Advertising's Big Questions: Answered by advertising's big thinkers.

ADVERTISING ASSOCIATION

Produced by:

CREDOS

Advertising's Big Questions: Answered by advertising's big thinkers.

CREDOS Advertising's Think Tank

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Why we did this

James Best, Chairman of Credos – Advertising's Think Tank

Some big questions about advertising are perennial. What is it? How does it work? Does it stimulate innovation and competition or stifle them? Does it generate higher prices or lower ones? Does it grow markets or only brands?

These questions are among the most asked about advertising today. They consistently emerge when the advertising industry is required to defend itself against political criticism. Google search analysis also reveals they are among the most frequent queries. Advertising's critics, students and practitioners alike want to understand the same fundamental truths about the nature, role and effects of advertising.

So where should they expect to find the answers? Although the Advertising Association produced a considered and evidenced set of answers during the 1980s and 1990s, advertising has evolved dramatically since their publication, new evidence has emerged and readers' expectations have changed.

That's why Credos tracked down the original works, digitised them and updated them. It is our intention to make the new answers available to all who seek to understand – and promote or defend – advertising's role in society and the economy.

We hope you enjoy reading the new works and the original texts that inspired them. We hope they will continue to inform the debate for years to come.

Recovering the original works

Karen Fraser, Director of Credos – Advertising's Think Tank

In the 1980s, the Advertising Association's then Research Director Mike Waterson assembled a group of leading thinkers to form an Economics Committee. He has since told me about the series of exceptional works he and the committee produced. I knew of some, but not all. They had set out to address some of the fundamental questions about advertising with a series of papers using the best evidence of the time.

The works provided a set of definitive answers to advertising's big questions, but they are now over 30 years old. Many of the original texts were out of print and no longer available, except in the History of Advertising Trust's archives.

Once the originals had been surfaced, Credos had them converted to digital formats for an online audience. We then commissioned distinguished practitioners, under the expert guidance of an executive editor, Laurence Green, to review contemporary thinking on and evidence for the key arguments. This has resulted in a new set of six essays, ensuring that the Advertising Association can again offer the authoritative answers to advertising's big questions, much as it did 30 years ago.

None of this would have been possible without the help of our authors, advisors and many colleagues who contributed to this project. I'd like to thank Laurence Green for his expert editing, James Best for his patient guidance and advice, and Les Binet and Peter Field for their detailed analysis of latest Institute of Practitioners in Advertising (IPA) data. Most of all I'd like to thank Jeremy Bullmore for encouraging me to look for the works he and colleagues had produced so many years previously. I hope, that collectively, we've done the original works justice.

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What this work tells us

Laurence Green, Executive Editor

For all the noise, the opinion and the changing fashions that swirl around the advertising industry, its most surefooted practitioners also have a keen sense of its fundamentals, and maybe even a little of its history.

This short series of advertising primers – each tasked with answering one of advertising's 'big questions' – springs directly from the Advertising Association's mission to encourage evidence-based debate and establish consensus – a tree planted unashamedly in the wind.

This publication is an opportunity to revisit and revive some of the industry's classic texts, not least Jeremy Bullmore's *'Advertising: What is it?'*, Simon Broadbent et al's *'Does Advertising Affect Market Size?'* and Stephen King's *'Advertising as a Barrier to Market Entry'*. Each one made a ground-breaking contribution to the conversation about advertising and each rewards intellectual scrutiny all these years later.

Advertising's big questions, by their very nature, do not lend themselves to simplistic answers. The new papers confirm that looking for such answers is difficult. This shouldn't surprise us, as Jeremy Bullmore reminds us advertising encompasses a whole range of activities and Paul Feldwick shows ads can work in many different ways. So when asking whether advertising affects price, market size, choice or market entry, we are bound to come up with a number of answers.

But, if our authors' provocations do no more than encourage informed debate and further, nuanced contemplation of those questions, then their work is done.

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Image: © Phil Rudge/Campaign

Jeremy Bullmore

Jeremy's first job, in 1954, was as a trainee copywriter with J. Walter Thompson in London, where he stayed until retirement in 1987. He became successively writer/producer, creative group head and head of television; from 1964 to 1975, head of the creative department; from 1976 to 1987, chairman. From 1981 to1987 he was a member of the JWT Worldwide board and chairman of the Advertising Association.

From 1988 to 2001, he was non-executive director of the Guardian Media Group and, from 1988 to 2004, a non-executive director of WPP. He is past president of NABS and past president of the Market Research Society. He is currently a member of the WPP Advisory Board and a columnist for *Campaign, Management Today, Market Leader* and *The Guardian*.

He was awarded a CBE in 1985 and the Advertising Association's Mackintosh Medal in 2011. He has three grown-up children and lives with his wife, Pamela, between London and Wiltshire.

What is advertising?

Jeremy Bullmore

Advertising is any communication, usually paid-for, specifically intended to inform and/or influence one or more people.

#AdBigQs

What is advertising?

Jeremy Bullmore

40 years on

It has been 40 years since I first started to make the distinction between advertising and advertisements.[1] I was by no means the first to do so but it still hasn't caught on. Patient friends have told me that I'm being pedantic; that the distinction is a false one and entirely unnecessary. Whole books have been written about 'advertising' as if all advertising campaigns – all *advertisements* – were identical in their intention. Critics do the same thing: the unacknowledged assumption is that advertising's only role is to sell things to people.

The conflation (and confusion) of medium and message is not restricted to advertising. Something called 'television' has often been held responsible for a decline in morality and manners and an increase in casual violence. But if any such relationship exists, it will be as a result not of the presence of television as a medium but of specific television programmes. It's true that the very existence of television, irrespective of specific content, may well divert people from alternative activities such as reading – and so have an adverse effect on literacy. But that's about the only legitimate use of any sentence starting, 'The trouble with television…'

Recently, that most meticulous and considered of commentators, Matthew Parris, wrote about 'the brutalising effects of social media'. We all know what he means – but he doesn't mean that. He means that some human beings choose to use social media in a way that can have a brutalising effect. Social media is (or are) no more inherently brutalising than an unbooked poster site.[2]

Social media, like television and advertising, are there, as empty and as neutral as a telephone system. Once they exist, it is how they are used that should mainly interest us.

But I did advertising a disservice when I wrote, 'Advertising, as such, can do absolutely nothing. It's simply there, waiting to be used.' In truth, the very fact that advertising is available, at a price, even before a single advertisement is bought or published, has social and economic value. The economic system we've chosen to live with over the last couple of hundred years is a competitive one. It relies on the energies and inventiveness of millions of individuals and individual companies to make things and sell things; and on the state, where necessary, to moderate such activities; for example, in the limiting of monopoly power.

And there can be no doubt that the background knowledge that advertising exists is a permanent spur to the constant innovation that's powered the ever-growing prosperity of the last two centuries.

I'm not, of course, claiming that without advertising no such progress would have been made. Mankind is

[1] Bullmore, J. J. D. In Bullmore, J. J. D. and Waterson, M. J. (eds) (1983). *Advertising Association Handbook.*
[2] Parris, M. (2015). 'Why llamas are the hedgehog's best friend'. *The Times.*

restlessly and innately curious and inventive. There will always be an appetite for a better mousetrap. I'm simply observing (and if you work in advertising, you observe it on a daily basis) that the freedom to tell the world about your better mousetrap, and so more speedily recoup your investment in the development of that mousetrap, intensifies your determination to experiment and improve. As witnessed in almost every consumer goods market, even quite small incremental improvements in the design and function of products, when publicised, can keep a brand from complacency and the competition on its toes. And 10 insignificant product improvements, aggregated over time, will bring significant benefits.

I think I was also remiss, 40 years ago, in not touching on the origins of advertising. Once upon a time, long, long ago, families had to be self-sufficient. Everything they needed they either grew or made themselves or did without. Then came farming and the division of labour: farmers, toolmakers and tailors became specialists and traded with each other, but they still knew each other and lived in the same communities. Then we learnt how to turn heat into energy and the Industrial Revolution changed everything. Mass production meant that the producers of things no longer knew the buyers of things; they no longer lived in the same village. Mass transportation meant that a trader could now trade with customers hundreds of miles away and more. Direct contact was lost forever – but the same revolution came up with an alternative: mass circulation newspapers and magazines. Advertising was never invented; it simply emerged naturally and inevitably to meet a need that progress had created.

So quite by chance, advertising helped fund the development of media and kept the price of media down. Without the subsidy of advertisements, newspapers and magazines would have cost citizens maybe twice as much. Later, the same became true for radio, cinema, television and the Internet.

Some of advertising's champions tend to parade this fact proudly, and it's certainly true that the growth and abundance of good, affordable journalism and entertainment owes much to the existence of advertising. But to me, it was – and remains – a happy accident. Advertisers are neither altruists nor philanthropists; they spend money on advertising because it pays them to do so. If advertising were found to be irredeemably evil, its contribution to free speech would provide no mitigation.

Advertising came into existence because of the needs of trade. But once established it has been found to be of value, among a huge variety of roles, in the recruitment of staff, in fundraising for charities and in the dissemination of government information. Its value in the building of brands has been well-documented. More recently, it's become increasingly clear how advertising does not just help build brands but helps sustain them.

In almost all discussions and debates about advertising, classified advertising gets shamefully neglected. Available in print or online for just about anyone, classified advertising can act as an almost perfect agent of exchange: the unwanted can find new homes that would otherwise have remained unidentified. Classified advertising has been recycling things since long before recycling became a virtuous activity.

Let me revisit my 1975 definition: '*Any paid-for communication intended to inform and/or influence one or more people.*'

I'm not at all sure why I was so confident in saying that 'An advertisement that is not paid for is not an advertisement.' It's clearly untrue. There are thousands of examples of advertisements, online and off, that have cost the advertiser nothing. In any redrafting of the definition, I'd go for something like, 'Any communication, usually paid-for, specifically intended to inform and/or influence one or more people.' (The purist in me cringes at 'one or more people', but everyone knows what it means.)

Apart from the 'paid-for' point, it holds up pretty well, I think, and has been accepted as a starting point by several reports into the effects of advertising.

I hesitate today at this paragraph: 'It's both legitimate and healthy to question the effect of television *programmes* just as it is to question the effect of certain *advertisements* but to suggest that *advertising* does this or *television* does that, is nonsense.' There is an exception to this point. The totality of advertising is made up of countless individual advertisements and advertising campaigns. Their individual sponsors are, entirely properly, mainly concerned with the effects, commercial and social, of each of them individually. But there must, presumably, be an unplanned, unintended, uncoordinated – and virtually unmeasured – *aggregate effect*.

Given the diversity of advertising, and the high proportion of competition within advertising, it seems to me highly unlikely that such an overall effect could be seriously adverse. But perhaps only bodies such as the Advertising Association are in a position to keep an eye on it.[3]

Want to read more? Jeremy's original essay can be found here

https://goo.gl/iJVErl

[3] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Paul Feldwick

Paul worked for over 30 years at legendary advertising agency BMP, later part of the DDB network, and became one of London's most highly regarded planning directors. He developed global strategic planning tools and training for DDB and helped to found DDB University.

He has been convenor of Judges for the IPA Effectiveness Awards, as well as Chair of the APG and AQR. He has Master's degrees from the University of Bath School of Management and Ashridge Business School.

He is well known as a speaker and author on many aspects of advertising and brands, most recently publishing *The Anatomy of Humbug: How to Think Differently About Advertising* in 2015.

How does advertising work?

Paul Feldwick

Advertising may influence behaviour through signposting, salesmanship, seducing, shaping social reality, and simply creating fame.

#AdBigQs

How does advertising work?

Paul Feldwick

A blind man was begging on Madison Avenue. In front of him was a handwritten sign – 'I AM BLIND' – and a cup containing just two cents. A passing copywriter asked to add a few more words. When, at the end of the day, the copywriter passed again, the cup was full. 'What did you write?' the blind man asked. The copywriter had added just four words: 'IT IS SPRING AND I AM BLIND'.

The story may be apocryphal, but it suggests at least one difficulty when answering the question 'How does advertising work?' The idea of advertising as rational argument seems inadequate here, even though the sign states nothing but simple facts. Even the original, 'I AM BLIND', shows the impossibility of separating advertising into 'information' and 'persuasion'. Psychologists might attempt to provide explanations, but perhaps we also need the language of rhetoric, or even art, when trying to explain why the choice of just a few words might prove so motivating.

But advertising encompasses far more than a few words, as Pierre Martineau pointed out in 1957:

"Modern advertising is not just a posting of claims, a bare-bones statement of fact. It is far, far, from being just a reliance on words and logic. It is rather a fusion of many modes of human communications, including language. Advertising as we know it today uses layout and illustration, both photography and art; it uses colour and music, even choreography and drama…so much more is going on than just a sales argument with the consumer."[1]

From signposting…

Advertising probably began as simple signposting. One of the oldest 'ads' we know of is a first-century carving on the quay at Ephesus, directing sailors to the local brothel. With printing, the 'signposting' became more sophisticated; it became a way of putting sellers in touch with buyers, employers in touch with jobseekers, Miss Lonely Heart in touch with Mr Right. Such paid-for notices filled the classified columns of the press from the 17th century onwards. And the Internet, of course, is an even better medium for signposting.

