MARKETING & CREATIVITY

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C-SUITE

Add campaign: the ROI sums that could sway the C-suite

While tools such as econometrics are helping chief marketing officers to optimise their spending, the task of persuading boards that investments in brand-building will deliver long-term returns is largely still a challenge

Ian Darby

"I don't see marketing as a cost. I see it as an investment."

That's what Tesco's CEO, Ken Murphy, told investors in October 2023, showing the belief of one blue-chip business leader in the power of a strong brand, backed by marketing expertise, to deliver strong and sustainable returns.

A poll of 200-plus investment analysts, published the same month by the Institute of Practitioners in Advertising, suggests that they share his view. When asked which criteria they used when appraising a company, 79% of respondents cited the strength of its brand and marketing. That made it the most cited factor, above even leadership quality (76%), technological innovation (72%) and reported profit (71%).

But do most business leaders think like Murphy and institutional investors? Do they truly believe in the importance of marketing as an investment?

Chelsea Grayson is a seasoned business leader, corporate board member and consultant. A former CEO of fashion companies American Apparel and True Religion, she says: "Boards aren't stupid. They see why you need to do brand marketing and why you must develop passion and warmth for a brand."

But she stresses that such an investment must be backed by evidence, pointing out that marketing is "a cost centre in a lot of ways. They put you in a box with legal – in that you're both spending money versus bringing it in – until you show them that you're bringing it in."

Toby Horry, brand marketing and content director at tour operator TUI Group, believes that arguing the macro case for marketing is relatively straightforward. But he adds: "It's when you get to discussing the next level of detail that things become harder. If you're a CEO, you might be saying: 'Should I spend this money we have on a new factory or on marketing?' It's probably a lot harder to work through a business case for the latter and prove it. Brands are getting more sophisticated at making such measurements. It just requires more money, resources and effort to make the marketing case."

The detailed analysis enabled by developments in digital technology has enabled marketers to track returns on their investments far more effectively in recent years.

Monekybusinessimages via iStock

While she was at True Religion in 2018-19, for instance, Grayson saw how the business case for marketing advanced in leaps and bounds, thanks to new IT. She recalls that the board became "deeply interested in the evidence-based arguments" for various marketing investments – and in the views of the firm's martech partner.

"It was the only vendor that got to present to the board, because the members were so interested in hearing that we could see exactly where every dollar was going," Grayson says.

Marketers have gained access to dashboards that show the impact of their expenditure on digital platforms owned by the likes of Amazon, Google and Meta. But the data these produce tends to concern immediate clicks and sales conversions achieved via specific channels. When it comes to analysing the longer-term effects of investments across all channels, and on the brand itself, econometrics has emerged as a vital tool.

Also known as marketing-mix modelling, econometrics enables statistical analysis to be applied to quantify the impact of marketing activity based on critera set by the organisation. Based on the insights that emerge from this process, marketers can adjust their spending to optimise the ROI.

The key factor for any marketer trying to introduce econometrics to their business is to "ensure that the finance team has bought into the model", Horry stresses. "Otherwise, people can see it as a vanity thing and they won't buy it."

Some marketing experts warn against placing too much emphasis on data derived from specific online platforms. Michael Farmer is a strategy consultant and the author of *Madison Avenue Makeover*, a critique of the advertising industry. He believes that some firms are overcomplicating their investments and losing sight of things that really matter, such as marketing's impact on organic revenue growth.

"The problem is that marketing puts together 'scopes of work' that aren't related to what needs solving," Farmer argues. "They're executions in every possible media channel in the hope that one of them will work. That represents a huge amount of work that doesn't need to be done, because it adds no value."

It's clear, then, that marketers still face problems when it comes to demonstrating a clear ROI. What can they do to make a more persuasive case for the investments they want to make?

Grayson advises marketing chiefs to balance the performance and brand sides of the task. She explains: "If you can show that you're a CMO who focuses mostly on martech and you happen to have a brand team, then you're perfect – that's the chef's kiss."

She also stresses the importance of speaking the same language as that of the finance team. CMOs "would do well to talk in terms of profitable revenue generation and net and gross margins. And they should have conversations about Ebitda and how they're running their P&L," she says. "They should come across more like financial planning and analysis executives than marketers."

Horry adds: "Ensure that you're having conversations about the brand in terms of the direct value it can bring. For businesses such as TUI, it's about demonstrating that a stronger brand equates to more direct and organic traffic and a higher conversion rate. If you can start proving those links, you can show its value."

Farmer believes that marketers require a "transformation". CMOs, he stresses, must "not forget why they're spending money. Ensure that everything you do – every media channel you buy in; every creative campaign you develop – improves the probability that your brands will grow at higher rates than before." ●

INSIGHT

'It is essential to move DEI initiatives beyond mere token gestures'

Frank Starling, chief DEI officer at Lions, explains how his team has made Cannes Lions more accessible to under-represented groups

We've seen a lot in the media about diversity, equity and inclusion (DEI) being deprioritised. Despite apparent efforts to combat discrimination, measures of inclusion in the marketing industry have shown no improvement from 2021 levels, according to The World Federation of Advertising's *Global DEI Census 2023*. Age, gender and caregiving status remain sources of significant discrimination, with disabled people reporting particularly poor workplace experiences.

Worse still, a recent report by The Association of National Advertisers reveals a decline in diversity across the industry, with the share of under-represented groups in the workforce falling from 32.3% in 2022 to 30.8% in 2023. Several organisations have axed internal diversity and inclusion teams amid broader layoffs.

Diversity budgets are facing intense scrutiny in the current economic climate. As organisations emphasise broader business initiatives, efforts to incorporate DEI into the business strategy have been placed on the back burner.

But the reality is that DEI has never been more important. Society is becoming more connected in one sense, but in another it is more fragmented than ever.

To be intentional about social justice and avoid performative gestures, we must first acknowledge the severity of the issues at hand. The world is witnessing multiple humanitarian crises, nations around the world are plagued by violence against women and hate crimes on the basis of race and gender are on the rise.

