SHOUTING FOR ATTENTION IN TIMES OF CRISIS: THIS IS WHY IT WORKS!

A study into the relation between share-of-voice and media return

On average, the corona crisis has led to consumers spending less. Many brands are currently seeing their sales decline, which in turn leads to a cutdown in the marketing budgets. The use of advertising campaigns seems to be a short-term investment - but is this approach sensible? The answer can probably be guessed: no! On the contrary, it is a good idea to remain present in media. After all, academic research has shown that companies that started advertising more during crises (and followed a 'counter-cyclical' approach), emerged from these periods more successfully and achieved better financial results.

The explanation for such a strengthening of position lies in the "share-of-voice". Brands that continue to invest during crisis periods notice that their competitors are cutting back on media spending. As a result, they occupy a larger share of the total media spending in their category - or a higher share-of-voice. Previous research has already shown that this measure is positively related to financial KPIs, such as market share and revenue from sales.

What exactly underlies this relation? A possible argumentation arises from the (limited) attention that consumers can and/ or want to give to advertisements. Because in times of crisis there is simply less competitive advertising that demands the attention of consumers, running a campaign in these times can be very noticeable. Where previously both you and your competitors constantly tried to "shout" over each other – and as a result the consumer ultimately did not really understand any party – the silence from the competition will ensure that your message will be heard loud and clear by the consumer. In other words: the same expenditure on media use may be more effective if you achieve a higher share-of-voice in the (partial) absence of your competition.

Although marketers have been working with this theory for decades, relatively little empirical evidence has yet been provided for this relation. That is why DVJ Insights want to close this gap, by conducting an internal study on our own databases.

DATA AND RESEARCH DESIGN

Our study is based on weekly sales figures of 10 brands (in the electronics, fast moving consumer goods and catering sectors), during the period 2018-2019. We also have total media expenditures (in pounds) at a weekly level for this period - not only for the brands listed above, but also for their direct competitors (as defined by the brands themselves). As a result, for the 10 brands we study, we can express weekly media spending in an absolute (number of pounds) and relative (share of total spending within the product category - or share-of-voice) manner.

Because the amount of both weekly media spend and sales figures can differ significantly between brands (which not only has to do with brand size, but also, for example, with units of measure - for some brands the sales figures are expressed in product units, for other brands in pounds), these figures are 'standardised' per brand prior to the analysis. In this way, we can still perform one analysis across all brands, which improves the generalisability of the results.

Subsequently, a regression model on the data was estimated, in which the weekly media expenditure of a brand is firstly related to the sales figures of that brand (to be precise, that of the following week), so that we ensure that all media contacts resulting from the expenditure are actually realised when they are linked to sales figures. In order to map this relation as accurately as possible, we check for periodic fluctuations in sales (which cannot be attributed to media use) via dummies for the four (meteorological) seasons.

In addition, we include a so-called "interaction term" between the weekly (absolute) media expenditure, and the share-of-voice achieved in that week. This term is in line with our central research question, as the coefficient for this interaction term measures the extent to which the magnitude of the effect of media spending on sales, changes under different values of share-of-voice (which follow from these expenditures).

Finally, it should be mentioned that, in order to isolate the precise influence of share-of-voice as much as possible, the regression model has been estimated with “mixed effects” - which in this case means that the effects of absolute media spending and seasonal variation on weekly sales figures have been estimated in both a general and brand-specific sense. We check for the possibility that media spending may not to the same extent lead to additional sales for each brand (for example due to differences in consumer involvement), and that seasonal effects will not be the same for every brand (e.g. some brands sell better in the middle of the year, others at the end).

After performing the regression analysis, the estimated parameters first confirm the sense of checking for the seasonal effects described above. Across all brands, we find that on average sales figures are significantly higher in the fall and winter, but we also find a considerable variation between the different brands - where a beer brand, for example, has the most turnover in the summer, the sales peak for a soup brand lies in the winter.

FINDINGS FROM THE ANALYSIS

Based on the analyses performed, we can then draw the first few important conclusions:

1. First of all (across the different brands) a positive coefficient is found for absolute media spending, which - not surprisingly - implies that on average every extra pound spent on media input increases the sales of a brand.
2. At the same time, we also find a positive coefficient for the interaction term - which means that the higher the share-of-voice a brand occupies within its category, the greater the uplift in sales figures for every media pound spent. In other words, with exactly the same media spending, a greater increase in sales can be achieved if these expenditures achieve a higher share-of-voice than usual - something that will often be the case in times of crisis.

With the above in mind, we can calculate the expected magnitude of the effect of media spending on sales for each possible level of share-of-voice (between 0% and 100%) from the estimation results of our regression analysis. This firstly shows that this effect only becomes significant (below a confidence level of 90%) if a brand has a share-of-voice of at least 20%. This therefore seems to be a minimal condition to be able to have any certainty as a result of your media efforts - with a lower share-of-voice, there is a significant chance that a campaign will not be able to break through the ‘clutter’ from competitors.

