BALANCING REPUTATION AND REVENUE:

A LOGICAL ARGUMENT FOR CREATIVITY

By Robert Ainger, Marketing Director

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At The Marketing Practice we have always believed that, as the engine of growth lies at the heart of any great B2B enterprise, marketing has to successfully balance two key objectives: build reputation and drive revenue.

Over the past few years some marketers have been compelled to focus on short-term opportunity generation. Now, with economic conditions improving, we are seeing increasing recognition that balancing brand building with sales generation is the key to truly sustainable value growth.

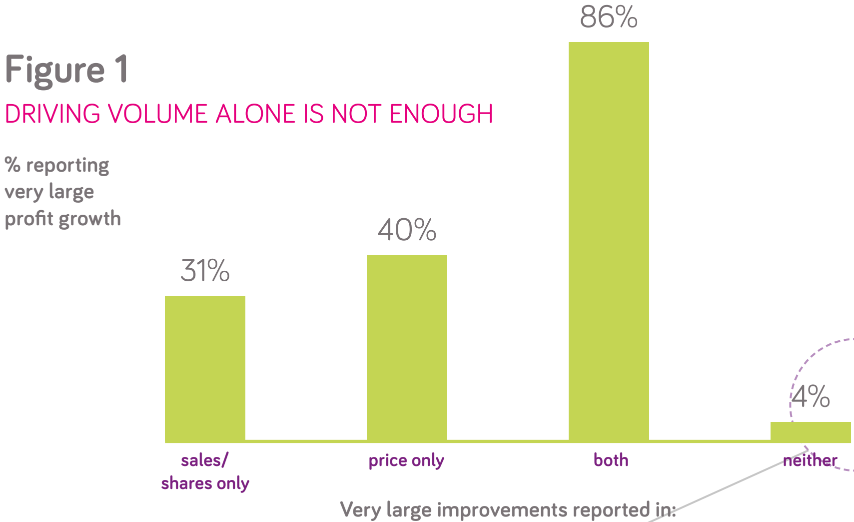
While balancing reputation and revenue feels intuitively right to most marketers, they simply don't have the time to research the facts and present a watertight business case for this approach. So, in this paper, we have drawn on the work that Peter Field and Les Binet have carried out analysing nearly 1000 marketing campaigns logged in the IPA databank. We've also looked closely at the B2B research that the CEB has published in conjunction with Google. We believe it's a succinct summary of the compelling business logic for balancing reputation and revenue.

GENERATING PROFIT OVER TIME

Starting with the basic assumption that your marketing efforts need to increase profit levels, you can then break this down into a price and a sales (volume) effect. Not surprisingly, when Field and Binet analysed the most successful campaigns in the IPA databank they found that those with the most dramatic impact on profit not only had a significant effect on both sales and price, but that the price effect was rather more important than the sales effect (see figure 1). This is interesting because we often overlook how the effects of marketing products and services influence price sensitivity – and a small impact on price elasticity can have a big impact on profits.

Figure 1

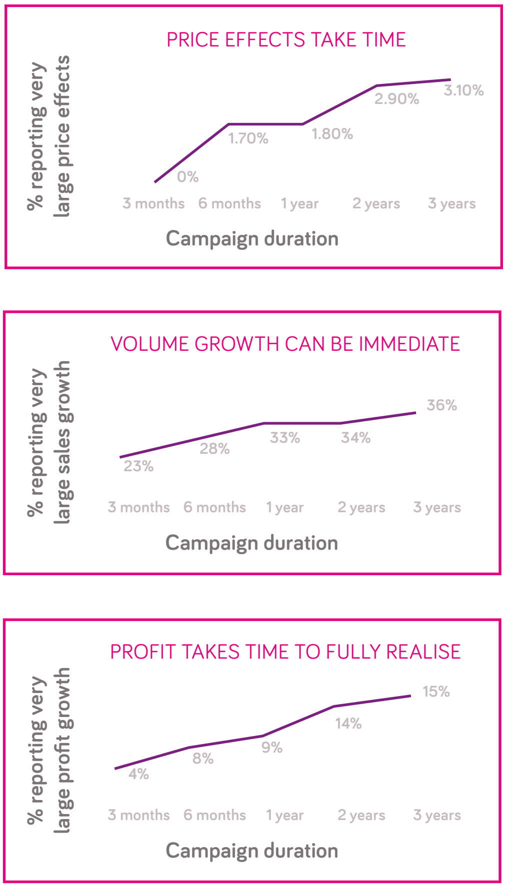
DRIVING VOLUME ALONE IS NOT ENOUGH



In addition to this, Field and Binet found that, while sales volume effects can be achieved relatively quickly, price effects take considerably longer. (see figure 2). As a consequence, the greatest profit maximisation is achieved from campaigns that build over an extended period of time.

