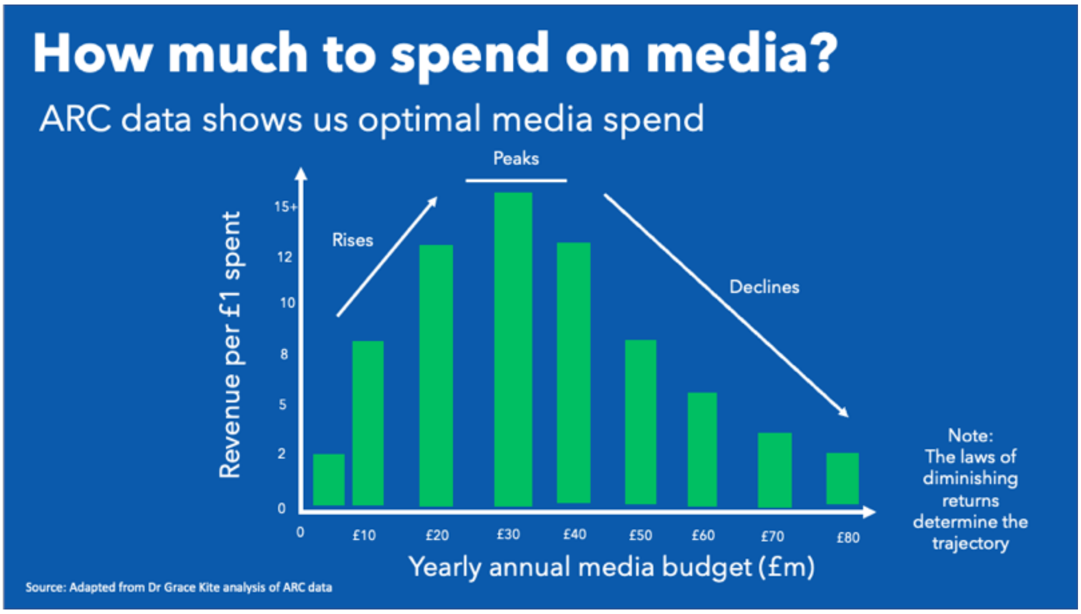
SCHOOL OF MARKETING

# HOW MUCH TO SPEND ON MEDIA

## MARKETING FUNDAMENTALS GUIDE

Determining your media budget is fundamental. Multiple factors weigh into this decision, including business size, objectives, industry, and competitor landscape.

To make a dent in the market, you require a sizable media budget relative to the factors that are important to you. A study conducted by Dr Grace Kite at Magic Numbers using ARC data found that the larger the budget, the greater the ROI that could be seen, showing us that size does matter. Getting these factors wrong can prove dire, with consequences ranging from an ineffective campaign to wasting the entire budget.




There does seem to be some consensus when it comes to the percentage one should spend on advertising. Research and advisory firm Gartner[1] reports that UK and US companies pay around 11% of their revenues on advertising. At the same time, the US Small Business Administration suggests that businesses should spend about 10% on advertising[2]. There is a broad consensus that about 10% of revenues is the right amount to spend on advertising.

However, a recent study by Nielson[3] found that the vast majority of organisations tend to spend around 4% of advertising, which, in their view, represents a significant underspend, which causes issues related to advertising effectiveness.

So, it's essential to ensure the proper budget is allocated, especially given the significant increases in the cost of both media and production.

**Creative/media split**

The next decision is how much should be split between creative and media. Typically, it's 20/80 in favour of the media.

[1] https://www.gartner.com/en/newsroom/press-releases/2019-10-01-gartner-says-marketing-budgets-have-dropped-below-11-

[2] https://smallbusiness.chron.com/percentage-gross-revenue-should-used-marketing-advertising-55928.html

[3] https://www.nielsen.com/insights/2017/when-it-comes-to-advertising-effectiveness-what-is-key/

When determining your approach to media buying, start with where your company is in terms of its life cycle, keeping your objectives in mind. For example, if you are at the growth stage and trying to gain market share, a significant portion of your budget will likely need to be spent on advertising to create brand awareness.

