



# RETHINKING “PAID, EARNED AND OWNED”

NEW RULES FOR DRIVING MARKETING PERFORMANCE

initiative

## PAID MEDIA

Advertising that is placed and bought by the marketer



## EARNED MEDIA

Communication about a brand that is not managed by the marketer



## OWNED MEDIA

Branded communication that makes a direct connection between brand and consumer



## Methodology

In order to explore the categories of paid, earned and owned media, we undertook three areas of research and study:

**Qualitative:** We spoke to consumers in six countries around the world: China, Colombia, Thailand, Italy, the United States, and the United Kingdom. We spoke to consumers in focus groups and vox pop interviews to learn how they chose brands and communicated with them.

**Quantitative:** We leveraged our Connections Panel to conduct research in five markets, Australia, China, Germany, Spain and the United States. We surveyed consumers to learn about the main decision drivers for the brands they chose, and how branded communication played a role in their purchase process. In the United States and China we surveyed consumers about shampoo, mobile network providers, home electronics, cars and fast food. In the other markets, we focused on shampoo. The total sample for our survey research was 4,031 consumers.

**Analytics:** We also used econometric analytics to understand the relationship among paid, earned and owned brand and consumer activities. We gathered data from syndicated sources to create a total of 67 total models in three categories: Mobile network providers, cars and home electronics. In Australia, we also analyzed the leading shampoo brand. We looked at how investment or activity in one area, such as TV spending, affected another, such as consumer word-of-mouth about that brand.



## RETHINKING PAID, EARNED AND OWNED

Every day, the marketing landscape becomes more complex. New technologies change the way that people interact with media and brand communication and this in turn changes shopping behavior. Over the years, marketers have cut through complexity by creating categories of action, traditionally this has been divided according to “below-the-line” and “above-the-line”. Since the advent of the Internet, the industry has further divided activity into “online” and “offline”.

### DANGER OF CREATING SILOS

The downside to these categorizations is that they create silos. And the distinctions between online and offline are becoming increasingly meaningless as all media is now embracing digital. In recognition of the changing and fragmenting media landscape, a new set of categories has come to the fore: paid, earned and owned. These categories dispel the online/offline distinction and instead refer to the amount and kind of control advertisers have over a branded message.

Paid media refers to advertising that is placed and bought by the marketer: television, print, websites etc. Earned media is communication about a brand that is not managed by the marketer, and is often controlled by the consumer. Earned media includes word-of-mouth, consumer or expert reviews and news coverage. Owned media is branded communication that makes a direct connection between the brand and the consumer without an intermediary. But even though it is direct communication, the interaction is often initiated by the consumer, as in the case of a brand website. Other examples of owned media include coupons, packaging and email communication.



For the past two or three years, paid, earned and owned has become useful in differentiating the many marketing opportunities in the online space. Paid, earned and owned has also been a way of signalling parity among paid media - which has historically been the focus of marketing energy - with other, possibly equally effective ways of communication to and with consumers.

## **MARKETERS MOVE TO PAID, EARNED AND OWNED**

However, some companies have started organizing their marketing and agency teams into the paid, earned and owned framework. Others have begun to develop measurement around the classifications and a few have even set goals for shifting certain percentages of investment from one category of paid, earned and owned to another.

The risk with adopting paid, earned and owned is that another set of categories can simply create another set of silos. Because of the rising prominence of paid, earned and owned, Initiative decided to conduct research to explore the concept in-depth as a way of evaluating the framework and understand how to best leverage it for clients. Specifically, we decided to look at the following questions:

- How do paid, earned and owned media connect in the consumer experience?
- How can a marketer best leverage paid, earned and owned media to drive brand growth?
- Is the role of paid, earned and owned media consistent across categories and across markets?

# DRIVE CONSUMER INVOLVEMENT IN BRAND COMMUNICATIONS

We talked to consumers all around the world in order to unlock the rules of brand growth according to paid, earned and owned media.

The first thing that we found is that across all the categories we studied - mobile devices, autos, electronics, fast food and shampoo - consumer involvement with brand communication is a key to unlocking growth. In other words, the more we can get consumers to participate with our brands in paid, earned and owned media, the more a brand will grow.

