The B2B Institute

Cashing In On Creativity

How Better Ads Deliver Bigger Profits

LinkedIn

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Foreword

How to Make Something out of Nothing

"You can't use up creativity. The more you use, the more you have," Maya Angelou famously said. The more we exercise our ability to be creative, the more effective we become at being creative. This is true not just for individuals, but for businesses, too.

Creativity defies gravity. Purely through the power of ideas, we can change reality and produce value out of nothing. The magic of creativity is essential to setting great business strategy and driving growth in our increasingly intangible economy.

The eminent management scholar Roger Martin explains the role of creativity as a key ingredient of business strategy:

> *"[…] We can operate with two very different goals in mind. The first is to attempt to hone and refine the current effect that we are producing. The second is to strive to be the cause of a new and better effect. […] In the latter, a core requirement of fundamental change is to make something true that is currently not true. And when we think about great strategies, they have that creative quality."*[1]

The magic of creativity is especially important in marketing. Marketing's unique superpower is the ability to make something true that was not true before. As we discuss in this paper, creative advertising in particular is an instrumental part of any marketer's toolkit.

If you do not believe me, just look at the case of The Government Employees Insurance Company. Despite its easily forgettable name, it is now the second largest car insurance brand in the U.S. This happened thanks to a tiny talking gecko that over the past twenty years has become one of the most recognized brand assets in the market. GEICO is a testament to the power of creative advertising – turning a silly made-up mascot into real profits.

You may say, well GEICO is B2C and we're B2B, where it's all about product features and benefits. Well, consider Salesforce's Trailblazer campaign built around Astro – the B2B answer to the Gecko.

[1] https://rogermartin.medium.com/strategy-design-thinking-faf6b787160b

It's time for B2B marketing leaders to stop rejecting creative advertising as a cost center that CFOs won't underwrite, and start embracing creative advertising as a profit center capable of moving market share. Creative advertising is a strategic asset that can be leveraged with great effect by any brand, in any category, in any market, if deployed correctly. This paper shows you how.

It stands on the shoulders of important work by Peter Field, System1, and The Ehrenberg-Bass Institute to help you make the commercial case for creative advertising within your company.

We are delighted to share our thinking with the broader marketing community and welcome any feedback.

Go forth and be creative.


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The Creative Advantage

Why advertising’s creative crisis is your next big marketing opportunity.

Is Advertising in a Crisis of Creativity?

"Yes," if you ask marketing effectiveness researcher, Peter Field.

In his 2019 report, The Crisis In Creative Effectiveness[2], Field analyzed the impact of award-winning, creative advertising on a variety of business metrics – from market share to gross margins to corporate profitability – and saw metrics in collapse across the board.

Powerful creative can be 10 to 20 times more sales effective than mediocre creative.

The plummeting metrics led Field to conclude, "creatively awarded campaigns are now less effective than they have ever been in the entire 24-year run of data, and are now no more effective than non-awarded campaigns."

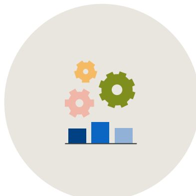
Fortunately, Field was able to identify a silver lining, a subset of awarded campaigns he calls "high performers," who achieve:

2x

As much pricing power as "low performers"

5x

More market share growth as "low performers"



16x

More profitability as "low performers"

Reassuringly, creative advertising – when done properly – still contributes outsized profits.

There is also a robust body of academic research suggesting advertising creative is the primary determinant of advertising effectiveness. Specifically, Wood (2019)[3] estimated "powerful creative can be 10 to 20 times more sales effective than mediocre creative."

So creative can be immensely profitable, but most creative today is not profitable.

An interesting question is why?

[2] https://ipa.co.uk/media/7699/ipa_crisis_in_creative_effectiveness_2019.pdf
[3] Wood, Leslie (2009), "Short-Term Effects of Advertising: Some Well-Established Law-Like Patterns," Journal of Advertising Research, 49 (2), 186–92

Who is Responsible for the Creative Crisis?

While it's tempting to blame sales or finance, marketers may actually be the biggest barrier to better creativity in marketing.

In order to understand why marketers may be to blame, let's return to 2016, the year Peter Field published Selling Creativity Short, the predecessor to his 2019 report.

