

Present value
OF PAST SPEND

AN INVITATION TO ITV'S PRICING POWER PROGRAM

itv

What we *say*

Extra
MARGIN

X

Extra
VOLUME

=

Extra
MONEY

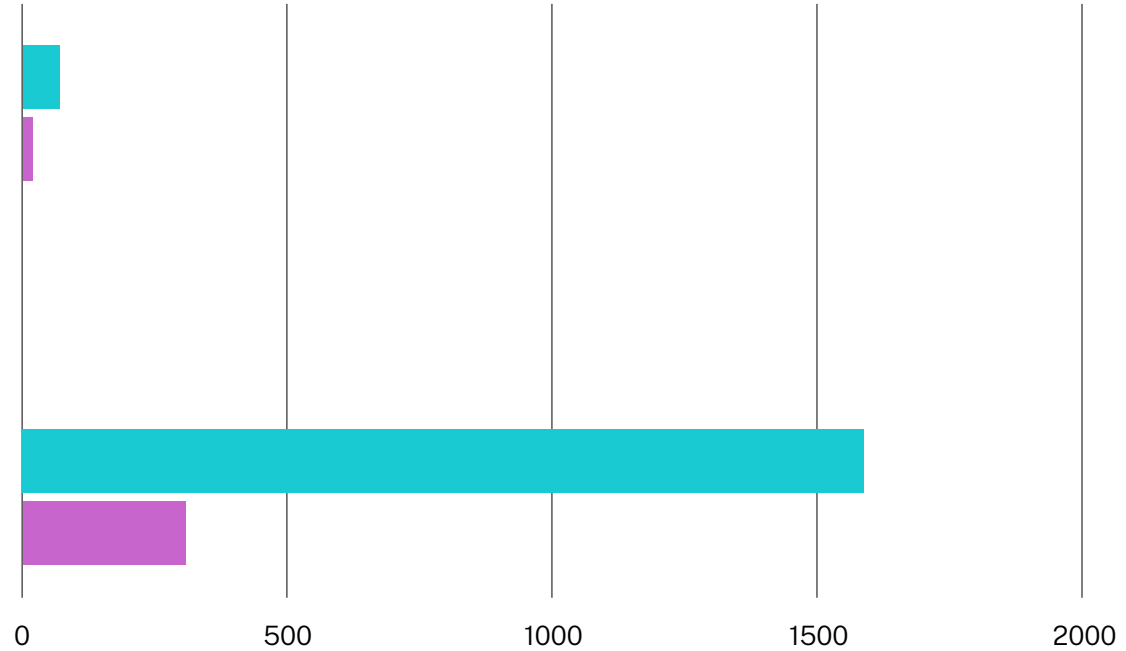
What we *do*

● All time ● Past decade

Extra
MARGIN

X

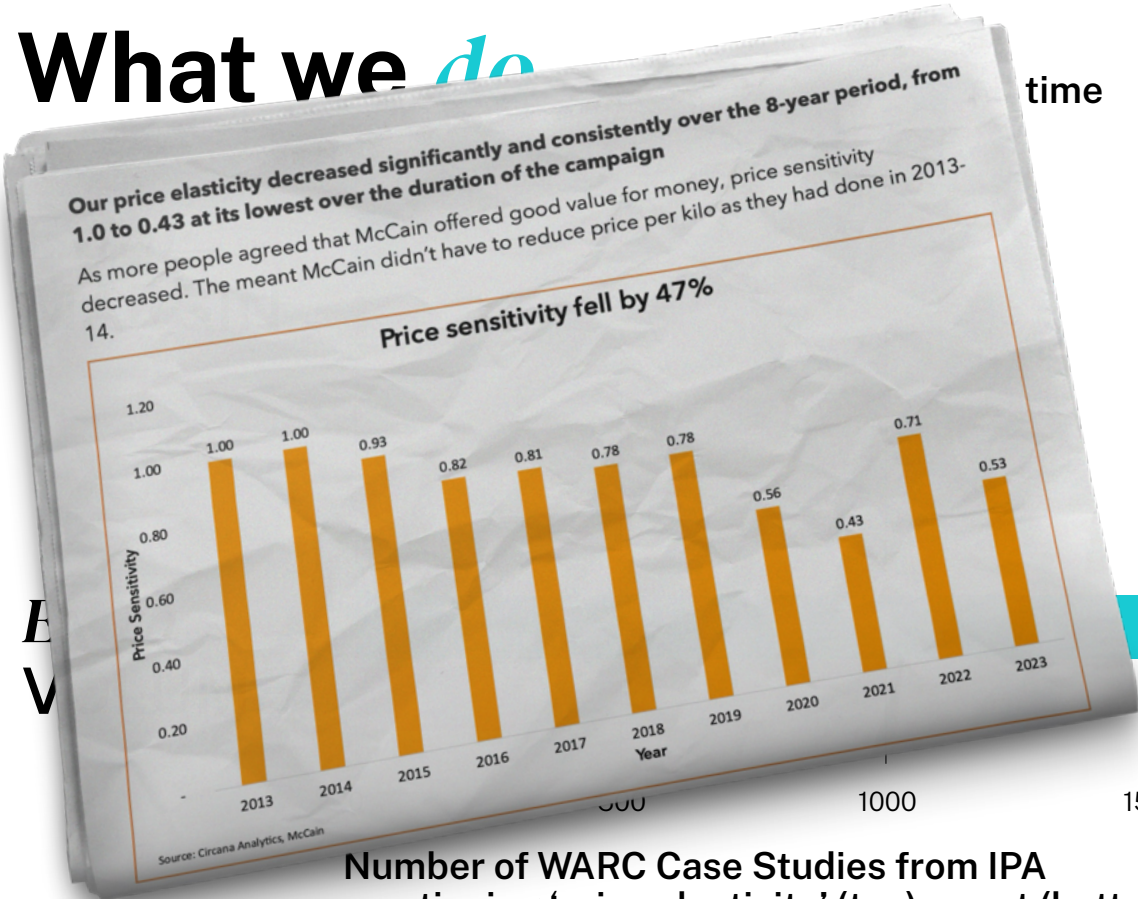
Extra
VOLUME



Number of WARC Case Studies from IPA mentioning 'price elasticity' (top) vs not (bottom)

