

THE BOARD-BRAND RIFT:

HOW BUSINESS LEADERS HAVE STOPPED BUILDING BRANDS

The Board-Brand Rift

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Context

Business leaders rely on brands. As well they should. A recent study demonstrated that intangible assets now contribute 84% of the market value of S&P 500 businesses and on average the brand contributes 25% of that. In the 1970s, in contrast, 80% was accounted for by tangible assets¹.

But the power of brands to deliver long-term value and growth appears to be under threat. An Enders Analysis report revealed that over the past 16 years, direct response has accounted for over 70% of growth in annual UK advertising spend. This period has seen a shift in annual advertising budgets of over £2bn – at 2016 prices – from brand-building to performance campaigns².

Furthermore, there is evidence that effectiveness from advertising – the cornerstone in the creation of many brands – is in long-term decline³ and consumer trust in brands is also waning⁴.

This is all occurring despite the existing, and growing, body of evidence that shows optimal growth and profitability come from implementing a different balance between short- and long-term marketing.

With this study, the Financial Times (FT) and the Institute of Practitioners in Advertising (IPA) are setting out to understand the factors contributing to these changes in marketing investment horizons and to establish what can be done to deliver a more profitable, sustainable equilibrium.

The Board-Brand Rift Report reveals the level of belief in brands among a global group of business leaders. Some are marketers but most are not. It also explores how they manage brands and their understanding of brands' contribution to core commercial objectives. The report concludes with a series of recommendations both for senior marketing leaders and for the wider business community.

Our sample is drawn from over 500 FT readers of whom 43% are c-suite and 36% list marketing, advertising or PR as their core function. The study is global in scope and includes respondents from the UK, the Americas, CEMEA and APAC. More detail on the sample is described in the Methodology section in the Appendix.

1. Source: Ocean Tomo LLP / Value of the brand typically equates to approx 25% of the value of intangible assets, though this varies between 5% and 45% dependent on the sector

2. Enders Analysis 'Mounting risks to marketing effectiveness'

3. Hall and Partners and Binet and Field have both reported on declining advertising effectiveness

4. Edelman Trust Barometer 2018

Executive Summary

1. The concept of the 'brand' still permeates boardrooms across the globe. 83% of business leaders believe that brands continually deliver to the bottom line and almost three quarters claim they understand how they do that.
2. Marketers rightly associate strong brands with growth and the creation of new revenue streams, but only 20% think strong brands are 'very important' for 'increased profitability' – one of the top priorities of 70% of our respondents. A significant financial opportunity appears to exist if the industry can educate the broader management team on the full commercial potential of brands.
3. Globally we are seeing a significant shortening of marketing reporting cycles. Where our respondents have seen changes, in three quarters of cases these have been to shorter timescales.
4. Business leaders know instinctively that too much focus on the short-term is bad for business; two thirds of our sample agreed that a better balance between short- and long-term marketing objectives will deliver a greater return. This is now being seen in practice, with 62% of business leaders taking steps to address this. These steps range from developing simpler, credible brand metrics, to involving the board in brand discussions and looking externally for help with data integration and insight.
5. Over half of business leaders rate their knowledge of brand-building as average to very poor. Critically, this lack of knowledge has a significant effect on attitudes to the benefits of long- and short-term balance in marketing. Under half of those in organisations with weaker brand understanding at board-level agree that such a balance delivers better performance. This compares with 83% among those whose brand-building knowledge is 'good' or 'excellent'. Despite this, those who confess to knowing little are still in control of marketing objectives – and particularly long-term objectives which is the domain in which brand-building primarily sits.
6. This lack of knowledge is apparent when comparing those channels which are perceived to be the most effective at brand-building, with those that the evidence tells us actually deliver against these objectives. Over half of business leaders rank social media as one of the most effective channels for brand-building – coming second only to word-of-mouth – when the evidence places it bottom of the list.
7. Though 60% of all our leaders stated they believed in the power of creativity, this rose to 74% among those who used brand health data and dropped to 55% among those organisations who tended to use solely sales KPIs. This latter group are also more likely to believe reach is more important than the creative message.

THE BOARD-BRAND RIFT

Taken as a whole, the picture we see emerging here is that of a fissure opening within business. Senior leaders continue to have faith in the power of brands and are in control of long-term marketing objectives for their business. Nevertheless, they are fixated on short-term measures and are not investing in the creation and maintenance of brands or measuring their strength on a consistent basis.

We believe that as a result of this, the skill of brand-building, a fundamental creator of value, has been declining. In turn, the effectiveness of creative work is diminishing. Commercially, this is likely to mean businesses across a wide range of sectors are not performing to their potential.

Over half of the organisations are already starting to address the issues highlighted here. However, by implementing the knowledge and process recommendations listed at the end of this report, we believe businesses will realise more of the core value inherent in powerful brands.

1.

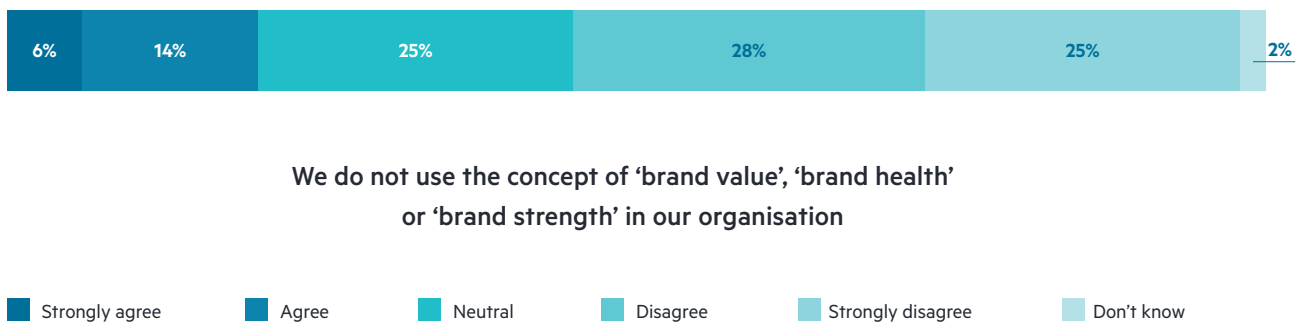
Belief in the
value of
brands

Belief in the value of brands

This section of our study explores business leaders' attitudes towards brands and their understanding of, and belief in, how they deliver a financial return for their businesses.

Use of the term 'brand' still permeates in business. There was widespread use of the terms 'brand value', 'brand health' or 'brand strength' as can be seen in the disagreement with the statement in Figure 1.

FIGURE 1. THE USE OF THE TERMS 'BRAND HEALTH' 'BRAND STRENGTH' 'BRAND VALUE' IS EXTENSIVE



Where 'brand' wasn't used, there were references to 'reputation' or 'value' and, to a lesser degree 'trust' and 'perception'. However, substitutions also included 'product quality' 'profile' and 'stakeholder engagement' which suggests that the clarity and understanding of the term is still an issue for some.

Leadership teams also believe in the commercial return of brands, at least conceptually. Most felt strong brands contribute to the bottom line of their business and, importantly, almost three quarters also claimed that the team understood how a brand delivered this contribution (see Figure 2).

FIGURE 2. BUSINESS LEADERS BELIEVE STRONG BRANDS DELIVER TO THE BOTTOM LINE



As a leadership team, we understand how a strong brand continually contributes to the bottom line of the business

Strongly agree Agree Neutral Disagree Strongly disagree

Brands do move commercial needles. But what specific commercial contribution do business leaders believe brands are making? In fact, they believe brands deliver against a broad range of commercial objectives as seen in Figure 3 overleaf. There is evidence to suggest that strong brands contribute considerably to all of the business priorities on this list – although some are more core to the role of brands than others.