2016 marks something of an inflection point in creative advertising.

While no single trend fully explains the creative crisis, a number of trends – and surely there are others too – partly explain it:

- Increasing short-termism in business
- Shifting focus from traditional to digital media
- Continuing difficulty measuring creative effectiveness
- Changing relationships between companies, agencies, and consumers

In response to the changing business landscape, the marketing landscape changed too. In particular, a marketing role called "performance marketing" emerged to meet the need for digital marketing skills. Almost from the start, "performance marketers" found themselves competing with "traditional marketers" for budget and attention. As the name indicates, "performance marketers" promised a marketing reformation, an enlightened shift away from the medieval waste of brand building towards the modern efficiency of hypertargeting, A/B testing, and lead generation.

To their credit, "performance marketers" re-introduced rigor and accountability to many marketing departments. However, "performance marketers" also largely prioritized short-term over long-term, tactics over strategy, digital metrics over traditional metrics, and media over creative.

As Peter Field explains, the privileging of the short-term, supercharged by real-time metrics, has especially wreaked havoc on creative advertising:

> *"We have known for many years that creativity delivers very little of its full potential over short time frames, yet the trend to short-term, disposable and, ultimately, ineffective creativity continues."*

However, like any great story, the real palace intrigue is more political than technical.

"Performance marketers" promoted new media and fast metrics as superior to old media and slow metrics as a way, in part, to promote themselves.

And who can really blame them?

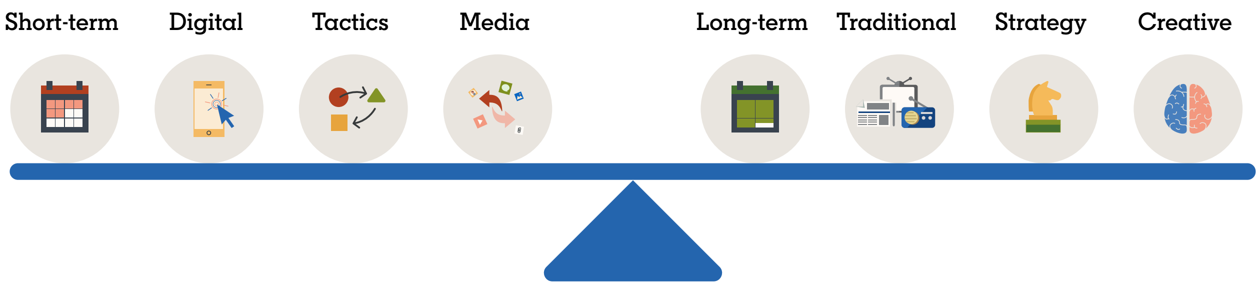
"Performance marketers" were not only promoted internally, but rewarded externally too. As evidence, roughly 45% of Cannes Lions were awarded to short-term – primarily digital – campaigns in 2018, up 10x in just 10 years. years.

To be clear, digital campaigns can be just as effective as traditional campaigns. But the recent group of award-winning digital campaigns are rarely, if ever, run for more than 6 months – which is generally the minimum time period required to see behavioral change at commercial scale.

Today, the digital versus traditional battle is increasingly moot though, as all advertising digitizes. And frankly, the battle between digital and traditional marketing was always a fallacy. Digital marketing is not a substitute, but rather a complement to traditional marketing.

As the novelty of digital marketing wears off, it is becoming clear the real battle is not of competition, but of balance:

- Short-term and long-term
- Digital and traditional
- Tactics and strategy
- Media and Creative



The last bullet is where we'll now focus the rest of our discussion. There are two main levers to pull when developing profitable advertising: (1) media and (2) creative. Because media budgets are bigger and media metrics are simpler, most marketers have spent more time, energy, and dollars thinking about how to "optimize" media.

Creative, because it is smaller in budget and harder to measure, has not received nearly as much thought or "optimization." However, it is our belief developing better creative offers marketers the most profitable – and fun – path to establishing competitive advantage externally and to getting promoted internally.

Key Takeaway

There simply aren't many potential 10-20x "sales multipliers" left for any business and, as far as we can tell, creative advertising is the only such "multiplier" controlled by marketers today.