## MORE TIME SPENT ON BRAND CONSIDERATION

Brand consideration has become a key pastime for over half of the population – 52% of our interviewees said they enjoy searching online for a wide range of brands and products. This varies by category: 29% of consumers enjoy searching for shampoo brands, but this leaps to 66% for cars. And it varies by country: the Chinese are the most likely to search for brand information, followed by the Spanish. Some consumers told us they simply enjoyed searching for information and opinion about brands. Others were tighter with their money, and wanted to make sure they made the right choice. But across the globe, nearly half of consumers - 45% - told us they are spending more time than ever when considering their choice of products. This rises to 60% for mobile phones.



CONSUMERS ARE SPENDING MORE TIME MAKING PURCHASE DECISIONS

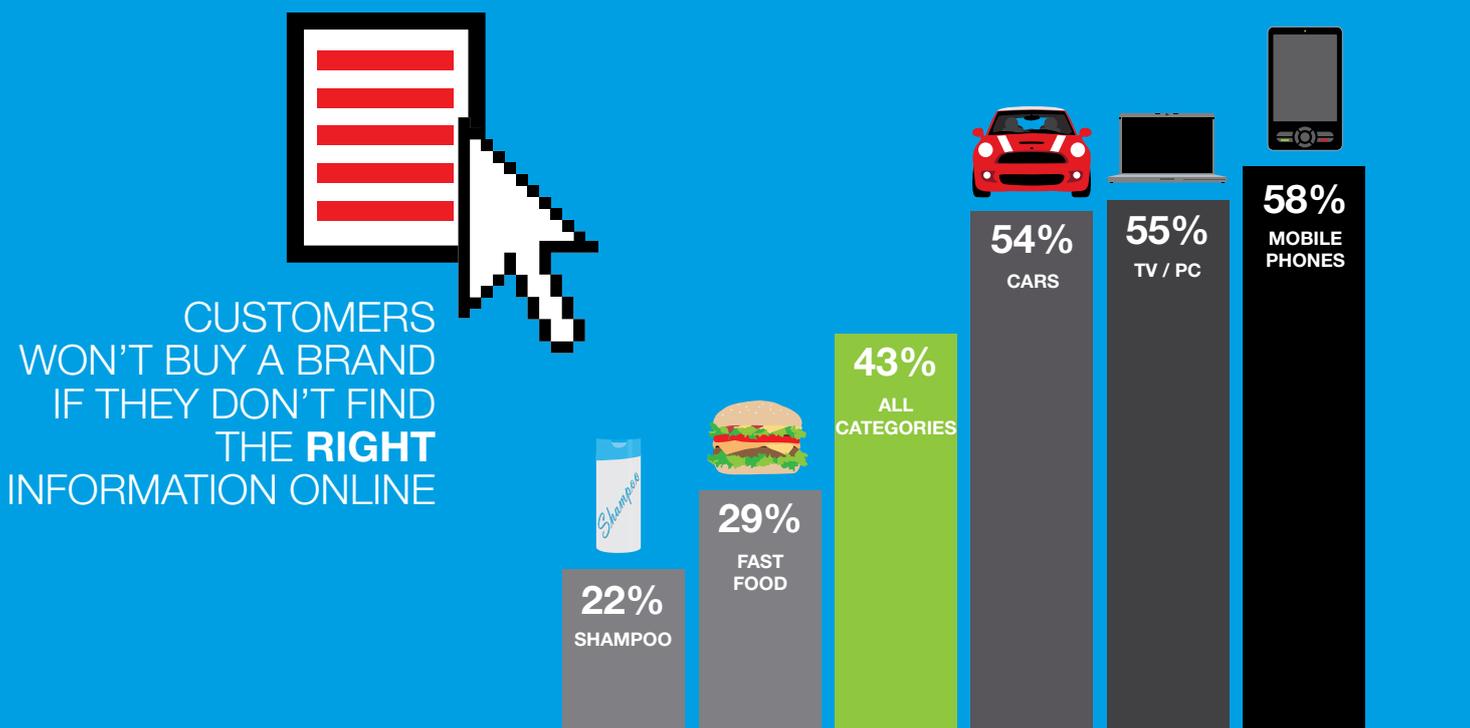


There were clear reasons why some people are spending more time in the consideration of products. The global economic crisis, while not affecting every market around the world with equal severity, has made some consumers more focused on ensuring that they spend their money wisely. Social media has made it easier for consumers to share information about products, increasing the amount of information available in all categories. And, many consumers said that they simply enjoyed shopping for products, and were spending more time in the purchase process as a matter of choice.