FIGURE 3. IMPORTANCE OF BRAND STRENGTH TO DELIVERY OF BUSINESS OBJECTIVES



In general, how important do you believe brand strength is for driving each of the following in an organisation? (Very important/important)

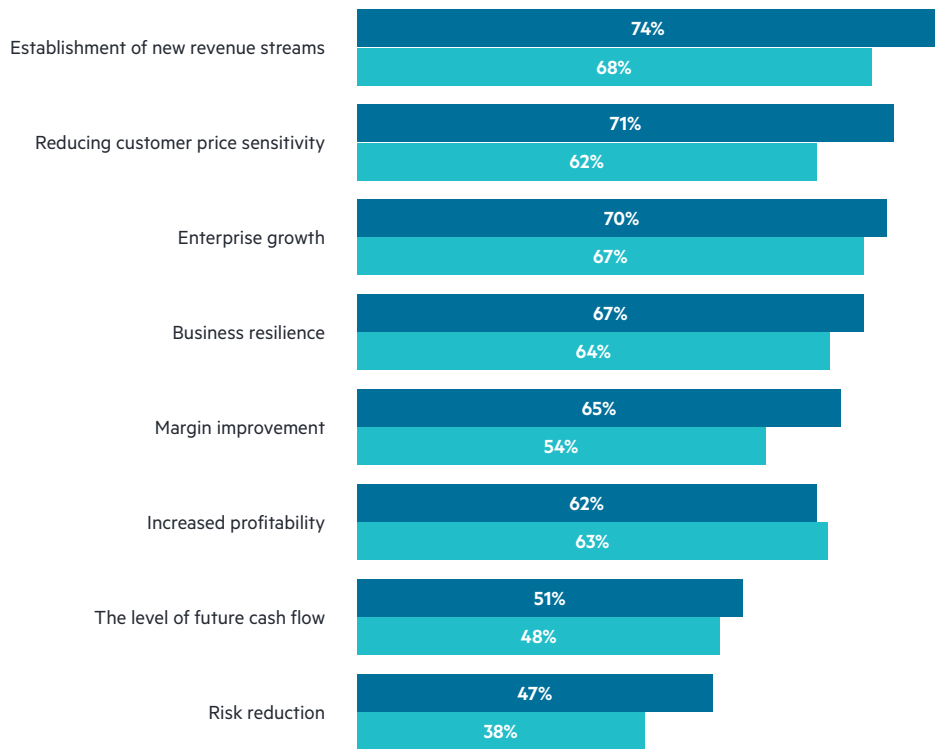
Among our sample, the leading net important measures that respondents believe strong brands contribute towards are the ‘establishment of new revenue streams’ and ‘enterprise growth’. Brand strength is less associated with business objectives such as risk reduction and future cash flow. Worryingly, margin improvement and profitability, arguably two of the most important deliverables of strong successful brands, are lower down the list.

Interestingly, two of the business objectives listed – ‘reduction in customer price sensitivity’ and ‘business resilience’ – both related to risk, profit, margin and cash flow. But described in different language, they come significantly further down top business leaders’ ‘very important’ brand benefits list. Could this be an issue of language? In the IPA Reports ‘Culture First’ and ‘Building Bridges with Finance’ Fran Cassidy highlighted the importance of language when describing marketing

deliverables and how these can be transmuted into business-focused benefits. Whatever the language used, there is a clear and urgent need to inform and provide credible evidence to the broader senior management of the value of brands to business fundamentals such as margin improvement and profitability. Indeed, in pure financial terms, academic Tim Ambler went so far as to state that marketing could be re-defined as “the sourcing and harvesting of cash flow.”

Among the marketing respondents one can see that whilst they have a higher agreement level across all these commercial objectives, and the generation of price premium is higher, one might have expected a greater number of ‘very important’ scores from this group across the board.

FIGURE 4. IMPORTANCE OF BRAND STRENGTH TO DELIVERY OF BUSINESS OBJECTIVES



In general, how important do you believe brand strength is for driving each of the following in an organisation?
(Very important/important)

■ Marketers ■ Non-marketers

It is the level of importance that we should focus upon here. The reality is that brand strength has the potential to be a fundamental driver of margin improvement, as it does to many of the rest of this list. The further significance of these findings is then amplified when we asked our sample which of the list were their current key priorities – seen in Figure 5 overleaf.

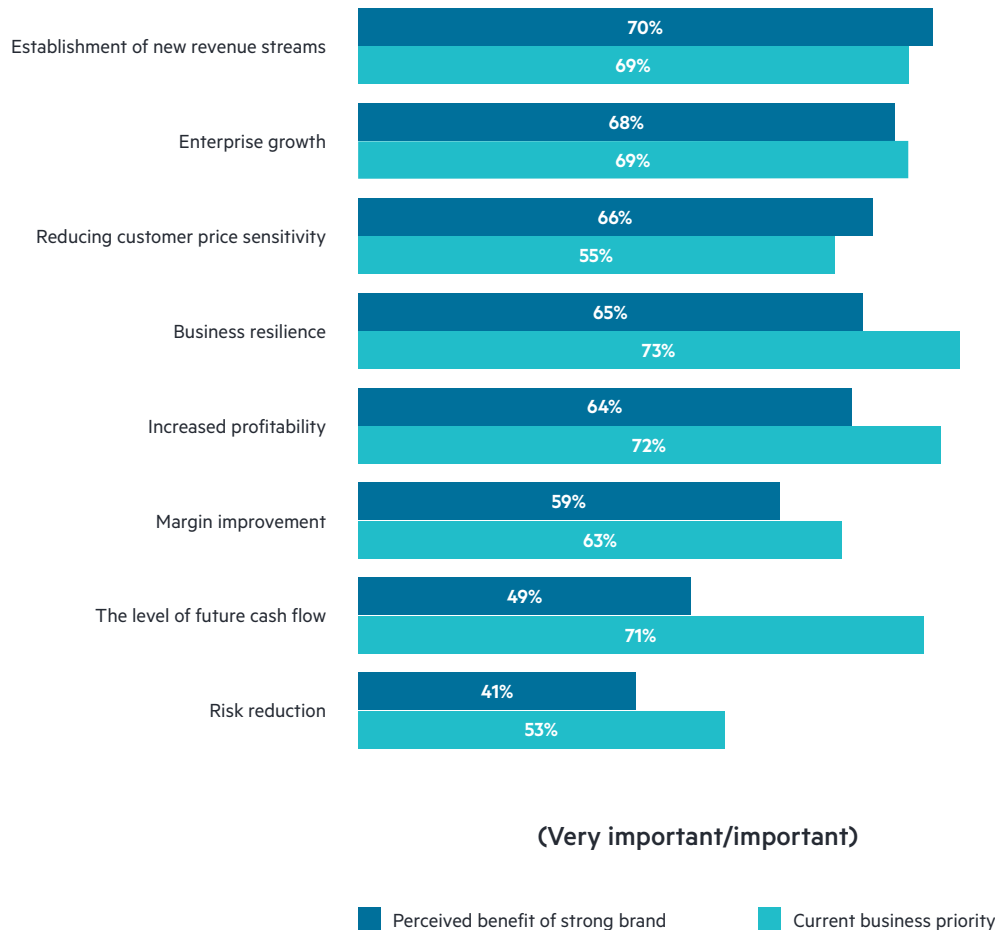
Probably one of the most important observations from this chart is that only 20% of non-marketers feel brand strength is ‘very important’ in driving ‘increased profitability’ – when it is the top business priority for this group. There is clear potential for transformation in the

financial performance for some brands if they understood more about the benefits of building brand equity and maintaining the health of the brand/s.

20%

OF NON-MARKETERS STATE BRAND STRENGTH IS ‘VERY IMPORTANT’ FOR INCREASED PROFITABILITY

FIGURE 5. DEGREE OF ALIGNMENT BETWEEN THE OBJECTIVES BRANDS ARE PERCEIVED TO DELIVER AND CURRENT BUSINESS PRIORITIES



Whilst brands are seen to deliver against priority objectives such as new revenue streams and growth, other brand delivery points such as ‘reduction in price sensitivity’ – which was considered the biggest brand benefit according to non-marketers (as seen in Figure 4) – are perceived as having lower priority at the current time.

Conversely, a key current priority such as future cash flow is perceived as one where a strong brand contributes much less. Whilst the definition of ‘cash flow’ could potentially relate more to areas such as liquidity and working capital, there is no doubt that a consistent base level of sales generated by a strong brand contributes to the greater certainty of revenue and therefore ‘cash flow’ is certainly an additional brand benefit.

2.

Control of
objectives
and balance

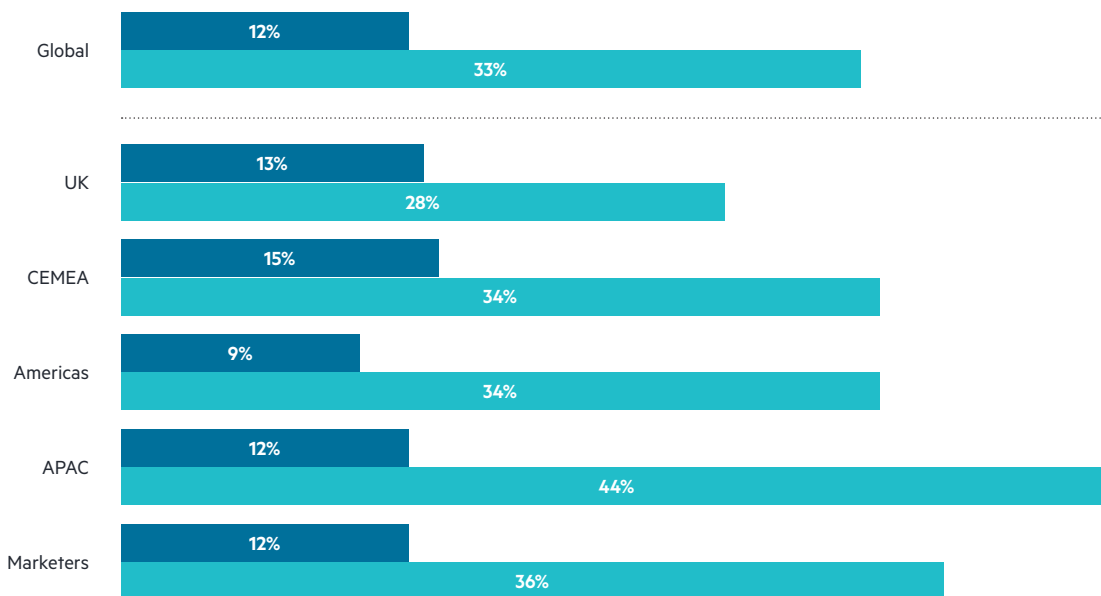
Control of objectives and balance

This section of our study examines how businesses go about setting the objectives for long-term and short-term marketing and the impediments to achieving a more balanced approach to the two.