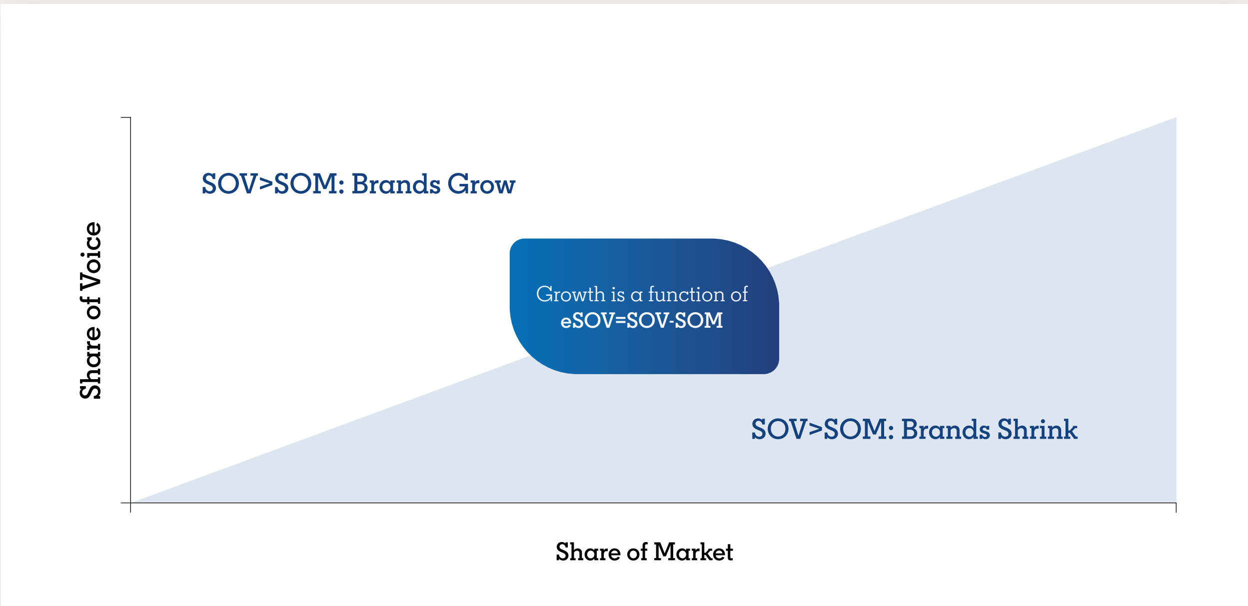
Just How Big is the Commercial Case for Creative Advertising?

Big.

So big, in fact, that it's worth spending more time exploring.

Let's specifically explore the data behind the "10-20x sales multiplier."

One of the best-replicated ideas in advertising research – advertising intensity – reveals that for every 10 points of ESOV (extra share of voice), a company can expect, on average, 0.5% points of market share gain.



However, the ESOV rule, as it is sometimes called, treats all creative as equal, which is not true. Creative pre-testing company, System1, has introduced a "star scale" to improve on the ESOV rule by looking at the quality of creative in addition to the quantity of spend.

System1 asks a consumer panel a series of questions about emotional valence, emotional intensity, and brand recall while watching an ad. The panel responses then allow System1 to rate each ad on a 1-5 star scale. To date, System1 has rated 40,000+ ads and found the below correlations between "star score" and share growth, assuming 10% ESOV in a category:

Assuming 10% ESOV in a category:

- 1 star drives 0% market share growth
- 2 star drives 0.5% market share growth
- 3 star drives 1.0% market share growth
- 4 star drives 2.0 % market share growth
- 5 star drives 3.0% market share growth

As the saying goes, "all models are wrong, but some are useful." While not perfect, the System1 modeling is a useful step forward in establishing the link between creative advertising performance and market share growth. Interestingly, there was no specific analysis of B2B ads, so System1 and LinkedIn's B2B Institute did a custom analysis of 6 B2B categories with 1,700 ads and found:

In an analysis of 1,700 B2B ads:

