The Aotearoa Effectiveness Database

The Funny Thing About Profit

New findings about the kind of advertising that creates profitable growth

Insights from the Aotearoa Effectiveness Database 2022-2026

James Hurman

Commercial Communications Council

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Contents

3	Foreword
5	A note for Chief Financial Officers
7	Executive Summary
9	Part One: Growth, with benefits
10	Part Two: What converts growth into profit
15	Part Three: Pricing power is the stepping stone
18	Part Four: How pricing power is built
22	Part Five: Which brands can leverage pricing power into profit?
24	Part Six: What never contributes to profit
30	Part Seven: The role of out-of-home
33	Part Eight: What to do on Monday
34	Methodology

Foreword

In recent years, marketing effectiveness researchers have widened our apertures beyond studying what drives growth in sales and market share. Our interest has increasingly been on what drives profit and profitable growth for brands.

This has happened partly as a reaction to the boom and bust cycles of sectors like direct-to-consumer, who demonstrated the ability to deliver gravity-defying user growth with digital marketing, before imploding once the market noticed an inability of those companies to turn their revenues into actual earnings.

As misleading as digital campaign attribution is, it at least gave us the *feeling* that we could easily count sales, user, unit or volume growth against ad spend. What's always required more thoughtful calculation is whether that growth has made a company richer, or merely bigger. The two are far from mutually inclusive, albeit some business folk still hold the fallacious belief that profit naturally arrives with volume.

Alas, it does not.

Anyone can buy growth through the use of promotions and discounts, which inevitably reduce margins. And we're seeing the plateauing of performance marketing effectiveness – lower conversion rates and higher acquisition costs – which also very quickly deplete a company's profitability.

So we find ourselves looking for alternatives. And thankfully, they exist. There have been stirrings for years that weighting back toward creative, emotional brand marketing on broadcast channels would have a profit-accretive effect. And we are now able to study New Zealand advertising at a large enough scale to test that hypothesis.

This, the second report to emerge from the Aotearoa Effectiveness Database (after 2024's *Future Demand in Action*), does just that.

For me, the most telling finding is in part four. What drives profitable growth is a simple advertising recipe - a character, a joke, a big screen and consistency over years - advice that "would have been unremarkable in 1995 and sounds almost contrarian now."

For all of the technological advances the industry has made, and for all the ostensible benefits of social, influencers, creators and AI, we effectiveness researchers have continued to find that what works today is what has always worked.

And likely always will.

James Hurman, November 2026



James Hurman, author of *Future Demand* and *The Case for Creativity*, has researched marketing and advertising effectiveness for two decades. He's published extensively, and teaches it all on Lions Learning's *Master of Advertising Effectiveness* programme.

“We didn’t set out to be a non-profit organisation. It just turned out that way.”

A note for Chief Financial Officers

Advertising's relationship with revenue growth is well-established, and return on ad spend metrics give us a reasonable view of that relationship in our own business.

What is less well-established is advertising's relationship with profit.

Certain types of advertising can indeed allow brands greater price realisation. And it's this mechanism – the reduction of price elasticity and improvement in pricing power – through which advertising helps improve a brand's bottom line.

When we can discount less frequently, charge a little more than our competitors, or increase our price without customer attrition, those topline benefits flow through to net earnings without any of the costs of goods or servicing that necessarily attach to increases in unit sales.

Pricing power doesn't substitute for growth. It multiplies the odds of a profit outcome by roughly three, whether or not volume moved - but without volume growth the base is so low that the multiplier has almost nothing to work on. You need both.

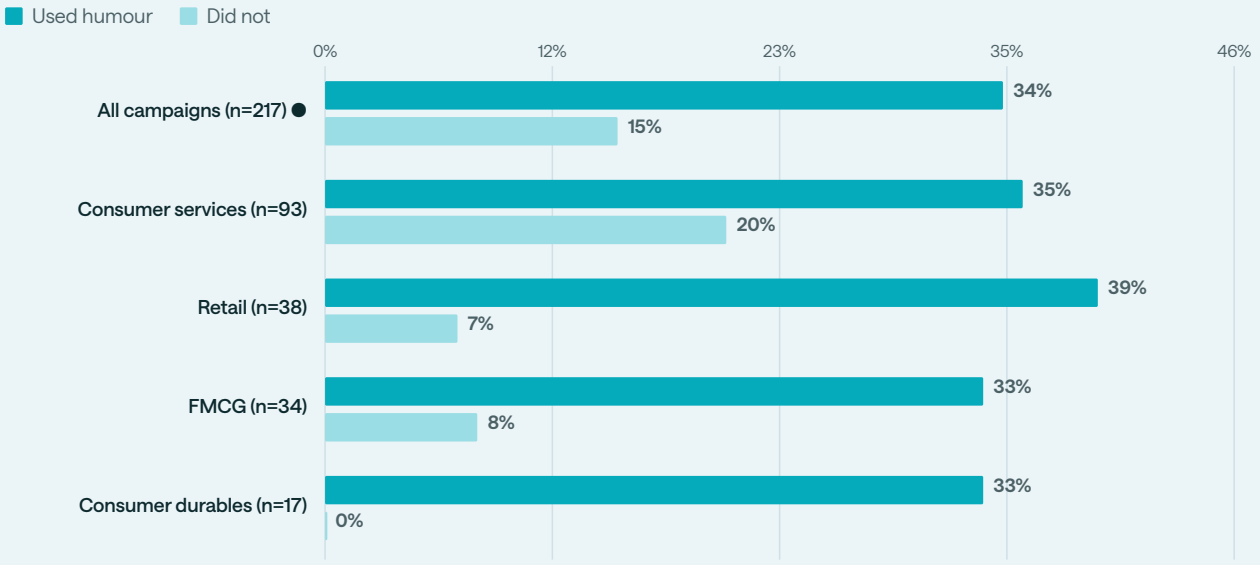
What converts growth into profit is not what most marketing plans optimise for

This is a study of more than 200 New Zealand advertising campaigns between 2022 and 2026. Our analysis shows that, of the campaigns that grew volume substantially, the single strongest discriminator of those that also grew profit is humour: 75% of funny campaigns converted, against 42% of the rest. It holds at roughly 4× the odds after controlling for budget, duration, media mix and category.

Read that as a proxy, not a prescription. Humour is the most reliably observable marker of work that is emotionally charged, broadly targeted, distinctive and memorable - and those are the properties that produce willingness to pay.

The objection is that humour belongs in FMCG or retail campaigns, not in categories where the purchase is serious. The data doesn't support that objection. Humour appears in 47% of all campaigns and in 37% of consumer services campaigns - banking, insurance, telco, utilities. The profit effect holds when category is controlled for and holds inside the serious categories on their own: 35% of funny campaigns reported a large long-term profit effect against 20% of the rest. Test whether the effect differs between serious and light categories and you get nothing. What's category-specific isn't whether humour works. It's the belief that it doesn't.

Large long-term profit effect, with and without humour, by category



All 217 campaigns, split by the four categories with 17 or more. Only the all-campaigns comparison is significant (p=0.001, marked); the category cells are small and directional only. B2B and consumer tech, eight campaigns each, are too small to show.

And what you may have come to think of as 'traditional' media that's expensive and difficult to measure – television and outdoor for example – are the channels most strongly associated with pricing power and profit outcomes.

Of 48 digital- or social-led campaigns - 21 of them spending over $250k - none produced a very large pricing effect. These channels record efficient short-term response; in this dataset they do not produce the pricing position that defends margin. Influencer marketing, for all its hype, is one of the most negatively associated with profit conversion.

These findings give financial stewards a better sense of what the marketing mix needs to include to ensure it protects both growth and earnings.

A brand well-built to positively impact pricing power should be treated as a depreciating intangible. It has a build cost, a decay rate and a measurable return in realised price. Underfunding it does not save money - it defers a cost onto gross margin, where it is harder to see and slower to reverse.

Although you may have been handed this study by your CMO, and may have an instinct to dismiss it, we hope that you in fact engage with it and see it for what it is – a way to partner with marketing to materially improve your conversion of growth into profit.

Executive Summary

The Funny Thing About Profit is an exploration of what creates pricing power and margin improvements, and profitable growth for brands.

Using data from the Aotearoa Effectiveness Database - 217 campaigns for for-profit brands from 2022-2026, we were able to study the creative and media characteristics of advertising that drives positive shifts in pricing power and profit.

Many campaigns in our database have grown long-term *sales*. But only some of those also grew *profit*.

So what separates those from the rest?

Whether the work was funny. Among campaigns that grew, 75% of the funny ones also grew profit, against 42% of the rest - a 33-point gap, and the only variable that survives every control we put on it. Behind humour sit executional craft and having a recurring brand character.

The mechanism is pricing power - the ability to charge more, or discount less. It lifts long-term profit incidence from 15% to 46%. Of the six brand metrics we track, only pricing power and brand preference independently predict profit.

But pricing power works *on* growth rather than instead of it. Among campaigns that grew, it takes the chance of profit from 46% to 74%. Among those that didn't, the same multiplier applied to a 4% base only gets you to 11% - three campaigns out of 28. Growth is what gives pricing power something to work on.

Pricing power has a very clear recipe: Build a character. Be funny. Put it on television. Target the whole category rather than your existing buyers. Make it beautifully. And run it long.

Some things never get you there. Sales activation produces a short-term effect 87% of the time and pricing power 19% of the time - excellent at the job it's hired for, and that job is not margin. Not one of the digital or social-led campaigns produced a very large pricing effect at any budget. Influencer marketing has the deepest negative association with long-term profit of any strategy we measure.

The combination of TV and out-of-home advertising is the #1 media predictor of pricing power and profit. Together, they create an effect that is far beyond the sum of their parts.

A CEO interviews three CFO candidates and asks each one "What's two plus two?"
One says four.
The second says "about four."
The successful candidate leans in, closes the door, and says "What would you like it to be?"

1
Growth, with benefits

Let's start with the thing every marketer is trying to do – use advertising to deliver growth in sales.

76 of the 217 for-profit cases in the Aotearoa Effectiveness Database - 35% - produced a large or very large gain in long-term sales. The rest delivered gains in short-term sales, of course, but for the purposes of this study, we're focusing in on the ones that graduated past short-term spikes in sales and delivered sustained growth over time.

76 did. But only 45 of those also produced a large gain in long-term profit.

31 campaigns grew the brand's volume without making the company any more real money.

