

# Just because people like your offers doesn't mean they like you

Price promotions spark responses, not relationships.

Although businesses use price offers to attract customers and increase brands' market share, these benefits are invariably short-lived and limited.

Instead, the evidence shows that investing in advertising that builds emotionally compelling brand stories is a better long-term way to expand share, reduce price sensitivity, and grow profits.

If this 'offer' sounds too good to be true, read on.

## **To grow your share, build your brand**

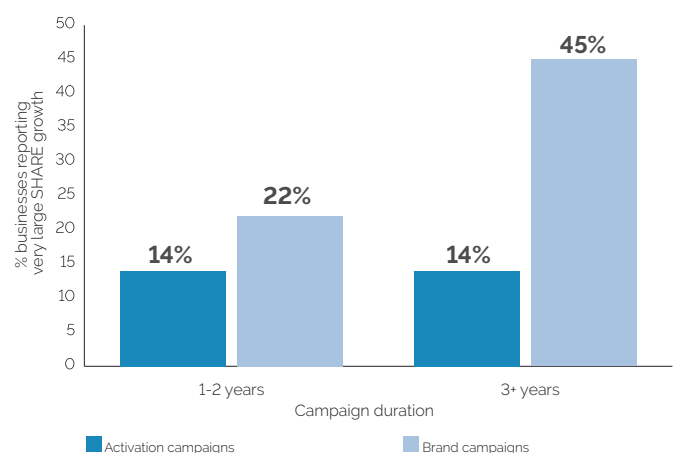
By collating successful advertising cases across four decades, the IPA Effectiveness Databank provides a unique resource for analysing the financial impact of advertising.

It allows us to contrast the commercial benefits reported by organisations from adopting different advertising strategies. These strategies include activations - such as sales promotions - designed to trigger immediate responses, and advertising that communicates a brand's personality and reputation over time.

The evidence demonstrates that even over the relatively short-term businesses are more likely to

report large share growth after investing in brand advertising than in activations. This advantage increases significantly with time.

*Figure 1: Brand campaigns increase share more effectively in both short and long term*



Organisations employing brand advertising are also more likely to report reduced price sensitivity and increased profits. To understand why, we need to look at our model of how advertising strategies work.

## Brand building and activation work differently

Based on our body of evidence, we believe that brand and activation advertising function in disparate ways. Successful businesses use both to generate different results.

Activations, such as price promotions, employ rational ad messaging to persuade shoppers to take quick advantage of discounts.

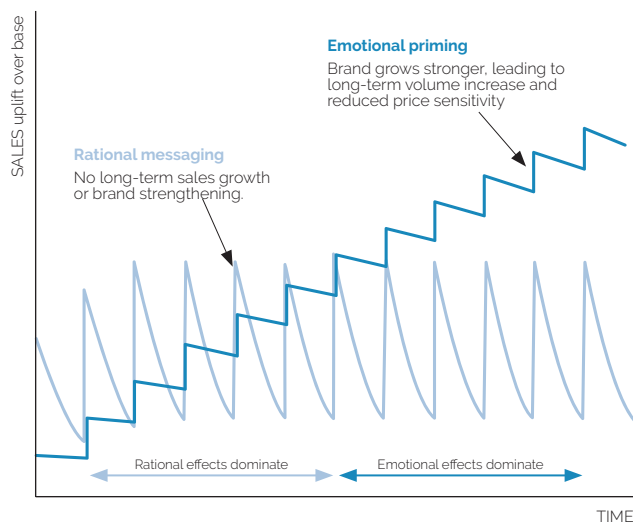
Promotions can generate short-term spikes in sales volumes. But they almost never change how consumers think or feel about a brand (unless, it is to make them more conscious of its pricing).

Moreover, promotions rarely lead to sustainable increases in base sales. Rival brands will match offers and significant numbers of consumers will switch between the best prices. Promotions also undermine margins and make it harder to raise future prices.

As the model below shows, brand advertising takes time to create memorable branding assets and to change consumers' brand perceptions. Done well, this advertising produces cumulative effects, enabling a brand to increase sales volumes whilst supporting its pricing.

In fact, emotional brand advertising is the only approach consistently shown to improve brand perceptions, such as likeability, and price resilience at the same time.

Figure 2: Conceptual model of how brand building has slower but more enduring financial benefits



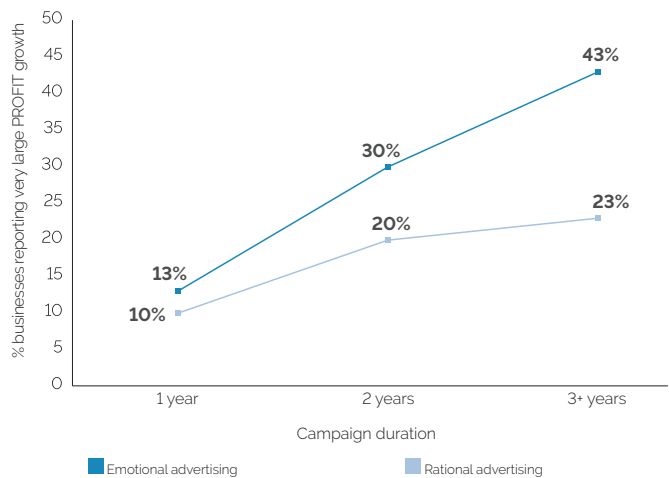
## It is often rational to advertise emotionally

It sounds simple to 'make emotional advertising'. But no-one familiar with the powerful advertising used by, for example, Diageo's Guinness brand or Audi (both IPA Effectiveness award-winners) could fail to see the creativity and skill their campaigns involve.

What these and other successful advertisers have in common is their consistent strategic use of emotion-driven, highly creative advertising to make their brands more likeable, more distinctive, and more worthy of premium prices in the minds of consumers.

The financial rewards can be substantial. Brands using emotional campaigns are more likely to report very large profit growth than those using rational campaigns, and this gap widens over time.

Figure 3: Emotional campaigns can build profits over time



All forms of advertising, including price offers and other rational approaches, have their business uses.

But if you want to benefit from a lasting relationship with consumers – and not just a quick response – the evidence suggests that making yourself look cheaper is not the right option.

The IPA and the FT, along with EffWorks, a cross industry marketing initiative, have partnered to support more effective advertising by businesses. For more on effectiveness materials, including links to IPA publications, visit [ipa.co.uk/effectiveness](http://ipa.co.uk/effectiveness)



Please get in touch if you would like our support to help your business improve its marketing and brand effectiveness.

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