



The two jobs of marketing Converting existing demand and creating future demand

Marketing has two equally important jobs



**Convert existing
demand**

**Create future
demand**



Convert existing demand: Picking apples

Convert existing demand:

Making sure advertising targets the relatively small group of consumers who are ready to buy and capturing as large a share as possible of them for a product.

If an **apple orchard** represents a brand's prospects, converting existing demand = **picking apples (customers) that are ripe and ready.**



Create future demand: Planting trees

Create future demand: Advertising to that much larger group of consumers who are not ready to buy now, but will be in the future, and making them feel familiar with and positively toward the brand, so that they gravitate to them when they enter the category.

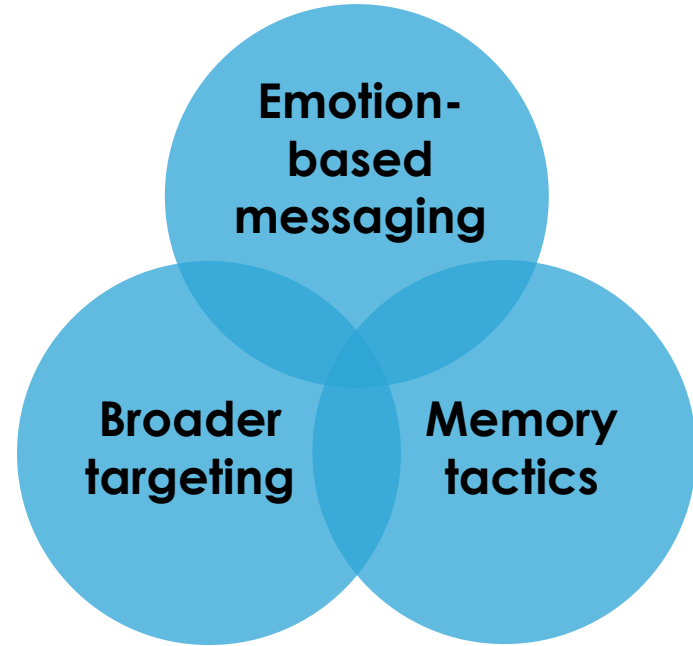
If an **apple orchard** represents a brand's prospects, creating future demand = **tending to the open areas and preparing the soil, planting new crops, and nurturing the land for future harvests and opportunities.**

Advertising works primarily by creating future demand

**Converting existing demand:
Current buyers**



**Advertising model:
Creating future buyers**



Converting existing demand and creating future demand require different marketing, advertising, and creative approaches

Convert existing demand

is most efficiently achieved by tightly targeting those 'in the market' with rational messaging of product and price information that persuades them to choose our product over others.

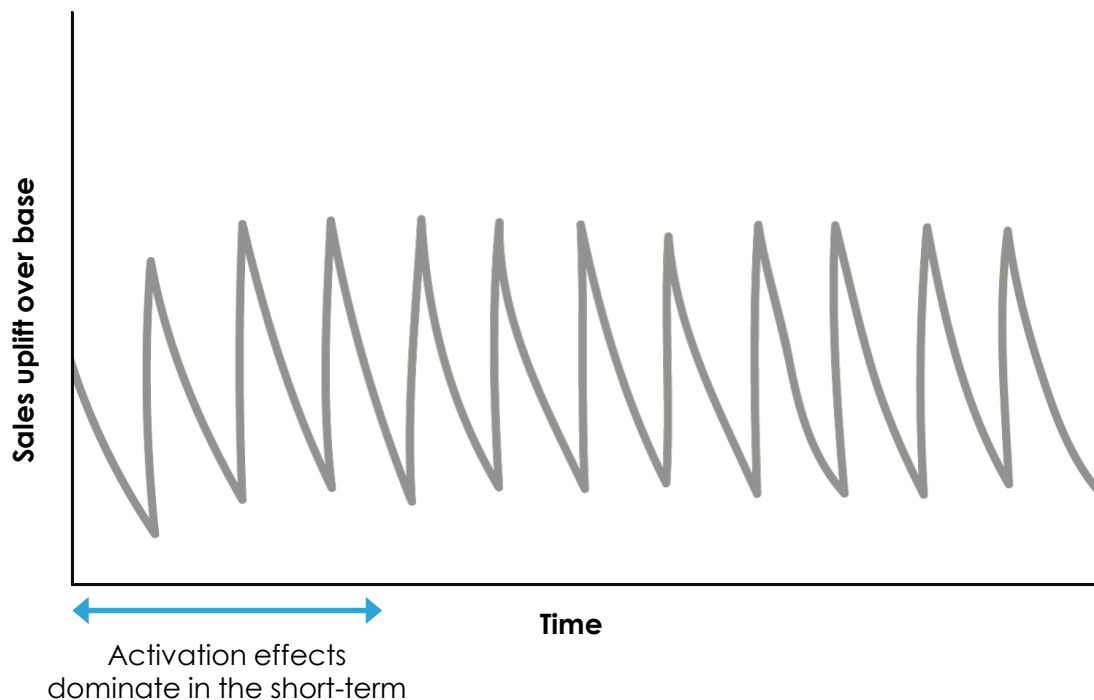
Create future demand

is most efficiently achieved by targeting very broad audiences of 'all category buyers' with emotional messaging that is designed to stand out and be enjoyed by consumers, creating positive memories of our brand that will influence future purchase decisions.