# Case Study: Is Excess Share of Voice (ESOV) still effective?

Excess share of voice (ESOV)[4] is one of the most used planning frameworks in marketing. It was developed in the 1990s by John Philip Jones to determine the right amount of marketing spend linked to the overall business growth objective.

The question is, does this framework still hold in today's marketing context?

Here I examine the framework's validity and what else we should consider regarding marketing planning.

## Defining Share of Voice and Share of Market

Let's explore the concept by starting with a few definitions.

### *Share of Voice (SOV)*

Firstly, what is Share of Voice?

Share of Voice (SOV) is a metric that determines a brand's relative share of the advertising space in its category. It is calculated by looking at the total spend in the class divided by the % spent on your brand.

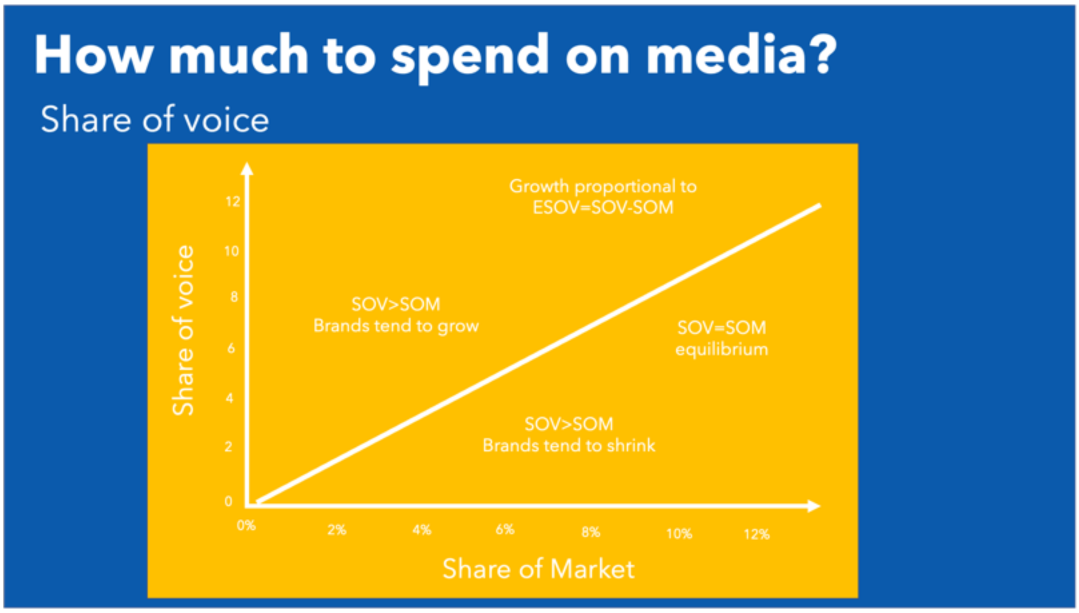
For example, if there were ten chocolate brands with an annual total spend of £100 million a year. If Brand A spends £10 million, it effectively has a 10% Share of Voice.

### *Share of Market (SOM)*

The second concept is the Share of the Market. This business metric looks at the % market share a brand has relative to its competitors. So Brand A (above), with their £10 million spend (of a total pie of £100 million in the category), will likely have around 10% market share.

Of course, in the example above, you would have noticed that the Share of Voice and the Share of Market are the same at 10%. This is no coincidence, as according to Jones, an equilibrium law exists that these two metrics will eventually equal the same over time.

[4] https://www.indaru.com/what-is-excess-share-of-voice-esov/




This is a fundamental principle with wide-reaching implications for marketing.

For example, if you were a challenger brand and wanted to increase your market share, then it would be best if you overspent on your share of voice, which in turn and over time, would increase your market share.

By how much? Well, the general metric for return on this overspend: for every 10% ESOV, brands can expect average market share growth of 0.5% annually.

It made marketing planning predictable and efficient. For example, take a look at the diagram.

Planners could assess where a brand stood in the market and determine the 'spend strategy' to increase a business's commercial outcomes. It's like you could almost plug and play.

Tell me how much market share you want, and I can tell you what you need to spend and over what period!

