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MARKETING & CUSTOMER

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PROMOTIONS

The sales promotion: trusty tool or double-edged sword?

This reliable old marketing tactic is enjoying a renaissance as cash-strapped consumers continue to shop around, but brands need to approach discounting with extreme care

Matthew Valentine

In times of trouble, marketers tend to reach for one of the most familiar and dependable weapons in their armoury: the sales promotion. This method of stimulating demand and boosting sales volumes, usually by offering price discounts and shouting loudly about them, is back in vogue in the UK as millions of consumers continue to struggle with the cost of living.

Data published in the Institute of Practitioners in Advertising's latest *Bellwether Report* reveals that sales promotions were one of only three marketing tactics to see an increase in expenditure between the first and second quarters of this year.

The institute notes that "the net balance of firms recording budget expansion [in sales promotions] rose to 13.4% – up from 8.8% in Q1. Notably, the uplift in spending in this area was the most pronounced in over two decades of survey data."

There is an obvious reason why this should be the case. Price and value have always been key battlegrounds on which to win consumers over, but these factors seem to have become even more important to shoppers' purchasing decisions as the cost-of-living crisis drags on. For instance, market research released by NielsenIQ in August shows that discount supermarket chains Aldi and Lidl have collectively attracted 800,000 new customers in the UK this year.

Point of Purchasing Advertising International (Popai) is a trade body representing agencies that specialise in in-store promotions. Popai has yet to collate annual figures for promotional activity, but its managing director in the UK and Ireland, Phil Day, says that the anecdotal evidence already indicates a marked year-on-year increase.

Day has instigated an in-depth study of retail strategy during the cost-of-living crisis. His observations so far have led him to infer that supermarkets, in their bid to position themselves as consumer champions, may be leaning on suppliers to fund deep price cuts.

In June, Popai researchers visited several branches of the UK's leading supermarket chains around the country, where they assessed the number and type of sales promotion occurring in each store. They found a sometimes dizzying array of posters, signs and labels promising prices that were dropped, locked in, held down or available exclusively to

TommL via iStock

holders of loyalty cards. So complex was this mix of messages that Popai had to present it to members in a series of tables to help them make sense of it all.

Retailers, particularly those operating in the health and beauty, grocery and convenience sectors, are mounting an unusually large number of promotions, with supermarkets accounting for about 80% of the growth, Day reports.

"Brands in those sectors are spending more than they were on tactical executions. Although the mechanics of these promotions vary, they are definitely price-oriented. From my perspective, this activity is being driven by retailers, not brand owners," he says.

For brands, the classical sales promotion can prove a difficult pill to swallow. Lowering prices can feel to them like a one-way street, with discounters struggling to restore the previous price once shoppers have grown accustomed to getting more for less. As a result, some differences are being observed in the latest round of promotions, with brands seeking to protect their investments in long-term brand-building – or at least to minimise the damage.

They are becoming increasingly aware of the long-term harm that excessive discounting can cause. Take Gap, for instance: the clothing brand discounted so heavily and so often that shoppers became unwilling to pay the full price for anything. It ended up closing most of its stores in the UK, although it has since re-entered the market via a partnership with Next.

Fortunately, it may not be necessary to slash prices to attract custom. According to Popai's research, consumer behaviour appears to be shifting in favour of a different kind of promotion. Shoppers have come to prefer promotions that offer more product than those offering lower prices. In effect, 20% extra seems to be more attractive than 20% cheaper to someone who's trying to feed their family on a tight budget during a period of high inflation.

Marketing agency Multiply works for a range of clients including big brands such as Heinz and Kenvue (the former consumer healthcare division of Johnson & Johnson). Its head of business, David Roberts, reports that "price reductions are happening; they are part of a promotional matrix. But we're also seeing a desire to talk more about what a brand stands for and to add value on top of the price, rather than come down from it."

13.4%

The net balance of UK marketers recording a budget increase for activities relating to sales promotions between Q1 and Q2 2023 – one of only three areas to record a net budget increase over that period

Institute of Practitioners in Advertising, 2023

As a result, more brands are opting for alternative mechanisms, such as competitions, tailored incentives and limited-edition products, to attract new customers. Travel-based promotions are proving especially appealing to cash-strapped shoppers who haven't been abroad since before the Covid lockdowns.

With such tactics, brands are seeking to boost sales volumes in the short term without undermining their efforts to establish the brand values that justify a long-term premium on their pricing.

It's always been difficult to strike the right balance between price-led promotions and long-term brand-building, but establishing a lasting reputation for providing value for money can be an effective strategy in itself.

Automotive brand Dacia has spent a decade carving out a reputation in the UK for providing good-value vehicles. Graham Robertson, a senior manager at the Romanian car maker, says that its products are always competitively priced, which suits consumers who are counting every penny. Nonetheless, the brand does not cut prices further during sales promotions.

"Our short-term sales activities at Dacia very much play to our brand strengths by highlighting that we do not need to slash our prices considerably for a limited period. Instead, they provide additional incentives to the consumer to enhance an already compelling proposition," Robertson says. "The cars we sell will remain the same price, but the incentive to purchase, such as enhanced servicing packages, will add value for the consumer."

He continues: "We often talk about keeping things simple and being 'the good-thinking choice' when building the brand for the long term. These messages are equally relevant during shorter-term tactical activities, so it's simply a case of dialling them up lightly in those periods."

The sales promotion clearly remains one of the most effective measures that companies can take to boost sales volumes in the short term. But experience during the unexpected and prolonged return of high inflation in the UK has taught them to use it less as a blunt instrument and more as a precision tool if they're to preserve brand value for the long term.

EDITOR'S NOTE

'Most marketers will need to do more with less'

Although some economic indices are showing signs of improvement, the function still faces a range of challenges that are likely to persist into 2024

Marketers, like many in business, have so far found 2023 difficult. Persistently high inflation, ongoing interest rate hikes and the uncertain economic outlook prompted many firms to cut investments in marketing to protect their bottom lines.

This has knocked the industry's confidence, according to the Institute of Practitioners in Advertising (IPA), which analyses the sentiments and spending patterns of senior marketers at big brands in its quarterly *Bellwether Report*. The latest (Q2 2023) report found that a net balance of 12.6% were pessimistic about their industry's financial prospects. Only 2.6% of respondents were positive about their own companies' finances, compared with 7% in the previous quarter.

Some concerns have been allayed now that inflation seems to be easing, but the outlook remains uncertain. Most will need to do more with less, while trying to get the balance of expenditure right and deal with new challenges, such as AI.

"This year hasn't been as bad as many thought it would be," says Dr Grace Kite, business economist and founder of marketing consultancy Magic Numbers. "We haven't seen a recession or media budgets dropping off a cliff. But there is still significant uncertainty in the economy and the marketing industry."

