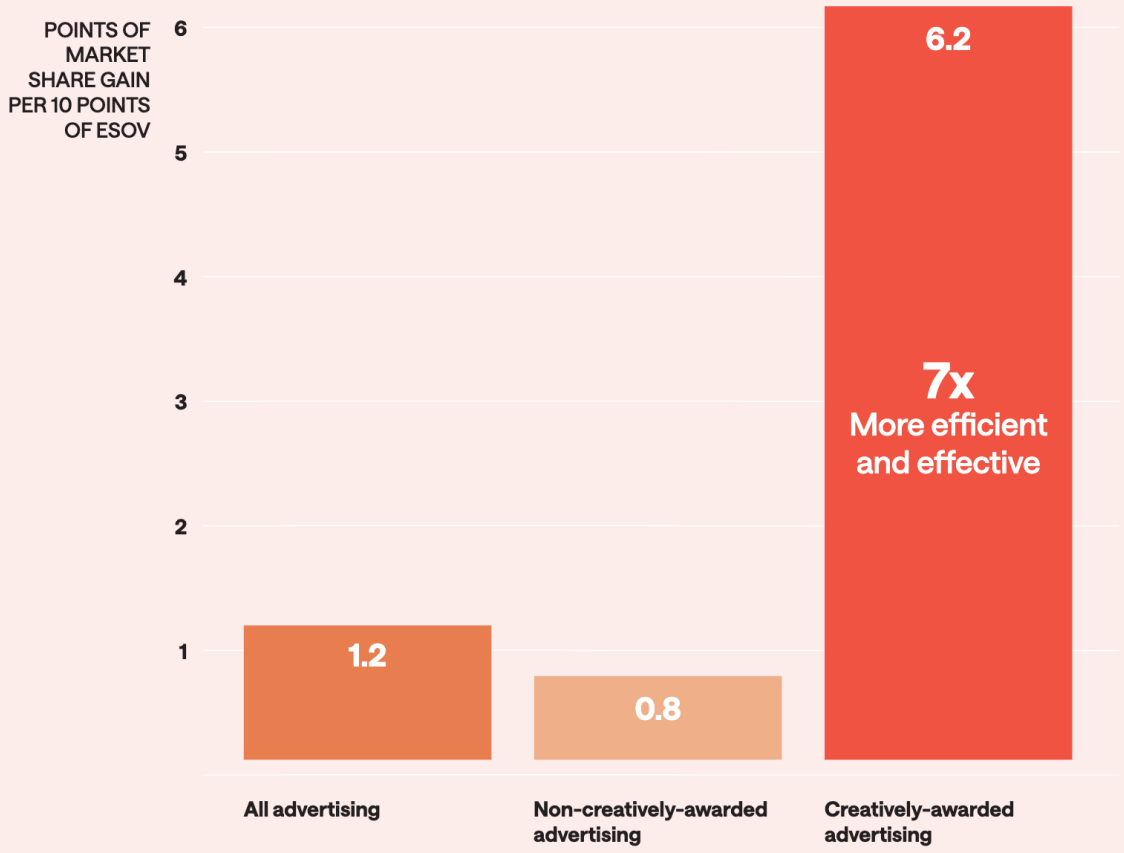


Creativity = original ideas designed to engage people rather than simply communicate at them



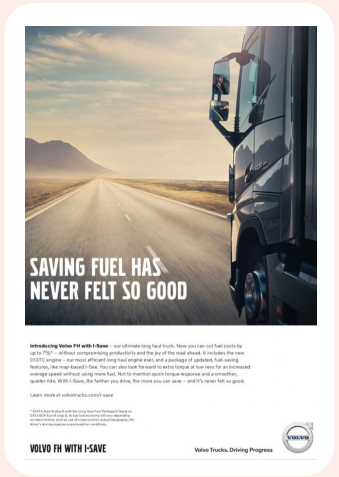


ADS WITH CREATIVE AWARD WINNING QUALITIES ARE FAR MORE EFFECTIVE



IPA

Source: The Link Between Creativity and Effectiveness; Field/IPA; 2011





Current Demand

5-25%

This small group pays attention to uncreative ads



Future Demand

75-95%

Creativity earns the attention of this 7x larger group





“Nobody reads advertising. People read what interests them and sometimes it’s an ad.”