### A framework right for the time?

Well, the jury is certainly out and becoming more sceptical. But it's essential to understand the context as to why.

When ESOV was developed, the media landscape was far less fragmented than it is today. Marketers were limited in the channels they could use, essentially mass marketing channels such as TV, Radio and Outdoor.

This meant there was a level playing field across the industry where competitors were all fighting for relatively the same ad space.

But it came at a distinct advantage in that there was minimum channel nuance, and therefore the more you spent on the same channels (as your competitors), the more you could get one up on them. Makes sense.

Today, things are way more complicated to the point where we must scrutinise the framework carefully.

Professor Karen Nelson-Field related the situation to a "multi-faceted rubric cube"[5] where things are more ambiguous.

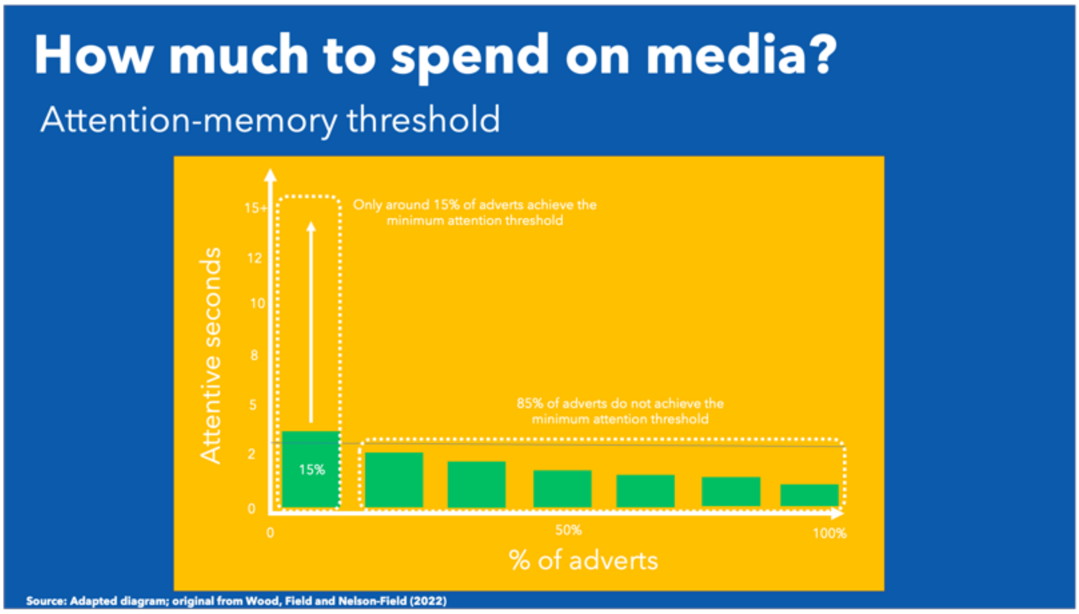
I agree, particularly as research conducted by her and others, has brought new information that we must consider.

What is clear is that the traditional ESOV model did not heed any real consideration to 'how' and 'where' you spent your marketing budgets and only considered 'how much' to pay. Today, with many channel, creative and targeting options available, it's abundantly clear that the former matters greatly.

Let's look at the evidence.

## Law of attention

Some seminal research has been done to increase our knowledge of the impact of consumer attention on ad recall and commercial outcomes.



