Brand success in the digital age

In this extract from the new IPA report, *The Long and the Short of it*, **Les Binet** and **Peter Field** provide the definitive analysis of how communications work in building value for brands. The findings – particularly the importance of emotion for long-term effect and reason for short-term effect – have profound implications for how digital channels should be used to improve business success

The new IPA report, *The Long and the Short of it*, examines the major differences between what drives success over different timeframes. The report is based on analysis of around a thousand effectiveness case studies in the IPA Databank that provide robust data on what works. With marketers' attention increasingly focused on the ability of digital channels to deliver instant results, the report warns that this will not deliver long-term success unless complemented by longer-term activity to strengthen the brand.

DIGITAL IS ONLY PART OF THE PICTURE

As a communications tool, the internet has brought enormous benefits to marketing and its use has grown commensurately. The IPA Databank charts this growth in a dramatic way. In 1998 just eight percent of the thousand or so case studies in this report made use of the internet. By 2012, it was 86 percent. This is in itself a strong indication of the value marketers are finding in the new channels, but the power of the internet is also shown by its impact on the business results of campaigns that used it: a 23 percent increase in the likelihood of very large profit growth and an eightfold increase in the efficiency with which market share is driven per unit of communications budget.

So far, so good, but look beneath the surface and the picture is not necessarily so rosy. Already, the new digital channels have fostered a number of mantras about what constitutes success and how to drive and measure it. The most seductive is the belief that focusing on continuous short-term results will inevitably lead to long-term success. This idea even appears to have permeated to general management – a recent study by the Fournaise Group reported by Warc (*www.warc.com/CreativityAndCEOs*), suggests that CEOs increasingly divide agencies into those that are results-driven and those that are not. Their advice for those that aspire to be results-driven was to monitor and report short-term sales effectiveness 'week in, week out'.

Analysis of the IPA Databank, however, suggests that not only is this belief untrue, but also that it is dangerous because it can undermine a brand's long-term business success. Some digital apostles go on to assert that the internet has fundamentally changed the rules of marketing. This too turns out to be false. The IPA data supports what is intuitively obvious – that the core rules of marketing success remain essentially the same, albeit with a few modifications here and there.

These false prophets have not set out to deceive or mislead; they may simply be looking at very specific (short) timeframes and reporting what they see. The IPA report reveals that short-term effectiveness is very different from long-term effectiveness. The case study data shows quite clearly that some effects (such as promotion-driven sales) start out powerfully and fall away quickly, while others (such as brand equity driven sales and pricing effects) take time to build and eventually become more powerful.

The point at which the latter come to dominate effectiveness is around six months into a campaign. So, any metrics evaluating a campaign over less than six months will be most heavily influenced by short-term effects, while those that evaluate over longer periods (especially a year or more) will be most heavily influenced by long-term effects.

What the digital apostles may be unaware of is that the kinds of strategies and channel choices most likely to drive short-term business results are very different from those that are most likely to lead to long-term business success and, in particular, profitability.

To make matters more complex, the IPA data confirms that different online channels (from search to social and from email to mobile) work best in very different ways and, in particular, over very different timeframes. Timescale of effect is one of the critical issues for the optimisation of campaigns and, because it is often ignored or misunderstood, poses a major threat to the future success of brands.

THE DANGERS OF CONCENTRATING ON SHORT-TERM EFFECTS

What this means is that anyone focused on the accountability of short-term results, such as the CEOs interviewed by the Fournaise Group, are denying themselves the potential for greater long-term success. They may even be jeopardising that success altogether.

To a degree, this tension between short and long term has always been an issue in marketing, but it is now becoming a major threat. Driven by 'Big Data', success is increasingly being judged by immediate sales response. The IPA data also charts this trend: the proportion of campaigns primarily pursing short-term sales objectives had been

falling but in the past six years has been rising again, most strongly among campaigns that make use of the internet.

This trend isn't simply driven by Big Data – quarterly reporting also exerts a pressure on marketing to deliver short-term sales, especially during recession – but the language of Big Data is all about 'timely offers' delivered with zero wastage only to imminent purchasers. The IPA data shows that not only is the short-term focus unwise, but also the tight targeting. Together, they seriously threaten the long-term health of brands.

Dynamic pricing takes this promotional 'offer' mentality to even greater levels. As a way of driving immediate sales, it works well – just as price promotions always have – but it brings with it some undesirable side effects. It takes marketers' eyes off the building of the brand's long-term allure to consumers and tends to exacerbate price elasticity by creating expectations of deals among consumers.