But wherever signposting becomes more common, and therefore more competitive, it inevitably develops into both a fight for attention and a sales pitch. Three hundred years ago, Joseph Addison was reflecting facetiously in *The Tatler* on the devices that advertisers in his magazine used to get their own message noticed, and the high-flown language they adopted to make their products desirable.[2]

…To salesmanship

So *signposting* soon turns into *selling*, and analogies of selling

[1] Martineau, P. (1957). *Motivation in Advertising*. New York: McGraw-Hill, p. 13.
[2] Addison, J. (September 14, 1710). *The Tatler*, (224).

have dominated much thinking about advertising. The 1880s salesmen's mnemonic, AIDA – 'getting ATTENTION – attracting INTEREST – creating DESIRE – closing with ACTION' – was linked to advertising in 1904 when a copywriter, John E. Kennedy, defined advertising as 'salesmanship in print', arguing that an advertiser, like any shopkeeper, must give credible 'reasons why' his product should be preferred.[3] These principles work best in direct response advertising. Simple headlines 'hailing a few people only', and long, factual copy avoiding humour or 'eccentricity' have long been the most effective ways of selling off the page, and still generally are today, in print, 'infomercial' TV, or online.

Versions of this 'salesmanship' model have tended to dominate thinking around advertising ever since. It's commonly assumed that, to be effective, advertising must capture conscious attention, then transmit a persuasive 'sales message', and, if necessary, lodge this message in the consumer's memory. Popular language and research techniques both reflect this model, emphasising 'attention', 'standout', 'consumer benefits', 'reasons why', 'message', 'proposition', 'credibility', 'comprehension', 'message recall', etc.

Subconscious effects

These assumptions are only partially correct, however. Psychologist Walter Dill Scott observed as early as 1903 that advertising can be effective without attracting conscious attention or being consciously recalled. Many successful ads don't appear to contain a 'message' at all, and even if they do, a great deal else is often happening in the ad that seems to be more important. Some experts even argue that advertising is often *more* effective when it is not consciously noticed or processed; when we don't notice we are being influenced, we cannot argue back.[4]

The idea that advertising influences us subconsciously has often caused alarm – the classic fear of the 'Hidden Persuaders'.[5] But, today, evidence from psychology and neuroscience that shows that this is how much advertising works is overwhelming. We might find this less disturbing if we accept that this is not just true of advertising, but of everything: our responses to people we meet, to shops and other places we visit, and to stories we see on the news are all influenced by signals and associations we are often unconscious of, just as our preferences and prejudices are usually learnt in ways we don't notice.

If a large part of advertising's influence is unconscious, that also makes it harder to explain in words quite how and why it works. We *think* we know how we are being influenced when someone gives us persuasive facts or arguments. But why should silly films of talking animals, or people singing songs, or a cartoon on a poster site increase our propensity to buy one brand rather than another?

What advertising does

To answer this, we need first to be clear on what kind of *behavioural* changes advertising brings about. Advertising as a sales pitch suggests a one-off transaction, as well as a conscious decision: I read an ad, I am persuaded, and I apply for the job or order the merchandise, and the process is complete. And some ads do work like this, either as a direct response or some form of 'sales activation', converting a potential buyer into an actual buyer by facilitating the transaction in some way. (Again, the Internet is well-adapted to this.) But there's also a great deal of advertising that is remote in time and place from the point of sale, and which sets out to influence people who are already aware of the brand advertised – and who may have bought it many times before – and this is doing something different. It's not so much creating a sale as increasing 'saleability'.

When purchasing panel data became widely available in the 1960s, it showed, across all categories, that the traditional picture of advertising converting loyal users of Brand A to Brand B was largely false, because users of a category generally buy a whole repertoire of brands.[6] Then single source panels, which record both ad exposure and purchase behaviour for the same individuals, demonstrated that, for about half of all campaigns, a single exposure to an ad during the purchase interval creates an increased likelihood of buying the advertised brand. Because of this repeated 'nudging' effect, advertising achieves best results on market share when it maintains a continuous presence and a sufficient weight relative to competition.[7] (We also know this to be largely true because brands, on average, gain or lose share of market when their 'share of voice' becomes larger or smaller.)[8]

While these small, incremental influences on behaviour are individually trivial, over time they can create a long-term shift in demand for the advertised brand, leading to increased market share, increased price premium and therefore profitability, and resilience to competition. Analysis of advertising case histories has shown that, while short-term 'sales activation' is both effective and necessary, only repetitive brand advertising has long-term, cumulative effects on the competitive strength of the brand.[9]

This 'brand-building' advertising seems more likely to depend on partially unconscious psychological processes than the more rational arguments of sales activation advertising (which is why people are very seldom aware that they have been influenced by advertising). Let us now return to what these psychological processes might be like.

The simple fame model

One surprisingly simple, but fact-based, hypothesis for how advertising creates such effects has been recently proposed. According to Byron Sharp, all advertising does is increase 'mental availability' for a brand: salience, or top-of-mind awareness. To do this, it need not have any explicitly 'persuasive' content or argument; it need not even create any meaningful differentiation between one brand and another. All that the creative execution needs to achieve is to create and maintain distinctive 'brand assets' (characters, imagery, design, jingles, slogans, etc.) uniquely linked to the brand, and keep them top of mind. Advertising need not contain a 'message', nor achieve any meaningful differentiation between brands (consumers see competing brands as more similar than different anyway); it need only create the 'meaningless distinctive'.[10]

Not everyone accepts this radical view, but it fits with much of the evidence, and probably explains more about how advertising works than its critics like to admit. Brand assets sometimes begin as dramatisations of product claims, and may also, over time, take on layers of meaning that were not originally intended (think of the Dulux dog or the Andrex puppy), but at their core they may work as pure images uniquely associated with the brand, and that provocative phrase, 'the meaningless distinctive', probably points to an underestimated truth. The theory of 'mental availability' also fits well with the evidence relating 'share of voice' to share of

[3] Feldwick, P. (2015). *The Anatomy of Humbug: How to Think Differently About Advertising.* Kibworth Beauchamp: Matador, pp. 33–36.
[4] Heath, R. (2012). *Seducing the Subconscious: The Psychology of Emotional Influence in Advertising.* Chichester: Wiley-Blackwell, pp. 15–23.
[5] Packard, V. (1957). *The Hidden Persuaders: An Introduction to the techniques of mass-persuasion through the unconscious.* London: Longmans, Green & Co.

[6] Sharp, B. (2010). *How Brands Grow: What Marketers Don't Know.* South Melbourne: Oxford University Press, pp. 39–55.
[7] Broadbent, S. (1999). *When to Advertise.* Henley-on-Thames: NTC, pp. 139–166.
[8] Binet, L. and Field, P. (2007). *Marketing in the Era of Accountability.* Henley-on-Thames: Warc, pp. 41–49.
[9] Binet, L. and Field, P. (2015). *The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies.* London: IPA.
[10] Sharp, *How Brands Grow*, pp. 112–152.
[11] Binet and Field, *Marketing in the Era of Accountability*, pp. 57–58

market, and with findings from the IPA Effectiveness Databank that campaigns creating 'fame' are, on average, the most effective.[11]

The subconscious: Emotional associations

While a lot can be said for the notion of 'mere publicity', or simple fame, it may not be the whole story. As another perspective on how ads work in a non-rational way, recent work in psychology and neuroscience has explored the nature of the subconscious mind, the importance of implicit learning, and the emotional basis of decision making. The neuroscientist Antonio Damasio hypothesises that all human decision making is rooted in emotion, even though we like to believe that we are 'rational' beings. Parallel themes have been explored by psychologist Dan Ariely, and by Daniel Kahneman, whose idea of System One and System Two thinking distinguishes between what we might earlier have imagined as the 'rational' and 'intuitive' aspects of our minds. Timothy Wilson argues that most mental processes are unconscious, and we couldn't function any other way.[12]

Dr Robert Heath, Phil Barden[13] and others have applied these findings to advertising. They propose that advertising works by creating patterns of associations that have emotional force, and that influence purchasing behaviour, often unconsciously. Indeed, we largely *acquire* these associations unconsciously, through 'low attention processing': viewing of TV commercials, for example, often happens in a relaxed and undirected mental state where images, music, and emotional responses pass into long-term memory without conscious learning taking place.[14]

Therefore, the way an ad makes you *feel* may also be important, because this contributes to the long-term associations that you have for the brand. If the ad is enjoyable and makes you laugh or feel good, this colours your overall feeling about the brand; conversely, ads that are irritating or boring could be counterproductive. It's also true that plenty of irritating and boring campaigns appear to have been highly successful, but we can assume these were effective for other reasons (maybe via 'mental availability'), and there is some reason to believe that 'likeable' campaigns can succeed with less weight behind them than others.[15]

Relationship

If we just focus on the transmission of content (conscious or unconscious), we may miss another important dimension of advertising effect. Besides thinking of advertising as planting ideas or images in people's heads, we could focus on the way it influences the relationship between the consumer and the brand. An ad that behaves as a charming guest may be more effective than one that shouts and annoys. This may sound trivial, but there is an important theory of human communication which holds that every communication is about the relationship between the parties as much as about the matter being communicated.[16]

This aspect of how advertising works is especially important when using new media, such as the Internet or mobile platforms. If you assume that advertising simply works by grabbing attention or getting a message noticed, there are now plenty of technical tricks used to achieve this, such as flashing banners, repetitive pop-ups, or ads disguised as content. But seen in the context of the relationship with the audience, this can become counter-productive, creating dislike and rejection even when it stops short of the widespread adoption of ad-blocking software.

[12] Damasio, D. (1996). *Descartes' Error: Emotion, Reason and the Human Brain.* London: Papermac; Ariely, D. (2008). *Predictably Irrational: The Hidden Forces that Shape our Decisions.* London: Harper Collins; Kahneman, D. (2011). *Thinking, fast and slow.* London: Allen Lane; Wilson, T. (2002). *Strangers to Ourselves: Discovering the Adaptive Unconscious.* Cambridge: Harvard University Press.

[13] Heath, R. (2012). *Seducing the Subconscious.* Chichester: Wiley-Blackwell; Barden, P. (2013). *Decoded: The Science Behind Why We Buy.* Chichester: John Wiley & Sons; Crimmins, J. (2016). *7 Secrets of Persuasion.* Wayne, NJ: Career Press.

[14] *Seducing the Subconscious*, pp. 31–32, 165–166.

[15] Binet and Field, *Marketing in the Era of Accountability*, p. 98.

[16] Watzlawick, P., Bavelas, J. and Jackson, D. (1967). *Pragmatics of Human Communication.* New York: W. W. Norton & Co; Heath, *Seducing the Subconscious*, pp. 150–156; Feldwick, *The Anatomy of Humbug*, pp. 141–149.

The social dimension

It is also limiting to think of advertising only as a series of one-to-one conversations between advertiser and individual. Advertising's effectiveness gains much from being a shared experience and part of our social environment; its influence is much greater when it is seen by many, and each knows that many others have seen it too. Not only does this encourage the psychology of 'social proof' that is known to influence behaviour ('I do this because I see many others doing it'), but it also may lead to the ads and the brand being talked about, picked up in popular media, and becoming part of popular culture – all of which will further increase its 'mental availability'.[17]

Advertising also influences behaviour by contributing to our shared perceptions of how the world is, influencing the language we use, and the assumptions we make – our social construction of reality. Like public relations, advertising can reframe the ways we think about things – an effect that is used in many public service campaigns to change the social meanings of drink driving or smoking, as well as in commercial contexts.[18]

Show business

Finally, to understand advertising, we need to see it also as part of popular culture. The growth of advertising has always been entwined with the growth of mass media, which has been largely, though not exclusively, driven and even shaped by advertising (most programme formats, of which the soap opera is the most famous, were developed in order to gather advertising audiences).

Advertising, in turn, has been shaped by its context, which is predominantly one of entertainment. Since the earliest times, advertising and entertainment have been inextricably linked, and advertising has always borrowed most of its creative content from show business: popular music, dance, comedy, celebrities, sport, drama, sex appeal, fashion, etc. Advertising is as hard to imagine without popular culture as popular culture would be without advertising.

The origins of advertising lie not only in the classified print ads of the 17th century, but, perhaps even more, in the world of the street pedlar, the travelling players, the medicine show, the circus coming to town.[19] Advertising has always been 'so much more than a sales argument': because all these pedlar-entertainers knew that doing business is far easier once you've built a relationship with your audience and put a smile on their faces. Advertising may be, as George Orwell unkindly said, the 'rattling of a stick in a swill bucket' (an allusion to a form of classical conditioning), but it is, perhaps much more, a multi-sensory spectacle designed to engage and seduce.