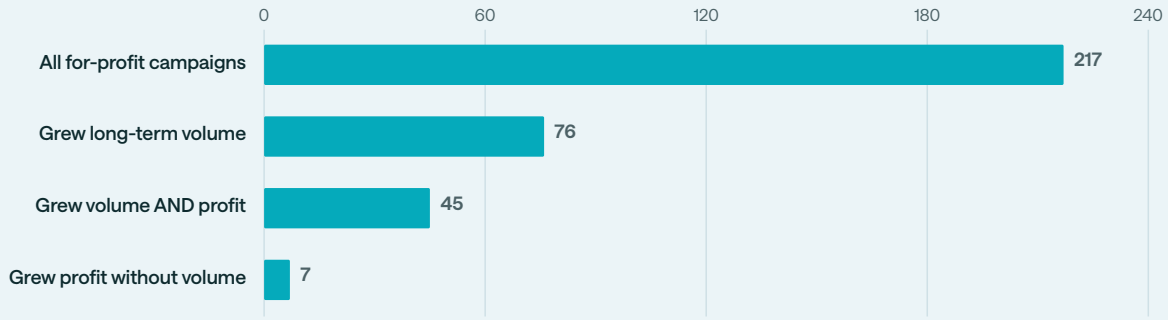
Of the 141 campaigns that did not grow volume, just seven grew long-term profit - 5%. Across the whole database, profit without volume happens in 3% of cases.

Growth is close to a precondition for profit. *You can find a handful of campaigns that made a company more money without selling more of anything. You cannot build a marketing strategy on them.*

This matters because of what the alternative looks like in practice. Profit without volume means efficiency: paying less for the same media, cutting production, trimming the agency, discounting less. Those are real levers and they are worth pulling. But they are bounded. You can only halve a cost once, and the companies in this database have mostly already done the easy half. Volume has no such ceiling.

So the question this report is built on is not "how do we grow?" Thirty-five per cent of these campaigns managed that. The question is why 31 of the 76 campaigns that grew sold more and earned nothing extra for it - and what the other 45 did differently.

From 217 campaigns to 45 that grew volume and profit



Large or very large effects (the top two boxes of the six-point scale). "Grew volume" = a large gain in long-term sales, the definition used in the 2024 Future Demand in Action study.

2

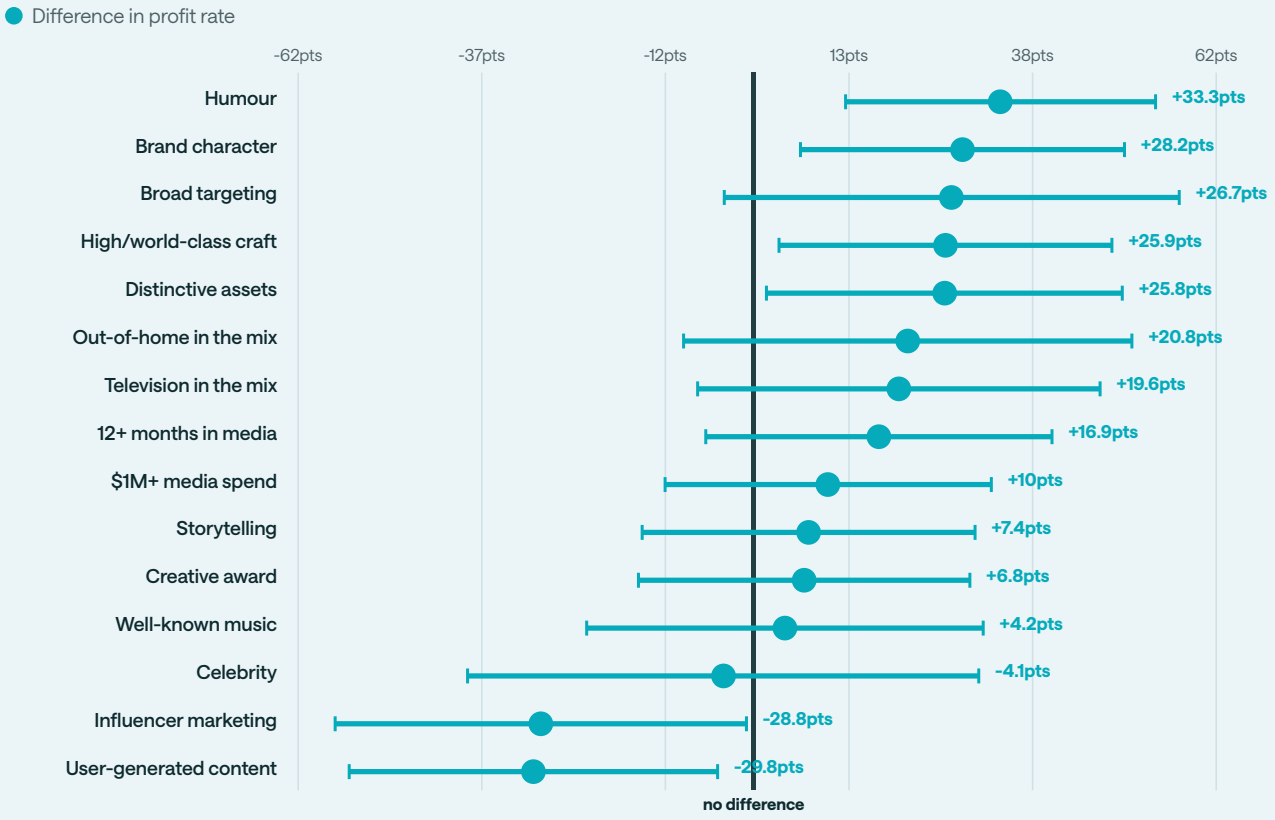
What converts growth into profit

Among the 76 campaigns that grew volume, what separates the ones that also grew profit is not how much they spent, or what media they chose. It's whether the work was funny.

Humour is the number one predictor

Humour is the largest effect in the chart and the most clearly significant of the fifteen. Among campaigns that grew volume, 75% of the funny ones also grew profit, against 42% of the rest - a 33-point gap.

Within the 76 campaigns that grew volume: what predicts also growing profit



Percentage-point difference in the share of campaigns reporting a large long-term profit effect, with 95% confidence intervals. Where an interval crosses the zero line the difference is not reliable. Two variables clear significance on a chi-square test — humour at p=0.007 and craft at p=0.048 — and one negative does, user-generated content at p=0.043.

Humour survives every control we put on it. Holding television, spend and duration constant, humour more than quadruples the odds of converting growth into profit. Put craft, brand character and the emotional mechanism into the model alongside it and humour is the only one left standing; the other three all fall below significance.

It also replicates outside the growers, which most of this chart does not. Across all 217 campaigns, campaigns using humour reported a large long-term profit effect 34% of the time against 15%.

Back to Future Demand in Action

Our last (2024) study found that humour was significantly less effective at driving sales in the short term - funny campaigns averaged 0.63 very large short-term commercial effects against 1.05 for campaigns without it - and significantly more effective over the long term. Two years and a much larger base later, that reversal holds, and we can now say where the long-term advantage lands: in the profit line.

Why humour should do this

Our data shows the association and cannot prove the mechanism. But there is a well-evidenced one available, and it is not the obvious "people like funny ads so they buy more".

Psychologists have spent decades studying 'affect' - the quick positive-or-negative emotional reaction that attaches to something and then colours how you judge it. Forty years of research has established that 'affect' happens subconsciously - before conscious reasoning - and then colours it. Slovic and colleagues formalised it as the 'affect heuristic', showing that positive feeling towards an option leads people to overestimate its benefits and underestimate its costs and risks. Forgas's Affect Infusion Model describes the same thing from the other end: under heuristic processing, people use their feelings as information about the object.

Price is a cost. If affect systematically depresses perceived cost and inflates perceived benefit, then a brand that makes you feel good is a brand whose price looks smaller to you than it is. That is pricing power, described in the language of psychology rather than economics.

There is brand-level evidence for the same chain. Chaudhuri and Holbrook's 2001 study in the *Journal of Marketing*, using consumer panel data across a large set of brands, found that brand affect predicted not only market share and loyalty but relative price - the premium a brand could sustain - while controlling for product attributes and advertising. Affect, in other words, has already been shown to buy price in exactly the way our data suggests it does here.

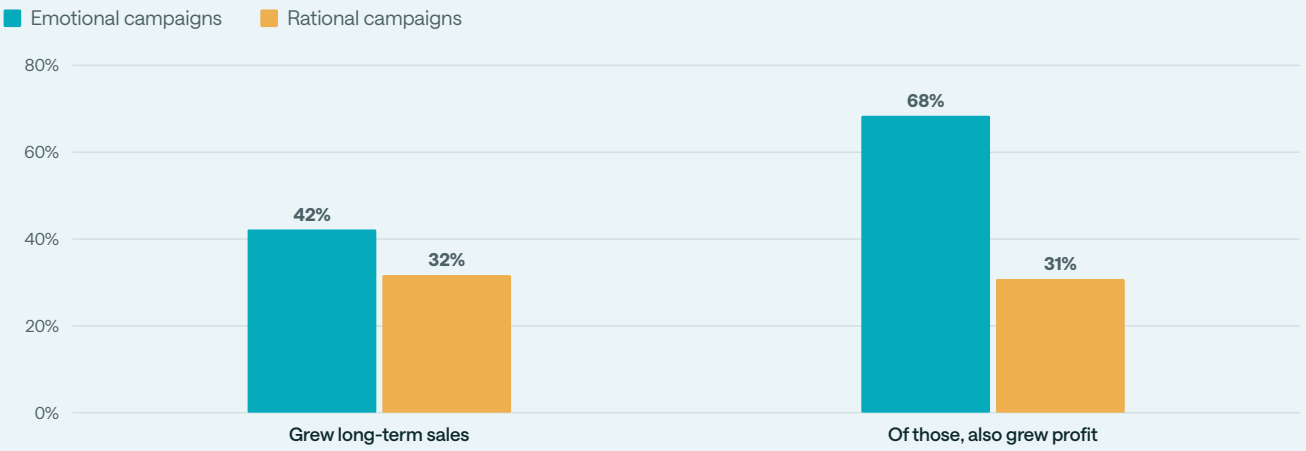
Humour is simply the most reliable and cheapest way to manufacture affect on demand. It's hard to make someone feel moved in fifteen seconds. It's not hard to make them laugh.

The general case: emotion converts, information doesn't

Humour is the sharpest version of a broader finding. Campaigns in the database nominate the primary mechanism they worked through: information or emotion. Emotional and rational campaigns grow volume at similar rates. They convert that volume into profit at completely different rates.

Rational work grows brands. It does not, on this evidence, grow margins. The reading that fits both the data and the psychology is that information persuades you the product is worth buying, which gets you the sale at whatever price is on the shelf; emotion changes what the price *feels like*, which is where the money is.

Emotional and rational campaigns grow at similar rates. Only one of them gets paid for it.



