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Brand marketing effectiveness study

Maximizing the value of brand marketing

July 2020

Introduction

Every year, at least \$80 billion are on the line if you don't reconsider the investments you are making. That's how much is squandered annually because of poor marketing tactics¹—and the biggest culprit is not getting audience reach right.²

When it is right, marketing campaigns should engage, inspire, and make consumers think and feel in a unique way.

Think of your favorite ad. There was no doubt: When the commercial finished, you wanted to know more and be a part of that experience.

At its best, that's what brand marketing does. It transcends the product and makes you feel connected to the brand. Like a great song inspiring you to run, train, and achieve. It's what makes great brands great.

Alternatively, sales, discounts, buy-one-get-one offers, and promotions focus on different near-term goals.

Each serves a purpose.

Price-sensitive offers are tactics used to hit quotas, a cycle of paying on a transaction-by-transaction basis to achieve bottom-line results. If it feels like you're starting over each month, it's because you are. Performance-based, bottom-of-the-funnel, direct-response marketing—call it what you like—is ephemeral.

Brand-building is at the other end of the spectrum—or funnel. It's an exercise in equity development. Something that lasts beyond the campaign. Through the CFO's lens, it's a way to think about marketing as a capitalized cost rather than an operational expense. It's a critical investment, and one that, in times of uncertainty and austerity, needs to be put into proper perspective. For instance, the costs of acquiring new customers can be as many as five times higher than the costs of retaining existing customers,³ which highlights the importance of deepening customer ties and relationships.

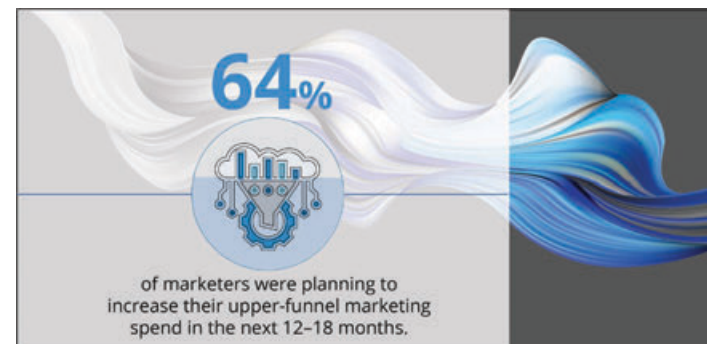
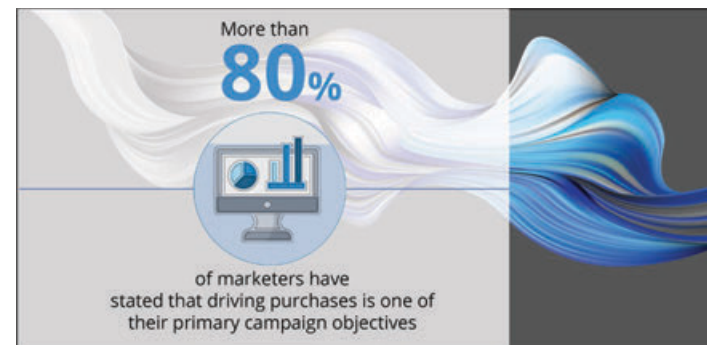
Even famously frugal investor Warren Buffet values brand-building. Of American Express, he recently said: "The most important thing about American Express is the brand and the customers that aspire to be associated with the brand." He continued, "That brand needs to be cared for, the brand needs to be invested in, and we will continue to do so through tough times and through the good times."⁴

It's a focus on permanence, not just performance.

This report sets out to reevaluate the value of brand advertising and understand the challenges to assessing its value and potential approaches to evaluate tactics in a data-driven world. What the report does not intend to do is recommend one tactic over another; instead, as the research indicates, it suggests that marketers reexamine their strategies to achieve a balance between converting existing customers and developing new audiences—a long-term objective to bolster the balance sheet while also developing the income statement.

The report was developed in collaboration between Condé Nast and Deloitte Consulting LLP. The research for this report was informed by a survey of 100+ brand marketers, one-on-one interviews with 30+ senior advertising executives, and research focused on better understanding the key trends affecting marketers, media partners, and consumers.

The marketing disconnect: What marketers believe vs. how they behave



There is no bigger challenge for brands than the disconnect between what marketers believe and how they behave—how they plan and invest marketing budgets. Marketers recognize awareness campaigns are critical for brand equity development and value creation, but most focus on driving purchases, not building brands.

Brand marketing: The promotion of a brand or product to encourage the consumer's decision journey – awareness, perception, consideration, and finally, purchase.

To develop brand, marketers strive to find a balance between performance marketing used to drive sales growth and brand marketing used to drive awareness, perception, and consideration. When probed, marketers do recognize that a reliance on a single, performance-based tactic is short-sighted.



Despite this, the divergence between marketers' intentions and actions is driven by various factors:

- 1. Hyper-focus on driving ROI:**
Return on investment is often cited as one of the most important factors in deciding on a marketing strategy.
- 2. Pressure on the CMO:**
CMOs are incentivized and strongly encouraged, to deliver tangible results in short periods of time since they typically have 12-18 months to prove themselves.
- 3. Common marketing strategies:**
Many newer, high-growth businesses, such as direct-to-consumer (DTC) marketing plans, focus on near-term sales rather than longer-term brand-building activities. This has the effect of influencing the broader marketing community to employ similar strategies.