Conclusion

These various ideas about advertising – signposting, salesmanship, salience, subconscious associations, reframing, social meanings, and as a branch of show business – are not mutually exclusive. Most successful ads can be plausibly explained using more than one of these theories, and quite possibly all of them. But I would argue that none of the theories on their own are adequate to make sense of 'advertising', or even of a typical advertisement. Supporters and critics of advertising have often adopted simplistic positions to argue their case; critics may exaggerate advertising's power to manipulate the subconscious, while its defenders maintain, in the face of all the evidence, that it merely presents neutral facts and information. But, looked at dispassionately, advertising seeks to influence its audiences in the same way as any other form of human communication – with a combination of appeals that strike the right balance between charm and argument, intrusiveness and tact, entertainment and practical information.

You may still be disappointed not to have a simple, evidence-based answer to the question of how advertising works. There is, as I hope I've shown, plenty of evidence available, but it depends on what kind of evidence you choose to accept as relevant. A lot of historic academic research on advertising has been conducted from a rather narrow perspective of cognitive psychology, using artificial experiments to measure effects of different stimuli on attitude formation; this strongly emphasises the primary role of conscious mental processing.[20] But this is only a minor part of the overall field. We also need to pay attention to real-world marketplace evidence, such as panel data and case studies, however impure these may sometimes be. Increasing evidence from neuroscience and psychology has proven the importance of the subconscious and emotions in learning and in decision making, and this certainly also applies to advertising. And we ought to consider advertising as much a branch of sociology as of psychology, bringing in theories of human communication, crowd behaviour and popular culture. Advertising involves potentially everything we know about the brain, the mind, and human behaviour – all increasingly complex and contested areas. To expect one simple explanation is perhaps the least scientific position we could adopt.[21]

Want to read more? Paul's book is

https://www.amazon.co.uk/Anatomy-Humbug-Think-Differently-Advertising/dp/1784621927

[17] Cialdini, R. (1984). *Influence: The Psychology of Persuasion.* New York: Harper Collins; Earls, M. (2007). *Herd: How to Change Mass Behaviour by Harnessing our True Nature.* Chichester: John Wiley & Sons.

[18] Ewen, S. (1996). *PR! A Social History of Spin.* New York: Basic Books.

[19] Bonnange, C. and Thomas, C. (1987). *Don Juan ou Pavlov: Essai sur la communication publicitaire.* Paris: Éditions du Seuil, p. 23.

[20] One example of this is Vakratsas, D. and Ambler, T. (1999). How Advertising Works: What Do We Really Know? *Journal of Marketing*, vol. 63, no.1, pp.26–43.

[21] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Bridget Angear

Bridget has a degree in Economics and started her career in advertising at J. Walter Thompson. Ten years later, she left as Planning Director to join Abbott Mead Vickers BBDO where she is now joint Chief Strategy Officer. She loves nothing more than tackling big challenges. Her hallmarks are simplicity, clarity and friendliness.

Bridget is also extremely proud that, in 2011, AMV BBDO won the inaugural Creative Effectiveness Grand Prix in Cannes, as well as being the first agency ever to be awarded APG (Account Planning Group) and IPA 'Agency of the Year' accolades in the same calendar year. She was convenor of Judges for the 2016 IPA Effectiveness Awards and a keen champion of effective creative work.

Does advertising grow markets?

Bridget Angear

Sometimes advertising does grow markets, but much more often it doesn't.

#AdBigQs

Does advertising grow markets?

Bridget Angear

It is a tendency of those of us who work in advertising to exaggerate its influence. We love to believe our own hype about its power to create consumer desire. The logic goes something like this: you advertise a product or service; as a result, more people desire it and go on to buy it (if the advertising is successful); therefore, the market in which that product or service operates gets bigger. With the ultimate conclusion being, therefore, that advertising grows markets.

It's a beguilingly simple, seductive argument.

Indeed, a poll conducted in February 2016 asked the members of the Account Planning Group (a community of planners and strategists in the UK and beyond) whether they agreed or disagreed with the statement 'Most successful advertising grows markets'. Two thirds (67%) agreed that most successful advertising does indeed grow markets.[1]

If this widely held opinion is correct, it has major consequences. Imagine you're a government seeking to curtail consumption of 'harmful' products (such as alcohol and high fat, high sugar foods and drinks). If the argument holds true that advertising grows markets, then it should be the case that the converse also holds true. And that restricting the advertising of 'harmful' substances should restrict their market growth. With ramifications such as these, and temperatures running high on both sides of the 'advertising freedom' debate, the need for an evidence-based answer to the question has never been more important.

Simon Broadbent's seminal paper *Does advertising grow markets?*, first published in 1997, provides a forensic, meticulous deconstruction of the question and an empirically based answer to it.[2] In part, Broadbent draws on the analysis carried out by Colin McDonald and Vivian Braun of the 156 case studies that feature in Volumes 1–8 of *Advertising Works*, the public record of the IPA's biannual Effectiveness Awards scheme. (These volumes document 'proven' effectiveness cases from 1980 to 1994.)

This data set comes with a few health warnings – the case histories are mainly from the UK, with contributions mainly from large UK advertising agencies; the sample size is relatively small; the cases cannot be regarded as typical, since they are 'by definition' particularly successful examples of advertising; and their authors were free to choose whether or not to include market size effects. (Although, regarding the last point, one could assume that if there *were* market size effects, the author would have been keen to cite them.)

[1] http://www.apg.org.uk/.

[2] Broadbent, S. (1997). *Does Advertising Affect Market Size?* Economics Committee for the Advertising Association.

While Broadbent was very careful to avoid making any generalisations, I am going to be bold enough to make one.

Most advertising does *not* grow markets.

How can I be so sure? In the vast majority (83%) of the IPA cases explored in Broadbent's paper, there was *no* evidence that advertising had grown the market.[3] In the majority of the cases, advertising was shown to have driven brand share but not market growth.

This is not to say that advertising can never grow markets. Nor that this might not be a very good thing to attempt, in the case for example of organ donation. It is just that these cases are very rare.

There were, of course, exceptions to that rule and Broadbent went on to list the six conditions most likely to produce market growth. These are worth noting should you wish to embark on a market growth strategy, since the evidence would suggest you need one or more of these conditions to succeed.

Broadbent's conditions for market growth were as follows:

1. Small markets with very similar products
2. New markets with many products
3. A market with a high proportion of trialists
4. A market with a single dominant brand
5. A market that is already growing for other reasons, such as social change
6. Or – more straightforwardly – when a group of manufacturers combines to produce a generic campaign.[4]

In 2008 Tim Broadbent revisited Simon's conclusions in a paper entitled *Does advertising grow markets? More evidence from the United Kingdom*. This time the evidence base was 129 IPA papers from 1996–2006, which were examined by Les Binet and Peter Field of the IPA Databank. One hundred and nine of these were typical commercial cases (20 being for government, social or charity advertising, or for generic campaigns,[5] that were excluded to be consistent with Simon Broadbent's original investigation).

This updated data review once again supported the assertion that most advertising does not grow markets, finding this time that just 14 of the 109 cases reported market growth. Expressed another way, 87% of this case study cohort showed no evidence of market growth.[6]

The table below shows these conclusions alongside those from the original study.

	1980–1994	1996–2006	Total
All IPA papers	156	129	285
All papers for individual brands	133	109	242
Papers reporting market growth	23	14	37
As % of all papers for individual brands	17%	13%	15%

[3] Broadbent, *Does Advertising Affect Market Size?* p. 37.
[4] Ibid., p. 6.
[5] A generic campaign promotes the general qualities of a product category and, consequently, benefits all firms in the category.
[6] Broadbent, T. (2008). Does advertising grow markets? More evidence from the United Kingdom, *International Journal of Advertising*, vol. 27.

	1980–1994	1996–2006	2008–2014	Total
All IPA papers	156	129	190	475
All papers for individual brands	133	109	157	399
Papers reporting market growth	23	14	13	50
As % of all papers for individual brands	17%	13%	8%	13%

Seismic changes have 'of course' occurred in our industry since 2006 (most people still got their news from newspapers back then, Twitter had only just launched and adblocking was unheard of). So it seemed appropriate to once again dive into the IPA Databank to see if these conclusions still held true. Binet and Field agreed once more to review the cases, this time those written in the ten years since 2006.

The results this time around were even more definitive. Advertising was shown to have grown the market in just 13 (8%) of the 157 cases reviewed. In other words, a further decline from the 17% and 13% figures previously reported.

Looking back across our 25-year data set, then, we can see that market effects are only reported in a small minority of winning IPA cases and these effects are declining. Since these cases are the industry's most celebrated examples of effectiveness, it seems fair to assume that the *overall* incidence of advertising driving market growth is even lower, and also declining.

We should point out at this stage that, while the evidence put forward in this paper supports the conclusion that most *individual* advertisers do not grow market size, the issue of whether the *total weight* of advertising in a market can grow a market has not been specifically explored and remains worthy of further investigation. But if even our industry's most effective campaigns tend not to contribute to market growth, it is difficult to see why the *aggregate effect* of the individual advertising in any given market would be substantial.

We note also that generic campaigns, designed to grow market size rather than market share (for example, of meat, fish or milk) have largely disappeared from view, suggesting that their efficacy is dubious.

We can put forward a number of hypotheses as to *why* market effects seem to be getting smaller over time: mature markets (perhaps exacerbated by recessionary times), a lack of innovation and perhaps even marketers now being incentivised on share gain rather than market growth. But it is worth noting that none of these have yet been validated.

One question we *can* answer is whether the six conditions for market

growth outlined in Broadbent's original paper could be detected in the thirteen cases that *did* evidence some market growth in our latest data period.

It should be noted that since there were no generic campaigns among those reviewed this time around, there are no cases that support his sixth condition for market growth: 'when a group of manufacturers combines openly to advertise for this purpose with a generic campaign'. (This is not to say that they do not work, just that there were none in this analysis.)

However, all of Broadbent's remaining five conditions *were* present, to a greater or lesser extent, across the papers that did evidence some market growth. More detailed analysis suggests that two were more prevalent than the others: 'a small market with very similar products' and 'a market with a single dominant brand'.

Carex, Danone Activia and Corsodyl were all examples of a small market with very similar products. Carex grew the liquid soap market by persuading people who previously had not washed their hands to do so. Danone Activia grew the yoghurts and chilled desserts category by giving women a positive 'reason to eat'. And Corsodyl grew the medicated mouthwash market by helping to tackle gum disease.[7]

Bisto, Camelot, Virgin Trains and the New York Bakery Co. all exemplified markets with a single dominant brand, each of which had to grow consumer penetration to realise ambitious growth targets.[8]

It is worth noting also that product innovation played a role in most of the 13 cases of market growth – among others, for Karcher window cleaners, easyJet and Gü puddings.[9] In fact, it could be argued that innovation is almost a prerequisite of market growth and – by extension – that innovation must be present alongside one of Broadbent's other conditions. Indeed, to quote from Broadbent's original paper, 'innovation and quality improvement (in the consumer's interest) are plausibly the more important factors [than advertising].'[10]

Why, then, is it the case that most advertising seems not to grow market size? I can offer two possible explanations here. Firstly, that a combination of product innovation and one of the conditions outlined by Broadbent seldom occurs.

Secondly, and perhaps more commonsensically, is the simple fact that across our case studies, and in markets more generally, some kind of substitution probably occurred: that when a consumer bought more of one thing, they bought less of something similar. The result was that the overall market did not grow.

This leads me to the second lesson to be taken from Broadbent's original paper, beneath the headline that individual advertising efforts tend not to grow markets. Namely, that the question of whether advertising grows markets cannot be truly answered until a particular market is meaningfully defined, ideally by consumers (rather, that is, than by manufacturers, retailers, research companies or even lobbyists, who will each seek to define a market to serve their own best interests), and that a careful definition of our 'market' has wider benefits for practitioners, as the definition chosen will affect the way advertising is planned, deployed and evaluated.

Marketers have a tendency to define markets by products of a similar nature: the car market, for example, or the soft drinks market. This is not necessarily how consumers might think of them. To the consumer, different products can meet the same need or want, and it is these needs or wants that come first when they are considering their options. As Theodore Levitt pointed out as long ago as the 1960s, people buy railroad tickets not because they want railroad tickets but because they want transportation. The alternative to a railroad ticket might not be a different railroad ticket, but a bus ticket, an airline ticket or a hire car.[11]

Broadbent uses the following example in his paper to highlight the difficulty and subtlety of market definition. Suppose we want to know whether successful advertising for a particular car – in this example, a Mitsubishi Shogun – had grown the car market. There are many answers to the question 'Which car market?' and the market definition that we choose is likely to affect whether market growth can be claimed.

