OBJECTIVE PARTNERS
NEXT LEVEL ANALYTICS

Rethinking branding metrics

How to turn brand consideration into a performance metric

Introduction

Many companies struggle with the balanced allocation of their marketing budgets between performance marketing and branding. The interaction between performance marketing and branding is very important. Each department can benefit from and reinforce the results of the other. Whereas performance marketing investments are often easy to justify, however, the return on branding investments is sometimes more difficult to measure. Branding marketers often focus on standardised metrics like consideration or awareness that are straightforward to measure, but not always trustworthy or profound enough to drive long-term results. The impact of activities like branding campaigns to increase brand consideration, for example, is not straightforward to define as there is no clear return on investment (ROI) to show.

But, what if branding could become a performance indicator and branding results could be measured according to a weekly or even daily metric?

We carried out research into measuring the effect of brand consideration campaigns and gathered new insights by adjusting variables to develop innovative metrics. This allowed us to model long-term brand consideration and media spend to incorporate branding in media budget allocation calculations.

The marketing dynamic

To undertake any marketing action, knowing and understanding customer journeys is essential. The traditional marketing funnel commences in the uppermost awareness and consideration stages with a broad set of leads, which are then carefully nurtured through various stages to become customers, and eventually systematically narrowed down to brand advocates. Due to the decline in customer loyalty, however, the relevance of the marketing funnel in this form has been disputed. A circular rather than linear model represents the consumer decision journey in a more realistic manner and models the dynamic between brand consideration and purchase.

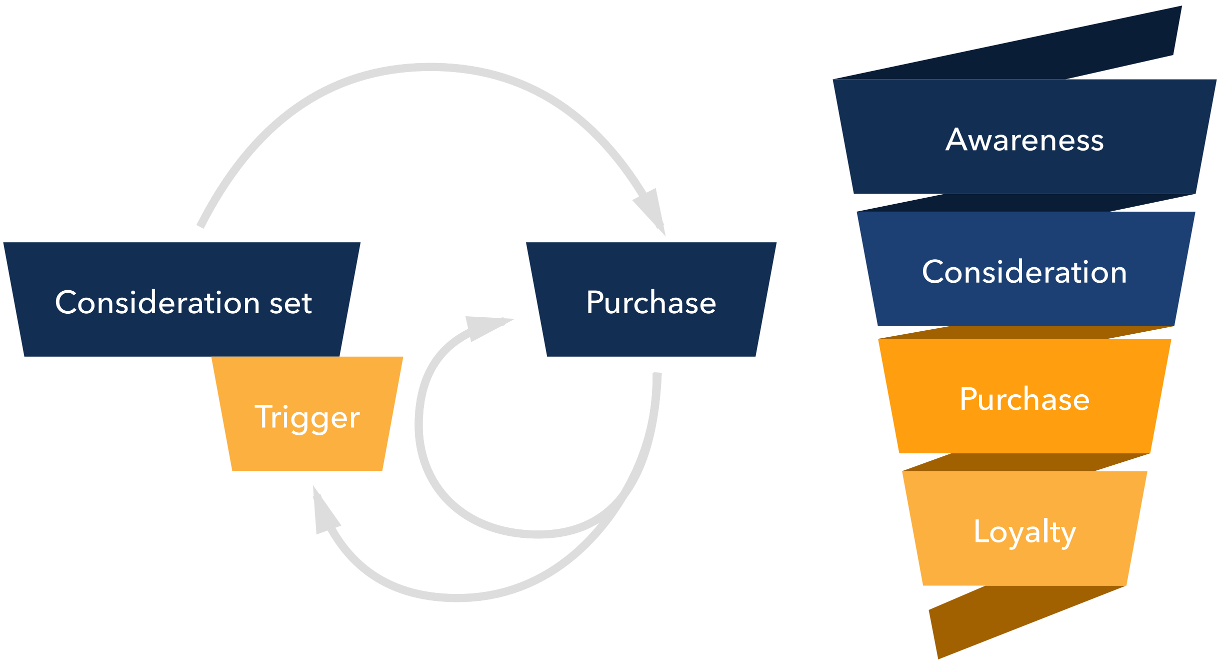

Figure 1: The traditional Marketing Funnel and a Circular Model of Consumer Decisions