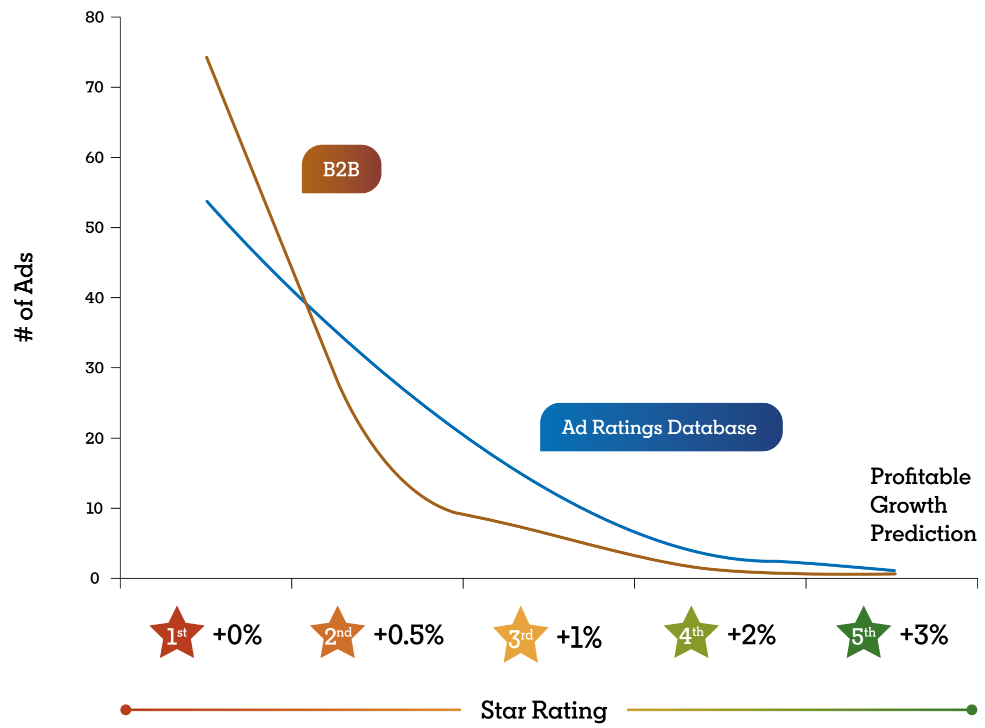
76.7% of ads score 1 star

16.8% of ads score 2 star

6.0% of ads score 3 star

0.4% of ads score 4 star

0.1% of ads score 5 star



This initial B2B analysis allows us to draw a couple of preliminary conclusions. First, 77% of B2B creative is 1 star, supporting the Peter Field contention that creative is in crisis. Second, "powerful creative" does exist, but it is exceedingly rare. Only 0.5% of 1,700 B2B ads scored 4-5 stars or, quantified another way, a B2B ad is 154x more likely to score 1 star than 4-5 stars. Third, the sales effect of "powerful creative" does, in fact, seem to offer companies a "10-20x sales multiplier." The data shows "mediocre creative" generates roughly 0.25% market share growth, while "powerful creative" generates roughly 2.5% market share growth – or 10x more share growth.

A B2B ad is 154x more likely to score 1 star than 4-5 stars.

Ultimately, there is an enormous opportunity for all marketers, but especially B2B marketers, to make an investment case internally for the massive financial value of creative advertising.

What the CFO Cares About: The Cash Flows Case for Creative Advertising

Perhaps you're convinced of the financial case for creativity advertising, but you're worried sales and finance will be unconvinced. This is common in B2B marketing departments.

Well, how might you make the case for creativity to the CFO?

By focusing on future cash flows, which is how all public companies are valued.

In fact, no less a financial authority than Jeff Bezos has publicly said:

> *"If you look at academic studies, you can see stock prices are most closely correlated with cash flow. It's such a straightforward number. Cash flow is what will drive shareholder value."*

Interestingly, cash flows can not only help us understand shareholder value, but also why companies must invest in creative advertising.

What can cash flows teach us about creativity?

Financial analysis shows that 80% of a company's valuation comes from the cash flows generated 3+ years into the future. Put another way, only 20% of a company's valuation depends on the cash flows generated over years 1 and 2.