Super-category	Transportation
Category	Road vehicles
Sector	Private vehicles
Sub-sector	Four wheel drive
Brand	Mitsubishi
Unit	Shogun[12]

Common sense suggests that the further up the categories you go, the lower the likelihood of detecting market growth. And, in reality, consumers tend to define markets in much broader terms than marketers: i.e. towards the top of the ladder. The choice of whether to take a holiday may compete with a desire for a new car, or a chocolate bar with a soft drink at a train station vending machine.

Maybe then, when we consider things in this light, it is not so surprising that advertising seems to have limited ability to create new desires and, thus, fuel market growth rather than just brand growth. Its main potency lies in presenting consumers with different options to meet their existing needs and wants: something for legislators and lobbyists to consider when calling for a ban on 'harmful' products, as there may well be more powerful ways to encourage a desired behaviour. Reducing portion size, for example, might do more to reduce waistlines than a ban on 'junk food' advertising.

Using Broadbent's terminology, the majority of our most recent IPA 'market growth' cases grew markets at the sub-sector level. Corsodyl grew the medicated mouthwash market, but this might have been at the expense of 'regular' mouthwash sales. Danone Activia grew the 'chilled desserts and yoghurts' category, but we do not know what happened at the total desserts level (which could of course include foods such as fruit, cheese and ice cream). The New York Bakery Co. grew the bagel category, but was this at the expense of total bread sales? Common sense suggests that at least some of their sales increases will have come from consumer substitutions at the category or super-category level.

Depending in part on our definitions, then, we must conclude that advertising *can* grow markets, but doesn't in the vast majority of cases: it typically rearranges brand share or 'sub-sector' share. Those of us looking to grow or shrink markets should look to other levers first.[13]

Want to read more? Simon Broadbent's original work can be found here

https://goo.gl/9f6qoV

[7] IPA (2008). Carex: market leadership: the benefits of long-term inconsistency; IPA (2008). Danone Activia: the value of letting the product shine; IPA (2010). Corsodyl: starting a revolution in oral health.

[8] IPA (2010). Bisto – Aah Night: how Bisto turned gravy granules into family togetherness; IPA (2012). The National Lottery: How doing 'one hundred things one per cent better' helped Camelot achieve record sales; IPA (2014). Virgin Trains: The Long Term Influence of Brands; IPA (2014). How New York Bakery Company used the power of New York to get people buying bagels.

[9] IPA (2014). Kärcher UK: Transforming a business by making the UK's most hated chore fun; IPA (2014). How easyJet grew its brand by cutting costs; IPA (2012). Gü: Give in to the power of TV. Give in to Gü.

[10] Broadbent, *Does Advertising Affect Market Size?* p. 20.

[11] Levitt, T. (1960). Marketing Myopia. *Harvard Business Review*, vol. 38, pp. 24-47.

[12] Ibid., p. 16.

[13] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Laurence Green

Laurence is a Founding Partner of strategic creative agency 101 and was previously Co-Founder and Chairman of Fallon London, twice named *Campaign* magazine's 'Agency of the Year'. He has worked on some of the world's most famous brands and campaigns, from Stella Artois to Coca-Cola, Cadbury, Sony, the BBC and Skoda.

Laurence is a Fellow of the IPA, a member of its Effectiveness board and an IPA Effectiveness Hall-of-Famer. An advertising columnist for the *Sunday Telegraph*, as well as *Campaign*, he has edited two books on marketing best practice. Laurence was the only agency strategist named in the Financial Times' Creative Business Top 50, was a founding member of c&binet (the Department for Culture, Media & Sport's creative industries think tank) and a founding trustee of the Marketing Academy (the not-for-profit marketing leadership mentoring organisation).

Married with three daughters, he is a Trustee of Somerset House, Chairman of the British Independent Film Awards and a keen marathon runner.

Does advertising increase consumer prices?

Laurence Green

Advertising can support premium pricing, but has a downward impact on prices overall.

#AdBigQs

Does advertising increase consumer prices?

Laurence Green

The advertising industry has an awkward relationship with price. We rarely set price objectives with our clients – let alone celebrate price effects – although our industry's own studies conclude that this is the very basis of profitable long-term returns for an advertiser.[1]

We are, perhaps understandably, uncomfortable rather than surefooted in the whole area of advertising and prices. The prosaic conclusion of 'the man in the street' and of many commentators and even policymakers – that advertising puts prices up, if only to pay for the cost of the activity itself – is accepted without argument.

In reality, as we shall see, advertising's relationship with price – and prices, more generally – is more nuanced than it might appear to be on first inspection. There are concrete arguments to be made that advertising serves to both increase *and* reduce prices, depending on our chosen lens (whether we see advertising as a 'persuasive' activity or merely an 'informative' one), and whether we are looking at this activity at a general or advertiser-specific level.

Wearing our strategy and effectiveness hats, the industry should be wrapping its arms more materially around its own findings. Price should be understood as something that advertising can influence – as one of the most commercially powerful levers it can pull – rather than just a separate, standalone variable in the marketing mix. By supporting pricing levels, we can create more profitable returns for our clients from their advertising activity.

It is equally legitimate to claim, however, that in many other ways advertising serves to *lower* prices. Advertising can and does promote more competitive pricing across a category, most obviously among retailers or on behalf of individual market players. It acts as a guarantor of demand and so contributes to economies of scale, which then benefit consumers in the form of lower prices or more rapid innovation. By doing so, advertising works – at its grandest – systemically to oil the engine of capitalism. And as markets and advertising budgets continue to migrate online, this downward influence on price seems increasingly obvious.

Furthermore, advertising funds or co-funds much of our media consumption: consumption that we would otherwise bear the full cost of as consumers.

[1] Binet, L. and Field, P. (2015). *The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies.* London: IPA.

That these apparently contradictory findings can be reconciled is not an authorial sleight of hand; first of all, this is because we can and should draw a line between *relative* pricing (that is, the pricing one market player can achieve versus another, which advertising can demonstrably influence, at least on occasion) and *absolute* pricing at a market level, where the case 'against advertising' is far from clear-cut.

Secondly, this is because, as pointed out earlier in this publication,[2] the very term 'advertising' can be so misleading – as a collective noun comprising the competitive and often contrary actions of so many agents, in so many different categories – that it would be simplistic to advance a 'one-size-fits-all' answer to the question of advertising's relationship with price.

Indeed, in the 35 years since the Advertising Association first tackled the relationship between advertising and price,[3] much diligent academic work has been carried out at both a macro and micro level. A short 'primer' such as this can only hope to call out the most salient of their arguments and reach a working conclusion.

Advertising puts prices up

Let us first contemplate the business 'case for' and the social 'case against' advertising: that it puts prices up.

At its most basic, the cost of advertising – like all other corporate business building activities – must be borne by someone in the buying chain, most obviously in the form of reduced profits for the advertiser, unless this cost is passed on in the form of higher prices to the consumer (although even this is a gross simplification, as we shall see).

Sizing the effect

Working backwards from average, long-run advertising spend-to-sales ratios (and allowing also for retailer margin), Professor John Philip Jones of Syracuse University concluded that advertising's share of consumer price approximates to four pence in the pound.[4]

This, if you like, is the 'brand tax' referenced by some commentators, albeit a levy that is actually far less than most consumers themselves estimate and, even then, is of tangible value to them as a basic guarantor of quality.

For goods and services that are sold indirectly, however, even this simple premise – that advertising puts prices up because it is a cost that must be passed on to the consumer – is not as straightforward as it first appears, not least because an underlying motivation of much consumer advertising is to achieve better trading terms with the retail 'middleman'. That retailer's inclination or ability to pass any price increase on to the consumer will hinge, in turn, on the competitiveness and transparency of their market. It is quite common, therefore, for advertising to transfer margin back from retailer to manufacturer, and for the consumer price to remain unchanged.[5]

A more sophisticated argument

A more sophisticated argument supporting the case that advertising puts prices up is that it shifts the demand curve, translating into 'more sales at the same price, or the same sales at a higher price, or (more rarely) greater sales at a higher price'.[6]

The 'sales' half of this equation has long had the lion's share of the advertising industry's attention, not least because it is often more quickly visible than any price effects (which tend to accrue to the advertised brand over time, rather than immediately). Sales effects also, of course, conform to our 'folk wisdom' of how advertising works, as expertly unpicked by Paul Feldwick earlier in this publication.[7] So, most advertising is still typically undertaken to 'sell more' than to 'sell the same at a higher price', even though it may not just be *easier* to do the latter (because you don't have to steal share), but also more *profitable* (because price effects incur no 'cost of sales' and so fall straight to the bottom line).[8]

It's a surprising blind spot for our industry. After all, as management legend Peter Drucker once noted, "If you can't charge a premium price for your product then you don't have a brand!".

Under this latter model – 'sell the same at a higher price' – advertising is used to make a brand less price-elastic, less 'commoditised' if you like. Very few advertisers set out with this explicit intention (only 7% of Effectiveness Award winners from the IPA cite price support as a primary objective, compared to 65% who cite sales growth),[9] but it is precisely these price effects that create a superior long-term return for the most successful advertisers, as demonstrated in Les Binet and Peter Field's review of the IPA's Databank, *The Long and the Short of It*.[10] Drawing on data sourced from hundreds of effectiveness case studies, Binet and Field found definitively that "Reducing price sensitivity is more profitable than increasing volume. The most profitable campaigns support volume *and* price" (the authors cite campaigns and brands as diverse as Land Rover, easyJet and Fairy liquid as evidence of this 'win–win' effect).

In his less heroically broad, but nonetheless impressive, contribution to the advertising and price canon, Charles Young of Ameritest starts from a similar premise: 'The ability to charge premium prices is the reason why businesses that own brands are generally more profitable than businesses that do not.'[11] Their higher returns on investment (ROIs) in turn then become the future source of advertising funding.

Young then goes on to tease out the different price expectations created by 11 different Tylenol commercials pretested by his company in the US, demonstrating a variation of 18% across them (from $4.05 to $4.81). Noting as an aside that rational information was less strongly correlated to price expectation than any emotional component (in line with Binet and Field's own findings), he concludes: 'By overlooking advertising's role in supporting premium pricing, and the corresponding contribution it can make in support of higher profit margins, advertisers run the risk of underestimating the return they can make on their advertising investment.'[12]

So, although it is rarely deliberately deployed to do so, we must conclude that advertising *can* support pricing at an individual brand level.

[2] Bullmore, J. J. D. (2016). *What is advertising?* The Advertising Association.
[3] Littlechild, S. (1982). *Relationship Between Advertising And Price.* Economics Committee for the Advertising Association.
[4] Jones, J. P. (2014). The Economic Effects of Advertising. In: H. Cheng (ed.) *The Handbook of International Advertising Research.* Hoboken, NJ: John Wiley & Sons Inc.
[5] The so-called Steiner Effect, confirmed by Reekie's work for the Advertising Association. Reekie, W. D. (1979). *Advertising and Price.* Economics Committee for the Advertising Association.
[6] Jones, *The Economic Effects of Advertising.*

[7] Feldwick, P. (2016). *How does advertising work?* The Advertising Association
[8] It is perhaps surprising that so many advertisers in mature markets still insist on setting volume growth targets, which by definition not every brand can achieve. Such is the tyrannical grip of growth on the corporate imagination!
[9] IPA Effectiveness Awards Case Studies. Available at: http://www.ipa.co.uk/effectiveness/case-studies.
[10] Binet and Field, *The Long and the Short of It.*
[11] Young, C. (2012). Price impact: The Advertising Premium. *Admap.* London: Warc.
[12] Ibid.

Advertising brings prices down

Let us now inspect the opposite case: that advertising actually *reduces* prices – an outcome that we might caricature as 'social good'. There is a case to be made, however, that prices that are *too* low can imperil good business practice (for example, in the area of sourcing; see Tesco's travails of a few years ago)[13] and perhaps even company or market fortunes.

Funding our media consumption

Let us start again with an irrefutable truth: by co-funding much of the content we consume, advertising at the very least brings down the price of the media we use. Although taken for granted as a kind of 'invisible contract' between media owner and audience, advertising revenue has long been the reason we can consume commercial TV and commercial radio for free and our 'paid-for' newspapers and magazines at a steeply discounted rate.

More recently, and perhaps more opaquely, advertising income – or at least the future prospect of income – also explains why services like Google, Facebook and Instagram are free at point of use. Deloitte estimated this 'transfer cost' from consumer to advertiser to be in the region of £10 billion per annum.[14]

Encouraging price competition

Just as we saw previously, however, there are also more straightforward ways in which advertising serves to bring prices down. At its most basic, price is a powerful competitive tool. Companies communicate their prices via advertising, to the benefit of both brand and consumers (if low prices are not communicated, they simply reward existing customers without attracting new ones, reducing the incentive to compete on price). So, at an individual advertiser and even market level, advertising's *informational* role serves to make prices transparent and competitive; consider the grocery retail wars or even the standalone price advertising of brands such as McDonald's or the 'never knowingly undersold' John Lewis.

