A marketing leader's guide to

PRIORITISING AND SECURING INVESTMENT

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CONTENTS

GOING FOR GROWTH:

which digital marketing channels are delivering results?

Marketers can face challenges securing budget beyond tried and tested activities. Which growth areas are proving lucrative and how is that success measured?

The marketing industry is renowned for embracing the latest content trends and technology.

This view is supported by analysis of UK media budgets. In 2023, spend on podcast ads grew by 23% year-on-year, while investment in connected TV (CTV) rose 21% and social video through platforms including TikTok and Instagram continued to perform strongly with annual growth of 20%, according to IAB UK's Digital Adspend report, conducted with PwC.

But what are the reasons for these increased budgets? And to what degree can marketers find the sweet spot of providing engaging content in new formats combined with the robust ROI measures that attract them to performance-based digital media such as search?

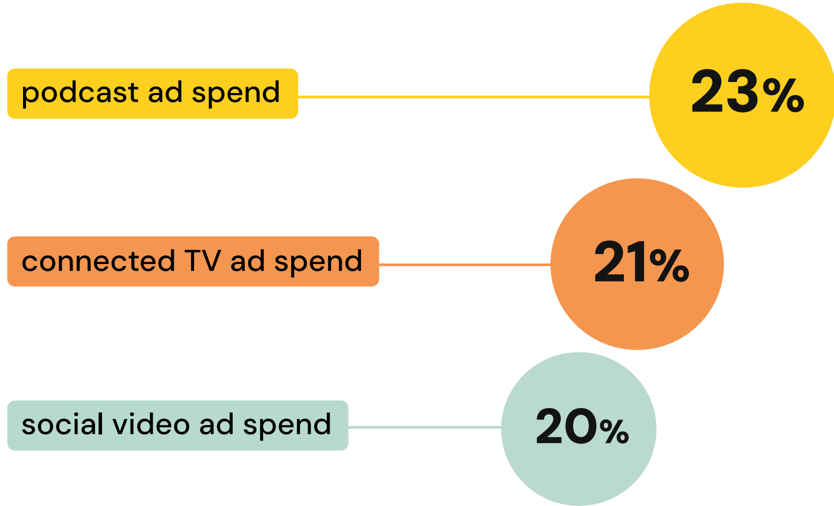
Digital ad formats that "capitalise on the engagement offered by the rich array of entertainment online," are a core reason for investment in areas such as podcasts and CTV, according to the IAB.

Ian Maybank, the head of media and connections at Specsavers, says: "Yes, we're investing in podcasts, into social video content. But, at the same time, maintaining our search and performance budgets. We see it as very much an ecosystem where there's a symbiotic relationship between the effects you get from one channel and the impact on another."

Mark Vile, the chief marketing officer at price comparison platform Compare the Market, says that the brand invests in extending its campaigns "into areas that are entertaining in their own right." Examples include the launch of its video-based entertainment series called Meerchat. The latest instalment featured musician Shania Twain alongside the brand's meerkats.

Vile adds: "Within days of the episode launching, it had surpassed one million organic views, a testament to the power of combining the right idea at the right time and truly knowing your audience."