Converting existing demand is short term while creating future demand has lasting effects

Convert existing demand via short-term sales activation	Create future demand Lasting business outcomes via brand building
Create a lead	Create a memory
Generates sales now	Influences future sales
Tightly targeted	Broad reach
Short term	Long term
Persuasive messages	Emotional priming

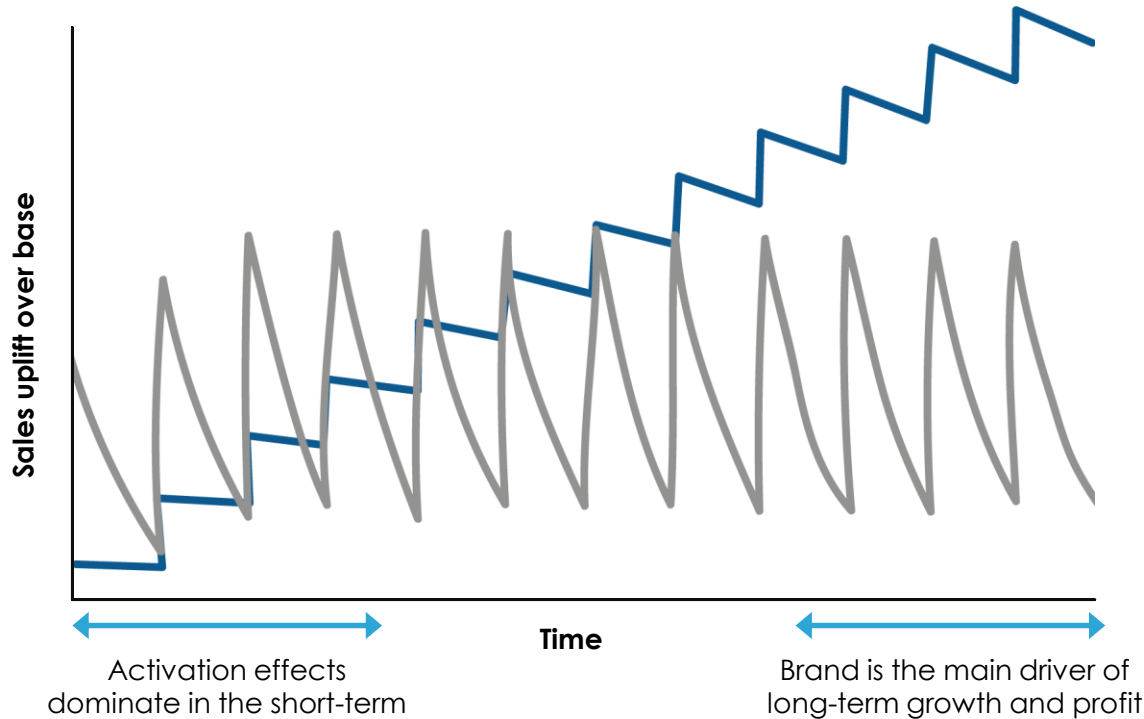
Converting existing demand generates short-term sales uplift



Converting existing demand/short-term sales lift

Short-term sales uplifts, but brand perceptions unchanged. No long-term increase in sales or reduction in price sensitivity. High efficiency and ROI. Converting existing demand via sales activation is the “carbohydrate” of advertising.

Creating future demand via brand building ads steadily build sales over time



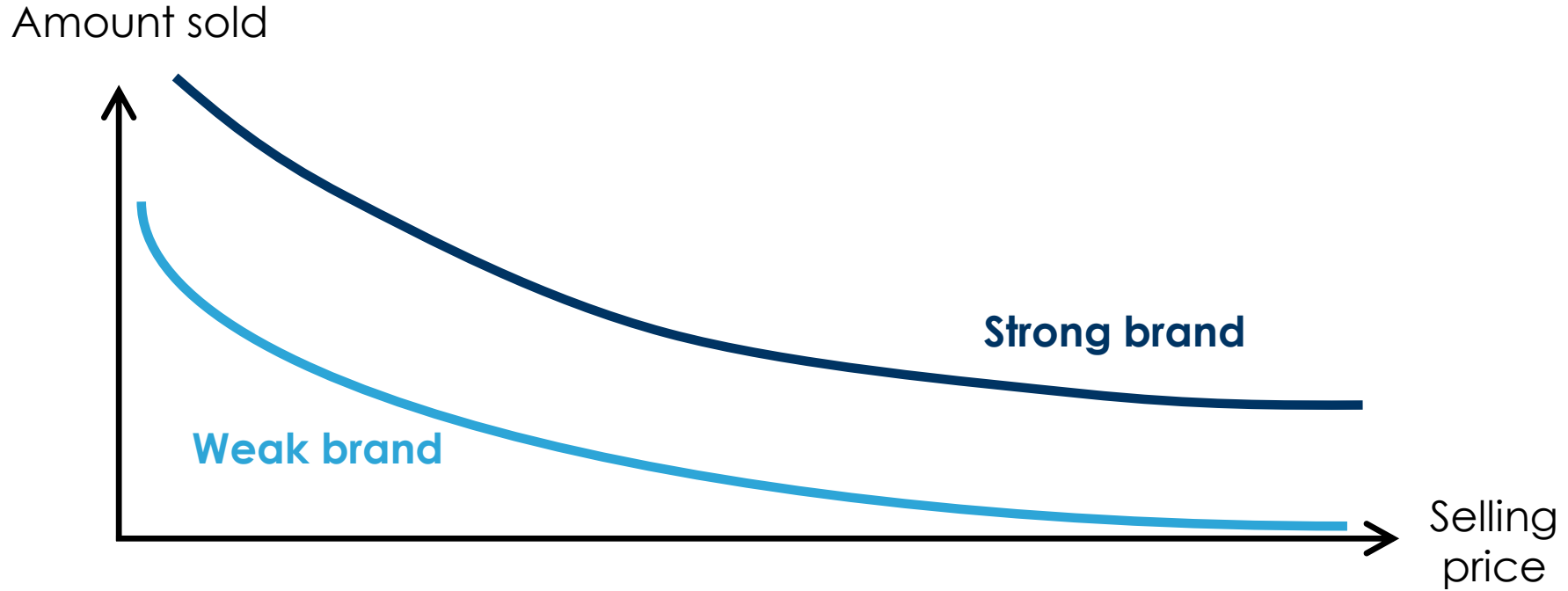
Creating future demand/ long-term sales growth