This is no time for organisations to neglect diversity and inclusion. It is essential to move DEI initiatives beyond mere token gestures. It is vital for the health of the industry, but it also makes good business sense. A new report by Kantar, for instance, found that cutting DEI out of a company's marketing strategy may already be costing US businesses $5.4tn (£4.2tn).

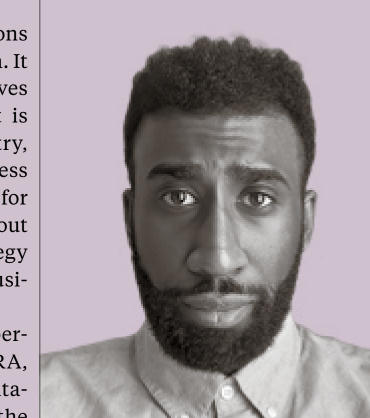
For Lions, DEI is a strategic imperative. Our strategy is called ERA, which stands for equity, representation and accessibility. These are the pillars of our inclusion strategy, which is embedded in our wider business strategy. This means creating psychologically safe work cultures, which improve performance. But the aim is not only to drive better outcomes for our employees. Our goal is to help to close the access gap within the wider industry.

One of the initiatives we launched early this year is the ERA Pass programme, which is designed to remove any cost-related barriers of coming to the Cannes Lions festival. We backed €1m of complimentary passes with the core purpose of creating access for under-represented and under-served communities. This was launched as a global initiative and we had more than 300 applications from 52 countries.

But the programme doesn't end with the price of admission. We also want to ensure that the recipients of these passes have an inclusive experience at the festival. To do this, we are providing executive coaching sessions and hosting a specific networking event. We have also set up a dedicated team to support our ERA Pass guests, helping them to have an amazing experience at the festival and to use it as a way to achieve their own objectives.

This and other initiatives are outlined in our new, comprehensive inclusivity and accessibility guide, which details all of the steps we're taking to enhance accessibility across the festival.

We are striving to create the most inclusive experience for as many communities as possible. Increasing the representation of under-served communities and finding ways to advance equitable access is one of the greatest points of differentiation for any organisation. ●



Frank Starling
Chief DEI officer, Lions

Commercial feature

Digital dominance: brands shift ad spend online in the hunt for results

Despite the uncertain economic and political climate around the globe, a sense of optimism is emerging in the advertising industry

Worldwide ad spend looks set to outpace global economic growth in 2024, with a rise of 5% to reach $754.4 billion compared to a 3.2% GDP increase, according to the updated mid-year Global Ad Spend Forecasts from advertising network Dentsu.

"There's greater confidence among marketers about the impact that media and advertising will deliver to their brand and to their business," says Will Swayne, global practice president - media, at advertising network Dentsu.

Swayne adds: "With greater digitalisation of media, comes greater accountability for the results, making a shift from advertising being seen as a cost to an investment for the business."

One reason for this growing faith in advertising's accountability is the inexorable rise of spend through digital channels, which is forecast to grow 7.4% and to account for 59.6% of total global advertising budgets in 2024.

Retail media also continues to perform strongly and is forecast to be the fastest growing digital channel at 32% in 2024 and 17.7% annually to 2026. This may be explained by stronger adoption in markets outside its traditional stronghold of the US. This is also because new ad formats are emerging beyond retailer websites and marketplaces, alongside higher standards of cross-channel measurement.

"Advertisers want to be at the intersection of brand and performance," says Swayne. "Building brands in these performance-driven platforms where the point of engagement and point of transaction are coming closer together."

An industry lens on ad spend

Looking at individual advertising category growth, travel and transport and media and entertainment are the standout sectors. Travel advertising continues its post-pandemic bounce back with an anticipated 8.1% increase fuelled by further investment in digital channels involving the creation of enhanced experiences, services and booking processes for travellers.

Advertising growth in the media and entertainment category is anticipated to reach 6.5%, after a rise of just 0.3% in 2023. The main reason being competition between the major streaming platforms.

The research also points to a boost in spend among consumer packaged goods (CPG) advertisers and finance companies. Swayne says that CPG advertisers are investing to maintain the "premiumisation of their brands": "They have continued to spend in a desire to drive sales volume, especially when many have applied pricing increases. Plus, there is the desire to build distinctiveness in their premium brands, versus retailer-owned brands."

> With greater digitalisation of media comes greater accountability for the results

Long-term positivity

On a macro level, advertising's optimistic mood is forecast to continue for the foreseeable future, with average annual spend growth of 4.5% over the next three years, above inflation and GDP predictions.

This optimism that the ad market will see sustained growth reflects evolving audience behaviour, says Swayne. "From a consumer standpoint, 85% of people's day is spent in media. The amount of time people are spending in front of a screen or in an experience is ever-increasing, and as a result so are opportunities for brands and businesses to meaningfully reach them."

Swayne says that marketers must focus on key actions given that the advertising world will continue to see a digitalisation of media and advertising driven by consumer behaviour.

"Marketers that lean into an increasingly addressable, shoppable and accountable media ecosystem should recognise that innovating and staying ahead is key, ensuring that they're moving as fast as the consumer," says Swayne.

This will mean marketers needing to explore all new opportunities to build brands in the digitalised marketplace, looking beyond performance and short-term impact to maximise the impact of the intersection of brand and performance.

Finally, leading marketers must lean into innovation and technology if they are to reach consumers and drive results, concludes Swayne: : "There are fast current opportunities in retail media, connected TV, and social media Those three areas continue to grow fastest because that's where consumers are spending more of their time."

For more information please visit dentsu.com/ad-spend-may-2024

dentsu

EFFECTIVENESS

The short and the long of it

Spending on short-form video advertising has never been higher, but some experts believe that neglecting the traditional format is risky – and the latest research suggests that they're right

Sean Hargrave

Video advertising has been surging in popularity. In the first six months of last year, for instance, the medium saw its biggest growth in UK digital advertising expenditure – up 11% on H1 2022's figure – to be worth just over £3.4bn, according to the Interactive Advertising Bureau. That was £1.2bn more than the total spent on non-video online advertising.