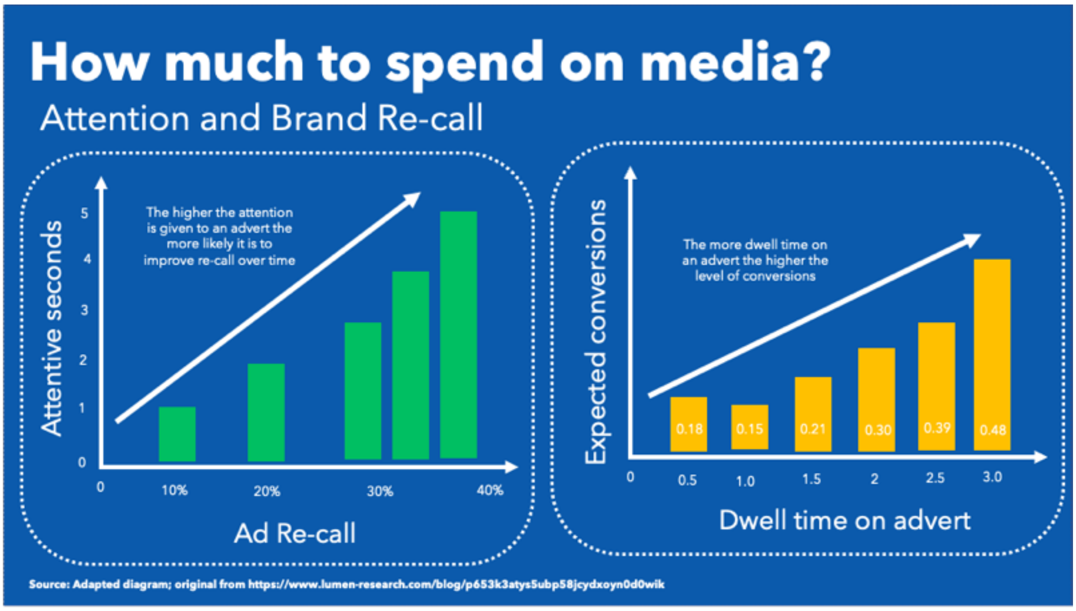

[5] https://www.schoolofmarketing.co/the-marketing-education-guy/is-excess-share-of-voice-esov-still-effective/

Researchers Peter Field, Orlando Wood and Karen Nelson-Field developed a theory known as the Attention-Memory Threshold[6], which states that for an ad to have any effect, it must be viewed for at least 2.5 seconds.

In a world where advert lengths have increased beyond the traditional 30-second advert, you would think this would not be a problem, right? Well, wrong! The vast majority of adverts, over 85%, still need to achieve this threshold.

These findings have been reinforced by studies conducted by Lumen, which found that the longer the advert is seen, the more likely, it will be remembered and bought.

In addition, we can see the conversion levels gradually increase based on how long someone has seen the advert.




## Law of creativity

It's instinctive to think that the more creative an advert is, the more likely someone will sit through it, be remembered and finally buy. And you wouldn't be wrong in this area as there is much evidence on the relationship between creativity and impact.

Let's take the work done by Les Binet and Peter Field to highlight this. They have demonstrated that when campaigns exhibit emotion (a proxy for creativity), they achieve a 2x profit and efficiency[7].