Year-on-year growth in digital ad formats

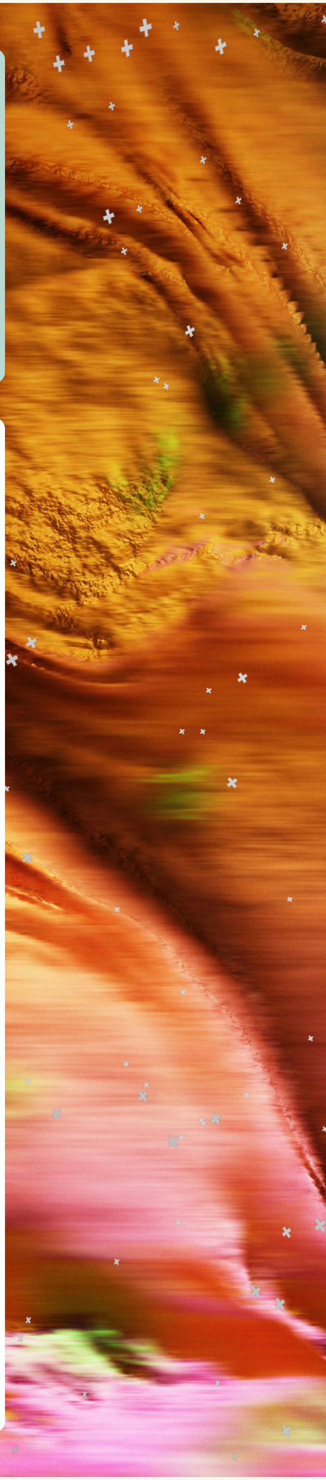


IAB/PwC, 2023

Ben Carter, the global chief marketing officer at online marketplace Carwow, says that beyond the brand's owned content channels (it has 9 million YouTube subscribers for instance) it's also looking at podcast and other entertainment-based digital options: "It's only natural in terms of driving engagement and ultimately trying to boost brand consideration. Content channels make a lot of sense."

Marketers argue that these formats are also attractive due to the gradual phasing out of third-party cookies that track and measure people's online activity. Carter adds: "The challenge you'll always have, particularly now in an increasingly cookieless world, is that linear attribution is only going to help with bottom-of-the-funnel channels. So you're going to have to look at longer-term windows of measurement and having media mix models."

> **“The argument is that marketers will increasingly need to invest in new forms of digital advertising to create interest.”**



Maybank says: “Search is very much demand-led. We need to find ways to stimulate that demand in the market. You can still use TV to do that, and we increasingly invest in podcasts and social. That helps to get people interested in our business and go on to book with us for appointments and care.”

However, measurement is a significant issue for marketers exploring new digital frontiers. The fragmentation of the online ecosystem becomes more apparent when advertisers deal with multiple publishers and platforms to reach their audience with compelling brand messages. “Yes, we can get quicker measurement out of performance marketing channels but that doesn’t mean we’re not measuring everything else. It just takes a little longer to model and work everything out,” Maybank says.

Having a clear audio-visual strategy across platforms helps Specsavers to deliver consistency and accountability across linear TV advertising, social video and video-on-demand activity. Maybank adds: “It’s about balancing what we’re doing and making sure we’re spreading ourselves across enough places but not too many at the same time.”

Mark Vile says that Compare the Market uses "a portfolio of measurement approaches to make sure that we get a rounded view." He argues that this is now more of a science than previously "but the art is piecing together the different bits of the jigsaw. We have learnt that there is no one model, analytical tool or tracking study that can give you all the answers, so we take a rounded view on measurement and place this insight at the heart of all planning processes."

However, there's room for progress in assessing the full impact of entertainment-based digital formats. Carter says: "Fundamentally, the big media owners still have their own set-ups. There's no cross-measurement enabled, which is obviously a challenge and has been for some time."

That's a challenge because, ultimately, marketers are hungry for evidence to convince their board-level colleagues to invest in marketing. Innovation is on the horizon, however, in the shape of initiatives such as Origin, ISBA's (The Incorporated Society of British Advertisers) cross-media measurement programme that will help brands track the performance of their advertising. Specsavers is involved in the impending Beta test of the platform and Maybank believes that this could be transformative.

ARE CMOS AND CFOS ON THE SAME PAGE?

While finance and marketing leaders seem to have mutual respect and a lot of the same priorities, there are still areas for improvement according to new research from Croud.