Stepping back from the numbers, these findings will ring true with most sales and marketing professionals. Depending on the product being sold, you can often create an upturn in short-term volumes through tactical (often price-based) campaigning, although this impact tends not to be enduring and can even damage longer-term profitability. If you want to have a positive impact on price elasticity and be able to justify and sustain a price premium, then you need to build equity and trust in your brand – and no one would expect this to happen overnight.

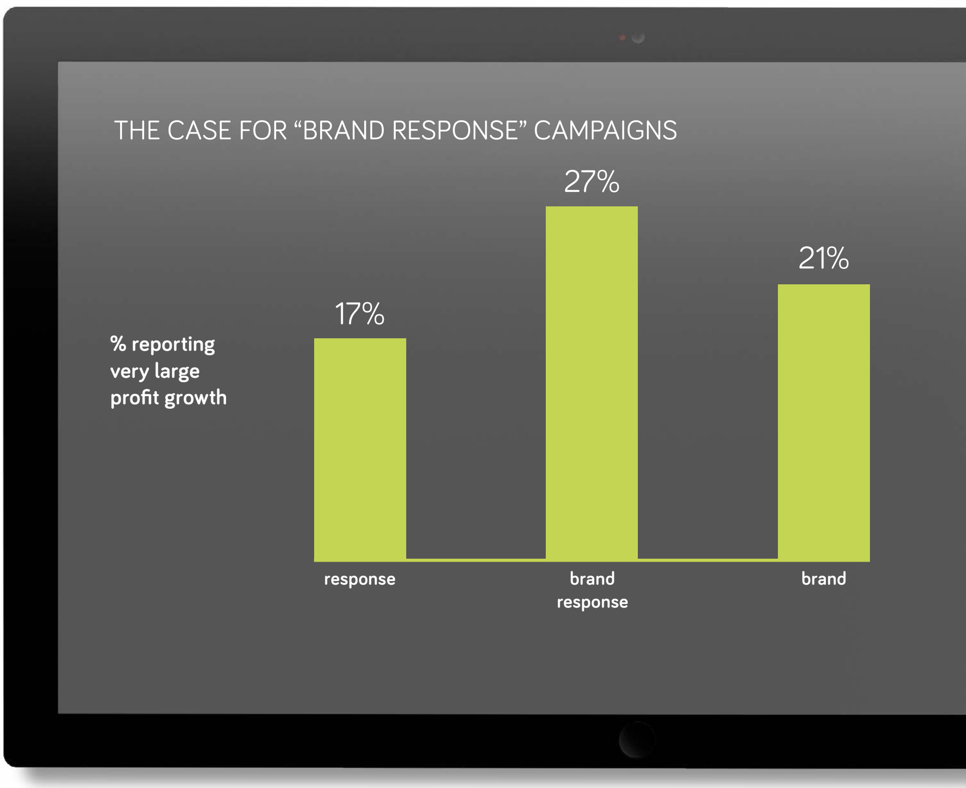
Figure 2



IN THE LONG TERM WE WILL ALL BE DEAD

This may sound like a great argument for focusing increasingly on long-term brand building over shorter-term sales generation but, intuitively, this doesn't feel right. When the researchers split the campaigns into Pure Response (driving short-term revenue), Pure Brand (building reputation) and balanced Brand Response (those designed to build reputation and drive revenue), the balanced campaigns came out on top in their ability to deliver profit. (see figure 3). So, if you focus purely on long-term brand building, you will miss sales opportunities you need to have a healthy balance of brand building and sales activation to win in the market.

Figure 3

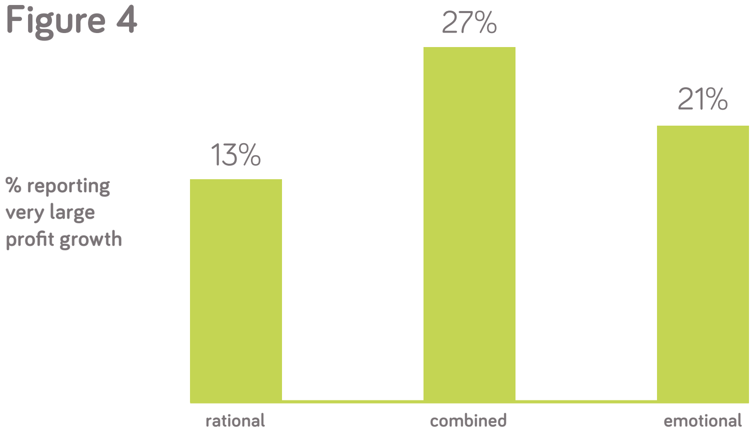


BALANCING EMOTION AND RATIONALITY

A closer look at Field and Binet's analysis reveals some of the reasons for these effects. In particular, if you want to build a brand that supports your sales efforts and helps justify a price premium, then you need to build real emotional engagement with your target audience. On the other hand, optimising immediate sales potential requires a level of rational messaging to help close deals. So, when the IPA campaigns were subdivided by their core messaging type, the analysis showed that in the medium term (1–2 years), programmes that had a blend of emotional and rational messaging proved to be most effective (see figure 4).