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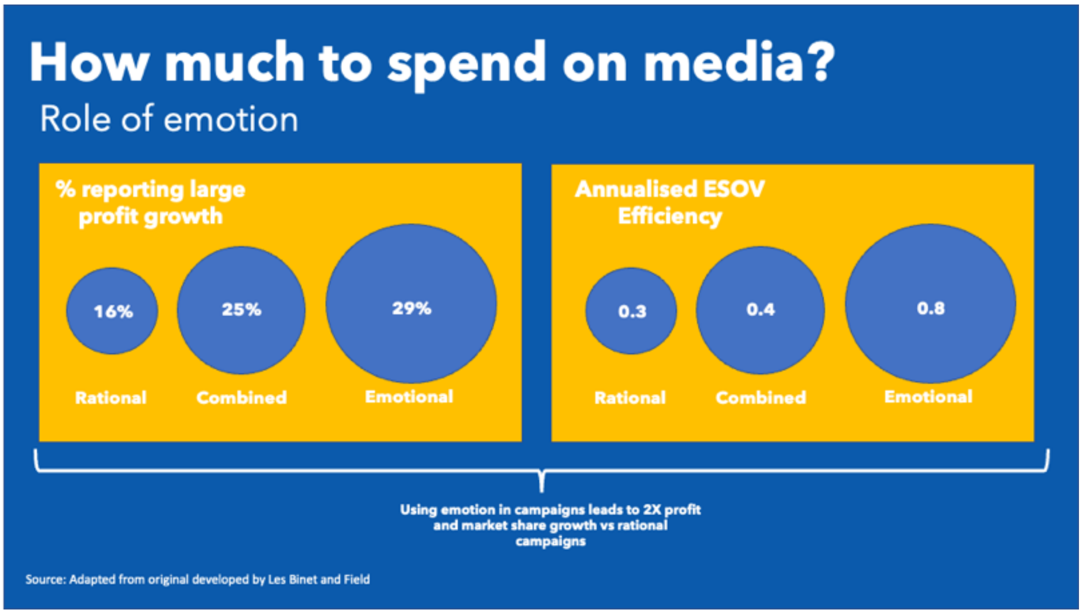
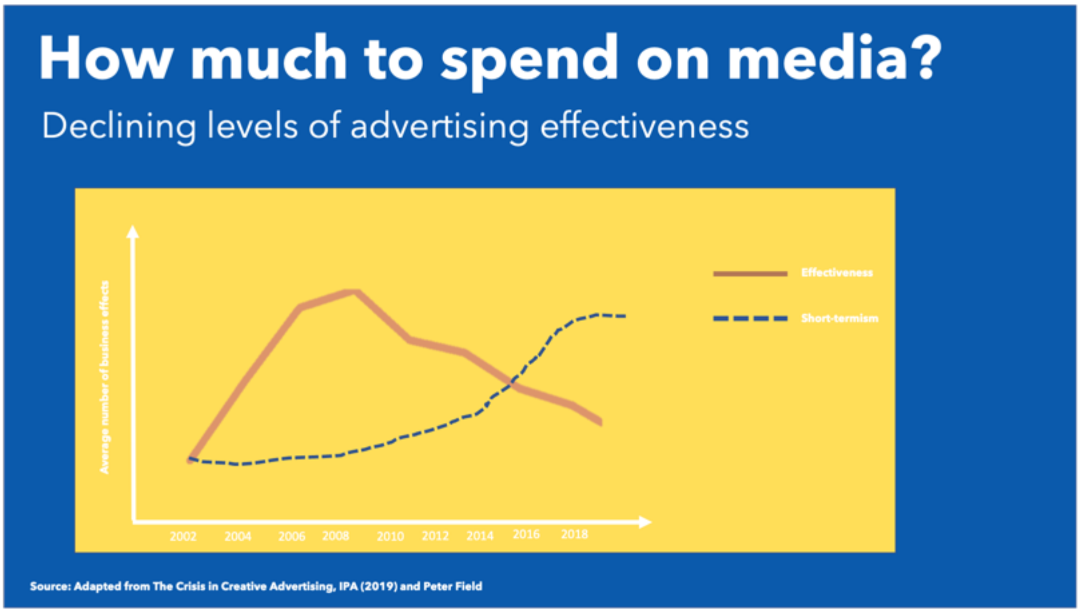
[6] https://www.mi-3.com.au/21-06-2022/brand-fights-performance-beaches-peter-field-karen-nelson-field-orlando-wood-unpack-0

[7] https://www.warc.com/newsandopinion/opinion/the-long-and-short-of-it-measuring-campaign-effectiveness-over-time/en-gb/1727




To reinforce this, let's turn to data from IPA[8], which shows similar results. Again, there appears to be a relationship between a fall in advertising effectiveness and the rise in short-termism in advertising, which is more performance-driven (and less creative).




## Law of channels

Here, we move away from intuition and into the actual evidence. You would have thought that a great creative would be great regardless of what channel it's viewed on, right? Well, not quite.