Marketing is at its most profitable when it delivers growing sales at improving margins. The IPA data reveals that a short-term focus cannot deliver the latter, and only delivers the former for limited periods. The data also casts doubts over the efficiency benefits of short-term approaches: they may drive immediately cost-efficient sales, but this tends to tail off. Even more importantly, short-term approaches do nothing to make next year's sales more efficient to achieve by enhancing the appeal of the brand.

It is much more profitable in the long term to begin to build the appeal of the brand in advance of purchase, so that short-term activity need only nudge the consumer into making a purchase

BIG DATA QUESTIONS THE VALUE OF BRAND BUILDING

Unfortunately the digital communications revolution has persuaded many to question the value of brand building. Why bother with that expensive slow-burn activity when sales can be switched on instantly with the latest Big Data tools? It is possible to take consumers from indifference to purchase in one step, as Big Data boasts, but in general it only happens when they are highly incentivised – which eats into both current and future margins. It is actually much more profitable in the long term to begin to build the appeal of the brand in advance of purchase, so that short-term activity need only nudge the consumer into making a purchase, ideally without recourse to 'timely offers'.

This strategy requires a long-term brand-building approach, which will take time to deliver its full benefits (longer than six months) but it will drive year-on-year efficiency improvements. The IPA data supports this very strongly; without brand building (measured as major brand equity shifts – awareness, image and so on) there are no price elasticity improvements. The correlation between improved price elasticity and enhanced brand standing is strikingly linear. No amount of short-term sales activity will produce the broad brand strengthening necessary to enable firmer pricing. Brand-building activity may be slow but it is essential for the optimum profitability of most brands.

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Many online channels are very able to contribute to this long-term brand building, if they can switch their focus away from short-term sales. This will, of course, make them appear less accountable and more like conventional offline channels, such as TV, so it will not please the Fournaise CEOs, but it will be in the long-term interests of their brands.

BROAD TARGETING WORKS BEST

Building brands' appeal ahead of purchase clearly also requires a much broader approach to targeting than simply aiming for imminent purchasers. Because brand attributes take time to accumulate, long-term campaigns need to target all category users. The IPA data suggests that such broadly targeted campaigns are around four times more likely to achieve major profitability growth and around 10 times more efficient than campaigns narrowly targeted on existing customers.

But these are both long-term metrics, measured over periods of at least a year and, as any direct response or digital agency knows, short-term sales are most efficiently driven by tightly targeted campaigns. So targeting is another facet of the inevitable tension between short and long-term success.

Some online channels have the potential to contribute to broader targeting – display, search, social and mobile are well placed to do this, if they can help foster the appeal of the brand (but this is a big if for some of these channels). The key underlying requirement is reach – any channel that cannot deliver brand impacts in the millions is unlikely to be a key growth driver for a mainstream brand in a mass market.

Despite their follower numbers, social media usually struggle to deliver brand impacts on this scale, but there are exceptions and these are often down to how the channel is used. Used as a long-term, brand-building tool with an engaging, content-driven campaign to create consumer interest, social media appear to have broad reach potential with brand equity uplifts almost approaching those of established mass media. Used as a short-term sales driver or database builder (as is often the case), the reach appears to evaporate away, unless heavily incentivised.

HEART FOR THE LONG TERM, HEAD FOR THE SHORT TERM

The requirement to target customers well ahead of purchase in order to drive year-on-year efficiency improvements has another profound implication for campaigns, whether online or not: the communications strategy. Targeting consumers months ahead of purchase carries with it the requirement for memorability as well as persuasiveness: the alternative would be costly and ultimately inefficient frequent repetition.

The IPA data (as well as the findings of consumer research and neuroscience quoted in the report) clearly show that, over the long term, emotional campaigns (seeking to change the way consumers feel about brands) are dramatically more memorable and effective than rational campaigns (seeking to change what consumers know about brands). However, over the short term, where memorability is much less of an issue, rational campaigns are more effective at prompting responses and sales. This finding is likely to be especially true of the immediate responses sought by many online campaigns.

Business realities mean that it isn't usually a straight choice between a short- or long-term approach. Most companies are trying to hit quarterly targets and deliver year-on-year improvements in efficiency. Leading edge marketers have learned to develop campaigns capable of balancing these two conflicting requirements.

