

Advertisers who hold their nerve can hold their prices

Evidence from the IPA Effectiveness Databank demonstrates that successful brand building advertising can strengthen a brand's pricing power and profits.

This evidence is taken from the IPA Effectiveness Awards. For more than 40 years, the Awards have required entrants to provide rigorous proof that their advertising met its objectives and to rebut alternative explanations for these results.

Entrants select which of their campaigns they believe sufficiently demonstrate effectiveness to enter the Awards, and submit an in-depth case study of how their advertising delivered on its goals. They also fill out a lengthy questionnaire to capture this information in more standardised form. Cases are independently judged by juries. Questionnaire data is collated, checked and analysed via the IPA Effectiveness Databank.

Although the Databank is based on a limited number of high-performing, submitted campaigns rather than all advertising¹, each entry includes considerable detail on

the financial and other impacts from campaigns. Taken as a whole, this amounts to a distinctive and valuable body of real-world evidence for identifying and learning from the characteristics of effective advertising.

The IPA draws on the Databank to publish reports advising marketers on what makes advertising successful². Below, we highlight Databank evidence on the link between brand building advertising and brand pricing power, and one of the case studies awarded for convincingly demonstrating this link in action.

Building a brand can also build pricing power

Advertising builds brands by creating branding effects – namely, measurably increasing brand attributes such as awareness, fame, differentiation, or trust that can affect a brand's performance.

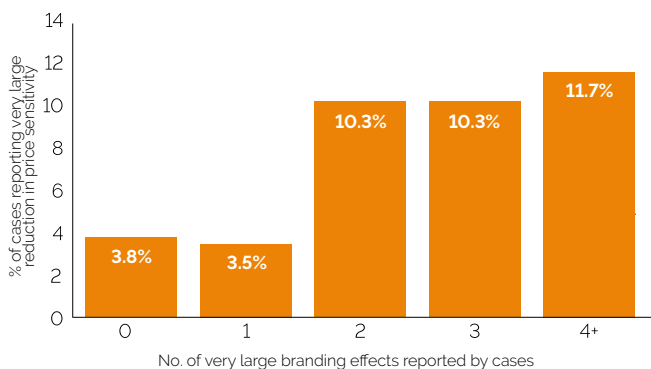
Advertising can also generate business effects such as increased sales, market share, profits, or a reduction in price sensitivity. By price sensitivity, we mean the impact on demand for a brand of any change in its

pricing. Brand building advertising can make a brand's sales less sensitive to price changes by making the brand more memorable and distinct to consumers for reasons other than price.

In the Awards Questionnaire, entrants describe the branding and business effects from their advertising, using options ranging from 'none' to 'very large'. (The Questionnaire uses these options rather than percentages since the same percentages can describe very different scales of impact in organisations of varying size. In the cases, entrants give the actual percentages, their data sources, and the brand context.)

Analysis of more than 500 IPA Effectiveness Awards entries has found the group of cases that reported the highest number of 'very large' branding effects – i.e. achieved the most brand building – also comprised the group most likely to report 'very large' reductions in price sensitivity.

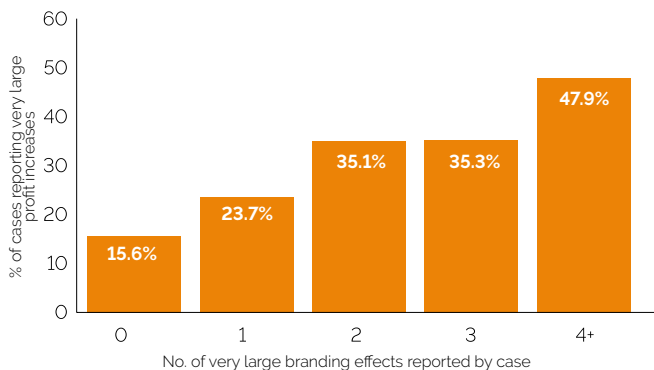
Figure 1: Cases reporting the most very large branding effects were also the most likely to report very large reductions in price sensitivity



Base sample: 559 cases. Data source: IPA Effectiveness Awards cases (2000-2022). IPA Effectiveness Databank.

This is in line with other IPA findings that cases reporting more very large branding effects were also more likely to report very large increases in profits (see Figure 2).

Figure 2: Cases reporting the most very large branding effects were also more likely to report very large profit increases



Base sample: 559 cases. Data source: IPA Effectiveness Awards cases (2000-2022). IPA Effectiveness Databank.

Such charts show the correlation between increased branding and business effects from advertising. To win IPA Effectiveness Awards, however, entrants must persuade the judges that their advertising caused some or all of these effects and rebut alternative explanations, as in the case below.

Protecting a price premium via emotional brand advertising

Going into the 2008-9 UK recession, Fairy – a market-leading premium-priced brand with a long history of effective brand building – had had no sustained penetration growth for many years. The temptation was to avoid new marketing investment and treat the brand as a cash cow unlikely to increase prices or grow share while consumers were feeling the economic pinch.

Instead, Fairy re-invested in brand building advertising to grow market penetration, increase sales and protect its significant price premium to rival products.

Among the branding effects cited in Fairy's 2014 IPA Effectiveness Award-winning case³ from this advertising was a 12% rise in consumers' perception that the brand offered value for money, despite an increased awareness of its high price. Shoppers' quality perceptions and preference of the brand also rose.

Business effects reported included a four percentage points rise in Fairy's already high penetration, 40% sales growth in five years and an increase in its premium price, both in absolute terms and relative to rivals. These effects fulfilled Fairy's objectives and the timing of improvements matched periods of advertising investment. Evidence is also presented to discount alternative explanations for these improvements, such as distribution gains, promotions, or new product launches.

The case persuaded the 2014 Awards judges and it should be read by anyone looking for proof that committing to effective brand building can support brand pricing.

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



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

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1 For evidence on the effectiveness of non-IPA Effectiveness Award winning campaigns see research from the [ARC project](#). | 2 See 'The Long and the Short of It', (IPA, 2013) 'Media in Focus' (IPA, 2017) and 'Effectiveness in Context' (IPA, 2018) | 3 'Fairy Liquid - no fairy story', IPA Effectiveness Awards case, 2014.