Its rise can be attributed almost entirely to a change of media consumption habits in this country, according to Ofcom. The watchdog's 2023 Media Nations report revealed that 38% of adult internet users in Great Britain were watching short-form videos online daily. The proportion rose to 68% among those aged 15 to 24.

This has meant a huge increase in the number of opportunities to advertise using short-form (often skippable) videos. Accompanying that has been the rekindling of an old debate: can creatives get their message across in just a few seconds, or must they persist with longer productions?

The rise of quick-fire video is understandable, because it's being driven by the low cost of ads accompanying the bite-sized content that is served up by social platforms such as TikTok and YouTube. But Nicky Vita, head of strategy at Atomic London, is one of several senior agency executives who doubts its effectiveness.

"I fear that we as an industry are being pushed into creating short-form content for 'efficiency' purposes," she says. "Ultimately, we should be doing what's right for the brand. More often than not, that means prioritising engagement and effectiveness above efficiency. We must ask ourselves whether we can create a relevant emotional connection. Longer adverts act as memory anchors. People are hard-wired to remember stories – and emotion has long been a key factor in effective advertising."

Research published in 2019 by Thinkbox suggests that longer adverts are more successful at imprinting a brand on viewers' minds. According to its findings, viewers were 37% more likely to recall key scenes from ads lasting 30 seconds or more than they were from shorter versions.

It's worth noting that Thinkbox is an organisation that promotes television advertising, but its findings are about to be supported by studies being conducted in the US, which promise to be a milestone in advertising research.

These studies, conducted by a team representing the University of Pennsylvania's Wharton Neuroscience Initiative, the Fox Corporation and Bill Harvey Consulting, have transcended the traditional parameters of asking consumers if they recall a given ad and whether they intend to buy the product in question. They're even more innovative than eye-tracking, which monitors the extent to which people are paying attention to what they're watching.

> We should be doing what's right for the brand. That often means prioritising engagement and effectiveness above efficiency

Instead, they are using electroencephalography to get inside ad viewers' heads. A volunteer watches advertising while wearing a skull cap fitted with sensors that measure activity in different parts of their brain to reveal whether that person is truly connecting with the content. The researchers can measure more than attention, which they believe is only one part of the process by which advertising leads to sales.

They argue that an advert has to do two more things than simply be noticed: it must also make viewers think favourably of a company by creating "brand joy" and then make them remember that they like that firm. Their interim findings suggest that the initial sense of attraction takes at least 15 seconds to build and peak. Moreover, viewers don't start forming memories of an ad until 10 seconds in. Anything shorter than 15 seconds will therefore fail to reach its full potential for making someone form a memorable liking for the brand being advertised.

Researcher Michael Platt, professor of marketing and founding director of the Wharton Neuroscience Initiative, recently told delegates at an American Research Foundation conference that the ongoing studies were starting to show links between longer adverts and improved sales.

For Grant Hunter, chief creative officer at marketing agency Iris, this research highlights the importance of long-form video (and audio) advertising. But he warns media executives against thinking that they must take sides. There is a balance to be found.

"Short-form advertising has a part to play, particularly in disrupting people's doomscrolling, but it's not a silver bullet. It's no coincidence that TikTok has started pushing longer-form formats of up to 10 minutes," Hunter says.

He believes that "you need repetition and time to build a distinctive character and deeper memory structures. If you can create compelling content that people want to interact with, that will build deeper brand recognition than a three-second burst in the doomscroll would. But the frequency of short-form content is good for reinforcing key messages. The two aren't mutually exclusive. When you combine them, you can create a sense of seeing the content from multiple sources which validates it and makes it memorable."

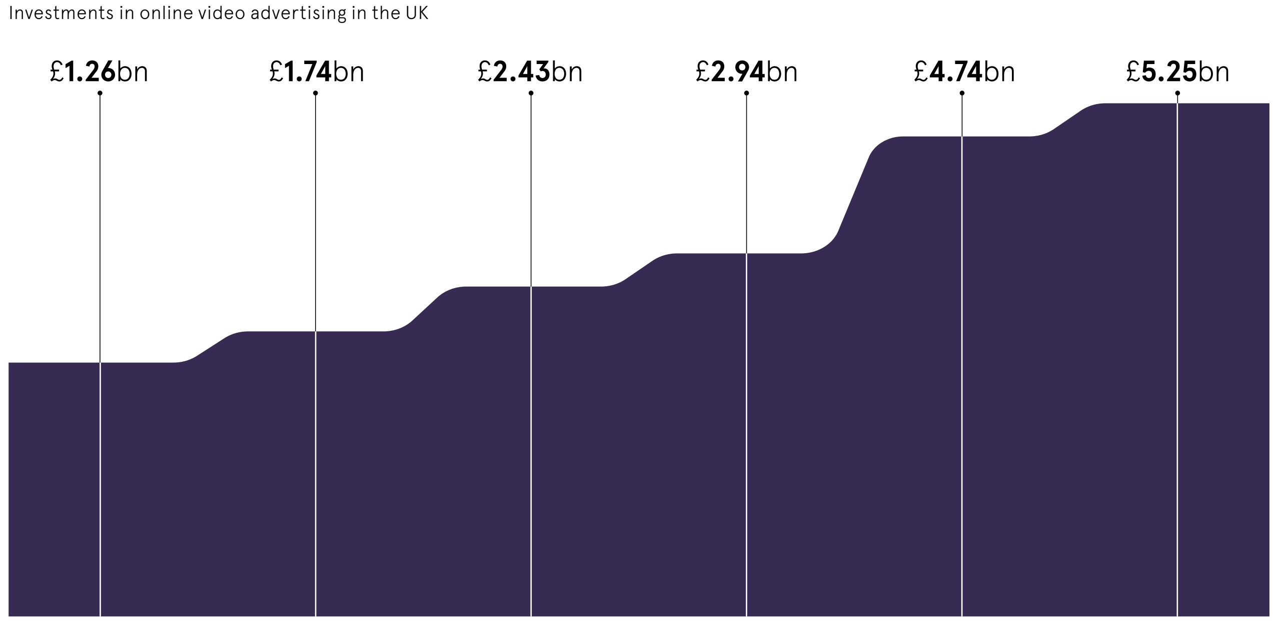
A consensus seems to be forming in the sector that the balance has tipped too far towards short ads and that longer material is needed higher up in the mix. This can help to communicate messages effectively and impel people to associate a given brand with certain emotions and, crucially, remember that they like it.