Marketing and finance leaders are aligned about the top two strategic priorities for their organisations over the next two to three years. However, CFOs are putting more emphasis on embracing new technologies, while CMOs are prioritising launching new products or services over tech

Ranked as a top-three priority for CMOs

- Driving revenue growth 49%
- Driving business efficiency 44%
- Launching new products or services 42%

Ranked as a top-three priority for CFOs

- Driving revenue growth 50%
- Driving business efficiency 47%
- Embracing new technologies such as AI 44%

While over half of CMOs and CFOs say they work closely together, CFOs are more likely to say the working relationship is close. And in larger organisations, the finance and marketing departments appear to be less joined up

CMOs:

56% of all CMOs surveyed say they work closely or very closely with their organisation's finance leader

16% of all CMOs surveyed say they don't work closely (or at all) with their company's CFO

47% of CMOs in organisations with over 1,000 employees say they work closely or very closely with their finance counterparts

65% of US CMOs say they work closely with CFOs, compared to 45% of UK CMOs

CFOs:

68% of all CFOs surveyed say they work closely or very closely with their marketing counterparts

14% of all CFOs surveyed say they don't work closely (or at all) with their company's CMO

60% of CFOs in organisations with over 1,000 employees say they work closely or very closely with their marketing counterparts

The majority of CMOS and CFOs say they work well but not extremely well together

CMOs CFOs

22% 31%

of leaders think the finance and marketing teams in thor organisation work 'extremely well' together

49% 52%

of leaders rated the working relationship 4 on a scale of 1-5

29% 17%

of leaders see considerable room for improvement

While the general consensus is that CFOs and CMOS work well together, there are some barriers to a better working relationship

Lack of / irregular communication 30%

Misalignment on KPIs or metrics 25%

Lack of collaboration 23%

While the majority of CMOs and CFOs have some confidence in each other (and each other's teams) there is still room for improvement

CMOs:

22%

of marketing leaders have complete confidence in the decisions that their organisation's CFO or finance leadership team makes about marketing budgets

58%

of marketing leaders are somewhat confident in the decisions that their organisation's CFO or finance leadership team makes about marketing budgets

CFOs:

31%

of finance leaders have complete confidence in their organisation's CMO or marketing leadership team to make sound commercial decisions

53%

of finance leaders are somewhat confident in their organisation's CMO or marketing leadership team to make sound commercial decisions

Most CFOs and CMOs perceive marketing and brand as important. However, fewer than half of CFOs completely agree that marketing is critical, possibly due to how its success is measured.

CMOs:

40%

of marketing leaders completely agree that the executive leadership team in their organisation understands the value of marketing, with a further 42% agreeing to some extent

11%

of marketing leaders disagree that the executive leadership team in their organisation understands the value of marketing

38%

of marketers completely agree and 43% somewhat agree that the executive leadership team in their organisation understands the long-term business value of investing in brand building

86%

of CMOs completely agree or somewhat agree that having a balance of long-and short-term marketing activity delivers better returns for their business

CFOs:

45%

completely agree that marketing is a critical function within their organisation, with a further 39% agreeing to some extent

16%

of finance leaders disagree that marketing is a critical function within their organisation

59%

of finance leaders completely agree that having a strong brand is important to the long-term success of their organisation, with a further 30% agreeing to some extent

88%

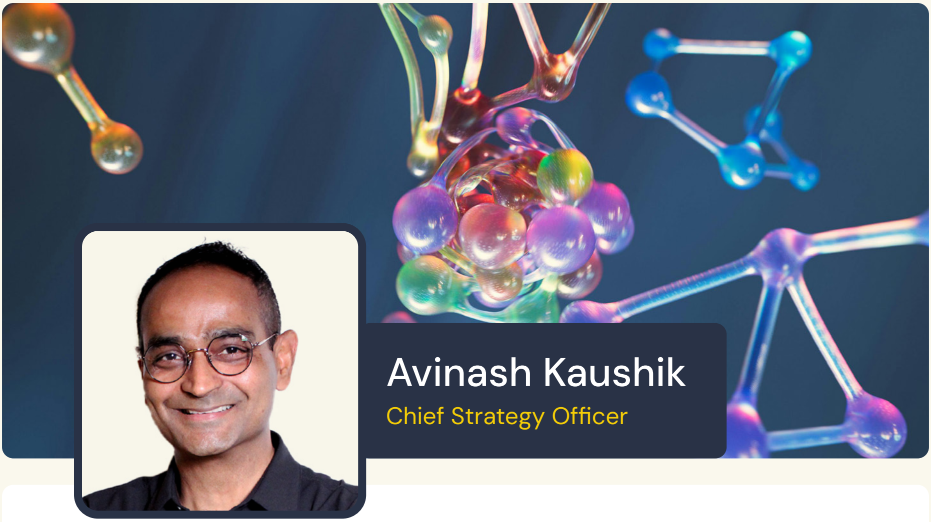
of CFOs completely agree or somewhat agree that having a balance of long-term and short-term marketing activity delivers better returns for their business