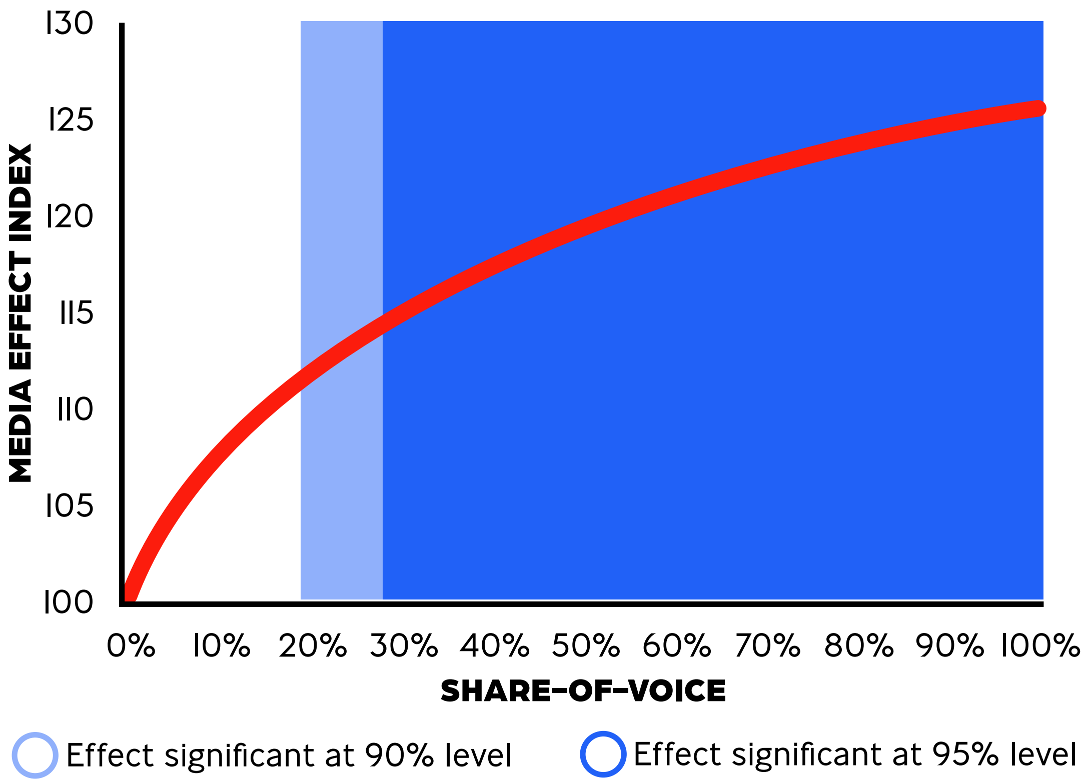

Figure 1: Indexed effect of media expenditure --> sales figures in function of share-of-voice

Apart from the minimum recommended level in terms of media presence, Figure 1 shows that the higher the share-of-voice you take up with your media expenditure within the category, the greater the return (indexed compared to the effect with a minimum share-of- voice, or close to 0%) that is taken from every pound spent - although this effect does flatten more and more as share-of-voice moves towards 100%. To illustrate this, we give you an example: Suppose that before the crisis period your brand had an average share of voice of 20% within the category, and you continued to advertise in the exact same way (and therefore the same spending level) while each of your competitors cut down their media spending by 30%. As a result, the share-of-voice that you now occupy within the category has suddenly risen to 44%, which means that on average you will realise 6% extra sales - without having to spend an extra pound! This shows once again that it pays to continue advertising in times of crisis - because many competitors will deliver less 'noise'. The same investment will yield a better result.

CONCLUSION AND IMPLICATIONS

During the corona crisis, many companies cut their marketing spend to save costs. However, previous research has already shown that the brands that do not do this will emerge better from the crisis. A possible reason mentioned for this is that the relative share of advertising that these companies occupy within the category, the "share-of-voice", has increased - only because competing brands have reduced their spending. As there is now less competition for the (limited) attention of the consumer, it seems likely that those who do continue to advertise will be better able to break through the 'clutter' - and actually have a chance to successfully convey their message to the consumer.

The results of our research confirm this hypothesis - we see that media use becomes increasingly effective as a larger share of voice is achieved with this effort. For example, with a share-of-voice of 50% you already get 20% extra return from every media pound spent! We do see that the effect gradually levels off the closer the share-of-voice approaches a value of 100%, and that a share-of-voice of at least 20% appears to be necessary to, with some certainty, realise (sales) effects as a result of media deployment.

Our findings have important implications for marketers. Because, despite the focus on share-of-voice in this study, the analysis results first of all show that the level of **own** expenditure still plays the largest role in determining media effectiveness. However, the exact return that will be obtained from each media pound may differ from moment to moment, and by looking at how your own spending compares with that of your competition, an estimate of this return can be further refined.

At DVJ Insights, these two principles are therefore integrated into our media planning tool. In this tool, a measure of the total number of media contacts that a brand realises on a weekly basis (the RPS score) is the starting point, after which it is determined what the minimum and/ or maximum amount of own media effort is required to achieve optimal effectiveness with every campaign. At the same time, we also take into account that this effectiveness is not only due to our own advertising efforts, but also of the media pressure that comes from the competition. Because of this, the way of thinking behind share-of-voice is also reflected in our working method.

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