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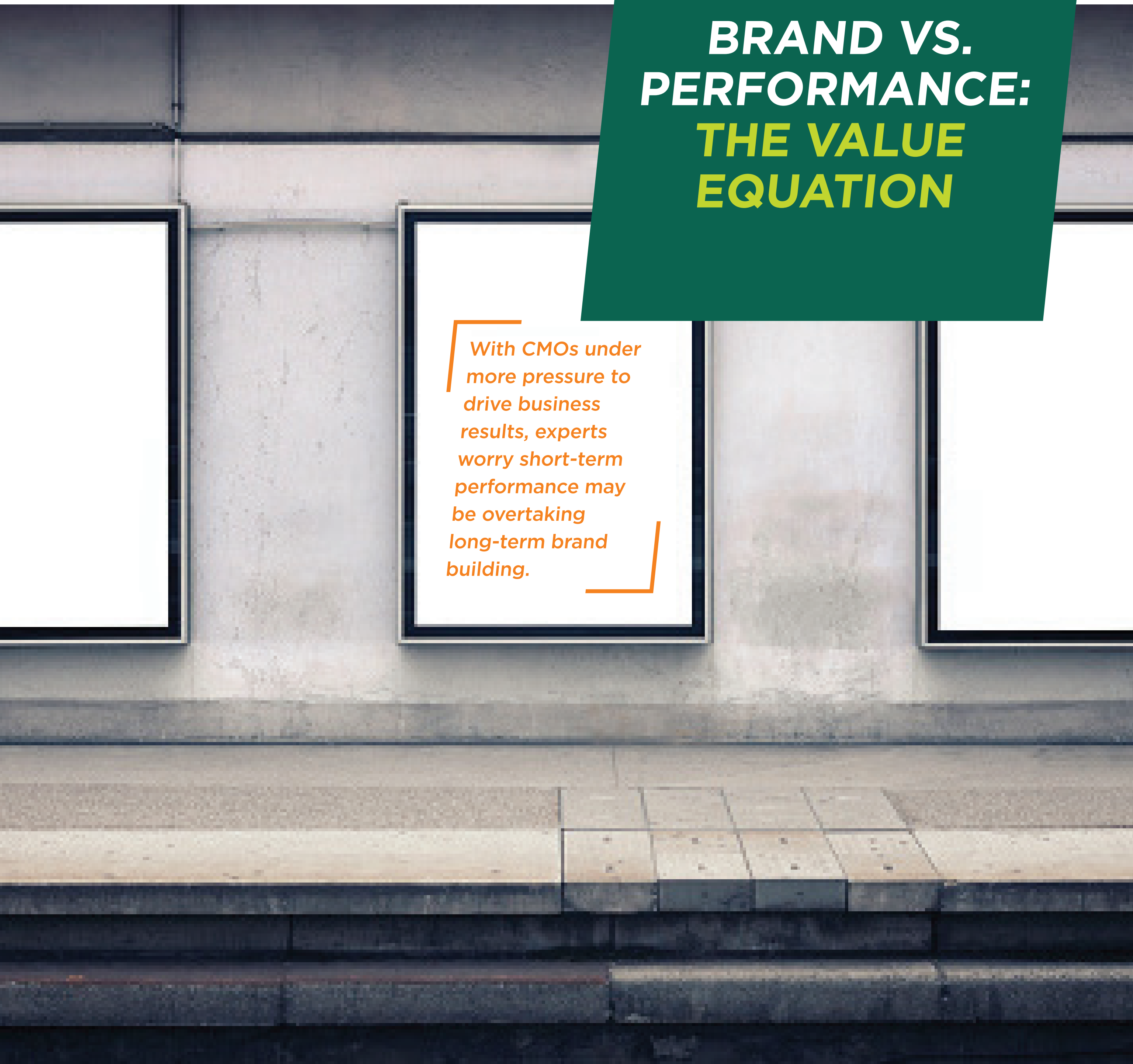
Perspectives

BRAND VS. PERFORMANCE: THE VALUE EQUATION



With CMOs under more pressure to drive business results, experts worry short-term performance may be overtaking long-term brand building.

The problem:

Marketers are investing heavily in performance marketing because the results are easy to prove.

Why it matters:

Underinvesting in brand marketing could negatively affect long-term growth.

The solution:

Strike a balance between brand and performance marketing that leverages technology to connect with consumers seamlessly across channels.

It was a simpler time. People used to book vacations months in advance, after researching where to go, planning travel routes, and booking hotels. Then the world changed, first slowly then very quickly.

Now, of course, with mobile technology, people can book a vacation halfway around the world with just a few taps—and they can be checking into the hotel in a matter of days. Eric Lent, senior vice president of global marketing, upscale brands, with InterContinental Hotels Group, says the compressed time between booking and leaving for a vacation makes brand equity more important than ever in converting sales: people are more likely to book with a brand that they already know or that comes highly recommended. But for marketers, proving to the CEO and board how brand equity drives sales is something like a dark art.

Welcome to the growing dilemma for marketing leaders all over, whether at major hotel firms or tiny start-ups: deciding between shooting for easy-to-price short-term gains from marketing programs and pushing for longer projects to build long-term brand exposure and recognition. Experts worry that in this fast-paced "show-me" era, one side is winning over the other. "CEOs often want to see how every dollar they spend on marketing results in a dollar made," says Ann Vogl, a principal in Korn Ferry's Marketing Officers practice.