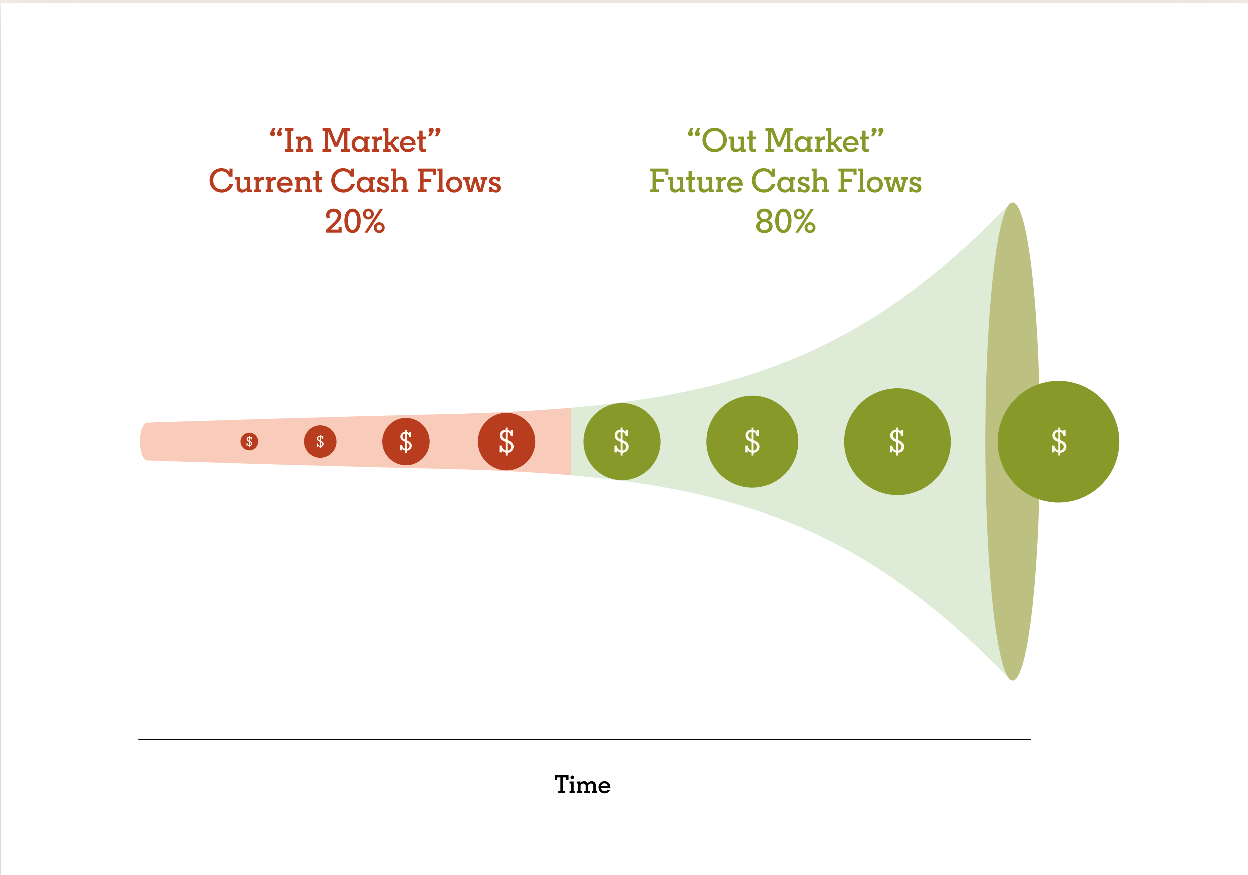
[4] https://business.linkedin.com/marketing-solutions/blog/linkedin-news/2019/the-long-and-short-of-roi

Given how heavily a company's valuation depends on future cash flows – it's 80%! of the value – it follows that any marketing should be heavily weighted towards reaching the future customers who will pay those future cash flows. However, a recent LinkedIn survey of 4,000+ global marketers revealed only 4% of marketers measure campaigns more than 6 months after launch,[4] suggesting almost no marketers properly value reaching future customers.

So how can creative advertising help us reach future buyers?

Start with the fact that most customers are not "in-market" to buy today.