As stated at the top of this report, one of the key objectives of this project was to examine the issue of short- and long-term objective setting within a broader management group, not just marketers and consequently, their agency partners. The results from our sample reveal that among those who have seen a change, three quarters of those changes have been to shorter cycles. Interestingly, there was no significant difference between the views of marketers and non-marketers on this. The

change was particularly acute in APAC, where 44% of respondents are experiencing shorter marketing cycles. The verbatim responses as to why shorter reporting cycles were being experienced referred in general to the speed of the market changes – a need to keep up with external pressures. This was being driven by availability of data, automated processes and shorter product life cycles as well as general uncertainty. Interestingly, in the verbatims there were very few references to the word “digital” although launching campaigns was remarked as being “easier and faster”. Respondents had different attitudes to this shift. For some, increasing data availability was seen to be a positive and enabled accelerated decision-making:

FIGURE 6. WIDESPREAD SHORTENING OF MARKETING REPORTING CYCLES



Would you say that your reporting cycles for marketing performance are getting longer or shorter in your organisation? Why is that?

■ Longer
 ■ Shorter

“Better and faster data allows the evaluation and correction process to accelerate.”

“The amount of information available is much greater which accelerates the adoption of new initiatives and new approaches.”

“We are able to gather information from all business decisions across various locations in a timely manner. Ease of communication ensures quicker reporting of market performance. We analyse marketing information through an automated process.”

“In-house reporting mechanisms in place, backed up by strong IT and analytics infrastructure.”

but most felt additional pressure and/or found the change concerning:

“More pressure to see sales results by quarter yet most brand-building programmes are longer – so funding is shifting to sales support with shorter cycles.”

“More data is available more quickly but we lose the long-term outlook.”

“Every metric has been shortened... time to value is critical.”

“Stakeholders have been seduced by the immediacy of the internet and expect near instantaneous analysis and feedback. This trend has been exacerbated by cloud resident big data and the associated data lake analysis tools.”

“We are going through volatile times even for the stable markets in which we operate.”

“Much more anxiety generally and need for as much info as possible reviewing marketing spend.”

“Focus on quarterly y-o-y metrics for external reporting purposes has shortened the cycle of reviewing marketing spend.”

Those who referred to their marketing reporting cycles getting longer refer mostly to *internal* strategic shifts and process changes, rather than *external* forces:

“(Longer reporting cycles were) sadly underestimated in the past, leading to rushed decision-making and too frequent changes of marketing direction.”

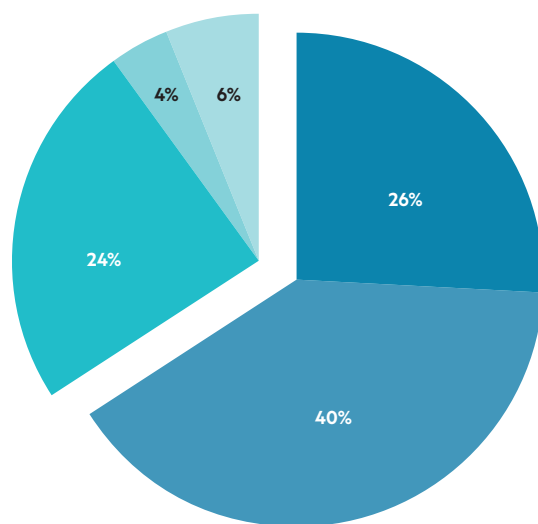
“We’re focusing on a major brand perception shift, which requires cultural change within the organisation.”

“Recognition that key measures take a long period to show meaningful change rather than volatility caused by noise in the data.”

“In the short-term there is too much fluctuation and change. This forces us to think long-term.”

However, the good news is that two thirds of business leaders do believe that a balanced approach to long- and short-term marketing objectives will deliver better commercial results:

FIGURE 7. A LARGE MAJORITY OF BUSINESS LEADERS BELIEVE THAT A BALANCED APPROACH TO SHORT- AND LONG-TERM OBJECTIVES DELIVERS BETTER RETURNS

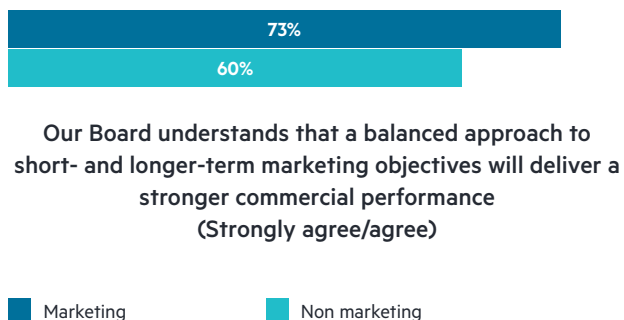


Our Board understands that a balanced approach to short- and longer-term marketing objectives will deliver a stronger commercial performance

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

There is however, a slight difference on the level of this belief between marketers and general management, indicating that marketers may need to work harder to communicate the commercial benefits of better balance if they wish to persuade their peers and colleagues to release investment for long-term marketing approaches.

FIGURE 8. NOTABLE DIVERGENCE IN BELIEF OF BOARD UNDERSTANDING OF THE BENEFITS OF A BALANCED APPROACH BETWEEN MARKETERS AND NON-MARKETERS



Awareness of the balance benefits is of course hugely important, but the control and the setting of those objectives and timescales is the key. Not surprisingly, senior management are in control of the objectives and timescales for long-term marketing strategy. Given the increasingly collaborative nature of decision-making, this is not surprising, and, depending on the role of marketing within the company, this is as it should be. Though one might have expected shorter-term decisions to be more in the hands of marketers.

FIGURE 9. MARKETING TEAM KEY TO OBJECTIVE SETTING BUT SENIOR MANAGEMENT LIKELY TO SET LONG-TERM MARKETING OBJECTIVES

(Strongly agree/agree)

78%

SENIOR MANAGEMENT LAYS DOWN THE RELEVANT OBJECTIVES AND TIMESCALES FOR LONG TERM MARKETING STRATEGY IN MY ORGANISATION

57%

SENIOR MANAGEMENT LAYS DOWN THE RELEVANT OBJECTIVES AND TIMESCALES FOR SHORT-TERM MARKETING STRATEGY IN MY ORGANISATION

63%

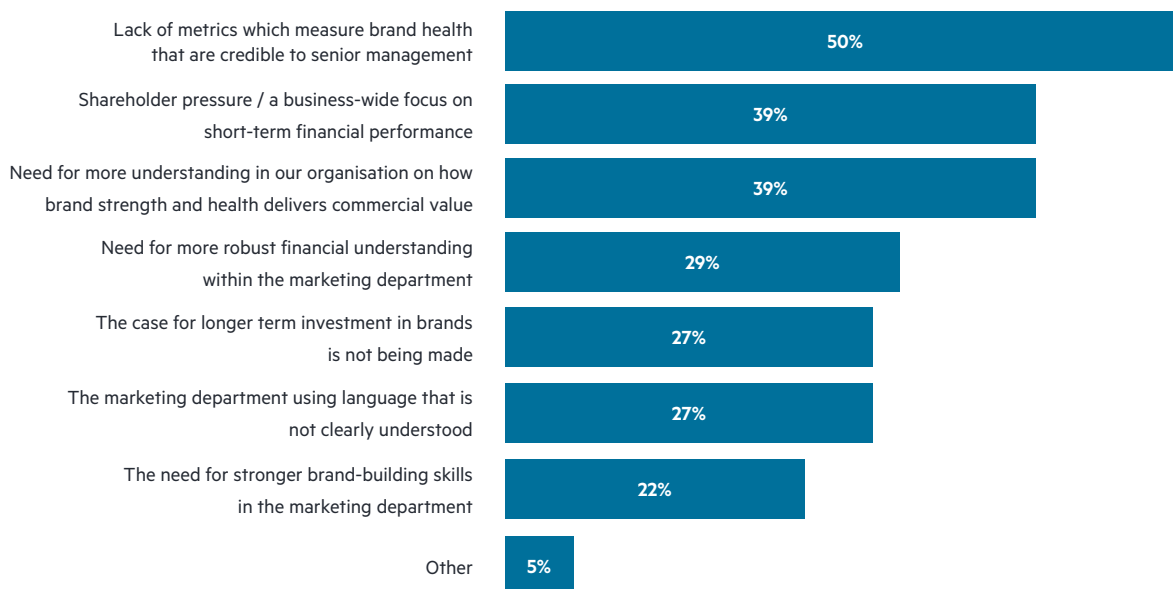
THE MARKETING DEPARTMENT DECIDE THE TIMECALES OF THEIR ACTIVITIES, WHICH ARE THEN DISCUSSED / AGREED AT A SENIOR LEVEL

So if senior management are aware of the benefits of a balance between short- and long-term campaigns, and they are the leaders, in the main, for both of these objectives and timescales, why are we seeing the imbalance in favour of short-termism and the reduction in support for brand-building?