Left pair: share of all emotional (n=135) and rational (n=41) campaigns that grew long-term sales. Right pair: among those growers, the share that also grew long-term profit (n=57 and n=13). p=0.028.

Rational advertising wins the argument. Emotional advertising earns the right not to have it in the first place.

Craft is the second predictor

Campaigns made to a high or world-class standard of executional craft converted growth into profit 69% of the time, against 43% for everything below that line - a 26-point gap. It is the second of only two positive variables in the chart that clear significance.

Back to Future Demand in Action

Our 2024 study found craft to show one of the sharpest reversals in the data: campaigns with low or moderate executional craft out-performed high and world-class craft at driving short-term sales, while world-class craft was "by far the most effective for creating future demand". That is the same shape we see here. Craft does nothing for the till today and a lot for the margin later.

Why craft should matter for profit specifically has a plausible mechanism, and it is about signalling rather than beauty. Advertising that visibly cost money is one of the few honest signals a brand can send, because it is expensive to fake: a company will not spend heavily on communication for a product it expects to fail. This is the handicap principle borrowed from biology, and it has been tested. Kirmani and Wright showed in the *Journal of Consumer Research* in 1989 that perceived advertising expense raises expected product quality. Ambler and Hollier tested it directly in the *Journal of Advertising Research* in 2004, under the excellent title "The Waste in Advertising Is the Part That Works", and found that higher perceived advertising expense significantly increased persuasiveness - operating largely indirectly, through consumers' inferences about brand quality. Quality inference is what licenses a price.

The link between creative quality and the specific outcomes this report is about has been established in the past. Peter Field's *Crisis in Creative Effectiveness* (IPA, 2019) split creatively awarded campaigns into high and low performers on matched budgets and found the high performers almost sixteen times more likely to produce very large profit improvements, and more than twice as likely to improve pricing power.

A recurring brand character is second equal

Campaigns built around a recurring brand character converted growth into profit 80% of the time against 52% for those without - a 28-point gap, marginally larger than craft's but sitting a whisker outside significance.

With humour, it is one of only two variables in the chart that replicate convincingly outside the growers: across all 217 campaigns, brand character is associated with a large long-term profit effect 43% of the time against 20%.

Back to Future Demand in Action

The 2024 study drew a sharp distinction between borrowing fame and building it. Campaigns featuring a celebrity were "much less effective at building brand... and much less effective over the long term". Campaigns featuring a brand's own recurring character - Turners' Tina, ASB's Ben and Amy - showed "a significant benefit in terms of building brand, creating future demand, and driving long-term growth". The advice then was to create your own celebrity rather than rent someone else's. The profit data now says the same thing, more loudly: celebrity moves pricing power by two points and the recurring character moves it by twenty-three.

System1 named these 'fluent devices' in 2017, and Orlando Wood led the research that made the case for them: "situations and characters which can be recognised immediately by the viewer, making recognition faster and delivering positive emotion more quickly." The mechanism is compounding. A character you already know carries everything the brand has previously spent into the first second of the new ad. The work does not have to re-establish who is talking, so more of the six, fifteen or thirty seconds is available to do something enjoyable - and the enjoyment itself is pre-loaded, because you're pleased to see someone you like.

The international numbers point the same way as ours. System1's analysis of the IPA Databank found that campaigns using a fluent device were 30% more likely to report profit gains and 37% more likely to report market share gains, on a base of 44 long-term campaigns using a character device against 256 that did not.

And the asset only pays if you keep it. System1 and the IPA's *Compound Creativity* study (2024), covering more than 4,000 ads and £3.3 billion of television spend, found the most creatively consistent brands produced 27% more very large brand effects, and that the most consistent fifth produced 28% more very large business effects - growing market share more than twice as effectively on the same money.

Note how neatly the top three stack. A character is a delivery system for humour - most of the famous ones are comic - and a reason to invest in craft, because you are building an asset you will use for years rather than a spot you will burn in six weeks. These are not three separate tactics. They are one tactic described three ways.

What does not convert growth into profit

Two things move it the wrong way, both at the bottom of the chart. User-generated content converted growth into profit 37% of the time against 67% without it - a 30-point penalty, which makes it as significant as craft and pointing the other way. Influencer marketing is almost identical at −29 points. Both are cheap, participatory and good at several things; section six shows what those things are. Converting growth into margin is not among them.

So the recipe for turning growth into profit is short, and it is the three things at the top of the chart: ***be funny, make it beautifully, and put a character in it that you intend to keep.***

The First Law
of Economics:
for every economist,
there exists an equal and
opposite economist.

3

Pricing power is the stepping stone

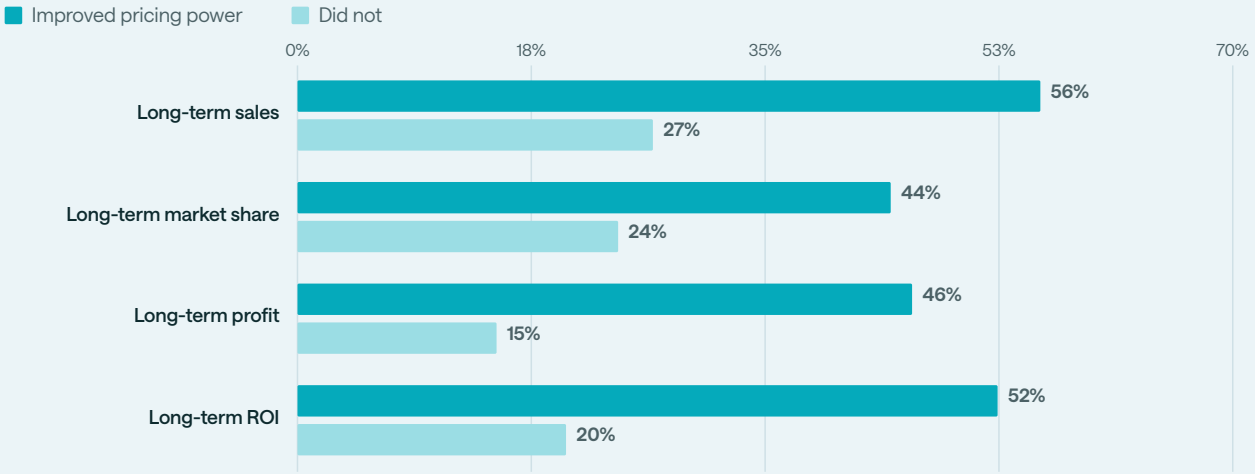
Putting the creative and media variables aside, the mechanism by which brands make companies more profitable is that they let the company charge more - or discount less - than it otherwise could.

This is the oldest claim in brand marketing and one of the better-evidenced ones.

Binet and Field's analysis of the IPA Databank finds that very large reductions in price sensitivity rise cleanly with the number of very large brand effects a campaign produces - from around 1% of campaigns with none, to roughly 11% of campaigns with four or more. Kantar's BrandZ work puts a coefficient on it: a one-point gain in their Pricing Power measure is associated with a four-point increase in relative price, and 94% of Pricing Power is explained by how 'meaningfully different' a brand is perceived to be. Econometric work by Magic Numbers with adam&eveDDB shows price elasticity moving measurably towards zero within three years of sustained investment - Yorkshire Tea came out of a 2022 price rise with elasticity 25% better than the FMCG norm.

There is a New Zealand data point too. A Flybuys panel study of 810 shoppers across yoghurt and cat food found brand-driven shoppers paying 11%

Campaigns that strengthened pricing, against those that didn't, on every long-term commercial outcome



Share reporting a large or very large effect. Pricing-power campaigns n=63; the rest n=154.

more than price-driven shoppers for the average brand - and 38% more for brands they saw as meaningfully different. Even the price-driven shoppers paid 14% more for those brands.

The logic is not complicated. Advertising can do two things to a demand curve: move it out, or make it steeper. Moving it out sells more units at the same price, which grows revenue and, if your marginal costs are real, grows profit a bit. Making it steeper means fewer of your buyers leave when you raise the price or a competitor cuts theirs. The second one is where operating leverage lives, because a price point you defend drops almost entirely to the bottom line.

Our database measures this directly. One of the six brand effects respondents rate is “strengthening or defence of pricing”. 63 campaigns - 29% - reported a large effect on it. Those 63 campaigns are a different animal from the rest.

On every long-term measure the gap is roughly two to three times. Long-term profit moves from 15% to 46%. But the raw comparison overstates the case, because campaigns that improve pricing are also campaigns that did other things well. The question is whether pricing power is doing work of its own.

It survives the controls

Put long-term profit into a logistic model with pricing power alongside long-term sales growth and long-term share growth - that is, ask whether pricing power still predicts profit among campaigns that grew equally - and it does. Pricing power carries an odds ratio of 3.7 with volume growth already in the model.

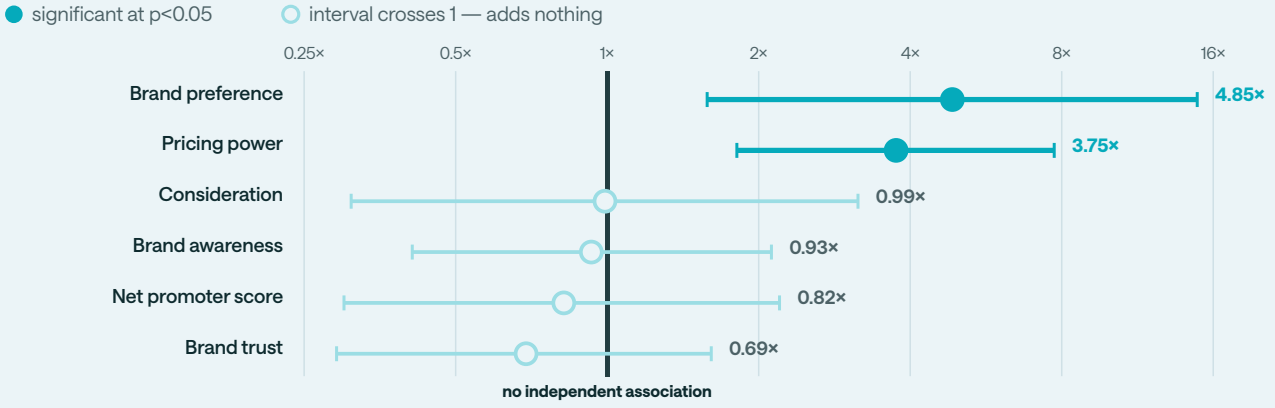
Only one other brand metric survives beside it

Our survey tracks six brand effects: awareness, consideration, preference, trust, pricing power and net promoter score. Run all six against long-term profit at once and four of them disappear.

Only pricing power and brand preference independently predict profit. Awareness, consideration, trust and net promoter score add nothing once the other two are accounted for.