The winning formula evidenced in the IPA data is a careful combination of the two, usually referred to as 'brand response'. There will typically be an emotional, brand-building core to drive long-term brand preference, surrounded by an integrated suite of short-term activation initiatives designed to convert growing brand preference into immediate sales. The IPA data even hints at an optimum balance between these two campaign strands – around 60:40 (brand:activation) – though this will vary from category to category. Planning such hybrid campaigns requires a clear understanding of which strategies and channels are best used in each role.

The IPA report recommends that for the most efficient marketing, we should choose brand-building channels according to their ability to emotionally engage as many target consumers as possible and choose activation channels according to their ability to prompt and facilitate immediate purchase by imminent category buyers.

BRANDS CAN'T LIVE BY ACTIVATION ALONE

Perhaps because the greatest marketing gift of the internet has been interactivity in the shape of the 'buy' button, there has been a natural assumption that online communications' only objective is to get consumers to press it. Digital marketing is spectacularly efficient at sales activation, allowing consumers to click through to the products they want in seconds and enabling them to buy quickly and easily, 24 hours a day, without the need for human assistance.

But as the IPA report warns, brands cannot live by activation alone and digital marketers need to address this. Some are genuinely surprised to learn that advertising can influence sales one, two or even three years down the line, because they are not used to looking for, measuring or planning for these kinds of long term effects. But these effects do exist for digital marketing: while the gold standard in brand-building channels remains TV, there is a growing body of case studies that shows that some online channels also have broader brand-building potential.

Digital marketers need to raise their brand-building game for another reason. Undoubtedly early users of the new tools of Big Data will derive short-term competitive advantage from doing so. But very quickly all marketers will have access to the same capabilities and a new level playing field will emerge in which brands will need to fall back on the time-honoured principles of demand creation: brand-building.

Those unwise enough to have neglected this during the dizzy early romance with Big Data will find themselves in a highly unprofitable downward pricing race.

ONLINE CHANNELS: ACTIVATION OR BRAND BUILDING?

The most recent 2012 IPA data provides some tentative guidance on how best to allocate online channels across the brand/activation divide. These do not constitute fixed 'rules'; in part their use should be dictated by the brand strategy and certainly it would be absurd to develop channel strategy in isolation of brand strategy (although this does happen).

As is the case with traditional 'analogue' channels, many digital channels have clear strengths one way or the other: search is a powerful activation channel; social media is potentially a powerful brand channel if used as such, but it is often misused as an activation channel; online display appears more powerful as an activation channel, as does mobile (but it is perhaps early days yet to judge this); email marketing is very definitely an activation channel; online games appear to be potent brand-builders. Websites have the capacity to be either, in the same way that TV can ably span the brand/activation divide in the shape of brand TV and DRTV.

BEST PRACTICE

The report *The Long and the Short of it* explores at length the issues surrounding the use of online and offline channels, so here is a short distillation of what the case study evidence suggests is best practice for business success in the digital age.

● **Give pricing equal importance to volume.** Too much marketing activity, especially online, is purely sales volume focused. The most profitable marketing supports pricing as well as volume, driving greater sales at higher margins. Price elasticity is a hugely valuable long-term metric that can offset the tendency to focus on short-term promotional tactics that undermine pricing and profitability. Enhancing price elasticity is essential in 'commoditised' categories where brands struggle to charge a premium (such as categories dominated by price comparison websites). Strong brands perform better even in these situations.

