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///CMO Outlook Report

Data, Decisions, and Optimism: How CMOs are driving change in an evolving world

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Finding the balance: why escaping the trap of short-term brand thinking will drive future success

Digitalization, economic uncertainty and geopolitical tensions continue to reshape consumer habits. In these difficult trading circumstances, businesses may focus on reactive, short-term marketing initiatives. While this may boost the balance sheet today, it means that longer-term brand investments that offer compounding benefits tomorrow consequently suffer.

"Our biggest challenge is to balance short versus long-term investment. Reducing the marketing budget impacts the marketing function and the business in the mid- to long term," notes one marketing leader at electronic and white goods manufacturer Hisense Gorenje. "Management knows this but has no choice in the current market."

Most marketers view the ongoing cycle of political, economic and social change as a positive catalyst. Our research shows that more than two-thirds of global marketers (70%) already invest more than half of their budget into long-term initiatives. This increases to 78% among CMOs.

Those that get it right will reaffirm their brand equity standing and see improved growth. In 2022, the cumulative value of the world's 100 Best Global Brands surpassed $3tn for the first time. This was up 16% year-on-year, according to research from branding agency Interbrand.

70%

of global marketers are investing at least 60% of their budget in long-term initiatives

The strongest brands are often the most resilient, recognizable and credible. With economic challenges pushing consumers towards cheaper product alternatives, marketers in price-sensitive, frequent purchase categories can combat this by investing in their brand over the longer term. Consumers will continue to buy from brands they trust, even if costs are slightly higher.

The long and short of marketing effectiveness

Regional and industry dynamics can also affect decisions to make long- or short-term investments. Marketers in Europe are most likely to invest in long-term brand building. Those in South America are more likely to invest in the short-term.

you board members that are already bought into this agenda it can make it easier to elevate its importance," adds Garcia Villaneuva. "But there are different degrees of sophistication among the C-suite depending on industry and sales cycles. Both can make it harder for marketers to make the case for long-term brand building."

Investing in activity to communicate brand values can ultimately pay dividends with consumers in the long run.

"Long-term brand building is the key to firmer pricing," said Les Binet, group head of effectiveness at ad agency adam&eveDDB, at the Institute of Practitioners in Advertising's recent EffWorks Global event. "Brand advertising reduces price sensitivity, increases pricing power and protects margins, which is important in inflationary times."

Despite this, many marketers continue to lean heavily on short-term tactics. This is because digital platforms provide a wealth of metrics that can be used to fine-tune performance for marginal gains.

"With the arrival of e-commerce in particular, and digital metrics in general, all businesses now have short-term metrics, which can distract them from long-term growth," adds Binet.

This can be an issue. As the GfK Brand Architect framework shows, a strong brand can deliver

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>
> *Les Binet*

Our research also shows that long-term marketing initiatives are most common in industries with high upfront costs. The reverse is also true, with short-term strategies used to combat immediate cash flow challenges in verticals such as FMCG.

"Long-term investments rely on collaboration and need to start from the top of a business. If

myriad benefits. These include: reduced customer acquisition costs; higher customer retention rates; more impactful product launches; and the ability to command a price premium.

Our research finds marketers for B2B brands are more comfortable making long-term brand investments. Here, longer conversion cycles and smaller customer bases are helpful. Those in the B2C world seem less inclined (or able) to do so – although this narrative does appear to be shifting.

"Heineken are big believers in brand building, and part of our strategy is to invest in brands, no matter what. Everyone is going through tough times, but we keep consistent KPIs for investment in brands, and stick to those to ensure we balance short and long," says Olya Dyachuk, data driven media director at HEINEKEN UK.

Striking the balance

An optimal investment balance is around 60% branding and 40% short-term activity, according to studies by the UK advertising trade body, the IPA. This ratio is backed by recent research by Nielsen, Nepa, and GfK, and commissioned by Meta, which underlines the significant additional ROI that long-term investments can add.

et long-term brand investment and strategy, while something ultimately championed by the CMO, is no longer limited solely to the marketing function. It requires alignment and collaboration among the C-suite. Marketing may be the custodians of the brand, but the experience that is ultimately delivered and represents the brand needs to be orchestrated across all functions.

76%

The percentage of total ROI in the technology and durables category delivered by long-term brand investment.

In many firms, marketing is still seen as a cost center and stakeholders need to understand the benefits of long-term brand investment. CMOs can avoid the trap of short-term thinking by taking decisive actions that define a clear brand vision that stakeholders can buy into. Taking a collaborative approach can build long-term resilience, results, and

revenue, marketers can lead their business down the path of success for years to come. We explore these in the box out below.

Defend brand investments and focus on effective brand building.

Practical steps include an insight-led approach to understand consumers' rational and emotional connection to your brand. The latest insights on the perception of your brand and the competitive landscape allow marketers to act with confidence. These insights also inform stakeholders that the brand-building strategy is consistent.