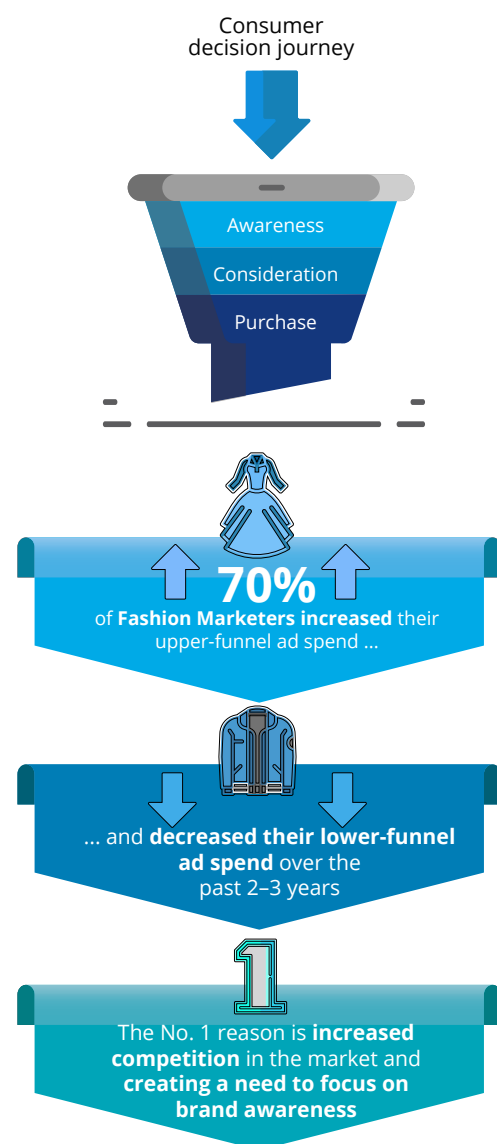


Typical data sources for marketers

The overall marketing strategy can be somewhat vulnerable to performance and growth demands. Accordingly, there is a clear divide between measurable outcomes and long-term strategies, with both being at odds with each other in a performance-driven world.

The result can be a one-size-fits-all marketing approach and often a skewed view on how best to engage with customers. If the traditional marketing approach was to create authentic, value-oriented experiences as a way of developing a brand, the new belief is that driving conversions by convening at the bottom of the funnel satisfies most marketers' needs. Some feel in doing this, they have found a way to "collapse" or "compress" the consumer decision journey (CDJ). But many others recognize the risks, and other challenges, and have started to adapt their marketing strategies.

If you only focus on performance marketing, sales will go to zero as soon as you turn off the performance campaigns.
- Executive, Digital Agency



The unintended outcomes: Marketers' expectations and challenges

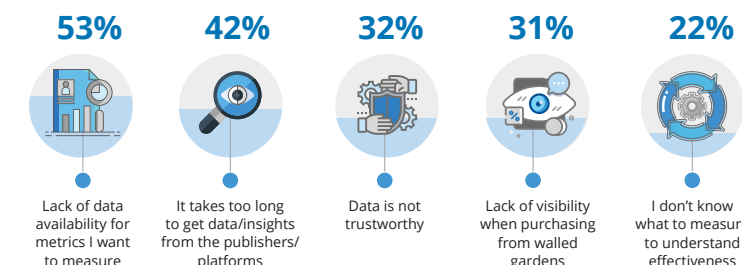
The shift to performance marketing has also introduced new expectations and challenges. High on the list for branding campaigns is to perform and measure like a direct-response campaign—influence consumers within one session. This has changed marketer expectations and introduced a number of challenges.

MARKETER EXPECTATIONS & CHALLENGES

1. Unrealistic campaign expectations:

There is an expectation that brand campaigns perform and be measured like lower-funnel tactics. However, this requires data and capabilities not available for most branding campaigns, therein highlighting the misalignment between expectations and market realities. Instead, marketers rely on impression data or custom reports, such as incrementality testing or ad effectiveness studies, which either fail to provide the necessary insights or are difficult to scale.

Measurement challenges faced by marketers



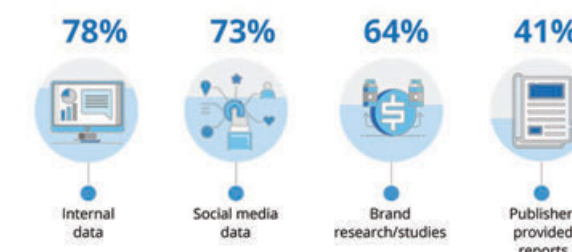
Top five metrics for upper-funnel and lower-funnel tactics

The metric most frequently used by marketers is impressions, which often fails to elucidate how campaigns translate to sales. The other four of the top five metrics used by marketers to measure campaign effectiveness, such as clicks and conversion, are primarily considered lower-funnel metrics.⁵

As seen in the overlap of metrics between upper-funnel and lower-funnel tactics, one of the biggest concerns is that most brand marketers must settle for metrics that are typically used for lower-funnel marketing rather than finding KPIs that highlight the effectiveness of upper-funnel efforts. Metrics like click-to-purchase attributed to performance do not offer strong insight into the awareness, perception, and consideration of brands, especially in the long term.