Short-term performance marketing indicators such as conversions or revenue may fluctuate even if brand perceptions remain unchanged. Furthermore, these short-term increases do not necessarily affect price sensitivity. As a brand grows stronger, however, long-term indicators may increase and price sensitivity can be reduced, meaning consumers could become less sensitive to price increases and will continue to buy the brand even if the price is high. Many companies struggle with the allocation of budgets between the various marketing departments. As the result of investment in performance marketing is measurable using concrete KPIs, and the effect of branding investments are often indeterminate, investment in performance marketing departments might be disproportionately large. A strong brand and an effective brand strategy can be important for performance marketing, depending on the organization's strategic targets. The two reinforce each other.

Marketers strive to get their brands included in consumers' initial consideration sets using branding campaigns. This is the set of brands that consumers consider potential options when deciding to make a purchase. Consumers are continuously exposed to a flood of impressions and touchpoints stemming from a huge variety of brands, not all of which have a lasting effect. Those brands that do leave a lasting impression are more likely to be included in the initial consideration set, the membership of which in turn leads to an increased likelihood of purchase for a brand. Consideration is not, however, a given after this point. Following an initial purchase, consumers tend to shop around before repurchasing.

Whereas performance marketing results can be monitored using concrete KPIs such as revenue and the number of conversions, branding is much more challenging to quantify. Companies often measure brand awareness and consideration by carrying out surveys among consumer panels. These include aided and unaided measures. Brand consideration is then traditionally measured as the number of times the brand is mentioned when asked a question such as: "You are looking to buy a new phone contract, which providers are you considering?" Brand consideration is the percentage of consumers that lists the brand in question. As performance marketing KPIs are often focussed on the short-term generation of leads or the acquisition of customers, however, more long-term business goals are also necessary to drive growth. This is where good branding can make a difference. Variance in sales growth, for example, has been found to be largely driven by the frequency of inclusion in consumers' consideration sets.

Due to the sampling method of brand consideration, using small samples sizes and continuously varying treatment groups, there is a lot of variation in this metric as well, more so than the variation in true brand consideration. This makes it difficult to identify the effect of any investments in media for branding purposes.

The research

We carried out research at a large company with a significant marketing spend to see if we could measure the effect of media spend on branding. At first, branding KPIs, including top-of-mind awareness (TOMA) and brand consideration were explored. We also examined brand consideration over the long term and whether it could be explained by any media efforts carried out for branding purposes. It was important to consider long-term effects to identify trends, rather than short-term fluctuations, because we were interested in any potential lasting effects of media spend. The effect of last month's budget changes on this month's brand consideration should therefore not be ignored. We modelled long-term brand consideration by adjusting the variable to reduce the short-term variation, using a method similar to exponential smoothing. We also corrected for media pressure in the market, meaning campaign efforts from competing brands. Brand consideration and media budgets for branding purposes were found to move together over time, albeit with a small time delay.