## INTERNET IS DRIVING BRAND CONSIDERATION

But there is one key factor that has had major influence on driving consideration - increased adoption and usage of the internet. Consumers around the world told us that the internet had become one of the most important ways to get information about brands – 56% of the consumers we spoke with claimed that the internet has significantly changed the way they shop. Again, this figure increases to 73% when shopping for mobile phones.

And this phenomenon was not limited to expensive products. In China, a massive 45% of consumers said that the internet has significantly changed the way they shop for shampoo. This compares with 25% in the US and just 19% in Germany.



*"If I can't find the right information about a brand on the internet, I won't buy it"*

## NO ONLINE INFORMATION, NO SALE

Overall, the internet is playing an important role in purchase decision-making in all the categories we studied, so much so that many consumers – 43% - say they would not buy a brand unless they could find the required information online. This figure rises for high consideration brands, for example 54% for cars and 58% for mobile phones. And this unwillingness to purchase without online information is highest among the young: 48% of 18-34 year olds fall into this category, compared with 37% of 35-54 year olds.

The importance placed on online for brand consideration extends into the sharing of brand content and messaging. Over half of all the people we spoke to - 54% - said they would share brand information (including coupons and buying deals) via email and social media. The main reason for doing this is to inform other people (39%) but interestingly 27% said they would do this because “it has become a natural part of their life”.

## A WAKE-UP CALL FOR MARKETERS

This increased level of active consideration is an important wake-up call for marketers across all categories. Consumers are becoming ever more active in their brand choice, and engaging in brand messaging across earned and owned channels, particularly online. Because of this, marketers must seek to increase the level of engagement they have with consumers across all channels in paid, earned and owned media. The battle for brand choice is increasingly a battle to engage and involve consumers in the purchase process with brand messaging in order to win consumer purchase choice.

- Map where consumers interact with your brand across paid, earned and owned media. Set benchmarks for interaction and involvement and track in a disciplined way.
- Analyze where and how interaction correlates with business results.
- Ensure all paid, earned and owned media maximizes consumer involvement within and across channels.



### Case Study: Hyundai

The Hyundai automotive brand in the US had a problem: high product quality and value, but low consideration among consumers. Hyundai had to improve consideration in order to grow market share. Hyundai recognized the power of earned media and leveraged it in both its paid and owned marketing efforts. Hyundai found that while positive consumer and expert reviews of its vehicles were numerous, they were not always visible to the new car buyer. Hyundai decided to aggregate all of the reviews on a new web site: HyundaiMomentum.com. There consumers could find all the consumer and expert reviews - good and bad - about Hyundai, creating a powerful owned media asset for the brand. Hyundai featured the site prominently in its TV advertising, creating a powerful combination of paid, earned and owned media which was responsible for significant growth in consideration and market share – consideration was up 70% and market share up 59% as demand outstripped supply. Following the campaign Hyundai recorded the highest opinion and consideration scores in its history.

# REJECT GLOBAL RULES OF THUMB FOR PAID, EARNED & OWNED

Some marketers are setting global investment targets across the categories of paid, earned and owned media, and creating global measurement guidelines. This indicates a belief that paid, earned and owned media are of equal importance and work in similar ways across all the markets around the world.

While there were many consistencies in macro consumer trends around the world, we found from our research that there are profound differences in behaviour at a market level. Cultural, social and economic factors give rise to differences in how consumers choose products and what brand communication influences their decisions.

## TRUST IS IMPORTANT IN CHINA

Looking specifically at shampoo, we spoke to consumers around the world to discover what was really driving their brand choice. In China, 27% of shampoo buyers told us that trust was important, followed by suitability to their hair type and price. They told us that there were a lot of new brands on the market - as well as a lot of copies - so trusting a brand was their top motivation to purchase.

WHAT DRIVES BRAND CHOICE?



German consumers had completely different priorities. Trusted brands are pretty well established in Germany, and the strong economy meant that price was not an important factor. In contrast to China, 22% of German consumers said their top priority for choosing a shampoo was whether it suited their hair, so they looked for information to make sure that the brands matched their needs.

