In the digital economy brands matter more than ever before. However, how you build a brand has changed. In partnership with Longitude Research, we spoke to a number of leading experts to find out how they are embracing disruption in the search for enduring brand value.
Introduction: The shift to a short-term mindset

It’s easy to be nostalgic about the past. A lot of recent commentary would have us believe that marketing used to be simple and predictable, while today everything is different as digital disruption turns marketing on its head. However, the interviews and insights contained in this paper suggest that this characterisation borders on the sensational—a lot of hype but little perspective. Some elements of marketing have clearly changed. But there is also much that endures. The challenge for brands is to combine the best of both worlds and strike a new balance in their strategy.

So, what is different about marketing today? One of the clearest shifts brought about by the digital economy is an increasing focus on measurable, short-term performance and ROI. As people increasingly consume media online and through mobile, ad tech platforms are a key part of the CMO’s marketing strategy, providing a new source of real-time optimisation. However, the instantaneous nature of this new landscape has created new complexities and uncertainties.

“Real-time information has really speeded up expectations and also reactions, good and bad. If we react very quickly, it can be of great benefit for circumstances where immediacy can be used to build relevance and win attention,” says Jayne Heaford, a former head of marketing and now a Teaching Fellow at King’s College Business School in London, specialising in marketing. “While in other situations it may be important not to make changes as knee-jerk responses to temporary factors. The volume and variety of data may be greater than ever, but it still needs purpose and context to be made valuable.”

Thinking fast—and faster
According to the Dentsu Aegis CMO Survey 2018, 54% of companies intend to increase their investment in digital media platforms (such as Facebook and Google) over the next 2-3 years, enabling more addressable tailoring and targeting of ad messages. According to Pivotal Research estimates, these two companies account for about 90% of the growth in global digital advertising.
Real-time information has really speeded up expectations and also reactions, good and bad

Jayne Heaford, Teaching Fellow, King’s College Business School, London
Focusing only on real-time metrics (such as the number of active users or rate of churn) can lead to responses where the impact on longer-term brand value is, at best, uncertain. Of course, real-time adjustment is essential to optimising creative, channel mix and user experience—but this needs to be complemented by a longer-term view. However, that view is getting harder to come by. Marketers risk being pushed into a short-term, repetitive process of analysis and response that leaves little place for long-term strategy development.

“Brand-management strategies have moved from five-year strategies to three to one and now we’re in an agile space where everything is instant,” says Francois Botha, Founder of Simple, a Copenhagen-based brand strategy consultancy that specialises in working with family offices.

**Filling the funnel**
The digital economy is changing the competitive landscape across many sectors. Investors are concerned about sluggish share value as established players start to lose ground to digital disruptors. CEOs and their management teams are having to respond and, as result, CMOs are under greater pressure to deliver a tangible return on marketing investment. This is often forcing them to focus more attention—and budget—on converting sales opportunities at the bottom end of the purchasing funnel, rather than on building long-term brand value at the top end.

The focus on the bottom end of the funnel is not wrong. Dentsu Aegis US Chief Strategy Officer Dirk Herbert describes this as developing a “performance engine” that is very good at identifying likely prospects, nurturing them and driving them towards conversion and transaction. But that cannot be the only focus because, eventually, you will run out of prospects.

“Performance marketing is great at efficiently harvesting the low-hanging fruit—identifying and converting prospects that already have a propensity for the brand,” Herbert says. “But at some point, you have to refill the top of the funnel and bring new consumers into the brand’s orbit. The key thing is to realise that brand and performance efforts are inextricably linked—either will be sub-optimal without the other.”
Race to the bottom
Running out of prospects isn’t the only risk of focusing on short-term conversion alone. To operate successfully at the bottom of the funnel, players have to have the best customer intelligence, the best data analysis, and the ability to react quickly. Some established brands are most vulnerable there because they will struggle to be better at this than the likes of Amazon or Facebook. They need to compete with digital disruptors at the top of the funnel, where the focus is on building emotional engagement with consumers to influence their choice at the point of purchase—especially if those brands start selling their products.