What we *do*

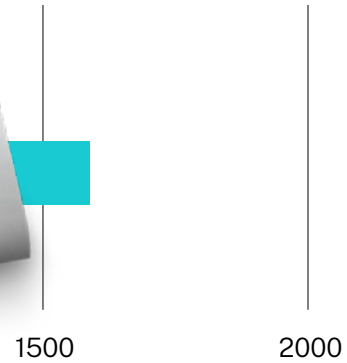
E
V



time ● Past decade

Congratulations to the Grand Prix Winner for making it *13 studies* in the past decade!

Number of WARC Case Studies from IPA mentioning 'price elasticity' (top) vs not (bottom)



MARGINS GETTING HIGHER
WORLD GETTING RICHER
PEOPLE LIVING LONGER

But we're not
RIDING THE WAVE

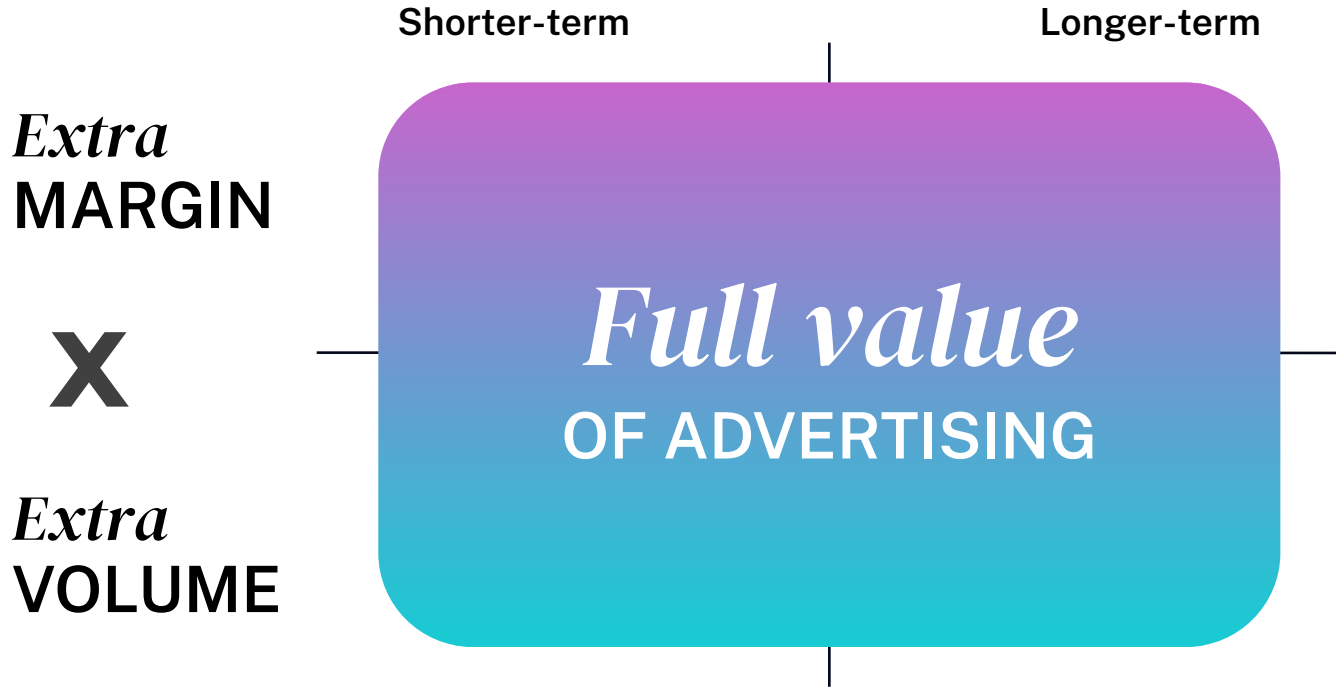
**“Brand equity is
the *upstream
reservoir* of cash
flow before it hits
the profit and
loss account.”**

