

Who says CEOs don't understand how to build brands?

Errr...CEOs

Business leaders are missing a financial opportunity.

By increasing knowledge and visibility in their organisations of how brand building can support long-term commercial goals, they could generate greater returns from brand assets.

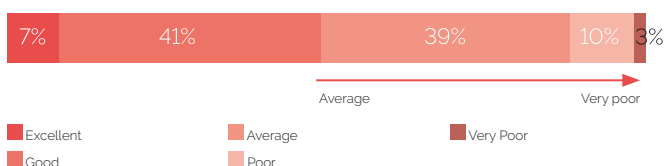
A survey conducted by the FT and the IPA suggests that change needs to start in the boardroom.

Our research showed that organisations lacking brand expertise at leadership levels were less likely to practise the most commercially effective approaches to growing brands. They were also more at risk of over-reliance on short-term strategies which underperform commercially.

The brand knowledge gap

In our survey of C-suite executives, 52% of respondents rated their board's knowledge of brand building as 'average' to 'very poor'.

Figure 1: Knowledge of brand building is perceived as average to very poor in over 50% of boardrooms



Even among marketers, 33% put their own knowledge of maintaining and growing brands in this 'average to very poor' range.

This was despite the fact that 70% of respondents believed their leadership teams understood how ownership of strong brands contributed to profits.

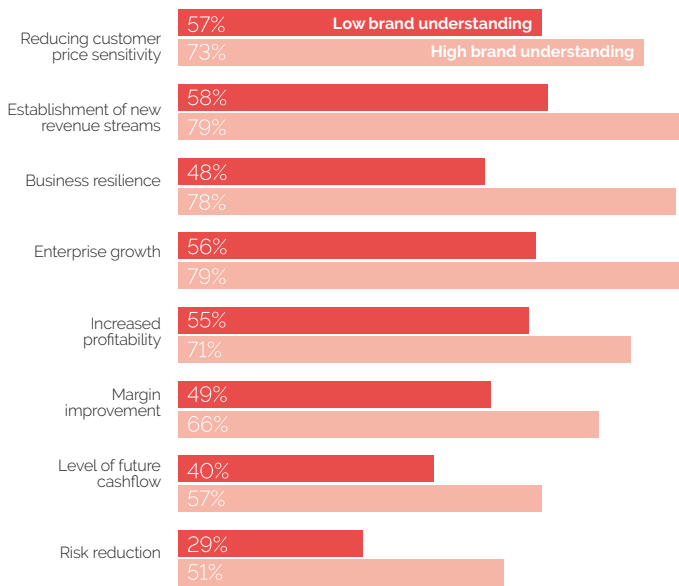
This gap in understanding exactly how strengthening brands increases profitability is worrying because directors set the overall marketing objectives for a business.

IPA reports have consistently shown that the greatest financial benefits accrue to businesses that link the growth of brands to overall commercial goals and balance short and longer-term marketing activities.

But our study found organisations with low confidence in their brand building expertise were less likely to adopt these proven strategies.

Only 49% of businesses with low brand understanding said their boards appreciated that balancing short and longer-term marketing was a route to stronger commercial performance. That contrasts with 83% in organisations with high brand understanding.

Figure 2: Linking brands to business goals is less common in companies with low brand understanding



If organisations are failing to follow best practice because of weak brand building cultures, the situation should be addressed – beginning at the top.

Make brand metrics more credible

One of the biggest impediments to pushing effective brand building up corporate agendas is that brand metrics can lack credibility with senior management.

Only 27% of respondents in our survey said their company reported a specific brand-focused KPI at board level.

Fifty per cent believed the shortage of brand metrics that were credible with senior decision-makers was a bar to their organisation achieving a better balance of short and longer-term marketing.

Based on the hundreds of award-winning case studies collated in the IPA Effectiveness Databank, we believe credible brand metrics and solid evidence for how these measures link to commercial value have never been more available.

It is marketers' role to promote understanding of these metrics by demonstrating how they link to financial contribution.

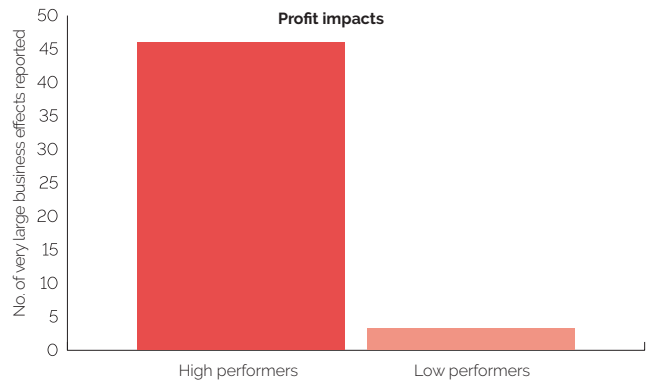
Boards should challenge marketing teams to provide fit metrics, using external suppliers, if needed, and adopt these for board and investor reporting.

Creativity helps maximise profits

How many CEOs can quantify the difference the highest creativity can make to the bottom line?

When the IPA analysed the commercial results of brands that won awards for both the creativity and effectiveness of their advertising, it found a dramatic gap between the best and worst segments.

Figure 3: Creativity used wisely drives growth at higher margin and dramatically greater profit impacts



High-performing brands were more than twice as likely to improve gains in pricing power and almost 16 times more likely to report very large increases in profitability.

Creativity can provide commercial advantage. But our research suggests this creativity is most effective financially when deployed by organisations dedicated to long-term brand building.

The message and potential financial benefits for CEOs who adopt such an approach are clear.

The IPA and the FT, along with EffWorks, a cross industry marketing initiative, have partnered to support more effective advertising by businesses. For more on effectiveness materials, including links to IPA publications, visit ipa.co.uk/effectiveness



Please get in touch if you would like our support in helping your business with its marketing and brand effectiveness.

Janet Hull OBE

Director of Marketing Strategy, IPA
+44 207 201 8253
janet@ipa.co.uk