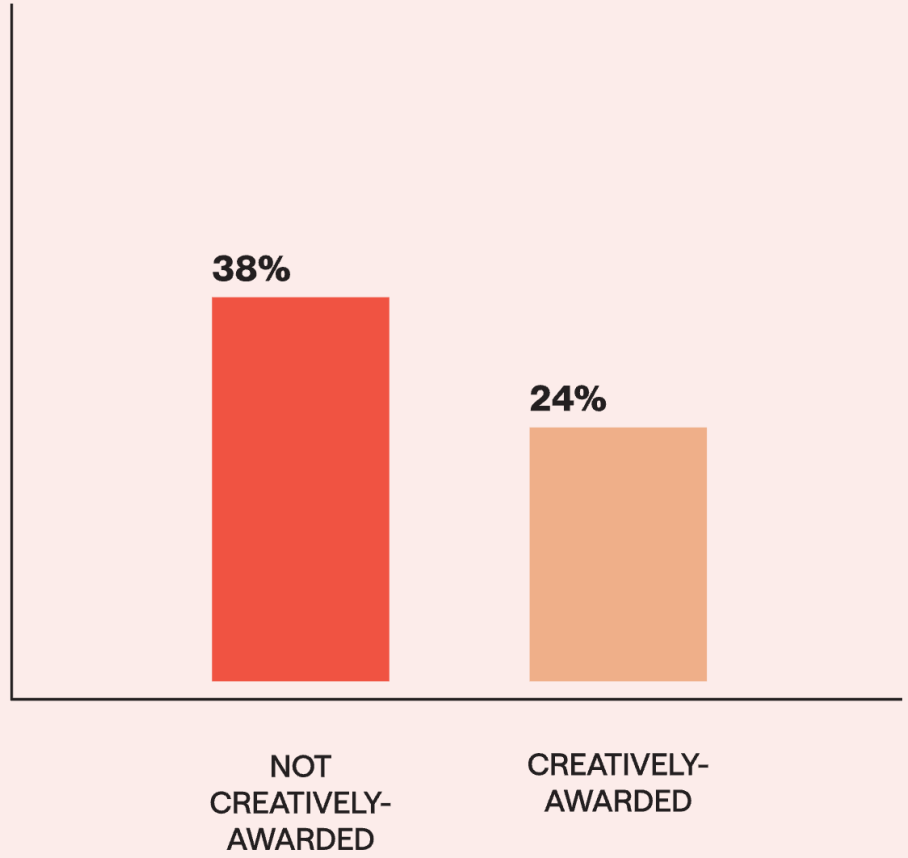
— Howard Gossage





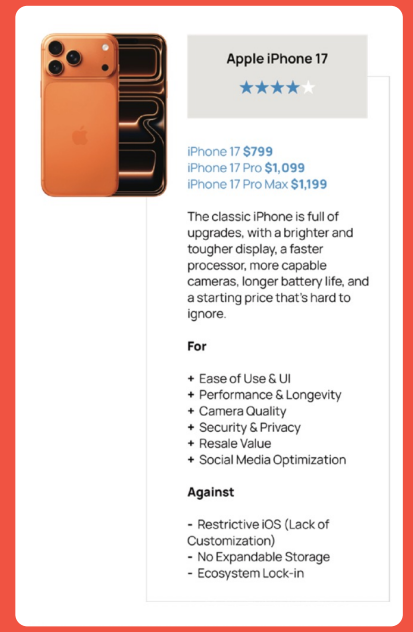
UNCREATIVE ADS ARE BETTER AT CONVERTING CURRENT DEMAND

% REPORTING VERY LARGE **IMMEDIATE SALES** EFFECTS



IPA

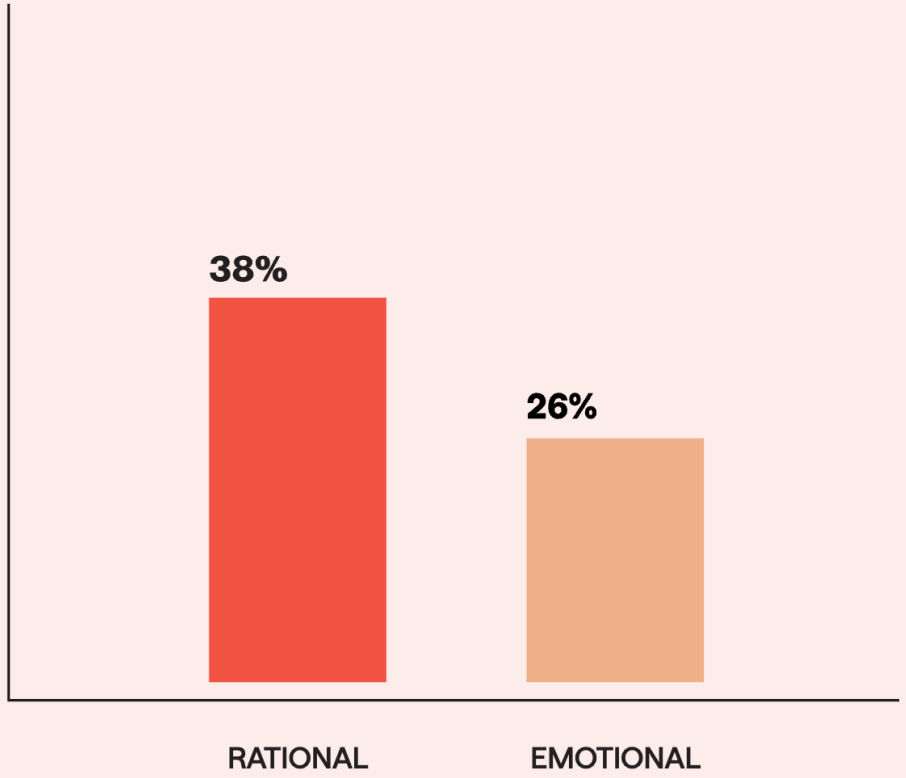
Source: The Long and the Short of It; Binet & Field; IPA; 2013





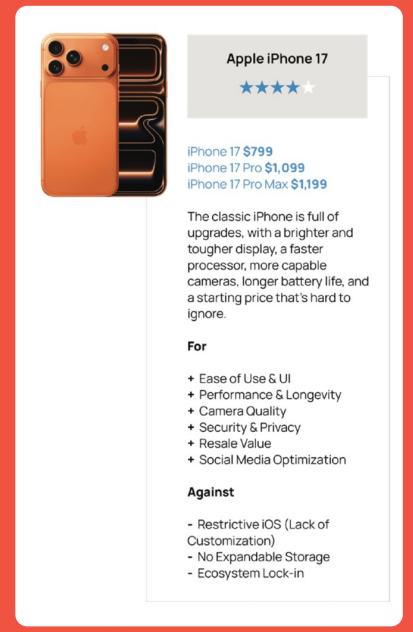
RATIONAL ADS ARE BETTER AT CONVERTING CURRENT DEMAND

% REPORTING VERY LARGE **IMMEDIATE SALES** EFFECTS



IPA

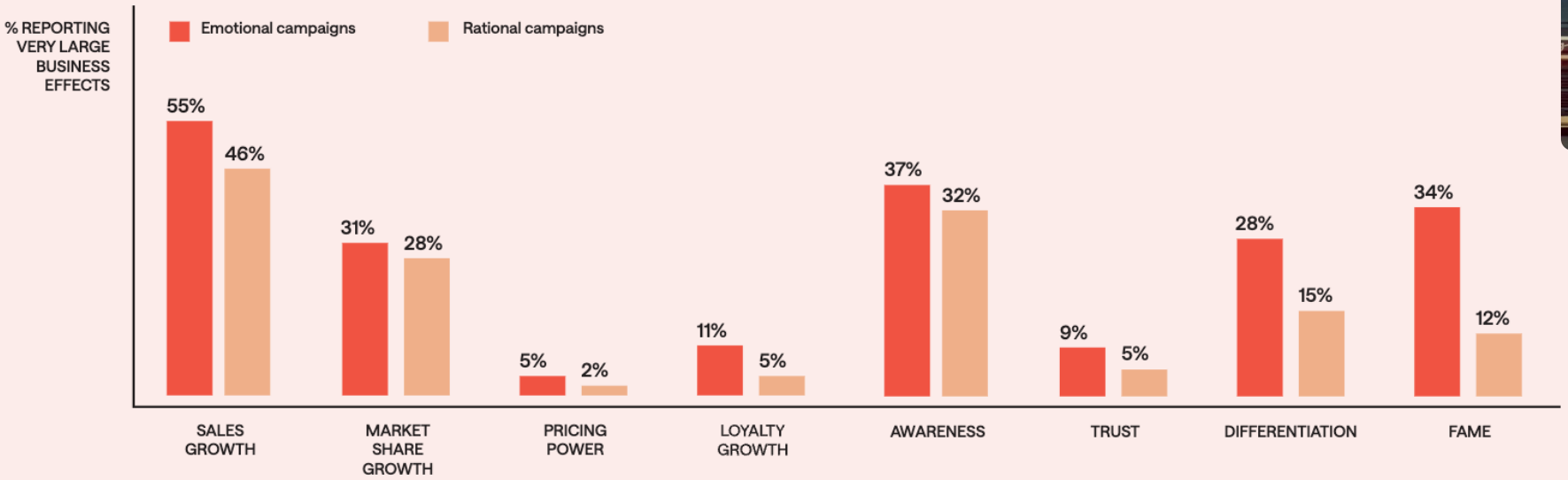
Source: The Long and the Short of It; Binet & Field; IPA; 2013



EMOTIONAL ADS ARE MORE EFFECTIVE ACROSS THE BOARD







IPA

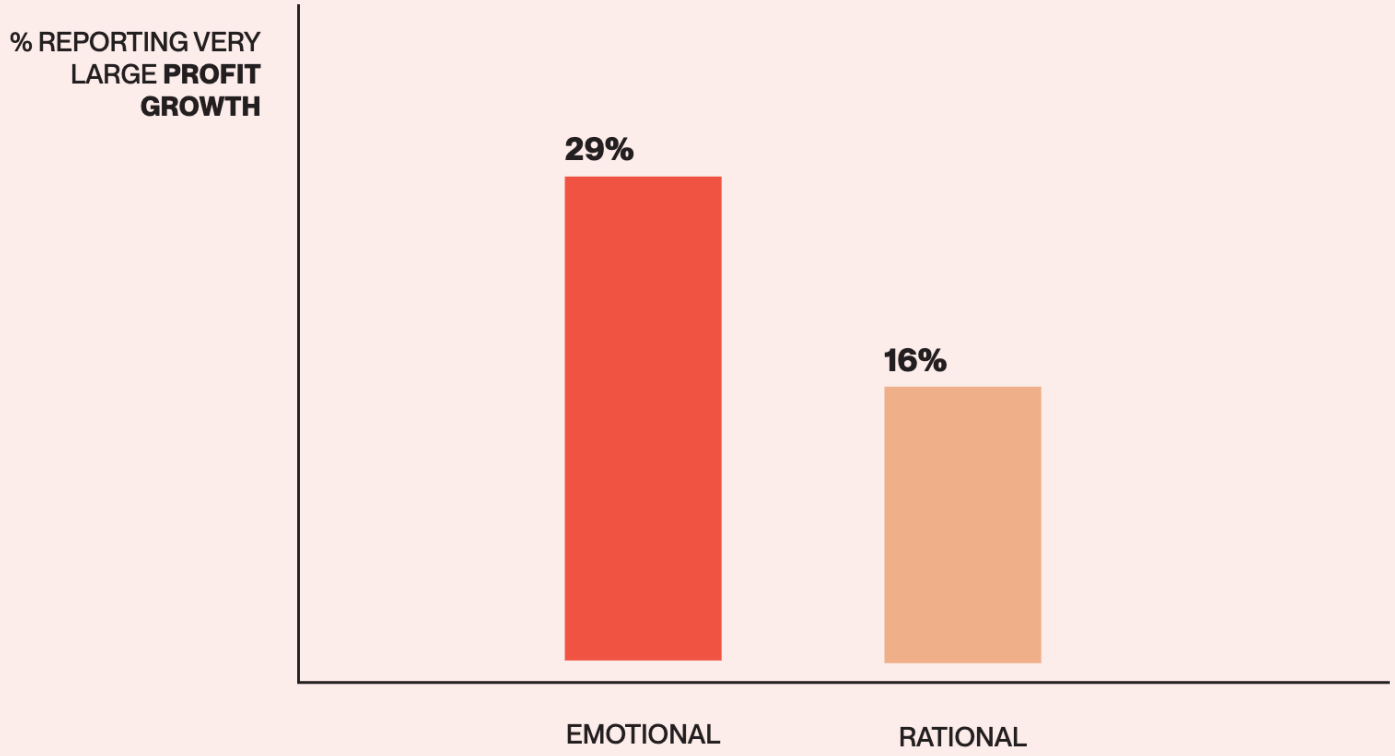
Source: The Long and the Short of It; Binet & Field; IPA; 2013

“I’ve learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel.”

