

When to invest in brand marketing (not just performance!)

Joy Talbot, Principal Economist



Time to
change

But there's
resistance

What if
you don't?

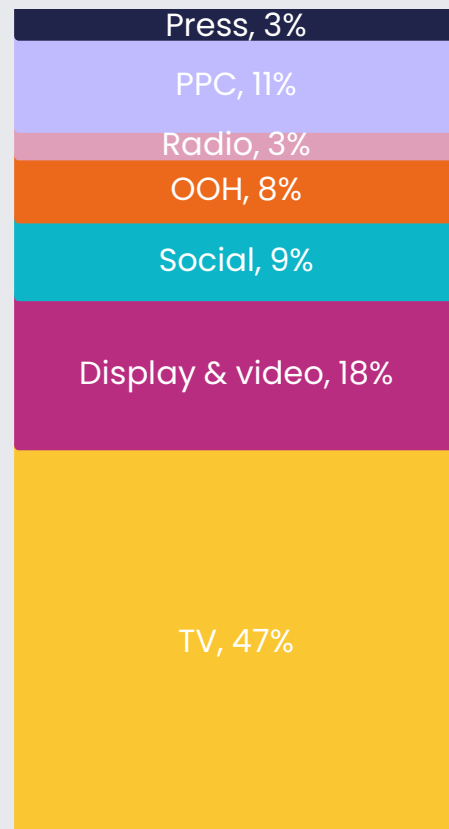
First steps
in a new
direction

Time to change

Smaller businesses get high ROI using performance media

When you're relatively small, these are the channels that pack the most punch

Smaller businesses, ROI < £1.5
(106 advertisers)

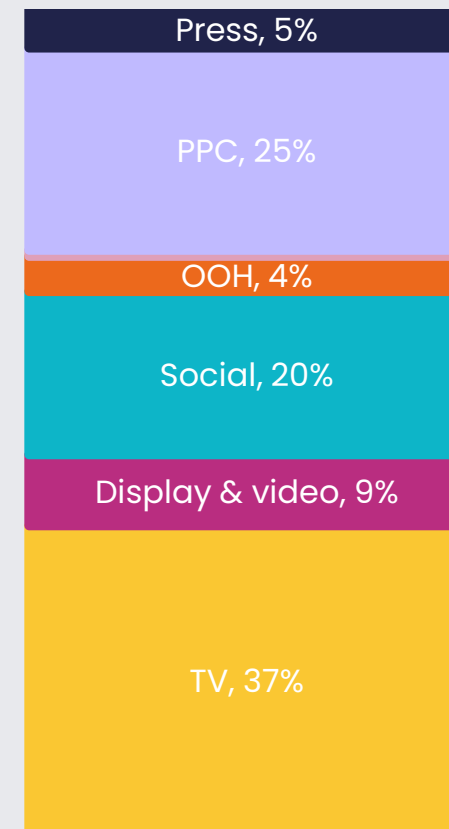


Lots more PPC

Lots more social

Less TV

Smaller businesses, ROI > £1.5
(18 advertisers)



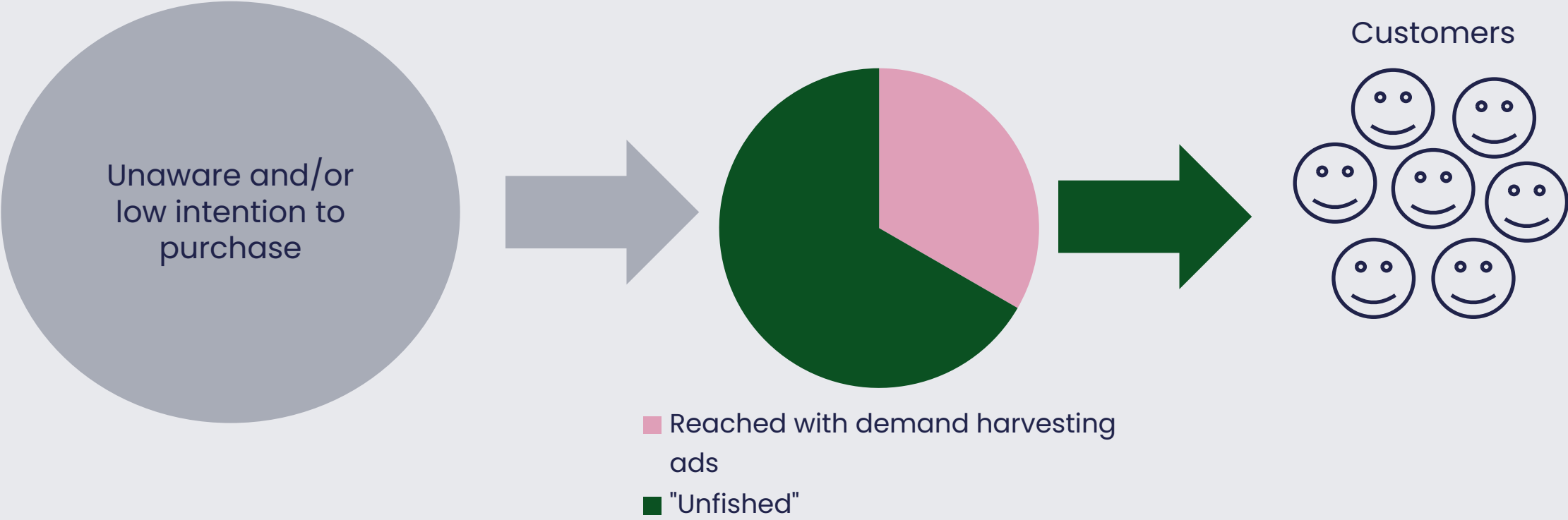
When you're small, you can grow a lot via your own "demand pool"

Demand pools model is a way of categorising purchases that might happen in the category



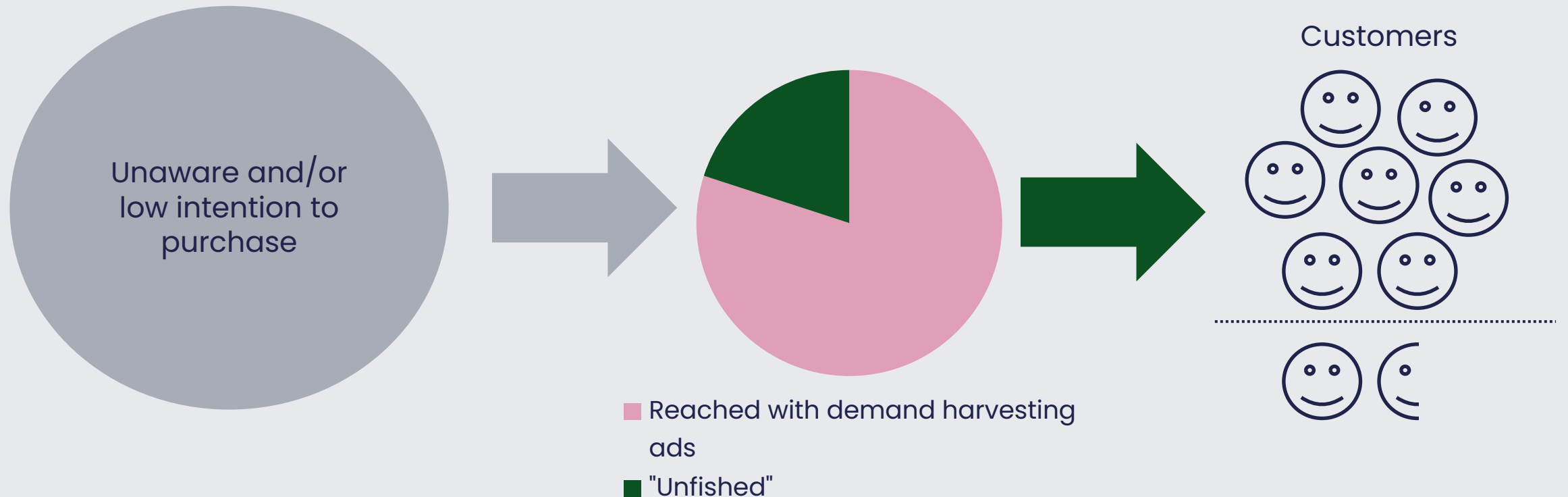
Your pool of demand can be "fished" more or less

Depending on how much you spend



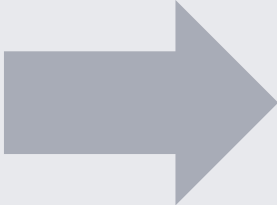
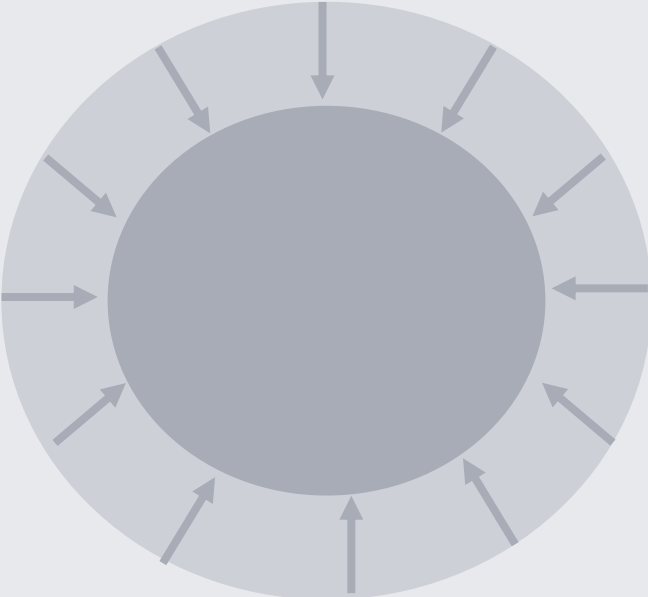
Spending more means reaching ever more of the pool

Eventually you've reached almost everyone, the remainder are the least likely to convert