On average, 80% of customers are "out-market" and will not buy a product or service for at least a couple years, according to recent research from The Ehrenberg-Bass Institute and LinkedIn's B2B Institute.[5]



[5]https://business.linkedin.com/marketing-solutions/b2b-institute/how-b2b-brands-grow

Now imagine you're a marketer at a SaaS company. You learn 80% of your future cash flows will come from customers who will not be "in-market" for years. How might you reach – and what might you say – to customers who don't need to buy from you for 5-10 years?

It is probably easier to start with what you don't do: you don't ask customers who don't need your product to "buy now." Instead, you'd be better off targeting future customers with an entertaining ad to get your brand noticed, so it readily comes to mind when those customers buy in the future.

Most marketing science today agrees the most effective – and scalable – way to get your ad noticed and remembered by future buyers is to use creative advertising like Salesforce's Trailblazer Campaigns or GEICO's Gecko Campaigns. Companies need to reach future buyers well in advance of purchase to increase the probability their brand comes to mind in a buying situation.

It is worth harping on the need to "reach future buyers well in advance." Research from The Ehrenberg-Bass Institute and LinkedIn's B2B Institute showed if a buyer doesn't already think of your brand when entering the market, it is already too late:[6]

> *"Familiarity is built over time, with consistent messaging. If you focus on hitting people with, say, digital ads only when they're searching the category, your brand is an unknown to them. And we know that lesser-known brands have lower rates of consideration (Rowe, Whittaker, & Agop, 2018; Terui, Ban, & Allenby, 2011). Indeed, clickthrough rates for unfamiliar brands are quite a lot lower than for familiar brands (e.g. Dahlen, 2001)."*

Reaching all category buyers with creative well in advance is a business imperative, making your brand more likely to come to mind in a buying situation and determing whether your brand wins a future sale or a more creative and aggressive competitor does.

The idea to reach buyers early to "increase the probability a brand comes to mind in a buying situation" is called mental availability and is the best working explanation for how advertising actually works: by building or refreshing memories in a buyer's mind that influence future sales.[7] Mental availability is probably the most important concept in advertising today.

"Mental availability is about increasing the probability your brand comes to mind in different buying situations."

Professor Jenni Romaniuk, Ehrenberg-Bass Institute

[6] https://business.linkedin.com/content/dam/me/business/en-us/marketing-solutions/resources/pdfs/advertising-effectiveness-and-the-95-5-rule.pdf
[7] How Brands Grow by Byron Sharp and Jenni Romaniuk

Once we understand how advertising actually works via mental availability –by making a brand more likely to come to mind in a buying situation – we can start to understand why “performance marketing” and its focus on the short-term makes little financial sense.

Too many marketers spend 80% of their budget where they want customers to be – “in-market” – and not where customers – and future cash flows – actually are.

Nearly 80% of B2B marketing budgets are spent on “performance marketing” or “lead generation” ads trying to get buyers to “buy now.” However, as discussed earlier, 80% of customers are not "in-market." Put bluntly, too many marketers spend 80% of their budget where they want customers to be – “in-market” – and not where customers – and future cash flows – actually are. Marketers need to borrow another idea from Bezos and “ work backwards from the customer,” aligning advertising spend and creative messaging to where most buyers are in the process.

Bezos once too misunderstood the power of advertising, saying “advertising is the price you pay for having an unremarkable product or service.” However, Amazon is now the biggest advertiser in the world, spending $10.9 billion dollars in 2020, most on creative advertising featuring Alexa, Amazon Web Services, and Bezos himself.

Key Takeaway

Creative advertising is a powerful tool uniquely able to reach and resonate with the future customers who pay the future cash flows that are so critical to shareholder value.

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The Creative System

How to systematize your creative to gain a competitive advantage.

Creative advertising is so important to future cash flows that companies need to adopt a systematic approach to creative production and measurement.

It should come as little surprise that the world's most sophisticated marketers – Mars, Diageo, Coca-Cola – already invest significant sums in measuring and reporting on a variety of key advertising metrics – from creative effectiveness to mental availability to brand assets.

In the following section, we'll cover 4 key creative metrics sophisticated brands measure.

Step One: Measure Ad Recognition

Professor Byron Sharp says "the role of advertising is only to 'bring to public notice' that different products exist and are available."

