# Les Binet on why long-term marketing matters in the age of short-termism

Printed from WARC

8 min read Opinion, 10 January 2020

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**This interview is part of the Marketer's Toolkit 2020. Download the summary report here (http://lp.warc.com/marketers_toolkit_2020.html?utm_medium=website&utm_source=warc&utm_campaign=marketers_toolkit_2020&utm_content=lohp&utm_term=noterm).**

*In this exclusive interview for WARC's annual* ***Marketer's Toolkit*** *(https://www.warc.com/Topics/Toolkit.topic), Les Binet – Group Head of Effectiveness at adamandeveDDB and a leading researcher on marketing effectiveness – speaks to WARC's Anna Hamill about the practicalities of long-term brand building, how to convince the CFO, and smart ways to measure marketing impact in 2020.*

**Les Binet, Group Head of Effectiveness, adam&eveDDB**

## WARC: Let's kick off with a broader overview on why investing in long-term brand building is an effective marketing strategy.

**Binet:** "There are two ways to sell things. You can send out marketing activity that evokes an immediate response - Peter Field and I tend to call that activation. That doesn't require building up long-term memories or doing much to change people's minds. It's just about evoking a response, and that can be a highly profitable and efficient thing to do.

But if you want long-term growth, what you've got to do is change people's minds in some way. You've got to build up memory structures that will bias their behaviour into the future, and that's a much more difficult and long-term job, because it involves training people's responses in such a way that you not only influence behaviour now, but you also influence behaviour tomorrow, next week, next month, next year, and on into the future.

Brand building is about building up these mental structures but, crucially, it's still about behaviour. It's about getting people to change their behaviour over the longer term. To put it in financial language, activation is about getting an immediate response and, ideally, an immediate sale but maybe nothing more. Brand building is about getting a long-term flow of sales, revenue and profit, now and into the future.

All marketing activity does both jobs to some extent. Every time you have a contact with a potential customer at any touchpoint, all of these things have brand effects and they all have activation effects. But the mix of brand and activation effects is different for different activity - you can do different things to maximize the brand and the activation effects.

### WARC: How exactly do you maximise the brand and activation effects?

**Binet:** "There's a trade-off between these two jobs. The things you do to dial up the long-term brand effects tend to mute the short-term activation effects, and the things you do to dial up the short-term activation effects tend to mute the long-term brand effects. So you can do both at once, but if you try and do that, you'll probably do neither job very well. It tends to be better to have some of your campaign focused on long-term brand building and some of your campaign primarily focused on short-term activation. These two things enhance the other, so there's synergy between them.

Really smart marketers build the brand long-term and activate it efficiently. Building the brand long-term builds up preference for the brand, and then activation converts that preference efficiently into cash. You need to do both jobs because each enhances the other, and you need to do them in balance.

You need to do brand building because brand building is the main driver of long-term brand preference, long-term sales growth, and long-term growth in revenue and profits. Brand building is the main thing that drives a company's revenue stream – its cash flow, its profits. Brand building can also reduce price sensitivity, so it can increase margins. Brand building produces a long-term preference for your brands and products. It produces a much stronger long-term sales stream, much fatter margins, more revenue, more free-cash-flow in the long term and, therefore, more profit and shareholder value.

Activation then increases the efficiency with which you convert that brand equity into short-term sales. And conversely, brand building makes activation more efficient. You'll find that if you do strong brand building, short-term metrics will go up for your activation. Ultimately, the reason that companies need to do brand building is that they make more money in the long-term and the short-term."

**WARC: We've recently seen Adidas and eBay acknowledging that they had become addicted to performance marketing and were**

**looking to make a change. How do you think some of these enormous brands have become over-reliant on performance marketing?**

**Binet:** "The addiction to the short-term is not a new phenomenon, but it has got a lot worse. One of the problems is that (for) short-term activities, you get immediate feedback: responses, clicks, or short-term sales. If you are a marketer who's spending money and nervous about what you're getting for your money, you can immediately see that this stuff pays back. It's become easier and easier to see these short-term effects, because we have more granular short-term data that comes through faster and faster. With the arrival of e-commerce in particular, and digital metrics in general, all of business is now afflicted by the same problem. All businesses now have short-term metrics, which can distract them from long-term growth. I think that's the real reason why business is becoming short-termist. It's not quarterly reporting. It's not the short tenure of marketers. It's the data."

**WARC: One of the things that we've heard out of the WARC Toolkit survey is that (marketers) have a challenge making the case for long-term brand investment to convince the CFO, who is dubious of giving that money for something that they can't see is working straight away. How do they make that case?**

**Binet:** "The first thing is to start talking the language of finance. We don't help our case when we talk about brand building in terms of awareness, image and 'touchy-feely' terms. Brand building is about selling. It's about revenues and cash flow, but it's about durable revenues and cash flow, over longer time periods. We have to help CFOs to understand that some marketing activity gives you an immediate short-term delivery of sales, while other activity increases the ability to sell through all channels and increases the long-term flow of money into the company. Once you reframe it in that language, then I think you can start to have a grown-up conversation.