Shorter videos can then work well to remind people of the brand joy that a long-form ad has invoked in them. Achieving the right mix here could be the secret to moving consumers from merely liking a product to buying it.

SPENDING ON VIDEO ADVERTISING HAS MORE THAN QUADRUPLED SINCE 2017

Ofcom, 2023

Investments in online video advertising in the UK



Commercial feature

The primacy of personal: what consumers value has shifted selfward

A global report from The Weber Shandwick Collective finds that what consumers value today is far more personal, or self-oriented, than ever before. It is vital that companies understand this

What people value can determine many of the decisions we make on a daily basis, big and small – especially our purchasing decisions.

What we value also changes over time. Observing these changes is critical for brands to ensure they engage consumers. A new, multi-market report from the global strategic communications and consulting network, The Weber Shandwick Collective (TWSC), recently found that three out of four people surveyed globally say what they value has changed over the past five years.

And guess what? It's personal

Wave one of the report, *The Primacy of Personal: What We Value*, examined five levers of value: monetary, functional, emotional, social and societal – to find out what consumers want from brands.

The research, which queried people across the UK, US and APAC (South Korea, Japan, Indonesia and Singapore), revealed that 42% of people surveyed say 'personal emotional value' is now the most important type of contribution from a company or brand and is twice as important as 'social or societal value'.

The Covid-19 pandemic (37%) and a change in financial status (30%) were cited as the two biggest causes of this value shift. Gen Kobayashi, Weber Shandwick's EMEA chief strategy officer, says other major global issues have played a part. "Macroeconomic factors, notably the pandemic, but also the cost of living crisis and political uncertainty, have had a huge impact on consumers' lives and the choices they make when it comes to the brands they engage with."

The report looks at two key areas of emotional value. The first, which respondents viewed as most important, refers to personal ("my own") safety, security, health and happiness. The other is a desire for brands to provide entertainment, empowerment and excitement. But Kobayashi says nuance is key. "One person's version of happiness can be very different from another person's joy, at a different time, in a different space, in a different region, at a different age."

> Companies must navigate this reputational tightrope carefully by taking the time to find out what their consumers do and don't value

To understand what consumers value, brands must listen to them. Social media communities and their subcultures present an opportunity to yield powerful insights. "Social media listening tools and AI can enable brands to automatically monitor and analyse what their target consumers are discussing," says Kobayashi. These findings can then be used as a basis to engage consumers in meaningful conversations. "Ethnographic research, for example interviews, can be really useful to find out what people want from brands," he adds.

Some of the world's biggest brands are doing this successfully by inserting themselves within the online communities occupied by consumers. TikTok is home to thousands of communities, from BookTok to CleanTok, some of which have billions of regular users discussing, creating and sharing content around their passions. Research by the social media platform found that 76% of users say they like it when brands are a part of special interest groups on TikTok, by creating content aligned with their values.

Shifting from super picky to super power

A campaign by Unilever's largest nutrition brand, Knorr, and TWSC provides a window into a new world in which companies connect with consumers through specific individual values and needs.

One in four people have a gene that makes vegetables taste bitter. They are not "picky" or "fussy." It's not simply that children don't like eating vegetables. They are what scientists call genetic "supertasters."

Kobayashi says the starting point to TWSC's campaign with Knorr was different to previous marketing campaigns that may have tackled broader societal issues. "We asked ourselves: 'how do we help mums and dads navigate a fraught dinner table full of arguments - where they're trying to force their kids to eat healthier food?" he says. "We've created something that could help them in that moment and make nutritious meals more accessible and tastier for people."

TWSC developed a solution to help supertasters enjoy a healthy, veggie-packed diet. Together with the Knorr R&D team, TWSC invented and launched the Supercube, a limited edition product made for a quarter of the population who are born with this gene, TAS2R38, to be exact. The product - which is an adapted version of the traditional stock cube - activates different taste receptors to change consumers' perception of bitter flavours.

Sweden was selected as a test market, where TWSC conducted a study to gain a deeper understanding of life with gene TAS2R38. This research revealed that 73% of participants were unaware of having the gene. The study also found that 77% of Swedish supertasters experience stigma regardless of life stage, as a direct result of their sensitivity.

Over 30,000 gene test strips were sent to the public in one week, with supply going out of stock. Seventy percent (70%) of consumers who saw the campaign would buy the Supercube, 80% perceive Knorr as inclusive and 85% view Knorr as more innovative than before. Knorr aims to bring the Supercube to market in 2025.

Brand success lies in understanding what people value

TWSC's research found that 90% of respondents would take a positive action if a brand helps them to live what they value. Among younger groups, it's even higher - 94% of gen-Z and 94% of millennials - showing a strong inclination towards value-driven purchasing in younger generations. But there are serious risks involved for companies whose actions conflict with consumer values. Some 83% said they would be willing to take a negative action, such as telling their friends and family about a bad experience or boycotting the brand.

In 2024, companies must navigate this reputational tightrope carefully by taking the time to find out what their consumers do and don't value with greater granularity than ever before. By applying this thinking to strategic initiatives and taking meaningful steps to engage with what matters most to consumers, brands can provide meaningful value.

