Experiential Marketing as a Tool for Emotional Brand Building

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Abstract

Experiential marketing offers an excellent vehicle for building relationships with customers. While emotional branding has been employed since a long time by marketers, evolving technologies and a growing appetite shown by customers for experiential connect has led to brands renewing their focus on experiential marketing. The authors discuss the experiential marketing ecosystem, detailing the various types of agencies and activities. The authors then present the Advertising Expenditure pie. In absence of an experiential component, the authors conducted their research to add the experiential component and present a revised Advertising Expenditure figure. The chapter then identifies Return on Investment (ROI) as the key challenge for assessing the success of an experiential activity. The authors develop a model for marketers to identify and connect with their customers through experiential initiatives. The authors conclude and present certain key developments in the area.

Introduction

As marketers, the end goal is to make your products and services stand out. The marketplace has changed over the years. Marketers across sectors face the dual challenge of an increasingly competitive landscape and a more educated customer. Marketplace competition has led to commoditization as there is very little difference in terms of attributes for products and services from different brands. This has led to brands competing primarily on price competition. The shift from a product-focused era to a consumer-focused era began around the mid-20th century when advertising revolutionized the way brands communicated

with consumers . This was when innovators such as revolutionized advertising. Brands evolved and used marketing communications that was customer-focused. This encouraged customers to aspire to a lifestyle that the brand was representing.

The purpose of marketing communication is to communicate with different consumers or business sectors. The experiential revolution is happening now. There is a discernible shift in a brand's marketing communications from a one-way to a two-way model. The two-way communication of experiential marketing creates memorable experiences for customers and changes them to brand loyalists and advocates. The key challenge of experiential marketing is twofold – gaining acceptance as an established marketing medium, and establishing ROI metrics to allow marketers to gauge the success of their activities. The chapter describes the definition of experiential marketing from both an academic and an industry perspective. The chapter then discusses the relationship of experiential marketing with other similar marketing activities. The authors develop their own model to gauge the experiential marketing industry size and present a revised AdEx (Advertising Expenditure) spend in India. The authors also compare growth in experiential marketing against digital marketing. In the final section, the authors

ISBN: 978-93-83302-60-4

present their checklist for experiential initiatives and devise a model aimed at gauging the success of experiential marketing.

What is Experiential Marketing?

Experiential marketing is a type of marketing that provides prospects or customers with real-life experiences to raise awareness, build understanding, or increase sales of products or services. These experiences can be offline, such as live events, trade shows, demo days, etc., or online webinars and conferences. In recent years, thanks to virtual reality and augmented reality, more and more opportunities for experiential marketing have emerged.

However, according to Experiential Trends, 67% of consumers don't show up for low-cost or free virtual events.

On the other hand, 75% of B2C marketers believe in-person events are vital to their success.

Let's explore why experiences are important for marketers and brands.

Why is Experiential?

Experiential marketing has become increasingly important because it allows businesses to engage with customers on a deeper level. The main difference between experiential marketing and other types of marketing is that an experience takes place in "real" life.

The main advantages of experiential marketing include the following:

- Raise brand awareness
- Create search demand
- Create a bond between a brand and its audience
- Deliver authentic in-person experiences
- Capitalize on the fear of missing out
- Boost product or service trial
- Drive sales conversions

Experiential Marketing Examples

Here are many types of experiential marketing campaigns, and each has its pros and cons.

Some campaigns can apply to any business, while others can only be applied to certain types of products or services. In addition to finding a good product fit, choosing between an experiential marketing strategy and a traditional one depends on your budget, goals, and target audience.

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Let's look at the different types of experiential marketing campaigns and see how these 22 examples can be used for inspiration. We'll go through the following:

- Pop-up stores
- Co-branding
- Solo experiences
- Product demos
- Product sampling
- Tours
- Conferences
- Classes and workshops
- Augmented reality and metaverse

Relation of Experiential Marketing With Other Activities

There is confusion over the similarity of experiential marketing with other areas in marketing. While there is at times a certain overlap, experiential marketing has its own unique identity. The commonality that experiential marketing shares with other marketing activities is shown in Table 1.