- **Maya Angelou**



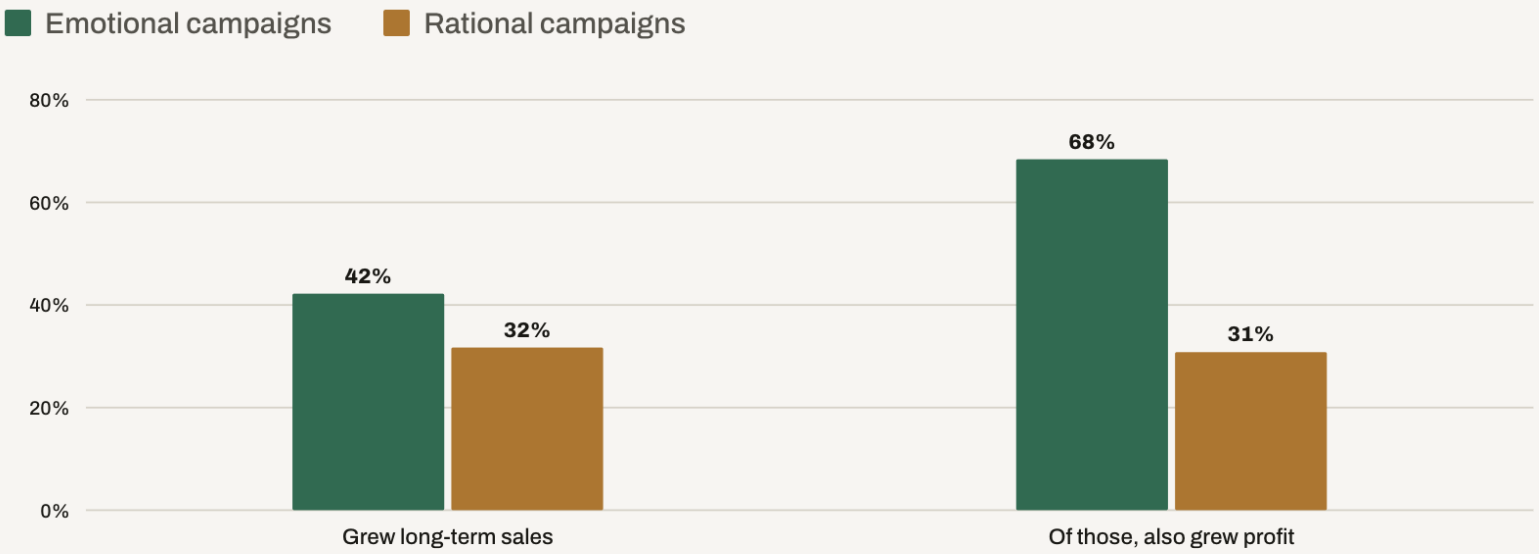
EMOTIONAL ADS ARE PARTICULARLY EFFECTIVE AT INCREASING PROFITS



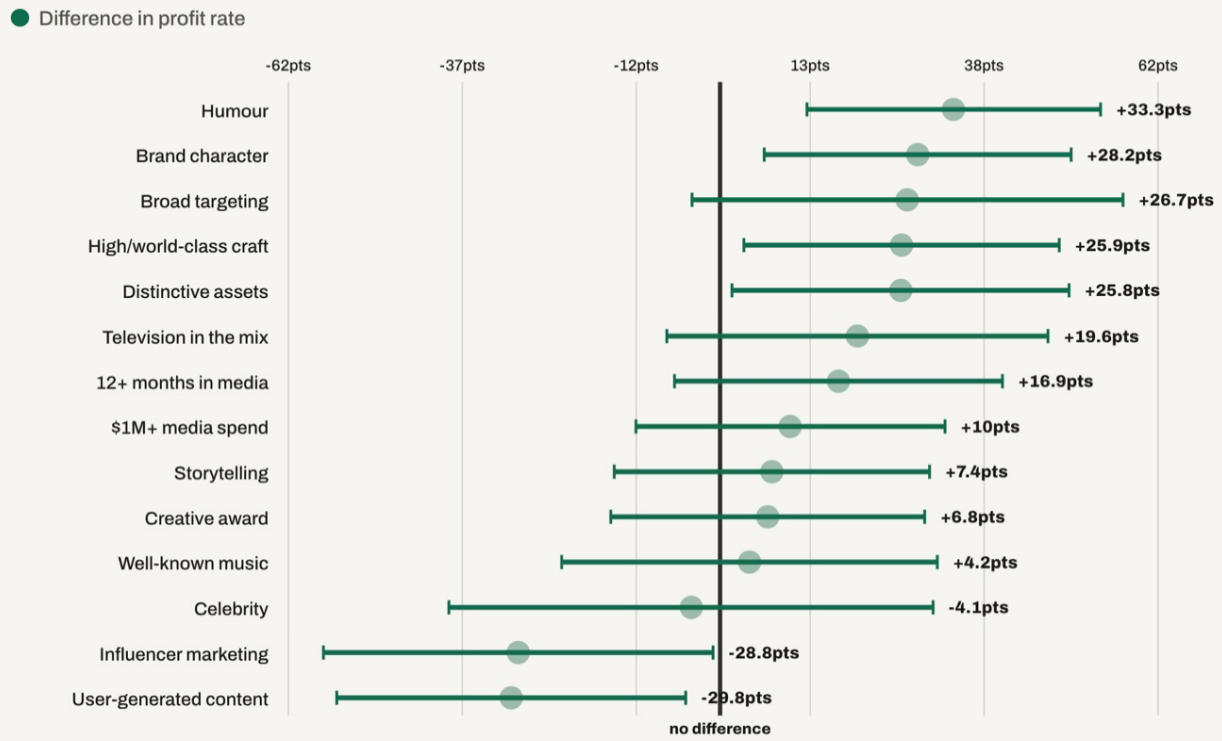
IPA

Source: The Long and the Short of It; Binet & Field; IPA; 2013

Emotional and rational campaigns grow at similar rates. Only one of them gets paid for it.