“The digital economy businesses, which are very performance-led, eventually have a TV moment, where they realise they have to invest in their brand to achieve longer-term sustainability,” observes Nigel Morris, Chief Strategy and Innovation Officer at Dentsu Aegis Network.

Richard Taylor, Head of European Consumer Equity Research at Morgan Stanley, agrees: “The penny will drop for the bigger brands when they realise that spending more money on emotion does help growth,” he says. “This will help to fight off some of these smaller brands. There’ll be a realisation, but we’re not there yet.”

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With so many short-term pressures to deal with, many marketers have arguably become too focused on near-term concerns and taken their eye off long-term brand building.

Does this really matter? In an October 2017 report “Brands are dead. What’s next?”, Morgan Stanley pointed to the diminishing strength of brand loyalty, arguing that consumers are increasingly testing brands by more rapidly changing product preferences, service expectations and purchase channels. The digital era may be making life tough for brands, but they neglect long-term brand building at their peril. There are three key reasons why brands matter more today: valuation, differentiation and resilience.

First, although difficult to quantify, brand value accounts for a significant part of the balance sheets of the world’s top companies. According to a long-term study by Ocean Tomo, intangible value constituted just 17% of the market value of the S&P500 in 1975. Forty years later that proportion reached 87%. Within intangible value, the brand is often the single largest item on the balance sheet. Any loss in brand value would therefore have major implications for the valuation of businesses, individually and collectively. This in turn could have a negative impact on the ability of businesses to raise capital as well as realise opportunities for growth and synergy through mergers and acquisitions.

Second, while today’s consumers might like the convenience, price point and user experience that digital disruptors offer, many also crave empathy—to align themselves with brands that fit their sense of self and reflect their identity. And, in a world of near-perfect competition where platforms have the data, scale and financial muscle to compete and win almost anywhere, competing on emotions like empathy and trust is perhaps the only sustainable source of competitive advantage and differentiation.

Ashley George, former Global Head of Innovation and Consumerisation Centre of Excellence at GlaxoSmithKline, says: “Trust and transparency are the top brand values in the digital economy. They help to reaffirm the connection between what the brand stands for and what you as an individual would like to be associated with.” The digital era has given us reach—but brands must equally focus on meaningful consumer engagement if this is to bear fruit.

Third, while it could be argued that established companies have a valuable head-start over digital disruptors when it comes to building (and rebuilding) trust in brands, the disruptors are catching up by adopting more tried and tested methods. For example, Airbnb is tapping into the power of traditional brand-building tools with its TV campaign, helping to strengthen its reputation for trust following some negative stories about user discrimination on the platform. And Dollar Shave Club—one of the original direct-to-consumer disruptors—has recently started to use top-of-funnel TV ads to reach new audiences, albeit with a characteristically direct message about its price competitiveness that speaks to its original brand proposition.
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How Volkswagen’s brand investment paid off

When brands create meaningful engagement, they have the power to pull a company through times of crisis. German carmaker Volkswagen is the world’s leading car seller today, despite coming close to collapse three years ago under the negative publicity of the emissions scandal, in which its engineers were found to have written software that cheated emissions tests to make the company’s cars seem greener than they were. In a recent profile of the company—‘How Volkswagen walked away from a near-fatal crash’—Bloomberg Businessweek said, “Consumers’ willingness to forgive Volkswagen is remarkable, given the enormity of its wrongdoing.”

Volkswagen has made that connection with consumers over many years through its positioning as the ‘People’s car’. So loved is the brand in Germany that even Chancellor Angela Merkel stepped in to help with damage control during the recent crisis. When the scandal broke in September 2015, the company’s share price plunged 23% to €125.40 in a single day, wiping out €15.6bn of value. Two years later, in November 2017, the share price reached €167.85 per share, exceeding pre-crisis levels for the first time. And Q3 2018 results show year-on-year growth across all key metrics, including deliveries to customers, group sales revenue and pre-tax profits. The story has become one of astounding recovery after a potentially catastrophic blip.
Section two: The changing brand-building landscape

The digital economy has delivered marketers a toolkit that offers greater insight into consumer behaviour, while digital disruptors are discovering that the pillars of traditional brand-building—beliefs, purpose, behaviour, reputation, trust and emotion—are still very much in place. Marketing works. It just works differently from before.