Brand grows stronger, leading to long-term volume increase and reduced price sensitivity. Creating future demand via brand building is the “protein” of advertising.

Converting existing demand/short-term sales lift

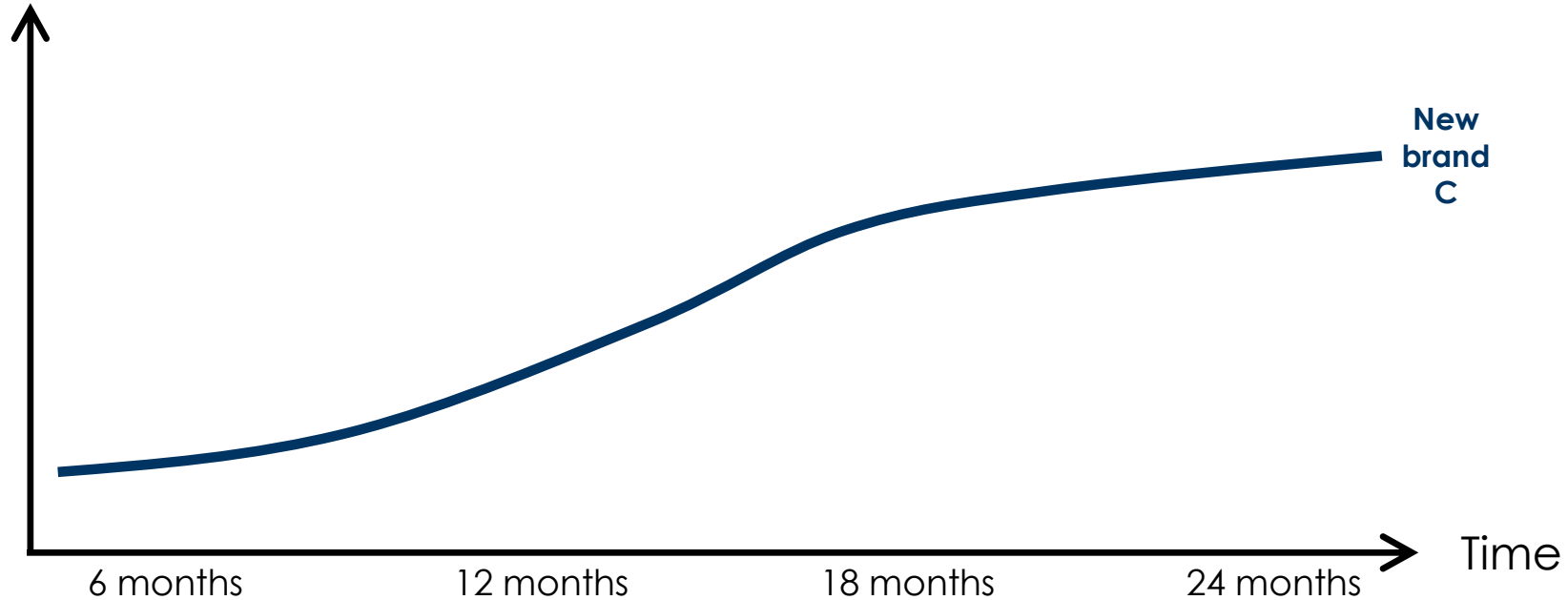
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The impact of brand building on demand: Stronger brands sell more at every price point