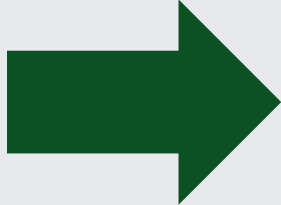
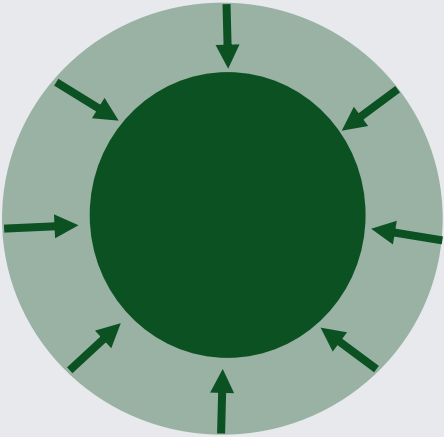


The pool can also shrink in ways that are not in your control

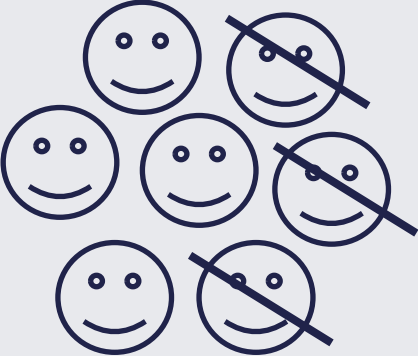
e.g. in 2024 consumers budget crunch is causing pools for luxuries to shrink



With a shaky economy
demand may shrink



Customers

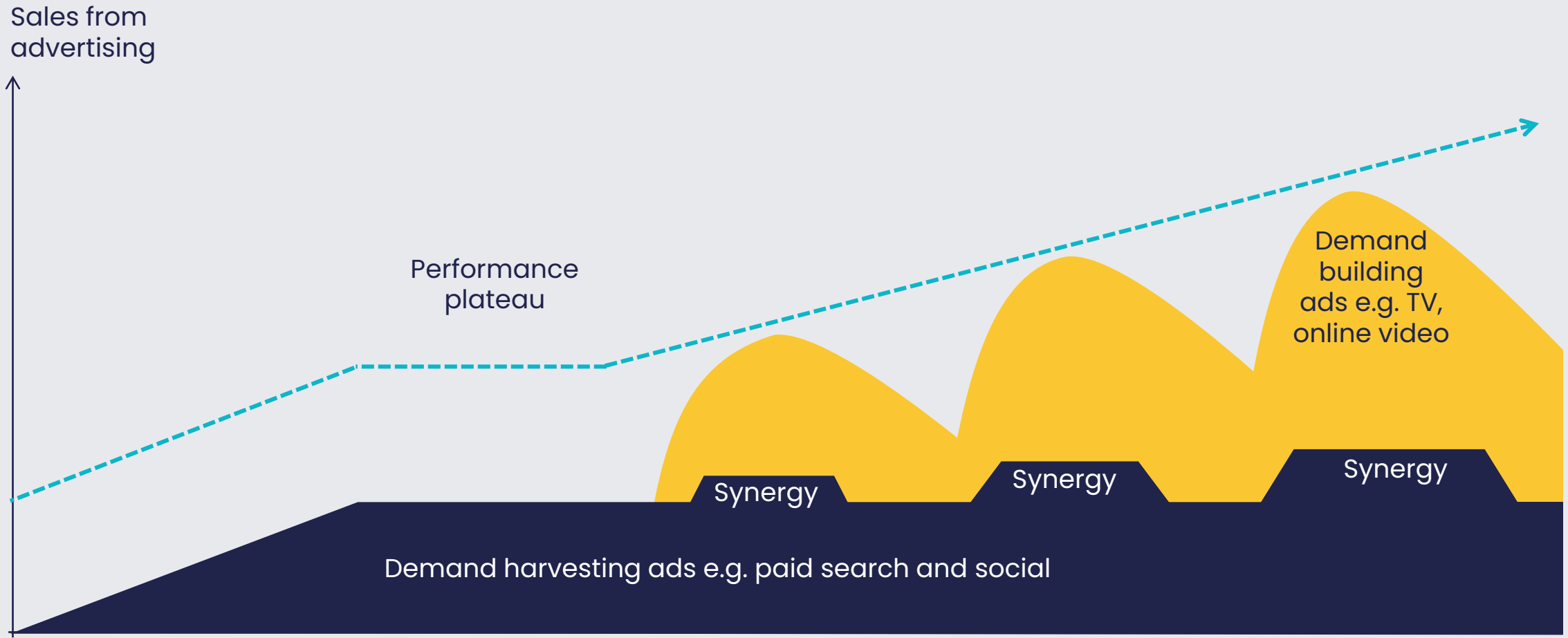


“Your CPC goes up significantly, so your cost per engagement goes up significantly. And you’re getting over what your target CPA is. Everything's become inefficient”

(Tom Beardmore, Owner of Chamber, an Independent Measurement Agency)

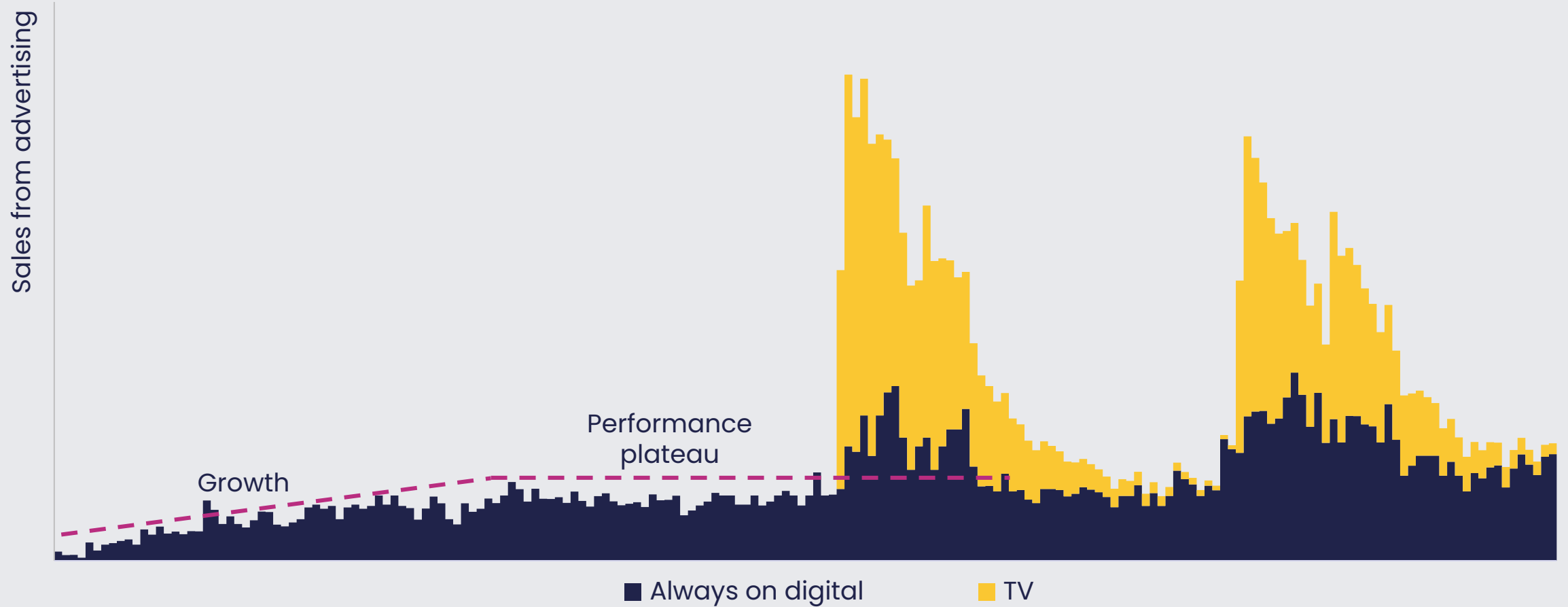
It is a typical stage in the life of an online born business

It's a consequence of success, when you've already reached everyone that's easy to convert



A real life example

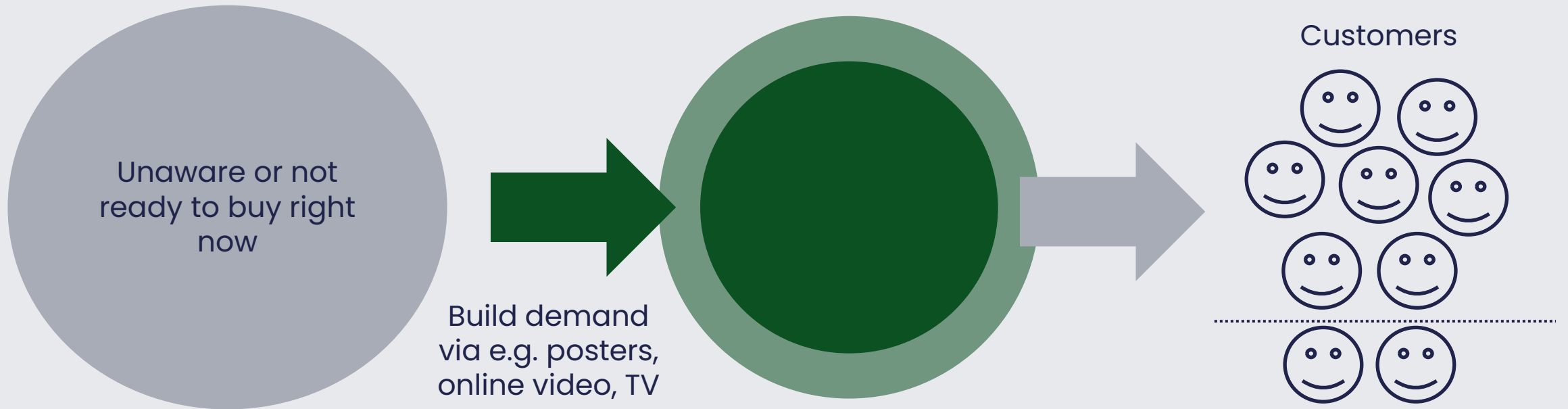
It happens time and time again



Source: Magic Numbers econometrics, taken from the experience of several real life scale ups