That is a confronting result for the standard brand-tracking dashboard, where awareness usually occupies the top row and pricing power is not measured at all. It is less confronting when you look at what those metrics are. Awareness and consideration are necessary conditions, not sufficient ones: nearly every campaign here has them, so they cannot discriminate. Preference and pricing power are both measures of strength of claim on the buyer - one in choice, one in wallet. They are the two that tell you whether anything load-bearing changed.

Six brand metrics, entered together, against large long-term profit



Odds ratios from a single logistic regression with all six brand effects as predictors (n=217). A value of 1 means no independent association. Log scale.

It is what the other effects add up to

Pricing power almost never arrives on its own. Of the 63 campaigns that reported a large pricing effect, 55 also reported at least one other large brand effect, and they averaged 2.9 other brand effects each against 1.7 for everyone else.

This is the right way to read it. Pricing power is not another box to tick alongside awareness and trust. It is the downstream consequence of having enough of the others at once. It behaves like an apex metric: rarely moved, hard to fake, and only available to campaigns that have already done the rest of the job.

But it converts growth - it doesn't create it

Here is the finding that organises the rest of this report. Split the database by whether a campaign grew volume, then look at what pricing power does inside each group.

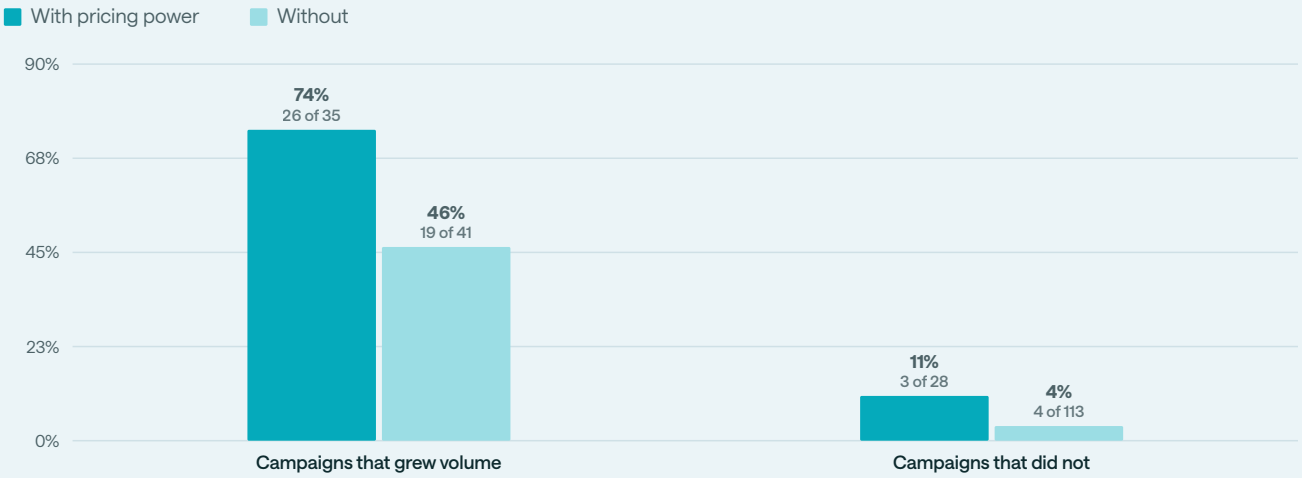
Among campaigns that grew volume, pricing power raises the chance of growing profit from 46% to 74% - 26 of 35 against 19 of 41. Among campaigns that did not grow volume, it moves from 4% to 11%: three campaigns out of 28 against four out of 113.

Read those two comparisons carefully, because the obvious reading is the wrong one. Pricing power improves the odds of profit by roughly the same factor in both groups - we tested for a difference and found none. What changes is what it has to work on. Applied to campaigns that grew, that improvement is worth 28 points. Applied to campaigns that didn't, it is worth seven, because a multiple of almost nothing is still almost nothing.

Pricing power is a multiplier, not an engine. *It does not generate profit on a brand that is not selling more. It determines how much of your growth you get to keep.*

Which is why the two halves of this report have to be read together. Section two is about converting growth you already have. This section says the conversion runs through pricing power. Section four is about how you build pricing power in the first place - and that turns out to be the most mechanical, least ambiguous recipe in the whole database.

Large long-term profit effect, with and without pricing power



Among campaigns that grew long-term sales (n=76) and those that did not (n=141). Counts shown under each bar, because the right-hand pair rests on seven campaigns in total.

4

How pricing power is built

It's a character, a joke, a television set and a long time.

Nothing else in the database has a recipe this clean. Run every creative and media variable we hold against the chance of a large pricing effect and eight of the thirteen clear significance - in an order that would have been unremarkable advice in 1995 and sounds almost contrarian now.

Build a character

A recurring brand character is the single biggest creative lever: 48% against 25%. Celebrity does nothing. The difference between the character and the celebrity is ownership - one of them is an asset on your balance sheet and the other is a rental that'll happily do an ad for your competitor next year.

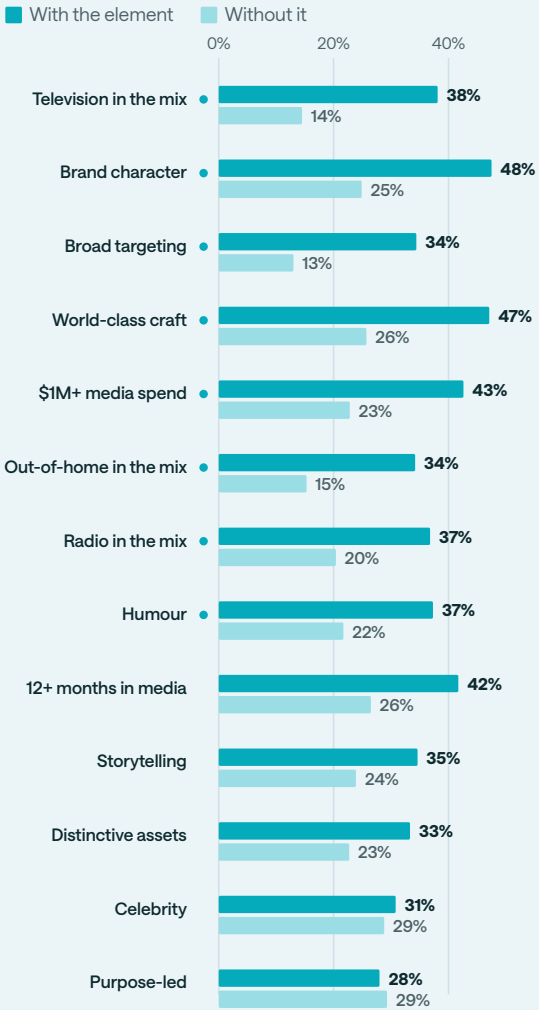
Be funny

Humour: 37% against 22%. Same lever as section two, now visible in the mechanism rather than only the outcome. Humour builds the pricing power; the pricing power converts the growth.

Put it on television

Television in the mix: 38% against 14% - the most statistically robust single result in this section. Television-led campaigns reach 47%. We will come

Share of campaigns reporting a large pricing effect, with and without each element



All 217 campaigns. Ordered by the size of the gap. Bars marked with a dot are significant at p<0.05.

back to what this does and does not mean for other channels in section six, because the finding is about a particular job, not a verdict on media.

Target the whole category

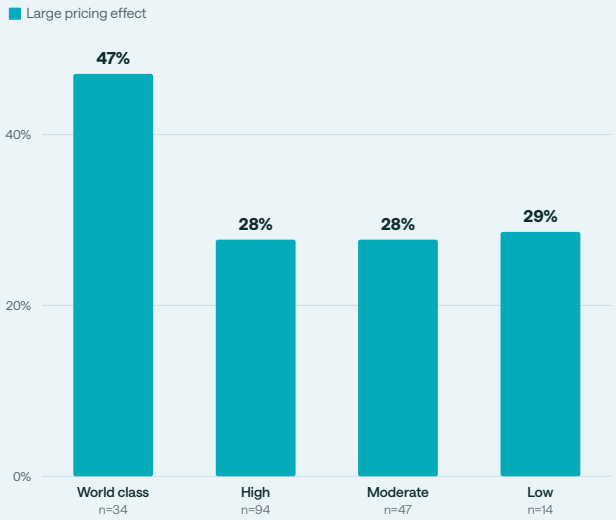
Broadly targeted campaigns reported a large pricing effect 34% of the time against 17% for narrowly targeted ones. This is the most direct link in the report back to the future demand argument. Pricing power is not a thing your existing buyers grant you; it is a thing the whole market grants you, because the price you can charge is set by what people who are not currently buying think your brand is worth.

Les Binet reached the same conclusion from a much larger base. Looking across more than two thousand IPA case studies, he has said he found no company that strengthened its pricing power by targeting its existing customers. The IPA's own cut puts campaigns aimed at existing customers at zero very large price-sensitivity reductions, against 8% for campaigns aimed at non-customers.

Make it beautifully

World-class executional craft: 47%, against 28–29% at every level below it. And this isn't a gradient, it is a step. High craft performs the same as moderate craft. Only the top of the scale separates.

Large pricing effect by self-assessed executional craft



The 189 campaigns with a craft rating above "very low". Four campaigns rated themselves very low and 24 gave no rating.

And then you wait

Pricing power is the slowest outcome in the database. Campaigns in paid media for under three months achieved it 21% of the time. Campaigns running a year or more achieved it 42% of the time, and their long-term profit rate more than quadrupled, from 11% to 50%.

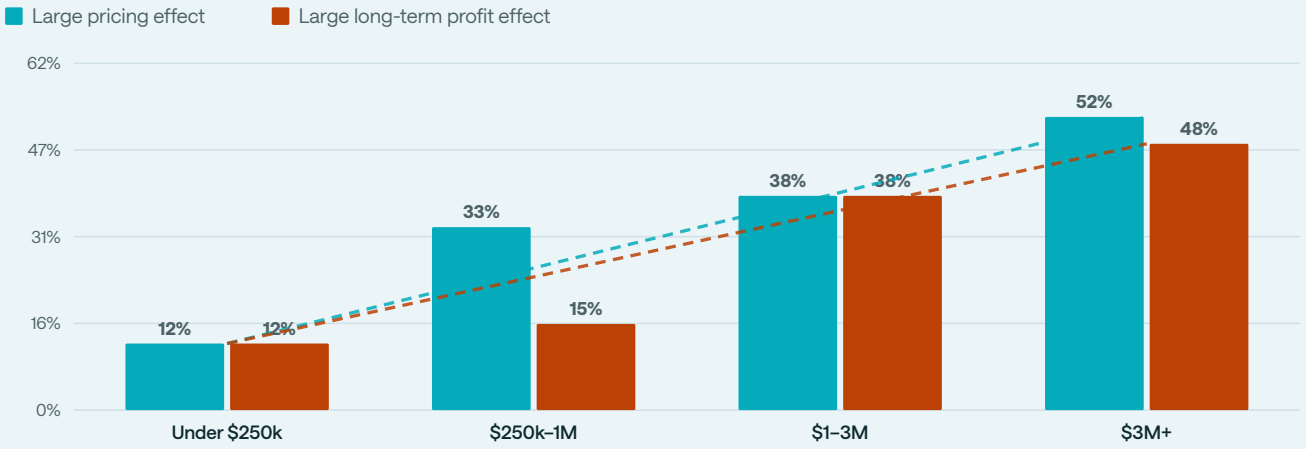
The profit line rising faster than the pricing line is the compounding at work. Short campaigns can occasionally shift what people will pay. Only long ones get to collect on it repeatedly.