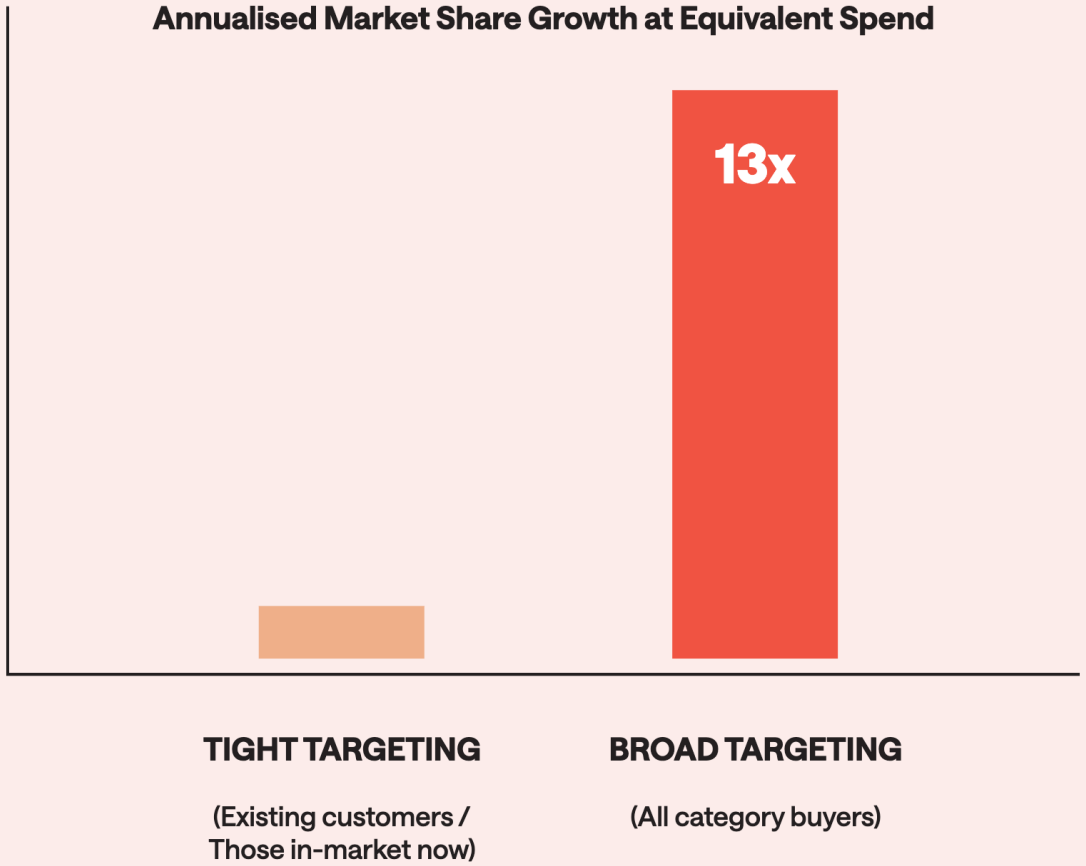


Within the 76 campaigns that grew volume: what predicts also growing profit



Percentage-point difference in the share of campaigns reporting a large long-term profit effect, with 95% confidence intervals. Where an interval crosses the zero line the difference is not reliable. Two variables clear significance on a chi-square test — humour at p=0.007 and craft at p=0.048 — and one negative does, user-generated content at p=0.043.

TIGHT TARGETING CREATES SOME IMMEDIATE SALES. BROAD TARGETING INCREASES LONG-TERM MARKET SHARE.



IPA

Source: The Long and the Short of It; Binet & Field; IPA; 2013

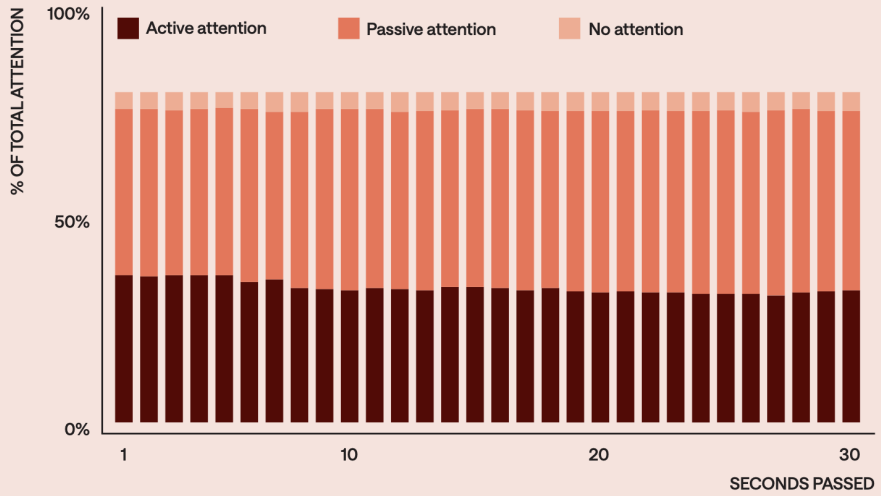
SIGNALLING POWER OF BROADCAST VS DIGITAL MEDIA

Signal	Average	Broadcast Channels (TV, newspapers, magazines, radio)	Digital Channels (Social media, online video)
Quality	32%	38% ▲	21% ▼
Financial strength	31%	37% ▲	21% ▼
Confidence	47%	50% ▲	41% ▼
'Fitness' signal average	**37%**	**42%** ▲	**28%** ▼
Well-known	44%	47% ▲	39% ▼
Popularity	37%	42% ▲	27% ▼
Success	37%	40% ▲	32% ▼
'Social' signal average	**39%**	**43%** ▲	**33%** ▼
Trust	25%	28% ▲	20% ▼
All measure average	**36%**	**40%** ▲	**29%** ▼

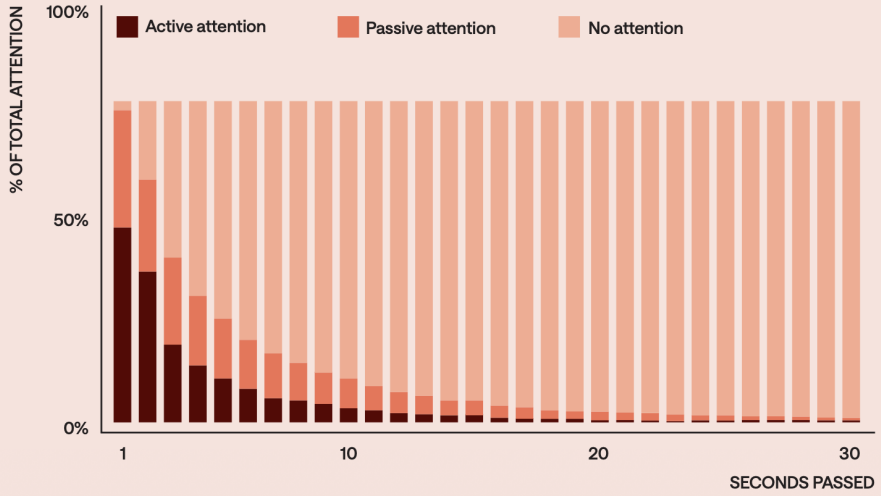
Source: Signalling Success; Thinkbox; 2020

ATTENTION DECAYS DIFFERENTLY IN DIFFERENT MEDIA

TV delivers stable levels of attention throughout a 30" ad



The same ad on an online platform suffers from fast decay in attention



Source: Nelson-Field/Amplified; 2023



Current Demand

What's most effective at converting current demand?

→ Rational, uncreative messaging

→ Call to action

→ Tight targeting



Future Demand

What's most effective at creating future demand?

→ Creative, emotional content

→ Memorability

→ Broad targeting



Current Demand

What's most effective at converting current demand?

→ Rational, uncreative messaging

→ Call to action

→ Tight targeting

"Performance"



Future Demand

What's most effective at creating future demand?

→ Creative, emotional content

→ Memorability

→ Broad targeting

"Brand"

But hang on, modern companies don't waste money on brand marketing...



But hang on, modern companies don't waste money on brand marketing...

Google	facebook	amazon	NETFLIX	WeChat	TikTok
$7.9B	$2.6B	$20.6B	$1.5B	$4.9B	$19.2B



How it started...



"Advertising is the price you pay for having an unremarkable product or service."

How it started...



"Advertising is the price you pay for having an unremarkable product or service."

How it's going...



$20B+ spent on advertising in 2022
World's largest advertiser



It's not one or the other

It's both performance marketing and brand building

We need to convert current demand and create future demand

In balance...