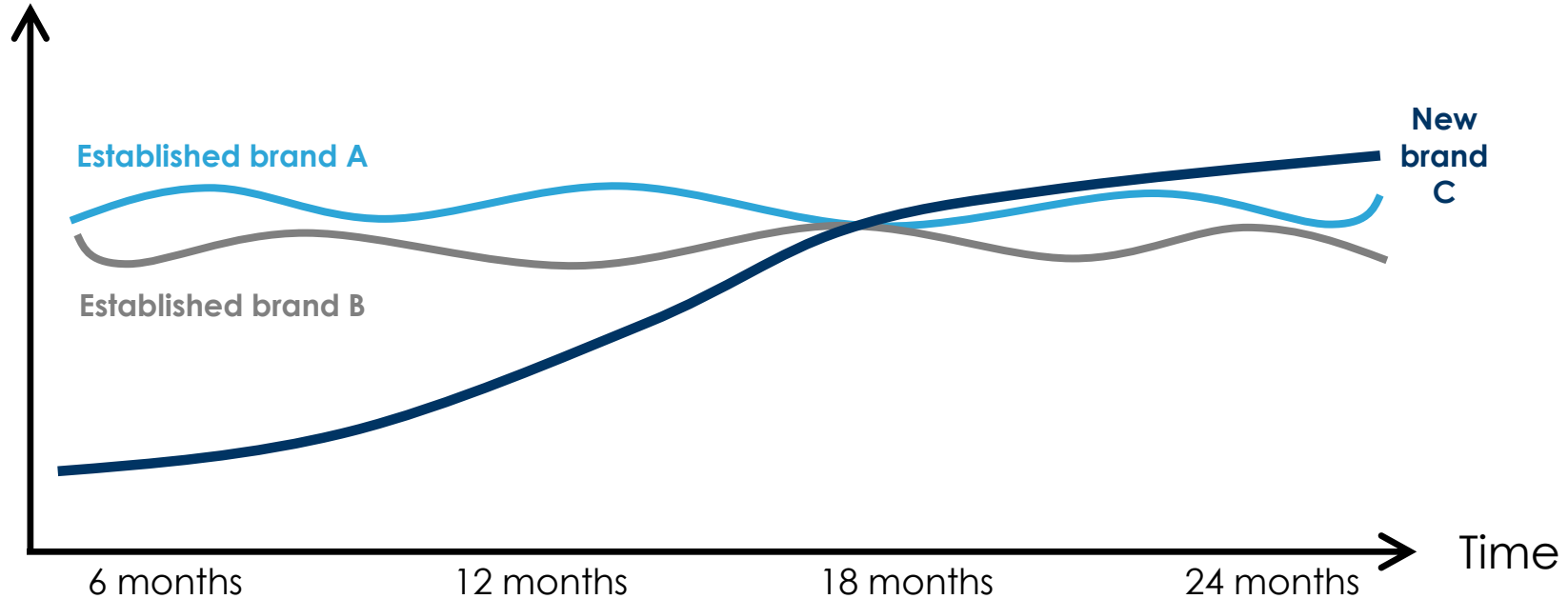
Why brand building takes time to work: According to Binet & Field, the long-term return on investment from advertising is more than 2X the return seen within the first 12 months

Mental availability



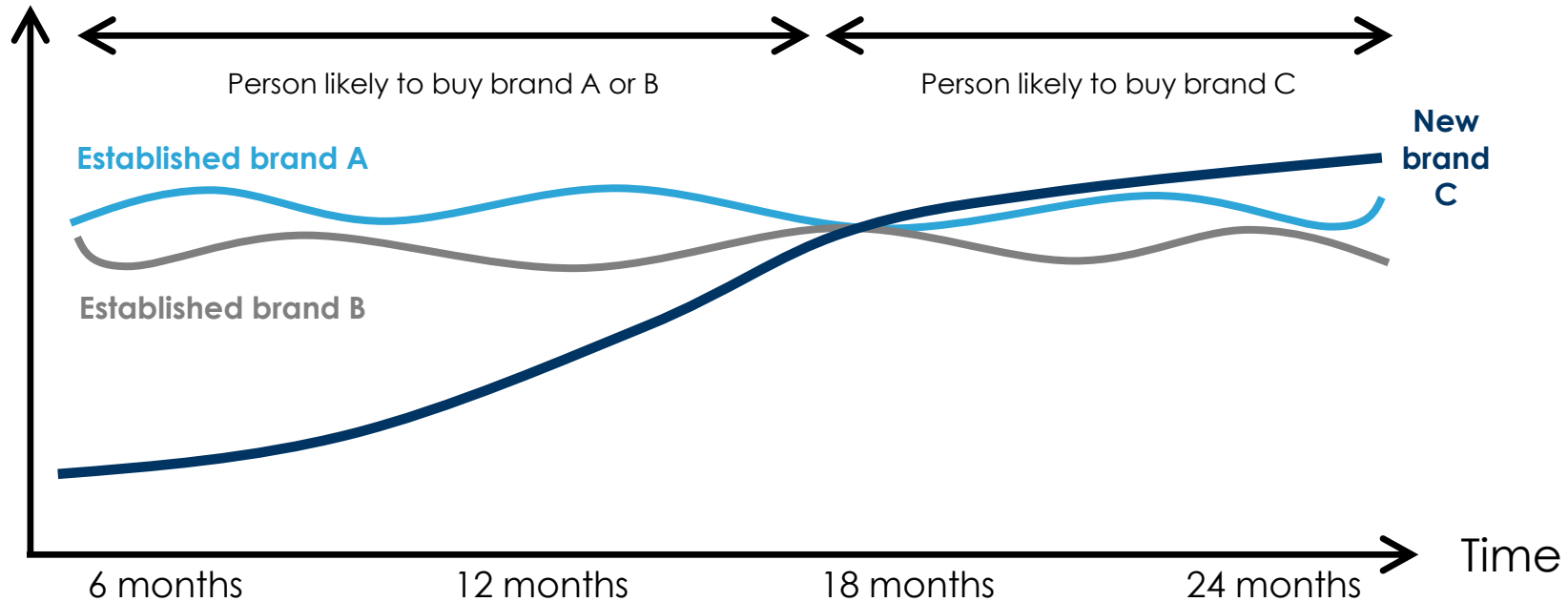
New brands take time to reach the same awareness levels of established brands

Mental availability



While new brands are in their early stages, consumers have greater mental availability for established brands; When the new brand has developed, awareness will be on par with established brands

Mental availability



Binet & Field: The optimal campaign allocation

62%

of marketing budgets
should be devoted to
creating future
demand via brand
building

38%

of marketing budgets
should be devoted to
converting existing
demand/sales
activation

What's the best budget allocation for creating future demand versus converting existing demand?