Demand building advertising fills your pool

Producing new demand for your social and search to harvest





But there's resistance



“I spoke to him about brand building. He was like, ‘yeah, I’m not trying what you want to do. I don’t want to become a household name and be famous. I just want to put a £1 in and get £50 back””

(Most senior marketer in UK scale up)

3 wins for your performance marketing team

Demand building is for them too – it's easier to harvest demand if there is more demand there to harvest

01:

Lots of visits, many with a free or cheap journey to you

02:

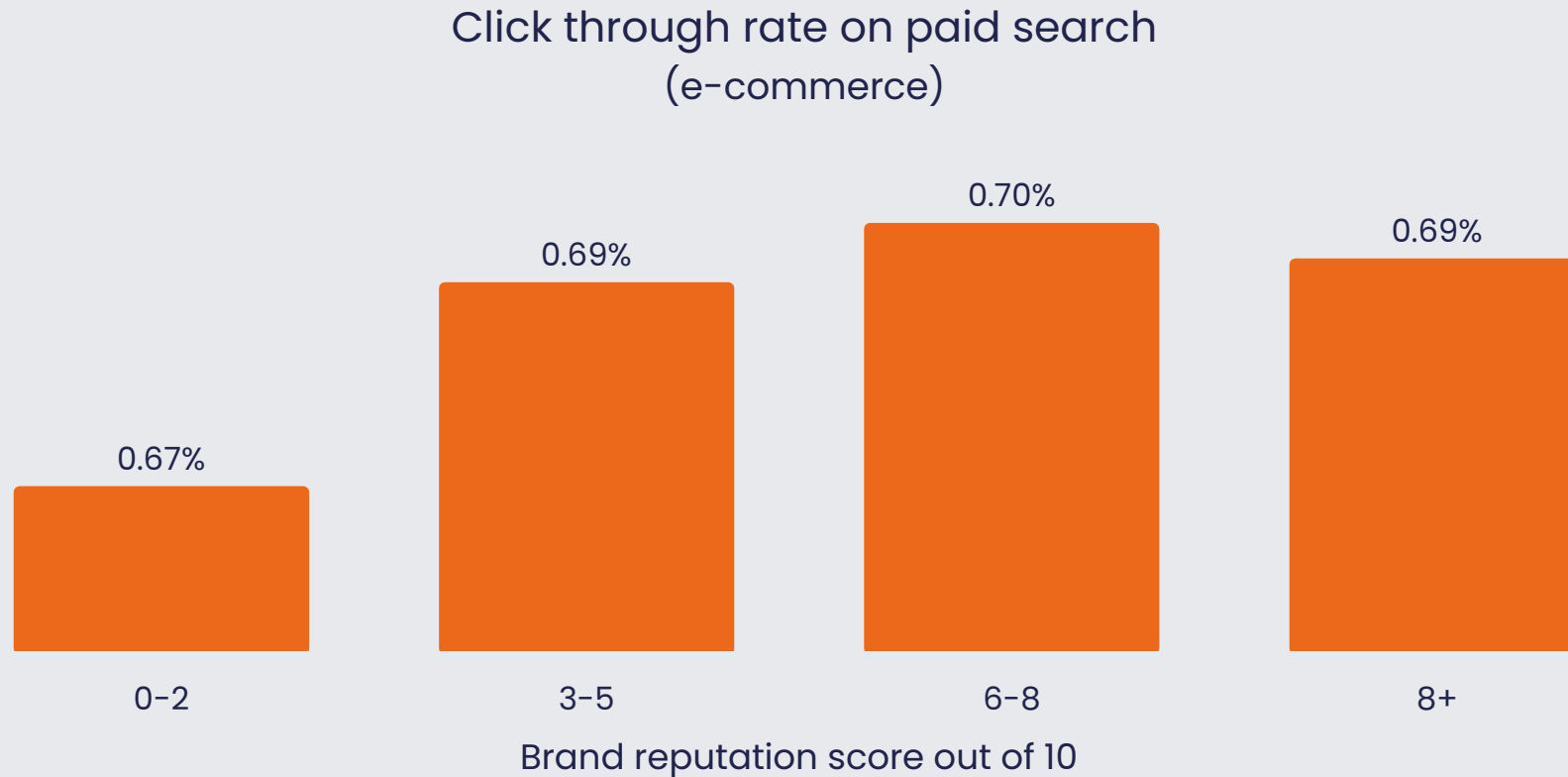
Gets you off the plateau – growth from harvesting demand can continue again

03:

Search marketing works better, higher rankings, lower CPC, more efficient

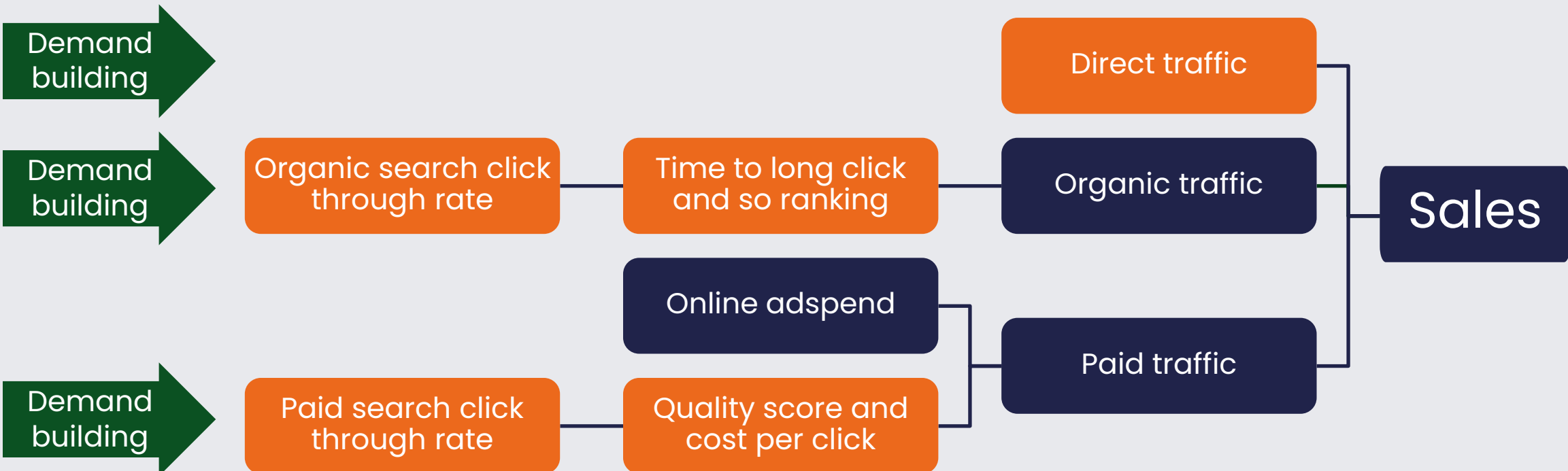
Demand building makes your search work better

It improves click through rates on paid search



The algorithms respond

via organic rankings, quality score and cost per click available to you



Source: Magic Numbers, taken from the experience of several real life scale ups

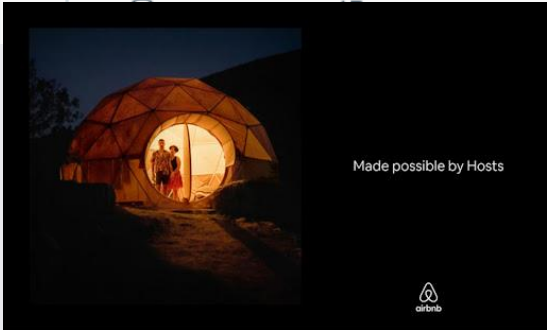


Airbnb case study

An example of what happens when you do demand building



“search engine hits are the priority”



“we made that shift and it has turned out to be the right shift”



2008
Launch with shared stays idea

2019
Switch to demand building from search-led strategy

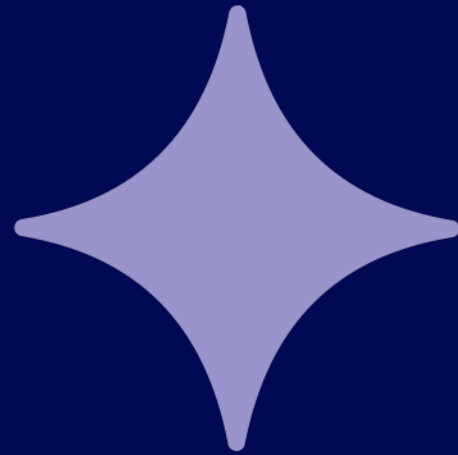
2021
IPO was successful
First large scale brand campaign
Web traffic +20%, 90% direct