“I don’t believe the fundamentals of great marketing have changed” says Dentsu Aegis’s Dirk Herbert. “It’s always been about doing right by the consumer. What has changed is that today we have more and better tools to connect brands with consumers in ways that are engaging and create personal relevance.”

Getting personal
Gone are the days when brands could secure share of voice on all the prime communication channels. Now, technology has lowered the barriers to entry and those channels have been atomised. Faced with so much content across so many channels, consumers are becoming increasingly discerning about what they choose to watch or read. Alarmingly for brands that spend millions on advertising, the use of ad-blocking software is on the rise. According to Ipsos Mori’s Global Trends Survey, 82% of consumers believe online advertising gets in the way of what they are trying to do on the web. More than half of internet users (57%) say they block out ads by using ad-blocking software or manually closing ad panes.

The Dentsu Aegis CMO Survey 2018 confirms these trends. Its findings reveal that engagement has become the most challenging part of the consumer lifecycle for brands. Respondents cited increasing levels of competition (56%), consumers’ intolerance for advertising (46%) and information overload (44%) as the main reasons for this.

When marketers earn consumers’ attention, it’s no longer by approaching them as a passive, unconditionally receptive audience. Rather than purely pushing messages, marketers are now in a two-way conversation with consumers that is often initiated—and largely controlled—by the consumer. This puts a premium on responsiveness. But this will only get brands so far. In addition, they must find new ways to attract consumers through big ideas, enduring campaigns and meaningful engagement.

“The ability of the marketer to create emotional engagement through a medium that human beings respond to is being closed down and closed down,” says Nick Waters, CEO of Asia-Pacific at Dentsu Aegis Network. “That is the big challenge. That is why there has been a loss of focus on engagement and brand.”

Brands can create emotion through digital channels but many are not realising the emotional potential of digital—their messaging is personalised but not personal.
Experience is all

A new set of tools requires a new set of metrics for measuring brand value. But there is a deeper conversation to be had first—about whether the definition of long-term brand value has changed. In the past, brand value was shaped by what brands said (communications), whereas today it is increasingly shaped by what brands do and how they act (customer experience).

In a recent Accenture study, 41% of consumers said they switched from one brand to another because the old brand didn’t take the time to learn about them and reflect that in its interactions with them. The digital economy has made this switching process easier thanks to an increased choice of product and service providers, access to better information about these providers and lower costs of switching.

Established brands should take note. Microsoft’s Geoffrey Colon points out that these companies are, understandably, so invested in their brand that, when trying to reinvent themselves, it becomes a hindrance to have to appeal to new consumers in the digital economy. “I think this is where a lot of legacy brands get it wrong,” he explains. “They want to tell the story about the value of their brand and you have all these new customers who don’t even know who they are. The experience they have might be awful. Brands need to first give new customers a great experience, and then build the narrative. That’s how you keep people in your ecosystem.”

Make marketing matter

When Nike chose American football player Colin Kaepernick as the face of its latest ‘Just Do It’ campaign, online sales jumped 31% in response and its share price hit a record high of $83.90. Admittedly, the positive numbers were a spike—the share price was down to around $75 at the time of writing (well below the pre-campaign level)—and commentators have been quick to remind us of Nike’s ultimate profit motive. But what Nike’s experience tells us is that consumers, and investors, will buy into a company, or at least a campaign, that stands for something beyond the product alone.

This attitude is increasingly evident among younger consumers. According to research from global public relations firm MSL Group, 83% of millennials believe businesses should be involved in societal issues while 69% want businesses to make it easier for consumers to get involved in societal issues. And in the Dentsu Aegis CMO Survey 2018, nearly 70% of CMOs say connecting their brand proposition to positive societal impact is an important way to engage with consumers over the next 2-3 years.

Marketers need to build more of a two-way relationship with consumers, earning their trust through consistently meeting higher standards of behaviour and attitude; the consumer’s experience of the brand is as important as their opinion of its product. An emotional connection needs to be made, with engagement metrics as important as reach.