In Australia, price was the highest priority, with 29% of shampoo buyers saying that that was their primary purchase driver, followed by suitability and then trust.

It became very clear to us the extent to which local market differences completely change the roles of paid, earned and owned media. While varying slightly in importance, trust was a key factor across all markets for consumers when considering which shampoo brand to buy. However, there were significant variances by market in terms of which media type – paid, earned or owned - drove the level of trust.

## PAID MEDIA: A STRONG DRIVER OF TRUST

In Australia, television (paid) was one of the strongest drivers of trust for shampoo consumers. And this fits with common generalizations about television creating positive brand image. Consumers in Australia told us that seeing frequent advertising gives them a sense that the shampoo was an established brand and could be trusted. So in Australia, the formula that paid can drive trust holds true.

However, in Spain we discovered that the situation is very different. Spanish consumers relied more on trying the product and getting recommendations from friends. Here a mix of earned and owned media is driving trust.

## US TRUST DRIVEN BY OWNED MEDIA

In the US, owned was the most influential media in driving trust. Interestingly, Americans told us that if they saw a shampoo brand in a discount or 'Dollar store', they would be less likely to trust it. So, a combination of owned media, packaging and point-of-sale are driving trust here.

Marketers have known for some time that localization is key to global marketing. What our research made very clear is that while the concept of paid, earned and owned can be adopted to good effect all around the world, you have to understand the complexities of local difference in order to apply it.

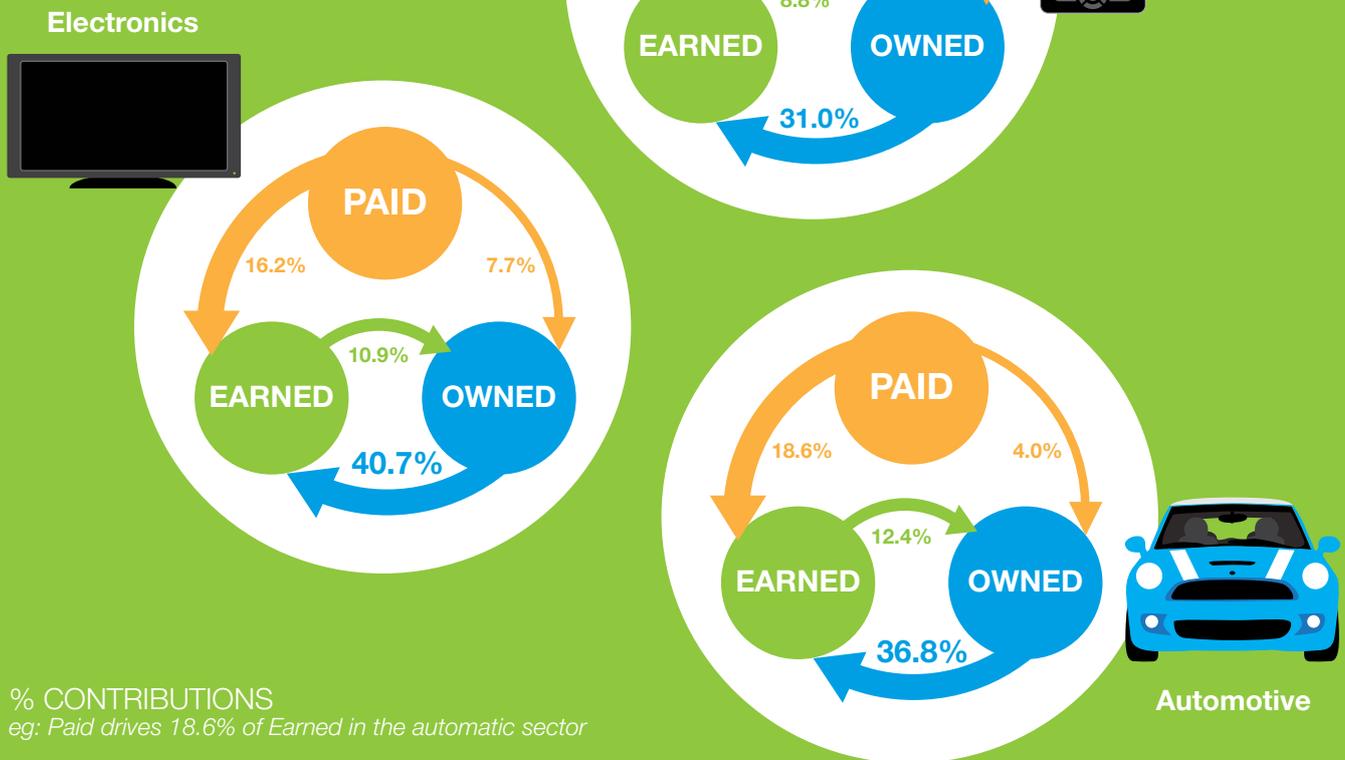
- Question global rules of thumb about consumers, given significant differences across markets and cultures.
- Invest in consumer insight and analytics at local level to uncover opportunities.
- Partner with companies that can offer local information and insight, including media companies.