The slowdown in the ad market over the past six months has been notable. The phrase "challenging advertising market" appeared four times on the first two pages of ITV's interim financial report for 2023, for instance. The trend has prompted a slew of businesses that rely on advertising revenue (including Google and Meta) to cut costs, often through extensive layoffs.

Some analysts believe that the worst is over. Tim Nollen, director and senior media tech analyst at Macquarie, suggests that the "underlying tone is positive". He thinks that one of the best indicators of ad spending is growth in business investment. This was 3.4% in the UK in Q2, a similar level to the first quarter, when it was 3.3%.

Nonetheless, growth in ad spending is expected to be weaker in the second half of 2023 than in recent years. In October last year, Insider Intelligence forecast that spending on digital ads this year would grow by 8.8%. By March 2023, it had downgraded its prediction to 4.9%.

The IPA has forecast a 0.6% decline in all ad expenditure this year in its *Bellwether Report*. Meanwhile, the Advertising Association and the World Advertising Research Center have suggested in their latest quarterly *Expenditure Report* that ad spending will increase by 2.6% this year, compared with the 3.8% uplift they had forecast at the start of 2023.

The slow growth in the ad market suggests that many companies are cutting back. This means that marketing chiefs are in many cases being asked to achieve the same results with fewer resources, according to Claire Humphris, CEO of marketing agency Iris London.

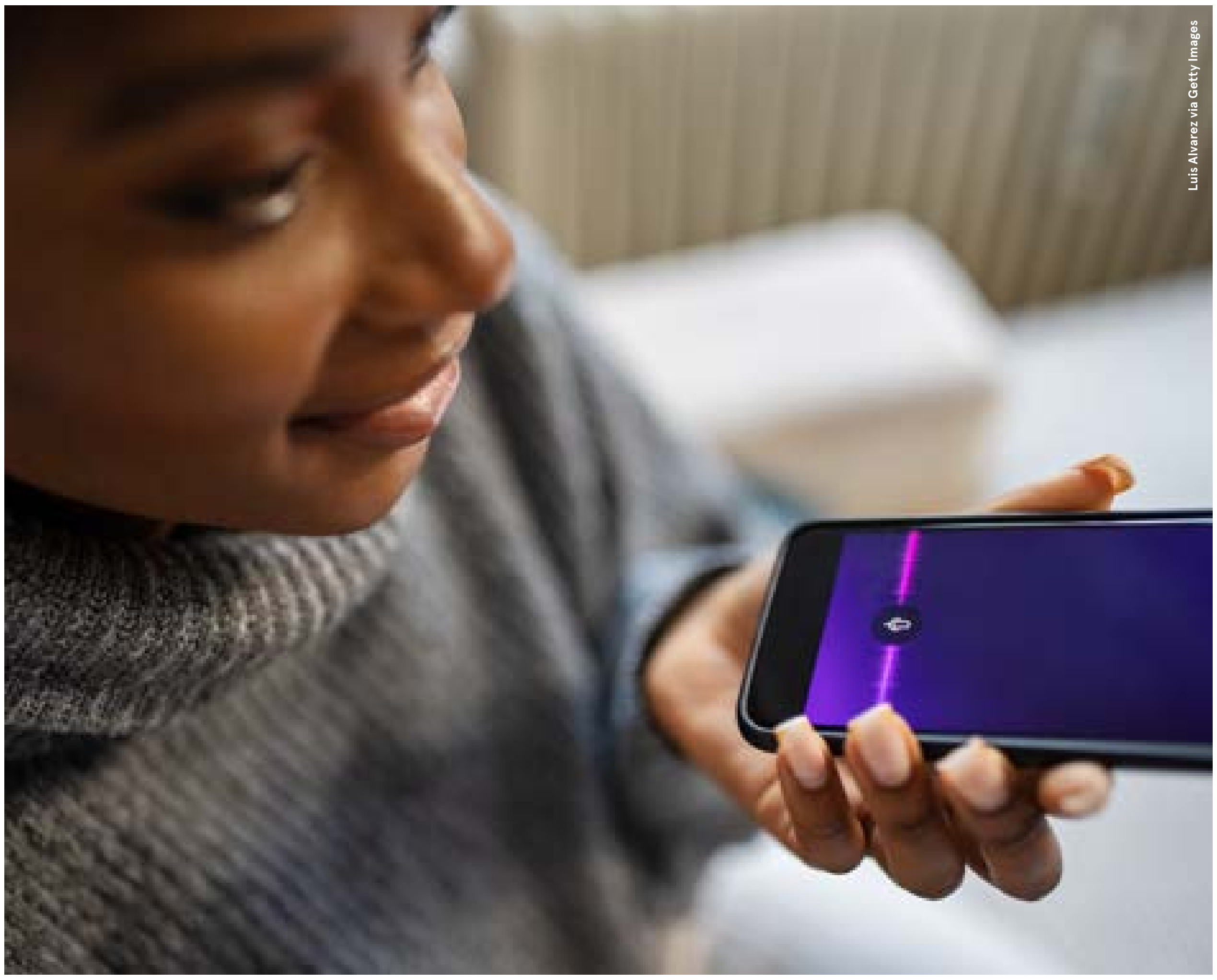
"Rising materials costs, wage inflation and increased transportation expenses have been putting a strain on profits," she observes. "As a result, marketing budgets are being slashed to rebalance the financials, while the demand for meeting revenue and sales volume targets remains unchanged."

These budget cuts are set against a backdrop of high inflation in the price of media. Kite estimates that the cost of showing a TV ad 1,000 times rose by nearly 20% between 2019 and 2021, with other channels also becoming more costly (albeit not as quickly).

"Over time, as evaluations are done, absorbed and acted on, it means that the media mix will alter away from the high-inflation channels," she predicts. "It's going to become urgent to find replacements for TV in the media mix. This is one of the reasons why long-view discussions about the future of brand-building are vital."

With budget growth clearly not keeping pace, marketers are seeing lower returns on investment while advertising is failing to drive higher sales. CMOs will surely come under increasing pressure to re-evaluate their spending plans as long as trading conditions remain tough. ●

Sarah Vizard
Editor, Raconteur


Luis Alvarez via Getty Images

ARTIFICIAL INTELLIGENCE

How to improve your company's ranking in AI-powered searches

Firms are grappling with a new question posed by the rise of conversational artificial intelligence tech such as ChatGPT: should they let the chatbots' web crawlers access their sites?

Chris Stokel-Walker

It's a conundrum that is likely to form the basis of MBA case studies in years to come. Imagine you run a company that's successfully selling a product or service. Like most modern enterprises, it relies on online referrals via traditional internet search engines for a significant chunk of its business. This model is then disrupted by a new wave of AI-powered tools that also crawl the web in their quest for answers.

