How to Balance Brand Building and Price Promotion

As the Economy Improves, the Debate Will Intensify: Don't Be a High-Stakes Gambler

Published: December 29, 2009

by Doug Brooks

During the past 18 to 24 months, senior executives at many companies have been forced to move away from long-term growth strategies to focus on short-term survival. These strategies have focused on making the numbers for each quarter, and, in many cases, have been funded by reallocating investments from brand-building activities. Chris Dickey from Barkley addressed this topic in his article on rethinking discounts and pricing strategy. While I agree with his assessment and pricing strategies, I'd like to take the discussion a step further and delve into exactly how marketers can execute these strategies by using analytics to balance both brand building and price promotion.

As the economy begins to strengthen and marketers chart their course for 2010, the discussion topic in many boardrooms will be about striking this balance between investments in long-term brand building and short-term price promotion. To do this, many companies will need to break some of the dirty habits they adopted and carefully wean customers off the "buy only on deal" mindset.

Consumer research demonstrates that shopper behavior has changed dramatically, with shoppers acting in a more deliberate and mindful manner. A recent IRI study, entitled "Competing in a Transforming Economy 4.0," found that 64% of consumers say they are now making lists before they shop, while 51% consider coupons an important factor in their purchase decisions. And some consumers have even said they only go down the aisles that include the items that are on their list.

Additionally, this study organizes respondents into three emerging categories of shoppers -- optimists, maintainers and pessimists -- based on a diverse array of consumer demographics, psychographics, values and beliefs. IRI discovered that pessimists exemplify many of the attitudes that are driving behavioral change across channels and categories, such as searching for sale prices (87% vs. 82% for all households), making personal-care products last longer (62% vs. 55% for all households) and buying fewer prepared meals at grocery stores (61% vs. 55% for all households). Each of these emerging segments views fiscal responsibility from a different perspective. And, importantly, each group professes a different appetite for the "right" cost to pay in order to integrate or not integrate frugality into day-to-day life.

But these trends don't all represent doom and gloom for marketers. In fact, they create new opportunities. One of the most telling findings of what's most important to consumers is familiarity with the brand and price. The good news is marketers and sales teams can pull both levers. But the big questions are: Which levers to pull? When to pull them? How to balance them as consumer attitudes and behaviors continue to transform?

Unknowns

Senior executives are facing two significant challenges that make budgeting and planning exercises feel a bit too much like high-stakes gambling: Nobody knows how fast or slow consumer attitudes, then behaviors, will change. Moving too quickly could be costly; moving too slowly could cause many to miss golden opportunities.

So, how exactly do you balance brand building and consumer promotion while the economy continues to improve? Fortunately, with the predictive analytic techniques and data sources available today, executives could significantly reduce the risk of planning while striking a balance between brand building and price promotion. Most companies are already using many of these analytic techniques and have access to the data required to fuel these analytics. In order to take this to the next level, corporations need to properly integrate these techniques and update their data with the appropriate frequency.

It's very important to gain alignment, then refocus and repurpose. Powerful business insights aren't built like widgets; they require analytics that are constantly realigned to address the latest business challenges while remaining in lockstep with current marketplace dynamics.

In many organizations, this isn't the case. Analytics and insight creation have been on cruise control and, unfortunately, have fallen asleep at the wheel. This is the perfect time to re-energize and realign an analytics program in your company. Start by conducting a series of cross-functional interviews to inventory the latest business challenges and planning questions. Then, partner with your vendors and/or your internal counterparts to refocus and repurpose current analytics programs. Finally, circle back with the cross-functional team to ensure that they know how to use the business insights once they are delivered.

Another step is integrating research and analytics to tell the whole story and provide one truth. Many companies have migrated toward fact-based decision making by adopting a number of methods including: marketing-mix modeling, price-elasticity analysis and market-structure analysis, along with some of the traditional brand-tracking metrics. These methods have provided powerful new insights, but alone, they tell only a piece of the story and in many cases could provide conflicting insights. "Integrated storytelling," integrating the methods stated above and translating the results into forward-looking simulations and business insights, has already assisted in providing industry leaders competitive advantages and making an impact.

Adapting to change

Finally, companies must follow the consumer's transformation by rapidly refreshing analytics and recalibrating plans while keeping an eye on leading indicators. In this current environment, economic conditions seem to change more quickly than the seasons, and while the behaviors of some consumer segments are tracking with these changes, others may be leading or lagging. These are dynamic times that offer great opportunities to those who can track, diagnose and course-correct in near real-time. Those who can't will miss these opportunities and watch the gap between themselves and their competitors widen.

To do this, companies will need to:

1. **Track changes** in their business, key business drivers and competition at the level at which consumer and market dynamics vary.

In addition to using the traditional data sources and metrics, explore new data sources and methods to track leading indicators (such as search data, web-scraping technology to track buzz and consumer sentiment). These new metrics could provide evidence of a change in consumer attitudes and behaviors before it becomes apparent in some of the more traditional tracking metrics.

2. **Frequently (and efficiently) update analytics** to understand changing consumer attitudes and behaviors.

Marketing, sales, finance and market research are being challenged to answer some difficult questions: Are consumers becoming less price-sensitive? Is this new campaign effective, and is it helping to reduce price sensitivity? Are these results different by market, consumer segment, etc.? What is the right balance of brand building and price promotions for today, next month, next quarter, next year? To address these questions and provide the right information to the right people at the right time, companies will need to adopt processes and systems that support rapid refreshes of critical analytics. This is easier said than done and in many cases could require a full reengineering of how analytics are fueled, produced and used.

3. **Conduct cross-functional, forward-looking simulation exercises.**

Having a cross-functional team of marketing, finance, research and sales involved in this process will help drive buy-in of the results and, most importantly, action.

So what does it all mean? What's the output of integration and tying it all together? Why should companies invest in systems and processes to support near real-time analytics? Today, many industries are undergoing seismic shifts as the American shopper continues to cut costs in ways we haven't seen in decades. As the economy begins its shift toward recovery, boardrooms must also be nimble and prepared to shift from their short-term survival strategies back to long-term growth strategies. Doing this will require fact-based evidence that is accepted as truth across the organization and available in time to support critical business decisions. Striking a balance between brand building and promotion through a cohesive marketing and sales plan based on solid, timely insights is one of the critical ways companies can stay ahead of the ever-shifting curve these economic shifts have created.

ABOUT THE AUTHOR

Doug Brooks is senior VP-modeling and analytics at Information Resources, Inc. (IRI).