CAMPAIGNS LASTING BETWEEN ONE AND TWO YEARS PROFIT MOST WHEN...? THEY COMBINE RATIONAL AND EMOTIONAL MESSAGING

Figure 4

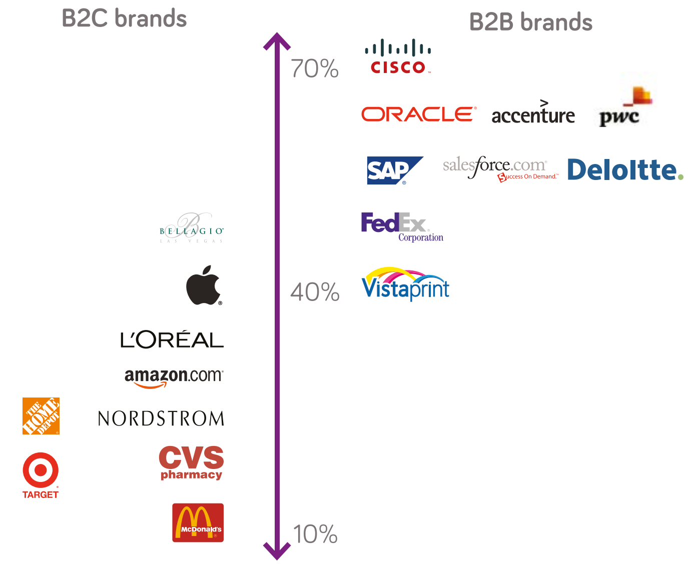


APPLY THE CRITICAL CREATIVE SPARK

In a parallel piece of analysis that correlated data from the Gunn Report (which records all winners of the main creative awards) with the data in the IPA databank, it was found that creatively awarded campaigns were 10 times more efficient at driving market share than non-creatively awarded campaigns. This is because highly creative campaigns are far more likely to cut through the noise in a crowded market and build emotional resonance, with the most successful campaigns generating real "buzz", intrigue and word-of-mouth effects.

PERCENTAGE OF CUSTOMERS WHO FEEL EMOTIONALLY CONNECTED

Figure 5



n = 3,000

Source: CEB/Motista Survey

BACK TO EARTH WITH B2B?

Now, you may be thinking that this is all well and good, but where's the B2B relevance in an IPA databank that's full of B2C campaigns where brand effects and emotional resonance have a necessarily higher profile? Surely the same isn't true in a B2B world where purchase decisions are based on a rational analysis and the emphasis should therefore be on driving sales with logical arguments? Well, while the IPA campaigns are mainly consumer-focused, there is mounting evidence that brand effects are playing an increasingly important part in B2B sales, with emotional engagement now acknowledged as a critical driver of business buying decisions.

Anyone who has worked in B2B will know instinctively that brand equity plays a very large part in B2B decisions. For important purchases at least, most businesses will only commit to suppliers they know and trust – and a recent study carried out by the CEB in conjunction with Google underlined this point. This extensive survey of around 3000 B2B buyers actually revealed a far greater level of emotional engagement with leading B2B brands than with B2C brands (see figure 5).

While initially this may seem surprising, it is explained by the fact that B2B purchases actually carry far more personal risk to the decision-maker than B2C purchases. The risk of losing time, credibility and even your job. Under these circumstances you are always inclined to go with a brand you know, trust and fundamentally believe in… and that your peers would be likely to select. The legend "No one ever got fired for buying IBM" is perhaps the most famous expression of this truth.
So, while the mix of activities, the budgets deployed and the timescales in question will clearly differ between B2C and B2B programmes, the fundamental logic behind a programme that builds reputation and drives revenue will be similar.

THE KEY LESSONS FOR B2B MARKETERS

1. To drive the best profit growth from your programme you need to invest in activities that both build reputation for the longer term and drive revenue in the immediate term – if you ignore either of these imperatives then you will "leave money on the table".

2. You do this by delivering the correct mix of emotional and rational messages in the right way to your audience – and this mix will vary across the sales cycle.

3. The best programmes are built on flexible platforms that can deliver both reputation and revenue benefits.

4. Truly great programmes deploy a level of creativity that helps them rise above the competition, creates a real buzz and deliver breakthrough results. Creativity is not a "nice to have" add-on but an essential part of delivering a great return on investment.

NOTES ON THE RESEARCH:

This paper draws primarily on two key pieces of research:

"The Long and the Short of it" by Les Binet and Peter Field. Based on an analysis of the IPA Effectiveness Databank (containing data from approximately 996 campaigns for 700 brands in 80 categories).

"From Promotion to Emotion", published by the CEB Marketing Leadership Council in partnership with Google. Based on the results of a survey of 3000 B2B buyers across 36 brands and 7 categories, and a programme of structured interviews.

For feedback and questions relating to this paper, contact Robert Ainger.

rainger@themarketingpractice.com

01235 833233

The Great Barn, The Old Estate Yard, East Hendred, Wantage OX12 8JY