Professor Tim Ambler

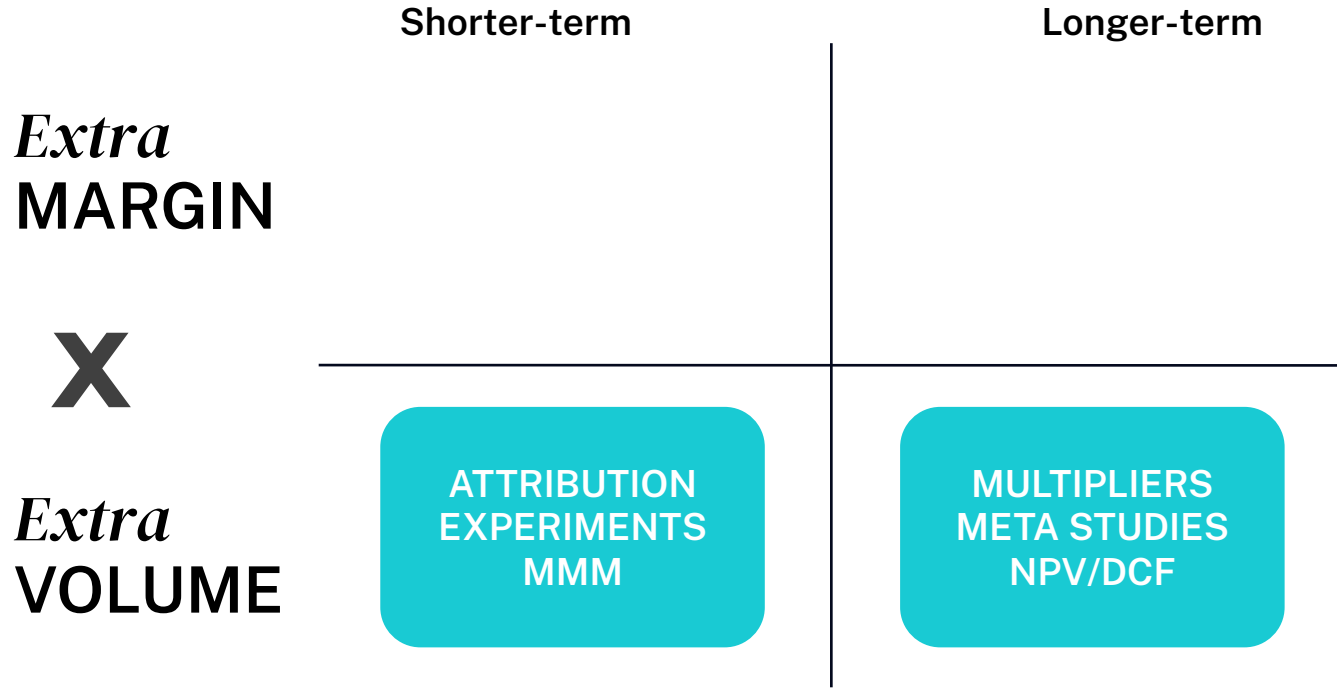
June 2000



We want *proof*, not faith



But we offer 'Jam Tomorrow'



Extra
MARGIN

X

Extra
VOLUME

Shorter-term

Longer-term

Q. WHY IS THIS HALF SO
EMPTY?

ATTRIBUTION
EXPERIMENTS
MMM

MULTIPLIERS
META STUDIES
NPV/DCF



Needs data, lots of
COMPETITOR DATA

Alot of help from our friends

8

8 categories
(4 ready now and 4
by December)



Cars, Cereal, Oral Care, Soft Drinks
Hair Removal, Household Cleaning,
Mobile Phones, Spreads in progress