Advertisers have always had substantial advertising budgets to assert their price competitiveness. The newsbrands marketing agency Newsworks estimates that approximately half of newspaper advertising revenue is dedicated to price campaigns.[15] The tectonic shift of the last few years towards online advertising – in all its forms, and with its inherent action bias – has, if anything, compounded this tendency for advertising to be used at least in part as a 'price shout', and for the *overall* impact of advertising at a market level therefore to be to keep prices both honest and low.

Less obviously…

Jones highlights two other broader, less visible ways in which advertising keeps prices down: its contribution to economies of scale, and to the reduction of 'search costs'.

The first of these he retraces as far back as Adam Smith, a pioneer of economics, and his ground-breaking appreciation that 'the incentive to produce on a large scale only existed if there was a ready market for the output'.[16] Large scale, of course, in turn allows for lower prices.

This predictability of demand is a critical 'hidden benefit' for advertisers (and for the consumer, who enjoys the consequential pricing, quality and innovation upside), and is at odds with the popular misconception that its main contribution is to create short-term sales spikes. As Feldwick has noted: "Much advertising does not fit this pattern (of short paybacks for incremental sales) and is no less 'effective' for all that."[17]

Search costs – that is, the costs borne by the consumer in order to compare their options in any market, especially highly priced ones – have also existed for centuries, but these have collapsed in recent years with the advent of the Internet and the ready 'read across' provided, for example, by price comparison sites. This collapse has been advanced not just by the promotion of those services but by its newly exaggerated informational role more generally. See www.comparethemarket.com and/or www.moneysupermarket.com for more details.

The net effect of advertising on prices

In the end, then, we must conclude that advertising's effect on prices – whether for a particular brand, category or overall market – is the delta between the upward and downward effects it *simultaneously* creates, and between the 'persuasive' claims of any one brand to be 'worth paying more for' and advertising's informative role as 'market-maker' more generally. Advertising's price effects cannot easily be disentangled, nor generalised. An individual advertiser might use advertising either to support a price premium or, conversely, to shout about their low prices, or price matching. And it would seem that the ongoing shift to digital is – for now at least – ushering in more price comparison than 'brand advantage' campaigning.

Changing our lens

Stepping back from the question that has been set and asking ourselves 'What influences consumer prices?', rather than 'Does advertising increase prices?', inclines us to believe that advertising has a beneficial effect on pricing at an overall level. Price levels are largely set by the degree to which a market is monopolistic, and advertising tends to encourage competitive oligopoly, with pricing transparent and comparable.

And so we conclude – at this point in the cycle at least – that the overall effect of advertising on price levels, in most markets and for the economy as a whole, is likely to be to reduce prices, even if it can advance an individual advertiser's price point or resilience. In short, advertising can increase the price paid for an iPhone but not for mobile phones more generally – it increases the prices of brands, that is, rather than of markets – in much the same way as it tends to impact on brand share rather than market size.[18]

Want to read more? Stephen Littlechild's original work can be found here

https://goo.gl/BBZ1yx

[13] Butler, S. (2016). Tesco delayed payments to suppliers to boost profits, watchdog finds. *The Guardian.* Available at: https://www.theguardian.com/business/2016/jan/26/tesco-ordered-change-deal-suppliers.
[14] Advertising Association/Deloitte (2015). *Advertising Pays 3: The value of advertising to the UK's culture, media and sport.*
[15] Newsworks. Available at: http://www.newsworks.org.uk/Facts-Figures.
[16] Jones, *The Economic Effects of Advertising.*

[17] Feldwick, P. (1988). *Advertising works 5: papers from the IPA Advertising Effectiveness Awards.* London: IPA.
[18] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Nick Kendall

Nick is an award-winning brand and advertising specialist with over 30 years' experience. He joined Bartle Bogle Hegarty in 1986. He has worked on new product launches, such as Häagen-Dazs and Boddingtons, as well as already famous global brands such as Johnnie Walker and Unilever's cornerstone laundry brand 'Dirt is Good'.

Nick is now a Founding Partner of Bro-Ken and partner in Sir John Hegarty's incubator, The Garage, which helps start-ups bake in brand ideas from the start. He is also Founding Partner of Electric Glue, an innovative media broker whose aim is to use ideas to 'glue' media owner and client ecosystems together.

Nick has been convenor of Judges for The IPA Effectiveness awards and author of *Advertising Works 10*. He also designed and leads the IPA Excellence Diploma, which is described as 'the MBA of brands', and remains its Chief Examiner. He is author of *What is a 21st Century Brand* – a collection of the best essays from ten years of the Diploma. He received the IPA President's Medal for his services to the industry.

How does advertising affect innovation, quality and consumer choice?

Nick Kendall

For companies, advertising incentivises investment in innovation. For people, it creates consumer literacy, and so aids choice.

#AdBigQs

How does advertising affect innovation, quality and consumer choice?

Nick Kendall

The question of advertising and choice is as old as advertising itself. It has rarely been tackled more definitively than in Keith Boyfield's essay, *The Effects of Advertising on Innovation, Quality and Consumer Choice*, commissioned by the Advertising Association in 1992.[1] Boyfield built his thinking on the foundation stone of a 1942 paper by Neil Borden,[2] a Harvard business professor, and he opens with a similar confession:

"The fundamental impact of advertising on the economy has changed little since Professor Borden's day. Advertising encourages innovation and so encourages choice."[3]

Boyfield returns again to Borden's essay to explain how this works:

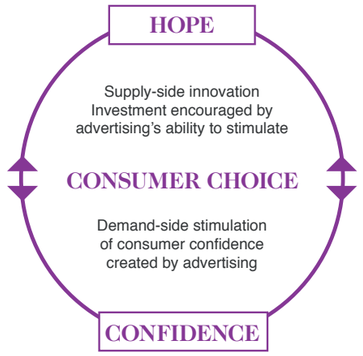
*"…It became evident from case material that many manufacturers have carried out extensive research to find and perfect new products largely because the opportunity for **aggressive stimulation** of the market for any newly offered product has provided a **basis of hope** of quickly recovering their development outlay and of getting profit…Without this hope of profit from market stimulation their urge to carry on their search for new products would have been small."[4]*

In short, both Borden and then Boyfield, argue that advertising has a critical supply-side effect. The freedom to advertise or 'aggressively stimulate' a market mitigates the risk of innovation investment, and so encourages a greater willingness to take such risks.

What is being described in both papers is something so 'commonsensible' that it takes on the appearance of a universal economic truth across time – from 1942 to 1992 – and place (Borden's paper studies the US; Boyfield's the UK).

This is a golden rule that can be pictured as a virtuous circle.

The Golden Circle of Innovation



[1] Boyfield, K. (1992). *The Effects of Advertising on Innovation, Quality and Consumer Choice.* The Advertising Association.
[2] Borden, N. (1942). *The Economic Effects of Advertising.* Chicago: Richard D. Irwin.
[3] Boyfield, *The Effects of Advertising on Innovation, Quality and Consumer Choice*, p. 2.
[4] Ibid., p. 4.

What happens when the circle is broken?

Boyfield's paper offers vivid evidence of what happens when that virtuous circle is slowed, and the freedom to 'aggressively stimulate' is stifled. He uses three powerful case histories as control examples of markets where the corporate 'hope' that advertising provides is restricted by regulation: firstly, the optician's market; then sanitary protection products (sanpro); and finally, and most gloriously, in the command and control economy of pre-glasnost Poland. He shows that, without the hope of advertising, markets stagnate, innovation dries up, and choice becomes stifled.

Looking back now through the lens of the Specsavers Grand Prix IPA Effectiveness paper, who can doubt that choice, service and value have leapt forward since the removal of those restrictions?[5]

Looking back now through the lens of the wonderful '*Like a Girl'* Cannes winner for Always, who can doubt that teenage girls are better informed since they were allowed to see advertising on the choices available to them?[6]

Looking back now through the lens of the growth of the consumer economy in Poland, who can think it was better for people to wait in queues for sad, half-empty supermarkets to open just to satisfy abstract concepts of market control?

So, if Boyfield proves what can go wrong when the oxygen of advertising is cut – and the last 25 years since his paper was published proves what can happen when oxygen is pumped back into the system – can we now go one step further and prove the benefit more positively; i.e. if we increase advertising, do we get even more choice?

I would argue 'yes we can' – if we, again, use our common sense and look around us. Consider your local Starbucks and its orders for 'skinny, tall decaffs', 'caramel Frappuccinos' and even the odd 'chai latte'. Apparently, we enjoy five times as much choice in our average supermarkets than we did in 1975, according to the US Food Marketing Institute.[7] That choice extends into every aspect of my life – from the car I choose and the fashion choices I make, and where I make them, to my entertainment. If I want, I can switch and compare nearly anything I choose, to my heart's or my pocket's content. We don't seem to be suffering from a lack of choice; that is for certain. If anything, the suggestion nowadays is that we are deemed to suffer from *too much* choice.

I ask myself, 'is it by chance that this super-abundance has grown in line with advertising's own dynamic growth both in quantity and variety?'. I don't think so. I would argue that this rise of media choice has actually provided even greater hope for today's supply-side investor.

The Golden Circle in the 21st century

Over the last 18 months, I have been working closely with start-ups, helping them to build their business through their brand. I have been able to witness the hope of the Golden Circle up close. The start-up market in the UK is blossoming. Annual rates of registered start-ups have increased from £440k in 2011 to £581k in 2014, with over £600k expected in 2016. Last year, £4 billion in investment (up again from £2 billion the year before) was pumped into those start-ups by venture capitalists, angel investors and crowdsourcing. In short, hope is running high.[8]

A lot of that hope is, of course, *not* due solely to the rise of advertising opportunity. Money is looking for better returns than it can yield from savings and bonds. Government tax schemes are providing incentives. Local government has created great environments. Recession has created more entrepreneurs. Most of all, from working with start-ups, I have witnessed just how new technology is collapsing the old barriers to entry (such as the need for heavy capital, cumbersome routes to market and difficulties in scaling).

Certainly, we have learnt that it is not the best of times to be an incumbent. Certainly, there has never been a time of greater hope for our new entrepreneurs.

The Golden Circle spins smarter

I would argue that the early 21st century offers even more opportunities to stimulate start-ups than the second half of the 20th century did. Media, like all other areas of life, has exploded with choice. The benefits of that for me as a consumer are obvious, but the benefits of an expanded media choice for start-ups are equally tangible. At its simplest, it allows the Golden Circle to spin more smartly than ever before.

Firstly, the rise and rise of media offers smarter targeting. This allows start-ups to innovate for a 'longer tail' of audiences, surer in the knowledge that they will be able to reach them. In this context, the Golden Circle encourages not just more choice, but a more varied range of choices to connect with a more varied range of audiences. If Henry Ford's innovation stretched to 'any colour as long as it was black', today's innovation is both literally and metaphorically rainbow-coloured.

Secondly, the rise and rise of last click, low-cost, agile media allows start-ups to grow more smartly, more accountably and efficiently and, most importantly, in more controlled stages. In the early stages, investors can reduce the amount of capital they have to raise to get off the ground, and begin to stimulate demand. Then, in turn, they can invite greater investment at the next stage, on the back of not just MVP (Minimum Viable Product) but also of proven MVM (Minimum Viable Marketing). This means that start-ups can more easily raise larger investments to fuel their marketing funds, and stimulate their demand curve more aggressively. Effectively, modern media choice helps de-risk growth.

Thirdly, the new media world inspires more hope around smarter use of content. The high degree of interconnectedness of digital means that the fame of your business or brand can be more easily ignited and the flames fanned by consumers themselves, acting as your no-cost media. This means wider effects from the same investment. This is all provided 'of course' that the content is worthy of being shared and achieving fame in the first place. The good news? This does not necessarily require more money, just more imagination, more bravery and more smarts – all of which, luckily, cost nothing. But the opportunity for start-ups to be as entrepreneurial in their marketing as they are in their business is now definitely there.

In short, the modern abundance of media choice offers opportunities not just for aggressively stimulating demand but for 'smart aggression'.

The Golden Circle on the consumer side

So, the 21st century's Golden Circle spins faster and harder for the 21st century entrepreneur. Hope flourishes. But what of the demand side of the equation – what about the consumer? How is the circle working for him or her? How does it give them (more) confidence?