Croud-commissioned survey of 1,000 marketing and finance leaders in the UK and US, carried out by ImpactSense in May 2024

THE CASE FOR INCREMENTALITY:

equipping the CMO for success with the CFO

CMOs are expected to demonstrate clear value from marketing efforts to thrive in their post, and incrementality can help them achieve success



Avinash Kaushik

Chief Strategy Officer

Measuring the true impact of marketing spend has never been easy. Then comes the daunting task of convincing the CFO and board that the numbers are robust and meaningful.

Marketers acknowledge that making this investment case is a significant issue.

According to Salesforce's latest State of Marketing Report, measuring marketing ROI/attribution across multiple campaigns and media channels is their second biggest challenge. Only effective use of tools and technologies is a larger priority.

Recent research from Croud found that misalignment on KPIs or metrics is a particularly pressing issue regarding the relationship with the CFO, with 27% of CMOs selecting it as their top barrier to a better working relationship.

Getting measurement and attribution right is therefore crucial if CMOs are to demonstrate clear ROI to win the trust and support of finance leaders.

Why is incrementality a good approach?

Incrementality is the process of identifying the actual impact of marketing activities over time. CMOs that invest in incrementality rather than attribution modelling (which relies on distribution credit for all outcomes – incremental and non-incremental) have a greater chance of making themselves 'bulletproof' with the CFO by delivering against clear KPIs.

Attribution is a useful science in terms of ensuring credit is distributed across all impactful marketing activities. However, incrementality is more precise as it identifies results that would not have occurred otherwise. While attribution is based on marketing's claimed conversions, incrementality identifies marketing's actual conversions.

There's an intrinsic challenge here in that incrementality is hard to measure. However, organisations can simplify the task by breaking down analysis into three parallel paths – channel-silo incrementality, cross-stack incrementality and portfolio incrementality.

27%

of CMOs say misalignment on KPIs or metrics is the top barrier to a better working relationship with the CFO

Croud, 2024

Channel-silo incrementality

Channel-silo incrementality measures the performance of a specific marketing channel over time.

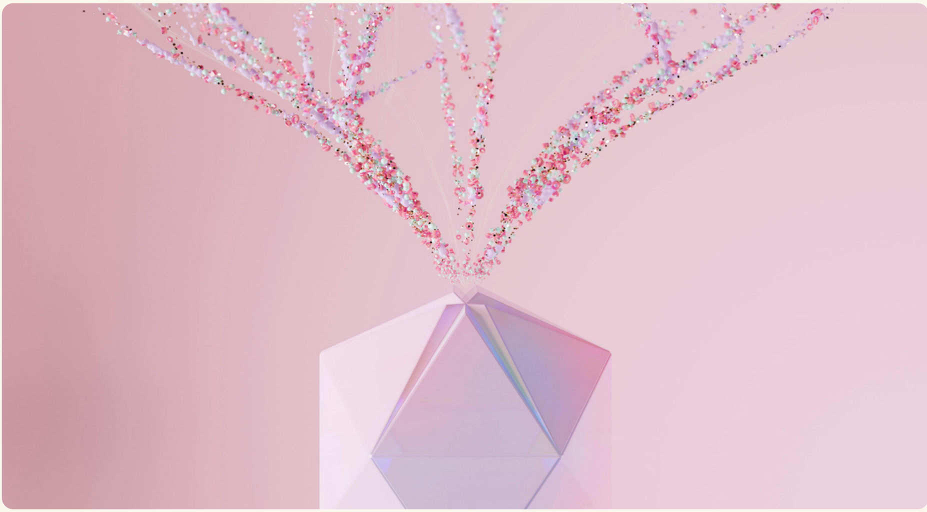
It helps marketers understand, for example, how many of their 50,000 conversions from Google they would have missed out on without running paid search advertising on Google.