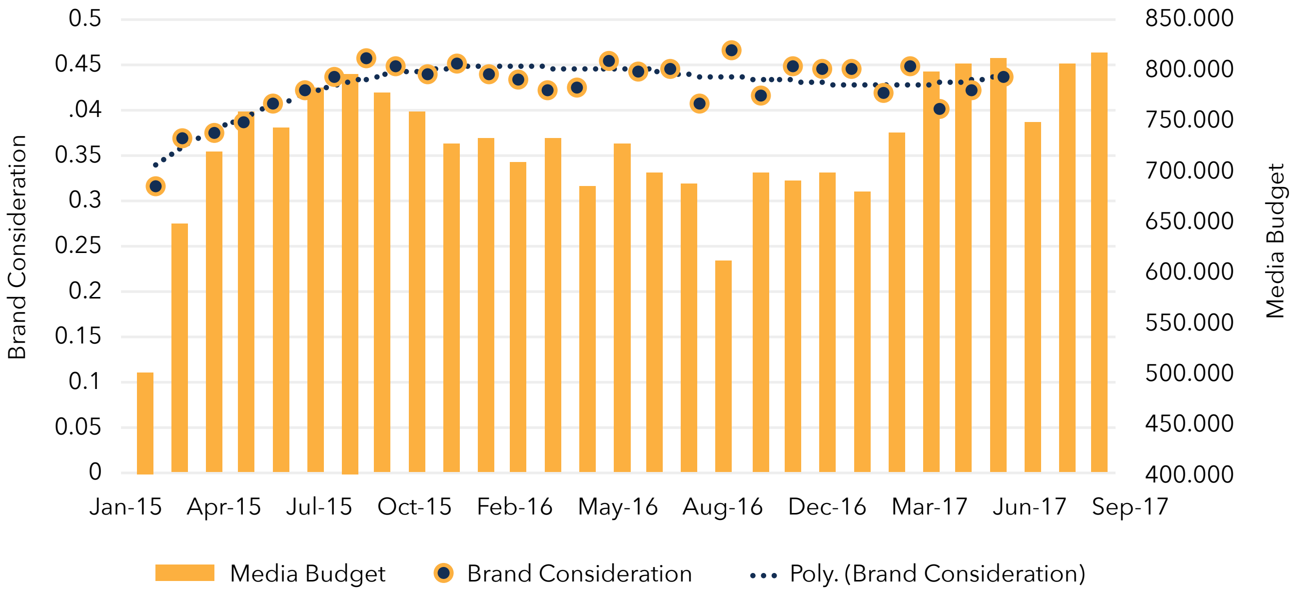

Figure 2: Effect of Media Budget on Brand Consideration

Figure 2 shows an example of the relationship between brand consideration and media budget. More media spend for branding results in an increased brand consideration, and when branding campaigns are ceased, brand consideration slowly declines. This means brand consideration will eventually deteriorate when media spend is zero, and cannot be considered permanent.

To further analyse the effect of branding, we defined several KPIs we thought could be quantifiable proxy measures of brand consideration as measured by surveys. We studied the effect of brand consideration on modified website entries and sales.

For every quarter, we plotted brand consideration against entries. Because of the large variation in the variables, the data has to be considered over the long term. Traffic can vary due to many reasons, for example, new product launches or a different website design. The entries were corrected for origin, in other words from which channel they came, and added external factors as well as website segments.

As the example in graph below shows, entries and brand consideration move together over time. Brand consideration and sales move together in a similar manner, although the effect is less strong. When approaching the measurement of brand consideration through a proxy systematically and consistently, organizations can develop a monthly or even weekly branding score, something that the traditional measure of brand consideration does not allow due to its large variation. Measuring brand consideration by entries can quantify the short- and long-term effect of branding and can produce actionable insights regarding the branding budget. It is also a metric that can be easily understood and thus acted upon across the entire organization.