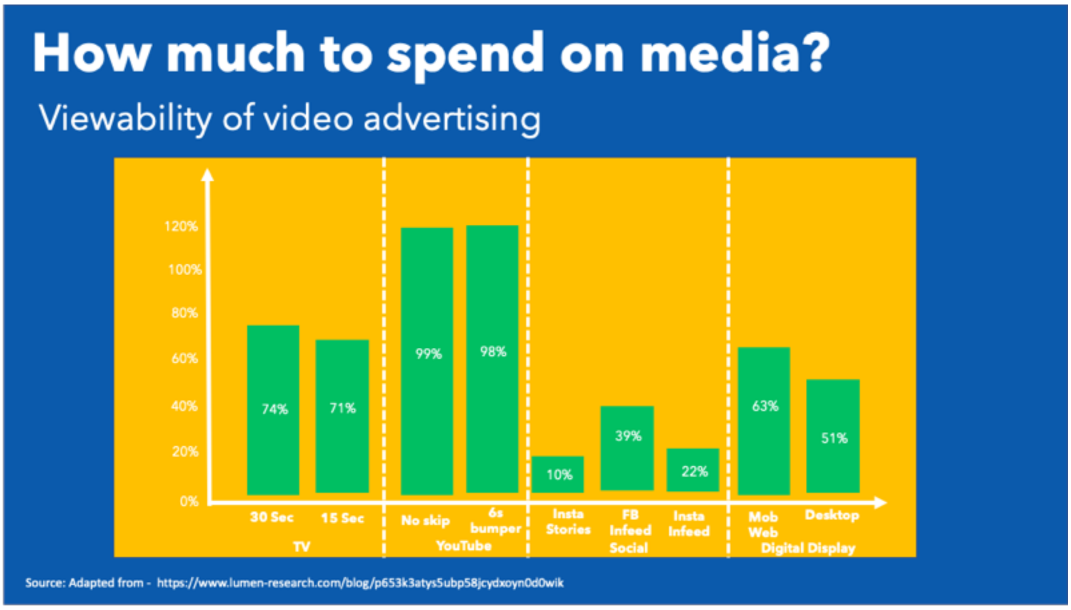
[8] https://ipa.co.uk/knowledge/publications-reports/the-crisis-in-creative-effectiveness#:~:text=Peter%20Field's%20latest%20investigation%20into,effective%20than%20non%2Dawarded%20campaigns.

The work conducted by Karen Nelson-Field shows us that the channel in which a creative is viewed has the most significant effect on viewability, which she terms 'channel elasticity'[9].

This means that no matter how good your creative is, if seen on specific low-attention channels, it will only ever achieve a certain level of attention compared to high-attention media.

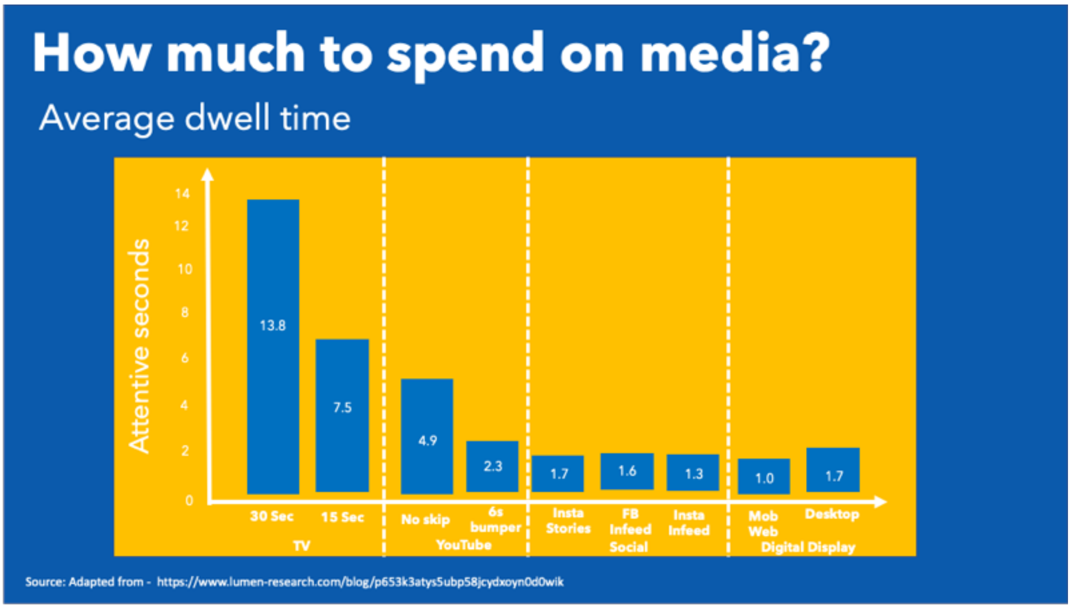
This has significant implications for marketers as they must opt for high-attention channels over low ones.