Return on Investment (ROI) in Experiential Marketing A major criticism of experiential marketing is lack of suitable and consistent methods for its evaluation, thus leading to the use of traditional marketing metrics (Smilansky, 2009). Koremans (2007) stated that agencies need to place greater emphasis on ROI measures for clients.

ROI is a performance measure that measures the amount of return on an investment relative to the investment's cost. Marketing departments are under increased pressure to demonstrate their economic value to the firm (Hanssens & Pauwels, 2016). While ROI assessment is crucial for every marketing medium, experiential marketing poses unique challenges due to the inherent difficulty of measuring the same, and the lack of any established guidelines.

Experential Marketing as a Part of Marketing Communication Environment

The attention given to experiential marketing continues to grow. this is due to Traditional media channels and one-way communication are losing their effectiveness. online social networking and digital media has grown rapidly. Millennials are abandoning traditional mass media channels. Experiential marketing allows brands to target audiences through engaging initiatives. To achieve marketing communication objectives while at the same time adding value to the life of the consumer.

Experiential marketing works because it allows traditional channels to achieve the goal of growth. Brand awareness, market share and sales, keeping the live experience at the heart of the integrated marketing communication strategy.

Why We Need Experiential Marketing : Relation to Advertising Expenditure

Marketing communication channels traditionally include advertising, direct mail, packaging and sales. Promotion. Sponsorship, PR, live brand experience and digital also gain prominence now. Experiential marketing used to be a marketing post. Remaining advertising budget invested in experiential marketing. Now we see a shift in how marketers view experiential marketing have started experiencing its benefits firsthand.

The authors focus on the contribution of experiential marketing to the total marketing budget on advertising. That is why they have chosen to analyze the relationship between advertising and experiential marketing is because marketers specify their annual marketing budget as a share of total advertising

ISBN: 978-93-83302-60-4

budget. An advertisement can enhance an experiential initiative, and vice versa, an experiential initiative can bring an advertising campaign to life.

Measuring experiential budget allocation as a share of the total gives an excellent representation of the extent to which marketing allocation on advertising is experiential marketing is being used, and continues to grow. Although experiential marketing will need to grow rapidly before it can match traditional advertising spend.

Growth Size of Experiential Industry

Globally, experiential marketing shows no signs of slowing down. Data from long-running surveys examining the experiential marketing industry show an increase in experiential marketing spend (Eventtrack, 2018). The researchers noted that overall US advertising-agency revenue, including events and experiential, grew 5.8 percent over the previous year — a higher increase than media (1 percent), advertising (4.4 percent), and public relations (5.3 percent) (AdAge 2018). An Event Marketing Institute (2018) Report shows that large brands (Rs 6,500 cr+) are increasing experiential ad spend at a very fast pace. In India too, companies are exhibiting a similar pattern of increasing share in experiential spend Their marketing budget. Consulting firm, Ernst & Young (EY) published a report with EEMA in 2018 title, 'Creating the Experience in India.

Research Methodology

Industry Size and AdEx Estimation

Experiential agencies file their annual documents with the Registrar of Companies. The financial measures were obtained from the report filed with the MCA (Department of Corporate Affairs). The writers have worked in the business world and in a partnership with a market research and consulting firm, Traverse Strategy Consultants accesses the individual records of all businesses and acquires various data points - income, expenses, gross profit and net, etc. These numbers were then used to derive the profit ratio, net worth, etc. Industry size figures were used to calculate the proportion of experiential marketing in the AdEx total.

Industry Size Valuation

Industry Size and Estimation

The EY - EEMA report, "Making Experience in India", had estimated the organized events and activation sector at INR 4,258 crore in 2017-2018. The experiential industry still retains a large percentage as an unorganized component, although there is a slow but noticeable shift towards organized players. By estimating the organized component at 60% of the total industry size and 80% of the organized sector revenue represented by EEMA members, the authors were able to assess the size of the industry based on the data available at MCA. The research looked at data from over 125 EEMA members.