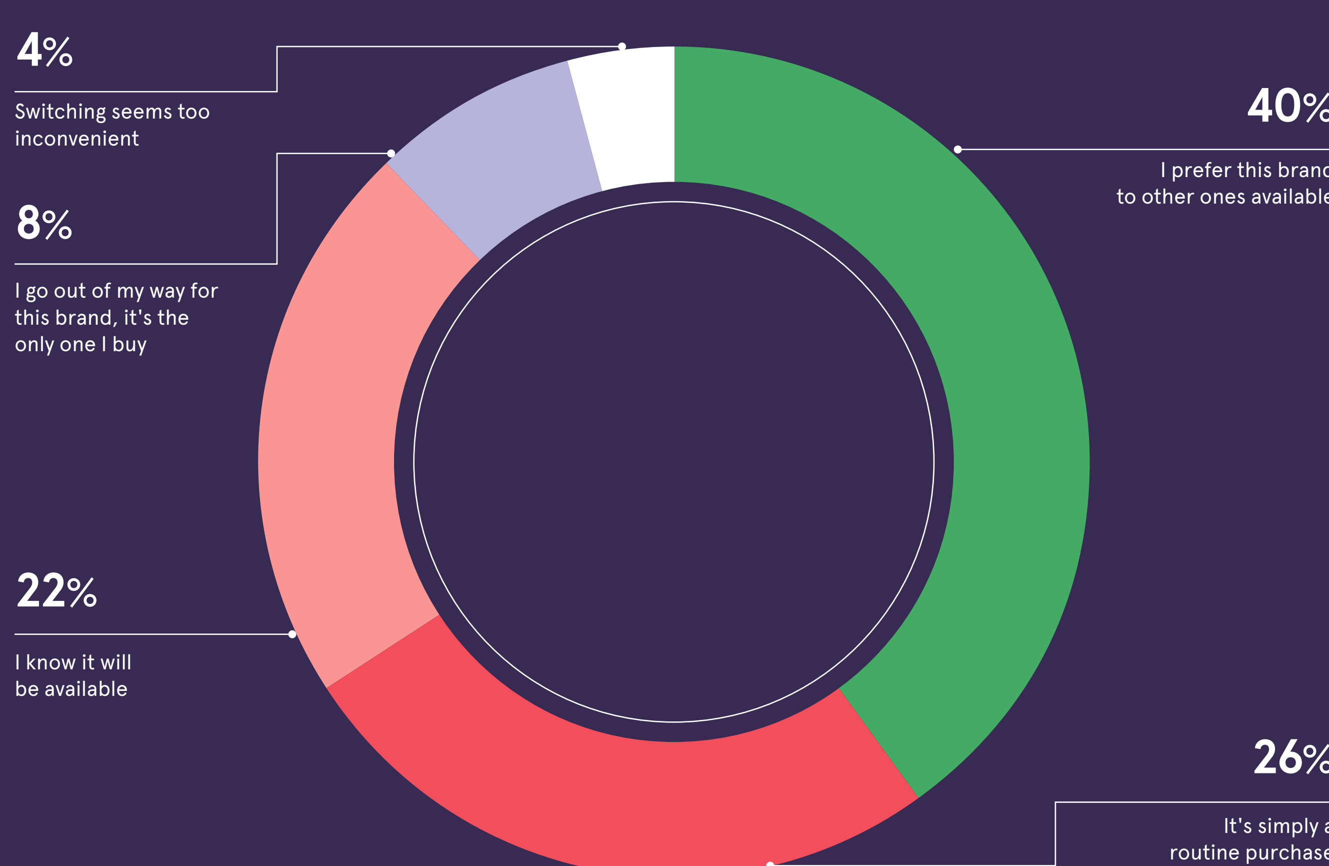
For more information please visit webershandwick.co.uk/value

THE SCIENCE OF LOYALTY

Customer loyalty exists on a spectrum. While some purchases are based on specific brand preferences, many others are made simply out of routine or convenience. Marketers must understand the motivations behind consumer purchasing decisions to ensure that their loyalty strategies are aligned with customer preferences and attitudes