Today
Profit surge
Marketing costs down 44%

Source: Marketing Week, Wall St Journal, Airbnb



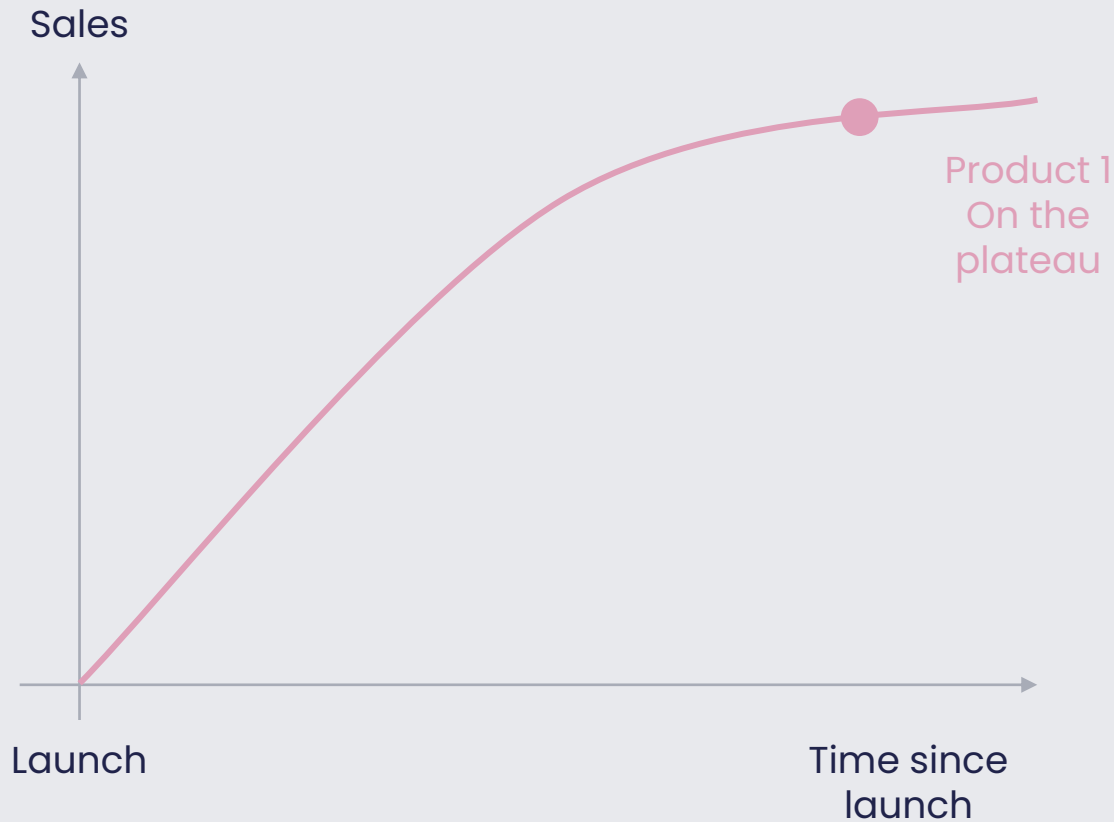
Is brand the only way?



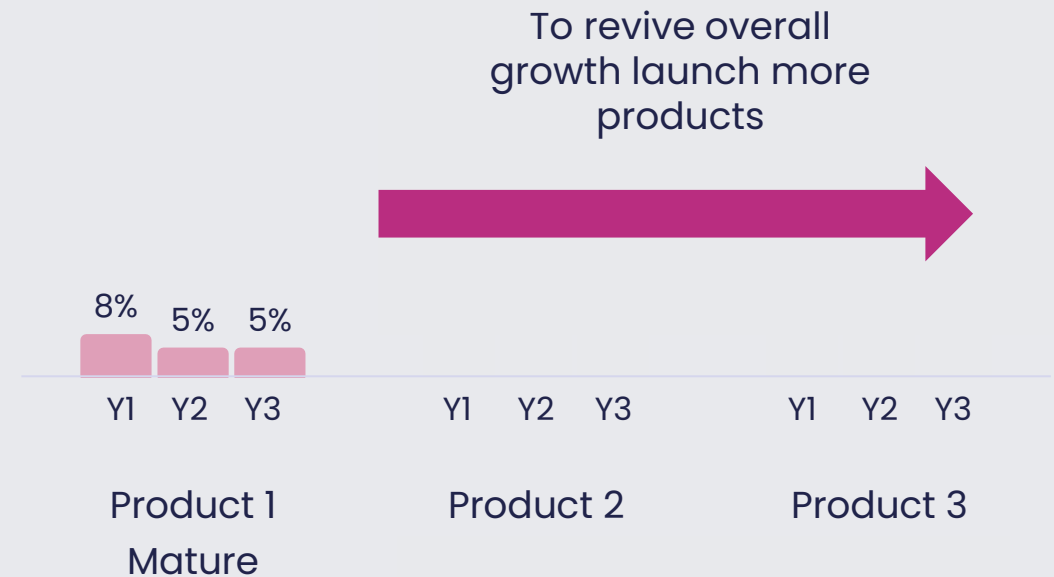
Another way to get off the plateau is to widen your range

To access adjacent pools and so continue to use demand harvesting tools for growth

Sales by product
(vs. time since launch)



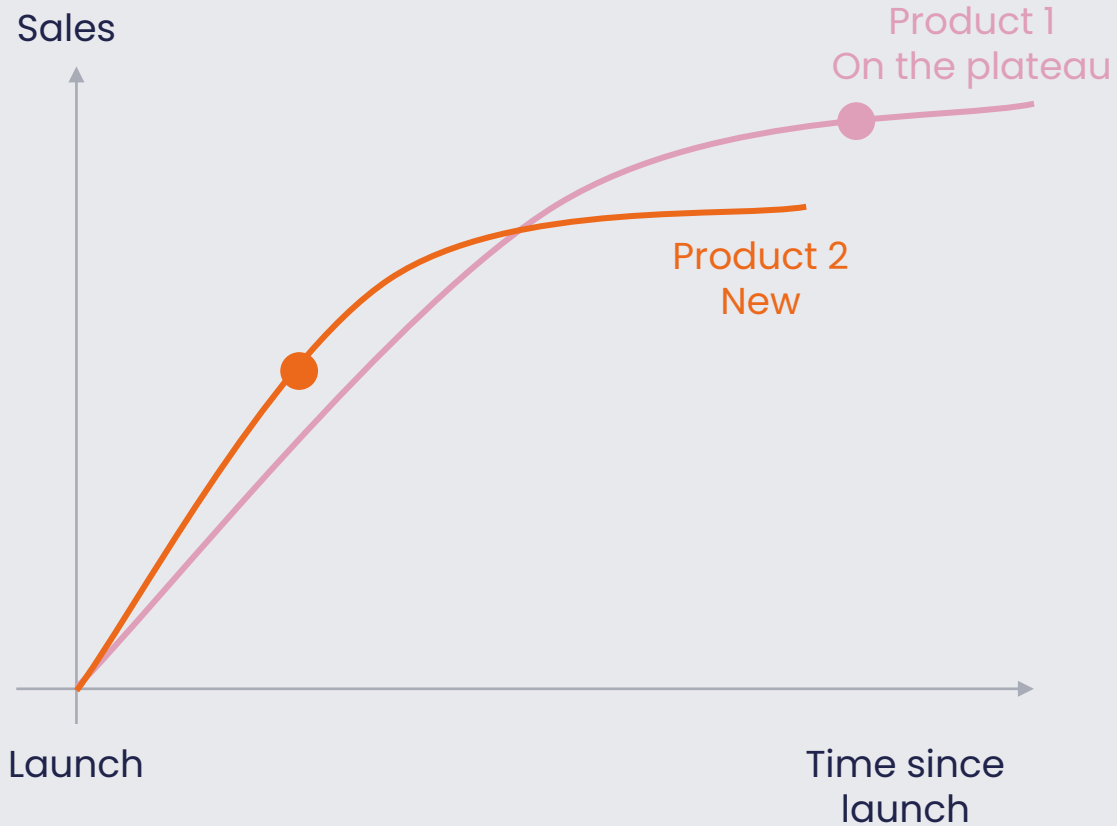
Sales growth by product
(%)



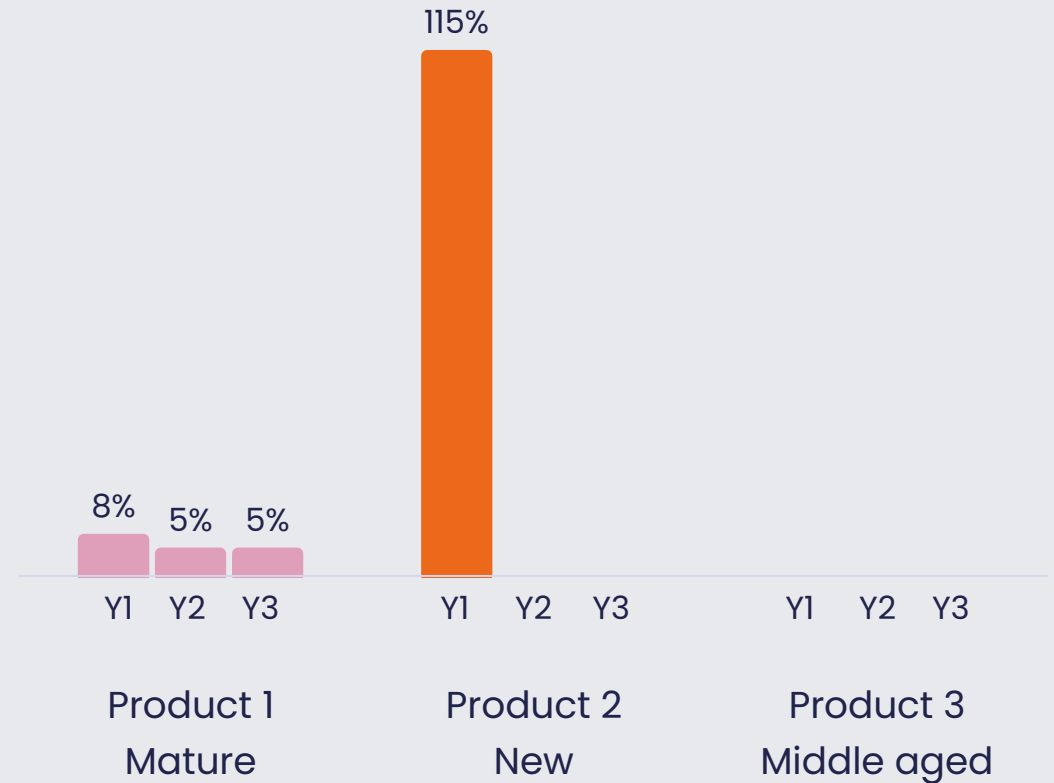
The 2nd product grows faster

Because there is a new pool of warm prospects online to harvest from

Sales by product (vs. time since launch)