Giving these access to your website could ensure that your firm will be mentioned in the responses that OpenAI's popular ChatGPT chatbot, say, gives to user queries such as: "Who makes the best-value widgets in the UK?" But, in doing so, you must hand over some of your precious intellectual property to feed the large-language model (LLM) that powers this technology. You could prevent its web crawler from accessing your site, but in protecting your property this way you'd risk being overlooked in the chatbot's answers.

So which option is better? Do you let ChatGPT and its ilk run freely over your firm's website or do you shut the crawlers out?

This scenario has become a reality for businesses worldwide in recent months. ChatGPT's introduction in November 2022 represented a seismic shift in information discovery. It's not only ChatGPT, which also powers Microsoft's conversational search engine Bing, that's changing the game. In response to OpenAI's success and partnership with Microsoft, Google is set to integrate generative AI into its search results through its own chatbot, Bard.

While some firms remain reluctant to let AI-powered web crawlers access their intellectual property online, others are realising the benefits of embracing the chatbots. Logikcull falls firmly into the latter camp. A specialist in legal technology, the company keeps a close eye on online referrals to its services. In March, it detected the first referral noting that the business had been named by ChatGPT in answers to certain questions. In doing so, it recognised an opportunity, as many more referrals of that type were to follow.

Today, about 5% of the firm's referrals mention a ChatGPT citation. The chatbot responses that include Logikcull's name are prompted by simple questions such as: "What are good tools to automate searches through many legal documents?"

Andy Wilson is co-founder and CEO of the company, which has just been acquired by US software developer Reveal. He says: "We see this as a channel that, at the rate it's going today, will drive $100,000 in subscription revenue per month."

Logikcull is not the only firm capitalising on getting namechecked by ChatGPT. Ryan Pamplin, the co-founder and CEO of portable blender business BlendJet, also reports seeing an uptick in visits to his company's website since it started being cited in the chatbot's answers to various queries.

These enterprises are among a lucky band to have benefited from a quirk of the system. In effect, ChatGPT's responses are frozen in time, meaning that it obtained their data from a pre-2021 web crawl and is still basing its output on that material. But BlendJet and many others are tweaking their websites in the hope of improving their odds of being included again when the chatbot's knowledge base is next updated.

Your decision on whether to give LLM-powered chatbots access to your website should hinge on what your business sells and how much it stands to benefit from being included in their responses.

That's the view of Lily Ray, an expert in search-engine optimisation (SEO) and senior director at marketing agency Amsive, who is advising clients on what Google calls "the new search-generative experience".

"It depends on how your company earns its revenue," she says. "We have a lot of clients in the publishing sector that make money from their online content. Handing what you've written over to an LLM that answers questions using that material, giving you either weak attribution or none at all, wouldn't really benefit you."

For firms looking to extend their branding online, on the other hand, Ray can see the point in opening the door to the chatbot web crawlers.

In May, SEO consultancy Sistrix published research into the answers that ChatGPT gave to questions covering 10,000 product categories. The results indicate that some companies can benefit from getting mentioned by the chatbot. ChatGPT cited nearly 24,000 brands in response to common queries.

"If you're having a conversation with it and want to know what the best refrigerator is or whatever, then it's definitely great for a brand to be mentioned there," Ray says.

> Anyone who has focused on brand- and entity-oriented SEO for the past couple of years would be well equipped for AI chatbots

This is why some firms are reconfiguring their websites to become more chatbot-friendly, in a similar way that many have tweaked their online content so that conventional search engines have given their sites a higher ranking.

Optimising a site for a productive ChatGPT crawl is not all that different from traditional SEO work, according to Ray. She believes that "anyone who has focused on brand- and entity-oriented SEO for the past couple of years will be well equipped for AI chatbots".

Serving up content in a way that makes it easy to link to questions, including the judicious use of key words, is likely to benefit a firm in the same way it does for general SEO. That's partly because of how LLMs work in guessing the next most likely word in a sentence based on the context in which it's presented.

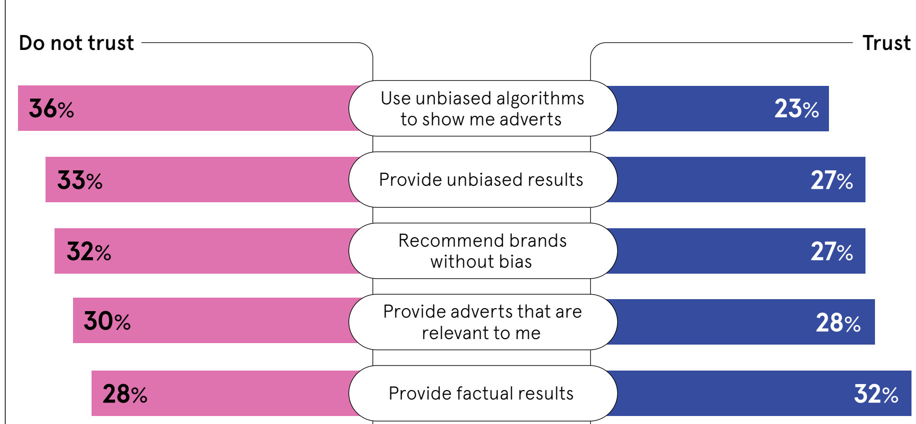
A hint at how best to present information online also comes from the generic term that's applied to chatbots: conversational AI. It's important to keep things concise and conversational, so that LLMs can easily parse your content and re-present that succinctly to users.

If you've chosen to trade some intellectual property for a shot at gaining recognition from AI chatbots, your most important first move should be to monitor your site's traffic to detect their web crawlers and ensure that these aren't locked out.

Having analysed visits to BlendJet's site, Pamplin has found that the OpenAI web crawler presents itself from a specific IP address and in a particular way. He has therefore been able to ensure that it's allowed in. For a business such as his, it seems well worth rolling out the red carpet to this new generation of search tools.

FEWER THAN A THIRD OF ADULTS IN THE US TRUST AI TO RECOMMEND BRANDS

US adults' trust in selected actions of AI-powered search engines



Morning Consult, 2023

Engaged communities and clear ROI: how brands can hit the marketing sweet spot

Marketers have been tasked with doing more with less, but targeting engaged communities on innovative platforms with creative, user-friendly content across the entire funnel can help businesses drive awareness, leads and sales

Businesses are feeling the pinch. The cost-of-living crisis, supply chain problems and the long hangover from the pandemic have prompted leaders to slash spending. Marketers are balancing caution with innovation amid uncertain times.

This is bad news for marketing leaders, who still need to boost brand awareness, nurture customers down the funnel, and drive ROI – with reduced budgets. Leaders want accountability for marketing spend but attribution remains an enduring, complex challenge.