Now to help discover where different channels sit in this spectrum, let's look at some research by Lumen on viewability %s by channel.




It shows us that TV and platforms like YouTube deliver us high viewability compared to social media channels like Facebook and Instagram.

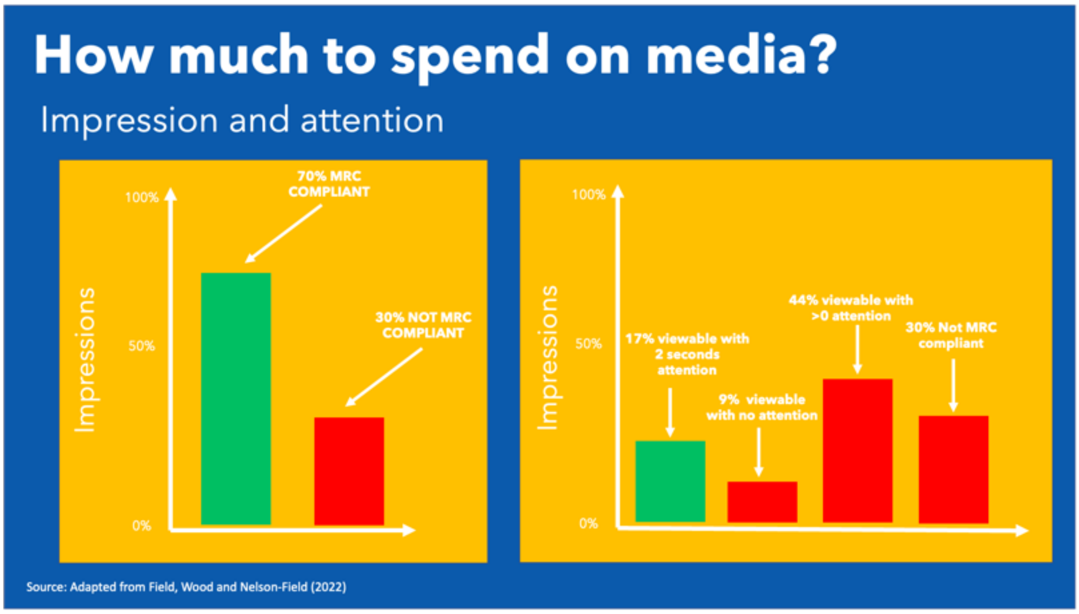
[9] https://the-media-leader.com/attention-elasticity-the-attention-economys-chicken-and-egg-question/




Other evidence from Lumen shows us that the average dwell time by channel reaches a similar conclusion. Generally speaking, social media feeds can be considered low-attention channels, whilst channels like TV are high-attention channels.

Part of the reason for this variance has got to do with the way different channels garner attention. Karen Nelson-Field describes it as active vs passive engagement. Here we see the difference between what digital platforms suggest is an impression (someone viewing the ad) and what is happening.

Surprisingly, only around 17% of adverts on digital platforms pass the 2-second threshold discussed earlier, whilst advertisers pay for around 70% of the adverts served. So, whilst you think you're getting a cheap CPM (cost per thousand impressions) on your ad campaign on digital, you can see that you're paying almost triple of what is reported!



## Law of creative and channels combined

New research by Field, Brittain and Nelson-Field and published by the Advertising Council of Australia[10] shows for the first time how the combined power of channel and creativity can supercharge effectiveness.

Their key findings in this regard are as follows:

- The competitive advantage delivered by vital creativity is enhanced by investment into high-attention media platforms, with high-attention media supercharging the attention levels of great creatives by up to 75%.
- The business impact of marketing campaign investment increases by 65% when a creative solid is placed on high-attention media.