In 1961, George Stigler, Noble Laureate in Economics, argued that advertising is:

> *"an immensely powerful instrument for the elimination of ignorance – comparable in force to the use of the book, instead of oral discourse, to communicate knowledge".*[9]

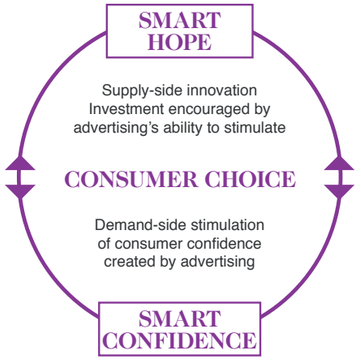
I love this idea – that advertising creates consumer literacy in what is, like it or not, a consumer society. And it is this direct benefit of advertising to people versus companies that I would personally stress. For, if the stimulation of markets offers innovators hope for a return on investment, it can also give consumers knowledge with which they can make their equally important decisions on how to invest their equally scarce resources of time and money.

Thinking of advertising in this way, we can see that the rise of media choice in the 21st century has helped the consumer make smarter investment decisions. For, if one thing is clear, it is that the rise of new media offers us all smarter ways of securing knowledge and of being consumer literate. As consumers, more than ever before, we can research before we buy. There is more transparency and company accountability than ever before: more reviews, more peer-to-peer advice and more knowledge sharing. Consumers and investors' decisions are now better informed.

[5] IPA (2014). Should've Gone to Specsavers: A far-sighted view of advertising's role in building a business over 30 years.
[6] Available at: http://www.canneslionsarchive.com/winners/entry/592462/alwayslikeagirl-turning-an-insult-into-a-confidence-movement.
[7] US Food Marketing Institute. Available at: http://www.fmi.org/research-resources/supermarket-facts.
[8] StartUp Britain. Available at: http://startupbritain.org/startup-tracker/.

[9] Stigler, G. (1961). The Economics of Information. *Journal of Political Economy,* vol. 69.

The 21st century's Golden Circle of Innovation



The downside of choice

The proliferation of choice is good news (in principle at least) for both sides of the circle. But, lest we get too complacent, let us remember one last thing: as I mentioned previously, barriers to entry are falling in nearly every area except one – the consumer's mind and heart.

Arguably, in a world of over-choice, consumer inertia – the final but critical barrier to entry – gets stronger, not weaker. There is growing evidence that the over-choice that we now enjoy can, in fact, create paralysis; too much knowledge becomes a dangerous thing. In this context, therefore, *how* we offer knowledge – in a way that creates confidence, not confusion – becomes key.

Boyfield nods in the direction of advertising's deeper and more critical role in inspiring confidence beyond knowledge in three case studies that look at advertising's role in fuelling demand. Each of these case studies explains how to build that crucial sense of consumer confidence.

Three cases in building consumer confidence

First Direct: How to build confidence in a new bank business model, with none of the usual bricks and mortar assets that normally build trust.

BMW: How to build confidence in new technology features by framing them as user-friendly benefits.

Orange: How to build confidence in a new service, from a new company, in a new fiercely competitive market – by offering a clear aspirational promise ('The future is bright; the future is Orange'), backed by a clear proof of promise (per second billing).

From working with start-ups, I have seen that communicating knowledge is too easily confused with this deeper concept of 'inspiring confidence'. Overlooked perhaps in the excitement of building shiny new tech, there is an almost hidden assumption that a great product will sell itself – a return to the old mantra, 'Build a better mousetrap and the people will come'. And this sense of self-confidence in the power of the product alone is compounded by the rise of modern media. The mantra can almost be rewritten: 'Place the information about that mousetrap in better mousetrap media, and surely people will flock!'.

Advertising is seen as an unnecessary cost by some. Indeed, I have talked to venture capitalists who would go as far as banning marketing investments from the balance sheet.

Chief among all is confidence

I fear that these voices have no real-world idea of the challenge of consumer inertia and of what it really takes to create demand. They grab hold of the 'smart' part of what is offered by the new media world and forget the clever but hard bit of inspiring 'confidence'. Of course, it is true that the need to build a product or service that delights has never been more critical. After all, as I say, we have a lot to choose from.

I have yet to meet a start-up brand – and I have met over 150 in the last year – that does not have five or six competitors attacking the same space. There really is no such thing as clear blue innovation water; there is only the fight to occupy a space in that most valuable real estate of all – the consumers' hearts and minds. And this requires us to not just overcome that last barrier to entry – consumer inertia – but to do so more attractively, more relevantly, and more engagingly than the other brands.

To achieve this advantage (as the cases used in Boyfield's essay remind us), our consumers need to learn not just what you are, but what you might mean to them: how it fits into their lives, their sense of self, their image, as much as what it does. In my experience, this continues to be more important in an attention-deficit world. In my business, I advise start-ups to focus on inspiring consumer confidence, in the most cost-efficient way possible.

21st century cases in building consumer confidence

Let's take three 21st-century brand examples using the same approach as Boyfield did for his original 20th-century cases.

Made.com launched in 2010 as an innovative retailer offering designer furniture direct from the producers.[10] Like First Direct, it discovered early on that it needed to invest in shop window advertising ('made you look' became one of its slogans) to compensate for its lack of high street presence and give consumers the confidence to be inspired to buy. And relating to my point earlier of all start-ups having competitors in their field, I read with interest Made.com's announcement of its new £4 million integrated campaign, which they launched in order 'to stand out in the sector'.[11] An innovative business model does not distinctiveness make!

Airbnb is a great product: it is disruptive and it creates a genuine new consumer need – it is certainly a better mousetrap.[12] But to maintain its hyper growth, it turned unhesitatingly to advertising in 2015 to give people (beyond early adopters) not only the confidence to use it but to see it as more than just a cheap alternative to hotels: to extend its relevance in people's imaginations as the new authentic way to explore the world, in a way that allows you to belong anywhere.[13]

I love Deliveroo and Just Eat.[14] They serve an obvious and clear need, which means that we easily notice them; and, if we don't notice them at first, we quickly spot their delivery drivers weaving their way through the traffic. But I wonder who will win my confidence? Which will become my friend, not just my servant? Which will actually become more meaningful in my life? With new players already crowding in, offering distinctive relevance is the key to succeeding in this new market – not simply awareness and knowledge.

All these start-ups have better products or services. All have smart social marketing and search programmes that efficiently exploit the media environment we now enjoy. However, all three are also recognising that, to aggressively grow and leap ahead of the competition – and to do so in a way that adds magic to their smart marketing – they also need to inspire confidence and create an engagement with their audience beyond the transactional.

We must remember – even in the exciting and heady midst of a Golden Circle spinning ever faster – that this true consumer confidence comes from understanding how to create a true and meaningful 'why' in people's lives, as much as understanding the 'what'. Real literacy means understanding the poetry of words and what they mean, not just their dictionary definition. Consumer literacy is no different.

In short, innovators need to make things people want and make people want things: to build a brand, not just a business. This is how to create a truly virtuous Golden Circle of Innovation in the 21st century. This was true in 1942. It was true in 1992. And it is as true today as it ever was. Long may that virtuous circle continue.[15]

Want to read more? Keith Boyfield's original work can be found here **https://goo.gl/1zZvmV**

[10] Made.com. Available at: http://www.made.com.
[11] *Campaign*. Available at: http://www.campaignlive.co.uk/article/madecom-launches-first-unified-brand-campaign/1361736.
[12] Airbnb. Available at: https://www.airbnb.co.uk/.
[13] *The Drum*. Available at: http://www.thedrum.com/news/2015/05/14/anatomy-ad-behind-scenes-airbnb-s-first-global-campaign-never-stranger.
[14] Deliveroo. Available at: https://deliveroo.co.uk/; Just Eat. Available at: https://www.just-eat.co.uk/.
[15] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Rachel Kennedy

Rachel is the Associate Director and one of the founders of the world-famous Ehrenberg-Bass Institute for Marketing Science. She is heavily involved in advancing and disseminating empirically grounded knowledge about how brands grow and how marketing interventions, especially advertising, work.

She is a regular speaker on the international stage, sharing innovative research on advertising and buyer behaviour topics. Her research interests include improving measures of how advertising works – from biometrics and other competing pretesting approaches to single source in-market measurement; knowing how much to spend on advertising and in which media; understanding patterns in shopper behaviour; and much more.

Rachel is also on the Editorial Advisory Boards for the *Journal of Advertising Research*, *International Journal of Market Research* and *International Journal of Advertising*.

Is advertising a barrier to market entry?

Rachel Kennedy

By building mental availability and reasonable margins in a market, advertising can make the idea of market entry more attractive.

#AdBigQs

Is advertising a barrier to market entry?

Rachel Kennedy

Stephen King published his now classic article, *Advertising as a Barrier to Market Entry* in 1980.[1] The world has since moved on, in exciting ways as far as advertising, media and marketing are concerned. Despite this, King's article remains an excellent overview on the role of advertising, concluding at its core that, for established brands, advertising is not a barrier to entry in the sense of an unfair restraint that prevents new manufacturers from trying to enter a market. On the contrary: by building reasonable profit margins in that market, it makes the idea of entry more attractive.

Whether advertising[2] is a barrier to market entry remains an important topic for any business that has goals of either launching a new brand, launching an existing brand into a new market(s), and/or operating in categories where new competitors might threaten their existence. It is also an important topic for policy makers concerned with regulating competition and trade. Our understanding of how brands grow and compete, of how much we should spend on advertising, and of how our brains – and particularly our memories – work, has advanced materially since King's original publication, and it's time to revisit the issue.

King noted an increase in concentration in British manufacturing through the 1960s and 1970s – an acceleration of a long-term trend. Many UK markets that had comprised hundreds of manufacturers in the preceding 50 years were, by the 1980s, dominated by only a handful of firms. As we head towards 2020, this trend has continued on a global scale, for manufacturing and other industries. Global players now dominate many categories, with the Internet transforming many industries and giving rise to important new competitors. Brand rankings of powerful or valuable brands (e.g. Forbes, 2015;[3] Interbrand, 2016)[4] consistently include the likes of Apple, Coca-Cola, Microsoft, IBM, Toyota, General Electric, McDonald's, BMW, Intel, Nike, Louis Vuitton, Google, H&M, Gillette, Disney, American Express, IKEA, Pampers and eBay – brands that are known and bought the world over. Clearly, these brands have shown that it is possible to expand into new markets. Is it that they have just out-advertised others, or that the barriers to entry are not impenetrable?

To answer this and to get to the crux of our question, we first need to understand what is known about normal competitive markets, and how brands compete within them.

How do brands compete?

"Economists do not seem to be at their most persuasive on competition theory or at their most informed on how advertising works."[5]

We now have extensive empirical evidence on how brands grow and

[1] King, S. (1980). *Advertising as a Barrier to Market Entry*. The Advertising Association.

[2] Advertising is 'any communication, usually paid-for, specifically intended to inform and/or influence one or more people,' in Bullmore, J. J. D. (2016). *What is advertising?* The Advertising Association.

[3] Forbes (2015). *The World's Most Valuable Brands: 2015 Ranking*. Jersey City, New Jersey. Available at: http://www.forbes.com/powerful-brands/list/.

[4] Interbrand (2016). *Rankings 2015 Best Global Brands*. Available at: http://interbrand.com/best-brands/best-global-brands/2015/ranking/.

[5] King, *Advertising as a Barrier to Market Entry*, p. 6.

how they compete.[6] This knowledge provides benchmarks to enable us to understand 'true competition' – an idea raised by King – as well as demonstrates where there are barriers blocking normal competition, providing the opportunity to explore if advertising acts as a barrier to entry.

While buying patterns vary across categories (e.g. milk is bought regularly, cars and mortgages less often), robust patterns in how brands compete *within* their category exist across diverse markets, from soup to gasoline and prescription drugs to aviation fuel. Various empirical laws can now be proposed, including:[7]

- Brands compete in line with their size, as opposed to any unique positioning or particular features (the duplication of purchase law).
- Big and small brands differ greatly in how many buyers they have, but little in how loyal these buyers are. Smaller brands get hit twice: they have fewer buyers, and the buyers that they do have buy less than the buyers of bigger brands (the law of double jeopardy).
- Many of a brand's buyers are light buyers; as a brand grows, most of the movement is due to the brand's penetration (increasing the number of buyers).
- Sole brand loyalty is rare, with repertoire buying the norm – especially for heavier category buyers.

At its core, the empirical evidence leads to the conclusion that *brands are successful when they have broad mental and physical availability;* therefore, for a new brand to successfully enter a market, it needs to gain both.[8] The question that follows is: Can established brands stop a new entrant simply by advertising? An equally pertinent question: Is advertising critical for a new brand to establish broad mental (and physical) availability, or can these be gained in other ways?

Is advertising critical to establish or defend a brand's mental and physical availability?

"It is often suggested that ***heavy*** *advertising by the established companies constitutes one of those barriers to entry."*[9]

There is growing evidence that there are specific levels of the advertising budget that is typically necessary for brands to spend if they are to successfully compete.[10] Some conditions that affect the amount a brand needs to spend have been proposed, such as the level of advertising in the category, the level of competition, and brand size.[11] Brands that consistently spend at the proposed levels seem more likely to grow, while those that consistently underspend are more likely to decline.[12] This knowledge provides advertising spend benchmarks that also apply to any new brands that wish to enter a market. By doing so, they give an initial answer to the size of 'the advertising barrier' in any given category.