"Marketers are unsure how or unable to accurately attribute success from marketing across the funnel," says Kris Boger, managing director, Global Business Solutions for TikTok UK and Ireland. "But they need a clear view of the true performance drivers across their marketing mix to enable better investment decisions."

The marketing rule of seven states that consumers need to see a brand's message seven times before taking action, but the number of interactions with a brand before purchase may be higher. Adobe claims that, on average, consumers are exposed to a brand 36 times before purchasing. With these interactions taking place across multiple platforms, online and offline, where do marketers begin?

"Many marketers rely on last-click measurement. But full-funnel cross channel attribution – taking into account both views and clicks – is a more robust and fair approach to attributing success. Many of the brands we work with are moving to this model, and seeing significant improvements to their bottom line as a result," says Boger.

Technology can also help. TikTok provides marketers with a suite of measurement solutions to track the success of their activity. Fundamental to the success of such solutions is the ability to enable safe and reliable data connections. This includes the TikTok Pixel, an industry-standard strip of code that marketers can place on their website to capture events and data they can use to improve campaign performance. An Events API connection can extend to sharing website events with the TikTok platform for further optimisation, and is a future-facing solution for marketers awaiting deprecation of the cookie.

TikTok's Lift tests provide another simple way to help companies measure sales or brand metrics and identify the incremental brand impact of campaigns. With extensive third-party measurement partners, TikTok can offer a wide range of solutions for advertisers, helping advertisers to better attribution and investment decisions via e-commerce measurement platforms like Fospha.

But measurement tools can't drive brand awareness, nurture leads or drive sales. To do this, marketers must decide which channels are likely to be most effective to reach campaign goals.

While big brands have slashed their marketing budgets – research by Treasure Data finds that 65% of senior marketers have already had their budget cut – others still focus their spend on social media. The average social media user spends 2.5 hours a day across their channels, according to DataReportal, which is the equivalent of a movie on social media sites like TikTok each day. Couple this with the rich data access that helps justify marketing spend and it becomes clear why TikTok is a powerful tool in the marketing mix for many global businesses.

"You don't check TikTok – you come to TikTok to be entertained and to watch videos in full-screen with the sound on," says Boger. "This has led to a huge amount of product discovery where people have been shown products from businesses they weren't familiar with. This is driving sales on and off the platform; the hashtag #TikTokmademebuyit has 68 billion views."

Those who have been successful in building audiences on TikTok understand how their customers behave and consume content. Micro-communities are groups of highly engaged users who watch and discuss content around their passions – #BookTok, #RecipeTok and #SkinCareTok are three such thriving communities.

> Marketers are unsure how or unable to accurately attribute success from marketing across the funnel

"We help brands to create content organically and encourage them to look at what's happening in the micro-communities," says Boger. "A great example is #TravelTok, where users post travel tips and reviews on places to go. Brands like TUI and Booking.com have done brilliantly in creating similar types of content and built passionate followings as a result."

Brands can also look to the recent Unilever partnership for #CleanTok™, where TikTok and Unilever have partnered to co-create and curate content for the once mundane category of cleaning – now one of the most loved and entertaining genres on TikTok.

For brands looking to move beyond organic content, comprehensive media plans and ad solutions offer another avenue to reach millions of new consumers. However, Boger says it's important that the user and advertising experience is seamless: "When we work with advertisers we want to create content that is entertaining and looks natural and authentic on TikTok. Some brands will film their ads on a smartphone, others will partner with a creator who can help them to reach and appeal to a micro-community."

The approach is working. Boots is one of a host of global brands that has partnered with TikTok to drive conversions of its deals. Using a tailored account nurture strategy, the retail brand targeted ad campaigns at each step of the customer journey and, when consumers reached the bottom of the funnel, used TikTok's e-commerce solution Video Shopping Ads helped to drive sales. Boots saw a 133% increase in return on advertising spend, a 48% decrease in cost per complete payment and a 20% increase in value per complete payment.

As well as helping brands boost sales, TikTok is focusing on creating the world's safest platform for the community and, in turn, for brands. "The safety of the community is number one," says Boger. "We've done a huge amount of work to build trust and keep users and brands safe on TikTok. For example, we've prioritised the safety of our younger users, building several age-appropriate safety elements into the platform, while tools like Family Pairing help parents set controls on their teen's TikTok accounts".

At a time of great uncertainty for businesses, trusted and innovative platforms with engaged communities and next-generation advertising tools could be the key to driving real ROI from marketing investments.

Explore solutions and case studies at tiktok.com/business

TikTok for Business

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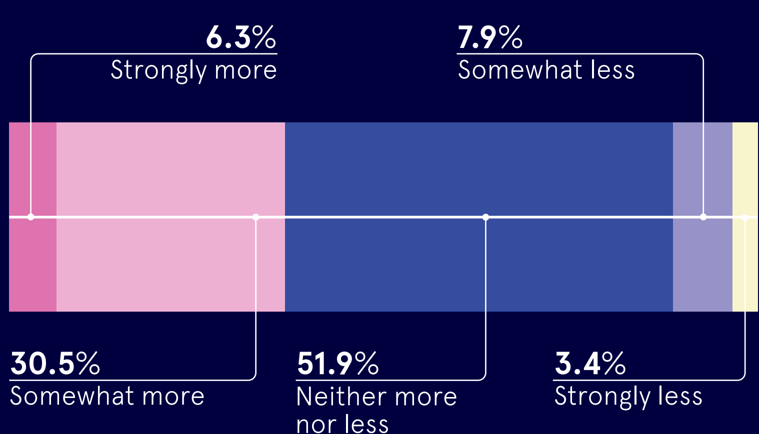
SHOULD BRANDS TAKE A STAND?

While some companies have built a positive reputation for their enlightened stance on social or political issues, others – Budweiser and Unilever, for instance – have found themselves in hot water with consumers for their views and actions relating to certain contentious matters. This new research from Raconteur digs into what consumers really think about outspoken brands, how 'wokeness' affects their purchasing decisions and which topics a business would be better off staying quiet about

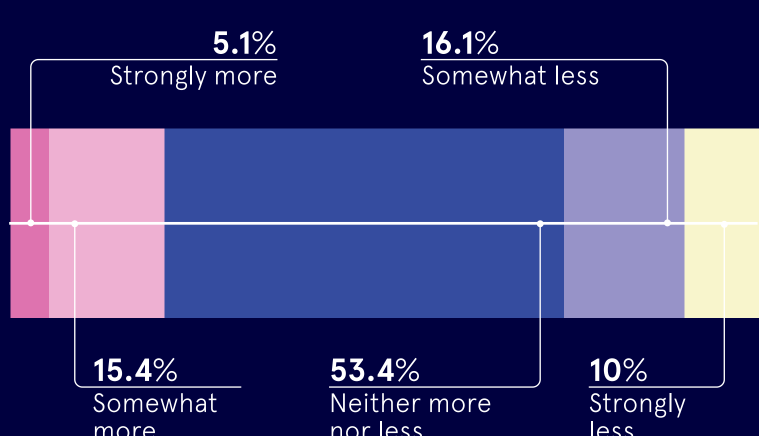
MORE THAN A THIRD OF CONSUMERS WOULD BE MORE INTERESTED IN BUYING FROM A BRAND EXPRESSING A CLEAR OPINION ON A SOCIAL OR POLITICAL ISSUE