Common approaches to address measurement challenges⁵



As we shift to a third-party cookie-less world over the next several years these metrics challenges may likely increase.⁷



Measurement challenges faced by marketers

2. Increased competition and lower ROI:

This “convening at the bottom of the funnel” has led to increased competition. Marketers now complain that many segments are saturated, which has led to increased price pressure and lower return on investment (ROI).

- From 2017–19, some performance-oriented digital advertising campaigns saw a price increase of 8 percent of marketers who increased their upper-funnel spend in the past 12–18 months; roughly 50 percent was due to the increased competition in the marketplace⁸

3. Limited product differentiation and overemphasis on price:

When marketers were probed on the concept of “funnel compression,” they admitted that it can lead to undifferentiated products and brands. Others mentioned that the long-term risk with this approach is a change in consumer behavior, where purchase decisions are made based solely on price, not product characteristics. What typically follows is a never-ending wave of promotions and discounts, as consumers have been trained to wait for the next best offer.

- On average, US Internet users are exposed to more than 1,700 digital ads per month—many of which are in similar placements, within the same category⁹



4. Reduced brand equity and future revenue risk:

DTC brands are not concerned with long-term capital asset creation and instead near-term conversions. Startup investors are focused on sales as a value indicator, as they typically have one to three years to prove the value of product. To them, brand-building is the concern of the acquirer. However, this strategy is untenable long-term or for established products and brands

This new approach leads to unrealistic measurement expectations, reduced campaign ROI, undifferentiated products, and a risk to future revenues, as over time, this will result in diminished brand value.

As the industry seeks more accurate metrics, media partners and brand marketers must adapt by identifying innovative, alternative paths to creating and measuring success. These changes have also highlighted the interplay among the advertising constituents - marketers, media partners, and consumers.

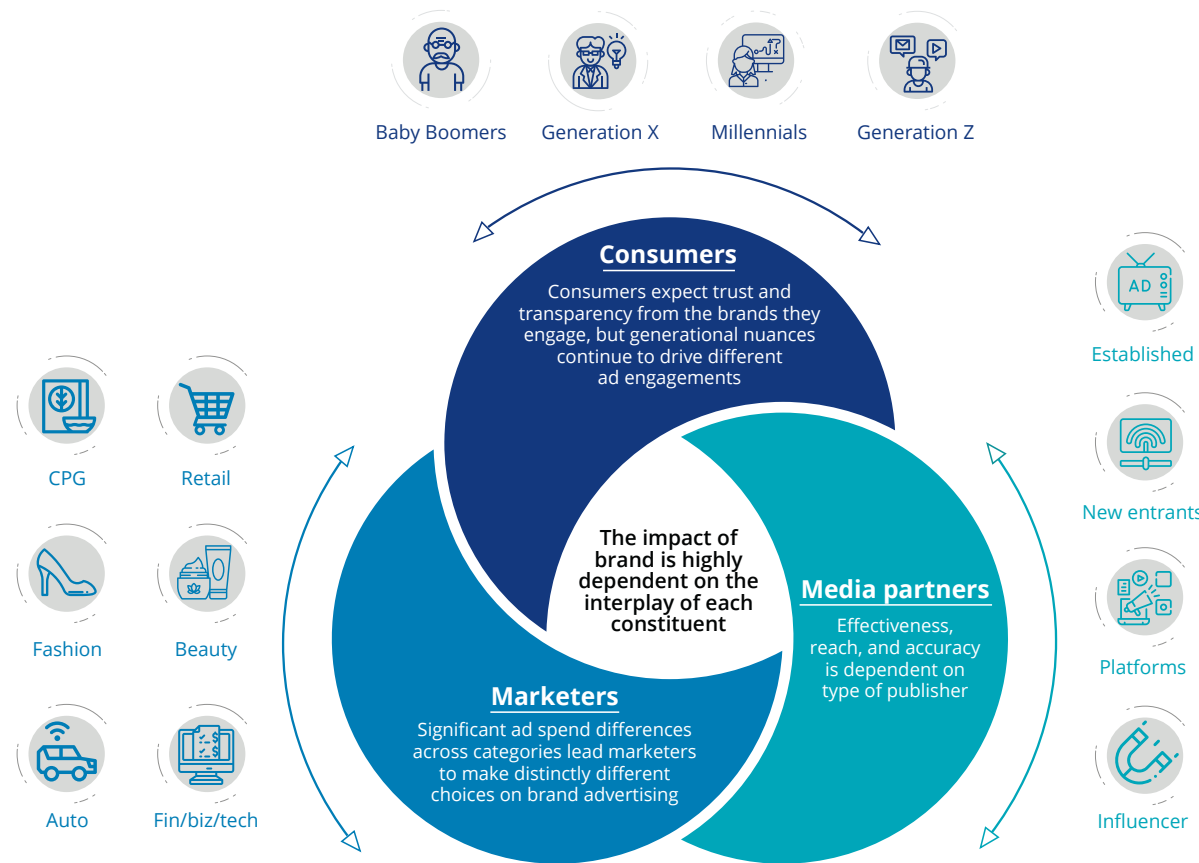
Stakeholder dynamics: Where marketers need to focus



There is no doubt new platforms and technologies have made marketers rethink the way they engage with consumers, but assuming all brands pursue the same strategies and tactics fails to account for category, brand, and consumer preference nuances.