According to Binet & Field, budget allocations can differ based on how a purchase occurs, the size of the company, and whether the brand is a luxury or value brand

		Create future demand	Convert existing demand
How the product is purchased	Offline	55%	45%
	Online	74%	26%
How the product is priced	Value/mainstream brand	57%	43%
	Premium	62%	38%
Size of company	Small	75%	25%
	Medium	56%	44%
	Large	76%	24%
	Leading brand	72%	28%
Overall		62%	38%

Four drivers of brand advantage

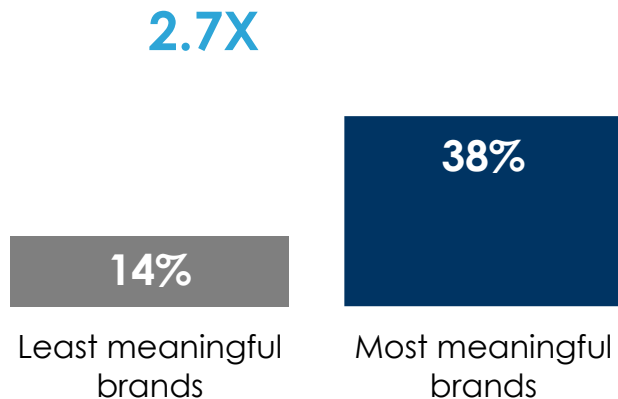
Fame	Am I aware of it?	Fame and mental availability (two linked concepts) both matter. Pre-existing knowledge of a brand helps search outcomes, and consideration of a brand during the "active" state of a purchase journey is a huge advantage.
Mental availability	Would I consider it?	
Recognition	Do I know it when I see it?	Recognition matters. Distinct brand assets help both to ease recognition on the digital shelf and to maximize the impact of performance marketing.
Perceptions of value	Do I think it's worth it?	Perceptions of value , built via functional and emotional associations, help support pricing.

WARC's Four drivers of brand advantage: Strong brands retain an advantage in digital purchase journeys in at least four ways

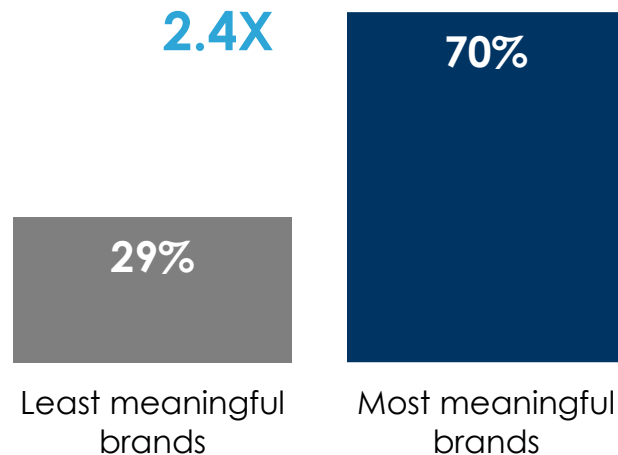
Fame	Am I aware of it?	<p>Why it matters: Prior knowledge is an advantage in search. "Common knowledge" helps buyers justify purchase decisions.</p> <p>Measures: Unaided awareness, organic/non-paid traffic into site or branded properties.</p>
Mental availability	Would I consider it?	<p>Why it matters: Being easily recalled in buying situations is a major advantage as it aids branded search, either on general search or within platforms.</p> <p>Measures: Brand consideration/mental availability at "category entry points," share of search.</p>
Recognition	Do I know it when I see it?	<p>Why it matters: "Distinctive assets" allow recognition in crowded digital commerce environments. Easily recognized assets aid the correct attribution of advertising and help make performance marketing more powerful.</p> <p>Measures: Distinctiveness of assets in relevant commerce sites, correct ad attribution.</p>
Perceptions of value	Do I think it's worth it?	<p>Why it matters: Rational (value for the money) and irrational (emotional/aspirational) associations justify pricing and help resist commoditization. In certain cases this may support subscription or membership models.</p> <p>Measures: Brand equity research, price premiums, percentage of sales at full price.</p>