Share of consumers giving the following responses when asked how likely they were to buy from a firm taking a strong stance on a contentious matter



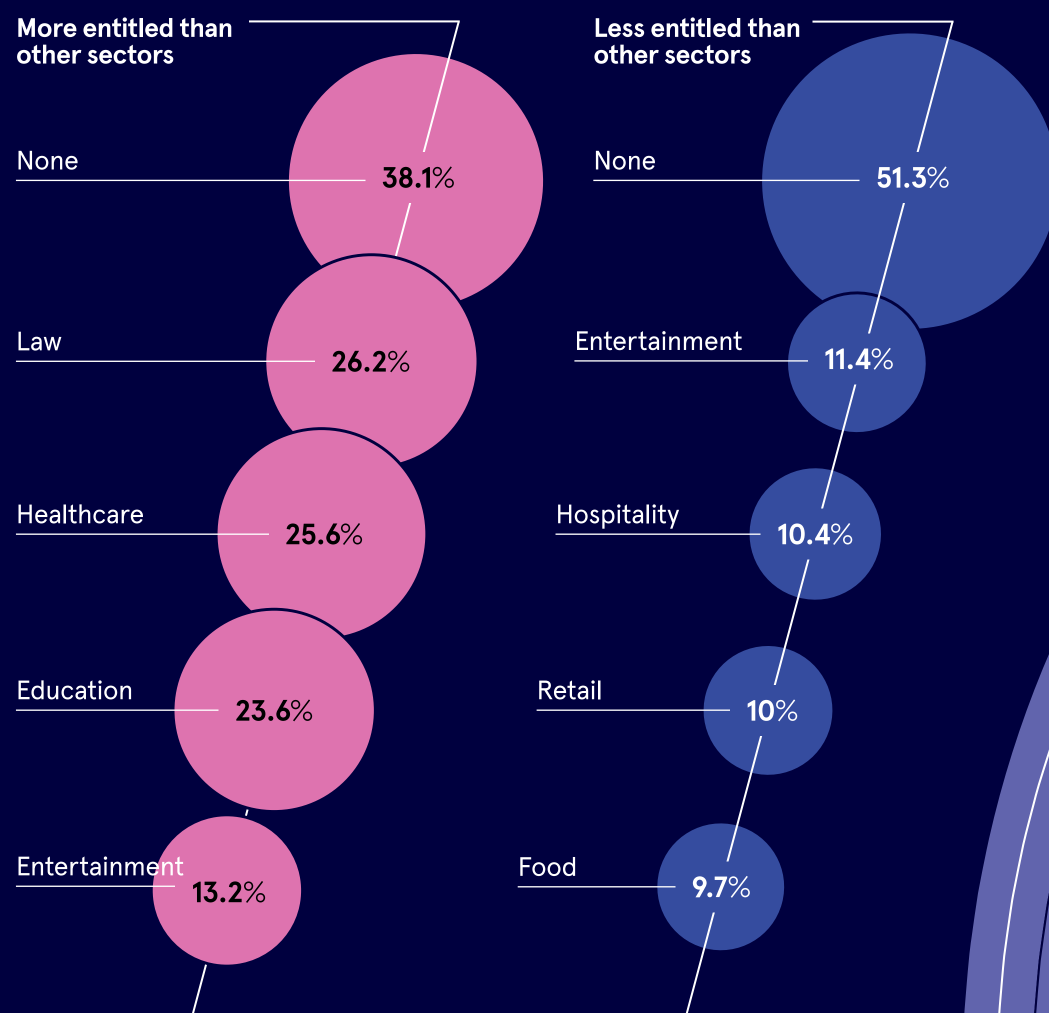
MOST CONSUMERS ARE GENERALLY APATHETIC TOWARDS BRAND 'WOKENESS'

Share of consumers giving the following responses when asked how likely they were to buy from a company that others have described as 'woke'



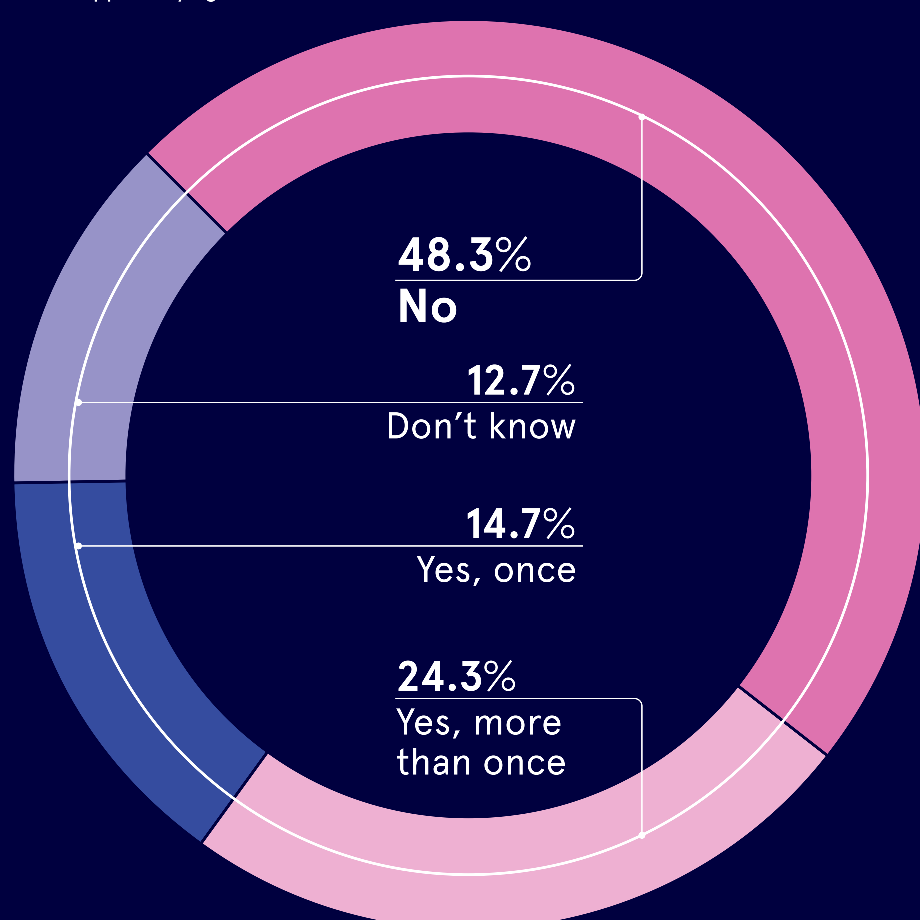
FOR MANY CONSUMERS, ALL BRANDS ARE EQUALLY ENTITLED TO EXPRESS AN OPINION ABOUT SOCIAL OR POLITICAL ISSUES

