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# Consumer Insight

## BUDGETING FOR THE UPTURN… DOES SHARE OF VOICE MATTER?

The Institute of Practitioners in Advertising (IPA), the UK's leading professional body for advertising, media and marketing communications agencies, commissioned Nielsen to validate and expand upon their findings regarding the relationship between share of voice (SOV) and share of market (SOM).

Historically, global research into the SOV versus SOM dynamic had been conducted by advertising agencies or agencies with a vested interest in this field. Indeed, the IPA's work was based on cases that had demonstrated profitable growth or achieved a coveted IPA effectiveness award.

A more impartial, up-to-date evaluation was required, focusing on 'typical' FMCG advertising, not just the 'crème de la crème' of campaigns.

Drawing on Nielsen's unique data assets, such as EPoS, Nielsen Media Research's spend data and BuzzMetrics insights, Nikki Clarke, Marketing Mix Consultant, Nielsen UK explores the contribution of SOV, as well as other marketing factors to deliver market share growth and the implications for future media planning.

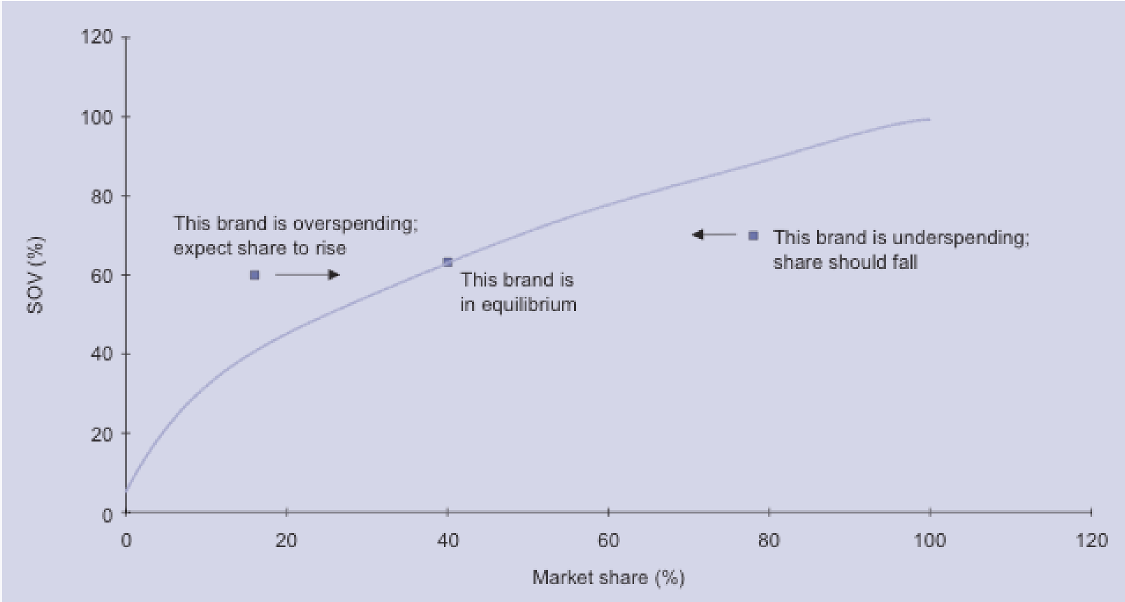
The concept of equilibrium SOV

To date, a number of researchers have identified a relationship between Share of Market (SOM) and Share of Voice (SOV). The findings suggest that, all things being equal, a brand which punches above its weight, such that its SOV is greater than its SOM, will gain market share.

A key concept that drives the level of growth is excess share of voice (ESOV = SOV-SOM). However, the published extent of this rise varies across studies.

To quantify how much market share rises, we analyzed 123 brands, across 30 different categories of 'typical' advertising (e.g. not award winning campaigns). Consideration was given to brand size and life cycle stage (NPD vs. mature brands), to ensure a representative sample. The following relationship was identified.

On average, all things being equal, a 10 point difference between SOV and SOM leads to 0.5% points of extra share growth. That is to say that a brand with a market share of 20.5% with an ESOV of 10 points would grow over a year to 21% market share.



Source: IPA Marketing in the Era of Accountability

Interestingly, this return was more modest that previously published gains. This was not surprising given that the IPA sample, by its very definition, included cases that were more effective than the norm, with all brands demonstrating profitable growth. You would expect the market share return to be higher.  In contrast, the Nielsen sample included more ‘typical advertising’.