To better understand this, the study examined what truly matters for brand marketers within several lifestyle categories: CPG, beauty, retail, fashion, auto, and finance/technology/business. The study also reviewed media partner trends to understand when and how brands should engage with them. To round out the ecosystem, we also examined generational nuances across consumers and how those affect purchase decisions:

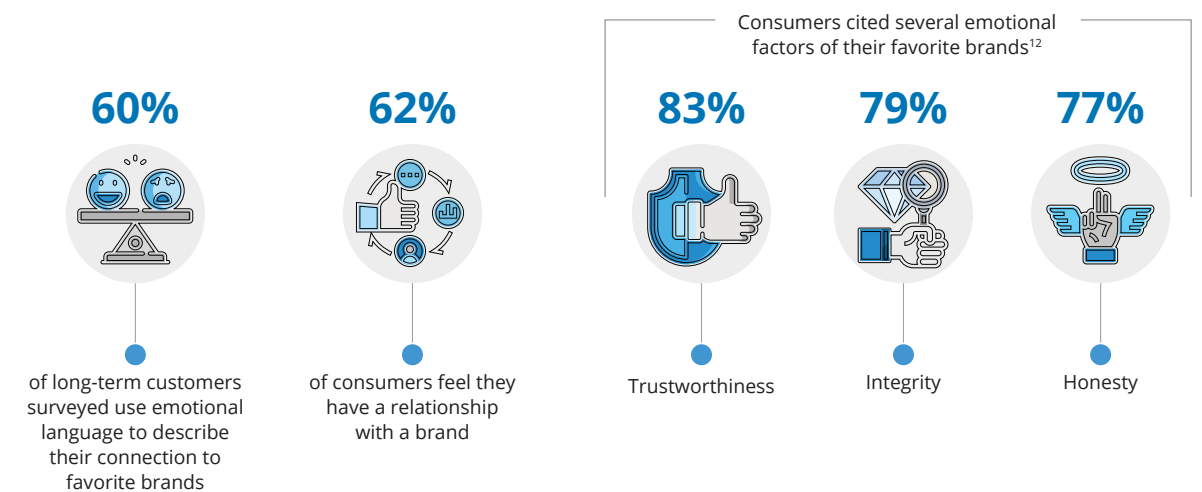
Marketing Stakeholders



CONSUMERS

On consumer behavior and marketing, a recent Harvard University study concluded:

“Humans are driven by feelings. If you want the consumer to remember your product or brand, they must be engaged and impassioned by the interaction with your company... Emotion is what really drives the purchasing behaviors...”¹¹



This study's research concluded similar findings, chief among them was consumers expect trust and transparency from the brands they engage with, but the research also uncovered distinct preferences regarding ad format and messaging:

- Younger Millennials (born 1991–1996) and Gen Z (born 1997 and beyond) are both credited with being digital natives, but Millennials have a lower tolerance for ads relative to Gen Z
- In fact, Gen Z consumers are 39 percent more likely than other demographics to watch an ad and 29 percent more likely to pay attention to it¹³
- Distinctions across generations are not just based on ad format preferences, but the type of messaging as well. Gen Z typically desires relatable, authentic messaging from ads
- In older generations, Gen X (born 1965–1980) generally desires a more tailored and targeted ad experience, and Baby Boomers (born 1946–1964) tend to desire informative ad campaigns¹⁴

“Advertisers take the [“forgotten generation”] literally, as the generation sandwiched between Baby Boomers and Millennials [Gen X] is scarcely targeted by them.”

MARKETERS

Brands, regardless of category, want to communicate and engage with consumers. Yet product category and corporate objectives heavily influence marketing strategies and campaign plans. The product category and tier largely determine marketing tactics (for example, branding versus conversion). This is consistent with the way marketers have historically aligned objectives to tactics. However, corporate objectives were cited as a primary influence of brand investment.

For example, direct-to-consumer brands, focused on proving the business model, tend to prioritize sales over brand development. Startup investors, with short-term horizons, focus almost exclusively on sales as a value indicator. Further, a marketer's tactics also differ based on the industry they compete in. Here are some noteworthy insights that were discussed during our primary and secondary research across six major lifestyle categories:



CONSUMER PACKAGED GOODS

To stand out, it's becoming more and more important to focus on brand values and what a brand represents.

"CPG price point is so low, and time for consideration is low, that if you are not making the decision based on price, then . . . it is generally on brand. [It] goes back to how you are breaking through to these consumers through brand messaging by building brand loyalty."

- Sales Executive, Media Partner



RETAIL

Marketers are relying on engaging brand experiences to compensate for over-indexing on performance marketing and a pricing "race to the bottom" through sales, discounts, and special offers.

"[It is] important to provide different types of storytelling and brand engagement that takes them [consumers] deeper into the brand to engage them on a different level."

- VP of Global Media, Retail Brand



FASHION

To stand out, marketers continue to focus on brand image and control, as copycats threaten brand quality perception.

"Brand is most important thing you have . . . luxury brands in particular are very concerned with quality of content and marketing in light of counterfeit."

- Brand Subject-Matter Adviser, Fashion



BEAUTY

Marketers attract consumers with authentic experiential engagements and trusted messaging across platforms and media partners.

"[Beauty is about] the trust economy—consumers are more jaded with what brands are saying to their face and rely more on third-party confirmation. Those stamps still mean something to customers (Glamour awards – beauty stamps of approval)."

- Head of e-Commerce, DTC Beauty Brand



AUTOMOBILE

Brand awareness continues to be crucial, given the consideration time frame is around three years.