Airbnb's shift toward brand

MarketWatch Latest Watchlist Markets Investing Personal Finance Economy Retirement How To Invest

Home > Industries > Internet/Online Services > Earnings Results

Earnings Results

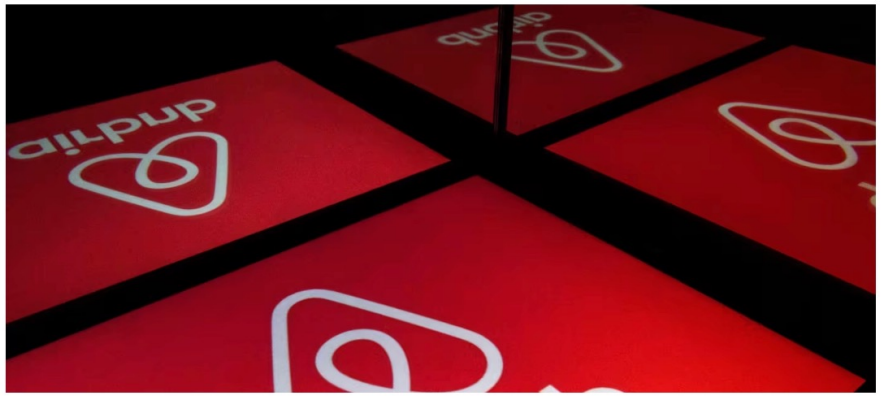
Airbnb stock jumps after record earnings, first profitable year and a strong forecast

Last Updated: Feb. 15, 2023 at 8:45 a.m. ET
First Published: Feb. 14, 2023 at 4:07 p.m. ET

By Levi Sumagaysay Follow

2

Record profit in the holiday quarter leads to earnings of nearly $2 billion for the year, but executives also suggest price cuts are coming



t/Buy MarketingWeek

Insight Reports Jobs Knowledge Bank Festival

Airbnb credits 'optimised marketing strategy' as it posts highest ever profits

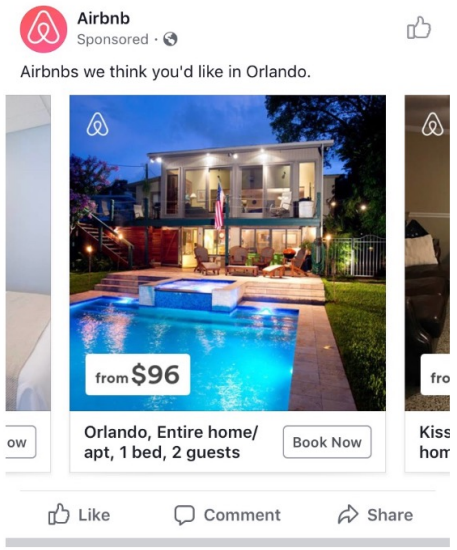
The travel giant praises its "high marketing efficiency" for delivering its strongest ever quarter, after shifting priorities from performance marketing to brand building.

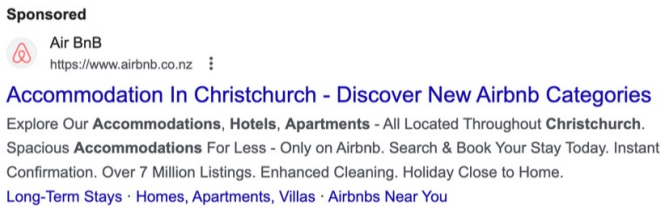
By Michaela Jefferson | 5 Nov 2021 Share this article

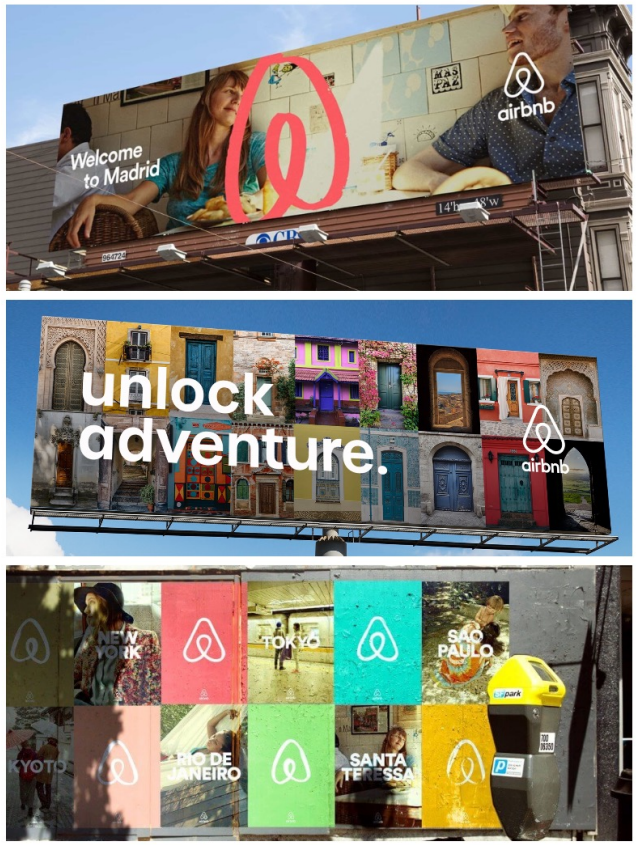


Shifting marketing spend from performance into brand building, combined with the post-pandemic travel rebound, has helped drive Airbnb to its strongest ever quarter this autumn.

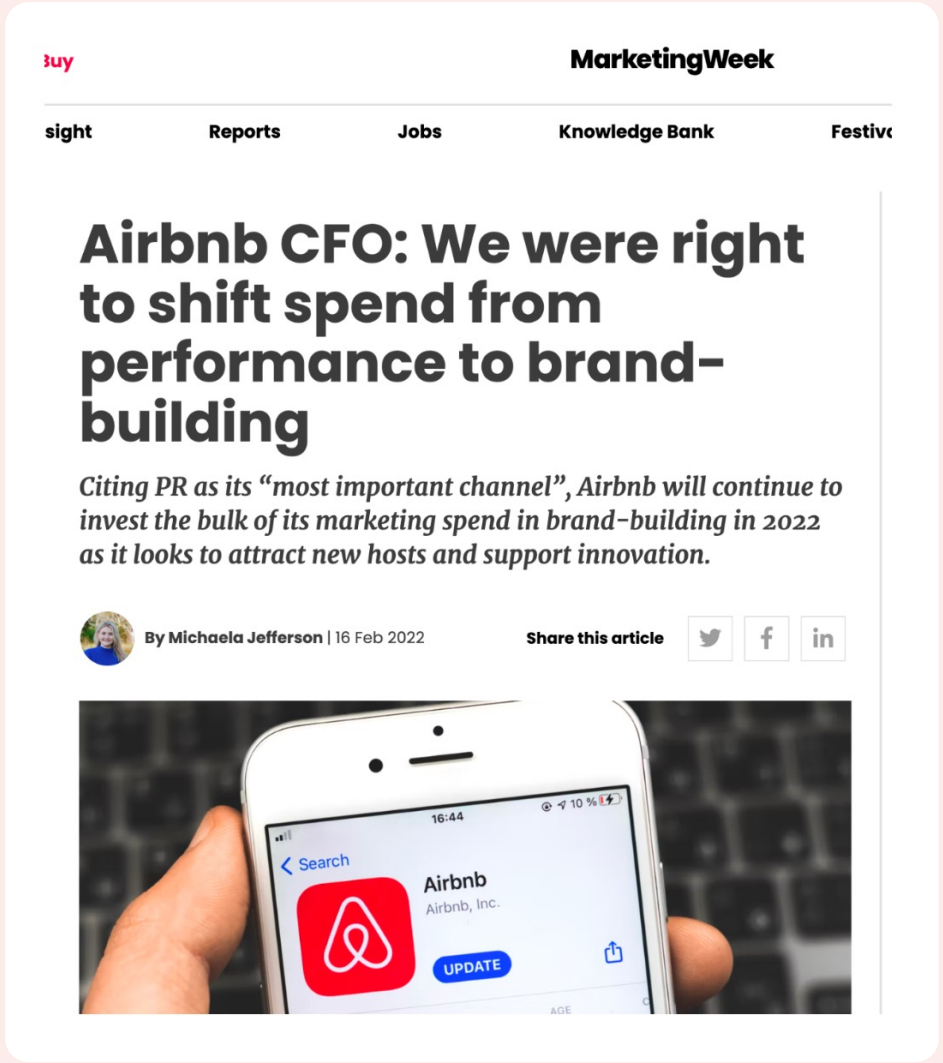
Airbnb's shift toward brand







Airbnb's shift toward brand



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Airbnb CFO: We were right to shift spend from performance to brand-building

Citing PR as its "most important channel", Airbnb will continue to invest the bulk of its marketing spend in brand-building in 2022 as it looks to attract new hosts and support innovation.