So, what is the implication for media planning? Share of Voice in excess can drive market share. However, the return is more modest than previously reported.

For future media planning, this 10:0.5 norm can be used for rule of thumb forecasting purposes with media agencies when setting targets for FMCG brands based on market share gains. It must be noted that there was tremendous variation across categories and brands. Therefore, a brand should measure its specific relationship between SOV and SOM to provide a more accurate benchmark to evaluate its media agency’s performance, as well as setting PBR rewards. Econometric modelling would provide the greatest accuracy to achieve this.

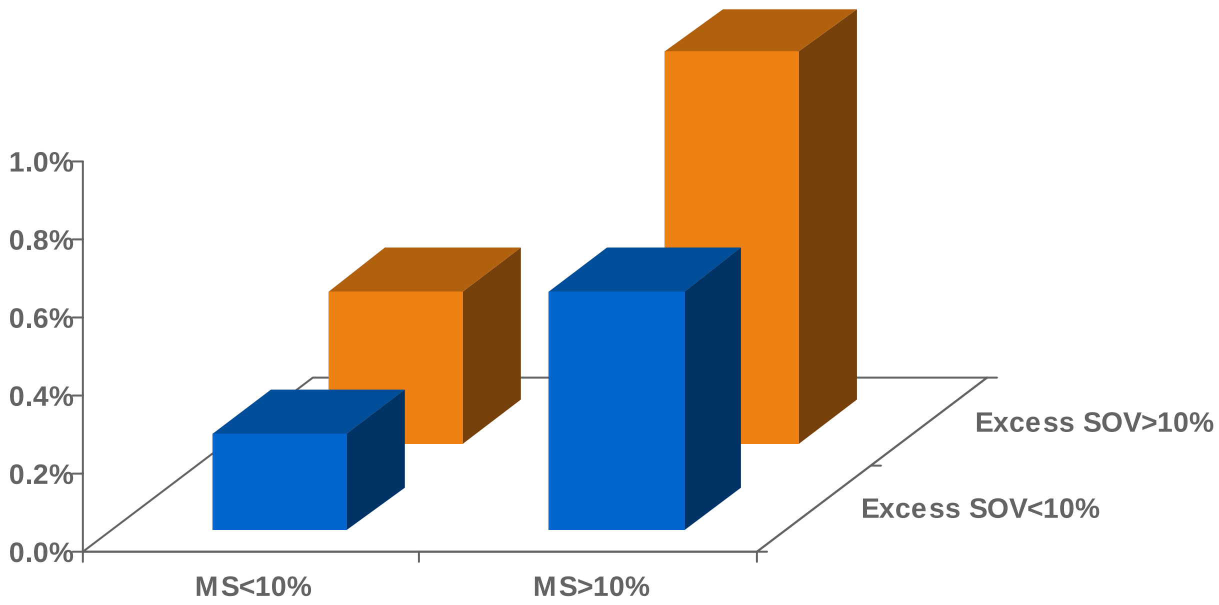
Drivers of Growth

There were a number of factors which helped to explain the variation from the 10:0.5 normative return.

Brand size matters:

There were wide disparities between the levels of growth achieved per point of ESOV by large brands compared to smaller ones, regardless of the level of ESOV. Smaller brands therefore face an uphill battle to grow their market share through share of voice alone, and will almost certainly require campaigns with above average effectiveness as well, in order to succeed. Larger brands have the benefit of distribution, range, pricing to help to maintain share. Consequently, the advertising does not have to work as hard.

*Growth versus excess share of voice (ESOV) for large vs. small brands*



Brand leaders versus challenger brands:

Splitting the sample further, on average, brand leaders achieved 1.4% points of share growth per 10% points of ESOV compared to 0.4% for challenger brands.

These findings demonstrate 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. In this context it is easy to see why challenger brands are unlikely to prosper by playing by the same rules as the brand leader: they need a radically more effective approach to deliver this scale of efficiency.

To illustrate the uphill struggle faced by challenger brands, these findings were applied to compare over a 4-year period the growth that would be achieved by a market leader to that achieved by a challenger brand if both sustained 10% points of ESOV.