Obviously, you've got to demonstrate that it really does do that. You need evidence. The longer-term effects of marketing generally need to be evidenced through things like econometric modelling and testing. If you can frame the discussion in terms of short and long-term financial flows and show hard evidence, then I think finance people can begin to be convinced."

**WARC: A bit of a hypothetical. Say you've made that case to your CFO. You've pitched all of this. When you look at your marketing strategy as a whole to begin to implement change, what type of things should you be looking at for a start?**

**Binet:** "When companies first try to make this change, they often don't have all the information they need, because they haven't measured these things in the past. So it may be useful to start with rules of thumb: make sure that the overall budget is of the right order of magnitude, because you if shift to brand building without spending enough, you'll still fail.

For some companies, share of voice analysis can be a fairly 'rough and ready' way to estimate whether the budget is the right order of magnitude. There are other things you can look at as well: advertising-to-sales ratios, benchmarks against your competitors, etc. Use a variety of budgeting matters to try and estimate how much you'd be spending overall to get to the right area. If you've got econometrics or something like that, that's even better.

Then, think about the broad brand vs activation split. In the work that Peter Field and I have done we talk about the 60/40 rule, but in our most recent book, Effectiveness In Context, we also modified that rule for different brands in different categories at different stages of development, different price points, etc. You can use these rules of thumb to get a rough idea of whether you should be doing 60% brand, 40% activation, or perhaps 50:50, 70:30, etc.

Once you've got that broad split right, work with your media agency to optimize the efficiency of the short-term activation and the long-term brand building, and so come up with a decent media plan.

And think about constructing tests. I'm not talking about pre-testing, but do experiments run on a 'test and control' basis, in the real world, with real people and real sales."

**WARC: Budget is really important in driving share of voice. If you're a smaller company or a D2C brand that's scaling up, are there any lessons that can apply to them? A lot of them have more restricted budgets than a larger company.**

**Binet:** "What we're not saying is that you have to have a massive budget with huge TV coverage. What matters is the size of your budget relative to the size of your company. Small brands need small budgets, big brands need big budgets, but if you want to grow, you have to punch above your weight.

The share of voice rule tells you that what matters is the difference between your share of voice and your share of market. As long as you set your share of voice above your share of market, you should get some growth, all other things being equal.

In the new research, we talk about how the budgeting rules are different for different brands - not just different size levels, but also different levels of maturity, innovation, price etc. If you're a very new or very innovative brand, then you don't need to spend so much on brand-building, at least in the early phase. But what happens is that all companies - sooner or later - reach an inflection point where other factors are no longer helping them.... most companies reach a point where the only way to go further is to spend more on paid communication."

**WARC: Is there any specific metric that a brand should be looking for as an indicator that they should make a change? And if they do make that change, what type of metrics seem to see the most improvement?**

**Binet:** "The most important metrics to look at first are financial and business metrics... If you got a strong brand, you will see it in the financials. If you've got a weak one, you'll see it in the financials. The most important brand metrics are to do with sales, profit, price sensitivity and hard financial spend. What's the base-level of your sales when you're not on promotion? What percentage of your sales are discounted? You want strong base-sales and low reliance on discounts. What's your price sensitivity? You want low price sensitivity so that you can have strong, firm prices and strong margins.

Another interesting approach is to measure the degree to which customers come spontaneously to you, rather than you having to fight for their business. For example, look at in-bound organic search queries for your company and brand, as opposed to paid search or click-throughs on online ads. Or look at the proportion of people who come direct to your website versus the proportion that come through paid activation or intermediaries like price comparison sites. If you're a strong brand, people will actively seek you out.

It's important to understand that brand building is not solely about the long-term. Any advertising or marketing campaign that's effective in the long-term will also have some good short-term effects. But the opposite is not necessarily true: not all short-term effects lead to long-term growth. So interpret short-term metrics with caution.

"Big data" can cause problems here, because most Big Data is actually short term data. If companies are going to grow for the long term, they don't need big data, they need long data. They need to track things over long periods of time.

So track the key business metrics over years, not just weeks or quarters. Companies that under-spend or get the balance wrong can get away with it for a year, maybe. But over the course of two or three years, the damage becomes apparent. That's the kind of time frame you need to evaluate over.

The good news is that some companies are now taking this longer term perspective, and it's those companies that seem to be coming back to brand building. It's no surprise that things are beginning to turn around, because sooner or later all that short-termism was going to cause damage. Sooner or later, companies were going to notice. But it's interesting to note that the tech firms seem to be some of the ones now leading the charge towards brand-building. Companies like Google and Amazon have spent 20 years building up long runs of performance data, and they're the ones who are now piling back into traditional ad media like TV and outdoor. The rest of the marketing community should take note."

## About the author

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