This can be measured through conversion lift studies, which are offered by all the major advertising platforms and give marketing teams the information they need to adjust budgets accordingly within each channel. This analysis needs to be made and acted on in the short term to ensure marketing spend is used effectively.

Cross-stack incrementality

The focus here is understanding the impact of different channels within the same 'stack'. For example, does a marketer need to spend £1m on Facebook and £1m on Instagram separately to get all the benefits of advertising on Meta-owned platforms?

Advertising companies such as Croud offer tools to measure the impact of spend across the channels provided by each business. Analysis provides the basis for quarterly reallocation of marketing budget within each 'stack'. The best way to achieve this is through ad tech that uses algorithms to measure the incremental impact of each pound or dollar spent.



Portfolio incrementality

Then the picture becomes wider. Leaders must ask themselves: “If I look across my entire marketing spend, brand, performance, owned, earned, retail, promotions, everything… what’s marketing’s true incrementality?”

This is the hardest to answer and the solution involves using AI-powered media mix modelling solutions. Applied to the whole investment portfolio, these uncover how much marketing budget is required in the next fiscal year to deliver incremental sales with improved efficiency.

Avinash Kaushik, chief strategy officer at global digital agency Croud, says: “At the end of this exercise, you’ll achieve the two golden KPIs – incremental sales driven by marketing, and cost per incremental sale. You can use this to set annual budgets and create higher standards for every single marketer to meet. Your CFO will be ecstatic.”

The “big six” KPIs

But success with the incrementality approach requires clear KPIs based on measuring outcomes – what marketing achieves – as opposed to monitoring what’s happening.

When assessing the strategic impact of marketing, regardless of the type of marketing initiative, Kaushik insists that only six KPIs matter. He has based Croud’s methodology on these KPIs.

The first KPI is incremental sales. Measuring this identifies those sales driven specifically by marketing over time. It shows the marketer clear outcomes of the budget/investment they’ve signed off on and how they can better re-invest.

Next comes cost per incremental sale, which provides insight into costs and sales by marketing campaign.

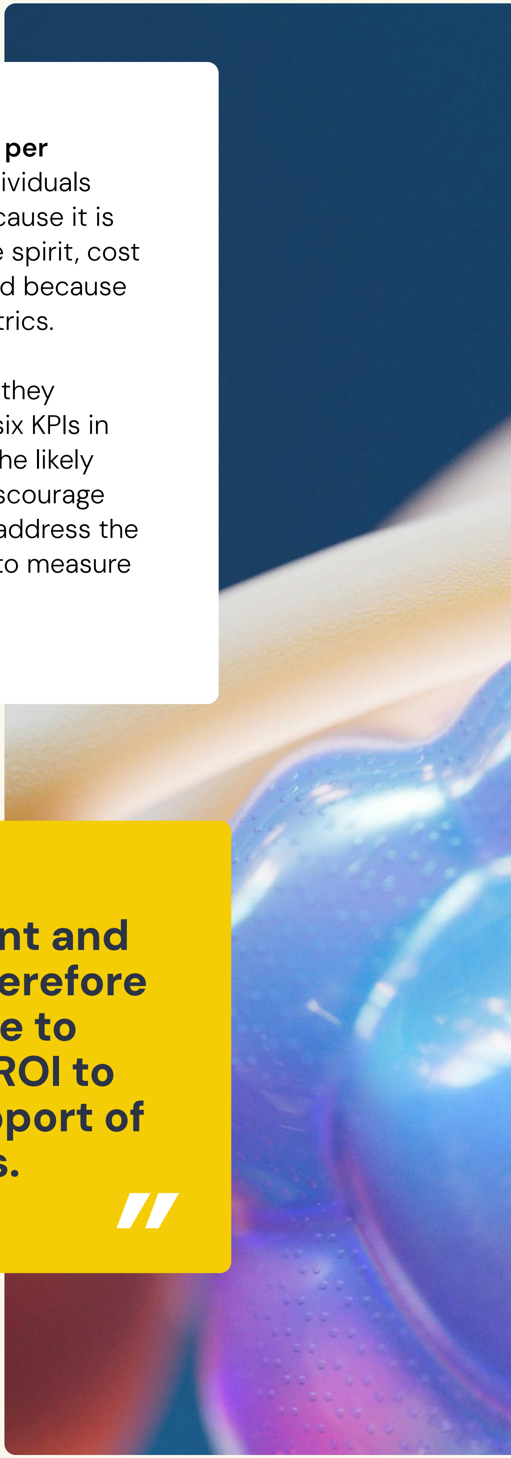
The third essential KPI is incremental profit, which describes the profit created specifically by marketing activities over time. This enables marketers to identify profits, margin or other financial goals based on incremental sales driven minus costs that went in.