Traditional players need to retain their core value of building brand reputation over time while retaining the new knowledge, tools and techniques they have picked up in the wave of digital disruption. They need to pay heed to what chimes emotionally with today’s consumers. As Dirk Herbert says: “Marketers need to figure out how to stop marketing at consumers and how to start mattering to people. That is the most fundamental shift required.”
Brands need to first give new customers a great experience, and then build the narrative

Geoffrey Colon, Head of Brand Studio, Microsoft Advertising

Marketers need to figure out how to stop marketing at consumers and how to start mattering to people

Dirk Herbert, Chief Strategy Officer, US, Dentsu Aegis Network
There are a number of strategic questions that brands can use to gauge their readiness to take advantage of the opportunities offered by the changing marketing landscape:

Who are our brand champions?
While CMOs need to own responsibility for brand building, CEOs should champion the brand, internally and externally. Sanjay Nazerali, Chief Strategy Officer at dentsu X, says this is “just too important to delegate to anyone else.”

The role the CEO plays will depend on the company. Within single-brand companies, where the brand is the company and the company is the brand, the CEO’s involvement will be essential. In multiple-brand companies, the CEO will need to be involved in championing the corporate brand but may take a smaller role in building product brands. Either way, the CEO’s support will help to win long-term investment for brand building.

In the digital economy, employees and consumers also have a role to play in championing a brand. Ashley George goes so far as to say responsibility for long-term brand building doesn’t lie solely with the CMO or CEO. “It lies in the social amplification of the employees and consumers themselves—how they rave, represent and talk about the brand.” Marketers need to find ways to harness this ‘social awareness’ for the good of the brand.

Dirk Herbert agrees: “The need for social amplification means that marketers need to ground their brands in ideas that do much heavier lifting: they need to be ideas that both connect with people and connect people with each other. Ideas that do this well tend to be people-centric, not product-centric.”

Is our marketing team distilling real insight from data?
Digital technologies allow brands to make connections at a much more personalised level. Artificial intelligence and machine learning enable marketers to use data to target individuals, while tools such as augmented reality and virtual reality will help them to push the boundaries creatively.

But they should be careful not to be over-reliant on behavioural data, because its short-term focus can lead to the wrong response. A short spurt in growth does not necessarily lead to long-term success.

Building a team with multiple skillsets and diverse backgrounds, rather than just data-driven marketing ‘scientists’ would seem to be key here; to understand consumers and consumer behaviour, marketers need to be able to see the consumer’s point of view, as well as measure their responses.

“I think one of the reasons marketers are failing at this [consumer engagement] is because they don’t really come from a psychology or sociology background; they come from a metric-driven environment,” says Microsoft’s Geoffrey Colon.
Is the C-suite on board with investment in brand-building?

As the marketing function has become more complex, it has broken down into separate teams that may include investor relations, corporate social responsibility, public affairs and corporate communications, for example. Marketers have increasingly found themselves focusing on performance marketing while responsibility for building the brand may straddle many different parts of the business.

CMOs put renewed emphasis on the brand-building agenda within organisations by taking on the role of brand educator. Through these relationships, CMOs should ensure there is a clear understanding of the benefits of investing in long-term brand building and how this can be balanced with the need to deliver short-term results. In the Dentsu Aegis CMO Survey 2018, CMOs identify securing long-term investment as the number one barrier to delivering their strategy, reflecting in part some of the systemic challenges they face. CMOs on average have the shortest tenure out of all members of the C-suite.

CMOs and CFOs will need to be aligned in terms of measuring the effectiveness of their spend, perhaps via a dashboard of agreed key metrics. And the C-suite needs to be as one in terms of what they are aiming to achieve with each campaign.
The insurance industry has long struggled with building brand loyalty. As a low-touch transaction that happens once a year, unless policyholders are unlucky and need to make a claim, insurers have little opportunity to build an emotional connection with them. In the digital era, price-comparison sites make that even harder by becoming an intermediary between company and customer.