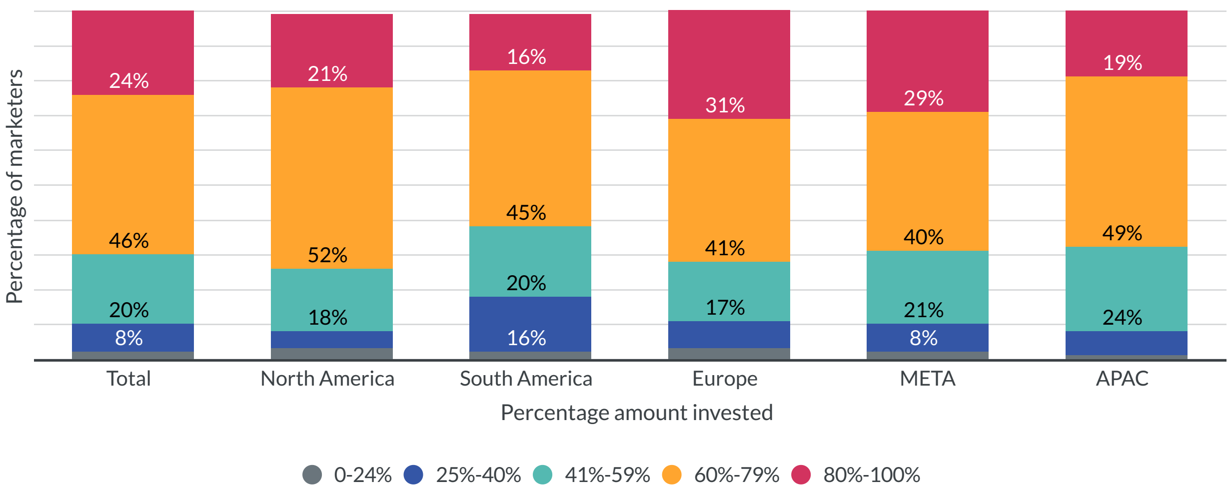
Provide certainty to stakeholders in the business with a clear vision.

A first step in creating a shared mission is to demystify brand building and explain the role of each stakeholder in your brand strategy. With clarity over the "why" and on roles and responsibilities, it's easier to collaborate to drive company revenue. Certainty and buy-in can be built by communicating examples of top performing brands in the market that have a clearly defined strategy balancing investment in long-term brand building with more regular tactical investments.

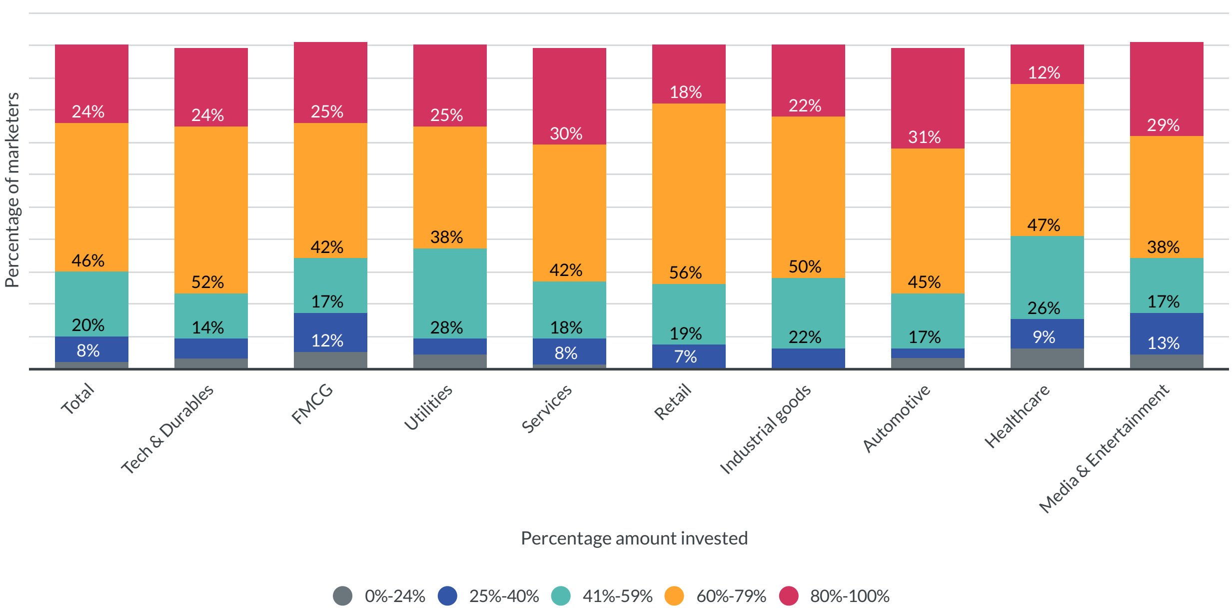
Develop a clear strategic plan for brand building.

The most recent data, trusted and relevant insights on a strategic high-level view will help to convince the C-suite to invest in brand building. Identify brand-building media channels such as TV, out-of-home and digital platforms that will push this forward. But also look to innovation. Improved data analytics and investment in AI, for instance, could push this investment forward. Equally, don't be afraid to start small. It can be valuable exercise to build a test case in one region or country and show the results after six months to justify the business case for expanding such activity.

Percentage of marketers investing in long term brand building (by region)



Percentage of marketers investing in long term brand building (by vertical)



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