### Case study: Unilever, Sedal

Faced with the challenge of communicating Unilever's 10-day hair rejuvenation shampoo Sedal, Initiative devised a paid, earned and owned strategy that had consumer involvement with the brand at the heart of the campaign. Initiative Colombia created a radio reality show "10 days to change your life", which featured 10 women who would have an unforgettable 10-day experience – including a beauty makeover - in the House of Sedal. Colombian women competed to enter the house and listeners voted during a 10-hour live transmission on their choice of the 'Sedal Woman'. Radio and online (paid) drove awareness of the show (owned) and this led to huge levels of consumer involvement (earned). Sales of Sedal increased by 37%.

## A VIRTUOUS CYCLE MEDIA DRIVING MEDIA



## A VIRTUOUS CYCLE OF CONSUMER INVOLVEMENT

Marketing success depends on finding synergy among contact points by harnessing the power of the consumer. From our global consumer research and analytics studies, we found that brands need to create a 'virtuous cycle of consumer involvement' in order to drive consumer loyalty and ultimately sales. What that means is that successful brands leverage the power of consumer participation to grow involvement in earned and owned media, and that successful brands find a distinct recipe for driving this participation.

Initiative's analytics work for its clients around the world has consistently shown us how consumer involvement links to brand growth. In the US we found a very strong link between earned media and sales for a mobile brand - 10% of mobile handset sales were driven directly by the amount of word of mouth that existed among shoppers and customers, showing the power of consumer involvement.

## HIGH ROI FROM CONSUMER INVOLVEMENT

In electronics, we found owned media was a huge driver of brand growth. Across Europe, traffic on the brand website for our electronics brand was a powerful predictor of sales. In fact, growing customer involvement with the site by 1% meant a half a point sales growth. So the ROI on customer involvement can be very high.

To further understand the relationships between paid, earned and owned media, we studied the top three brands in three categories: mobile network providers in the UK, cars in Germany, and home electronics in the US. We also analyzed the leading shampoo brand in Australia.

The success of these brands is in part due to their ability to effectively manage the paid, earned, owned relationship

## PAID AND OWNED DRIVING EARNED

We created a total of 67 models across these categories which examined the link and interaction among paid, earned and owned channels and found some very interesting and powerful relationships. Overall, 50% of earned activity was influenced by paid and owned. This is a clear demonstration of how successful marketing can drive consumer participation.

From our analysis, we discovered that each category has its own set of behaviours. Among top car brands in Germany we found that 37% of earned (online word-of-mouth) was created by visits to the brand website (owned media).

However, the shampoo sector in Australia showed that paid media was driving 60% of word-of-mouth - also a powerful relationship, but this time driven by paid, as opposed to owned.

And in the mobile phone category in the UK, our analytics models showed us the ability of advertising in TV, print and online to motivate people to go to the brand website, a valuable sales channel for the category.

Different types of paid media were seen to be more or less influential. In the mobile phone category, press and TV had a very similar incremental effect on earned and owned activity. In the car category, press drove 1.6 times more owned activity than TV. And, in consumer electronics TV accounted for over 80% of media investment and was therefore the most significant media channel.



### Case study: Heineken, Soproni

With sales of beer declining, Soproni wanted to get Hungarians back into bars. Hungarians once loved the unique experience of drinking in their local bar...who better than to remind them of this than their local barman. Initiative and Soproni devised a hyper-local strategy with 755 billboards and 495 citylights sites all over Hungary – each one with the name and photo of the barman at the nearest bar that served Soproni. As well as featuring directions to the bar, the posters directed thirsty Hungarians to the Heineken website, which had a specially created bar locator featuring all the barmen. Local insight was the backbone of this campaign and determined the paid (outdoor) owned (Heineken website) and earned (consumer involvement and social media activity). Soproni became the number one selling beer in Hungary for the first time ever.