"The auto industry wants to connect to consumers directly . . . most people do online research before buying cars; hence, online channels are becoming the most important."

- Brand Subject-Matter Adviser, Automobile



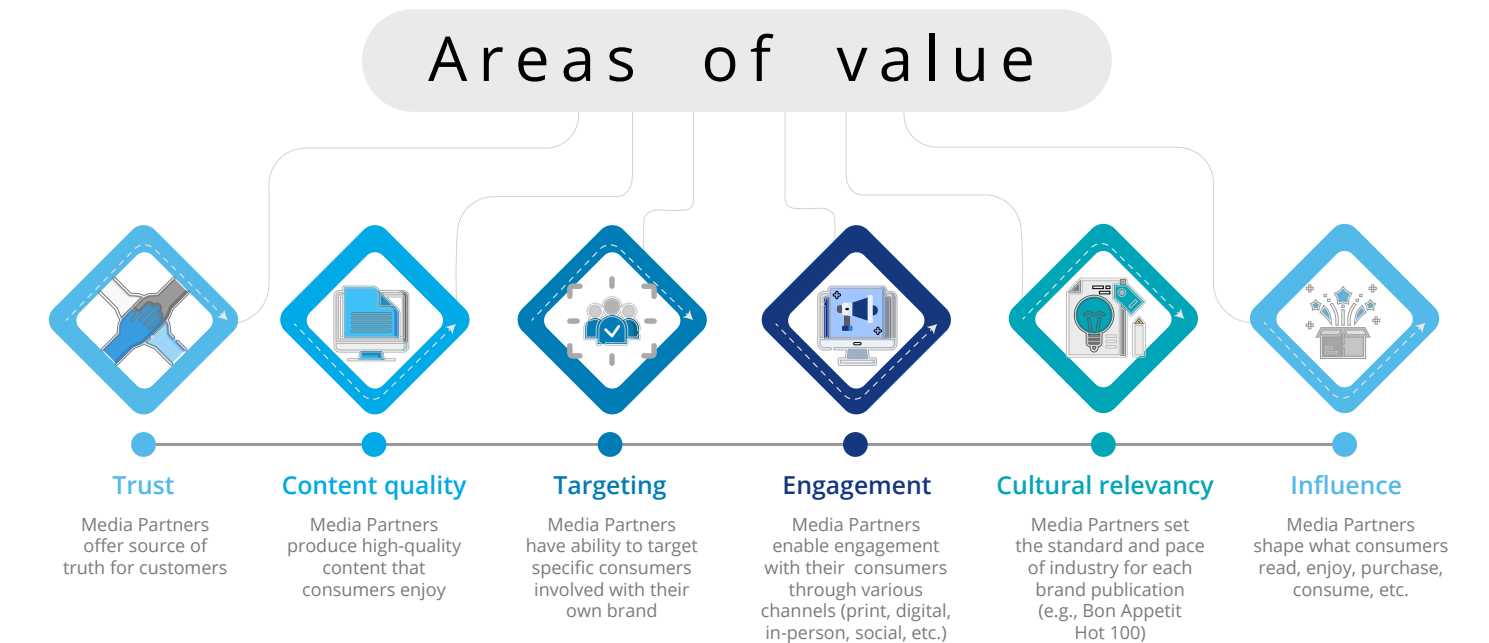
FINANCE, TECHNOLOGY, AND BUSINESS

To differentiate, focus on brand values of approachability and security around moments that matter in the customer life cycle.

"Trust is important in FSI [financial services industry], as experiences have started to shift, particularly in banking . . . content focused on life stages to prove trust, good values around fees, transparency on structure, and convenience."

- Brand Subject-Matter Adviser, Finance

Through the interviews, several themes around brand-building emerged: Trust, cultural relevance, quality content, influence, engagement, and personalization were critical to building the customer relationship and shifting away from price-sensitive offers. Chief among them, and what interviewees described as the foundation for establishing brand, were developing trust and brand purpose. Feedback also mentioned how marketers evaluate media partners to help associate their brands and products with these characteristics.



Once purpose and trust are established with a brand, higher consumer engagement is more likely to follow. For this reason, marketers value content quality and trust as the top attributes when evaluating a media partner for a brand campaign.⁵

Top Media Partner attributes for Marketers





MEDIA PARTNERS

The amount of content produced today is incredible, and it spans established media companies, new entrants, and independent influencers. What hasn't changed, from a marketer's perspective, is a media partner's ability to engage with consumers and help influence purchasing behavior. While the marketer can relay product and service attributes with creative and messaging, the placement and promotion of that message can help connote trust, loyalty, quality, and other factors, leading to an engaging customer relationship.

So how should marketers look to leverage media partners to help them build brands? Identify media partners who provide trusted, high-quality content, as they help bridge the gap between the marketer's message and a consumer's emotional response.

Most marketers interviewed recognized the value of brand marketing, but quickly cited the challenges discussed as to why they moved spend to performance-marketing. However, taking a dogmatic approach can dilute a brand's long-term value and fail to achieve brand-building goals. If the ultimate objective is to deliver near-term results while developing long-term value, how should marketers accomplish this and address management's expectations?