20

5-20 years' worth of
data per category for
ads and sales



Highly granular
data - by week, by
region, by SKU

MELT

KANTAR
WORLD PANEL

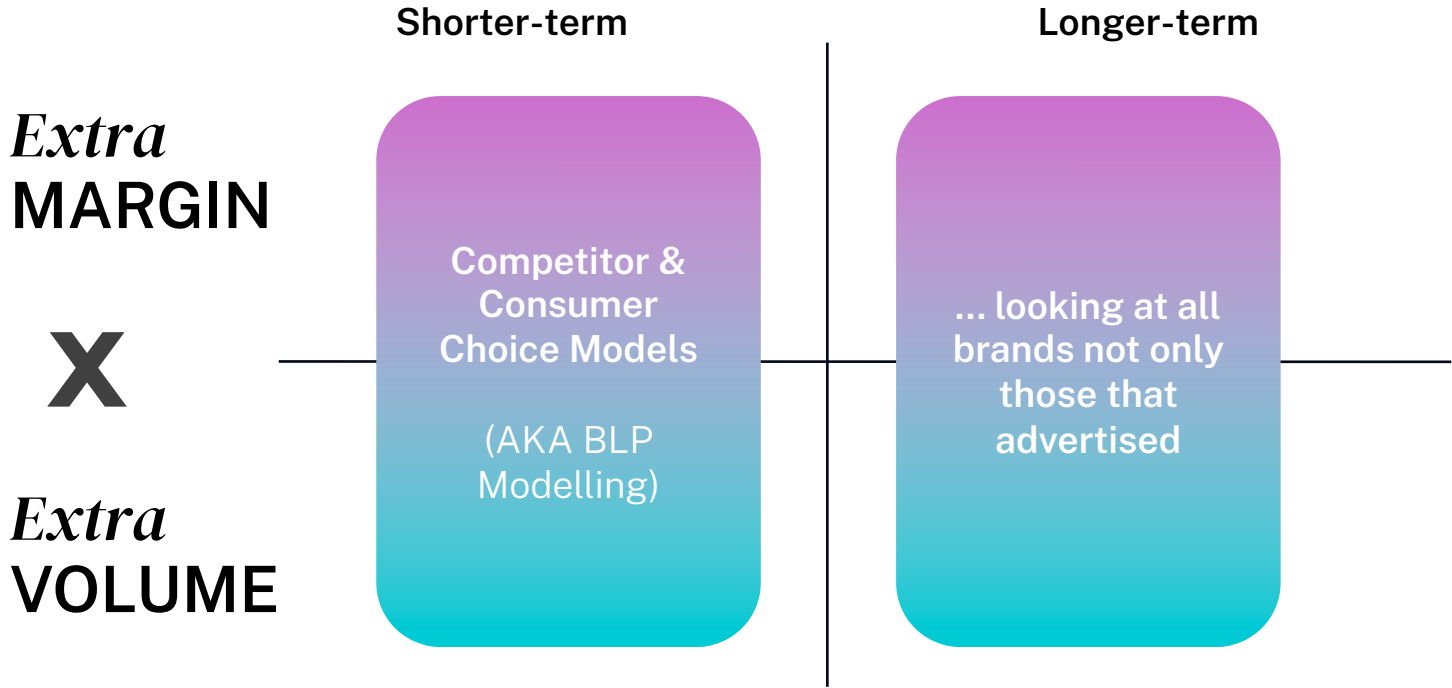
 **Circana.**

 **UCL**

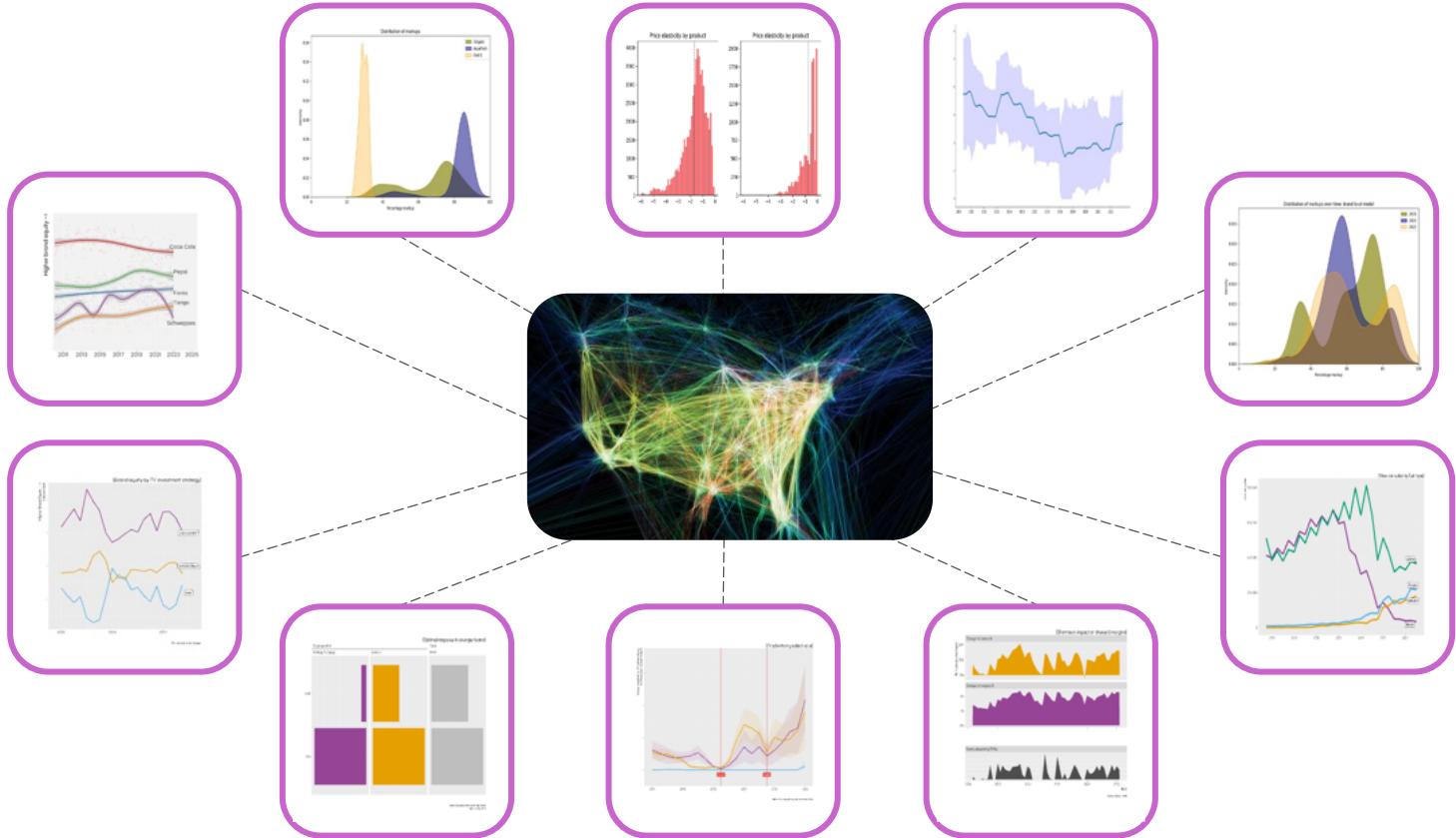
 **NielsenIQ**

 **Nielsen**

And the marriage of Ehrenberg and Nash



All this, for all brands, from *one Choice Model*



ITV's Pricing Power Program has *three goals*

PRESENT

Measure the full value of advertising by quantifying its contribution to volume and margin

PAST

Map the way brands have moved between taking profit as volume or value over time

FUTURE

Enable virtual strategic experiments to help marketers plan for future value

How much *extra profit* from margin?

Extra
MARGIN

X

Extra
VOLUME



~20-30% *extra profit*

Extra
MARGIN

X

Extra
VOLUME

±10-15%
Jam Today

+15-20%
Fruits of
Yesterday

NB. Indicative results from first few categories – to be updated as we model all 8