In order to "bring public notice," an advertisement must grab attention by achieving "cut-through." Advertising cannot work unless an ad "cuts-through" and gets noticed by potential customers.

Given how essential "cut-through" is, companies need to work with partners who can measure and report on "cut-through." This can be done by testing company ads, and publicly available competitor ads, with surveys to understand "what percentage of potential buyers recognize having seen this ad?"

Q

What percentage of potential buyers recognize having seen this ad?

However, "cut-through" not only needs to be measured and reported for individual ads, but, ideally, for all ads over time. You should not only know whether your latest ad "cut-through," but also whether the latest ad "cut-through" more than your past ads and the past ads of competitors. Taking a systematic view of all ads over time can help companies avoid running low cut-through ads that are neither likely to bring notice nor sales.

It is worth taking a short detour to discuss why creativity and emotion is important in advertising. Creativity and emotion in advertising does three key things:

1. "Cuts-through" and gets attention
2. Forms stronger associations between a brand and a buying situation
3. Makes a brand most likely to be retrieved from buyer memory during a buying situation

Key Takeaway

"Cut-through" is the necessary first step in a brand being bought. Ads that "cut-through" are more likely to grab attention and link your brand to relevant buying situations.

Step Two: Measure Ad Recall

The next step in creative effectiveness is making sure your ad is correctly linked to your brand. Profitable ads not only need to "cut-through," but also need to be correctly attributed to the brand.

Just as with recognition, companies need to work with partners who can measure and report on "recall." This can be done by testing company ads, and publicly available competitor ads, with surveys to understand "what percentage of potential buyers correctly link this ad to the advertiser?"

Q

What percentage of potential buyers correctly link this ad to the advertiser?

Again, "brand recall" needs not only to be measured and reported, it needs to be done so systematically. Ideally, you'd like to know not just whether this ad is "recalled," but whether this ad "recalled" more than past ads a company has produced and if this ad gets "recalled" more than competitive ads in the category.

Key Takeaway

Companies should avoid running low recall ads because those ads will not bring notice or sales to your brand – and may in fact bring notice and sales to competitors. Ads with clear, present branding are far more likely to build strong memory structures that link your brand to relevant buying situations.

Step Three: Measure Ad Likeability

As discussed earlier, companies that elicit an emotional response with creative advertising are more likely to be noticed, recalled, and bought.

Video advertising generally evokes much stronger emotions than static advertising does and should serve as the foundation for great creative advertising.

More likeable ads are more effective because they better encode an association in a buyer's memory. It is worth stating video advertising generally evokes much stronger emotions than static advertising does and should serve as the foundation for great creative advertising.

Just as with recognition and recall, companies need to work with partners who can measure and report on "likeability." This can be done by testing company ads, and publicly available competitor ads, with surveys to understand "How do potential buyers score this ad on a scale of 1-5?"

Q

How do potential buyers score this ad on a scale of 1-5?"

Again, "likeability" needs not only to be measured and reported, it needs to be done so systematically. Ideally, you'd like to know not just whether this ad is "likeable," but whether it's more "likeable" than past ads a company has produced, and more "likeable" than competitive ads in the category.

Key Takeaway

The Advertising Research Foundation (ARF) found in a meta-analysis of global ad campaigns that likeability was the non-business KPI most closely linked to business growth, making it a strong predictor of in-market success.[8] Ads that are more likeable are more likely to grab attention and build stronger links between your brand and relevant buying situations.

[8] https://thearf.org/

Step Four: Measure Ad Clarity

Clear messages more effectively encode associations in a buyer's memory for retrieval in a future buying situation.

Just as with recognition, recall, and likeability, companies need to work with partners who can measure and report on "clarity." This can be done by testing company ads, and publicly available competitor ads, with surveys to understand "What do you think the key message of the advertising is?"

What do you think the key message of the advertising is?

Again, "clarity" needs not only to be measured and reported, it needs to be done so systematically. Ideally, you'd like to know not just whether this ad is "clear," but is this ad more "clear" than past ads a company has produced and is this ad more "clear" than competitive ads in the category.

Key Takeaway

Ads with clear messages are far more likely to build or refresh strong memory structures that link your brand to relevant buying situations.