By Michaela Jefferson | 16 Feb 2022 Share this article

Nike's shift away from brand

RETAIL

How Nike Ran Off Course

The American sportswear giant is experiencing its worst slump in a decade. New competition is part of the problem but according to industry insiders and athletes, many of Nike's wounds are self-inflicted: the results of disruptive restructurings, stalled innovation and uninspiring marketing.



NEW DTC TOOLKIT // DECEMBER 22, 2023

Why Nike's DTC pivot didn't pan out

By Julia Waldow



Nike

MAGAZINE · FEATURES

Nike is broken. Can Elliott Hill fix it?

BY DEVIN GORDON
January 23, 2025 at 6:00 AM EST



Nike's shift toward digital and social

CONSUMER

Why Nike Is Doubling Down on Its Digital Strategy

By Teresa Rivas Follow

July 22, 2020, 11:00 am EDT

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(DREW ANGERER/GETTY IMAGES)

Even before the pandemic, Nike had been stepping up its efforts to sell directly to consumers and online. That's been a winning strategy throughout the Covid-19 crisis, and the athletic giant's latest moves show it's doubling down on that strategy.

On Wednesday, Nike (ticker: NKE) announced changes to its senior leadership team, as it aims to support its Consumer Direct Acceleration (CDA), a strategy it announced last month.

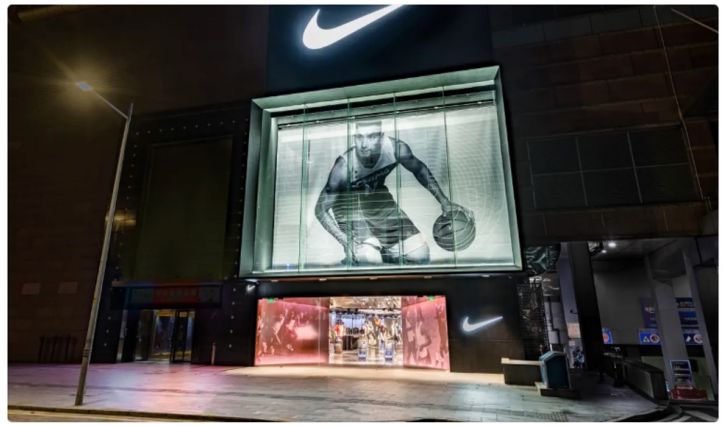
DIVE BRIEF

Report: Nike shutting down 9 wholesale accounts in shift to DTC

Published Aug. 25, 2020



Cara Salpini
Senior Editor



Courtesy of Nike

Nike CEO: Digital Is The New Normal

BY PYMNTS | SEPTEMBER 23, 2020



Nike's earnings call on Tuesday (Sept. 22), in which it set a new standard for companies capitalizing on the digital-first economy, just might have had the quote of the year.

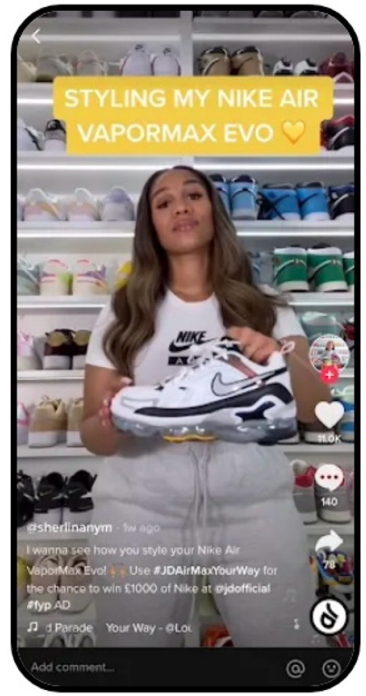
Nike's shift toward digital and social











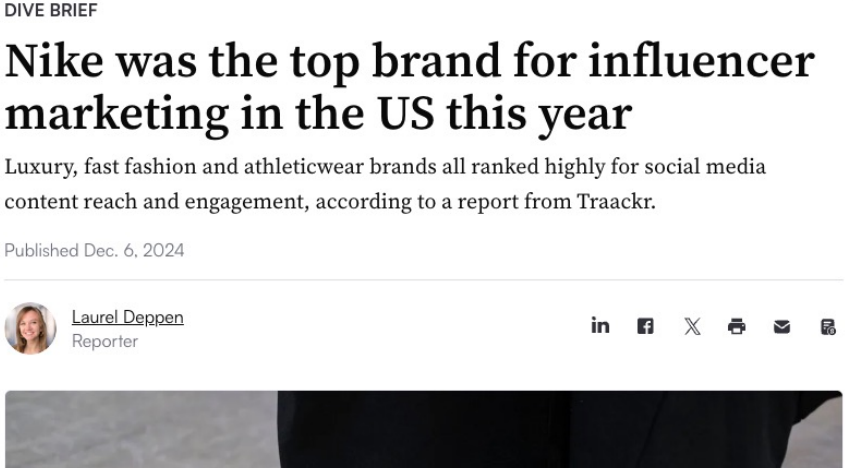
Nike's social & influencer success

DIVE BRIEF

Nike was the top brand for influencer marketing in the US this year

Luxury, fast fashion and athleticwear brands all ranked highly for social media content reach and engagement, according to a report from Traackr.

Published Dec. 6, 2024



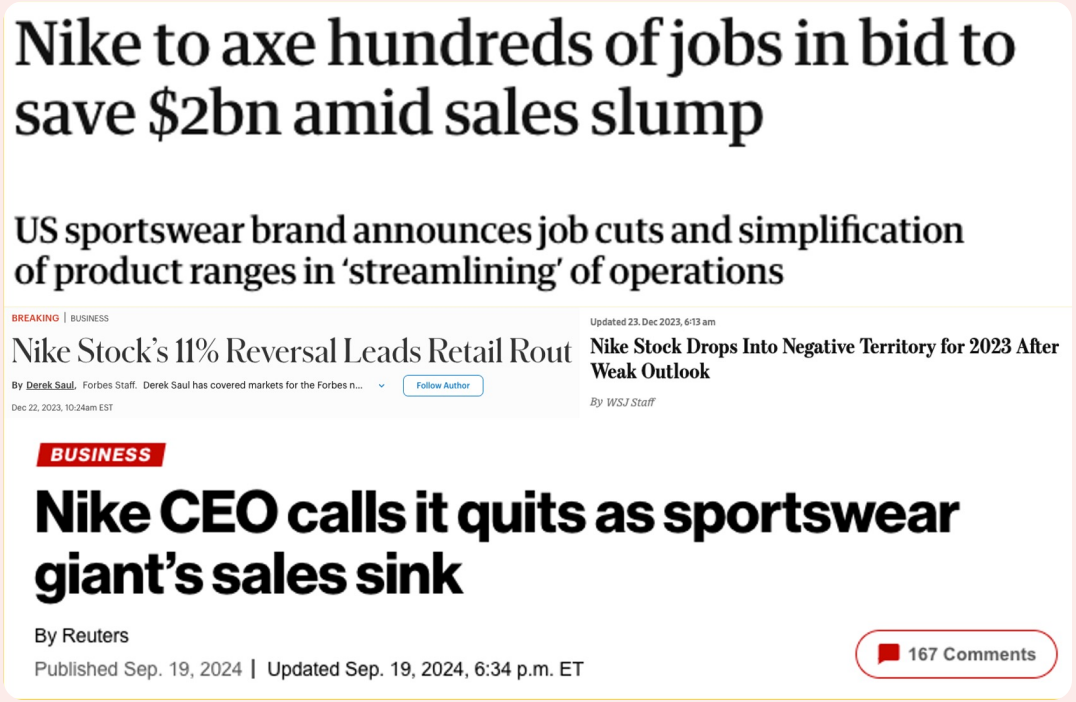
Laurel Deppen
Reporter



2024: Nike ranked the top fashion brand for influencer marketing in the U.S.