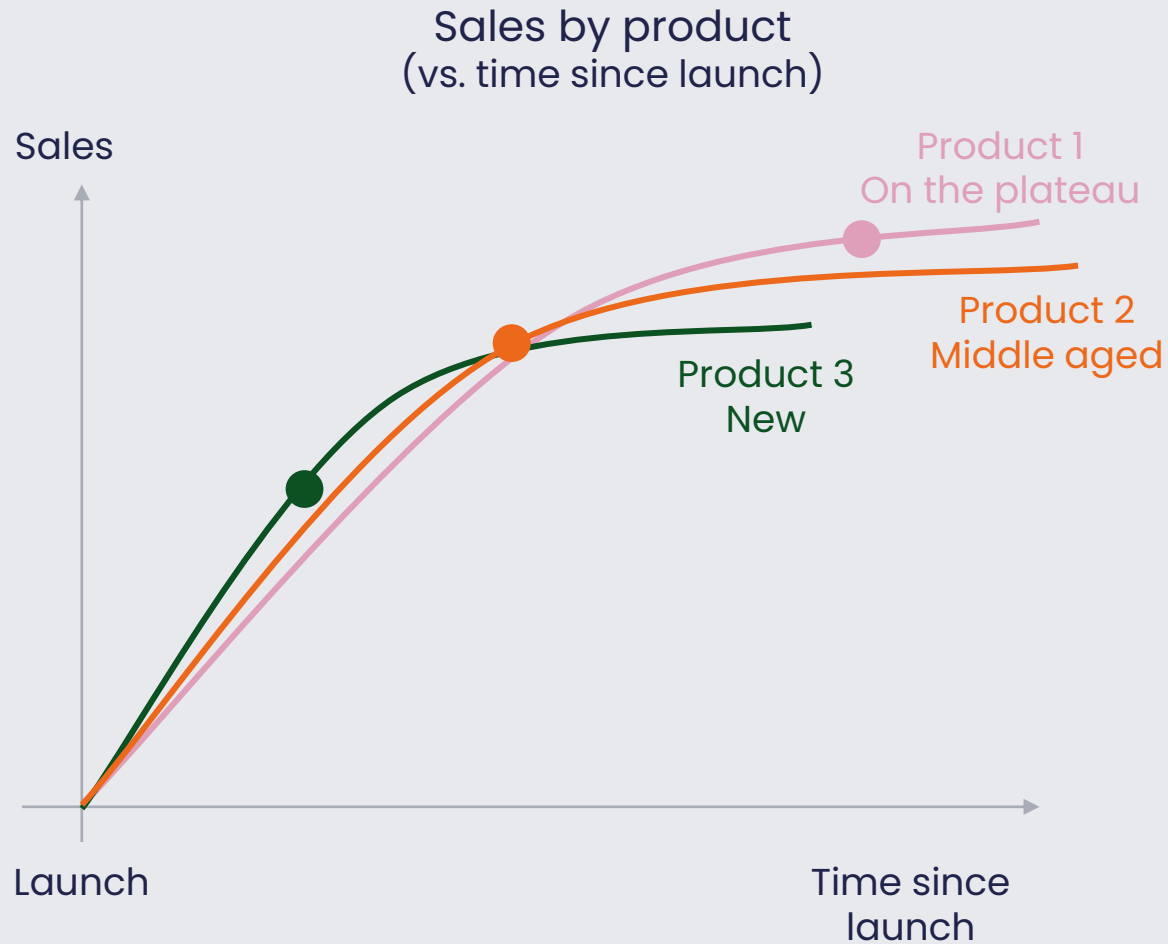
Sales growth by product (%)



Source: Magic Numbers econometrics, taken from the experience of several real life scale ups

Mature e-commerce businesses have products at all stages

Some in the high growth phase, some just reaching the plateau now, some on it



Source: Magic Numbers econometrics, taken from the experience of several real life scale ups

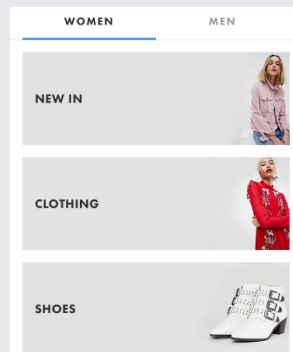
ASOS case study

An example of growth without demand building – 80% of all spend on harvesting

As seen on screen



Everything

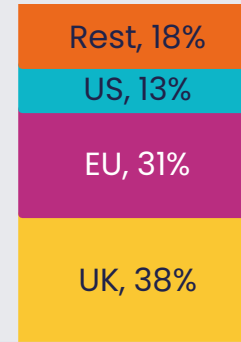


More geographies



2009

Buying demand



2019



Building demand

“new focus on broad-reach marketing to drive brand awareness”



2000
Launch
“as seen
on screen”

2005
Range now
includes all
kinds of
clothes,
shoes,
beauty
products

2010
Launch in
USA,
Germany,
France

2015
Profit
warnings

Price cuts

Demand
build
experiments

2020
Profit
warnings

2021
Bought
Top Shop

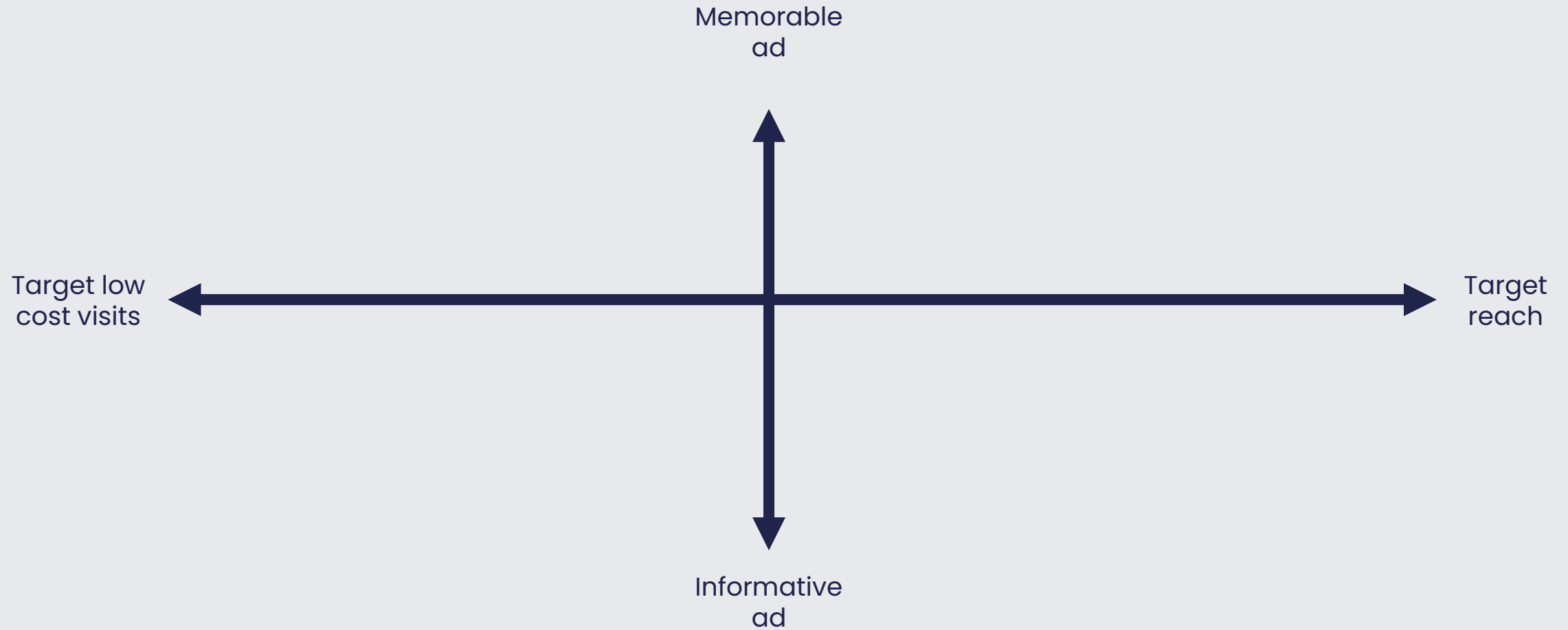
2023
Losses

Inefficient
search

Good first steps in a new direction

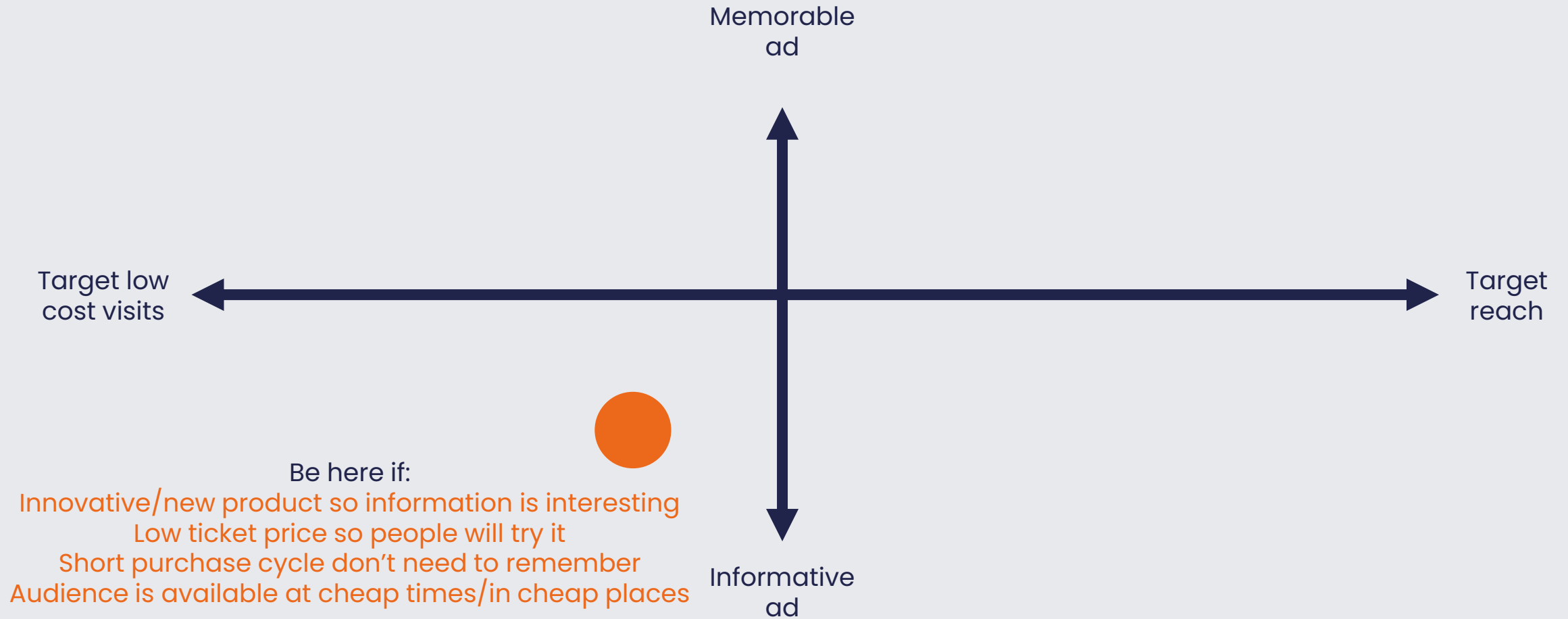
The right strategy depends on your circumstances