We should note, however, that not all spend is equal (either in terms of copy or how media is scheduled). In terms of advertising's effect on sales, studies confirm that creative execution is the primary driver of success, but there is major variation in copy quality and are many varied tactics that marketers can use.[13] Powerful executions have been found to be 10–20 times more sales effective than mediocre ones.[14] That is, some advertising may be good enough to launch a new brand or defend against a new entrant, while other campaigns may not.

[6] Goodhardt, G. J., Ehrenberg, A. and Chatfield, C. (2006). The Dirichlet: A Comprehensive Model of Buying Behaviour. *Journal of Empirical Generalisations in Marketing Science*, vol. 10, no. 1; Romaniuk, J. and Sharp, B. (2015). *How Brands Grow: Part 2*. Melbourne: Oxford University Press; Sharp, B. (2010). *How Brands Grow*. Melbourne: Oxford University Press; Sharp, B., Wright, M., Dawes, J., Driesener, C., Meyer-Waarden, L., Stocchi, L. and Stern, P. (2012). It's a Dirichlet World: Modeling Individuals' Loyalties Reveals How Brands Compete, Grow, and Decline. *Journal of Advertising Research*, vol. 52, no. 2, pp. 203–213.

[7] Ehrenberg, A., Uncles, M. D. and Goodhardt, G. J. (2004). Understanding Brand Performance Measures: Using Dirichlet Benchmarks. *Journal of Business Research*, vol. 57, no. 12, pp. 1307–1325.

[8] Romaniuk and Sharp, *How Brands Grow: Part 2*; Sharp, *How Brands Grow*.

[9] King, *Advertising as a Barrier to Market Entry*, p. 6.

[10] Binet, L. and Field, P. (2013). *The Long and the Short of It. Balancing Short and Long-Term Marketing Strategies*. London: IPA; Danenberg, N., Kennedy, R., Beal, V. and Sharp, B. (2016). Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend. *Journal of Advertising*, vol. 45, no. 1, pp. 139–146; Hansen, F. and Bech Christensen, L. (2005). Share of Voice/Share of Market and Long-Term Advertising Effects. *International Journal of Advertising*, vol. 24, no. 3, pp. 297–320; Jones, J. P. (2006). *When Ads Work: New Proof That Advertising Triggers Sales*. 2nd ed. New York: M. E. Sharpe, Inc.

[11] Danenberg, Kennedy, Beal and Sharp, *Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend*, pp. 139–146; Hansen and Bech Christensen, *Share of Voice/ Share of Market and Long-Term Advertising Effects*, pp. 297–320.

[12] Binet and Field, *The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies*; Danenberg, Kennedy, Beal and Sharp, *Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend*, pp. 139–146.

[13] Dyson, P. (2014). Top 10 Drivers of Advertising Profitability, *Admap*; Jones, When Ads work; Lodish et al. (1995); Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns*, pp. 186–192; Hartnett, N., Kennedy, R., Sharp, B. and Greenacre, L. (2016). Creative That Sells: How Advertising Execution Affects Sales. *Journal of Advertising*, vol. 45, no. 1, pp. 102–112.

[14] Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns*.

In terms of media, spend that maximises reach with continuity is typically needed for brand growth.[15] Brands that are launching may need to have a heavy initial advertising presence to help secure distribution, but to survive long term they also typically require reach with continuity. If bursting heavily upfront means the new brand then needs a long period off air, then those buyers who are making a category purchase are not receiving a nudge for the new offer (but may for many of the competitor brands that they also happily purchase).

A plausible working conclusion might therefore be that a new entrant needs to fund sustainable advertising investment, and to that extent, advertising for incumbent brands acts as a barrier to entry.

That said, we know that advertising is mostly 'creative publicity'[16] and therefore a weak force compared to heavy price promotions or personal selling. The norm is for most markets to be stable in the medium term, with competitors copying each other's attributes and activations.[17] Clearly, industries can be disrupted, with the likes of Nespresso shaking up the coffee market with its Pods; retailers such as Amazon and eBay changing the face of retailing; Uber redesigning taxi services; and Apple and other smartphones having an impact far beyond phones. Much of this disruption is not being driven by advertising; for example, while Apple has had many notable campaigns (e.g. launching the Macintosh and iPod), the brand has disrupted categories that did not even appear in these campaigns.

Then we have successful brand launches that occurred without traditional advertising, despite entering categories where this is common. Two examples are Tesla Motors and Airbnb.

Tesla Motors appears to have successfully launched without traditional advertising. Nonetheless, it has generated scale attention for its brand, with early sales for their premium electric vehicle exceeding expectations. In 2014, General Motors spent $5 billion on marketing, of which advertising was a major element. In contrast, Tesla spent $49 million on marketing, with no traditional advertising.[18] In this case, the existing advertising was not a barrier to Tesla's entry with its innovative product offering. Clearly, Tesla is still much smaller, but the brand has built its mental availability in other ways. One route has been the general media, which has covered even the most minor Tesla news, supplemented by the company's stores, which Tesla believes play an advertising-type role.[19]

With more nights booked than the Hilton and a greater valuation than both Wyndham and Hyatt, Airbnb is another successful brand entry story created without traditional advertising, though it came to rely on it later.[20] While most brands normally need to build physical and mental availability in order to enter a new market, Airbnb's challenge is to build a two-sided marketplace: when they enter into new markets, they have to grow demand (guests) as well as the supply side (hosts).[21] Despite traditional advertising not being the core to their strategy, Airbnb acknowledges the role of mass media in their success: "The story that we tell has a very human element to it – people

[15] Nelson-Field, K., Riebe, E. and Sharp, B. (2013). Reach (Still) Reigns. In: K. Nelson-Field (ed.) *Viral Marketing: The Science of Sharing*. Melbourne: Oxford University Press; Romaniuk, J., Beal, V. and Uncles, M. (2013). Achieving Reach in a Multi-Media Environment: How a Marketer's First Step Provides the Direction for the Second. *Journal of Advertising Research*, vol. 53, no. 2, pp. 221–230; Sharp, B. (2013). *Marketing: Theory, Evidence, Practice*. Melbourne: Oxford University Press; Sharp, B., Riebe, E. and Nelson-Field, K. (2013). Media Decisions: Reaching Buyers with Advertising. In: B. Sharp (ed.) *Marketing: Theory, Evidence, Practice*. Melbourne: Oxford University Press.

[16] Ehrenberg, A., Barnard, N., Kennedy, R. and Bloom, H. (2002). Brand Advertising as Creative Publicity. *Journal of Advertising Research*, vol. 42, no. 4, pp. 7–18.

[17] Graham, C. (2012). *The Patterns of Long-Term Repeat-Buying in Dirichlet Markets*. London: South Bank University; Graham, C. D. A. (2009). What's the Point of Marketing Anyway? The Prevalence, Temporal Extent and Implications of Long-Term Market Share Equilibrium. *Journal of Marketing Management*, vol. 25, no. 9–10, pp. 867–874; Bogomolova, S., Szabo, M. and Kennedy, R. (2016). 'Retailers' and Manufacturers' Price-Promotion Decisions: Intuitive or Evidence-Based? *Journal of Business Research*.

[18] Baker, D. R. (2016).Tesla's Bold Approach to Advertising: Don't Do It. *The San Francisco Chronicle*. Available at: http://www.sfchronicle.com/business/article/Tesla-s-bold-approach-to-advertising-Don-t-6843488.php%3E.

[19] Ibid; McCarthy, M. (2013). Tesla Generates Small Sales, Big Buzz without Paid Ads. *Advertising Age*, June 10.

[20] Brown, M. (2015). *Airbnb: The Growth Story You Didn't Know*. Growth Hackers. Available at: https://growthhackers.com/growth-studies/airbnb.

[21] Ibid.

connecting online, meeting in person, being resourceful – that it garners press like this 2 page write-up in *The Washington Post*. Coverage like that or our piece in *TIME* Magazine puts the idea in front of millions of people. Obviously not everyone who reads about us jumps on board, but those articles do generate a significant amount of traffic and users".[22]

Joe Gebbia, one of Airbnb's founders, has also noted that word of mouth was very kind to them, while also crediting their innovative offer: "We have an original idea, and a really easy to use process that people like sharing".[23]

While mental and physical availability are essential for growth and therefore a hurdle for any new entrant, these cases demonstrate that it seems possible to build a brand without necessarily spending on advertising. Therefore, we can say that advertising is not always needed to enter a market, nor is advertising from existing players always a barrier to entrants succeeding – if they have a good offer and can build broad distribution and mental availability in other ways.

The role of advertising

To shed further light on our question, it is useful to reconsider what advertising does. Solid evidence indicates that it can drive sales; specifically, it can nudge the propensities of those who are exposed to it to buy the advertised brand.[24] While most of this evidence comes from television advertising for consumer packaged goods (CPG), online advertising appears to broadly show the same patterns.[25]

As King noted, advertising can play an obvious role at launch, building up sales to an early peak and helping to secure distribution. Advertising can play a role in demonstrating to retailers that this is a brand they should stock of the many they could choose from. This may be particularly important in young categories.[26] For brands that self-distribute (e.g. Tesla and Apple), it can likewise nudge people to enter a store.

After launch, heavy category buyers are mostly likely to try a new offer. For success to be assured, the role for advertising soon becomes one of maintaining sales at what appears to be a more or less stable level – though, at the individual level, advertising is driving sales that would otherwise not have occurred (defending them against habitual buying of competitive brands and the nudge of competitor activations).

"It is the role of maintaining and building the brand, reminding those who have tried it to buy it again. Advertising here can make all the difference between the consumer sales being stable-upwards or stable-downwards."[27]

King suggested that this maintenance of sales – once the first excitement of novelty has worn off – is related to keeping up the rate of purchase (i.e. reminding buyers to buy again). While partly true, our analysis of the data underlying brand purchases demonstrates that, instead, it is mostly about nudging the many light buyers; that is, gaining penetration as opposed to stimulating rate of purchase. In many categories, most consumers don't buy from that particular category very often. This has implications for copy (as people typically know and care little about the category and brand) and for media strategy (where nudging many buyers rather than nudging buying frequency is critical).

[22] Ibid.

[23] Nguyen, T. G. (2009). *Travel Like a Human with Joe Gebbia, Co-Founder of Airbnb!* Available at: https://allentrepreneur.wordpress.com/2009/08/26/travel-like-a-human-with-joe-gebbia-co-founder-of-airbnb/.

[24] Jones, *When Ads Work*; McDonald, C. (1970). What Is the Short-Term Effect of Advertising? *Admap*, pp. 350–366; Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns*, pp. 186–192.

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[26] Bronnenberg, B. J., Mahajan, V. and Vanhonacker, W. (2000). The Emergence of Market Structure in New Repeat-Purchase Categories: The Interplay of Market Share and Retailer Distribution. *Journal of Marketing Research*, vol. 37, pp. 16–34.

[27] King, *Advertising as a Barrier to Market Entry*, p. 17.

To delve further into how advertising works, it is useful to tap into the advances in knowledge made since 1980 about the human brain and how it works. Given that advertising needs to work through buyers' memories,[28] it is important that we understand how our brains form new memories, encode stimuli and identify what gets retrieved.[29] For new brands, this means that we need to know how people learn about them (especially the role of advertising in this) what is it is that they encode – e.g. the brand name or the look of the product – and what barriers might stop or delay memory occurring.

I have already mentioned the term mental availability. The understanding we have of memory, advertising and buyer behaviour leads us to believe all new brands need to build mental availability. This relates to the propensity of a brand to be noticed or be at the forefront of consumers' minds in buying or consumption situations.[30] It reflects the quantity and quality of the network of memory structures that potential buyers hold about a brand.[31] Therefore, much brand advertising is about building and refreshing the relevant memory structures that help increase awareness of a brand for potential buyers in a range of situations where they may consider opting for that brand.

"Advertising is therefore acting as a form of 'unfair competition'...it is unfairly reinforcing buying habits; and...acting as an unreasonable barrier to the new brand."[32]

Established brands have a head start, as they have already established memory networks in the minds of many potential buyers and have more users who know about them.[33] There is evidence that advertising and usage effects linger for long periods.[34] Prior users are also more likely to notice advertising for brands that they already buy.[35]

New brands have to overcome this mental availability barrier. And, in the heavily cluttered modern world with lots of choice and lots of advertising, this is not an easy thing to do. But, given that repertoire shopping[36] is the norm, combined with near instant loyalty for new brands, this suggests that it is not an unreasonable barrier.[37]

"Very few new brands are actively disliked; the problem is far more often one of indifference."[38]

[28] Ehrenberg, A., Barnard, N., Kennedy, R. and Bloom, H. (2002). Brand Advertising as Creative Publicity. *Journal of Advertising Research*, vol. 42, no. 4, pp. 7–18; Kennedy, R., Sharp, B. and Hartnett, N. (2013). Advertising. In: Sharp, B (ed.) *Marketing: Theory, Evidence, Practice*. Victoria: Oxford University Press.