ROUTINE AND CONVENIENCE FACTOR HEAVILY INTO MANY PURCHASING DECISIONS

Share of consumers that buy from particular brands for the following reasons

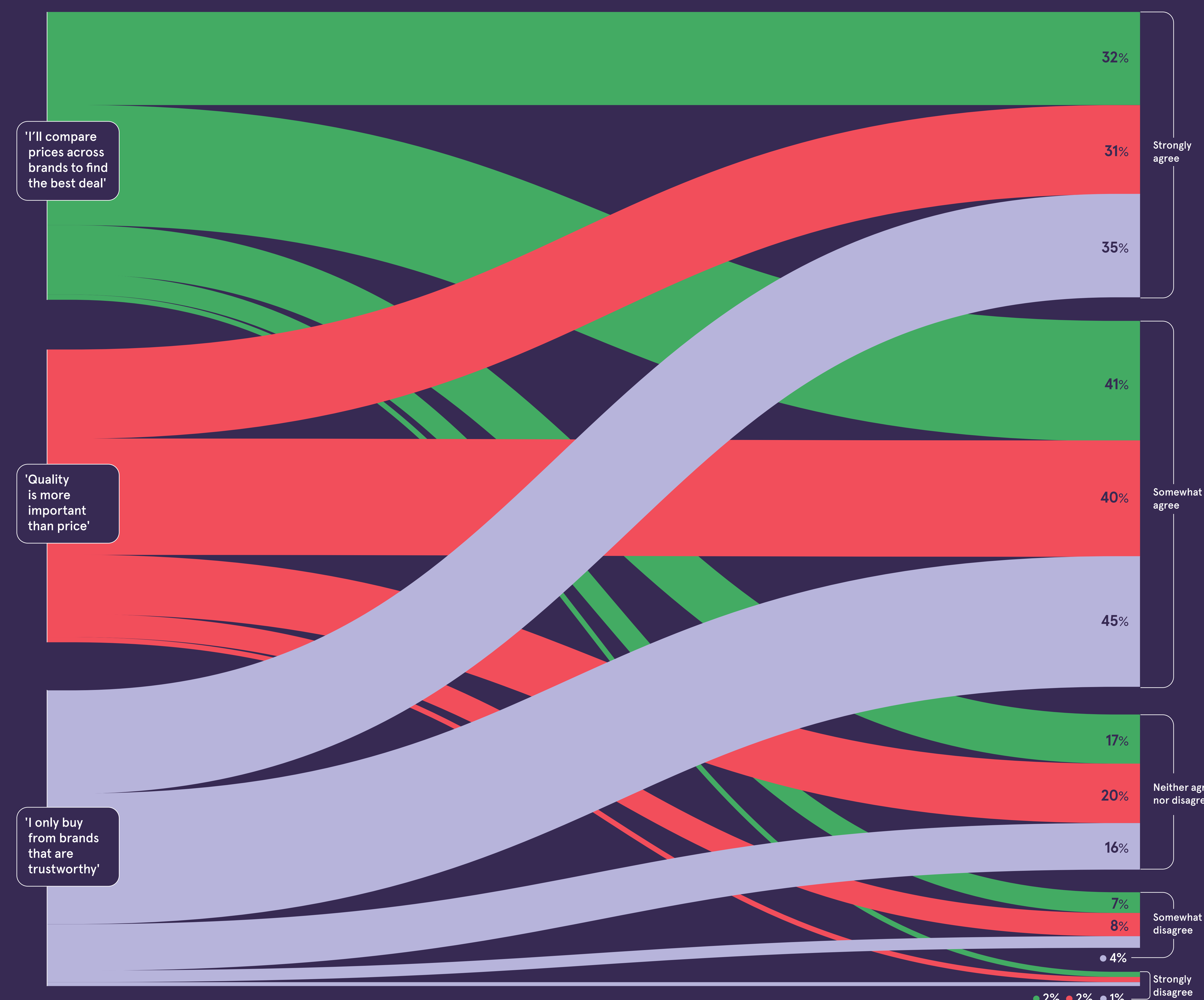


FEW CONSUMERS ARE WILLING TO WAIT FOR A SPECIFIC BRAND TO BECOME AVAILABLE

Share of consumers who would take the following actions if their preferred brand were not available

CONSUMERS WANT HIGH-QUALITY PRODUCTS FROM BRANDS THEY CAN TRUST

Extent to which consumers agree with the following statements



Intuit Mailchimp, 2024

AGENCIES

How in-house creatives can gel best with agency partners

Brands that are making such relationships work well have established clear terms of engagement, communicated effectively – and understood that ego clashes don't lead to good teamwork

Jennifer Small

In a world where marketers are constantly seeking effectiveness, the swing towards in-house creative teams seems to be a power move. In the US, 82% of brands that are members of the Association of National Advertisers (ANA) have an internal creative department, representing a 4% increase on 2018's figure.

The ANA says that the popularity of in-house creative teams worldwide is growing – as are their workloads and the expertise they're attracting. It reports that more than 20% of ads aired during the Super Bowl were created in house, including the Dunkin' Donuts production featuring Hollywood A-listers Ben Affleck and Jennifer Lopez.

But in-house creative teams rarely operate without any external assistance. Instead, top brands often adopt a hybrid model whereby their own marketers work closely with agencies, giving them the best of both worlds. Champions of this approach say it not only maximises brand guardianship, efficiency and cost-effectiveness; it also improves the quality and diversity of creative ideas.

True partnership is the key to a successful hybrid relationship, according to Toby Horry, brand marketing and content director at tour operator TUI Group. This starts with a broad collaborative approach and zooms into specific ways of working, he says.

With every hotel in the group requiring photos, videos and descriptions, TUI's volume of content is "absolutely enormous", Horry notes. "If we were to outsource all that work, the cost would be prohibitive. We've always had a significant in-house team, partly to help create content but also to manage it."

TUI's team works in lockstep with Leo Burnett (part of the Publicis Groupe), its lead creative agency since 2020. The company has also begun working with WPP's EssenceMediacom at strategic points in various campaigns. This includes shoot days, where teams collaborate to capture distinct types of content for different channels and formats.

"We won't just shoot a TV ad. We shoot for YouTube and TikTok and we get stills. It becomes something of a military operation to ensure all the teams get what they need," Horry explains. "It's a much more joined-up way of thinking."

Like the travel industry, the online retail sector requires "a vast volume of content, produced really rapidly", says Jessica Myers, CMO at The Very Group. Of her company's 250-strong marketing function, 140 people are in its creative team. They were "integral to discovering the right chemistry and cultural fit" during Very's 2023 pitch process, when the firm chose The Gate as its lead creative agency.

> Territorial behaviour has no place in this model. The arrangement works when there's collaboration, but fails if egos get involved

"The agency is a natural extension of our creative team. They literally sit together at key points in projects, building a strong rapport," Myers says. "Ideas can come from anywhere – there's no hierarchy."

She recalls presenting work to Very's leadership team with creatives from her own department and The Gate by her side. This enabled both to gain "a true understanding" of the business.

The two teams share everything, having set up integrated tech stacks and streamlined processes for scheduling, communication and the transfer of large digital files, along with tools to capture feedback and enable creative collaboration at all stages of a project.

"We have considered every key point to ensure that things feel seamless between the teams," Myers says. "We haven't got it right every time, but getting into the trenches together like this is a great way to build trust, so that we can be open and honest about what did or didn't work."

This test-and-learn approach is especially effective when everyone is in listening mode and keen to foster the relationship. Myers believes that running an internal team alongside an agency offers benefits including specific industry knowledge, fresh creativity and deep insights into consumer behaviour.

"Collaboration helps us to make bold decisions," she says, citing Very's bold Christmas ad featuring animated flamingos. "All the data pulled together by The Gate showed us that was the answer."

Myers continues: "A hybrid relationship set up properly for success is an excellent way to drive creativity and efficiency for the business. But, as with every relationship, you must set it up properly and work continuously on it."

Aviva's 30-strong creative team works alongside external partners including Adam&EveDDB, its lead agency since 2015.

A key factor in the success of this relationship is that everyone has "clear swim lanes" when it comes to processes and operating principles, says the insurer's group brand director, Phoebe Barter. In other words, each party knows the exact extent of its responsibilities.

"Territorial behaviour has no place in this model – it's not a competition," she says. "The two components are equally valuable. The arrangement works when there's collaboration, but fails if egos get involved."

Signs of a smooth relationship are "aligned work and a receptiveness to each other's ideas – and, frankly, no moaning on either side", Barter adds.