For 2017-2018, the experiential industry was valued at INR 6250 crore. The estimate for 2018-2019 is INR 7,281 crore and for 2019-2020 is INR 8,483 crore. The estimated growth from 2017 to 2019 is 16 to 17%. Table 3 shows the distribution of the organized and unorganized sector. The top 25 experiential agencies contributed INR 1,874 crore (2017-18) and around INR 2,183 crore (2017-18). This makes the contribution of the top 25 experiential agencies identical to the contribution of the rest of the organized sector, at 30% each. This is illustrated in Figure 3. The top 100 agencies contribute INR 2,858 crore (2018-19), which represents nearly 40% of the total experiential industry. This shows that despite the highly fragmented nature of the industry, made up of almost 10,000 event companies (EY 2018), the revenue share is mainly driven by the top 1%.

ISBN: 978-93-83302-60-4

Exponential AdEx year-wise bread-up

Year	Organized Sector	Unorganized Sector
2017-2018	3,750	2,500
2018-2019	4,368	2,913
2019-2020	5,089	3,394

Share of Experiential Marketing in Total AdEx

The lack of hard numbers on the size of the experiential industry has always been a concern. The biggest challenge is the fact that while experiential spend is increasing (a fact supported by marketing estimates), experiential marketing is not represented in AdEx (ad spend) reports. The size of the total AdEx in India has been tagged in the range of Rs. 54,000 crores. The AdEx for 2019 has been projected at INR 57,486 crore (GroupM, 2019) and INR 51,365 crore (Pitch-Madison, 2019). Experiential ad spend is not included in any of these reports. We also see the same pattern in the United States. Ad Age's (2019) LNA (Leading National Advertisers) report, which calculates measured spend (by Kantar Media) and unmeasured spend (Ad Age Datacenter estimate), puts experiential marketing in the same bucket as marketing research, online video, etc. from an industry perspective, this is confusing because there is a lack of solid information. Although brands talk about their experiential ad spend, there is no platform to aggregate the information. Additionally, how a brand defines "experiential" remains unclear. . To get the revised AdEx, the authors increased the total AdEx pie of INR 54,000 crore (an average of existing industry estimates) by adding the unrepresented experiential component of INR 8,483 crore. This led to a revised AdEx size of INR 62,483 crore. Experiential, at 13 – 14% of the total advertising expenditure pie, is a significant number; marginally higher than digital spend (11 – 13%), as shown in Figure 4. Experiential advertising expenditure is also substantially larger than Radio, Out-of-Home (OOH), and Cinema advertising. Other Findings There were other financial metrics that were derived from the analysis.

• Profit ratio for the experiential agencies is estimated at 4 – 6 percent.

• Debt equity ratio at 1.85 – 1.95 is high, and represents that agencies are dependent on external borrowing to finance operations.

• Net Worth (representing Current Assets reduced by Current Liabilities) of the Top 25 experiential agencies is INR 17 – 19 crore.

Model For Experiential Marketing Return on Investment (Roi)

Issues With ROI Assessment

Marketers' increased budgets on experiential marketing have also raised higher expectations. According to a Global CMO study, 67% of CMOs believe that event ROI was the primary measure of their event's effectiveness (IBM, 2018). The report also mentions that 87% of consumers purchased the brand's product or service after the event at a later date. Marketers' inability to process this attribution of a delayed purchase is also an issue. The authors have therefore attempted to establish and standardize experiential ROI metrics - which until now have been measured using similar metrics to traditional marketing and advertising - which are not suitable for measuring the success of a campaign. The challenge of experiential marketing is twofold:

• Experiential ROI cuts across other marketing channels and, therefore, isolating the experiential bit is difficult for a marketer.

ISBN: 978-93-83302-60-4

• There is little effort being put to standardize metrics and research for ROI because it is still an emerging field, with a growing but albeit limited ad spend; and it is not getting enough confidence by marketers since there is a lack of proven ROI.

ROI vs. LROI (Long-Term Return on Investment)

The general feeling among marketers is that the ROI measurement of experiential marketing has yet to be properly defined. Marketers therefore need more effective measurement tools. Before the authors delve into the specifics of ROI measurement for experiential marketing, it should be noted that there are common misconceptions that experiential marketing is unprofitable. According to a survey, 79% of brands expect to do more experiential marketing, with 49% seeing an ROI of between 3:1 and 5:1 (EventTrack, 2018).

ROI in experiential marketing is expressed as a percentage and compares net profit to cost of investnment in experiential investment. Originally, an accounting term, its use in marketing is still considered to be a grey area.