WARNING

Advertising's short-term impact on margin
can go down as well as up

Examples of our choice models in action



CEREALS

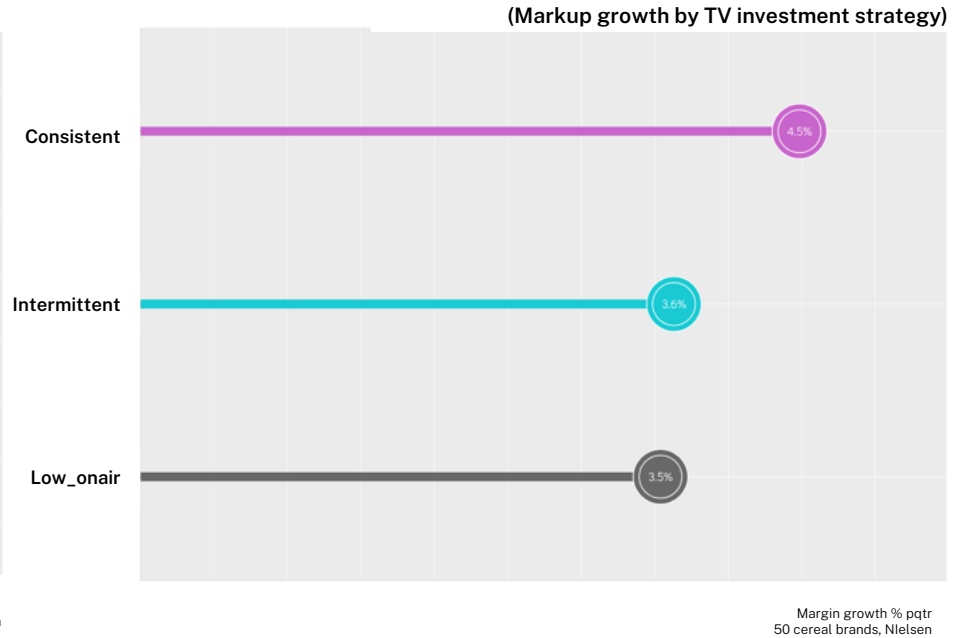
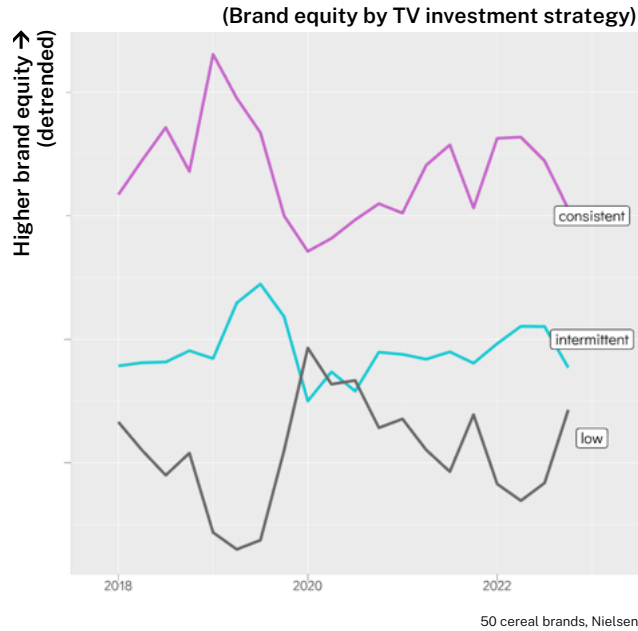
You're better off taking your value via margin



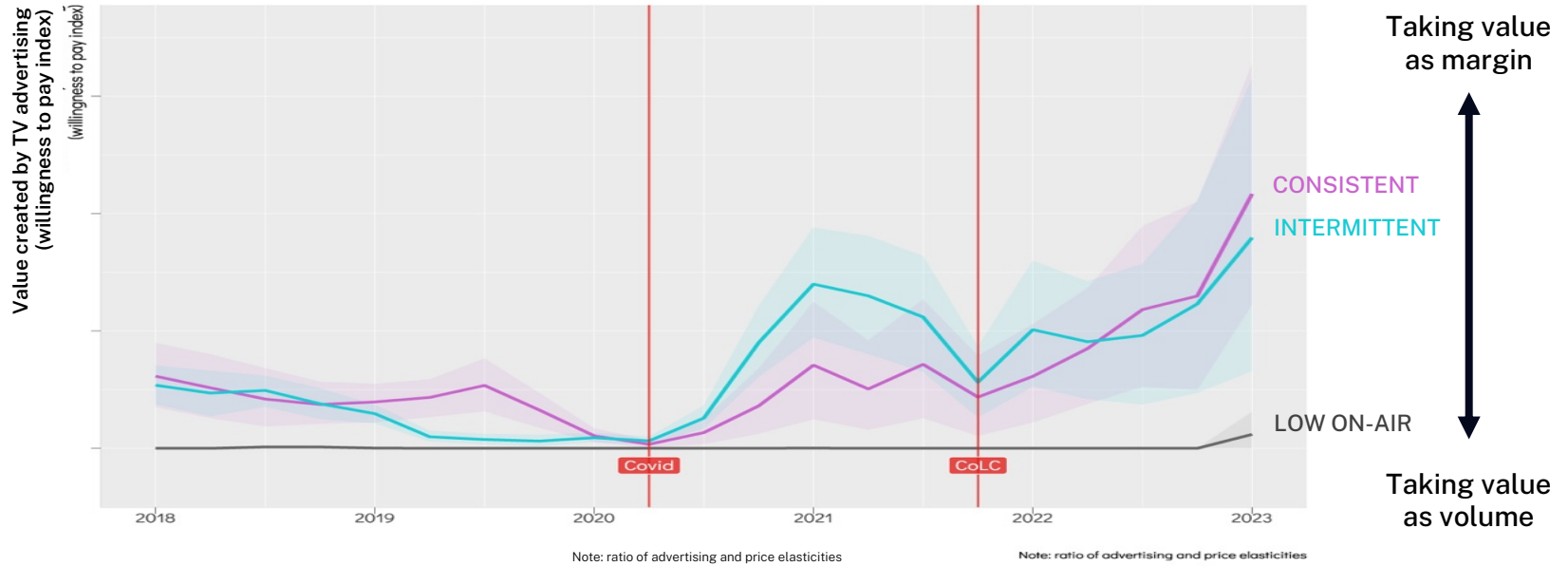
CARS

You're better off taking your value as volume sales (mostly)

We have been stuck in this circular argument for decades



Though a Choice Model can at least unpick how ads are working for different brands



**“What if Brand X
hadn't advertised?”**



**Would consumer
choices send sales
*lower?***

What would
the *competitor*
choices be?