And the fourth, brand lift, identifies the percentage of brand lift delivered. For example, your $14 million TikTok video campaign targeting Gen Z delivered a 60% lift in aided awareness.

Marketers should then consider **the number of individuals lifted by marketing activity.** Yes, it’s great to see a 3% lift on Facebook. But is that just 52 people or 5 million?

The final of the six KPIs is the cost per individual lifted. The number of individuals lifted will resonate with the CFO because it is an effectiveness metric. In the same spirit, cost per individual lifted will strike a chord because it's also based on clear financial metrics.

Marketers should consider whether they currently have access to these big six KPIs in their reporting or on a dashboard. The likely answer is "no", but that shouldn't discourage CMOs. Instead, they should look to address the issue by investing in the right tools to measure marketing efforts.



> **"Getting measurement and attribution right is therefore crucial if CMOs are to demonstrate clear ROI to win the trust and support of finance leaders."**

Forget the 'four Ps'

However, the implementation of a successful incrementality approach also involves solving a significant macro challenge in marketing, argues Kaushik. He contends that while the 'four Ps' (product, price, placement and promotion) remain as crucial as ever for a business, the marketing department should concentrate solely on promotions, which will enable an organisation to then implement world-class models of analytics.

"Centering on promotions provides a clear purpose for marketing, a true north that can be translated into specific business KPIs and targets, which drive focus, accountability and success," he says.

Embracing incrementality in a marketing industry obsessed with the old traditions of the 'four Ps' requires bravery but will lead to higher levels of marketing investment and a stronger relationship with the CFO. As Kaushik concludes: "The upside is extraordinary for CMOs who are courageous and want to do very cool work that matters to a company."

UNDERSTANDING AND CONVEYING THE VALUE OF BRAND-BUILDING

Why is brand investment critical, and how can CMOs demonstrate its value to the board?

The importance of building a strong brand has long been a central tenet of marketing. In part, that's because investment in advertising has been shown to have a direct impact on product sales.

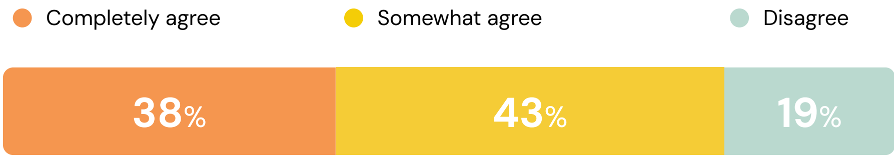
Brands that stop advertising for one year see an average 16% drop in sales, then a fall of 25% after a two-year lull, and 36% after three years, according to research from the Ehrenger-Bass Institute for Marketing Science.

Yet despite such persuasive evidence for company boards to invest in brand marketing, there remains a reluctance within some businesses to spend.

Peter Field, the consultant and advertising effectiveness expert who co-authored the renowned The Long and Short of It report with Les Binet, says that the argument for investment in brand advertising is becoming harder to make because many of today's business leaders and marketers have grown up as digital natives: "They've bought heavily into performance marketing and don't really appreciate the importance of brand," he argues.