It is crucial to delineate the distinction between ROI and LROI. Experiential marketing ROI works best when the focus is on short-term thinking. In the context of a long-term experiential marketing strategy, the goal is to convert attendees into loyal consumers and then brand advocates. The LROI for experiential activities is likely to be higher than for traditional approaches. It gives the longer-term financial return that a marketer can expect from a brand experience. LROI and ROI analysis, when combined, helps evaluate an experiential campaign. The gain for a trader from these is usually accounted for in consideration of CLV (Consumer Lifetime Value). Develop Measurement Metrics Live marketing experiences are rarely done on their own and are typically integrated with other marketing efforts using a wide range of channels. Marketers use multiple channels, such as advertising, sales promotion, sponsorship, PR, digital, etc., where each channel has different goals and objectives. This multi-channel nature of experiential campaigns leads to complexity, thus justifying the need to establish measurement metrics that will help marketers and agencies highlight:

• Consumers they want to target

• Various methods of interacting with these consumers

• Identification of location and environment

• Integration with other marketing programmes

Sirgy (2008) states that increasing emotional involvement will increase customer loyalty to the brand. Customers have more power and should be treated as partners, sharing information and contributing to decision-making (Bagozzi & Dholakia, 2008). Previous work has examined individual components, but not collectively. The authors therefore design a 6C index that will serve as a checklist for all brands and agencies at the start of an experiential program.

6 Cs checklist for agencies and marketers

- Collaborative
- Creativity
- Concentration
- Concerted
- Customization
- Constancy

ISBN: 978-93-83302-60-4

The 6 Cs can be expressed as a combination of all the tasks that need to be considered for a successful campaign. By keeping the checklist in mind, the experiential agency and marketer will be able to correctly identify and then execute the experiential initiative. Experiential marketing is an interesting tool since different creative processes will lead to different results. Experiential marketing can be implemented in any industry, from tech to music, BFSI to FMCG. There is no particular industry (whether product or service) that is more or less appropriate for experiential marketing, since inspiration for experiential marketing comes from brand personalities and audiences. targets. The emotional connection that can be achieved through brand-relevant experiences transcends product selling points, features and benefits. To ensure that the process runs smoothly from identifying the target audience to connecting with them, the authors offer a TRUE model, as shown in Figure 6. The model allows a marketer to start by the target audience and narrow it down to the customers they manage to engage with the most. To do this, the marketer will first identify the target audience. This is represented as the audience as a subset of the total universe of customers (current/potential) that the marketer wants to engage with. Once the target audience is defined, the marketer decides, in proportion to the total target audience, how many customers the campaign will reach. When executing the campaign, the marketer must then ensure that the right message is conveyed to the customer by the experiential agency executing the campaign on the ground. During the campaign, the ability of the brand's product or service to properly connect with the customer is measured. Deviations can occur between two steps. Using the model will allow the marketer to plan the execution well and learn from the actual execution, which is then useful for future planning.

Data-Driven Marketing

Marketing is becoming a more quantifiable, data-driven function. This has enabled marketers to use data analytics to make marketing decisions (CIO, 2015). The convergence of digital and technology has given event marketers access to vast amounts of data. Brands are now looking for evidence of success for experiential initiatives and event marketers are taking a data-driven approach. This allowed them to measure returns on investment and attribute sales that were otherwise unattributed.

There are critical questions that marketers need to ask themselves when planning for an event:

- On which parameters will success be measured?
- Which events were the most successful? Which were the least successful?
- How can sales be directly and indirectly attributed to the event marketing program?
- How are customers interacting with different components of the event brand experience?

There are various data points that influence an event marketer:

- Historical data and trends
- CRM (Customer Relationship Management) data
- Digital metrics
- Leads, Sales, Target number of conversations
- Audience data from event execution
  - Attendee numbers
  - Audience flow
  - Audience dwell time (time spent at a stall / activity)
  - Display material metrics (feedback on various display materials used - such as stands, kiosks etc.)

While data being generated is increasing, the onus on the event marketer is to ensure the right data is being collected. The authors suggest the following points to keep in mind with respect to data:

- Calendar needs to be defined for pre-activation, post-activation and digital integration.
- Data should be collected accurately and in a timely manner.