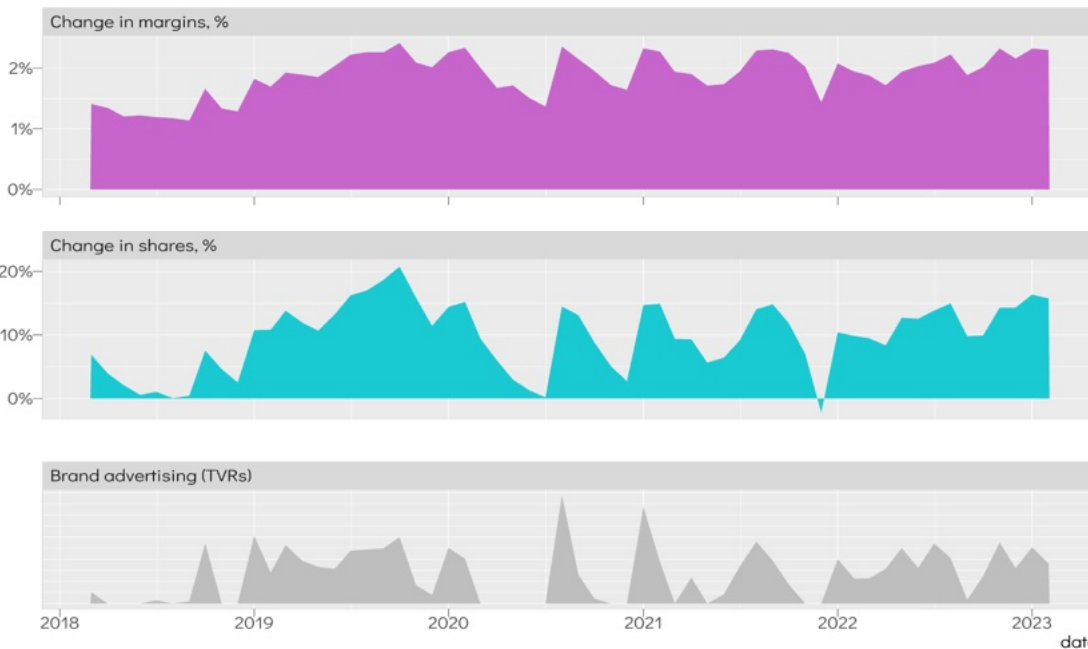


£

**And what would
Brand X choose to
do to *maintain value*?**

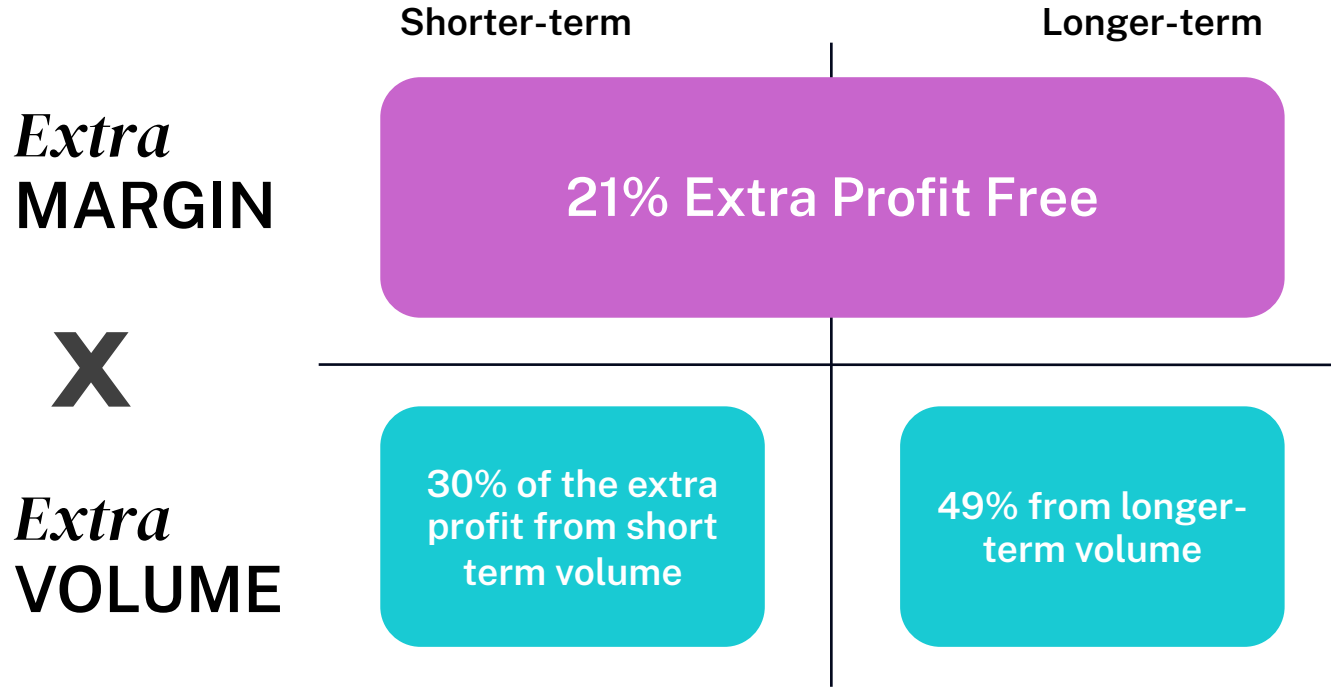
**Model all of that,
every period,
simulating real-
world buyer *and*
seller behaviour**