The quest to preserve brand advertising is worth pursuing, Field believes, because once a business achieves an element of scale beyond the start-up phase it becomes increasingly difficult and expensive to find new customers.

Extent to which CMOs agree that executive leadership team understands the long-term value of investing in brand building



Croud, 2024

Mark Vile, the chief marketing officer at price comparison platform Compare the Market, which has invested since 2009 in its famous meerkat campaigns, says its strong brand "helps to ensure that when customers are in market, we come to mind first. When they're not in market, they are still entertained by our storytelling and rewarded by our rewards programmes, allowing us to have a stronger relationship with our customers and leading to greater lifetime value."

Meanwhile, Volkswagen, a business long associated with investing in building a strong brand, recently launched the "YourWagen" campaign. Sarah Cox-Thornley, Volkswagen UK's head of marketing says: "The original brief for YourWagen was centred on brand sentiment – specifically 'likeability'. We know customers are more likely to purchase from brands they like, or even love, so delivering on that specific metric should help drive overall brand consideration."

On measuring the impact of brand investment, Field says: "It's got to be more than short-term sales. I'd certainly be looking at market share measures over the long term. So year-on-year growth and also price elasticity because we know that can have a major impact when done well on your ability to provide decent pricing in your category. If you haven't got a brand you're selling a commodity."

Vile says that brand-building is a core part of an effective marketing model because it is "a clear route to accelerating growth." He adds: "We have always seen a positive correlation with the two. The stronger our brand, the better our performance metrics."

"We obsess about understanding these links and set up a multi-functional measurement squad to bring brand and business metrics together and increase our understanding at both a macro and granular level. For this reason, I have always set the team two goals, deliver a market-leading brand and market-leading return."

> **“The importance of building a strong brand has long been a central tenet of marketing.”**

But how does the brand achieve this? “We use a number of bespoke models and analytical tools which give us a strong view on where investment has been successful, for both short-term and long-term objectives,” Vile says. “These allow us to look at current indicators of brand success, such as share, as well as the long-term indicators of potential success through our brand equity measures.”

It certainly takes time for marketers to build a strong evidence-based case to take to the board and C-suite. But Field says the emotional appeal of brand-building, especially through neglected routes such as humour, can prove invaluable. “Storytelling is great because it encodes memories. To engage someone in a human story that involves interactions with other people also has a powerful effect.”

Cox-Thornley says that the Volkswagen “YourWagen” campaign boosts both performance on social media channels, backed by the data available as a real-time measure of success, while also embracing the brand storytelling approach to involve “fans” of the brand.

She adds: "We also had an internal ambition of creating 'pub chat' – people unprompted talking about YourWagen and Volkswagen. It's rare these days that an advertising campaign gets that much air time among Friday night pub conversations with mates outside of the big Christmas adverts. But we felt that the unique, authentic and democratic nature of YourWagen could generate more earned coverage opportunities."

Vile says that "storytelling is in our brand DNA", and is especially important in what he describes as a "low-engagement, high-consumer apathy category" in which his business "had to be distinctive in order to cut through."

Both Volkswagen and Compare the Market provide compelling cases of the value of brand marketing to take to the board. Creating the optimum blend of storytelling and robust measurement is not necessarily easy but is certainly in the grasp of today's senior marketers.

PRACTICAL AND VALUABLE APPLICATIONS OF AI FOR MARKETERS

What kind of AI investment should CMOs be prioritising, and what's the balance between AI and human input?

The hype surrounding AI in marketing is unavoidable. Beyond the noise, marketers face the task of understanding how shiny new tools and technology can genuinely help them solve business and brand problems.

That task involves deciding how far to take AI. Should it evolve beyond taking on a co-pilot role alongside human expertise? Will it become the muse that inspires the next generation of brands?

Businesses are already seeing the efficiency benefits of generative AI tools that help automate and optimise content creation. But how does AI fit into a longer-term business strategy, and what are the current and emerging use cases that point to its role in the marketing world?

Marketers are looking at AI applications both in terms of where they can be embedded as a core part of the product or service, and how they can improve the creativity and productivity of marketing content.