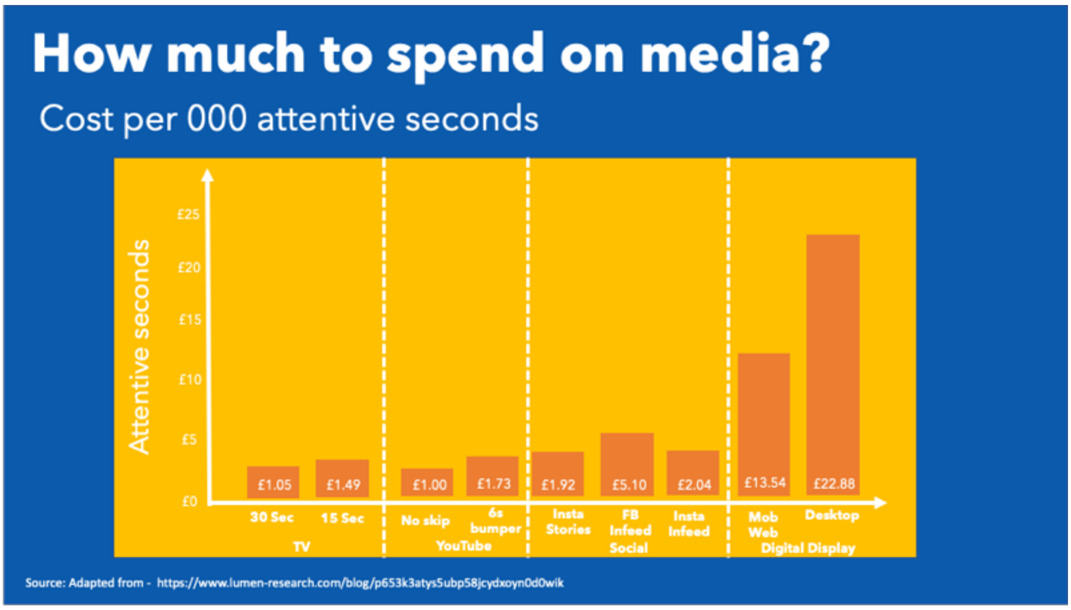
So in essence, we must combine high creativity and attention channels to get the best out of our marketing efforts. In addition, context plays a highly significant role.

## Converse is happening in the industry

Knowing what you know now, consider what is happening in the industry. Unfortunately, most marketers are doing the opposite!

Marketers are heading for the perceived cheaper digital channels to drive low-cost acquisition.

However, the costs per attentive second show that they are, in fact, far more expensive than we realise. They also deliver a double whammy in that most people passively view the channel, reducing the advert's effectiveness.




[10] https://advertisingcouncil.org.au/news/high-attention-media-supercharges-impact-of-strong-creative-attention-and-effectiveness-to-esov-and-beyond-part-ii/

Co-author Rob Brittain sums it up: "Higher-attention media platforms may come at a cost, but given their greater effectiveness, you get what you pay for and then some. It is a false economy to spend a more limited budget on lower-attention media channels just because they are cheaper. The evidence suggests they are not cheap enough"[11].

### Advert frequency

Another finding that drives this point even further is around advertising frequency. Now, to this point, we have focussed on delivering an advert frequency that balances effectiveness and fatigue, summed up by diminishing returns.

But if we look at it through the lens of high vs low attention channels, we see things in a slightly different light.

Nelson-Field found that when an advert is placed on high-attention channels, the frequency of achieving higher degrees of re-call and achieves an action is lower than on low-attention media.

Think about it, let's take hearing your favourite podcast host rave about a specific tool or product a few times during an episode. You are likely to remember it with just one placement. However, if you see the same product advertised repeatedly on your Instagram feed, you will likely skip over it often.

So, in reality, investment using highly creative work in a high-attention channel will deliver you more efficient results over the long term as you will need less message frequency.

### Summary

The question of whether ESOV is still relevant. Well, according to Field, Brittain and Nelson-Field,

"ESOV remains a critical marketing planning metric. Positive ESOV improves the effectiveness of both lower- and higher-attention campaigns."[12]

There is no doubt that having a big marketing budget and overspending your competitors is undoubtedly a way to win market share. The real gem is that the studies above indicate 'how' and 'where' to spend the budget to maximise its effect.

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[11] https://www.schoolofmarketing.co/the-marketing-education-guy/is-excess-share-of-voice-esov-still-effective/
[12] https://www.schoolofmarketing.co/the-marketing-education-guy/is-excess-share-of-voice-esov-still-effective/