Meaningful brands drive greater purchase intent

Purchase intent



Repurchase intent



Familiar brands drive greater purchase intent

Advertisers with
higher brand
familiarity get

+36%

more purchase
intent

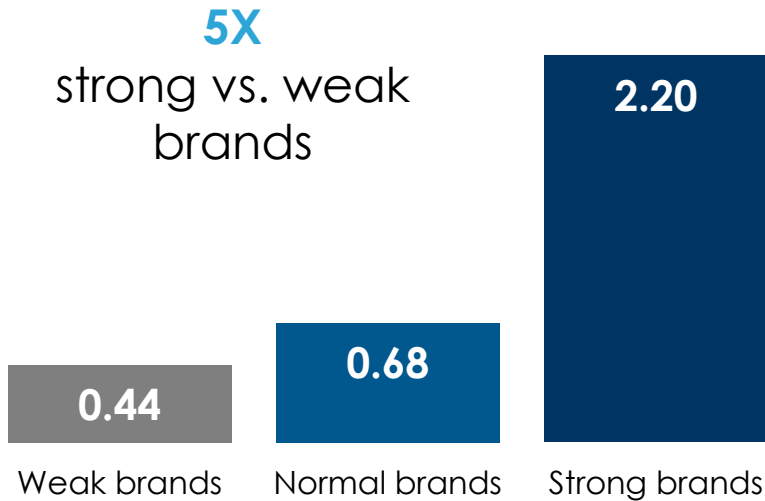
Companies with
higher brand
familiarity get

+15%

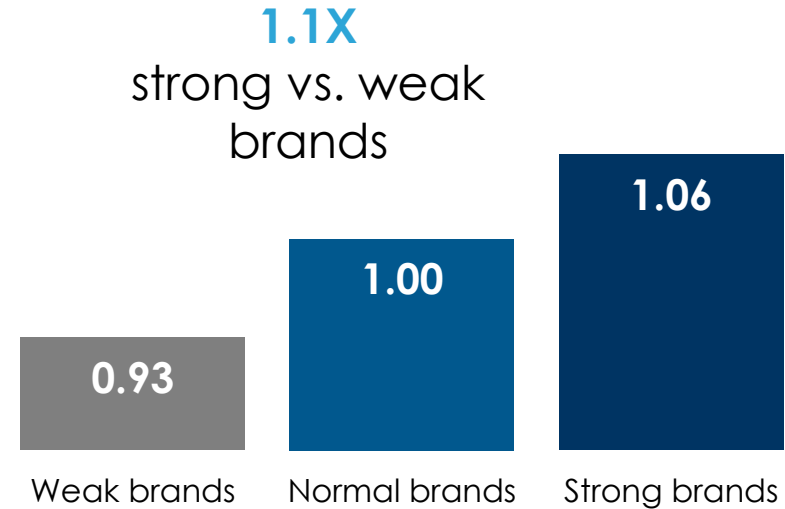
more repurchase
intent

Stronger brands capture more sales and achieve price premiums

Sales volume captured Index to average



Price premium achieved Index to average



Measuring the two types of marketing

Converting existing demand:

- Ad metrics like click-through rate and cost per click
- Sales metrics like purchases and conversions
- Efficiency metrics like conversion rate and cost of acquisition

Creating future demand:

- **Brand awareness:** What % of our market have heard of our brand?
- **Brand consideration:** What % would consider buying from us?
- **Brand preference:** What % would prefer to buy from us?

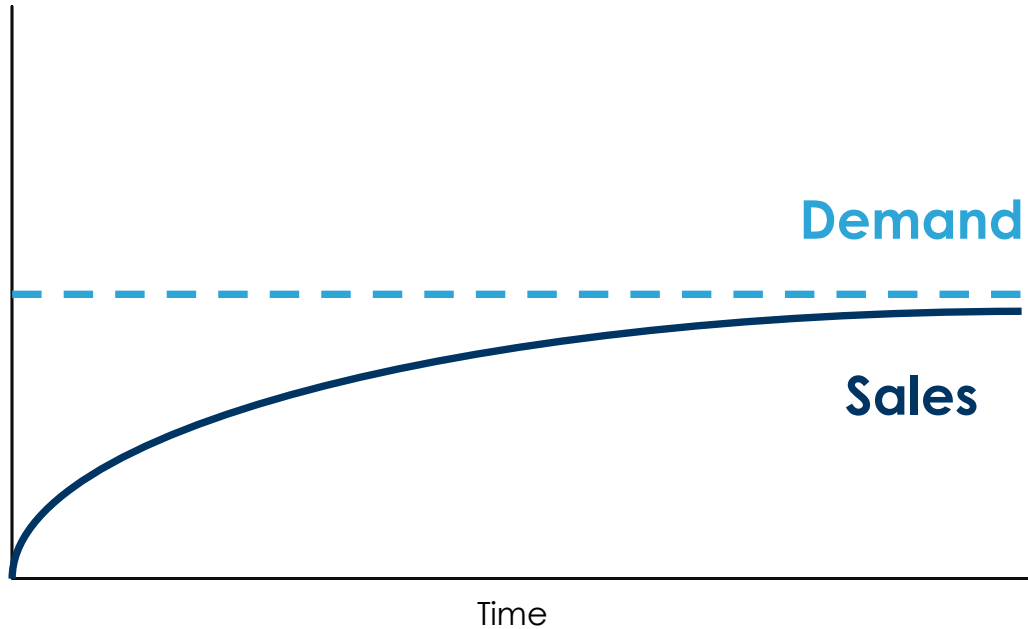
The principle of future demand

“The need for investment in building brands as well as to pursue performance marketing can be rethought as creating ‘future demand’ versus harvesting ‘existing demand.’ The relationship between the two is key.”