Decide whether to target low cost visits or reach & what kind of messaging is right for you



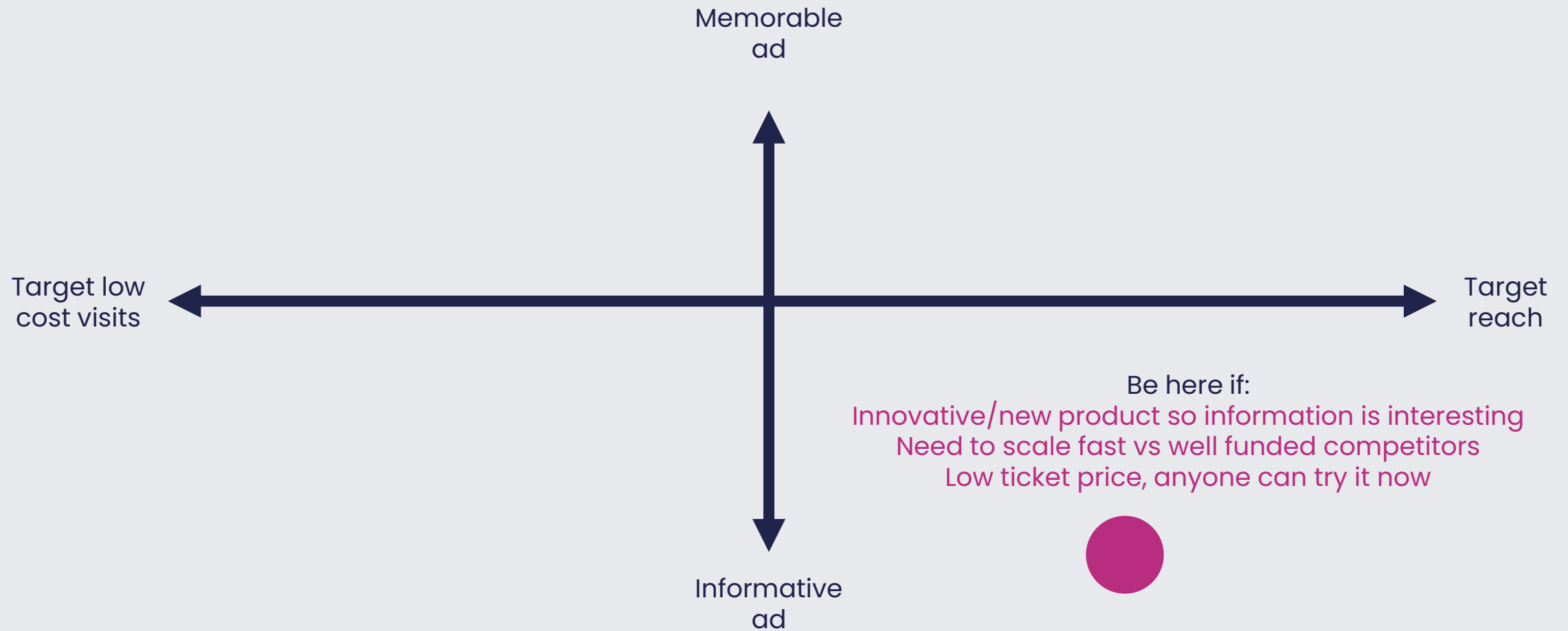
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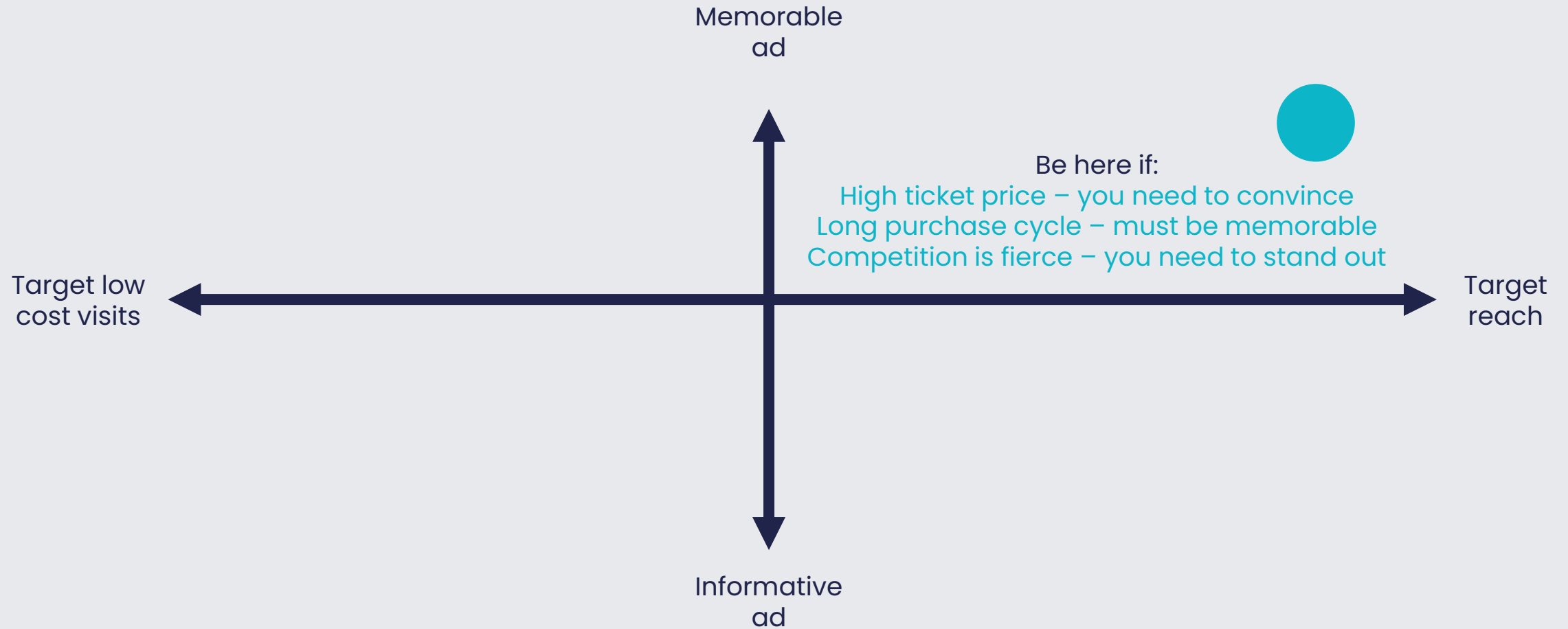
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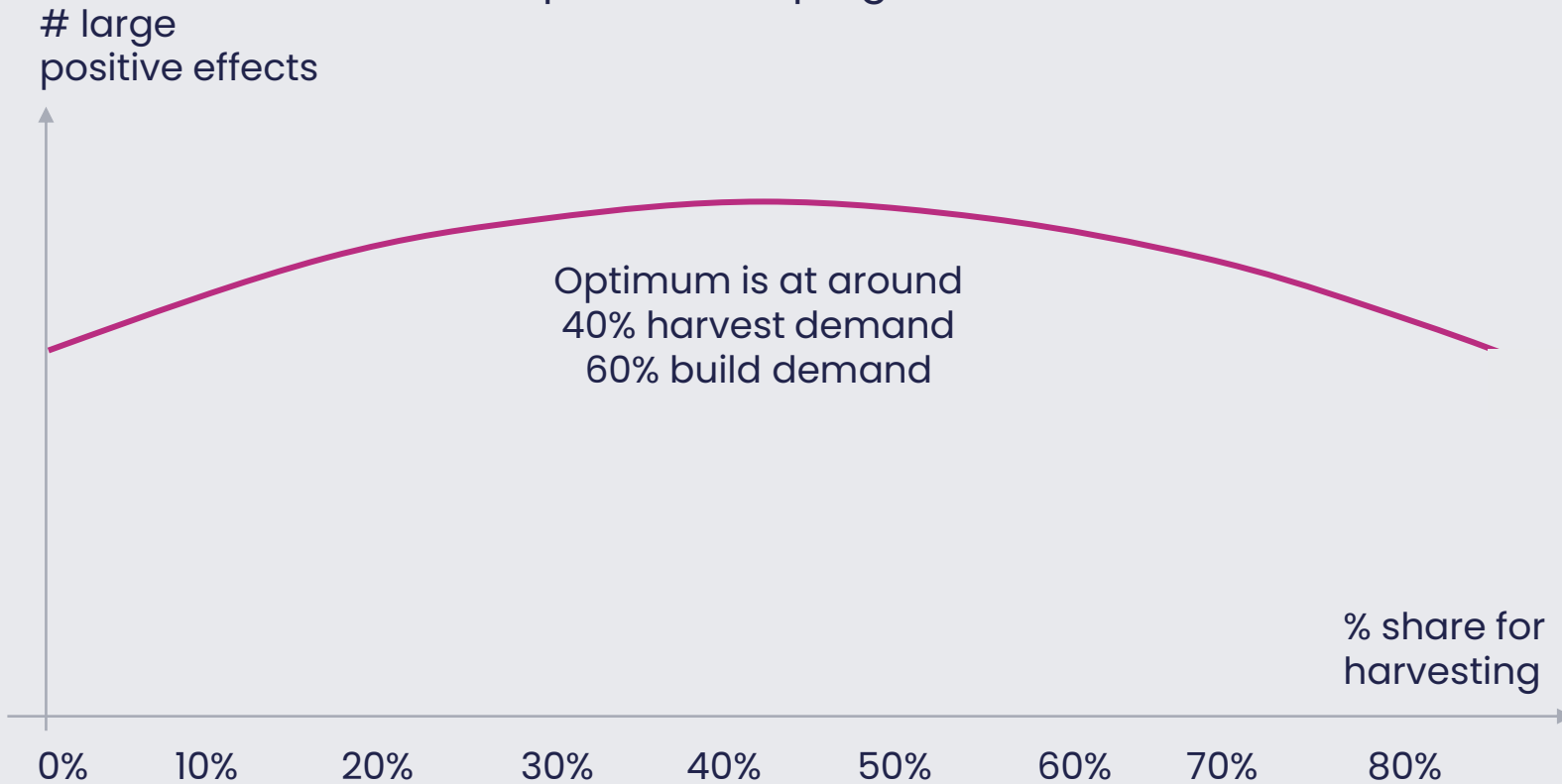
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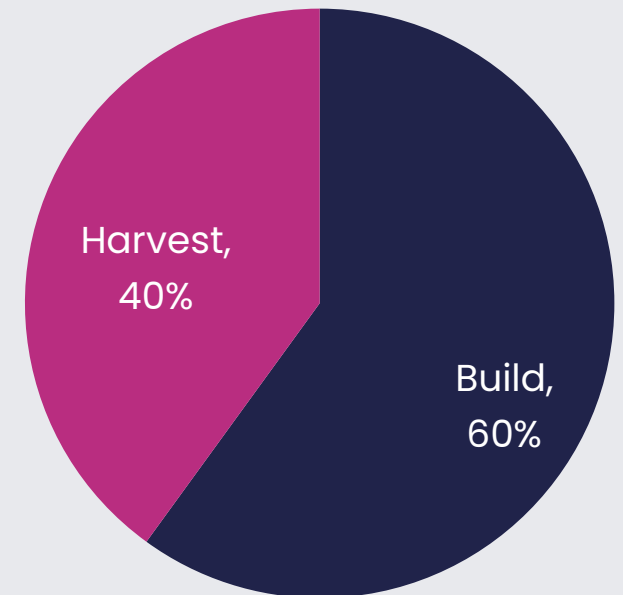
The build vs harvest split in a study of award winning campaigns