Pricing power and long-term profit by time in paid media



Three bands, chosen wide enough to be read: 0–3 months (n=90), 3–12 months (n=66), 12–36+ months (n=36).

Pricing power and long-term profit by media spend



Spend bands as reported. n=67, 52, 47, 21 respectively.

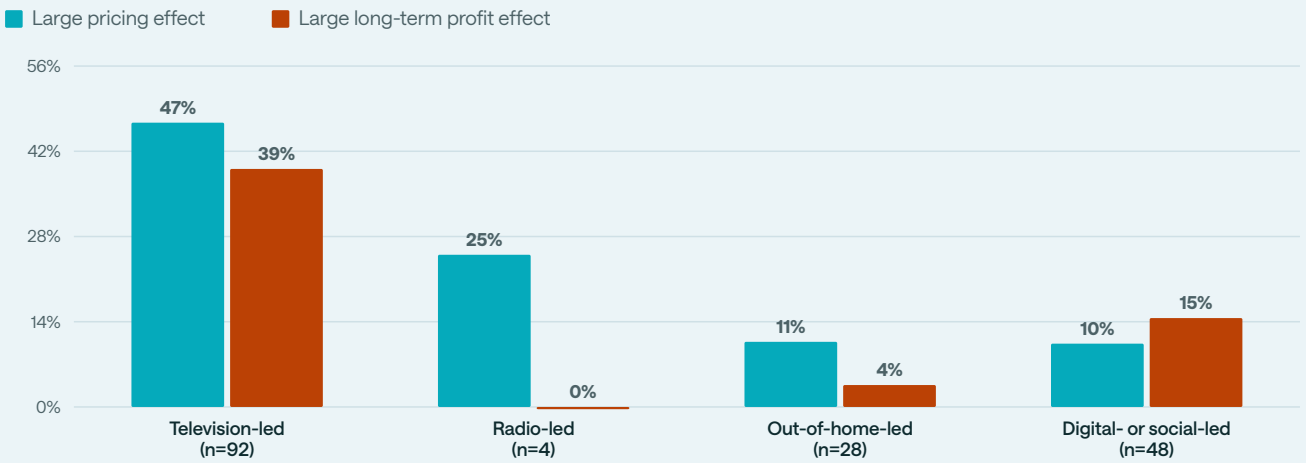
Investment helps, but what you spend it on helps more

Money does matter here, in a way it did not in section two. Twelve per cent of campaigns spending under $250k improved pricing power, rising to 52% above $3M.

But the lead channel sorts the campaigns more sharply than the budget does. Television-led campaigns achieved pricing power 47% of the time; out-of-home-led 11%; digital- or social-led 10%.

Build a character. Be funny. Put it on television. Target the whole category. Make it beautifully. Keep it there for years.

Pricing power and long-term profit by lead channel



Radio-led is shown for completeness but rests on four campaigns and should not be read. Digital- or social-led combines online video, display, search, paid social and influencer as the single lead channel.

"Advertising may be described as the science of arresting the human intelligence long enough to get money from it."

Stephen Leacock, Canadian humorist

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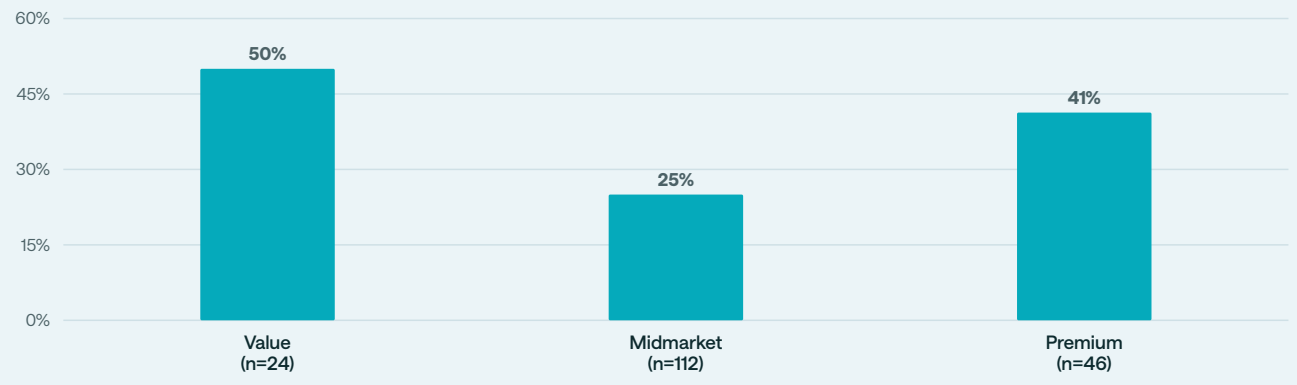
Which brands can leverage pricing power into profit?

The intuition is that pricing power is a premium-brand problem: that it is about justifying a high price. The data says the opposite. Half of value-priced brands in the database reported a large pricing effect. Premium brands managed 41%. Midmarket brands managed 25%.

There are two readings, and they are not mutually exclusive. The first is about headroom: a value brand's price is defined by being below the market, so any movement towards the middle is a gain it can see, while a premium brand is already charging what the position allows. The second is about what "pricing power" means in each case. For a premium brand it usually means holding the premium under pressure. For a value brand it can mean escaping the discount cycle, which is a bigger and more visible change.

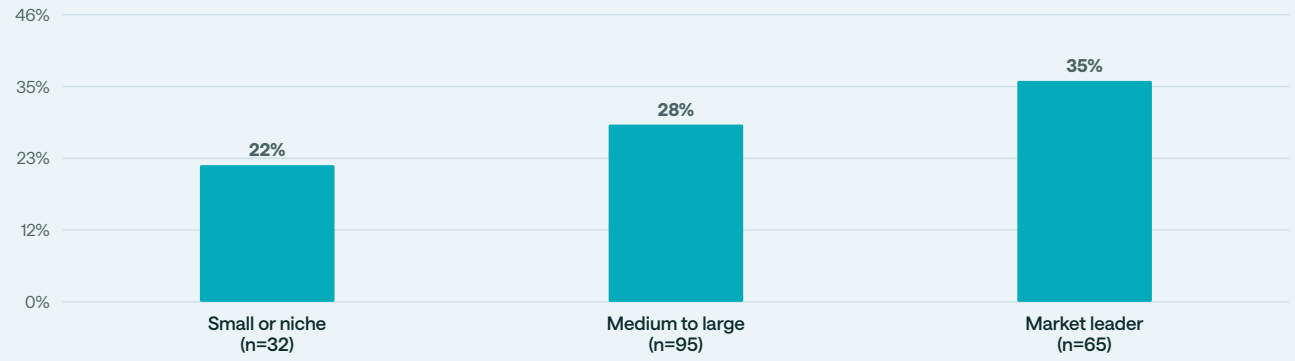
Midmarket is the hard place, which should surprise nobody. A brand with no price story has nothing to defend and nothing to climb towards.

Large pricing effect by the brand's price position



Value n=24, midmarket n=112, premium n=46. Super-premium (n=2) and unpriced (n=2) are too small to show, and 31 campaigns did not record a price position — the 182 campaigns shown are the three priced tiers with enough cases to plot.

Large pricing effect by brand size before the campaign



Small or niche n=32, medium to large n=95, market leader n=65.

Brand size barely matters

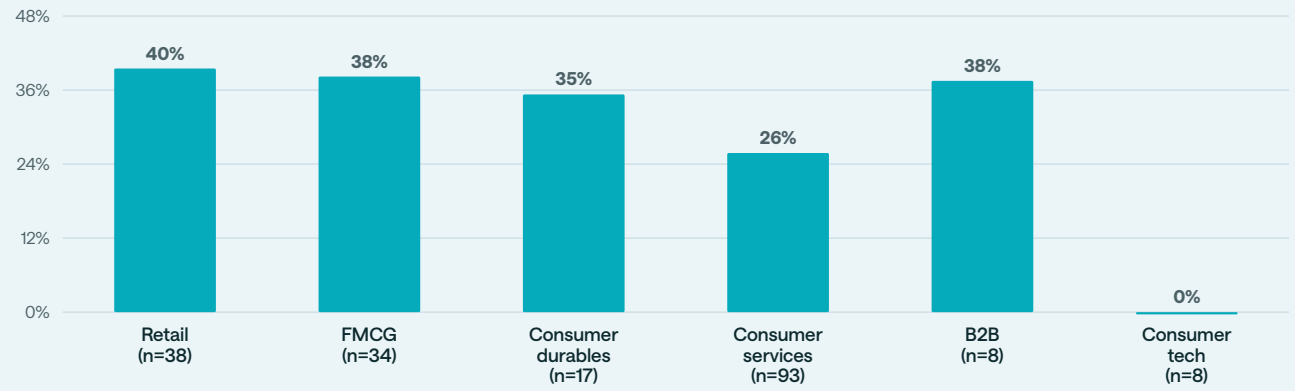
Market leaders do best, at 35%, and small brands worst, at 22%, but the gap is modest and not significant. Pricing power is not reserved for big brands. It is reserved for brands that market the way big brands market.

Category matters more

Retail (40%), FMCG (38%), B2B (38%) and consumer durables (35%) lead, which fits: these are categories where price is visible on a shelf every day and where a brand that can hold price against a house label or a competitor's promotion knows immediately that it has. Consumer services, the largest group at 93 campaigns, sits at 26%. B2B is on only eight campaigns and should be read as a curiosity rather than a result.

And then consumer technology: zero out of eight. Eight campaigns is far too few to conclude anything, and we flag it only because it is such a clean zero in a category whose marketing is almost entirely performance-led and whose products are compared on spec. If there is a hypothesis in there, it is that a category which trains its buyers to compare numbers has taught them not to pay for feelings.