Four models of demand generation:

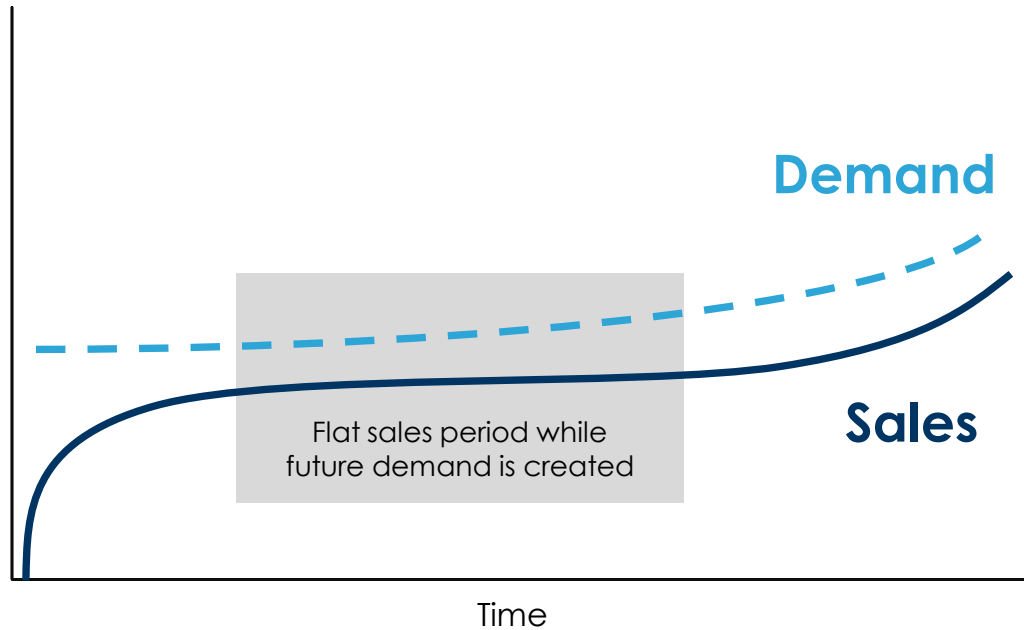
- No future demand generation
- Future demand generation after the fact
- Future demand activity reduced
- Consistent future demand creation

No future demand creation: Demand conversion activity cannot convert demand that does not exist



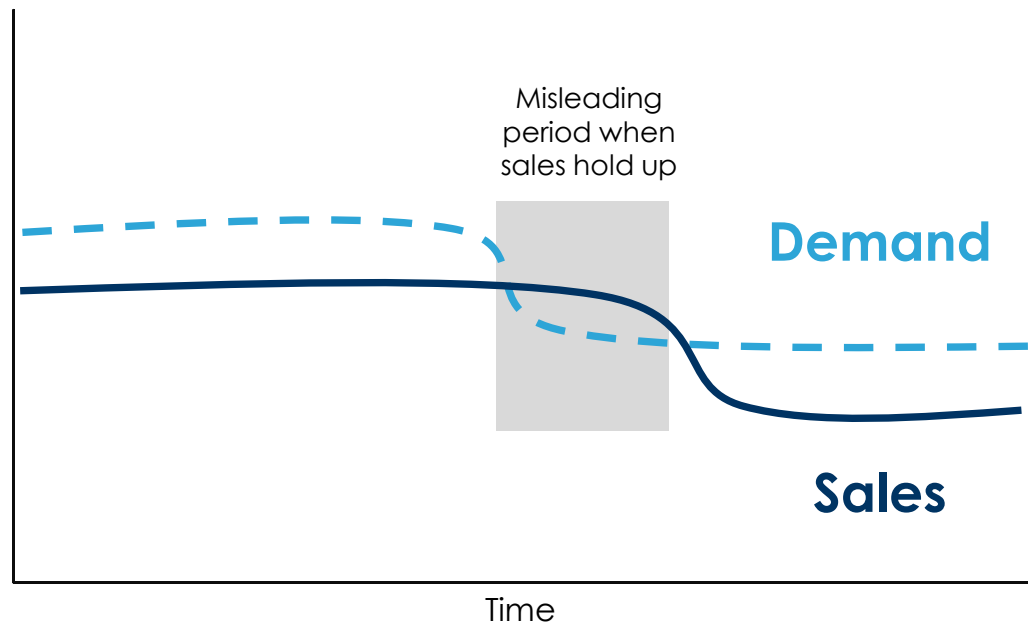
- **Demand** for the brand stays flat
- **Sales** plateau when demand is exhausted
- Conversion activity stops working as there is no more demand

Future demand creation after the fact: When a brand starts creating future demand only when existing demand is exhausted, there is a period of sales stagnation due to it taking longer to create future demand