Binet & Field's classic the long and the short of it suggested 60:40

Comparing Demand vs Harvest splits to campaign outcomes



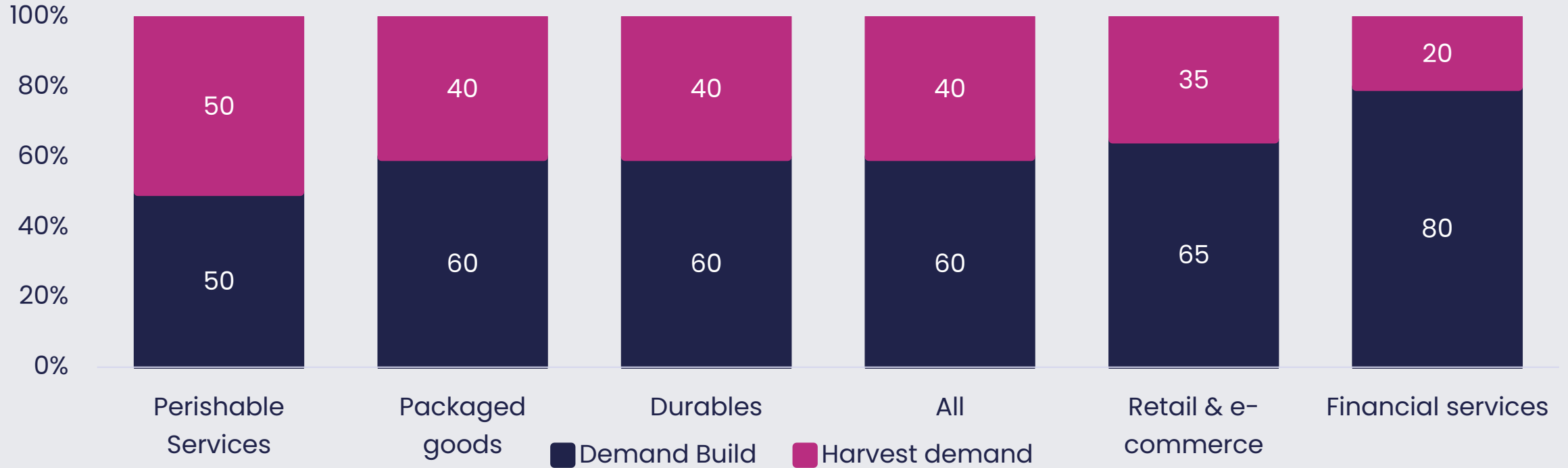
Binet & Field's optimal split



It depends on your category

In particular, on how much time people spend considering their purchase in your category

Optimal budget split across demand build vs harvest demand



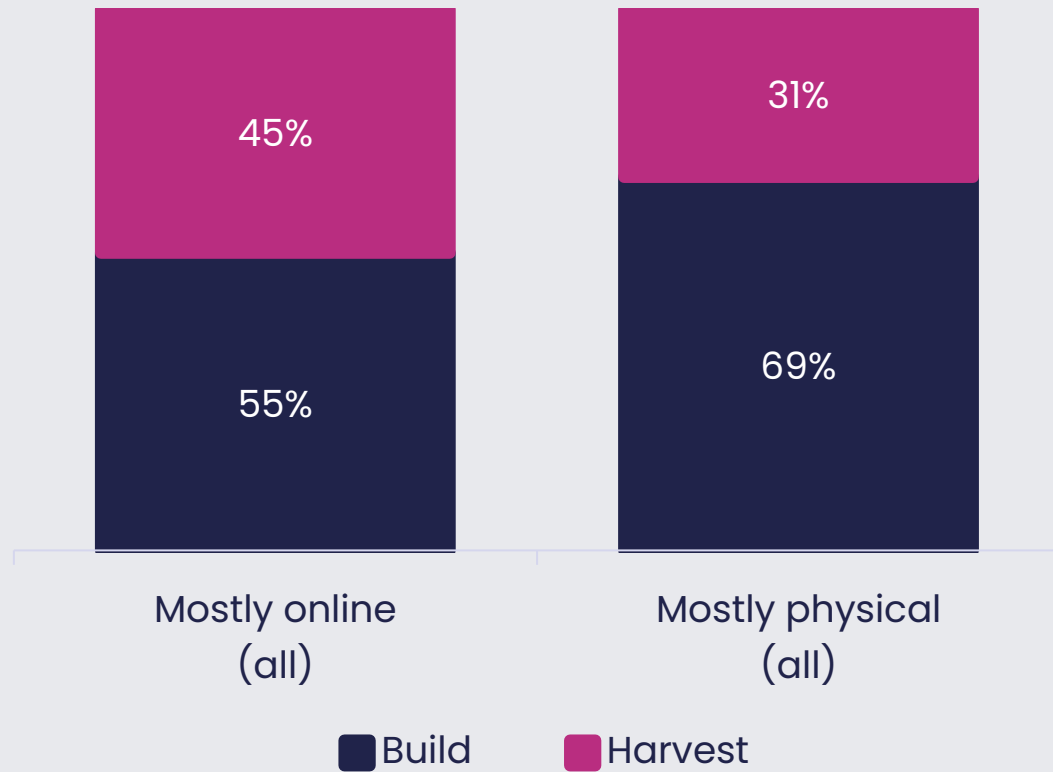
Harvesting is easier when people research the purchase online, so you need to spend less on it

In normal campaigns the highest ROI budget splits are 65:35

Most businesses that mainly sell online spend too much on harvesting

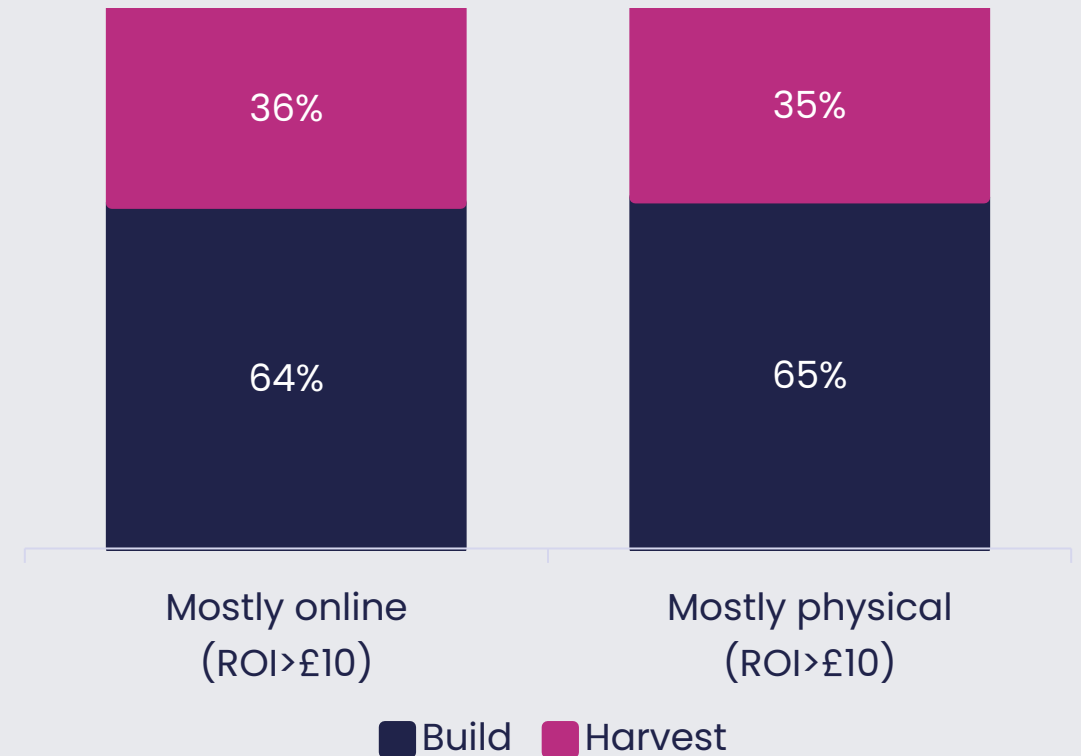
Harvest vs build split for ordinary campaigns