1. Change the dialogue:

The dialogue has shifted from brand-building and sales to only the latter. Marketers need to work with management to align on the purpose of marketing to drive near-term sales and develop a long-term asset—recognizable and distinguishable brand. This commitment helps brands weather economic downturns and is a key component to asset-building. How important is this for the Board and shareholders? How is this infused in the DNA of the company?

2. Quantify brand value:

To do this, quantify and monitor brand value. Premium and lifestyle brands marketers acknowledge this but need to continue to measure and promote that value internally by relaying how branding builds trust, which yields loyalty and helps drive ROI by establishing the customer lifecycle. Work with management to help them understand how today's brand campaigns pay longer-term dividends. Finally, ask the question: Given the current value of our brand, what is the appropriate level of investment to maintain it?

3. Rethink measurement:

ROI is just one metric to understand value. Consider the various levers that drive brand success, such as engaging with consumers in a way that establishes trust and loyalty. Achieve this by participating, reflecting, and shaping the culture of their consumers—don't just influence, but lead a category. Brands can drive cultural moments of influence through content.

- Seventy percent of interviewees agreed that brands should integrate into their consumers' culture by focusing on trust, content, targeting, engagement, cultural relevancy, and influence⁵

Another way to think about this is "share of culture" vs. "share of wallet." Think of this as the interplay of marketers and media partners working together to develop culturally relevant and authentic experiences. To keep a brand top of mind, tap into consumers' motivations, gain trust, and connect with them on a deeper level. How is your brand measuring trust and "share of culture" today?

"Share of culture: The ability to participate in, reflect, and shape the culture of your audience. It's not just the ability to reach an audience, but rather, it is the ability to influence and lead them as well."

[We] want more strategic, 360-degree content opportunities, not just a single interesting AR ad unit, but it's the AR component, search component, partnership with media company where the content ends up on social in discovery . . . it's everywhere.

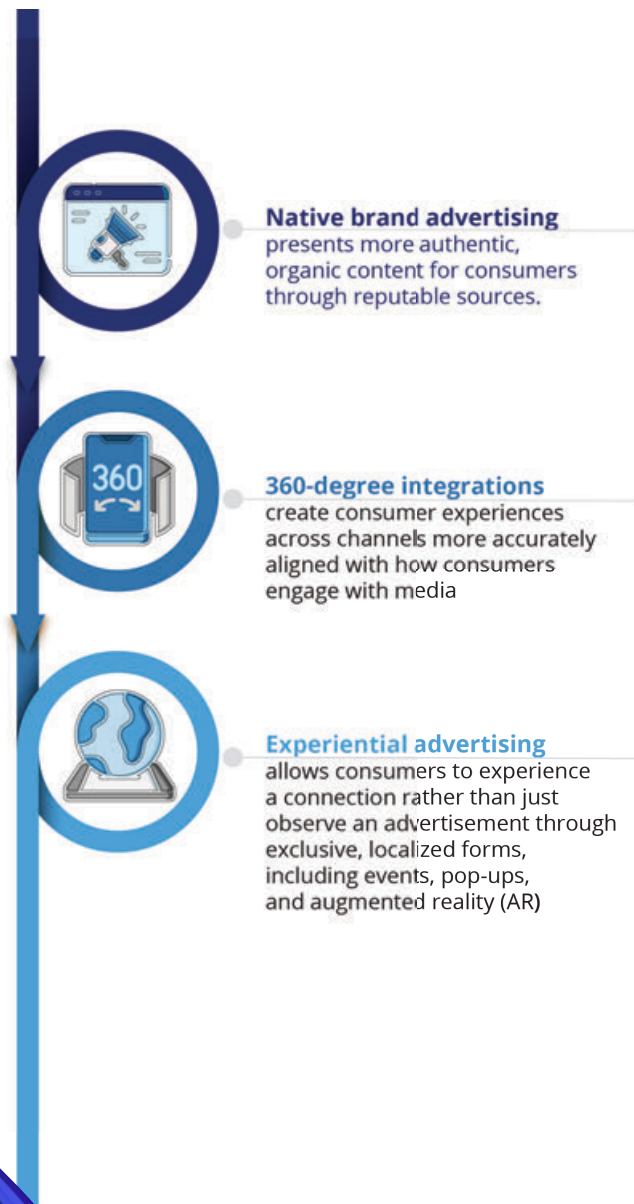
SVP, Marketing
Beauty Brands

[Marketers want] editorial partnerships . . . for personalization in digital storytelling and brand engagement that takes [consumers] into the brand to engage them on a different level.

VP of Global Media
Retail Brand

4. Explore new tactics:

What was clear from the research was that brand marketing still matters, but that doesn't necessarily mean marketers should employ the same traditional tactics. There are numerous ways brands can share their brand purpose and drive "share of culture". Here were the top campaign types cited during the research:

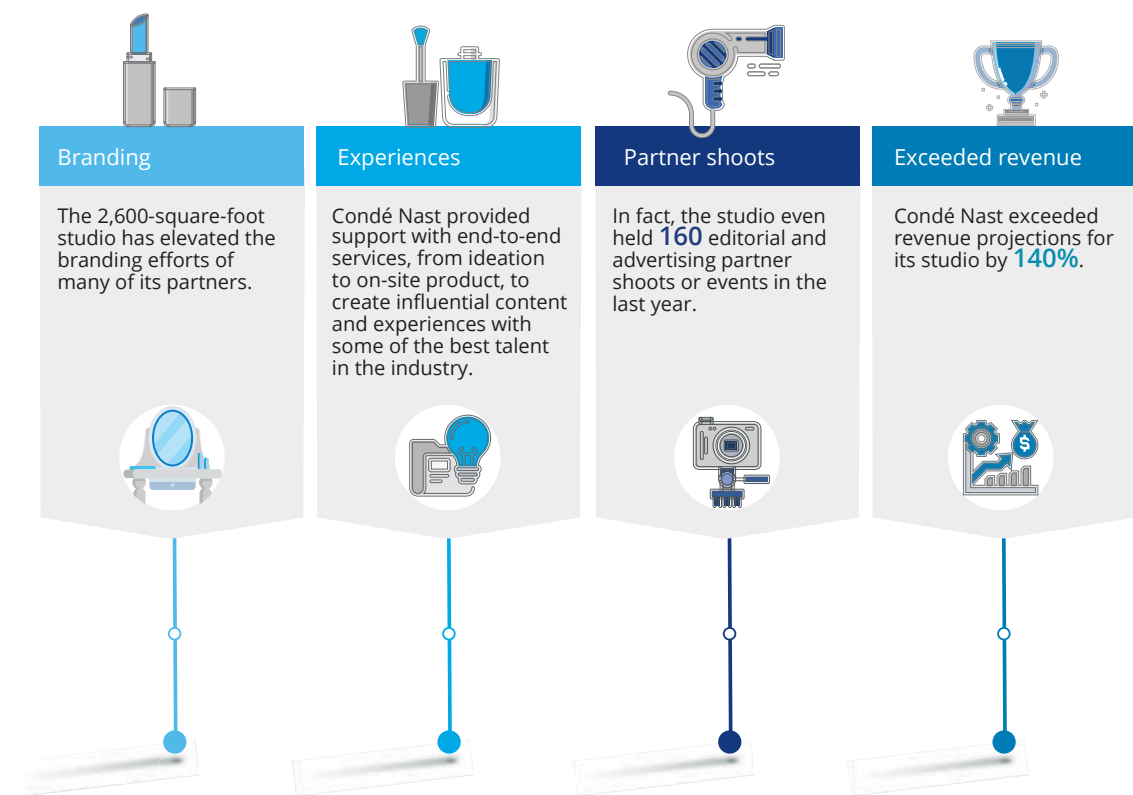


However, it can be difficult to execute these strategies as a brand. That's why it's important to partner to co-create campaigns that imbue the brand look, feel, and values while also seamlessly integrating them into the media partners' experiences. Brand marketing is most effective when there is a symbiotic, trustworthy relationship between campaign creative and the context of its environment. Media partners can provide far greater value than access to a certain demographic. For instance, the ability of *Vogue* or *Vanity Fair* to not just work with today's top influencers, but also create the influencers of tomorrow, illustrates outsized influence from the two. A prime example of this is *Vanity Fair's* ongoing Billie Eilish interviews across the years, which have shown the artist grow from a barely known musician to a now Grammy-winning superstar.¹⁷ Or take, for instance, the success Bon Appétit has had in creating fandom in a crowded epicurean category, with 1M+ consumers engaging with fan content such as "I would die for Claire from the Bon Appétit test kitchen."¹⁸

- Sixty-nine percent of CMOs are actively seeking ownership of their organization's partnerships⁶

Look at a brand like *The New Yorker*, which is successful in establishing emotional connections with its audience, by providing deeply informative and enriching content.¹⁹ The cultural relevancy of editorial is crucial for media partners. The recognition of media partners' value can be clearly delineated in marketers' willingness to pay a premium for them, anchored primarily to the values of trust, content quality, and cultural relevance—solidifying brands' expansion into share of culture.

Condé Nast's innovative beauty studio exceeded revenue expectations by 140 percent in the first year¹⁶. In large part due to its capabilities across insights, content and experiential partner solutions - editorial and advertising recommendations.