Lack of credible brand health metrics was cited as the greatest impediment to long- and short-term balance – seen in Figure 10 below. This was agreed across both marketing and non-marketing groups. The fact that this was an even greater impediment than ‘shareholder pressure’ for ‘short-term financial performance’ was particularly interesting. Also ranked high in impeding the balance was the need for greater understanding of the commercial benefits of brand health. This clearly links to the lack of metrics mentioned previously.

To underline this still further, when we asked respondents to choose the greatest impediment to balanced objectives from the list, the lack of metrics still emerged as the key issue, with understanding on brand health benefits as third in importance. The combined effect of these two related statements mean that 44% (see figure 11, overleaf) of our sample cited commercial contribution from brand health – either metrics or understanding – as the most important issues to solve, from the list they were given.

FIGURE 10. LACK OF CREDIBLE BRAND HEALTH METRICS AND LACK OF UNDERSTANDING OF ITS VALUE ARE IMPEDING A BETTER SHORT/LONG-TERM BALANCE

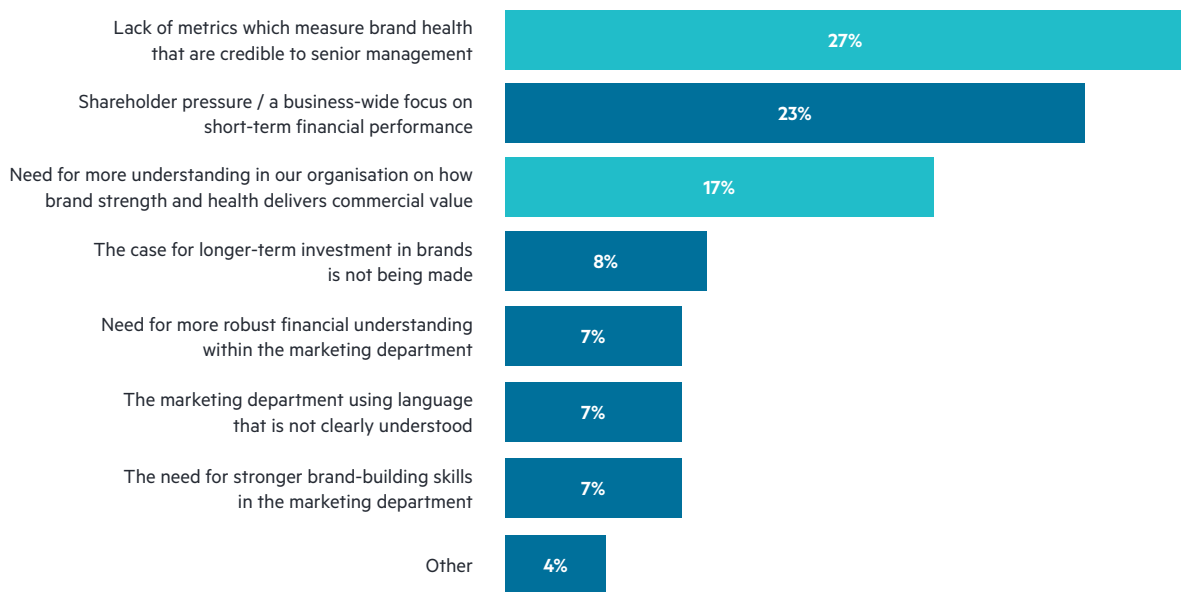


Which of the following do you think impedes a balanced approach to short- and long-term marketing activity?

For those in the marketing community committed to promoting better balance, we believe these are, in many ways, reassuring and positive charts. Both the evidence on the commercial benefits of brand health and credible metrics on its measurement are more available now than ever before. Wider promotion and distribution of them, and to the right audiences is the key. Furthermore, these are both generally in the marketing community's control.

Also encouraging is the fact that when asked, 62% (nearly two thirds) of respondents are already taking action to address the balance issue.

FIGURE 11. LACK OF CREDIBLE BRAND HEALTH METRICS IS THE KEY IMPEDIMENT TO BETTER SHORT/LONG-TERM BALANCE



In your opinion, which of the following impedes a balanced approach to short- and long-term marketing activity the most?

Our respondents told us that the steps being taken include (and note the reference to better data):

“Working with outside provider to develop metrics.”

“Brand analysis to see which brand has a long-term future. Ad expenditure being reviewed so we concentrate on brands which give long-term value to the company.”

“The board has become actively involved in the strategic discussions.”

“Cross-organisation and stakeholder research to understand the perceived values within the brand as a way to identify improvement opportunities.”

“More business-orientated language.”

“Articulating to the board, senior management and investors the importance of brand. Needs to be supported by credible, verifiable and simple to understand information.”

“Linking brand health to NPS scores and conversion rates and tracking over time with BI tools.”

“Data visualization tools, training for marketers.”

“Managing internal finances to allow for cyclical revenue variation.”

“Changing the culture and trying to get shareholders on board.”

Over the last few years increasing evidence has been brought to light that the pursuit of short-term sales activation and the decline of brand strengthening for long-term growth is real. The data also demonstrate the decline in overall effectiveness and direct profitability of campaigns (see Binet and Field’s IPA Reports ‘Effectiveness in Context’ and ‘The Long and the Short of it’). As Peter Field has stated “Brand building relies on the creation of emotional memory structures, which take time to create and reinforce”. The effect is resilient and the benefits, including those of price perception, and therefore profitability, build over time. These datasets and others need to be distributed to a broader senior management base, as well as throughout the marketing community.

“Brand building relies on the creation of emotional memory structures, which take time to create and reinforce”

Peter Field

It may not be surprising that senior management cite the need for more data to support decisions for long-term investment in brands. The ever-greater availability and speed of online channel data, means decision support for sales activation marketing activity has, in theory, never been easier. Whilst there is now abundant evidence to support the commercial benefits of brand investment, the c-suite are likely to be looking for similar levels of evidence as that available for short-term marketing. This is challenging as linking valuable brand health data to sales is more complex than shorter-term direct response campaign performance metrics. It takes time and the analytics involved are multifaceted.

If, as it would appear, marketers do not have sole charge of the timescales of their activity, they need to persuade others who do not have their knowledge or insight. This is not to say that senior marketers should be subservient to a rising “arithmocracy”, but maybe marketers should practise a balance of their own and accept, if not welcome, the rigour demanded. This research demonstrates that leaders need to be shown better evidence on how both activation and brand building investment can work in synergy to create value, by building both a sustainable marketing asset and provide short-term cash flow with higher margins.

3.

Brand building
know-how

Brand-building know-how

This section examines how our business leaders rate their own knowledge of brand-building and the creation of those assets, as well as that of their boards. It also explores the measurement of brand health and strength in their organisations.

One reason that business leaders may be looking for more data on brand metrics is that over 50% rate the knowledge and understanding of their boards on how a strong brand is built and maintained as average to very poor. This is concerning, considering it is this group that is setting long-term marketing objectives, of which brand is a key component.

maintenance as average to poor (see Figure 13). This should prompt the business community to ask whether it, and specifically the marketing industry, is losing this critical skill.

FIGURE 12. KNOWLEDGE OF BRAND-BUILDING IS PERCEIVED AS AVERAGE TO POOR IN OVER 50% OF BOARDROOMS



How would you rate the knowledge and understanding of how strong brand is built and maintained at board level in your organisation?

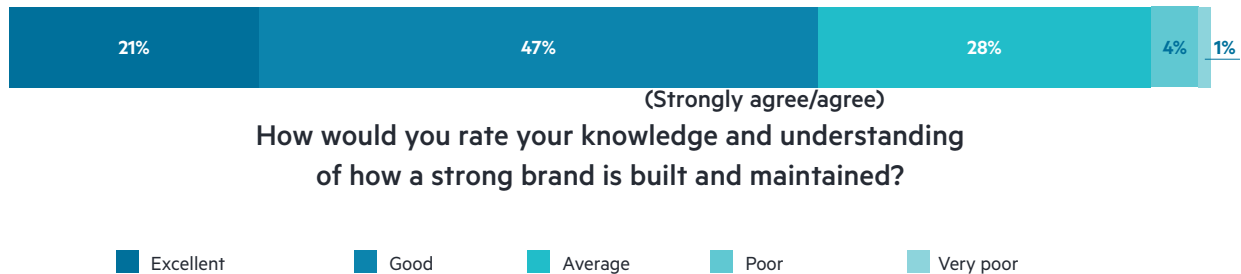
■ Excellent ■ Good ■ Average ■ Poor ■ Very poor

This data echoes a recent Forbes study of S&P 1500 boards over six years. It found that boards with members who had marketing experience tended to have better total shareholder return – in fact a 3 percentage point increase. However, this group represented only 2.6% of the study’s 65,000 board members¹.