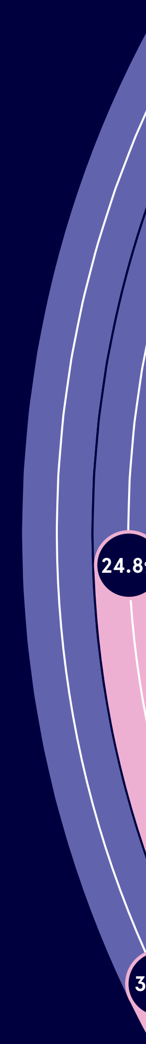
Share of consumers giving the following responses when asked whether brands in certain sectors were more or less entitled than those in others to speak out on contentious matters



NEARLY HALF OF CONSUMERS HAVE NEVER STOPPED BUYING FROM A BRAND BECAUSE OF A SOCIAL OR POLITICAL STANCE

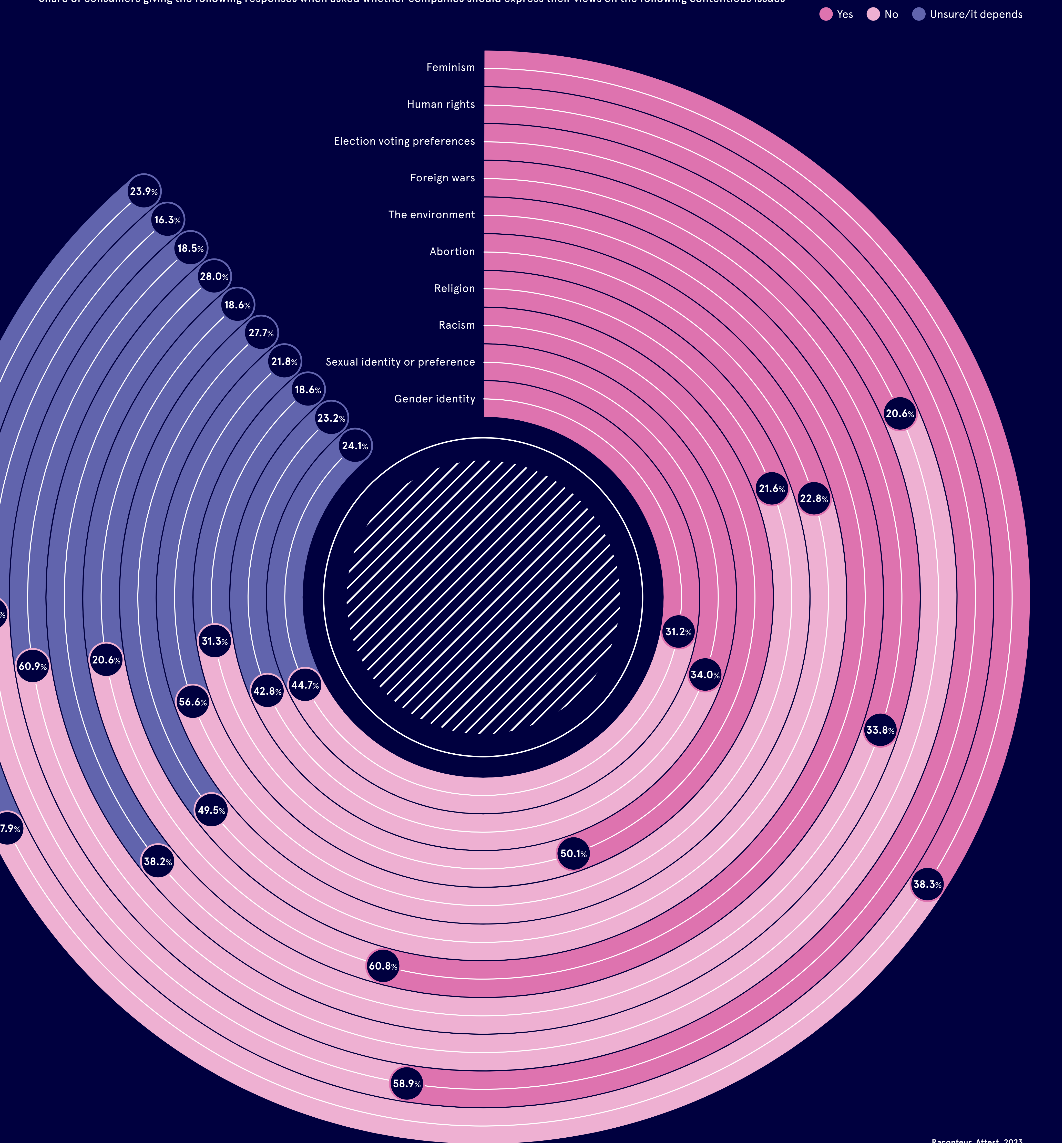
Share of consumers giving the following responses when asked whether they had ever stopped buying from a firm because of its stance on a contentious matter





WHICH TOPICS ARE OFF-LIMITS FOR BRANDS?

Share of consumers giving the following responses when asked whether companies should express their views on the following contentious issues



Raconteur, Attest, 2023

EXPECTATION MANAGEMENT

What the C-suite should expect from a brand-building programme

Building a brand is no short-term undertaking, yet many CMOs are under pressure in the boardroom to demonstrate quick returns on this investment. It's time to rectify some fundamental misapprehensions

Emily Seares

At the Cannes Lions International Festival of Creativity in June, Mastercard's chief marketing and communications officer, Raja Rajamannar, spoke on stage alongside CFO Sachin Mehra about the lack of understanding between the two functions at the top level of many companies.

Citing a Forrester Research survey reporting that only 37% of marketing chiefs believe it's vital to build a good relationship with the CFO, Mehra stressed the need for better communication and cooperation. Rajamannar, meanwhile, acknowledged that too many CMOs still struggle to "connect the dots" between long-term marketing initiatives and business outcomes.

Such observations align with the results of a recent survey by B2B marketing agency Transmission. Of the finance chiefs it polled, 72% said that their CMOs found it hard to measure the effectiveness of brand programmes, while 81% said that such measurements could be done and dusted within 12 months.

Part of the problem, says Tom Fowler, planning director at brand consultancy the Propaganda Agency, is an overreliance on so-called vanity metrics – for instance, those concerning engagement with a brand on social media – that aren't clearly linked to key commercial priorities such as boosting market share and revenue. This leads to inflated growth indicators in the short term and an inevitable plateau in performance at about the 18-month mark.