*Brand leaders versus challenger brands: Market leader versus challenger brand growth for 10% points of ESOV*

| Year: | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Market leader brand sales | 142m | 144m | 146m | 148m |
| Challenger brand sales | 20m | 20m | 20m | 20m |
| Market leader share growth | 1.5% | 1.2% | 1.4% | 1.4% |
| Challenger share growth | 0.2% | 0.3% | 0.4% | 0.4% |

*Market leader versus challenger brand cumulative share growth*

| Year | 2008 | 2009 | 2010 | 2011 | Change |
|---|---|---|---|---|---|
| Market leader market share | 41% | 42.2% | 43.6% | 45.0% | +4.0 |
| Challenger market share | 11% | 11.3% | 11.7% | 12.1% | +1.1 |

New brands and new news:

An element of newness for a brand or category generally resulted in greater growth responsiveness to ESOV. Brand launches or re-launches typically achieved 15-25% greater growth per point of ESOV than the norm. Brands in younger categories also tended to achieve greater responsiveness than brands in mature categories. The former is due to the power of news to boost effectiveness whilst the latter can be explained by less competition and own label presence.

Campaign quality:

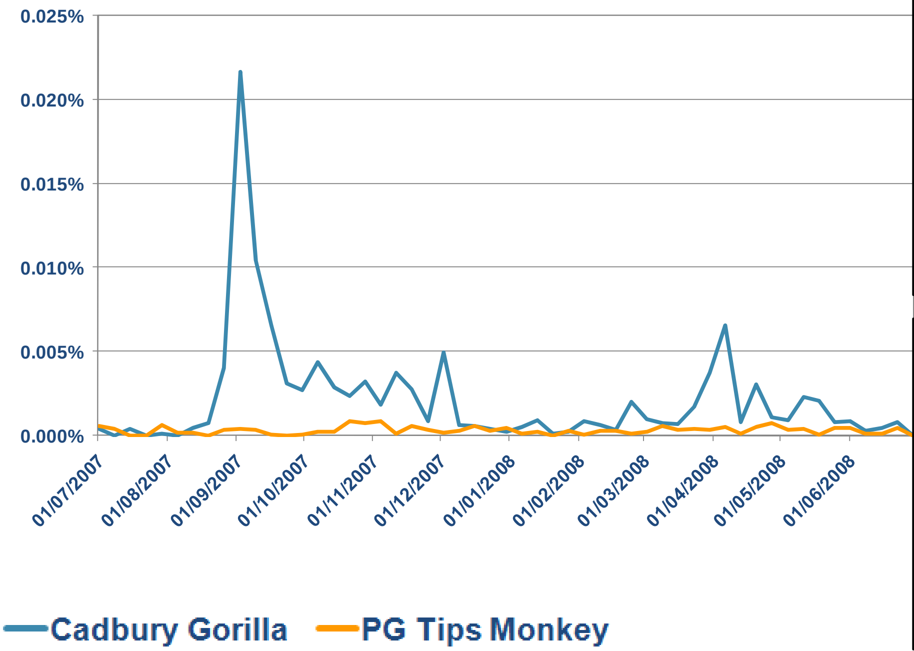
Drawing on our global Marketing Mix Modelling experience across different categories and brands, Nielsen has seen that using the right copy is a significant driver of brand growth.

By comparing our findings from ‘typical advertising’, to the IPA results, this finding was reinforced, in terms of the significant role that campaign quality plays in driving growth. The IPA cases typically enjoyed a 60% uplift when compared to ‘typical’ campaigns. The impact was reinforced further when focusing on the performance of IPA award winners, who achieved a 37% greater uplift than campaigns that were entered for the awards, but did not win. Thus, non-winners fall neatly between winners and typical campaigns, as you would expect.

Campaign quality is important for traditional, as well as new media. Analysis conducted by Nielsen Online investigated drivers of word of mouth, or ‘buzzability’ as they call it.

The most significant driver of consumer generated media was quality advertising. Within the sample, we saw greater returns for the Cadbury Gorilla campaign, which has won several awards and successfully leverage TV and viral marketing. Modelling would be able to disentangle and isolate the impact of SOV, copy quality and the viral campaign on brand growth. However, the table below provides an example of the high levels of buzz associated with this campaign.

*% of all UK buzz*






Source: Nielsen Online

Online chatter increased dramatically as the GRPs were aired. What is important is the benchmark that we use. The PG Tips Monkey campaign broke the mould in terms of cutting through buzz, the level of online chat is reported in yellow. The Gorilla campaign exceeded this and set the new benchmark.