Total short-term value of ads for Brand X



Source: Nielsen, Melt

Brand X *profit impact* from 100 TVRs



Examples of our choice models in action



CEREALS

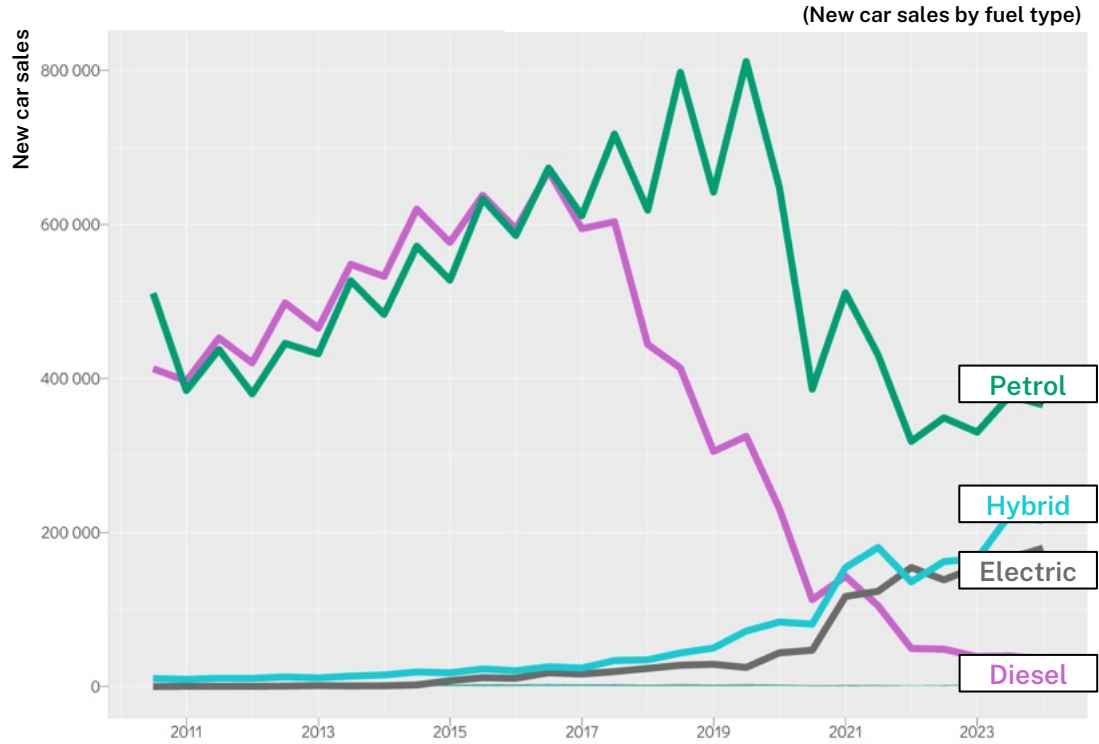
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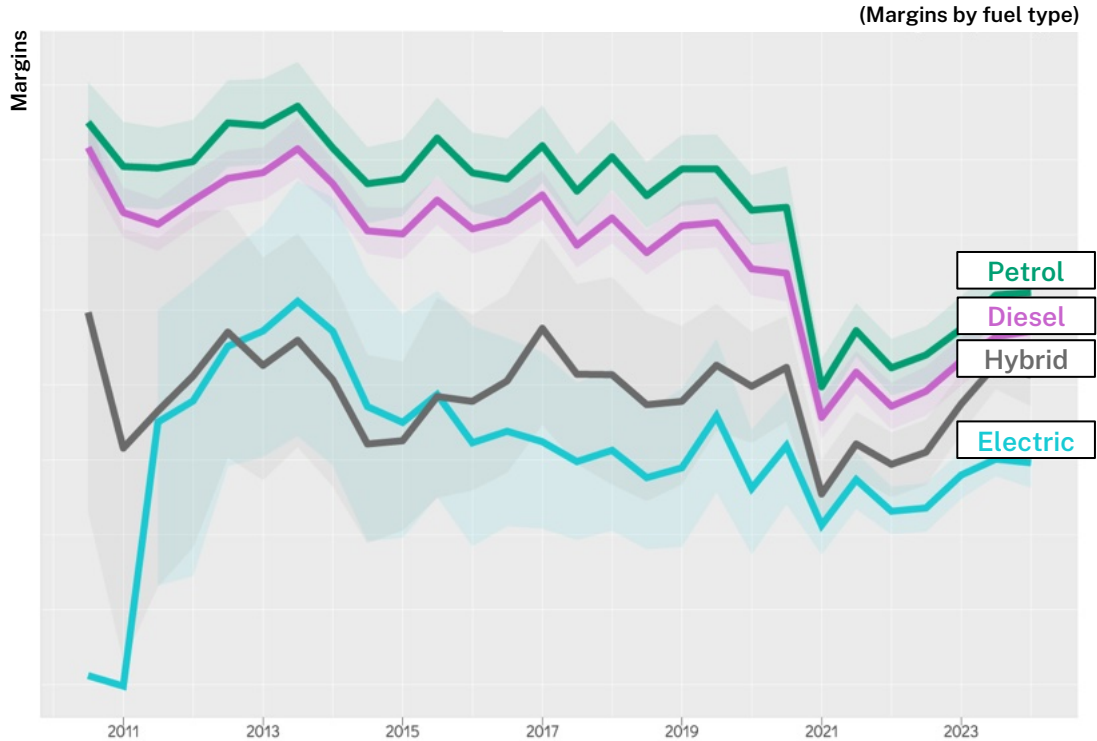
CARS