[29] Anderson, J. and Bower, G. (1980). *Human Associative Memory: A Brief Edition*. Hillsdale, NJ: Erlbaum Associates; Cabeza, R. and Moscovitch, M. (2013). Memory Systems, Processing Modes, and Components of Functional Neuroimaging Evidence, *Perspectives on Psychological Science*, vol. 8, no. 1, pp. 49–55.

[30] Romaniuk, J. and Sharp, B. (2004). Conceptualizing and Measuring Brand Salience. *Marketing Theory*, vol. 4, no. 4, pp. 327–342.

[31] Romaniuk, J. (2013). Modeling Mental Market Share. *Journal of Business Research*, vol. 66, no. 2; Romaniuk and Sharp, *Conceptualizing and Measuring Brand Salience*.

[32] King, *Advertising as a Barrier to Market Entry*, p. 25.

[33] Barwise, T. P. and Ehrenberg, A. (1985). Consumer Beliefs and Brand Usage. *Journal of the Market Research Society*, vol. 27, no. 2, pp. 81–93; Bird, M. and Ehrenberg, A. (1966). Non-Awareness and Non-Usage. *Journal of Advertising Research*, vol. 6, pp. 4–8; Bird, M. and Ehrenberg, A. (1966). Intentions-to-Buy and Claimed Brand Usage. *Operational Research Quarterly*, vol. 17, no. 1, pp. 27–46; Bird, M. and Ehrenberg, A. (1972). Consumer Attitudes and Brand Usage – Some Confirmations. *Journal of the Market Research Society*, vol. 14, no. 1, p. 57; Romaniuk, J., Bogomolova, S. and Dall'Olmo Riley, F. (2012). Brand Image and Brand Usage: Is a Forty-Year-Old Empirical Generalization Still Useful? *Journal of Advertising Research*, vol. 52, no. 2, pp. 243–251.

[34] Braun-LaTour, K. A. and LaTour, M. S. (2004). Assessing the Long-Term Impact of a Consistent Advertising Campaign on Consumer Memory. *Journal of Advertising*, vol. 33, no. 2, pp. 49–61; Bronnenberg, B. J., Dubé, J. P. H. and Gentzkow, M. (2012). The Evolution of Brand Preferences: Evidence from Consumer Migration. *American Economic Review*, vol. 102, no. 6, pp. 2472–2508; Connell, P. M., Brucks, M. and Nielsen, J. H. (2014). How Childhood Advertising Exposure Can Create Biased Product Evaluations That Persist into Adulthood. *Journal of Consumer Research*, vol. 41, no. 1, pp. 119–134; Guest, L. (1955). Brand Loyalty – Twelve Years Later. *Journal of Applied Psychology*, vol. 39, no. 6, pp. 405–408; Guest, L. (1964). Brand Loyalty Revisited: A Twenty Year Report. *Journal of Applied Psychology*, vol. 48, no. 2, pp. 93–97.

[35] Romaniuk, J. and Wight, S. (2009). The Influence of Brand Usage on Responses to Advertising Awareness Measures. *International Journal of Market Research*, vol. 51, no. 2, pp. 203–218; Vaughan, K., Beal, V. and Romaniuk, J. (2016). Are Brand Users Really More Likely to Remember Advertising? *Journal of Advertising Research*, forthcoming.

[36] Types of behaviour that a person habitually displays when shopping.

[37] Ehrenberg, A. and Goodhardt, G. J. (2001). New Brands: Near-Instant Loyalty. *Journal of Targeting, Measurement and Analysis for Marketing*, vol. 10, no. 1, pp. 9–17.

[38] King, *Advertising as a Barrier to Market Entry*, p. 20.

The real world of brands is complex, with lots of choice. Shoppers are often time-poor and our brains have limits; we are not perfectly rational, carefully evaluating all alternatives – instead, we are cognitive misers, who 'satisfice'.[39] Emotions are what people pay attention to and influence the decisions we make.[40]

"Getting a better performance than existing brands and producing a new brand that is radically different from them is a very great deal easier said than done."[41]

It can be useful to consider brands as mental shortcuts that save shoppers time and mental energy, and advertising facilitates this.[42] The many consumers who buy branded medications – even though chemically equivalent generic substitutes are available at the same stores for much lower prices – are relevant examples of the value of brands to shoppers; it saves them having to think.[43]

"Distribution is clearly shown as vital to success."[44]

King noted that one of the key determinants of success is good distribution. This has not changed. Recent analysis of 225 new brand introductions across 22 repeat purchase product categories over five years concluded that access to distribution breadth played the greatest role in the success of a new brand, and that investments in distribution and product innovation lead to greater marginal increases in sales for new brands than discounting, feature/display or advertising.[45] Good physical availability remains fundamental to a successful launch or to defend share in light of a new entrant; this means being accessible to as many potential category buyers as possible, in the range of situations where they may consider a category purchase. However, the power of retailers across the globe such as Walmart, Aldi and Tesco has increased, along with new opportunities for retailers to distribute online from their own websites or the likes of Alibaba, eBay and Amazon. Whatever routes are used to distribute, wide physical availability increases the chance that potential shoppers can access the brand, assuming that a brand is noticed or considered. If a brand is not available, many shoppers will simply default to a competitor.

It has been suggested that "…the Internet has changed the launch process – now companies seed products with influencers, leak information to reporters, bloggers, and consumers, live-stream launch events globally, and reward brand advocates with exclusives. The insatiable 24/7 news cycle and the dominance of social media makes launching a new product far easier in some ways – and more difficult in others."[46] Clearly, there are some new opportunities, but the established knowledge about how brands compete and grow suggests that, even with these changes, the fundamentals have not changed, and cost-effective and broad mental and physical availability will remain critical.

Conclusion

Brands need both mental and physical availability to enter a market, and to defend their sales from new entrants. Nobody can buy a brand if it is not available. Consumers won't consider it if it does not come to mind or get noticed.

Advertising remains important in order to provide creative publicity for brands and to drive sales that would otherwise not occur.[47] It helps build and refresh the memories that exist in the mind of habitual shoppers, memories that are a key mental barrier to entry for many new brands. However, the success of some innovative brands that are either very distinct or disrupt the category – in managing to increase mental and physical availability via advertising or other means – demonstrates that there is more than one way to enter a market.

*"Advertising for established brands is not a barrier to entry in the sense of an **unfair** restraint which prevents new manufacturers from trying to enter a market."*[48]

So, 'Is advertising a barrier to entry?'. It can be a barrier to new entrants by building and refreshing mental and physical availability for incumbent brands. However, consumers are not strictly loyal to existing brands, meaning that advertising can also give promising new entrants the oxygen they would otherwise lack. It seems that advertising is not an unfair restraint, just one important lever that brands use to compete. It is an optional lever, then, for incumbents and new entrants alike, but an impermeable barrier for neither.[49]

Want to read more? Stephen King's original work can be found here

https://goo.gl/QOSDHT

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[41] King, *Advertising as a Barrier to Market Entry*, p. 22.

[42] Kahneman, D. (2011). *Thinking, Fast and Slow*. US: Farrar, Straus and Giroux; Kahneman, D., Slovic, P. and Tversky, A. (eds) (1982). *Judgment under Uncertainty: Heuristics and Biases*. Cambridge University Press.

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[44] King, *Advertising as a Barrier to Market Entry*, p. 15.

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[48] King, *Advertising as a Barrier to Market Entry*, p. 33.

[49] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

Appendix A. King's framework, updated (2016)

King provided a broad framework that continues to provide a useful checklist for a brand that is considering entering into a new market. It is summarised and updated here, with changes that reflect the empirical knowledge that has been advanced since King's original article.

Planning considerations for market entry Considerations include:	
1. Company assets	Is it feasible to introduce a new brand into a particular market, within the constraints of the company's own skills? What is the company competitively good at? What are its strengths – production, distribution, branding, etc.? Where could those strengths lead?
2. Technical ability	Is the company a pioneer or an improver? Can it meet the needs of the market?
3. Market data	Which markets seem to be untapped or growing? Global players have invested much energy into China, with many also now looking at India and Africa; that is, looking towards markets where there has been growth or there is likely to be growth. It remains important to appreciate who the consumers are (e.g. how many may buy). Are there any barriers to consumers purchasing the new brand? If so, can they be overcome? What is the market structure – fragmented or oligopolistic? How easy is it to get wide distribution and be noticed at scale?

Barriers at the planning stage	
Barrier No 1. Low profitability	Low profitability remains a barrier to entry, especially in CPG categories, where price promotions are prevalent (recently documented by Bogomolova et al., 2015). Global giants already possess a good offer and the ability to provide it at scale, putting them in a stronger position to enter new markets than completely new players. An ability to innovate and disrupt current models may be needed to achieve entry in mature categories and to provide an offer that adds additional value to consumers or brings in many new users who would otherwise not have bought. There is also some relevant knowledge about how much a brand needs to spend on its advertising in order to maximise profits (Wright, 2009). Developed through empirical optimisation, if advertising elasticity is 0.10, then the optimal advertising budget is 10% of gross profits. Many new brands, however, have no profits initially.

Continued on next page

Barriers at the planning stage continued	
Barrier No 2. Capital investment	The need for capital and start-up investments remains (as well as an ability to establish and then maintain a scale presence in the new market). There have, however, been some important changes in this space since King's original article. Some markets are now in negative interest rates, and new sources of funding are becoming more common, via crowdfunding (e.g. GoFundMe and Kickstarter), which has witnessed a surge in popularity (Chen et al., 2016). For example, the Pebble E-Paper Watch raised $10 million in 37 days, while the OUYA open-source game console raised over $8.5 million in 29 days (Schroter, 2014). In some fields, 3D printers are also demonstrating different ways to launch in varied industries (e.g. space, shoes and culinary), reducing the initial capital investments required to get started. For an example related to building better, cheaper prototypes more quickly, see the Timberland case study (3D Systems, 2012).[50]
Barrier No 3. Legal/Regulatory/trade	Legal/regulatory-related barriers to check range from IP issues; branding rights (e.g. use of colours/names); distribution agreements; labelling requirements; local content rules; and many, many more. While patents are still formidable and require persistence and time to overcome, key players have demonstrated that there are ways to bring sales-effective attributes to market (such as copying competitors' sales-effective attributes).

Barriers to In-Market Success	
Barrier No 4. The need for broad physical availability/ distribution	To be successful, a new entrant needs to be readily available and easy to buy for the many people who might buy from the category. If distributing in store, this also means being present where people are in store, or, if online, being present where people are shopping online. That is, both quality distribution and quantity of location matter.
Barrier No 5. The need for mental availability	Brands need to be considered by the consumer if they are to be bought. This requires that they get noticed at relevant times, especially by the many light buyers in the category who often satisfice and fail to notice many of the brands on offer. Creative publicity (which is what much brand advertising offers), with reach and continuity, is critical to build mental availability for the brand. Establishing distinctive assets (e.g. unique cues like colours or shapes) can help a brand and its activations be noticed long term.
Barrier No 6. Efficiency of competitors	Competitive pressures lead brands to market better offers. Any new brand needs to have a competitive offer (e.g. quality, price). There are, however, advantages of scale – the biggest brands win – and light buyers default to them (natural monopoly), and they can underspend relative to their size (Danenberg et al., 2016; Hansen and Bech Christensen, 2005; Jones, 1990). They are the brands most likely to be in the minds of the many potential shoppers who do not buy often and who may not even notice a new brand. Furthermore, it has recently been documented that, across categories, bigger brands consistently have larger portfolios, with changes to portfolio sizes positively correlated to market share changes (Tanusondjaja, 2015). For new entrants, this is a further barrier that they need to overcome.

[50] 3D Systems (2012). *The Timberland Company: Timberland Save Time and Money, Finds Right Style with 3D Printing*, 3D Systems, Available at: http://www.3dsystems.com/sites/www.3dsystems.com/files/21_CaseStudy-Timberland-FINAL.pdf.

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In 2010, he authored *The Link between Creativity and Effectiveness*, which brings together the IPA Databank and the Gunn Report database of creativity to provide the most robust assessment yet of the value of creativity. He updated this two years later and in 2016.

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The Advertising Association and Credos would like to thank the following for their support in producing this publication:

Credos Advisory Board
History of Advertising Trust

Advertising Association members and Front Foot group
Mike Waterson, Warc

Account Planning Group
The Institute of Practitioners in Advertising

Published by the Advertising Association, 7th Floor North, Artillery House,
11-19 Artillery Row, London SW1P 1RT

Report layout and design by Mark Terry/Gabriella Mai at NEO/Etcx3: www.etcx3.com

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