Application for media planning

Clients are faced with increasing, maintaining or decreasing support for their brand. In the short-term, it is tempting to make cuts to media investments. However, what is the impact in the long-term?

To demonstrate the use of the ESOV-growth model as a rule of thumb planning tool a number of hypothetical scenarios are outlined below. Scenario 1 is an extreme panic example which demonstrated the effect of a 'typical' brand leader cutting its media budget to zero for 2 years whilst others maintained 2% media budget growth.

*Scenario 1: No media budget: Effect on market share of no media budget*

| Year | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Brand X spend | £9.2m | £0m | £0m | |
| Competitor spend | £5.0m | £5.1m | £5.2m | |
| Market spend | £14.2m | £5.1m | £5.2m | |
| Share of voice | 64% | 0% | 0% | |
| Excess SOV | 30% | -33.3% | -31.8% | |
| Share growth | 1.5% | -1.7% | -1.6% | |
| Market share | 33.3% | 31.8% | 30.1% | 28.5% |

In this scenario market share fell from 33.3% to 28.5% in the third year.

A further scenario compares the effects of 2 different brand strategies. One brand chose a modest investment strategy versus a more realistic disinvestment strategy. The investor brand raised activity by 2% in year one then in year two by 3.5% and finally by 4.5%. The disinvestor brand cut its activity by 20% in year one followed by 10% and finally held level in year three. The clear result was that investment cuts in the short-term damage the brand in the long-term, whereas brands that choose to invest emerge in a stronger position after three years.

*Scenario 2: To invest or cut back? The effect on share*

| Year | 2008 | 2009 | 2010 | 2011 | |
|---|---|---|---|---|---|
| Investor brand SOV | 23.3% | 23.8% | 24.6% | 25.7% | |
| Investor brand ESOV | +9.6% | +9.6 | +9.9 | +10.5 | |
| Investor brand Share Growth | + 0.5 | +0.5 | +0.5 | +0.5 | |
| Disinvesting brand SOV | 13.1% | 10.5% | 9.5% | 9.5% | |
| Disinvesting brand ESOV | -12.2% | -14.2 | -14.5 | -13.8 | |
| Disinvesting brand share growth | -0.6 | -0.7 | -0.7 | -0.7 | |
| Investor brand market share (Index) | 100 | 105 | 110 | 115 | +15% |
| Disinvesting brand market share (Index) | 100 | 94 | 87 | 80 | -20% |

The effect on profitability of the two strategies (assuming typical FMCG cost structures) is shown below: the investor brand grew profit by 2% whereas the disinvesting brand lost 3% of profit.

*Scenario 3: To invest or cut back? The effect on profit*

| Year | 2008 | 2009 | 2010 | 2011 | Change |
|---|---|---|---|---|---|
| Investor Brand | £11.4 | £11.4 | £11.4 | £11.6 | +2% |
| Disinvesting Brand | £17.1 | £16.8 | £16.7 | £16.6 | -3% |

## Conclusions

Chasing short-term market share gains will damage the brand in the long- term. Clients that take a long-term view of brand strategy will emerge out of the economy down turn in a better, stronger position than those who focus on short-term payback.

If the objective is to grow market share, it is imperative for brands to understand their correct levels of SOV investment. This also provides a clear annual target to evaluate the media agency's performance. However, SOV alone is not enough and campaign quality is a significant driver.

Nielsen's Marketing Mix Modelling team can provide recommendations on brand specific optimal ESOV levels, before saturation occurs. Furthermore, through econometric modelling, it can disentangle the different marketing drivers, such as new and traditional media, copy quality, price and promotions to provide recommendations on improving a brand or portfolio performance.

5 Points to remember

- SOV alone is not enough. Using the right copy as well as SOV is critical to drive returns

- SOV/SOM differential matters

Excess SOV delivers growth. On average, 0.5% share points for 10 differential

- Brand size matters

Market leaders drive greater returns from SOV than challengers

- 'Newness' delivers higher gains

Launches/younger categories respond at a higher level

- Short-termism is dangerous

Correct level of SOV + quality campaign = stronger brands

## About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and business publications (Billboard, The Hollywood Reporter, Adweek). The privately held company is active in more than 100 countries, with headquarters in New York, USA. For more information, please visit, www.nielsen.com