The problem is partly that the abundance of tracking data and analytical sophistication make the impact of performance marketing easy to measure. Marketers can easily show how many people clicked on a banner ad in a newsletter that took them to a landing page for a special sale offer that resulted in a purchase. Conversely, metrics like net promoter score and awareness, which are critical to measuring customer experience and brand, sound like a foreign language to many CEOs and boards. Put another way, it's a lot harder to correlate an organization's reputation or values with room bookings.

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But neglecting brand marketing can have serious consequences for long-term strategic growth: for instance, negatively affecting customer loyalty and experience. To be sure, among the many challenges Chief Marketing Officers face today, striking a balance between performance and brand marketing—and convincing the CEO and board of the value of both—is at the top of the list. "Brand dollars are needed to drive performance and vice versa, otherwise both will experience diminishing returns," says Lent, whose company's hotels and resorts include Regent, Kimpton, Crowne Plaza, and Holiday Inn.

The irony is that the overemphasis on performance marketing comes at a time when increased attention is being paid to brand reputation. The number of places and the times a customer can interact with a brand today is exponentially higher than it was just five years ago, never mind when marketing first came into vogue in the 1950s. What defines a brand, what it stands for, and why it is relevant are no longer defined simply by a television commercial or store visit. Now a

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single Twitter engagement can shift brand equity. So, too, can an organization's purpose, values, and social impact, particularly among younger generations.

"Marketers need to connect their brand with a whole range of interactions now," says Steve Biddle, director of global marketing solutions at Facebook. That means marketers today are constantly reassessing their media investments. Instead of committing to a media plan six months or a year in advance, now marketers are tweaking how money is allocated practically on the fly. In industry parlance, it's called media mix modeling—which is just a fancy way of describing how, when, and on what media money is spent. Marketers may pull back on TV ad spend, for instance, and redeploy that money to social media platforms to drive e-commerce revenue. Or they can get more granular and increase the percentage of digital spending on paid search advertising and decrease how much they use for videos placed in users' news feeds. "Spending is much more surgical," says Biddle.

Come Together

Opposites attract, as the old saying goes. But if the pair stays together long enough, they end up looking more alike than different. The same goes for brand and performance marketing. Here are some key differences between the two disciplines and how they are coming together as media and technology converge.

Brand Marketing

- Builds relationships to build value
- Emotion-based, creative-driven
- Intangible measurement (reach, awareness)

Performance Marketing

- Generates transactions to grow the company
- Data-based, tech-driven
- Hard metrics (unique visitors, sales conversions)

Merged Traits

- Increased content personalization
- More interactive, visual elements
- Unified strategic approach
- Shared budget

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The need for surgical precision, says Vinoo Vijay, CMO at H&R Block, means that successful marketers must intimately understand the interplay among a myriad of media channels that never existed before. How does a television ad correlate to website traffic, for instance? Or how does Twitter engagement relate to lead generation, and what is the relationship between Facebook news-feed videos and sales? "Marketers can't do great creative or strategic planning if they don't know how the channels operate," says Vijay.

To understand that calculus, Caren Fleit, managing director of Korn Ferry's Global Marketing Officers practice, says marketers need acumen across art, business, science, and technology. "It has fallen upon marketing to do the deep analytics to really understand the customer on a one-to-one level and use that information to create personalized services," she says. The problem is, marketers are caught in an analytical conundrum. "They need to understand how to leverage the tools and approaches of performance marketing to inform their brand marketing strategies," says Fleit.

> **"The only metric that matters is sales."**

The industry agrees: 38% of respondents to Korn Ferry's most recent CMO Pulse survey cited digital and performance marketing as the function in greatest need of talent transformation. Similarly, more than 40% of CMOs cited strategic thinking as the biggest capability gap their teams face.

Another potential factor swinging the pendulum toward performance marketing is self-preservation. According to a new Korn Ferry study on C-suite tenure, CMOs have the least job security of any C-suite executive, averaging just 3.5 years, a decline in tenure of six months from 2016. Vogl says the high turnover stems in part from a disconnect with CEOs and boards over how marketing delivers business results. Put another way, marketing activities often lack clear, tangible performance metrics that correlate to revenue growth or increased profit margin.

One way marketers can make their jobs more secure is to invest in activities where performance is easily tracked and results clearly proven. But the need to remind people of what a brand stands for and why it matters will always be there, says InterContinental Hotels Group's Lent. "The benefits of brand marketing compound over time and provide insulation for the brand over the long term."

The good news is that as measurement tools advance, brand and performance marketing will become more aligned. It's inevitable, for example, that the same tracking analytics used in the digital environment will be applicable to linear or streaming TV, thereby allowing marketers to directly correlate commercials to sales.

Vijay says the distinction between brand and performance marketing is an artificial one. He says that not unlike how mass media and digital are now viewed as one and the same, all marketing is about performance. Indeed, in many ways today's focus on analytics to prove marketing's value mirrors the 1980s, when cable TV, infomercials, and VCRs (which allowed viewers to skip ads) made marketing more complex and ratcheted up the pressure for advertising efficiency by precisely tracking performance in each sales channel.

"The only metric that matters is sales," says Vijay, "but what drives sales is a litany of micrometrics that marketers have to optimize against."

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