To avoid descending into the kind of class system where an agency swipes all the glamorous creative activities, leaving the in-house team with the grunt work, Barter offers the latter "exciting and rewarding projects". Aviva's ability to attract and retain creative talent by offering high-profile work, with access to award-winning agencies, is beneficial for everyone, she says.

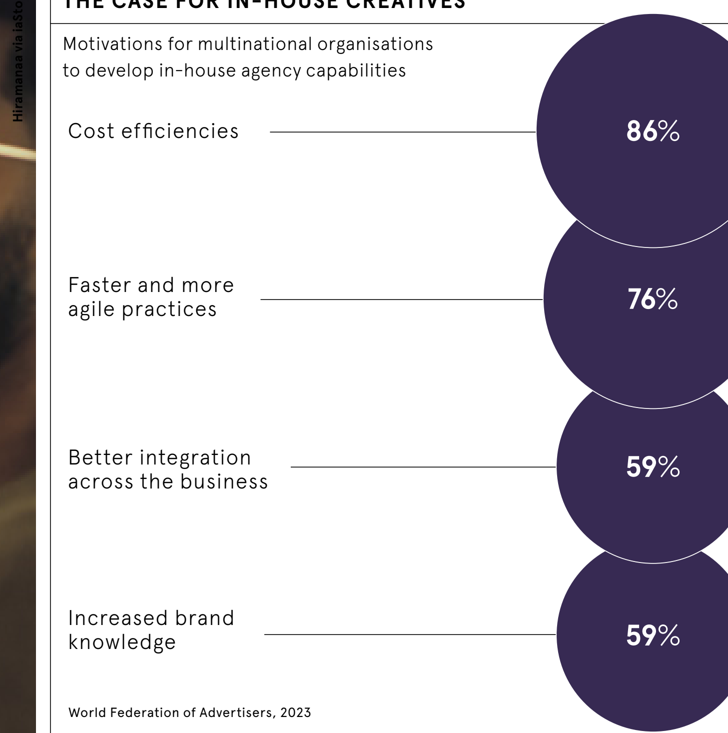
Mike Stern, managing partner at Adam&EveDDB, has worked on the Aviva account for five years. He says it's vital to "humanise" the relationship between internal and external creatives as soon as possible by getting "the right people in the same room".

It's important to the partnership that "the dialogue is frequent and that the discourse is informal", Stern says. "We can put clear operating systems and processes in place, but the ethos must be one of real collaboration. If we can all move beyond set-piece presentations, we ensure that whatever we're creating is the best it can be."

As the hybrid model continues to gain momentum, there's a growing opportunity for agencies and in-house marketers to pool their expertise. By putting ego aside and working as an integrated team, both parties can become effective creative partners for the long haul – benefiting equally from the brand's commercial success.

THE CASE FOR IN-HOUSE CREATIVES

Motivations for multinational organisations to develop in-house agency capabilities



World Federation of Advertisers, 2023

STRATEGY

Is it time to retune the ratio?

Studies suggest that there's an optimal combination of short-term activations and long-term brand-building, but marketers could be forgiven for believing that this mix should be tweaked when times are tough

Andresr via iStock

Matthew Valentine

The debate on whether strategic brand-building or tactical promotional activity is more important has been solved – to the satisfaction of most marketers, at least. The broad consensus is that a combination of the two is optimal.

"There is plenty of evidence indicating what proportion of your budget you should spend on each, according to the maturity of your brand and the category it's in," says Ross Farquhar, marketing director at ice cream company Little Moons.

But we're living in strange times here in the UK. An enduring cost-of-living crisis, coming hard on the heels of the pandemic, has changed a lot of consumer behaviour. Does this widely accepted marketing principle still apply under such unusual circumstances?

The rule of thumb is that a 60:40 split in favour of brand-building generally works best. Books such as The Long and the Short of It, by Les Binet and Peter Field, which suggested the ratio, are considered essential reading for marketers.

Companies build their brands at the top of the sales funnel to ensure that there are always customers circling it. A large body of research indicates that firms which continue this process during recessions stand to gain the most. Further down the funnel, they use a mix of promotional messages and calls to action to close their sales.

In a downturn, it can be tempting for companies to rely more heavily on short-term activity to boost sales. But, while the 60:40 principle varies by sector and can be hard to achieve, Farquhar argues that marketers should aim to stick as closely as possible to it, even when the economy is faltering and trading conditions are deteriorating. The cost-of-living crisis may change the execution of campaigns, but it shouldn't affect that fundamental ratio.

"Your short-term tactics might have to become a little more price-led and promotional, because that's just what the game becomes when everyone is being far more price-conscious," he says.

In a crowded category such as ice cream, a long-term focus will always be important – particularly so for Little Moons. This 14-year-old company is competing with a host of much longer-established and better-known rivals.

"Ice cream is a category full of powerhouses where we're an insurgent," Farquhar says.

Ongoing work to establish a strong brand therefore is essential, even if his firm's short-term tactics need to be adjusted from time to time.

Pizza company Crosta & Mollica (founded in 2009) is another relatively young player battling for a slice of a similarly competitive sector. According to Dean Lavender, the firm's marketing director, it is reaching a point where it needs to adjust its long/short balance.

The business, he says, has been "growing very quickly, but does not have a history of long-term brand-building activity".

Short-term promotions have worked well for Crosta & Mollica. For instance, front-of-store displays in mid-May were responsible for the brand's "biggest-ever week" in Waitrose, Lavender says.

He explains: "We've been fairly reliant on shorter-term activity close to the point of sale. This is very seductive – you can say: 'I spent this and got that from it.' But there's an understanding here that you'll reach a higher level by investing in long-term brand-building activity."

Because Crosta & Mollica has got to the point where its goods are distributed throughout the UK, it needs to make more long-term marketing investments, according to Lavender. The firm was working to a 50:50 split until recently, but it's edging towards the classic 60:40 ratio.