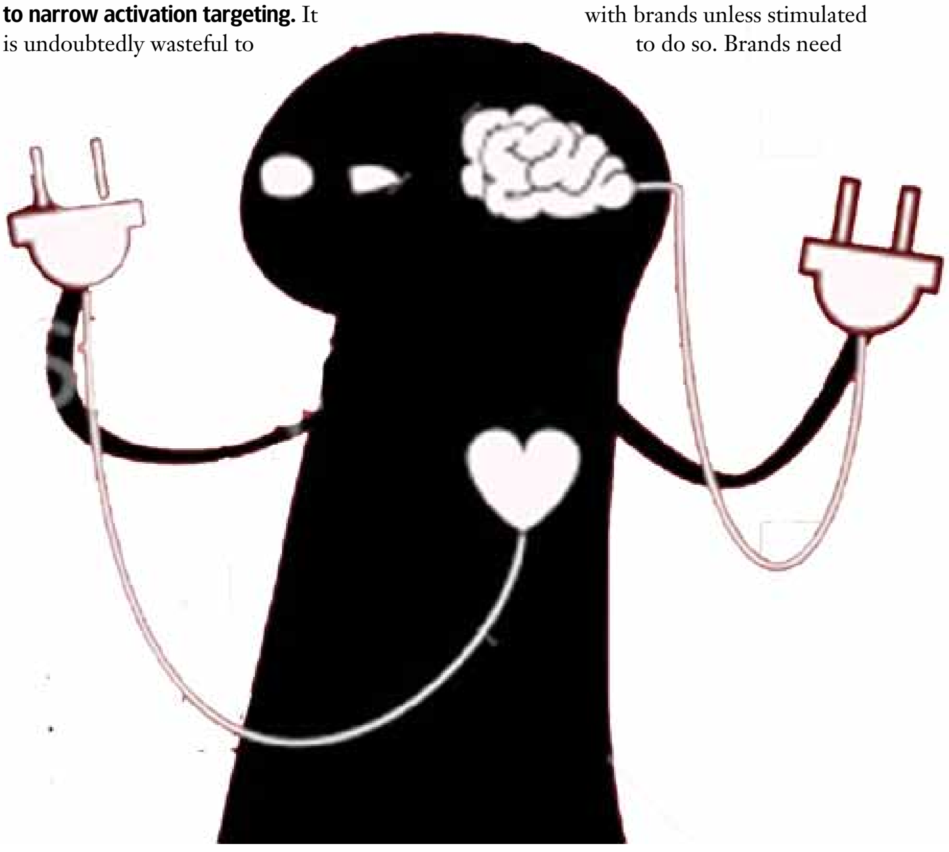
● **Give long-term sales equal importance to short-term sales.** Short-term sales are most powerfully driven by behavioural prompts and promotional offers, while long-term (base level) sales are most powerfully driven by brand building. An exclusive focus on just one of these approaches brings inefficiencies.

● **Give broad brand reach equal importance to narrow activation targeting.** It is undoubtedly wasteful to target activation messages beyond imminent purchasers, but it is far worse over the long term to rely on tightly targeted activation alone to take consumers from indifference to purchase in an instant. Long-term success depends on broad reach – use traditional media channels as a benchmark to assess online reach.

● **Share of voice matters more than ever** It is often asserted that share of voice is irrelevant in the digital era: this is not true. The correlation of SOV with market share growth is getting stronger and the returns on investing in SOV are also increasing as the level of brand choice continues to grow and the internet becomes more crowded with commercial activity.

● **Target head and heart.** Optimum performance over all timeframes requires rational activation triggers in combination with emotional brand building. This is the basis of the 'brand response' model and ensures that both volume and pricing are supported.

● **Aim for fame.** The growth of online, especially social media, has amplified the ability of 'fame' campaigns to generate the buzz that makes them the most effective and efficient emotional campaigns of all. The currency of fame is surprise: consumers do not generally want to engage with brands unless stimulated to do so. Brands need to work hard to develop and refresh the creative content that provides this stimulus. Whilst buzz is at least as much an offline as an online phenomenon, digital channels have made it easier to share opinions and ideas. The greatest benefit of fame is to price elasticity: consumers are particularly prepared to pay more for the brands that everyone is talking about.



● **Prize creativity.** Whether online or offline, highly creative campaigns are around ten times more efficient than others. In part this is because of their ability to create fame for brands. However, like all emotional approaches, creative campaigns do not deliver optimum short-term results and so will be discriminated against by short-term metrics.

● **Integrate brand and activation strands.** These are not separate tasks; they work in synergy, delivering greater efficiency when integrated. Activation benefits when it evokes the brand appeal. Brand is more efficient when leveraged for immediate sales.

● **Get the right balance of brand and activation.** Be clear about which activity is long-term in nature and which is short-term. On average a 60:40 ratio of brand to activation expenditure appears optimal, but this will vary by category. Econometric modelling will establish the ideal.

● **Give equal importance to short and long-term metrics**. A balanced scorecard of long and short-term metrics is essential to avoid prejudices towards either. Price elasticity and buzz metrics are good examples of the former; short-term sales and click-through rates are good examples of the latter. Most digital metrics, whether search volumes, click-through rates, web traffic, likes, tweets or mentions, are volume based and short-term. In fact, digital data allows marketers to interrogate price responses in new ways, and maybe even to measure price sensitivity in real time. Online marketers should develop and use online price metrics as a counterbalance to the volume metrics that currently dominate the digital scene.

In addition to The Long and the Short of it, Les Binet and Peter Field are the authors of Marketing in the Era of Accountability. Les is head of effectiveness at Adam & Eve DDB. Peter is a marketing consultant
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The IPA report The Long and the Short of it is available from www.ipa.co.uk