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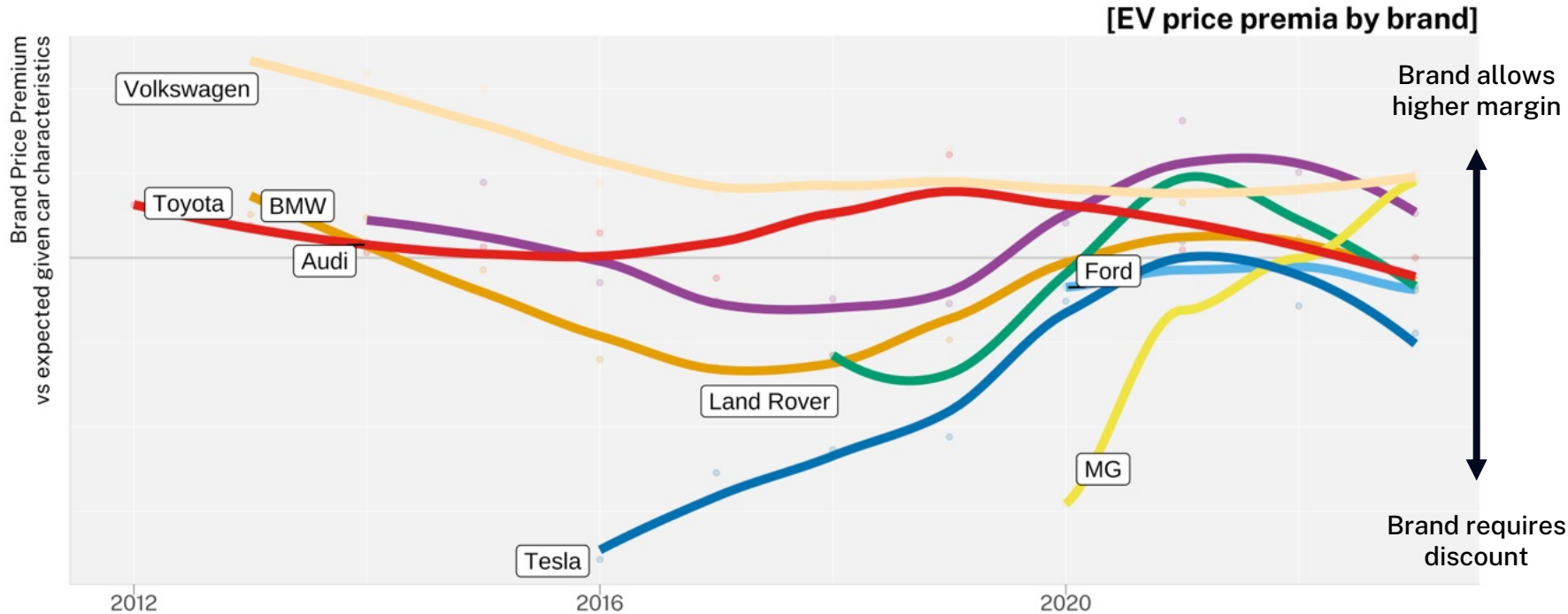
REMINDER:
**Not been a
great time
for the car
category**



A Choice Model can estimate impact on margin from COVID and EVs without knowing the cost of sheet metal or airbag chips

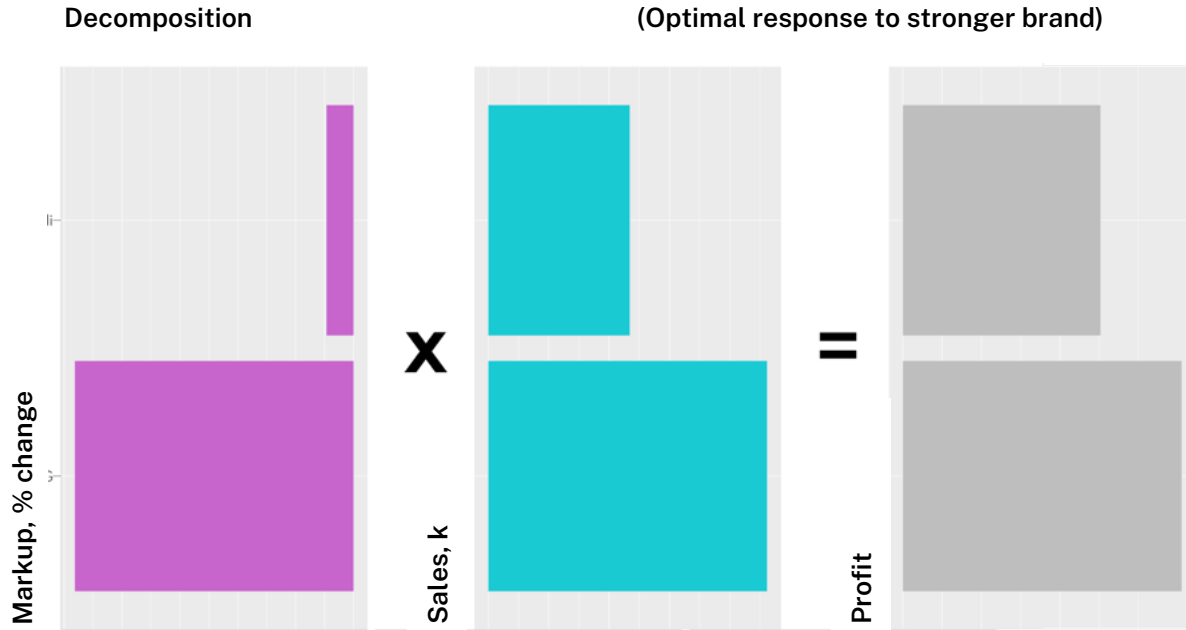


Choice Model can reveal what a car's badge is adding to EV price over time



Note: hedonic price regression on car characteristics and costs
Source: UCL, Melt

Strategic simulation - what if you had a great EV ad that built brand strength?



Best play for Audi is to hold price (ish) and pocket the money



Best play for MG is to drop a lot and shift metal

Note: Simulation from car market model
Source: UCL, Melt

If you don't have a Choice Model...

PRESENT

You could be missing
~30% of the profit
advertising has created
for you up to today

PAST

You won't know if
advertising is increasing
or decreasing your margin
in the short term

FUTURE

You won't be able to predict
which choices will help
maximise advertising's full
value for your brand



You *can* have one.

All welcome (if you agree to share what you learn)
Just ask kate.waters@itv.com or sameer.modha@itv.com

Extremely high technical bar, but help available

2025 we'll publish a paper with learnings on 'How to plan for Value'