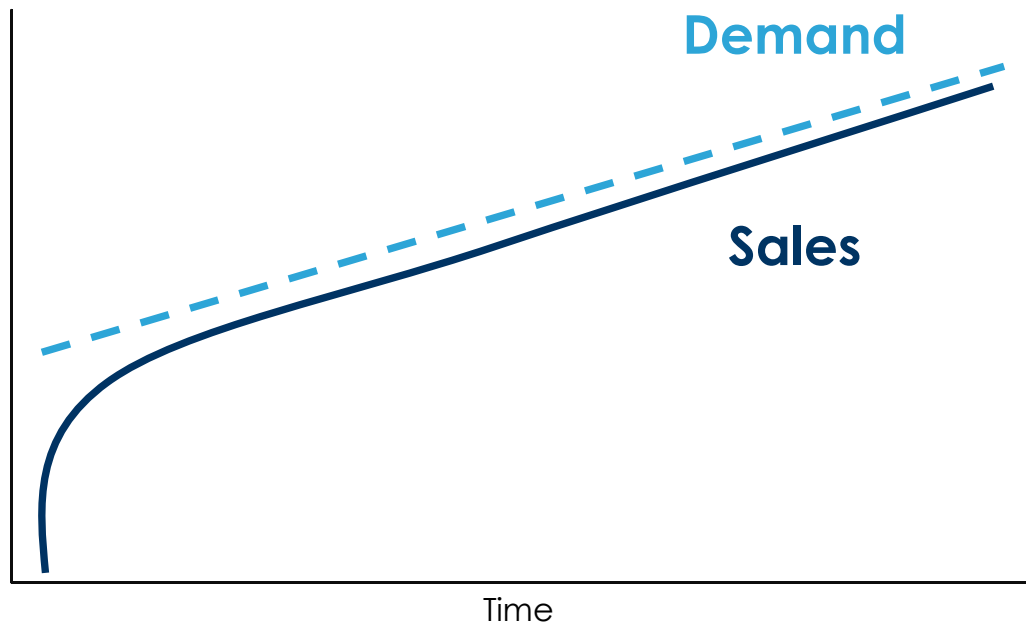
- **Sales** plateau when demand is exhausted
- Future **demand** builds slowly over time
- **Demand** can only begin to be converted efficiently once sufficient future demand has been created

Future demand activity reduced: Sales will continue at first before decaying when future demand is reduced, creating an illusion that brand-building is unimportant to sales



- Brand-building actively is reduced or stopped
- **Sales** do not immediately drop as prior brand-building activity has created future demand
- There is an initial false sense of security that brand activity is unimportant
- **Sales** then decay

Consistent future demand creation: When future demand is created consistently, sales growth can be maintained



- Future **demand** is consistently built
- **Demand** is converted at a sustainable rate as it's created
- Conversion activity continues to work as new demand becomes available

Advertisers who focus on creating future demand will have access to a much larger pool of potential customers down the line

Existing demand:

Taps out at a lower number as fewer Americans are in the market right now to make a purchase

3%

Existing demand:
Based on historical vehicle sales in a
3-month period

Future demand:

Outnumbers the number of Americans who have made a recent purchase by **4-8X**

12%

Future demand:
Purchase in a 1-year period

24%

Future demand:
Purchase in a 2-year period

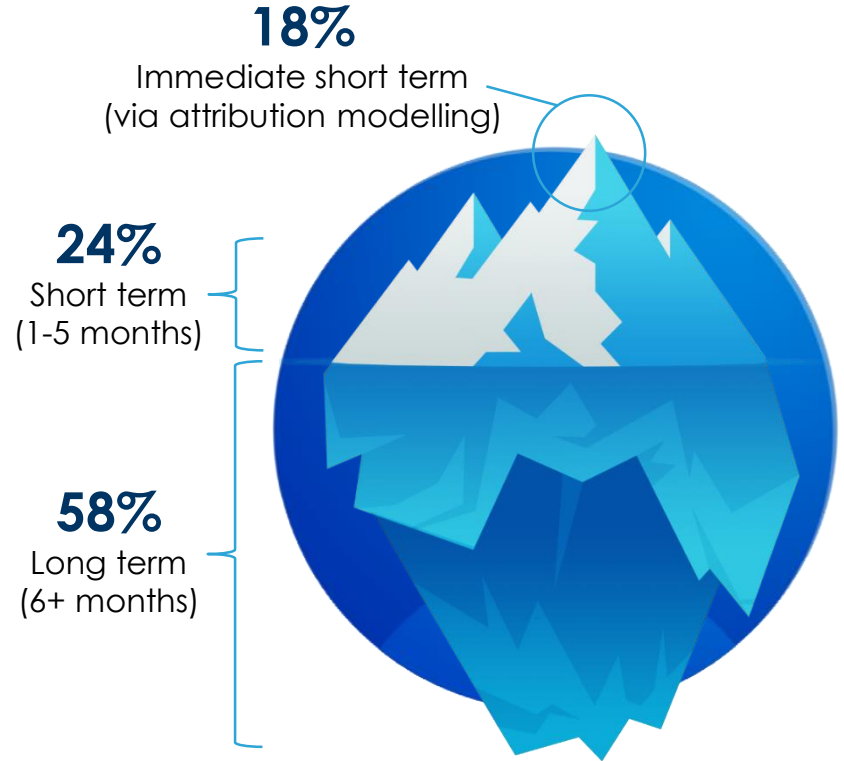
**What is the effect of marketing
investments over time?**

The "18-24-58" rule

Marketing effects take place over an extended period of time

Source: 'Profit Ability: The Business Case for Advertising,'
November 2017, Gain Theory Long-Term ROI study

Total impact of marketing communications



How advertising works

Advertising increases/maintains sales and margins

by

slightly increasing chance that people will choose your brand

by

making the brand easy to think of and easy to buy

and

creating positive feelings and associations

via

broad reach ads that people find interesting and enjoyable

and

targeted activation that they find relevant and useful



Thank You

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