At Hiscox, Global Brand Director Annabel Venner is harnessing a suite of metrics to inform the company’s brand-building activity. Venner and her team monitor a mix of long- and short-term measurements of marketing effectiveness via a dashboard. Metrics include broader business metrics (new business, total business numbers, profitability, spend) and brand health metrics, both long-term (brand awareness, brand affinity) and short-term (customer acquisition costs, customer retention, customer profitability). In total, 15 to 20 key performance indicators are measured regularly.

Reporting also occurs on a regular basis, weekly and monthly, at local and market level and results in actions that can be implemented immediately in conjunction with their agencies. Every quarter, Venner reports on the metrics directly to the Board. Data generated by the dashboard also feeds into an annual marketing planning process, which starts with each business unit’s three-year goals. The following year’s strategic priorities are developed based on this. Working in partnership with agencies, the marketing team will develop a 12-month marketing plan, which is reviewed and tweaked on a regular basis to account for unforeseen developments, while keeping the long-term goals in mind.

Half-yearly and annual brand-tracking studies are used to measure brand health metrics such as brand awareness and affinity. When budgets are low, Venner will employ proxy methods, such as looking at how brand awareness is shifting by tracking how many Google searches the Hiscox brand is getting.
Is our business model built around the consumer?
The digital economy is largely demand-led. The majority of contacts between people and brands are now initiated by consumers themselves, whose expectations of brands are also high. Within this context, building an innovative brand requires businesses to re-organise around the consumer, not just push messages to them. That requires transformation across all elements of culture, organisation and technology.

With huge volumes of customer data now flowing into marketing departments, CMOs are better positioned than ever to be the change antennae for the organisation and influence business strategy, as well as drive growth. Increasingly that will mean taking responsibility for driving disruptive innovation across the company. However, according to the Dentsu Aegis CMO Survey 2018, this is seen as the least important role of the marketing function.

Are we measuring what matters?
With customer experience now shaping brand value, marketers must combine an existing focus on financials and media metrics—such as reach, impressions and click-throughs—with engagement metrics that are connected to how consumers experience the brand. What are the core customer needs that a brand is trying to meet? And what are the metrics that tell the organisation whether it’s doing better than the competition?

Because consumers now have higher expectations of brands—around how the brand enhances their lives, their community and society—customer engagement metrics should include things that have a broader societal impact, such as engagement with the environment, community or supply chains.

When marketers understand what matters to customers and they have the metrics dashboard in place that tells them how well they are serving those customers, they can start to identify what will drive the greatest impact for them: removing an existing pain point or delivering above and beyond the customer’s expectation. Then, marketers can work out which option will deliver the greatest return for the organisation. But this will need to be an iterative process. The intersection between a brand’s purpose and its role in a consumer’s life will shift constantly, shaped by wider economic and cultural trends. Tracking this sweet spot over time will help brands maintain relevance and ensure they are measuring what really counts.
Conclusion: The new brand balance

The insights contained in this paper won’t be easy to implement. The overall imperative is to strike a new balance—between the best aspects of traditional brand-building and the exciting opportunities on offer with new digital toolkits; between the enduring purpose of a brand and the more immediate role it plays in people’s lives; and between short-term optimisation and long-term strategy-setting. The most successful players in this new age will be those that recognise that these are complementary, rather than opposing, forces. It’s at these intersections where real innovation and enduring brand value lies.

In a world of almost infinite choice, consumers want strong brands—brands that will help them to reaffirm who they are and what they stand for. Investors, too, are looking for strong brands to deliver sustainable value and a point of differentiation in a landscape of increased competition.

Digital disruptors are discovering the importance of enduring brand value that develops resilience and are turning to traditional brand-building methods to help them develop that value. At the same time, legacy brands can benefit enormously from the increased insight, agility and responsiveness that the digital era has brought to unlock their brand value in performance.

Building a brand is a fluid and iterative process. This report is part of an ongoing programme of research into brand value in the digital economy. We hope it will encourage business leaders to pause for thought and rediscover the value of strong brands. All businesses can unlock new value in their brands, but it will take different keys depending on their specific context. Embarking on this journey will help businesses embrace the potential of disruption and find a new brand balance.
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