- Since there are multiple methods of data collection – there should be consistency.
- There should be standard protocols for collecting data uniformly for multi-region events.
- There should be coordination with the brand and other partners / service providers.
- Ongoing review and evaluation is a must.

Future Research Directions

Experiential Marketing Pairing with Customer Experience Management

Brands struggle to differentiate their offerings, especially when positioned similarly. Consumers demand more from a brand, which leads brands to offer a higher level of services/value-added services (Hoyle, 2012). CRM (Consumer Relationship Management) has enabled brands over the past decades to implement programs aimed at building consumer loyalty through reward programs and engaging in regular communication with consumers (Chen & Popovich, 2003). Consumer loyalty has evolved into CEM (Consumer Experience Management), defined by Gartner (2016) as "the practice of designing and responding to consumer interactions to meet or exceed consumer expectations and, thereby, increase satisfaction , loyalty and consumer protection". Cantone and Risitano (2011) confirm that in recent years, many companies are adopting CEM strategies, in which they emphasize the role of emotions, feelings, passions and experiences in consumer-brand relationships. Experiential marketing is closely related to CEM.

Experiential marketing focuses on managing customer experiences with a brand and focuses on execution by the experiential agency, trying to maximize return on investment. CEM is a process that ensures that various disparate marketing elements are all targeted to meet consumer expectations. CEM focuses on a broader range of engagements than experiential marketing. When combined, they provide a marketer with a huge opportunity to build lasting relationships with the target audience, converting them into brand advocates.

Creation of IPs

This is another area where there is huge potential in the future. Sponsors and advertisers have now moved from classic events to bespoke events. There is also a deeper penetration of IP addresses in non-metropolitan cities. Despite this, achieving profitability remains difficult. For example, the Sunburn Music Festival (a Percept property) is still not profitable in some locations (Unni, 2017). Due to the low barriers to entry, several new IPs continue to be launched each year. The researchers estimate that there will be an automatic overhaul by 2017 or 2018 and that only eight to ten high-level event IPs should survive in each vertical, nationwide. IP addresses are also created by the government. The government has launched ambitious and large-scale event spending. There have been several mass awareness programs like "Swach Bharat", "Make in India", etc.) events. Beginning in 2003 as a biennial investor summit, VGS has evolved into a year-round activity with seminars, conventions, roundtables, regional meetings, forums and exhibitions. VGS is now widely promoted on electronic, print and outdoor advertising media. All major events are webcast and there is ongoing social media marketing. VGS shows the change in the government's outlook on events. G2B and G2C events will increase in number and size. This opens up immense and varied opportunities for experiential marketers and agencies. Marketers can partner with the government for these events, which automatically increases the reach of the marketer's brand. For the agencies, it is an additional source of income. The field is still nascent, partnerships are beginning to emerge. The next few years will see growth in the area of G2C and G2B events. Further research may identify specific patterns to enable performance evaluation of these governmental and non-governmental

IPs. Research will also be needed, as additional spending by marketers and government will surely lead to an increased expectation of proven ROI from these IPs.

Integration With Other Media Vehicals

Integrating experiential marketing with other media outlets, such as digital, outdoor, and print, has enabled brands to deliver a more holistic experience to customers. Event organizers are now becoming solution partners for brands. This collaborative marketing deserves further evaluation.

Conclusion

Consumer expectations of brands will continue to rise. Social and digital platforms, access to information and the sharing economy put brands in a delicate situation. They have new ways to reach customers, but at the same time customers are more demanding and the market is more competitive. The true potential of experiential marketing is not just a one-time experiential initiative. The real potential lies in long-term activities such as IP creation. Experiential Marketing's partnership with CEM enables brands to achieve their ultimate goal, a two-way communication channel with target audiences.

While measurement remains a big challenge for the industry, it's also important to ensure that brands value an experience. Future research in the area of return on engagement (ROE) will help the industry. While ROI is measured primarily in financial terms, ROI measures the overall brand strength gained from a brand or product.

The industry also remains highly fragmented. Brands and sponsors, especially regional players, continue to turn to smaller agencies. Many experienced professionals are also branching out and starting their own businesses. This has led to challenges in standardization, as smaller players typically exhibit low levels of innovation and quality.

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