Taking the

Both brand-building initiatives and short-term sales boosts should be used to invest in the long-term performance of a brand.

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With savvy shoppers holding tightly onto their purse strings, the pressure for retailers to maximise the buying boom from holidays such as Christmas is intense. Many turned to aggressive price discounting in the run up to the holiday period to boost ailing sales. This quick fix price-cutting is nothing new, and it's easier to justify such a short-term fix, even though it is often to the detriment of longer-term brand investment.

Marketers generally recognise that the long-term benefits of advertising outweigh the short-term sales returns of discounting, especially at the stage of building brand awareness and establishing positive brand perceptions. And while lots of research supports the importance of advertising and long-term brand-building campaigns during a financial downturn, marketers struggle to fend off the intense corporate pressure for meeting short term targets.

Long-term return on marketing investment (ROMI) is much harder to measure, more difficult to understand, less tangible and less persuasive than the short-term gains. As a result, many of us are forced to give in to this pressure to achieve short-term results at the expense of long-term brand value creation. If better tools to demonstrate the long-term returns were available, would this help us to withstand this pressure? Would it help more easily justify our big ticket campaigns, our sponsorship investments or our big plans for 2012?

Measuring and understanding the long-run returns has been held as the holy grail of marketing accountability for some time. However, new development in CrossMedia (cross-campaign and long-run brand equity modelling), in addition to the ability to link these models to consumer behavioural data, provides the insight that helps marketers answer these questions.

Not only does this help measure and gauge long-run effects and plan budgets needed to achieve long-term brand goals, but it also provides valuable insights into how to plan campaigns and promotional activity to achieve the best long-term impact.

This article examines how marketers can gain support for their long-term marketing initiatives, the types of methodologies – including new development in cross-campaign and long-run brand equity modelling – that are helping, and what can be learnt from these new approaches to guide improved long-term investment planning.

THE CHALLENGE OF LONG-TERM ROMI

A simple definition of long-term ROMI is the incremental value of marketing through increased brand awareness, consideration, preference or purchase intent. It represents demand that has been created for the brand, which is activated at some later date and converted to trial and repeat purchase.

Attempts to measure this have often focused on purely behavioural aspects such as the generation of trial during the campaign, and have looked to quantify the lifetime value generated by that trial. In reality, it goes beyond this to represent any demand created and sustained by the campaign, which is activated at some later date.

> "In the car market, brand communication effort in the first six to nine months of a new model launch is critical to long-term perception and market position"

The concept is easier to understand in markets where there are long purchase cycles, e.g. automotive, financial services or mobile communications. In these markets familiarity, desire and demand is continuously built for the brand which is activated at some later point of purchase when consumers are researching their purchase online or visiting a retail showroom for example.

long view

By moving consumers further along the brand journey, the efficiency of future campaigns designed to activate that demand is improved. Often these will be completely separate campaigns, using a very different set of media and touchpoints. By using cross-campaign modelling, the influence of brand building campaigns can be shown to drive higher response at these later touchpoints.

For example, TV has a significant impact in priming other media which subsequently activates demand. This activation would be far lower without TV creating this appeal initially. Our research shows that an ad initially aired on TV yields a 73% impact on the brand compared with only 36% impact without TV. This concept applies equally to FMCG markets with continued brand-building efforts moving consumers closer and closer to the brand until they eventually buy or switch to the brand at some future point. This may represent the sustained efforts needed to break down inertia barriers or habitual purchasing of a competitor brand, or it may be that purchase or trial is eventually triggered by a promotional offer, lack of availability or dissatisfaction with their usual brand.

In measuring this incremental value, it's important to recognise that it is not simply the extent to which a campaign has increased brand measures (a large proportion of which will simply decay after the campaign). It's also important to understand the impact on sustained brand equity, i.e. the additional brand equity retained after the campaign. This can be achieved through quantifying the decay effects of brand equity post-advertising and then projecting over time the long-term effect on sales of continued advertising at the current rate vs. the effect of withdrawing the brand investment (Figure 1).

An excellent example of long-term gains is in the car market, where the brand communication effort in the first six to nine months of a new model launch is critical to long-term perception and market position. Trying to change perceptions after the model has been around for a few years is extremely difficult without any major repositioning.

THE IMPACT ON PROFITABILITY

The other key factor in understanding long-term ROMI that will also be appreciated and understood by the financial director is its impact on improved business profitability. Taking the car example, the payback on communications activity around the new model launch is not just the increased demand created, but the fact that dealers have to discount to a far lesser extent in order to shift their stocks.

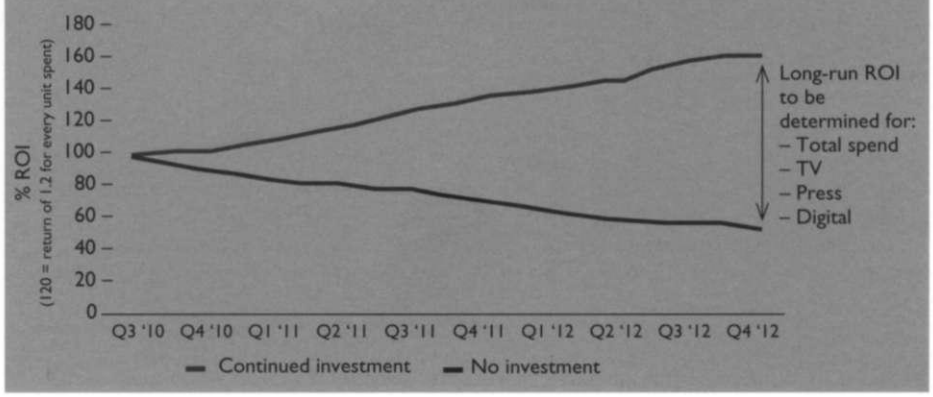
By modelling the impact of brand equity on price premium, whether the brand is a car or a premium lager, it is possible to measure the true ROMI on profit, rather than simply on sales. This is essential to understanding the real value of marketing activity versus promotion.

Having said that, don't judge all price promotion as negative – i.e. reducing profits and eroding brand equity. This doesn't have to be the case; price promotion has a very important role to play, particularly in inducing new trial.

A couple of years ago a cereal manufacturer decided to stop using promotional activities and focus entirely on driving 'profit' and 'brand equity'. Within 18 months, the brand realised that promotions were actually an essential component for driving trial in addition to hitting pressing short-term measures. This realisation was helped by econometric analysis which demonstrated the extent to which competitor promotions were now stealing more share, along with intensified retailer pressure to deliver short-term returns so prompting a more balanced split between above the line and below the line activity.

A brand owner of a category-leading household brand had achieved many years of sustainable growth by investing in its marketing mix appropriately. As the category could essentially be seen as a commodity, the brand owner spent heavily throughout the

FIGURE 1
Longer-term impact scenario



Fonte: Admap, Washington, v. 47, n. 5, p. 12-13, May 2012.