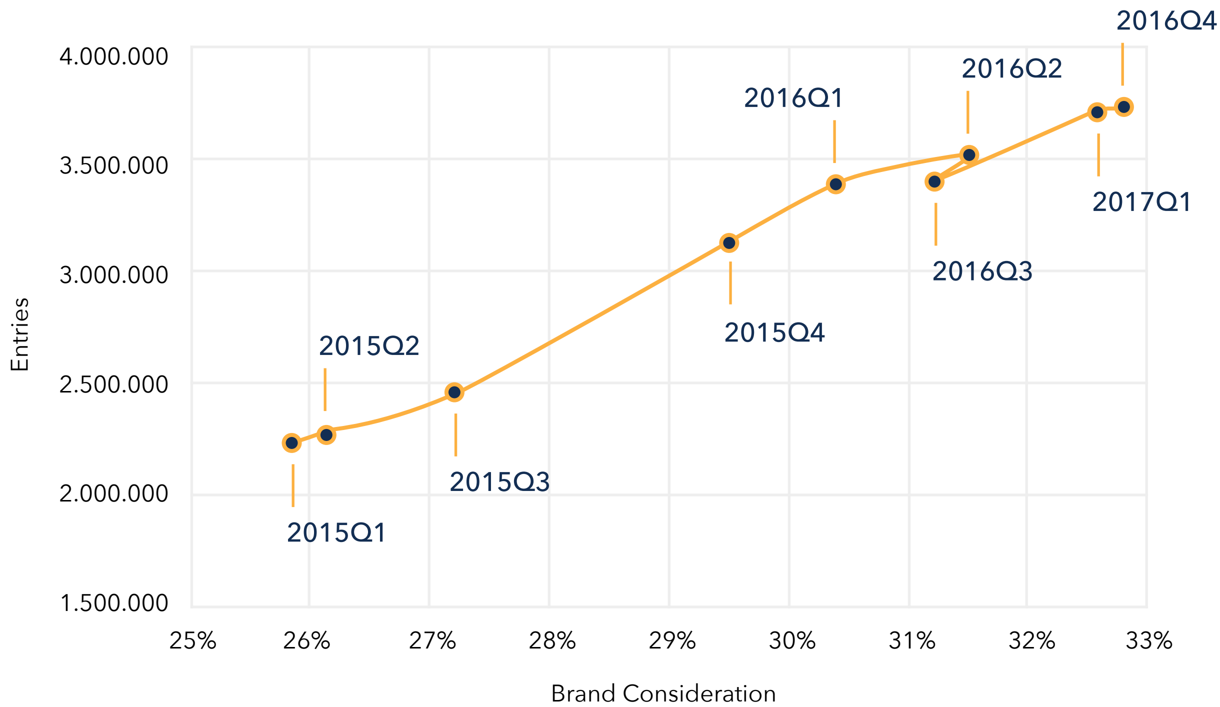

Figure 3: Brand Consideration and Entries

The direction of the effect cannot be established. An increased amount of entries can lead to increased brand consideration, but a higher brand consideration can also lead to more entries. We can only concretely state that a higher brand correlation is correlated with more entries. A causal effect of entries on brand consideration, however, is not of absolute importance. As brand consideration and entries move together over time, it is possible to focus on the quantifiable measure, entries, to determine the effect of investments on branding success. After all, whether the campaign has increased entries, which in turn increased brand consideration or vice versa, the positive correlation between them means the initial goal has been achieved.

Of course, entries should not be considered in isolation. It must also be said that entries are not a perfect proxy for brand consideration. In the case study above, there was a correlation between the two. When carrying out the same analysis for several other product categories of the same brand, however, a similar effect was not observed. This suggests it is important to reflect on the type of product and the brand's position in the market. Market dynamics seem to matter, and this makes sense theoretically. Website entries and brand consideration move together in markets where there are three or more relatively equal competitors. When one or two big players dominate the market, the dynamics between brand metrics and entries can be different.

Recommendation

In conclusion, this paper aims to highlight previously unexplored opportunities to analyse the effect of branding campaigns using existing data. Whereas the traditional marketing funnel incited marketers to simply reach as many consumers as possible with their message or campaign to begin with, the new marketing model aims at carefully optimizing the use of various channels to increase brand consideration. It may be difficult to justify campaigns or drive media decisions based on standard branding metrics like brand consideration. Defining a performance metric that can quantify and measure the effect of branding campaigns is therefore worthwhile. We provide a case where the effect of branding can be measured using the proxy metric website entries. Although this is not a universal rule, it demonstrates the possibilities for further analyses. We urge marketers to rethink standardized marketing metrics, to be creative with their data and look for correlations and interactions that can help understand the effect of campaigns and to find a more objective measure of branding.

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