Nike's business collapse



Nike to axe hundreds of jobs in bid to save $2bn amid sales slump

US sportswear brand announces job cuts and simplification of product ranges in 'streamlining' of operations

BREAKING | BUSINESS

Nike Stock's 11% Reversal Leads Retail Rout

By Derek Saul, Forbes Staff. Derek Saul has covered markets for the Forbes n... Follow Author

Dec 22, 2023, 10:24am EST

Updated 23. Dec 2023, 6:13 am

Nike Stock Drops Into Negative Territory for 2023 After Weak Outlook

By WSJ Staff

BUSINESS

Nike CEO calls it quits as sportswear giant's sales sink

By Reuters

Published Sep. 19, 2024 | Updated Sep. 19, 2024, 6:34 p.m. ET

167 Comments

Also 2024:

Digital sales down 20%.

Profit down 20% ($1B).

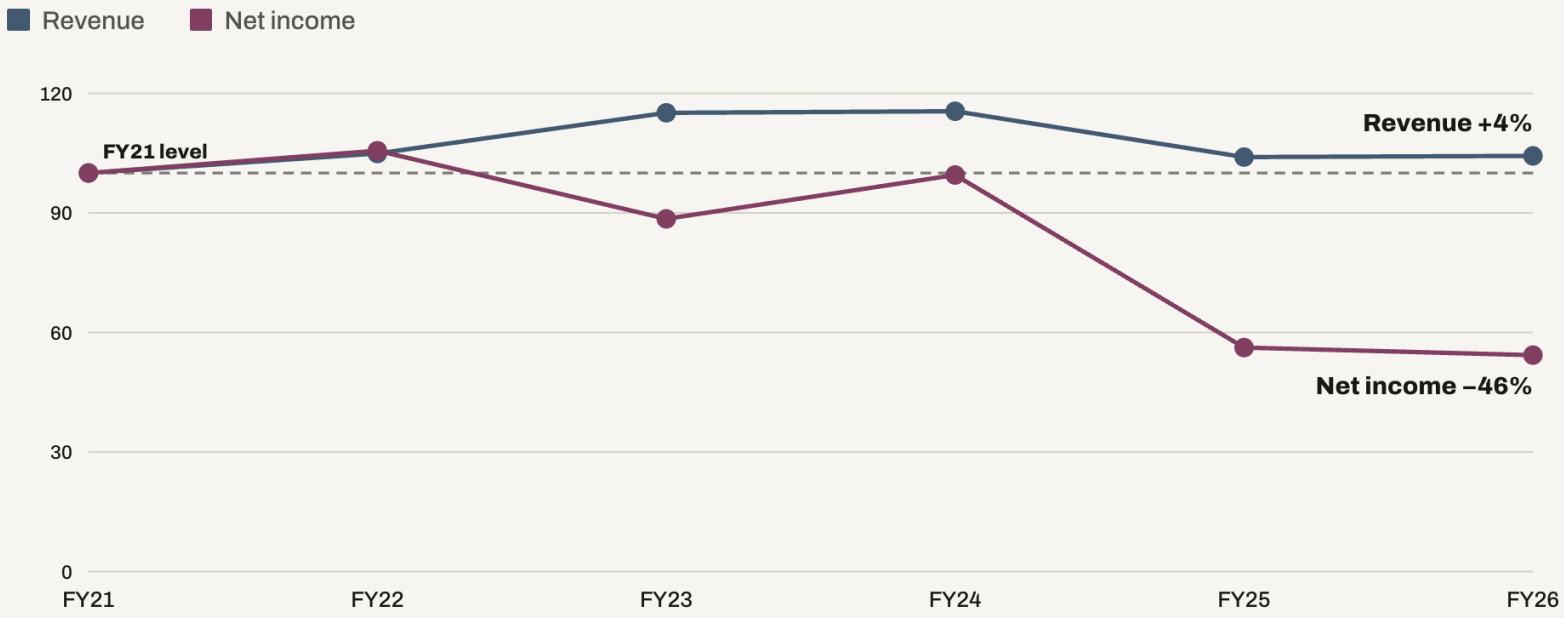
Market share down 2% ($7.6B).

Share price down 29% ($30B).

CEO fired.



Nike's profit halved while revenue stayed flat

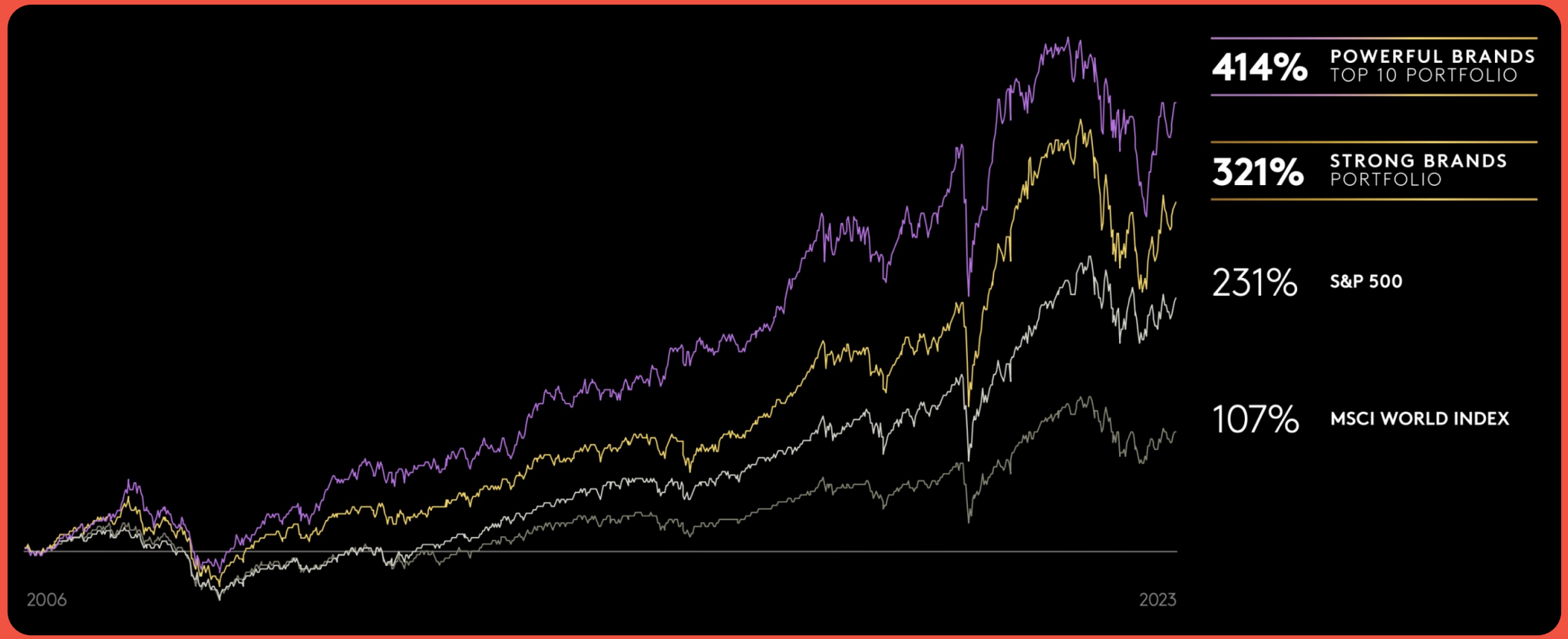


Both series indexed to FY21 = 100. Revenue went from US$44.5bn to US$46.4bn over the period; net income from US$5.73bn to US$3.11bn. Source: Nike, Inc. annual results.

If you market like a smaller brand,
you will become a smaller brand.