Large pricing effect by category



The six categories with eight or more campaigns. Consumer tech and B2B rest on eight campaigns each and should be read as directional only.

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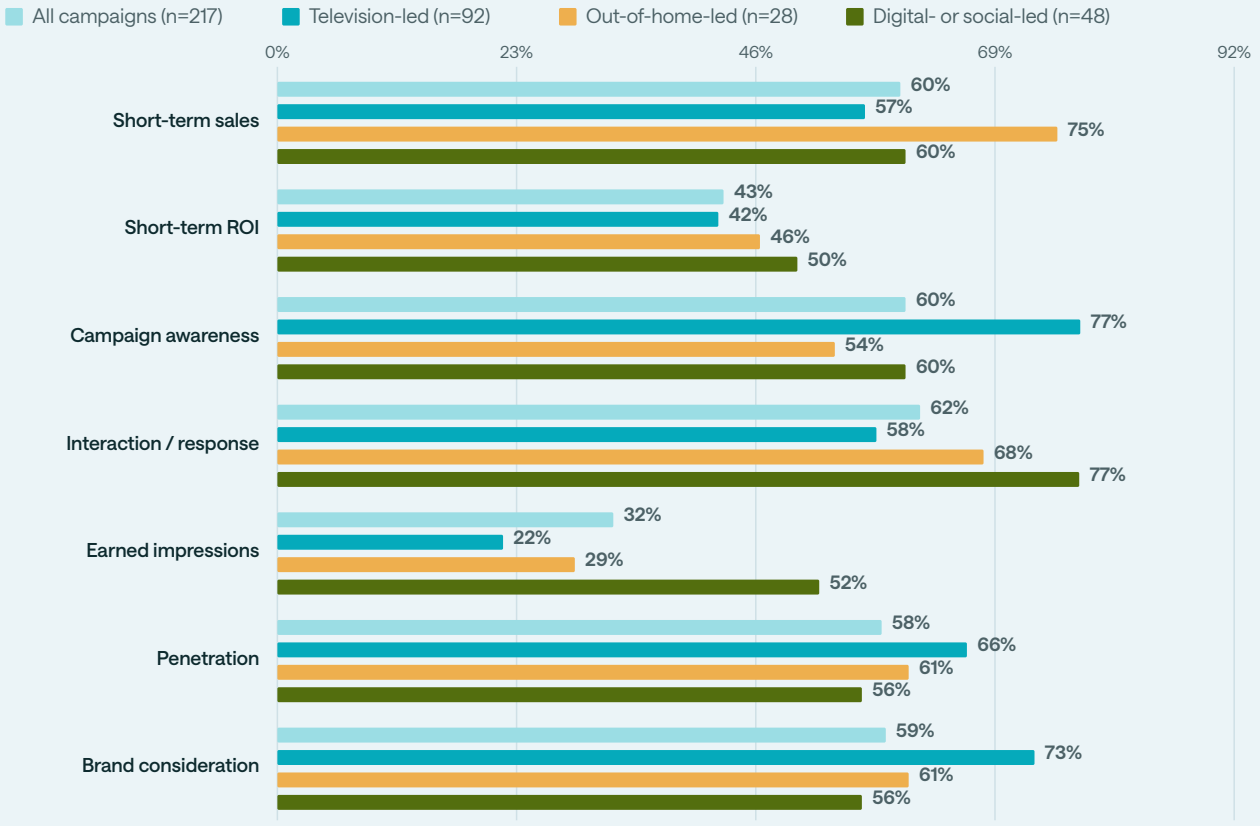
What never contributes to profit

Every channel in our database is good at something. The point of this section is that they are good at different things, and only some of those things are price and profit.

Before any of the findings below, the fair frame: we asked campaigns to report effects across the full range - short-term sales and ROI, campaign awareness, interaction and response, earned reach, penetration, brand measures.

Sort the database by lead channel and each one has a column it owns:

What each lead channel is best at: share reporting a large effect



All 217 campaigns, split by the single lead channel declared. Television-led n=92, out-of-home-led n=28, digital- or social-led n=48.

Digital and social-led campaigns are the best in the database at interaction and response and at earned reach - they are, by a distance, the channels that get people to do something and to pass it on. They also post the highest short-term ROI occurence of any lead group, at 50%. Out-of-home-led campaigns are the best at short-term sales, at 75%. Television-led campaigns are the best at campaign awareness and brand consideration.

Those are real, measured advantages, and nothing that follows takes them away. What follows is about one outcome only.

Activation works. It just doesn't work on price.

Campaigns declaring sales activation as their role produced a short-term effect 87% of the time - the highest rate in the database, and comfortably above brand-building's 49%. They are extremely good at the job they are hired for.

They also produce pricing power 19% of the time and long-term profit 7% of the time, both the lowest of the three roles. Brand-building campaigns, which hit short-term effects a little over half as often, produce long-term profit more than five times as often.

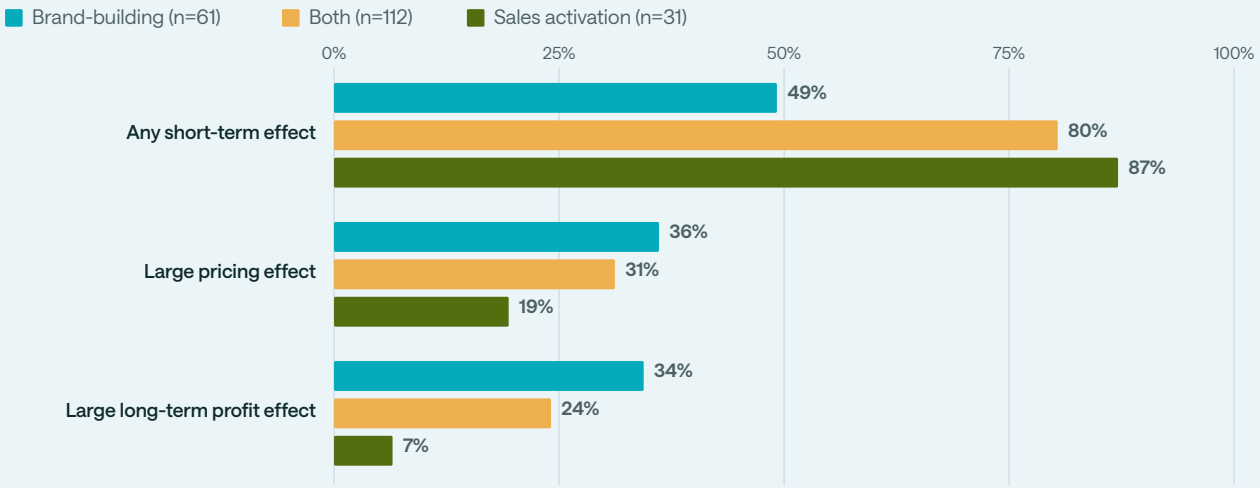
This is not an argument against activation. It is an argument against expecting activation to do a job it was never designed for. Promotions, performance marketing and sales activation move units this quarter. By construction, most of them work by making the offer more attractive on price - which is the opposite of teaching the market to pay more. The error is not running them; it is running only them and then wondering why margin never improves.

Digital leadership and pricing power: the honest picture

Forty-eight campaigns in the database led with a digital or social channel. Ten per cent of them reported a large pricing effect, against 47% of television-led campaigns. Not one of the 48 reported a very large one.

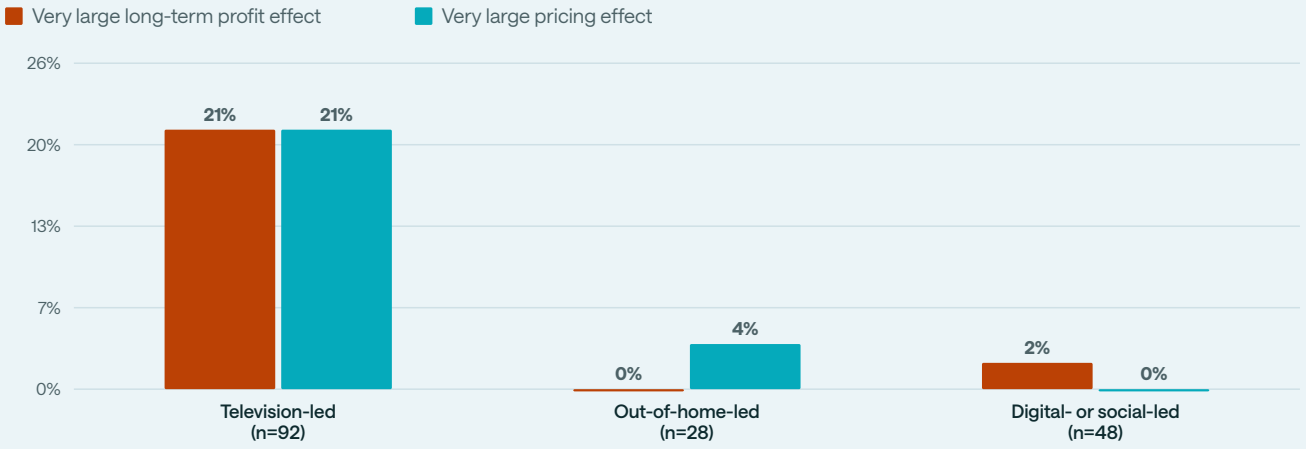
The obvious objection is budget: digital-led campaigns are smaller, and section four showed that money matters for pricing power. So test it at scale. Twenty-one digital-led campaigns spent $250,000 or more. Between them they produced zero very large pricing effects and zero very large profit effects. Seven spent over $1M. None of the seven produced a large pricing effect of any size.

Campaign role against short-term effects, pricing power and long-term profit



Brand-building n=61, both n=112, sales activation n=31.