In our study a third of marketers themselves rated their own knowledge and understanding of brand-building and

1. Source: <https://www.forbes.com/sites/kimberlywhitler/2016/01/19/why-few-marketers-are-invited-to-join-boards-of-directors/#28ea8fae24a4>

FIGURE 13. ONE THIRD OF MARKETERS NOT CONFIDENT IN THEIR BRAND-BUILDING KNOW-HOW



Not surprisingly, when either the respondents themselves or the organisation they work for have better knowledge of how brands are built and maintained, this has a positive effect on their belief in the power of brands across all the questions in our study.

And as one might expect, the reverse is also true – those who admit to knowing less are less likely to link brand strength with commercial objectives.

FIGURE 14. THOSE WHO ADMIT WEAKER BRAND KNOW-HOW ARE LESS LIKELY TO LINK BRAND STRENGTH WITH COMMERCIAL OBJECTIVES (VERY IMPORTANT/IMPORTANT)

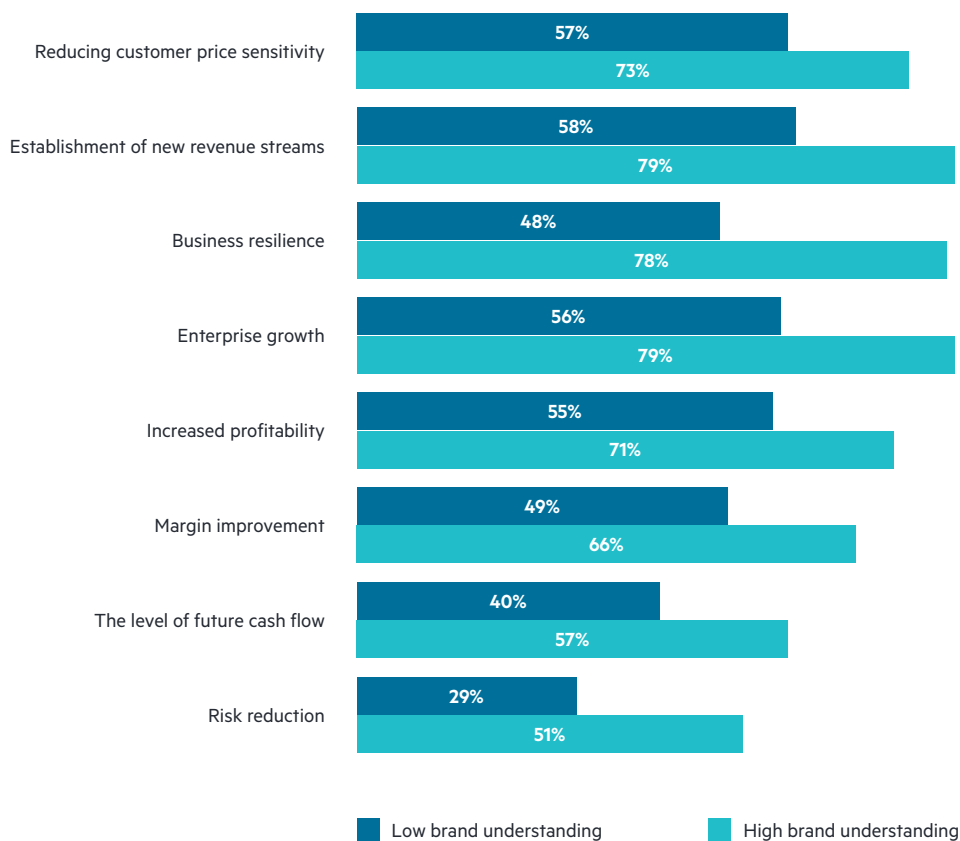


FIGURE 15. WEAKER BRAND KNOW-HOW MEANS BRANDS CANNOT DELIVER ON CORE PRIORITIES CITED BY THIS GROUP

(Moderately important/important/very important)

84%

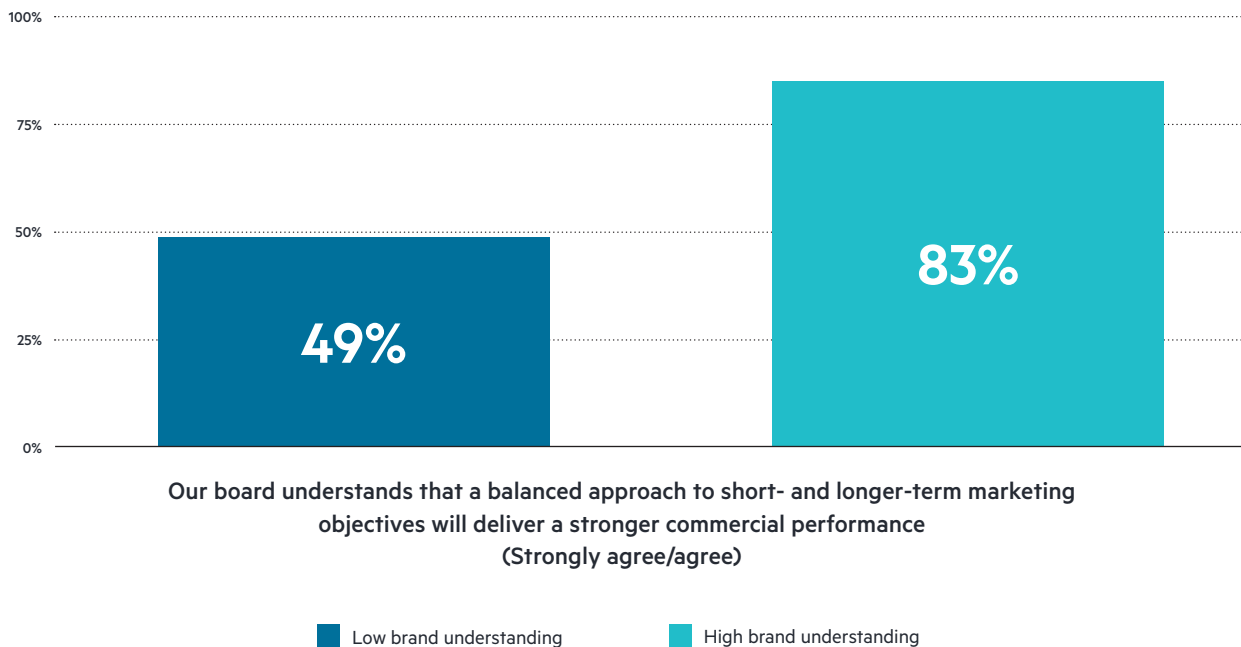
INCREASED PROFITABILITY

85%

BUSINESS RESILIENCE

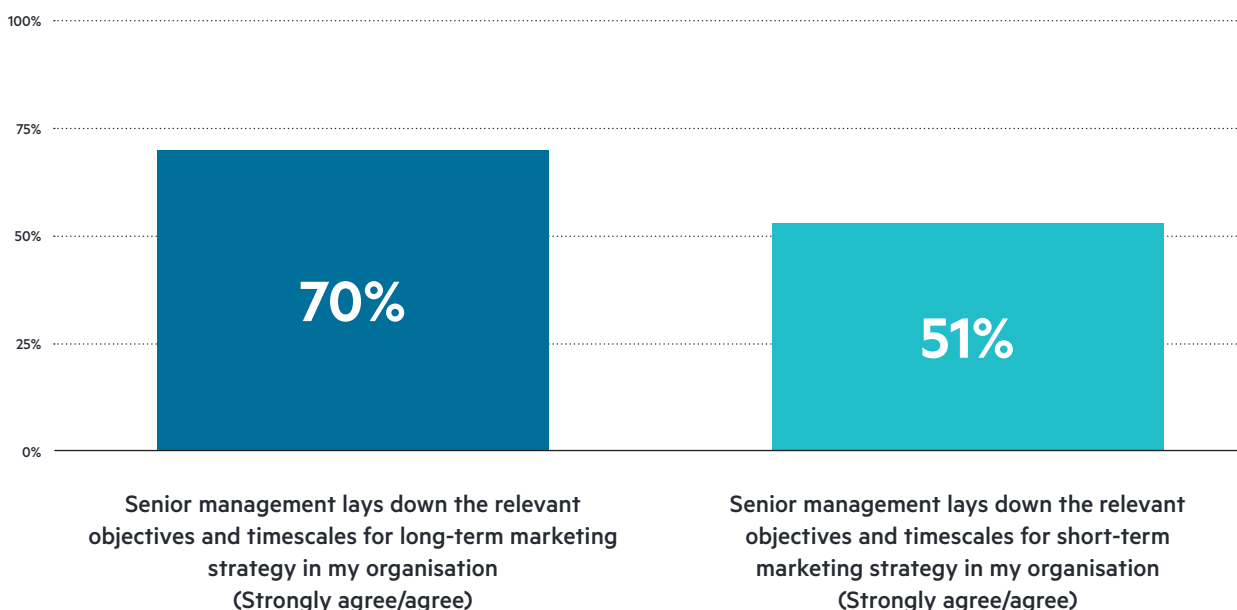
Critically, lack of knowledge of how brands are built and maintained also has a significant effect on the agreement figures for the benefits of long- and short-term balance. As can be seen below in Figure 16, under half – 49% – of those organisations with weaker brand understanding at board-level agree that a balanced approach to marketing horizons delivers commercial success. This compares with 83% of the sample whose brand- building knowledge and understanding is ‘Good’ or ‘Excellent’. Whether the feeling that brands do not play an important commercial role means that brand-building knowledge is not sought or the reverse, the call to action for education on what brands do and how they are built and maintained among the wider business is paramount.