"Digital performance tactics have given us loads of ways to measure the effectiveness of advertising. I think it's 170 ways at the last count," Fowler says, noting that nearly all of these are vanity metrics – from open rates to dwell times – that foster unrealistic expectations.

As the economic uncertainty continues, many marketing chiefs are under pressure to build a short-term business case for what is an inherently long game. It's therefore up to them to ensure that their C-suite colleagues have a more realistic understanding of their brand-building efforts, argues Kristof Neirynck, global CMO at beauty firm Avon and the managing director of its business in western Europe.

"A lot of businesses are under profit pressure, which places a greater onus on their CMOs to prove immediate returns. This can prompt some to opt for tactical conversions alone, which presents a danger in the long term," he says. "It's the CMO's task to manage the expectations of the CFO (and the CEO) about the return on marketing investment. Success is openly delivering the ROI that you have committed to and driving brand growth in a profitable way."

So what should business leaders realistically expect to see from a brand-building programme? Here is a theoretical timeline of how an effective one might work. Crucially, it runs for three-plus years.

Six months

Create and align

The first six months need to be a time of strategic creation, according to Yael Alaton, a partner at the Pearlfisher London agency in charge of vision and strategy. This period of initial analysis and R&D work should produce a well-defined "roadmap" for the brand, she says.

Fowler adds that it's important to divide expenditure between brand and performance, but this means that you must hold your nerve beyond 18 months, as brand-building isn't a short-term undertaking.

"On some tweaks you might see an immediate short-term impact, but you really need to think about the long term," he stresses. "Set in place tracking measurements, so you can show your C-suite colleagues what the impact has been and actually understand this yourself."

> "Success is openly delivering the ROI that you have committed to and driving brand growth in a profitable way

Fowler continues: "Ultimately, this is about being clear about what you're going to do, but also what you're not going to do. This needs to be at the heart of your strategy over the first six months."

12 months

Express and connect

Brand-tracking measurements can often take months to show movement, but there are short-term indicators, such as share of search, consumer sentiment and site traffic, where you'd want to see evidence of an uplift between six and 12 months. So says Michael Lee, global chief strategy officer at creative agency the VCCP Partnership.

He believes it's important at the one-year mark to avoid falling into the trap of seeing brand-building as a trade-off for investing more in tactical performance.

"We often talk about 'brand response' – creating tactical communications that still do a brand-building job. While working with easyJet, for instance, we might run a tactical sales promotion campaign, but the look and feel of those comms still exist in the aspirational brand world," Lee explains. "The factors that make brand-building activity distinctive are the same as those that improve the performance of more short-term activity."

18 months

Establish and measure

This phase, Alaton says, is about developing the full brand experience across platforms and touchpoints, while learning from consumers as well as in-market results.

At 18 months, the brand's unique position, complete brand experience and key brand equities should be established, and the evaluation methods put in place for long-term assessment and planning.

Kirsty Hunter, CMO at Innocent Drinks, notes that "you might start seeing a small community of customers forming around your brand at this stage through more active engagement on social media, user-generated content and discussions about your products".

But she adds that marketing chiefs must be able to demonstrate to their C-suite colleagues the longer-term value of brand-building activity to the business.

"While the rise of AI and other advanced technologies has enabled marketers to gain a greater understanding of their programmes, it has also brought many challenges," Hunter says. "Many people assume that the technology has made marketing cheaper, which is not the case. Marketing isn't just an algorithm; the human factor behind it must not be underestimated."

Her company saw this principle in practice when it ran an Instagram post that put advertisements created by its social media team up against AI-generated ads. Hunter reports that, although the automated content "performed suitably, people connected much more to what the team created".

Two years

Expand and diversify

By year two, your brand identity and values should be firmly established in the minds of your target audience, according to Hunter. It's also a good time to expand your brand further to new territories and demographics, or explore partnerships and collaborations with other brands, NGOs and influencers in your core market.

Alaton adds that, two years in, the brand should also be capitalising on its unique position and powerful equities to look at expanding and diversifying its role in people's lives.

Neirynck believes that consistency is key at this stage to build longer-term returns. "Take 'Ding-dong, Avon calling', for example. This tagline was built over many years. It gradually became synonymous with the brand and is now hard-wired with consumers," he says.

Three years

Nurture and grow

The strategic groundwork of the first three years should produce a brand that's fit for the future and set for growth, according to Alaton. At this point, the brand should be protecting its equity while nurturing its unique relationship with customers, with a focus on unlocking further opportunities.

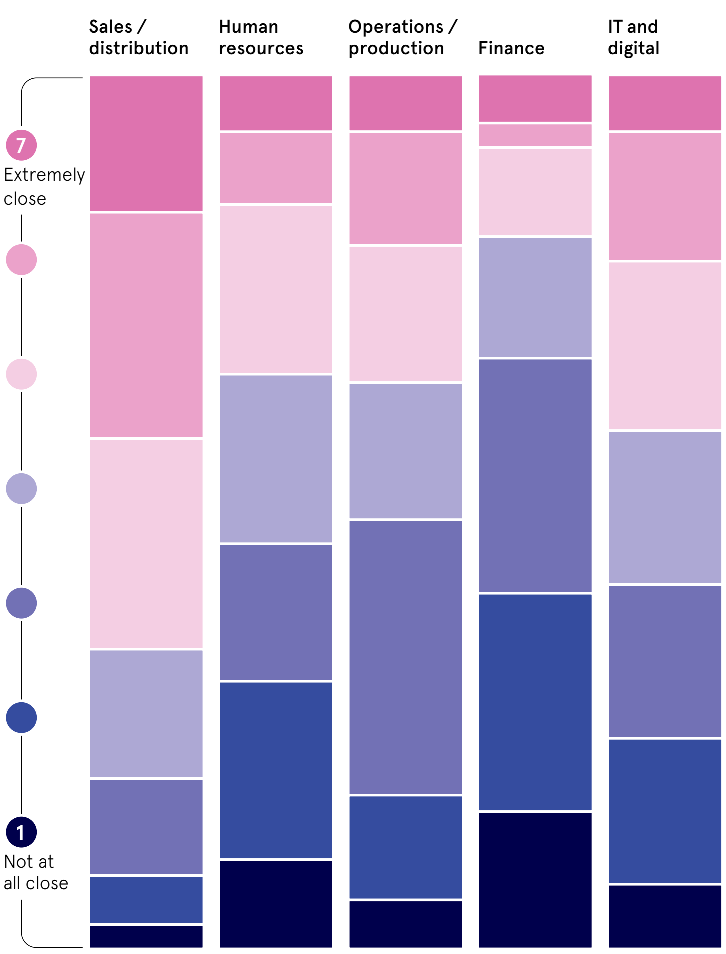
Hunter says that, by the end of year three, "you should have established a familiar brand – easily recognisable and associated with your products. Having achieved brand maturation, it's now time to build on the strong foundations you have set for the long term."