Very large profit and pricing-power effects by lead channel

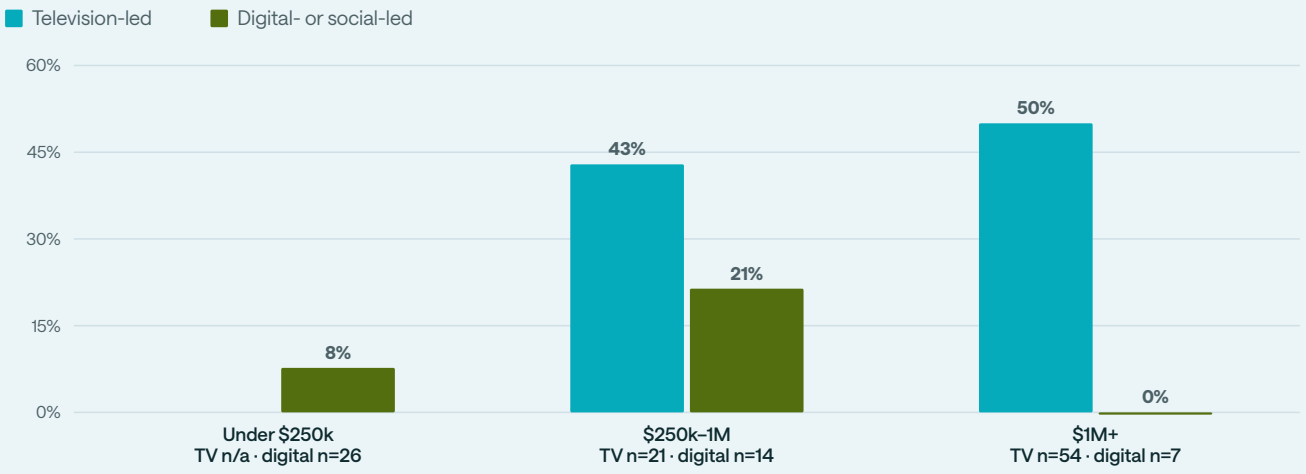


Top-box effects only. Television-led n=92, out-of-home-led n=28, digital- or social-led n=48.

In five years of New Zealand's best-documented work, nobody has yet demonstrated a digital-led route to pricing power at scale.

And it should be read alongside what the same database says about digital in a supporting role, which is much more positive. Paid search in the mix is associated with significantly better short-term sales (71% against 52%), short-term ROI (55% against 33%) and penetration (66% against 52%) - and its long-term profit association is positive, not negative. Paid social in the mix is significantly better on interaction and response. These are channels doing valuable work. The finding is specifically about what happens when they become the campaign rather than part of it.

Large pricing effect by lead channel, within each spend band



Only three television-led campaigns spent under $250,000, too few to plot, so that bar is left out. Television-led n=21 and 54 in the upper two bands; digital- or social-led n=26, 14 and 7.

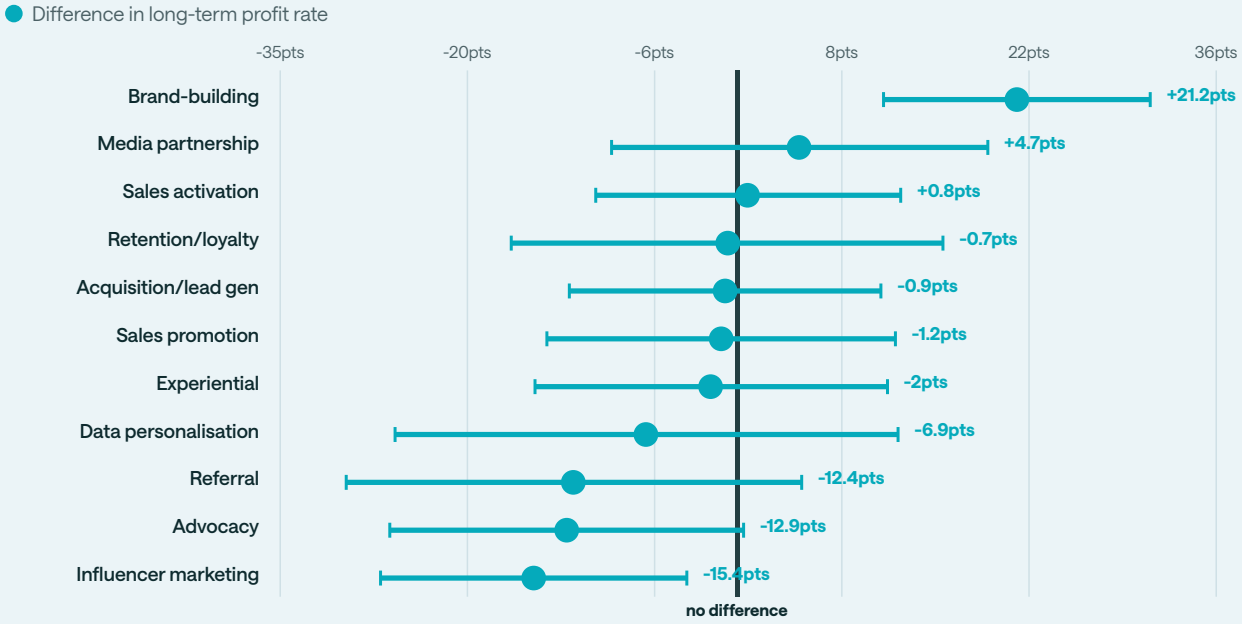
Influencer marketing

Of the eleven communications strategies in the survey, influencer marketing is the one with the deepest *negative* association with long-term profit.

Influencer buys attention and cultural presence efficiently, and it sits alongside PR and content marketing as the channels that do. The evidence here is that it does not buy price.

The most likely reason is structural rather than a failure of execution. Influence is borrowed affect, and it is borrowed from someone who will lend it to a different brand next month. It does not accumulate against your name the way a character or a long-running campaign does. It also tends to be deployed in bursts, and section four showed that pricing power is the slowest outcome in the database.

Communications strategies against large long-term profit



Percentage-point difference with 95% confidence intervals, all 217 campaigns. Where an interval crosses the zero line the difference is not reliable. Brand-building is the only strategy to clear significance (+21 points, p=0.007); among the negatives, influencer marketing comes closest at p=0.055.

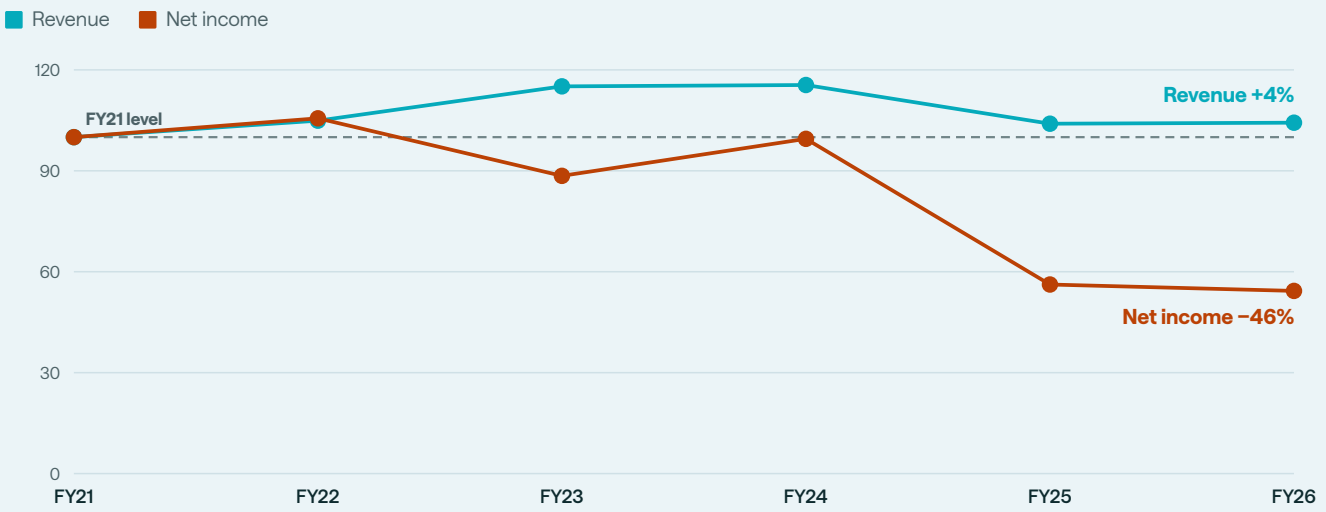
If you market like a smaller brand, you will become a smaller brand

Which brings us to the most expensive illustration of this argument in recent marketing history.

In the early 2020s Nike reorganised its marketing around performance marketing, influencer marketing and direct-to-consumer selling. The consequences have been severe. Nike's market capitalisation peaked at roughly US$264 billion in November 2021. By September 2026 it was around US$57 billion - a fall of about 78%, and more than US$200 billion of value. On 21 September 2026 Nike was removed from the S&P 100 after nearly eighteen years in the index.

Underneath the share price is a profitability collapse. Nike's net income fell from US$6.05 billion in FY22 to US$3.11 billion in FY26, while revenue was essentially flat - US$46.7 billion then, US$46.4 billion now. Net margin went from 13.0% to 6.7%.

Nike's profit halved while revenue stayed flat



Both series indexed to FY21 = 100. Revenue went from US$44.5bn to US$46.4bn over the period; net income from US$5.73bn to US$3.11bn. Source: Nike, Inc. annual results.

The company is selling the same amount of product and keeping half as much of the money.

For decades the quality of Nike's brand marketing bought the company extraordinary pricing power. People would buy Nike at full price when cheaper and often technically comparable alternatives sat on the same wall.

Then Nike became preoccupied with how its much smaller competitors - Hoka and On Running above all - were marketing and growing. Those brands did what small brands do. They used social and influencer to buy reach they could not afford on broadcast. They sold direct while they climbed the mountain of retail availability. Nike read those tactics as the cause of the challengers' growth, rather than as what they actually were: the things a brand does when it cannot yet afford the more effective forms of marketing that let big brands hold altitude, defend price and protect margin.

Our data shows the same asymmetry at New Zealand scale. Television-led campaigns produced very large long-term profit effects 21% of the time and very large pricing effects 21% of the time. Digital and social-led campaigns: 2% and zero.

The tactics that make a small brand bigger are not the tactics that keep a big brand big.

Nike is now spending heavily to rebuild broad-reach brand marketing and repair the wholesale relationships it walked away from. The lesson for a New Zealand marketing director is not that digital is bad. It is that the mix which is correct for a challenger with no pricing power to lose is actively dangerous for an established brand that has plenty.

Where the evidence stops

Nike's decline has several causes - product cycle, innovation pipeline, China, inventory, wholesale channel damage - and the company itself has pointed to all of them. The marketing-mix shift is one factor among several, and nobody can apportion them precisely from outside. We use it here as an illustration of a pattern our data supports.

Two economists walk past a pond. One offers the other $20,000 to eat a frog, and he does it. Then the second offers the first $20,000 to eat another frog, and he does it too. They realise they're both back where they started, except they've each eaten a frog.
"Ah," says one, "but we've just generated $40,000 of GDP."