FIGURE 16. WHERE BUSINESS LEADERS DON'T UNDERSTAND HOW BRANDS ARE BUILT, THEY DON'T BELIEVE IN THE BENEFITS OF A BALANCED APPROACH TO MARKETING



The lack of knowledge does not affect control over objective-setting, however. 70% – over two thirds – of this group are still setting long-term objectives for the marketing teams and over half are setting short-term.

FIGURE 17. HOWEVER, BOARDS WITH WEAK BRAND KNOWLEDGE ARE STILL SETTING LONG- AND SHORT-TERM MARKETING OBJECTIVES



We also asked our respondents about what they thought were the most effective promotional channels for brand-building. Figure 18 reveals that online channels such as social media and digital display advertising, alongside word of mouth, are perceived to be the key brand-builders. However, this is not reflected in the effectiveness studies of marketing industry bodies such as the IPA and The Marketing Society or commentators, such as Les Binet, Peter Field and Professor Mark Ritson.

FIGURE 18. PERCEPTION OF THE MOST EFFECTIVE CHANNELS FOR BRAND-BUILDING IS NOT ALIGNED WITH THE OBJECTIVE EVIDENCE AVAILABLE – SEE FIGURE 19

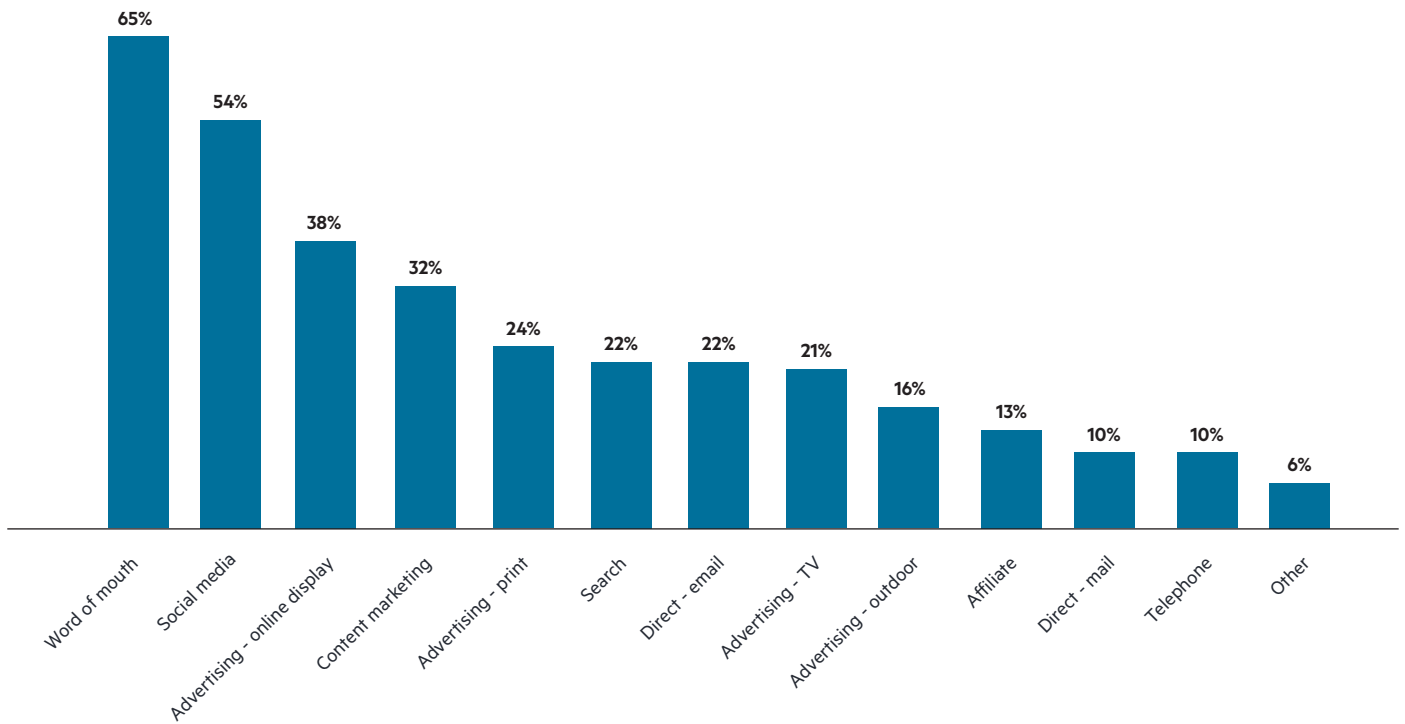


Figure 19 below is from Ebiquity ‘Re-Evaluating Media’ report. It shows the results from the study, which examined a wide range of primary research on the effectiveness of different communications channels for various marketing objectives, including brand salience.

The report was conducted among marketing and media industry individuals and looked at the gap between perception of effectiveness of individual channels against a range of objectives. The chart highlights how, outside TV, traditional media is undervalued and the effectiveness of online channels can be overrated in delivering brand salience – the closest to the same question used in our own project.

This study did not look at all promotional channels, but Figure 19 does demonstrate the high esteem in which some channels are held among the marketing and media industry – an esteem which is not warranted by the evidence. In addition, one could conjecture that it may also be a reflection of the general availability of data supporting them. We should not be that surprised,

therefore, that a sample of broader general management displayed in Figure 18 has similar perceptions. The worrying issue is that by over-investing in online channels, brand-building objectives will not be reached and the practice of brand-building itself as an objective will seem ineffectual. This will not be because of it doesn’t work, but it needs real skill, creativity and evidence to do well.

FIGURE 19. SOME CHANNELS HELD IN HIGH REGARD BY THE INDUSTRY WITHOUT SIGNIFICANT EVIDENCE. SOURCE: RE-EVALUATING MEDIA, EBIQUITY / RADIOCENTRE

What the evidence says			What advertisers and agencies say		
1	TV	10	1	TV	4.6
2=	Newspapers	8	2=	Out of home	3.8
2=	Magazines	8	2=	Cinema	3.7
2=	Radio	8	2=	Social media (paid)	3.4
5=	Direct mail	5	5=	Magazines	3.4
5=	Online video	5	5=	Online video	3.3
7	Out of home	5	7	Radio	3.1
8=	Cinema	4	8=	Newspapers	3.0
8=	Online display	4	8=	Online display	2.7
8=	Social media (paid)	4	8=	Direct mail	2.6

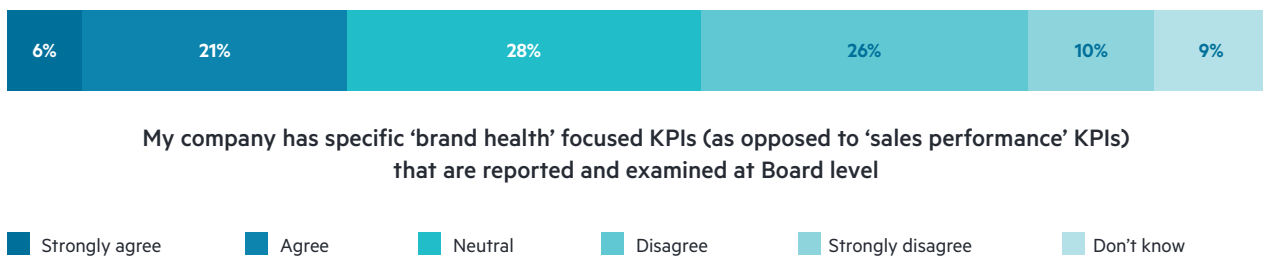
EVIDENCE: Secondary research on brand salience. Scoring based on average rank from multiple comparative studies. See Appendix 3 for full details on how this ranking has been calculated

PERCEPTION: Mean score. Q. Using a scale of 1-5 where 5 is ‘very good’ and 1 is ‘very poor’, please rate each medium for its ability to increase brand salience. Base: n=19.