Getting to this point requires clear and honest communication from the outset. A strong strategic framework, tangible measurement of brand-building effectiveness and clear communication in the boardroom about what to expect at every stage are prerequisites for success.

As Alaton says: "An effective brand-building programme is one that is integrated into long-term business strategy. The C-suite has to approach this as an investment in the future."

HOW DEEPLY INVOLVED DO NON-MARKETING FUNCTIONS GET IN BUILDING A BRAND?

Share of marketing chiefs giving the following ratings of the level of cooperation between their teams and other departments during brand-building programmes



London Business School, 2023

FUNDING

Tight club – what to do with a little more cash?

With their budgets still getting squeezed, many marketing teams have been forced to lower their sights. Here's what three leading CMOs would prioritise if the purse strings were loosened a fraction

Ellen Hammett

In times of crisis, marketing is usually among the first activities to feel the pinch. Indeed, as tough economic conditions persist, marketing budgets as a share of corporate revenue have been shrinking to the extent that 71% of CMOs polled by Gartner in May said they wouldn't have enough funds to fully execute their plans this year.

What would they be trying to do if they weren't limited this way? If they had just 10% more spending power – almost enough to return their budgets to 2019 levels – how would they wield it? Raconteur asked three marketing chiefs what moves they would make if given the extra money.

'Instead of counting on the business changing, we've decided to take control of what we can'

Patricia Corsi

Chief marketing, digital and information officer, Bayer Consumer Health

Every year, Patricia Corsi places about a third of her firm's marketing budget into a separate pot that she calls the "pitch fund". She then invites members of her senior team (13 people report directly to her) to present business cases for ideas they think should be prioritised.

This fund is then typically spent on the development of minimum viable products – versions of new goods with just enough features to be usable by early-adopting customers, who will then provide feedback to inform refinements.

Given 10% more money for the year, "I would apply the same principle", says Corsi, whose 300-strong marketing team covers a portfolio of global brands including Berocca, Canesten and Claritin. In other words, she'd put a third of that extra cash into the pitch fund.

"In any given year, there will be areas that you'll need to invest in much more. But, of course, we don't get much more budget every year," she says. "So, instead of counting on the business changing, we've decided to take control of what we can."

Corsi would devote a chunk of her hypothetical 10% to accelerating projects that are going well and reactivating some longer-term work that was deprioritised because of the need to focus on more urgent issues.

"AI is one of the weapons in our arsenal in which we'd invest more too," she says. "There are some areas where there isn't much clarity on whether AI would add value to the business or not, so I would experiment in those."

Crucially, as marketers worldwide come under mounting pressure to justify all investments and prove their effectiveness, a modest budgetary boost might offer a chance to experiment in relative freedom.

"A principle of experimentation is that half of what you try might not be successful," stresses Corsi, who adds that, if such work ends up delivering growth, "you'll have an upside that wasn't in the books".

> **There are some areas where there isn't much clarity on whether AI would add value to the business or not, so I would experiment in those**

'I'd want to make our own special, distinctive campaign'

Samuel Day

Chief marketing officer, Confused.com

It must be the entrepreneur in Samuel Day who'd be pushing for far more than a mere 10% extra. Confused.com's CMO says that he would look to double his team's budget "immediately", thereby enabling the brand to do something it wouldn't normally have the scope to try.

"I'd want to make our own special, distinctive campaign to run for a defined period," says Day, who'd find a media or brand partner to co-fund a project that would make "more impact than just iterative gains. Rather than distributing that money across everything you are doing and making it all slightly better, make it make a *real* difference."

He would get things started by bringing everyone from his own team and its external partners together in the same room to put their ideas on the table and work out "the biggest bang for our buck we can get". This is often when the "gems" are discovered, he says. But it can also lead to some quite parochial ideas, with various parties trying to attract as much money as they can their way.

Day would particularly like to extend the brand's reach to younger consumers. While Confused.com's sponsorship of popular TV soap *Emmerdale* has "nailed" the middle-aged-plus demographic, fragmented younger audiences remain more elusive, so he would be looking at partnering with TikTok or YouTube, or mounting a big PR campaign. All the while, he would be paying close attention to his econometrics and attribution models.

"The return element of any marketing investment is always a risk," he says. "Because you must deal with this balance of risk, you have never got enough budget for your ambitions."

But Day adds that more money doesn't necessarily mean better marketing.

Marketers need to be smart with their investment decisions. If, for instance, a campaign is already "optimised", going beyond it with a bigger budget might not be the best move.

"You've got to get it right, knowing that every pound spent has a significant impact until it doesn't," Day stresses. "Any business should maximise that optimised ROI before it goes too far. You have to work hard for that budget."

> **Rather than distributing that money across everything you are doing and making it all slightly better, make it make a *real* difference**

‘My focus is always to increase investment in working media to deliver the greatest commercial results’

Jane Stiller

Chief marketing officer, ITV

It’s already been a particularly busy year for Jane Stiller. She has overseen the commercial broadcaster’s biggest marketing campaign to date, with the arrival of the ITVX streaming service, and also led major content campaigns based on shows including *Love Island* and *A Spy Among Friends*.

“We have actually increased our marketing expenditure to exceed pre-crisis levels, recognising the need to cut through a cluttered market and demand viewers’ attention,” reports Stiller, who has been investing confidently to “drive awareness and consideration”.

Of course, she would always welcome an additional 10%. That would enable Stiller to ramp up her investment in ensuring that ITV remains “top of mind” among its target audience.

“Every marketer would like a larger budget if they knew they could drive profitable growth with that extra money,” she observes. “There’s huge competition in the TV content market, so an incremental increase would help us to achieve our goals of bringing in more viewers more often to deliver our commercial objectives.”

Stiller typically prioritises “working media” – what the audience sees. She would put more money behind her firm’s Q4 output, which includes a revival of *Big Brother* on ITV for the first time, and increase investment in digital acquisition channels.

“My focus is always to increase investment in working media to deliver the greatest commercial results,” she says. “I’d be looking to mass-reaching media channels, such as TV and out-of-home advertising, as well as targeted digital channels that perform well for acquisition and retention.”

But a bigger budget is not the “be-all and end-all” if fundamental elements of a campaign don’t match up, stresses Stiller, who explains: “Nothing will perform as well if the creative execution isn’t fantastic or the targeting isn’t good.”

With this in mind, she might use any remaining money to invest in the best creative talent she can find and sufficient data infrastructure to ensure that ITV can personalise its communications on a large scale.

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