## POWERFUL INTERPLAY BETWEEN PAID, EARNED AND OWNED

Initiative's analytics modelling revealed that there could be a powerful interplay among paid, earned and owned channels in these categories. In fact, investment and activity in each of these respective areas could have a powerful reinforcing role, creating a virtuous cycle of consumer involvement with the brand.

So what does this tell us? First, that consumer involvement can be a powerful force in creating marketing synergy. But paid media can also be a powerful catalyst for consumer participation in earned and owned channels. While consumer involvement may be the 'fire' that drives brand growth, paid media can serve as the fuel to accelerate it. But in order to accomplish this, brands need to tailor and integrate their paid media with owned and earned channels. This can include direct tie-ins to websites, bringing paid media directly into owned and earned environments (and vice-versa), and being nimble enough to make all brand communication responsive to consumer dialogue about the brand and category.

Each brand, of course, needs to chart its own course in building consumer involvement in paid, earned and owned channels. The marketers job is to find how the dynamics of consumer involvement relate specifically to unique needs of the given category, market and consumer in order to create a virtual cycle that works for their brand.

Consumer involvement is the fire, paid media can act as the fuel.

- Successful brands connect their efforts across paid, earned and owned media. Each brand needs to find a unique formula in order to do this.
- Use analytics to understand the relationships between paid earned and owned, and to optimise paid media to stimulate increased earned and owned activity

# FIVE RULES OF PAID, EARNED AND OWNED MEDIA

**1** **Map the brand's touchpoints.** The number of ways that consumers interact with brands is exploding. Some of the most influential touchpoints may exist in areas in which brand marketers don't give much focus. Brands should invest in undertaking a rigorous and disciplined audit of all their touchpoints across paid, earned and owned media, map how they connect, and understand which ones have the most influence.

**2** **Connect to the consumer at every point in the purchase path.** As consideration for brands increases, purchase decision-making is extending into new areas online and offline. Brands need to be everywhere consumers are considering products and are receptive to the brand's messaging. This generally requires a diversification of the marketing mix to connect with consumers in new ways.

**3** **Track and measure consumer involvement.** Marketers in search of metrics to optimize their investments and drive accountability should use consumer involvement metrics to learn and evolve their efforts. Because of the inherent trackability of many aspects of earned and owned media online, marketers can benefit from using the measures suggested in the report as success metrics to improve their overall mix.

**4** **Use local insights to drive local plans.** As we have seen, the ability for global rules of thumb to drive effective marketing strategy is limited because of the important differences across markets. Marketers need to invest in local insights in order to create marketing plans that resonate and align to the way consumers make decisions in different areas of the world.

**5** **Give consumers an experience, not a rotation of messages.** The orchestration of paid, earned and owned touchpoints is not a mathematical exercise. Creating compelling consumer experiences in which touchpoints across all media interconnect requires innovation and creativity. This is the key to success in an increasingly cluttered and competitive marketplace.

## **ABOUT INITIATIVE**

Initiative is a performance-led media communications company.

Initiative believes that all marketing should be performance-driven. Data, analytics, insight and innovation are central to all our services, and we hold ourselves fully accountable to client business goals. This commitment to performance is at the heart of Initiative's unique process and culture.

Owned by the Interpublic Group, Initiative is part of media management group Mediabrands and a partner of Magna, IPG's centralized media negotiation entity. Initiative employs more than 2500 talented professionals, working in 91 offices across 70 markets, worldwide.

Initiative's comprehensive range of performance-led communications services include: research and insight, media planning and buying, digital communications solutions, content creation, and evaluation and accountability services.

## **ABOUT THE CONNECTIONS PANELS**

The Connections Panels provide everything a marketer needs to know about consumer behaviour in order to build truly engaging brand activity. They provide a single source for information on touchpoints, consumers and purchasing. Panellists can be contacted anytime, in any place to obtain fast, fresh insights on just about any topic. We currently have Connections Panels in 39 countries, comprising 175,000 individuals.