THE BOARD-BRAND RIFT

We have already seen that one of the key impediments to better marketing balance is perceived to be the lack of credible metrics. This was further underlined when asked whether 'brand health' KPIs were reported and examined at board-level. As seen in Figure 20 below, only 27% of organisations agreed; clearly brand health and strength is not a board KPI for most. Although for those whose boards understood brand-building and maintenance, the figure was much higher at 41%. There is clearly a correlation between greater understanding, greater focus, and a recognition of the importance of the issue to commercial performance by senior management.

FIGURE 20. ONLY 27% OF BOARDS USE BRAND HEALTH KPIs. THIS IS NOT ENOUGH.



Those who use brand health metrics at board-level also indicated differences in organisational culture. They were more likely to believe in marketing balance (82%) compared to those who focused on sales KPIs (62%). This one might expect, but importantly, their objectives were also made collaboratively; 75% of this group set their marketing objectives alongside their finance and strategy teams compared with 55% of those who used only sales KPIs. That shared objective-setting will also help with credibility across the c-suite.

To be used at board-level, credibility of brand metrics is key. Furthermore, positive brand metrics can not only be used internally but externally. Sharing such datasets to external stakeholders can be central to the communication of a company's ability to create long-term value and build sustainable competitive advantage.

As the Former CEO of Telefónica O² Ronan Dunne said:

“I think when analysts ask questions about brand they want to know why you have an **amplifier** in your numbers (*and why*) your CAGR is going to be different from somebody else’s... they want to know about it and that’s why this relationship between sales and A+P comes into its own.

... But Marketing Directors need to convince CEOs (*of the value of those metrics*) and it has to be on our balance scorecards in the Board Room before CEOs will stand up and talk eloquently about it outside the business.”

Ronan Dunne, Former CEO, Telefónica O²

4.

The

contribution

of creativity

The contribution of creativity

The final section of our research explores the attitudes of senior business executives – both within and outside marketing functions – towards creativity.

Evidence has never been greater that the power of the creative message, alongside balance of short- and long-term objectives, is pivotal to the effectiveness of marketing communications campaigns. Who manages and controls that creativity is therefore a crucial lever in the delivery of successful commercial performance. Peter Field's new IPA report 'Crisis in Creativity' details not only the multiplier effect of strong creativity, but the damaging effect of the drift away from brand-building. The percentage of budget allocated to brand-building amongst creatively-awarded campaigns has fallen to

just 66% over the last 4 years, around 10 percentage points below optimum. Creativity brings little value to short-term sales activation, so the trend to short-termism is likely to reduce the value it is able to bring.

Our study reveals that business leaders in general do claim to understand that the quality of creativity in their marketing communications links directly to the quality of commercial performance, with 60% agreeing with the statement.

FIGURE 21. BUSINESS LEADERS SAY THEY UNDERSTAND THAT QUALITY OF CREATIVITY IN MARCOMMS LINKS TO BETTER RETURN

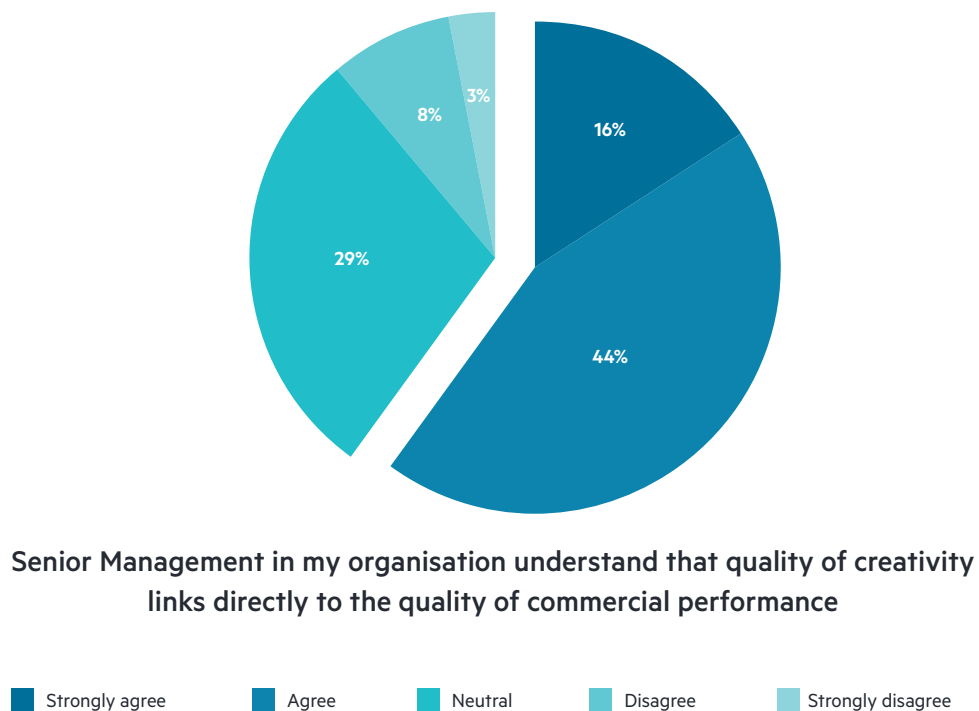
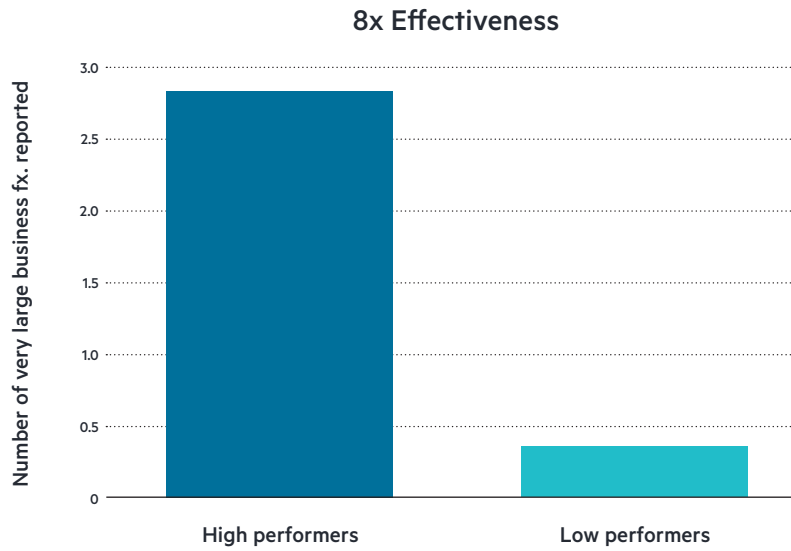


FIGURE 22. HIGH-PERFORMING CREATIVE LONG-TERM CASES DELIVER 8 TIMES THE NUMBER OF LARGE BUSINESS EFFECTS

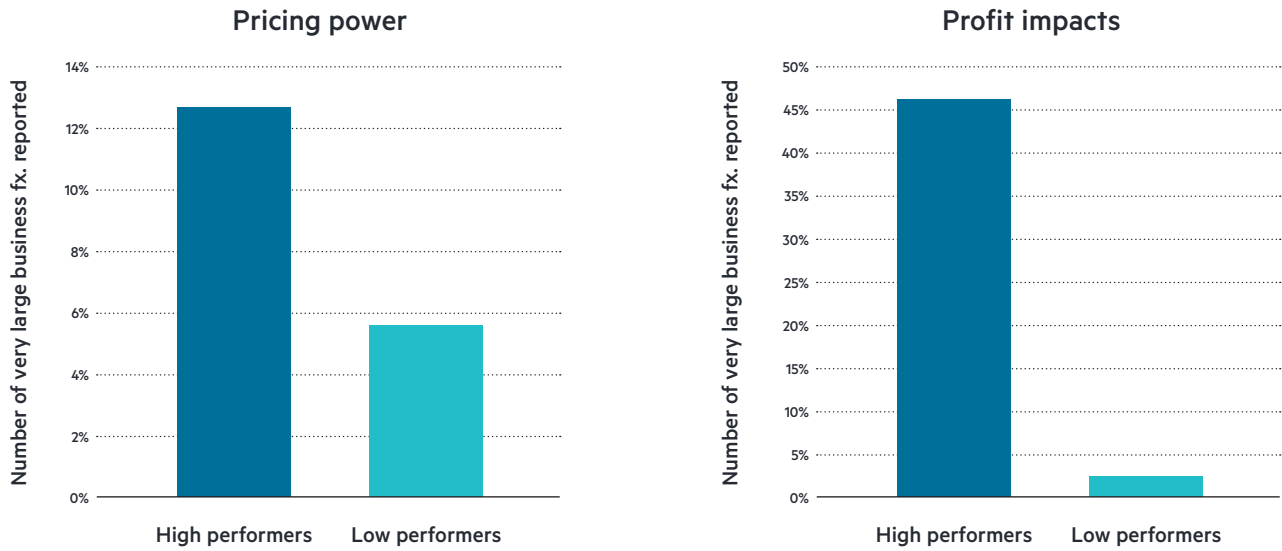


SOURCE: IPA Databank, 2008-2018 creatively awarded long-term cases

They are right to believe this. Using the Effectiveness Award case studies within the IPA Databank, Peter Field's report demonstrates high-performing creative cases are eight times more effective than low performers in terms of the number of business effects they generate, as seen in Figure 22 above.