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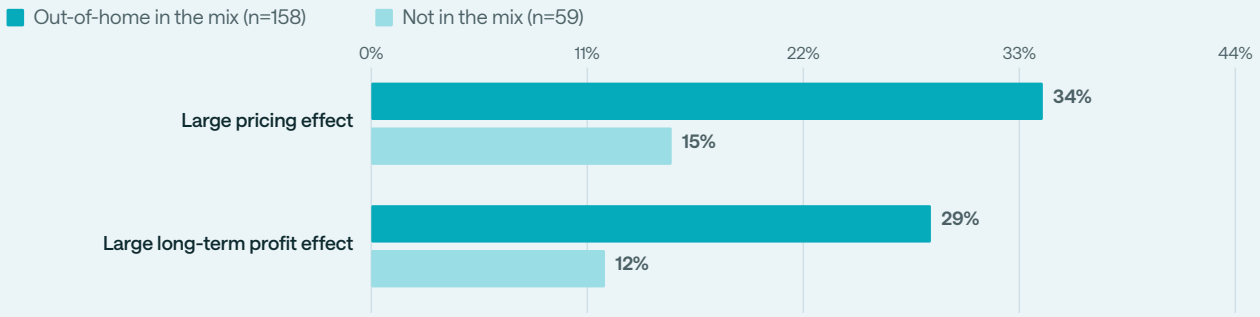
The role of out-of-home



Outdoor is in the mix of nearly three-quarters of the campaigns in our database, and it is one of the eight significant drivers of pricing power identified in section four.

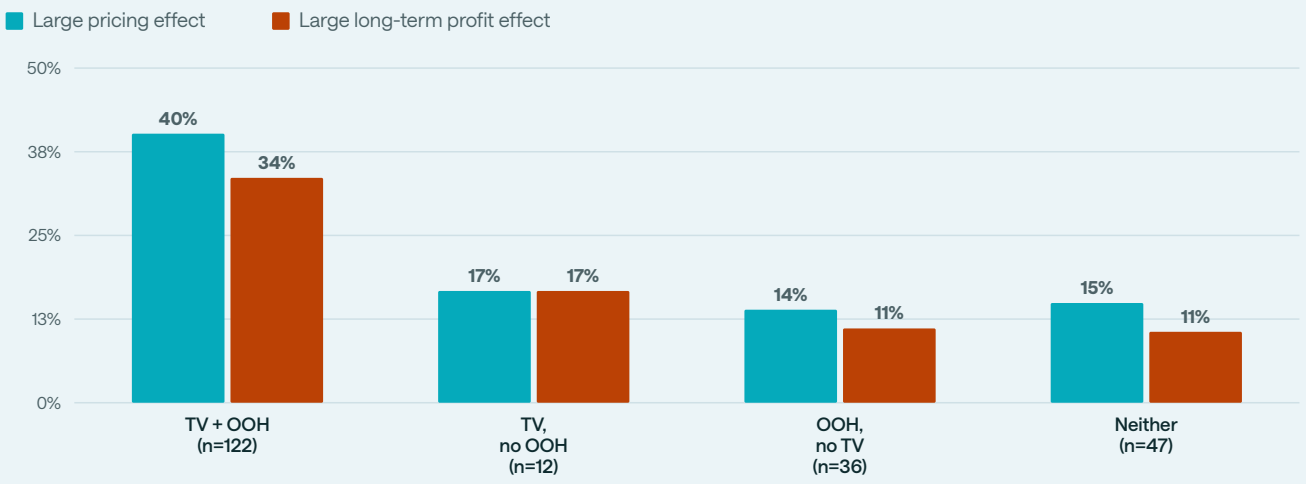
Campaigns using out-of-home reported a large pricing effect 34% of the time against 15% for those that didn't, and a large long-term profit effect 29% against 12%.

Pricing and profit effects, campaigns using out-of-home against those that didn't



Out-of-home in the mix n=158; not in the mix n=59. Pricing p=0.010, long-term profit p=0.018.

Large pricing and long-term profit effects by television and out-of-home combination



The television-without-outdoor cell is small because the pairing is close to standard practice in New Zealand.

The strongest combination in the database

Split by whether the campaign also used television and the finding sharpens into something more useful than a verdict on either medium.

The two channels act as multipliers of each other. In combination, they produce twice the pricing and profit effects of either on its own. To run TV and leave outdoor out of the mix is to radically reduce your likelihood of generating profitable growth from your campaign.

And it's not simply a big-budget effect. Even at under $500,000 in media spend, television plus outdoor reached 36% on pricing, against 22% for television alone and 16% for outdoor alone.

It behaves like a stack

Count how many broadcast-style channels a campaign used - television, BVOD, radio, outdoor, cinema - and pricing power steps up sharply at three or more.

Large pricing and long-term profit effects by number of broadcast channels used



n=37, 36, 25 and 119.

One broadcast channel is no better than none. Three or more is three times better than either. Outdoor is in 115 of the 119 campaigns in that top band, which makes it in practice the channel that converts a two-medium plan into a stack - the one most advertisers can add without doubling the budget.

How much to buy

Anything from a token presence up to about 30% of spend performs strongly and similarly. Above 30% it falls to 7%, which is where outdoor is usually carrying the campaign rather than supporting it. The useful reading is that there is no penalty for taking outdoor to a quarter or a third of the plan - this is a brief for meaningful investment, not a token one.

A 2024 sales-response study for the Foundation for Out of Home Advertising Research and Education reached almost the same place by a different route, modelling optimal outdoor share across three American categories, with the curve flattening through the low twenties. Two independent datasets putting the optimum in the twenties is a better planning number than either alone.

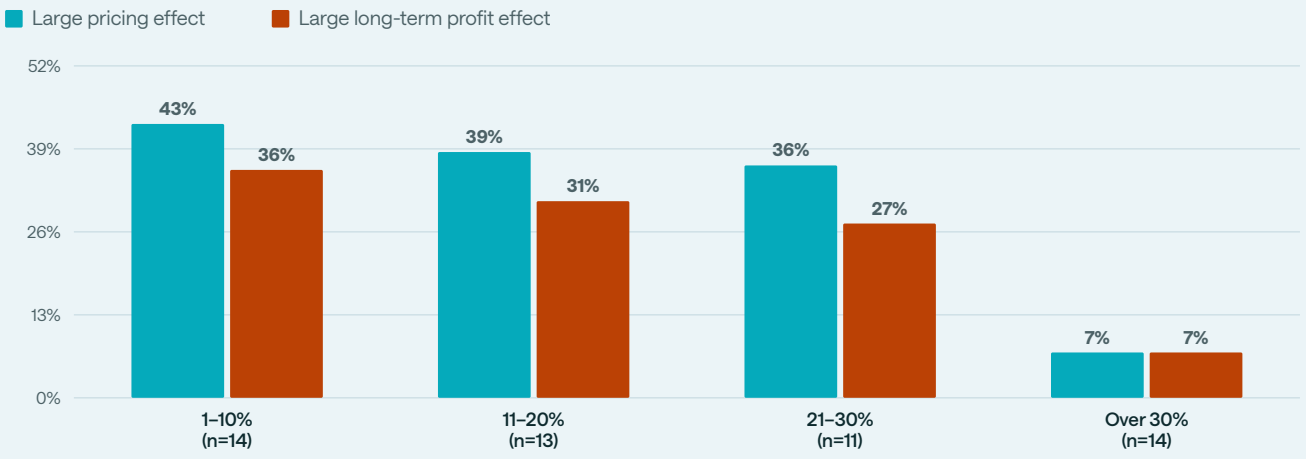
Why it should work this way

Section two set out the signalling argument for craft: advertising that visibly cost money is an honest signal, because it is expensive to fake, and buyers infer quality - and therefore price - from it. Kirmani and Wright demonstrated the inference in 1989; Ambler and Hollier showed in 2004 that perceived advertising expense raises persuasion largely through that quality inference.

Outdoor is where that signal is most legible. You cannot buy a public site quietly. Programmatic impressions cost cents, but a bus shelter or billboard on a main road is unmistakably paid for, and paid for in a way the viewer can see.

Outdoor formats also express a second mechanism better than anything in media. Public advertising creates common knowledge: it tells you the message, and that everyone else was told too. Krähmer's 2006 model formalises it: when advertising makes a brand known to the buyer's audience rather than the buyer, it raises what they are prepared to pay. Price tolerance is partly social, and a bus shelter or billboard is as public as advertising gets.

Large pricing and long-term profit effects by outdoor's share of total spend



Out-of-home users only, and only the 52 of 158 that recorded a channel-level spend split. Small bases — directional.

8

What to do on Monday

Six things, drawn from the largest and best-evidenced effects in the report.

1 Invest for growth first

Profit without volume happens in 3% of cases. Efficiency is a bounded game and most of the easy half is gone.

2 Build a character and keep it

The biggest creative lever on pricing power, at 48% against 25%. Borrowed fame - celebrity, influencer, licensed music - does nothing, because it doesn't accumulate against your name.

3 Be funny

The most robust predictor of turning growth into profit, the largest effect in the chart, the only one that survives every control, and the one that replicates across the whole database. Humour is the cheapest reliable way to manufacture the affect that makes a price feel smaller.

4 Put it on television and support with out-of-home

The most statistically robust finding in the report. Not because other channels don't work, but because this is the one job they haven't yet been shown to do.

5 Target the whole category

34% against 17% for narrowly targeted work. Your price is set by what people who aren't buying think you're worth.

6 Make it beautifully, and leave it alone for years

The second predictor of turning growth into profit - world-class craft is a step change on pricing power rather than a gradient. And pricing power is the slowest outcome in the database: 21% under three months, 42% past a year.

And one thing not to do: do not read any of this as a verdict on channels or strategies that are good at other jobs. Activation moves units. Search moves sales and ROI. Social moves interaction. Influencer moves earned reach. Outdoor, paired with television, moves price.

A CMO's role is not to 'pick a channel and go all-in'. It's to conduct an orchestra of media and creative that collectively add up to their brand growing profitably – curating the balanced mix that will convert the current demand in the market, while also building future demand effects – sustained base sales and market share gains with a pricing advantage that converts into sustained profit.

Methodology

The Aotearoa Effectiveness Database is a survey of New Zealand Effie entrants, run annually since 2022. Most campaigns in it ran from 2015 onward. Entrants rate their campaign's effects on a six-point scale from "not measured / no knowledge" through "negligible" to "very large". This report uses 217 unique for-profit campaigns across 134 brands.

Unless stated, a "large effect" means the top two boxes of the scale - fairly large or very large. "Very large" means the top box only, and is labelled as such. "Grew volume" means a large effect on long-term sales, which is the definition used in the 2024 *Future Demand in Action* study and is kept here so the two are comparable. Group comparisons use the chi-square test for incidence, and confidence intervals on differences use the Wald interval for two independent proportions. Multivariate results are logistic regressions, reported as odds ratios.

Respondents reported out-of-home as a single channel, so the database cannot distinguish large-format, street furniture and retail placements. All out-of-home findings here are for the channel as a whole.

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