The Creative Measurement Checklist

- **Ad Recognition:** What percentage of potential buyers recognize having seen this ad?
- **Ad Recall:** What percentage of potential buyers correctly link this ad to the advertiser?
- **Ad Likeability:** How do potential buyers score this ad on a scale of 1-5?
- **Ad Clarity:** What do you think the key message of the advertising is?

Case Study

Geico Takes a Systematic Approach to Creative Investment

In 1995, when Warren Buffett first purchased a controlling stake in GEICO, the annual advertising budget was only $20 million and the Gecko did not yet exist. Today, GEICO spends nearly $2 billion annually on advertising – a 100x increase in 25 years – and the Gecko is one of the most famous intangible assets ever created by advertising.

An excellent question is what does Warren Buffett, the world's greatest investor, know about the financial value of creative advertising that would convince him to 100x his ad investment?

Buffett's comments at a recent Berkshire Hathaway annual conference offer a clue:

> *"We want everybody in the United States to have in their mind that there's a good chance that they can save money when they pickup the phone or go to GEICO.com and, when you get that message in people's minds, you never know when that's going to pay off down the line."*

GEICO understands how immensely profitable it is to invest annually in an intangible asset that is nationally recognized, recalled, likeable, and clear.

Buffett may not explicitly use the language "mental availability," but he intuitively understands that getting "a message in people's minds" is the first step to increasing the "good chance" customers buy "down the line."

GEICO's rise from 4th to 2nd in market share –up 15 points over the past 25 years – reflects Buffett's mental availability math. It is clear Buffett has seen first-hand the significant future cash flows generated by "powerful creative."

Core to getting "a message in people's minds," is the GEICO Gecko – one of America's most famous characters, who Buffett calls "one of GEICO's hardest working employees." Given how often the Gecko features in ads – analysis by Ehrenberg-Bass Professor, Jenni Romaniuk, puts usage at 61% of all ads – it is clear GEICO understands how immensely profitable it is to invest annually in an intangible asset that is nationally recognized, recalled, likeable, and clear.

Furthermore, GEICO has now been running ads featuring the Gecko for 20+ years, suggesting a systematized approach to advertising generally, and creative development specifically. Other savvy companies have started to take note – see the latest Liberty Mutual and Salesforce ad campaigns – and apply a similar systematic approach to investment in character development and creative advertising.

"Imitation is the sincerest form of flattery" as Oscar Wilde, another famous creative character, presciently put.

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Bringing The Creative Opportunity Together – Systematically

Conclusions and Recommendations.

Creative advertising is at a 24-year low.

Yet, the financial return – and the competitive edge – from creative advertising has never been more clear. Leading entrepreneurs from Buffett to Bezos are taking note of the valuable role creative advertising plays in generating cash flows, and they are investing accordingly.

These same entrepeneurs also recognize that the creative process is too important to leave to chance. The creative process must be systematized, managed, and improved just like any other valuable business process. Companies that invest in a creative system – Amazon, GEICO, Salesforce – seem to produce more creative work and invest much bigger budgets.

The creative process must be systematized, managed, and improved just like any other valuable business process.

It is our belief creative advertising is deeply undervalued today. We hope we've given you some of the financial frameworks and mental models to understand why creative is undervalued and what creative advertising can do for your business.

As we said earlier, there simply aren't many 10-20x "sales multipliers" left for any business and, as far as we can tell, creative advertising is the only such "multiplier" controlled by marketers today.

This is the rare opportunity to secure a competitive edge that is both financial and fun.

Go forth and invest creatively.

Recommendations

People are story-processors, not logic-processors.

Tell a story about a character put through a relevant buying situation, using emotion, heavy branding, and a memorable soundtrack.

Great creative earns attention and builds situational awareness through:

Situation
Identify your key buying situations.

Emotion
Illustrate them through emotional storytelling, not product attributes.

Branding
Brand everything. Invest in fluent devices like characters.

Commitment
Find a winning piece of creative and stick to it to build memory over time.

B2B Best-In-Class: Salesforce Trailblazer Campaign

The Astro character uses emotion and heavy branding to build situational awareness for Salesforce, and it does so at scale, over time.

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