One of the critical business effects it drives is growth. Not only this, but high performing brands' impact on pricing power is more than twice that of low performers. They not only drive greater growth, they do so at greater profit margin. In fact, they are almost 16 times more likely to generate very large profitability improvements – seen in Figure 23 on the next page.

FIGURE 23. CREATIVITY USED WISELY DRIVES GROWTH AT HIGHER MARGIN AND DRAMATICALLY GREATER PROFITABILITY IMPACTS



SOURCE: IPA Databank, 2008-2018 creatively awarded long-term cases

However, whilst it is very encouraging that businesses claim they understand the importance of creativity to commercial performance, how much should business leaders get involved in that creative process? Many a marketing director has recounted stories of Board members “interfering” in their final films, refusing additional budget for better designers and claiming to not to “understand how it will work”. Currently business leaders in our sample still like to feel they are involved with the creativity in their marketing communications, and also step in if they feel that the level of creativity is, in their view, ineffective.

FIGURE 24. SHOULD SENIOR MANAGEMENT BE THIS INVOLVED IN THE CREATIVE PROCESS IN MARCOMS?



Senior Management in my organisation question the marketing department on levels of creativity when they feel it is not strong enough



Senior Management in my organisation rely on the marketing department to deliver powerful creativity and do not get involved

Strongly agree
 Agree
 Neutral
 Disagree
 Strongly disagree

However, if senior management do not have a solid understanding of how to build and maintain brands, and nearly half of those outside marketing agree they do not, then this intervention may at best, reduce the effectiveness of the creative work, and at worst destroy a brands’ distinctiveness and subsequent commercial effectiveness. This is compounded by an increase in the use of short-term objectives.

One solution might be to focus business leaders’ attention away from the creativity of the message itself and towards the brand health metrics they actually say they are looking for, which demonstrate what the message is doing for the brand and for the business. Some of the most successful brands now do not “show the ad campaign” in board meetings, but show “what the ad is doing for the brand” – arguably a much more appropriate way to use board time.

Among those business leaders whose Boards used brand health metrics, 74% stated they understood the importance of creativity to commercial performance. Among those who focus more on Sales KPIs, the figure is much lower at 55%. Their belief in creativity is also demonstrated by the fact that only a third (34%) believe that 'reach' is more important than the 'creativity of the message', whereas for those who use sales as their metrics over half (56%) believed this to be true. It appears then that users of brand-based metrics are less likely to focus on media channel performance to measure their effectiveness.

This study is only a snapshot of the interest of senior management in the creativity of their marketing communications. In his report, Peter Field outlines the decline in effectiveness of creatively awarded campaigns over the last 10 years. However, if alongside the increase in collaborative decision-making and the tendency towards shorter-term marketing objectives, senior management have been affecting the creative process, they could unwittingly be exacerbating a decline of marketing effectiveness by promoting rational "disposable creativity" and moving away from rich, emotional brand-building activity, instead of working out the most profitable balance.

74%

OF THOSE BUSINESS LEADERS WHOSE BOARDS USED BRAND HEALTH METRICS UNDERSTOOD THE IMPORTANCE OF CREATIVITY TO COMMERCIAL PERFORMANCE

55%

OF THOSE WHO FOCUS ON SALES KPIs UNDERSTOOD THE IMPORTANCE OF CREATIVITY TO COMMERCIAL PERFORMANCE

5.

Recommendations

Recommendations for general management

- 1. Build awareness across business disciplines of the evidence for brands' contribution to commercial performance**

Business leaders across the boardroom need to be better aware of the commercial benefits of longer-term brand-building and the contribution of brands to financial performance. This study clearly shows this knowledge leads to better decision-making.
- 2. Assess current brand metrics and where possible link these to measures of commercial contribution**

Marketing teams should be challenged to ensure that existing brand health metrics are fit for purpose, robust and credible. For those organisations without them, they should challenge the marketing function to look for reliable suppliers for their creation, usage and integration into existing datasets.
- 3. Review brand health at board-level using appropriate metrics and commentary**

Commercial value analysis will determine which brand metrics should then be used at levels of the organisation. However, subjective judgement will always be needed to fill in the inevitable gaps; not everything that delivers value can be measured.
- 4. Use credible brand metrics to external audiences to demonstrate greater competitive advantage and transparency**

Those organisations with robust brand health metrics could use those that are not commercially sensitive externally, as well as internally. This will help to demonstrate how longer-term decision-making is building value and creating competitive advantage.
- 5. Assess current financial reporting of intangibles, using brand strength measures where relevant**

Use of relevant brand measures should also be used in Annual Reports and other official documents.

Recommendations for marketers

- 1. Create an evidence bank**

Create an internal databank of evidence for building brands in relevant sectors. This should include their contribution to the financial objectives and the benefits of marketing balance. Industry bodies such as the IPA and agencies can be very useful partners for its development. Include the evidence of the importance of creativity to commercial value. However, senior management should also be reminded what can and can't be measured.
- 2. Promote this evidence internally and widely, but use the heart and the head**

Communicate robust and useful evidence to peers and senior management. Use agency partners to develop both the communication strategies to ensure engagement with clients' senior management. These data need to be used with the judgement of experienced marketers who understand human behaviour, to fill in the gaps. Use the heart and the head.
- 3. Ensure brand strength metrics are fit for purpose and get buy-in from peers**

Examine current brand metrics for commercial value, integrating them with other datasets if and when necessary and get buy-in on their use at senior level.
- 4. Analyse own plans and processes**

Analyse current marketing plans and budget allocation for short-, medium- and long-term strategies. Create a process for analysis at the planning stage if necessary, and ensure senior-level sign-off. Agencies should be braver in challenging clients on objective horizons.
- 5. Upskill brand building know-how**

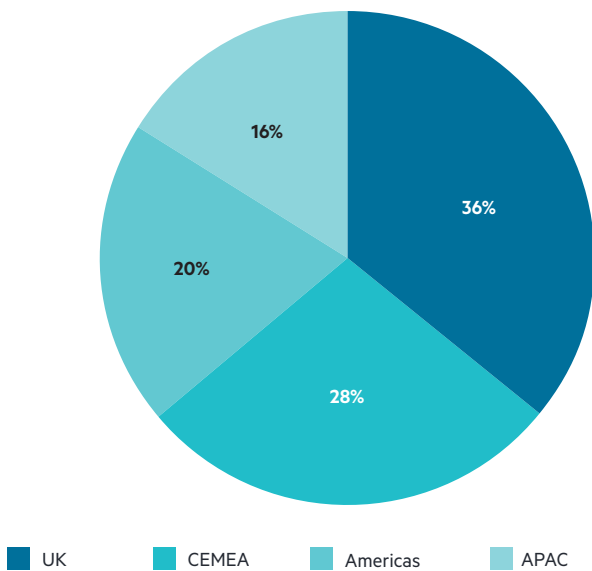
Investigate skill base in brand-building and measurement within the marketing function. Take action to remedy and upskill where necessary.
- 6. Focus on what creative work delivers**

If showing creative work to senior management, help them focus on its performance for the brand and the organisation.

Appendix - Methodology

An FT reader panel was used for this research called the 'FT Feedback Forum'. 506 respondents completed the survey and the split mirrored the spread of FT readership globally detailed in Figure 25 below.

FIGURE 25. RESPONDENT SPLIT BY GEOGRAPHICAL REGION



The fieldwork took place over 3 weeks in May 2019. Any 'order effect' from option lists was removed. All respondents were senior business decision-makers and 43% were at c-suite level. We wanted to achieve a representation of both marketers and non-marketers to be able to analyse the data by specialists and non-specialists. Of the total sample, 36% listed Marketing, Advertising or PR as their main responsibility so we were able to analyse this group separately. The average size of company across the sample was 2706 individuals.

About the FT

The Financial Times is one of the world's leading business news organisations, recognised internationally for its authority, integrity and accuracy. The FT has a record paying readership of one million, three-quarters of which are digital subscriptions. It is part of Nikkei Inc., which provides a broad range of information, news and services for the global business community.

About the IPA and EffWorks

Incorporated by Royal Charter, the IPA's role is: to advance the value, theory and practice of advertising, media and marketing communications; to promote best practice standards in these fields; and to ensure that the work it does will benefit the public, the wider business community and the national economy.

EffWorks is a cross-industry, long-term, global marketing effectiveness initiative, established by the IPA. Its ambition is to firmly position marketing as a route to profitable growth. It addresses the issues that impact on effectiveness and challenge the content and context of marketing outputs.

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