(572 UK advertisers 2015-2022)



Harvest vs build split for good value for money campaigns

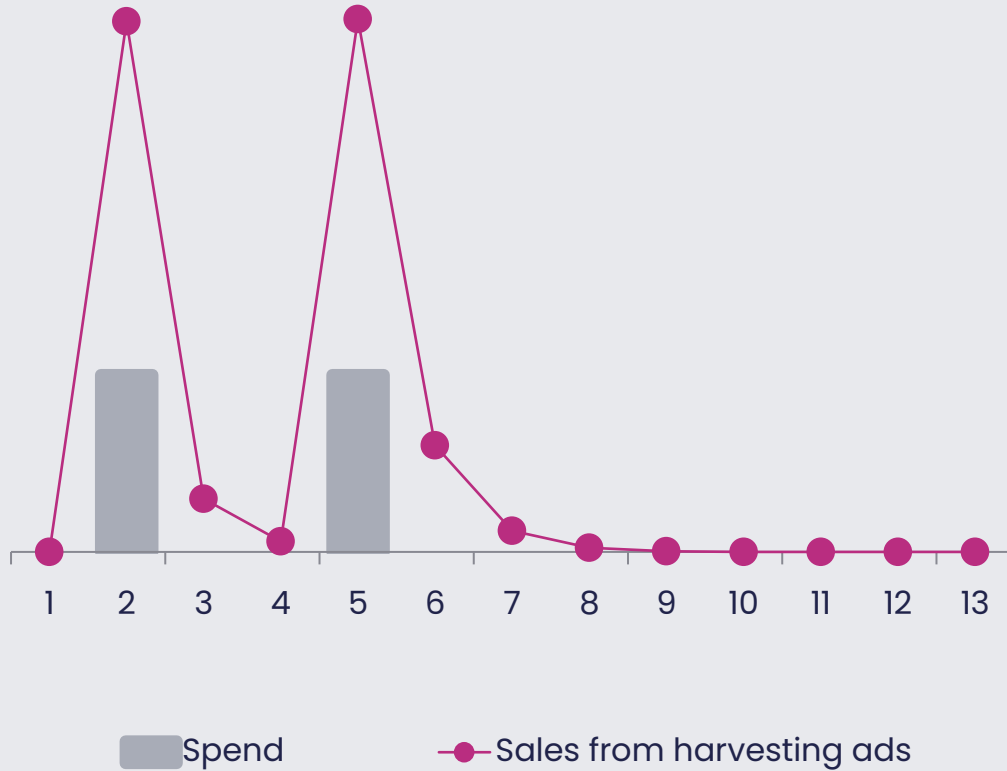
(24 UK advertisers with ROI > £10)



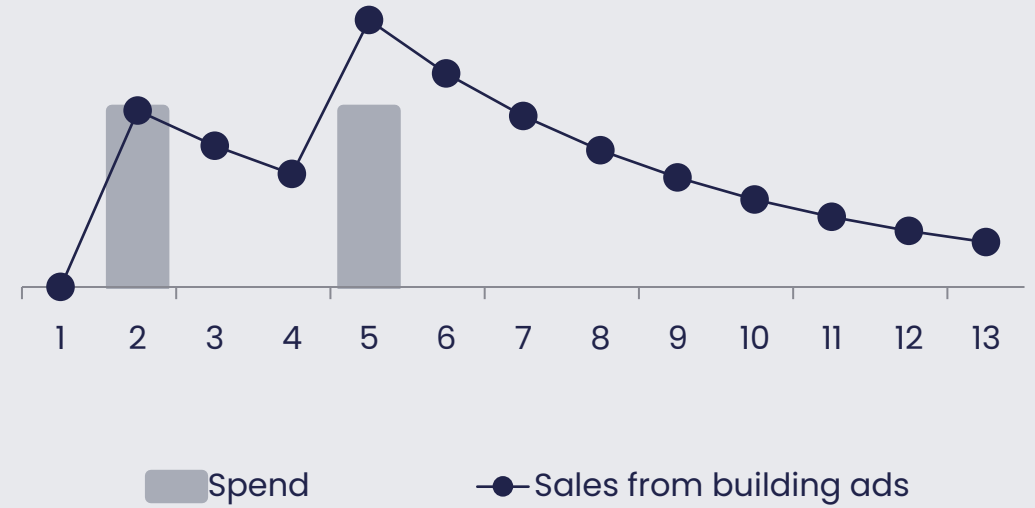
Analysts do it with the shape of response over time

If its generally a big but short-lived effect its harvesting; if its a smaller but long-lasting its building

Sales effect of spending on demand harvesting, by weeks since airing



Sales effect of spending on demand building, by weeks since airing



There are some media channels that are generally better at building demand

And some that are generally better at demand harvesting

HARVESTING

DEMAND BUILDING

Paid search

Paid Facebook

Paid Instagram

DRTV

Radio

Brand TV & sponsorship on TV

YouTube & online video

Broadcaster video on demand

Press (paper and digital)

Out of home (posters)

Video, especially on the TV screen, is brilliant for building demand

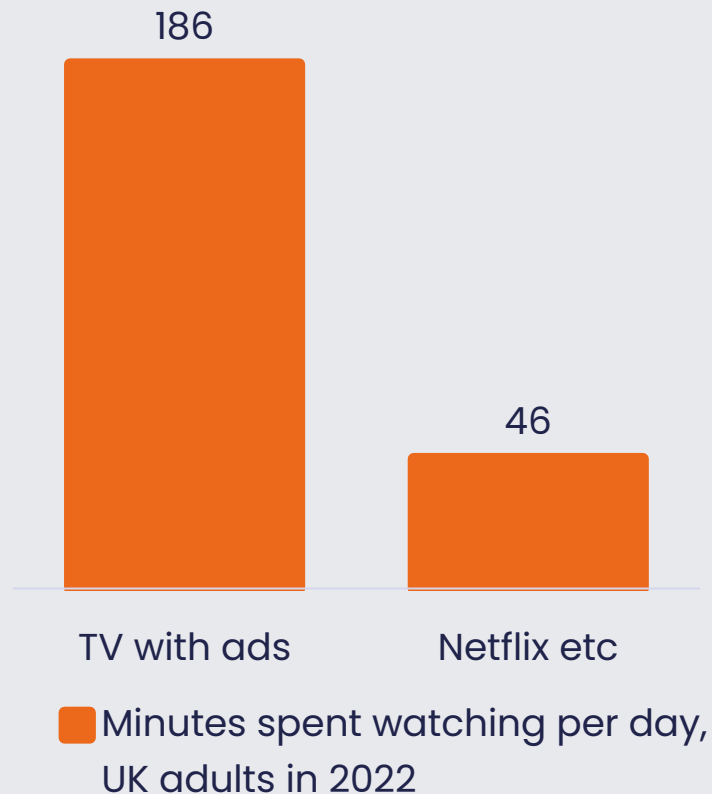
1. The nature of it

Sound on, un-skippable video advertising is well placed to be convincing and memorable because it uses **sight, sound, and motion**

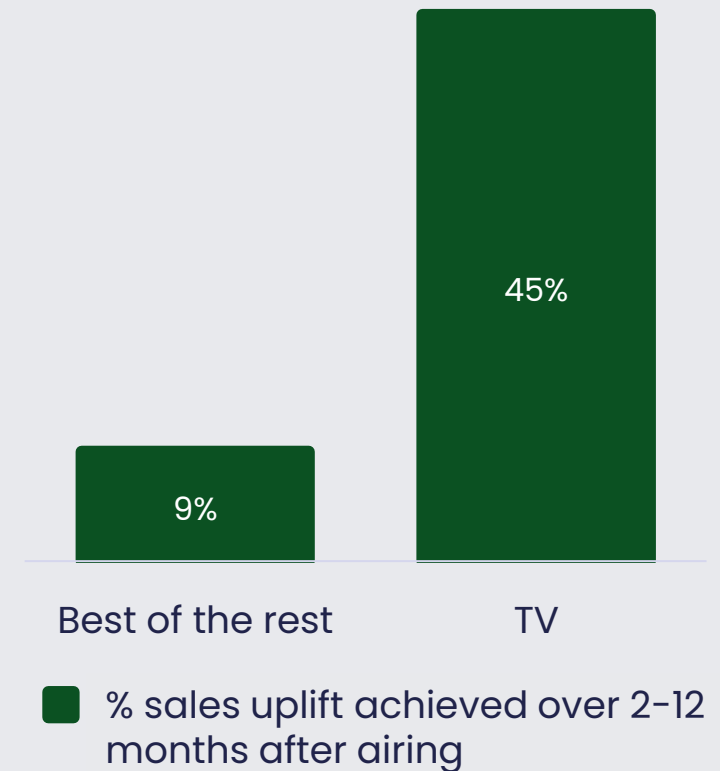
If it's on the TV screen, people might **talk about it** which will make it even more memorable

Being on TV signals you're big and that you have money, and so in turn, that **other people must like it**

2. If you don't watch TV ads you're not normal



3. Meta studies show it works for demand building



The road that successful online scale ups travel to demand building

Testing and learning at every step on the road

Remove wastage
from
performance
budget

Understand
category
demand

The right
message & a
creative idea

Copy testing to
ensure your
creative is right

Media buys with
feedback
mechanisms

Scale up,
measure,
improve



**If you like this sort of thing, then you might like our training.
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