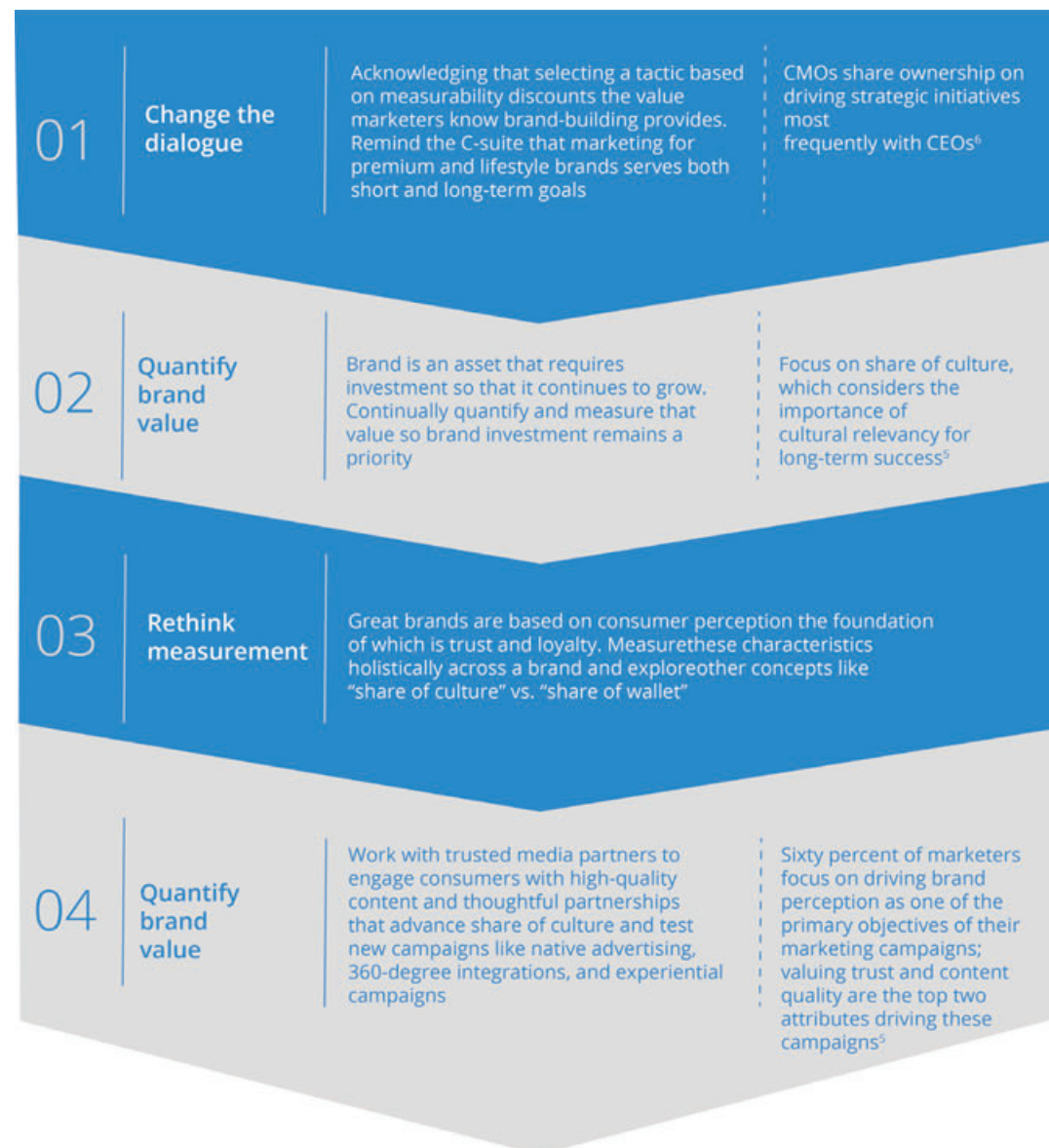
By addressing the need in the marketplace to offer marketers a mechanism to produce high-quality content and partner with the most culturally relevant, influential publications, Condé Nast is allowing their partners to creatively engage with their respective consumers in a way never done before.

Conclusion

Each brand is unique, and there is no one-size-fits-all approach to marketing. For lifestyle and premium brands, developing engaging experiences is critical to differentiating one product vs. another and helps avoid price-only purchase decisions. Developing emotive creative and promoting and placing that message in a trusted environment, in tune with the audience, leads to loyalty. For marketers looking to get back to what they know to be true, or others who recognize their current plans need to be rebalanced, consider the following steps:

Brands should act by:

Employing this approach should help brands develop a clear path forward by resetting the marketing conversation and beginning to (re) develop their brand while driving near-term sales by giving consumers a reason to care about your brand before you ask them to purchase it. If you do not, your brand may not survive the ebbs and flows of cultural norms.



Addendum: Impact of COVID-19 on consumer preferences¹⁹

More consumers notice who's helping, but negative actions are more harmful to the bottom line:

- Seventy-seven percent of consumers noticed brands redirecting profits to respond to COVID-19, versus 66 percent being aware of negative brand actions
- One in five consumers shifted their buying habits to support the brand, but one in four moved away from brands they believe acted inappropriately

Speed is paramount to responding to consumer needs:

- Fifty-five percent of consumers can cite at least one time a brand reacted quickly to respond to COVID-19. Of those who took notice, 81 percent said they want to do more business with the brand(s)

For those doing good, positive brand engagement is on the rise:

- Twenty-two percent of consumers said they posted more on social media about positive brand actions than they did prior to COVID-19. Comparatively, only 7 percent said they posted more about brands doing something negative

When doing good, even the most sensitive to data privacy are willing to change mindsets:

- Those who indicated they are, in general, very concerned about data privacy were also the most open to allowing companies to use their data to help respond to COVID-19 (30 percent strongly agreed)
- But those same individuals expect clear communication of data use (68 percent) and that businesses put ethics above profits (71 percent)

These findings are part of an ongoing research effort to better understand the implications of COVID-19 on Deloitte's Global Marketing Trends. The final report will launch October 15th, 2020.

Visit here to learn more about [Deloitte's Global Marketing Trends](#).

Methodology

Deloitte and Condé Nast evaluated the importance of brand marketing and the role it ultimately plays on companies' bottom line through quantitative and qualitative secondary research, brand marketing subject-matter adviser interviews, and survey data analysis. We spoke to several professionals, including 15+ individuals in various roles on the media partner side and 30+ senior brand marketers. Further, we conducted a brand marketer survey of 100+ marketers to get insights on the current marketplace trends regarding brand marketing objectives, challenges, measurement, and innovation. Through these efforts, we discussed the importance of brand marketing, common measurement challenges, current workarounds marketers are employing to solve for some of these challenges, and possible solutions that both media partners and marketers can take to collaboratively solve measurement issues.

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21. As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.



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