Ben Carter, the global chief marketing officer at online marketplace Carwow, says: "In some businesses and sectors it [AI] will fundamentally change how they operate. For us, at the moment, it's being used as support. In the use case of how to embed AI in our product, it could be potentially game-changing but it's very early days."

Meanwhile, food and beverage giant Nestlé announced in 2021 the launch of an AI platform to provide guidelines for its creative assets to optimise performance across advertising platforms.

Liz Caselli-Mechael, global head of content and digital at Nestlé Corporate Communications, says AI use cases have since developed into several areas: "We're lucky to benefit from strong AI tools for marketers and communicators at Nestlé. Sometimes they give us a check for hygiene elements, like confirming that the creative for campaigns matches all established best practices for each platform."

She adds: "Other times they can streamline the mockup process or use of performance data. One key benefit of AI tools for us is to help bring together many different teams across countries: helping to enforce brand voice standards, access the latest resources or localise appropriately. "

Ian Maybank, head of media and connections at Specsavers, says the business currently views AI as having a supporting role. "We're interested in how you can generate and alternate certain areas of production. I don't think it will take the place at the moment of human creativity. Concepts from generative tools are interesting but not yet as good as human creativity."

Carwow is also testing GenAI to see how it can supplement human input on creative work in a supportive, co-pilot role. Carter says this has the potential "to boost the productivity of our marketing but also to create multiple rounds of creative, sequential messaging, feeding into our paid activity on social and display."

AI is already proving productive for Specsavers in analysis and reporting of the impact of media spend. Maybank says it works with digital platform owner Meta to run multiple versions of ads. Meta's AI tool then identifies the audiences most pre-disposed to engage with the brand, leading to greater efficiency and potentially better results.

"The days of micro-targeting through social media are all but over unless you own a local florist or garage and are targeting to your area," adds Maybank. "A scale brand like ourselves targets relatively broadly and then the algorithm will find the people most relevant to us."

While it's becoming clear that AI is pervasive in marketing, it currently requires a balanced approach that involves building teams of in-house people, working with specialist tech and agency experts, and investing in plug-in AI solutions.

Carwow's Carter says: "It's almost like broadband or electricity. It's going to be everywhere and you're now definitely starting to see it at the forefront of processes."

Carter is among the group of marketers who are inherently positive about AI's emerging role: "What's interesting is that the doomsday scenario of it just taking everyone's jobs is not necessarily the case – it's taking on processes where it doesn't make sense for people to do those processes."

CONCLUSION

CMOs face a clear challenge: to prove the value of their activities to secure bigger budgets from their CFOs.

To achieve this, CMOs need to make their results comprehensible and attractive to CFOs. They need to clearly and unambiguously show a direct correlation between marketing budgets and revenue generated.

CMOs could start by creating CFO-specific versions of engagement, interaction and revenue reports. Instead of the focus being on campaign metrics, these reports could emphasise direct financial impacts, revenue growth and return on marketing investment.

Incrementality - identifying the actual impacts of marketing over time - is a powerful tool. It shows CMOs which promotional activities truly drive new customer acquisition and sales.

Equally important is demonstrating the long-term value of brand building. Use numbers to show your CFO the cost of action versus the cost of inaction on a long-term basis with proven research.

The tools already exist that will allow CMOs to demonstrate the value of marketing. Just as you tailor your products to demonstrate value to your customers, tailor the way you report your department's successes to appeal to your CFO.

About Croud

Croud is a global, full-service digital agency that helps businesses drive sustainable growth in the new world of marketing. With a rich heritage in performance, we apply that mindset to everything we do; brand planning, strategy, integrated media, social, creative, and data.

Founded in 2011 with the mission to reinvent the agency model, we combine 600+ in-house digital experts with a global, on-demand network of marketing specialists. This agile, scalable model gives us more time to really understand our clients' businesses, and deliver truly incremental growth.

As part of the Croud Group, which includes luxury specialists Croud Luxe and social-first agency Born Social, Croud is proud to partner with leading global brands, including Audible, Aston Martin, Selfridges, Nespresso, and Guinness.

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