"I think we've done an amazing job of being very distinctive in stores and convincing people by driving a bit of trial," Lavender says. "The key for us now is the 'pre-shop'. We have little mental market share of people going into stores with the intention of purchasing our brand specifically. They'll just go in to 'buy a couple of pizzas' instead."

> "You have to absolutely nail those strategic and tactical messages. These have to meet what is happening on the ground with customers

Yet it can be challenging for a marketing chief to convince their leadership team to invest more in long-term activity, given that its benefits take time to accrue and have an appreciable effect. And so can explaining to a board why perception metrics have improved but short-term sales haven't, despite increased marketing expenditure.

Crosta & Mollica chose to experiment by briefly investing very heavily in short-term messaging to determine when the impact of this activity plateaued. The results of this trial "demonstrated that we needed to find a larger pool of people to make the short-term activity far more efficient", Lavender says.

In contrast to Little Moons and Crosta & Mollica, high-end furniture company USM has been in business for six decades. The Swiss firm's marketing campaigns focus on the quality of its modular ranges. As a premium brand, it's been insulated from the cost-of-living crisis.

"I wouldn't even know how to define whether our marketing is long or short term," says the CEO of its UK business, Mirko Müller. "We're focusing on our heritage and the fact that we're the manufacturers of the original USM. In some of our markets (although not so much in the UK), we have competitors imitating our products."

The company, which doesn't engage in price promotions, has evolved gradually from being a B2B brand for the workplace to one that sells more than 60% of its products in the UK for domestic use.

Buyers of USM products trust these designs to remain available in case they choose to expand or reconfigure their furniture in years to come – a classic example of long-term commitment. More than half of its customers do return to the brand after their initial purchase, according to Müller.

> "Your short-term tactics might have to become more price-led and promotional. That's just what the game becomes when everyone is being far more price-conscious

USM increasingly emphasises that there's a strong second-hand market for its products, such is the demand for them.

Jonathan Earle is managing director of commercial and operations at Sportradar, a provider of tech for the sports, media and betting industries. He believes that long-term brand-building is vital even when times are tough, as it enables firms to earn and maintain trust, demonstrating the value they provide. But their marketing messages must reflect the challenges that consumers are facing. Thinking for the long term doesn't mean persisting with the same ideas.

"If you're going out with a strategic set of messages that doesn't align with your insights into how customers are feeling, that's a losing strategy," Earle warns.

He notes that retailers such as Aldi and Lidl have emphasised their long-term position as consumer champions during the cost-of-living crisis and have attracted new customers as a result. Those people have then reacted positively to more short-term marketing activations.

"You have to absolutely nail those strategic and tactical messages," Earle says. "These have to meet what is happening on the ground with customers."

Consumers don't all react the same way to financial pressures such as the cost-of-living crisis, of course. And some might respond in extreme ways that companies don't expect, notes Kate Nightingale, a consumer psychologist and founder of the Humanising Brands agency.

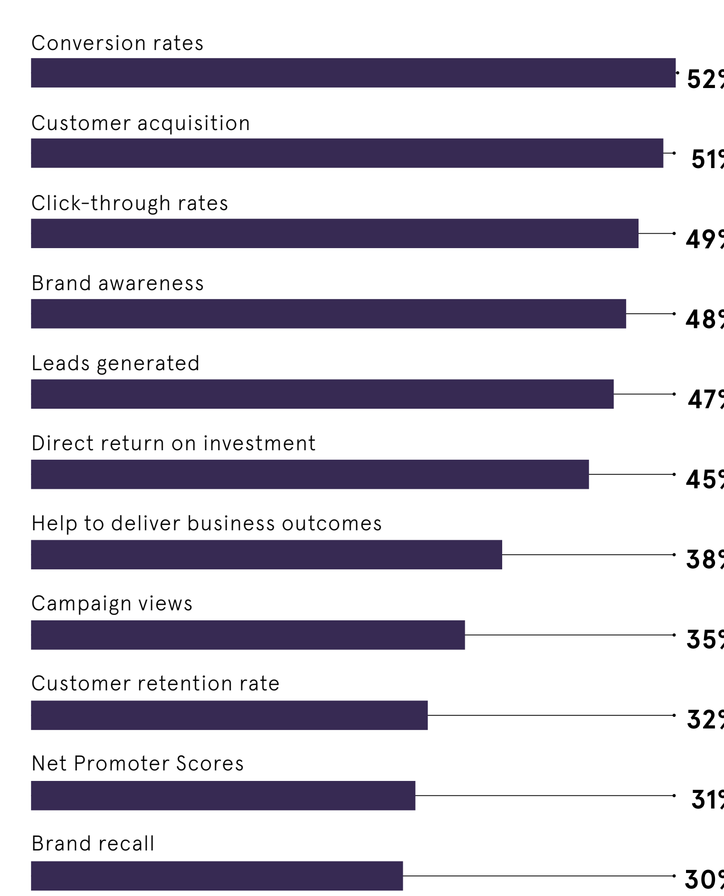
"It boils down to this being an existential crisis," she says. "People either become much more controlled in their spending, or become very indulgent and impulsive."

A well-timed marketing message might easily sway shoppers in the latter category, therefore, whereas a brand's hard-earned trustworthiness may be the deciding factor in the purchasing choices of those in the more controlled cohort.

Much as with our true friends, we tend to remember entities that have cared for us in the past, adds Nightingale who says: "We choose the people who were there when we were at our lowest. It's exactly the same with brands." ●

HOW BRANDS MEASURE MARKETING EFFECTIVENESS

Share of marketers using the following metrics to gauge marketing effectiveness



Marketing Week, 2023

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65%

of European consumers cite a willingness

TO PAY MORE TO SHOP WITH THE BRANDS THEY'RE LOYAL TO

– a rise from 58% just a year ago.

84%

of European consumers say

THEIR FAVORITE BRAND TREATS THEM LIKE AN INDIVIDUAL

91%

of European consumers say

THEIR FAVORITE BRAND PROVIDES A CONSISTENT EXPERIENCE ACROSS CHANNELS

87%

of European consumers say

THEIR FAVORITE BRAND REWARDS THEM FOR THEIR LOYALTY

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