Brand Marketing makes companies larger and more valuable



700 CFOs, Surveyed by Financial Times

The cost center model

Marketing is..
A mechanism for generating transactions - value is created as sales are made

When it should return...
At or near break-even within 12 months

Primary focus of marketing investment is...
Performance marketing

The capital asset model

Marketing is...
An asset that builds durable value: brand equity & pricing power

When it should return...
1.25–3× over 13–24 months

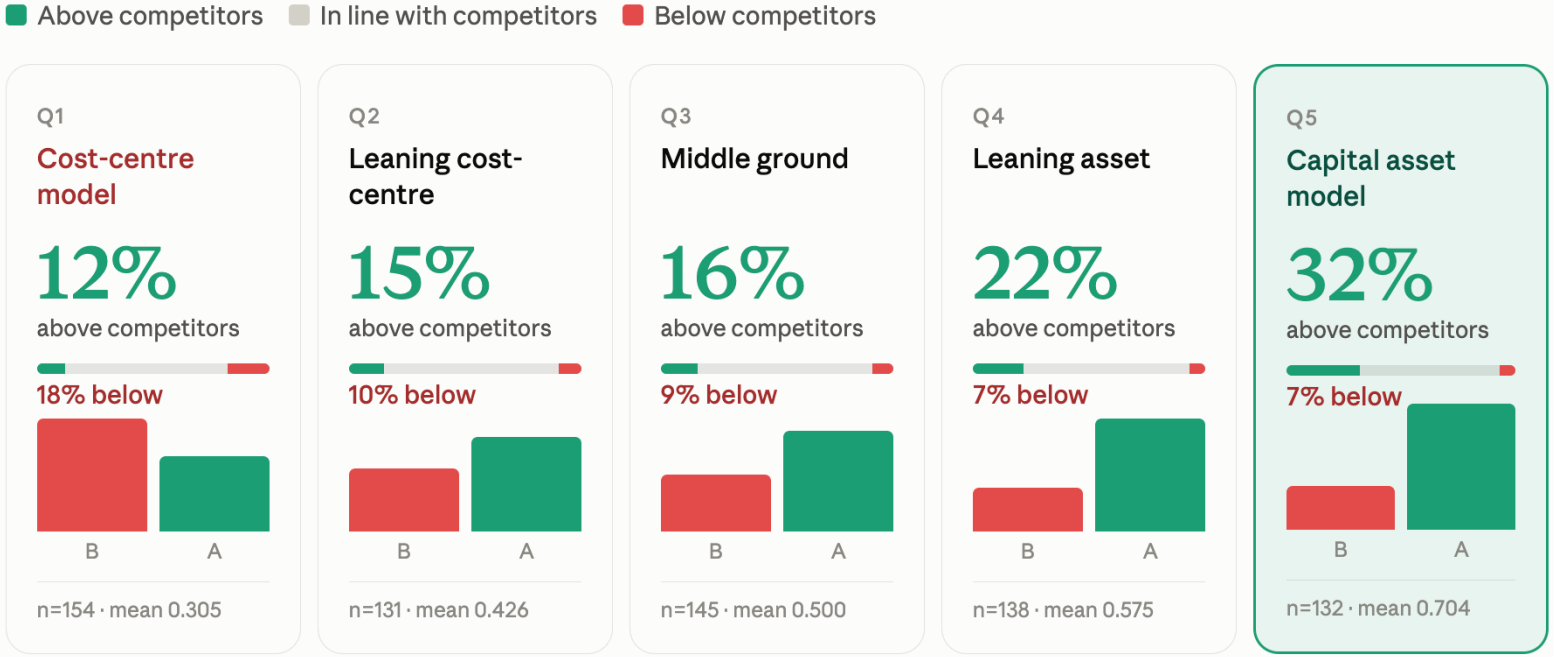
Primary focus of marketing investment is...
A balance of brand and performance

Which outperforms competitors on revenue & profit growth?



FIGURE · SURVEY DATA

Competitive performance outcomes by mental model quintile



n=700. Composite score from Q7a (marketing ROI expectations), Q6r1, Q6r3, Q6r6 (capability ratings). B=below competitors, A=above competitors.

“Marketing has not done a very good job of marketing marketing.”



- Dara Treseder - Forbes #1 Most Influential CMO

How does ‘brand marketing’ add commercial value?





Brand marketing makes people (who aren't in the market yet) familiar with us and emotionally positive toward us

So when they enter the market, they gravitate toward us and pay more for us



Many years ago, the late Len Heath, then in his mid-forties, sold his interest in an advertising agency and took me out to lunch. Afterwards, he offered to drive me back to my office.

I protested – my office was no more than 10 minutes' walk away – but Len insisted. And when we got to his car, I understood why. It was a shining, stunning, elegant, arrogant, latest-model Aston Martin.

It was the first time I'd been inside an Aston Martin and it didn't disappoint.

"You may be interested to know why I bought this car," said Len. "I bought it because I saw an advertisement for it."

"Well, fancy that," I said.

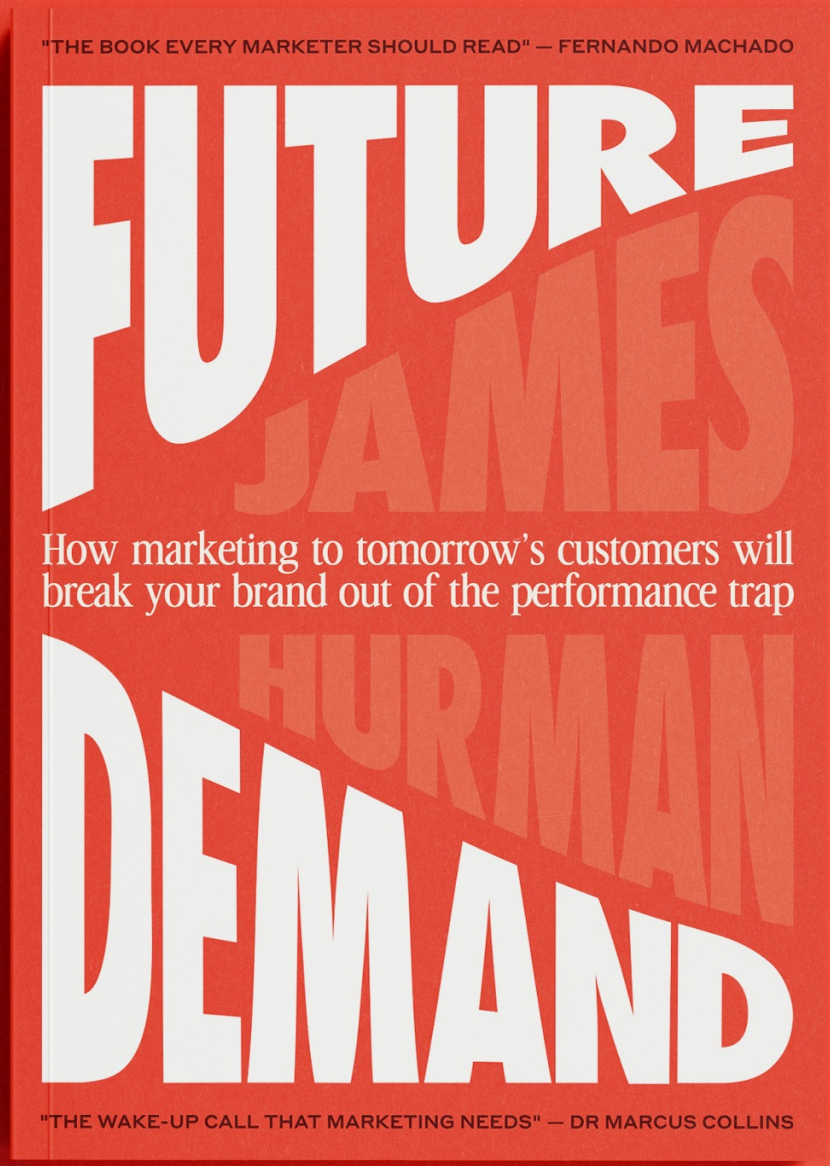
"But that's not the interesting bit," said Len. "What's interesting is that I saw that advertisement when I was 14." >

***








"THE BOOK EVERY MARKETER SHOULD READ" — FERNANDO MACHADO
FUTURE
JAMES
How marketing to tomorrow's customers will break your brand out of the performance trap
HUMAN
DEMAND
"THE WAKE-UP CALL THAT MARKETING NEEDS" — DR MARCUS COLLINS