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Analytics

CFO’S guide to Investment in Brands and Channels

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If you’re the CFO of a consumer business, it’s likely your business is becoming increasingly multi-channel. Your role in balancing investments between these channels and investments in brands is therefore increasingly demanding. Understanding the trade-offs between the investments in brands and investments in the retail channels that help reach consumers, is ever more challenging.

Investments in digital marketing will help build important strategic assets, such as brand equity and consumer intelligence. But the same brand equity risks being undermined by the channels you are investing in, as they are also competing for brand equity and share.

So, what are the trade-offs in each channel and how do we understand and manage them to optimise our investments?

Channels

For a long time, brands have both cooperated and competed with channels; multi-channel business is more complicated. Each channel creates different challenges for the brand owner:

- Some are opportunities to build brands
- Most create short term returns

- Some carry the risk of undermining the brand and eroding margin
- Some are the source of crucial consumer intelligence

Each channel generates different data and if we want to manage our brand and channel strategies effectively, we must be able to look at our channel data and digital marketing data together and apply some suitable analytics. Doing so will allow us to understand and manage channel relationships.

The challenges in each channel are unique, so let's take a look at some of them.

E-Commerce Retailers

These offer reach to brand owners. Amazon is reaching nearly 197 million unique visitors per month, but offers little influence over assortment, pricing, or presentation. Although for big brands it is possible to embed brand teams with Amazon which can help to optimise brand visibility criteria, position on the webpage, customise the brand presentation and understand the impact of competing brands.

Brands, however, cannot be built in this channel. Dynamic pricing and price erosion will undermine brands with premium positioning. Monitoring presentation, pricing, share and margin data are critical to analysing the risks to brand equity. Price data is also needed to analyse the cross-impact on price promotions in any bricks and mortar channel.

E-Commerce Store-in-store and Online Marketplaces

More than 150 online marketplaces offer reach, with more control over pricing and presentation than is offered by e-commerce retailers. Each brand can give consumers a stronger brand experience and generate valuable consumer feedback on which to assess brand health and product innovations.

These channels support consumer dialogues which can have measurable impact on brand health, and which can spill over into other channels, helping to lift brand share and category sales. These marketplaces also offer attractive economies of scale, such as shared fulfilment services to help support margins.

Some marketplaces have been poor at controlling grey market or parallel trade activity which is a price erosion risk to monitor.

The data captured on performance, pricing, margin, presentation, brand health, consumer sentiment and digital conversations with consumers can be rich and help to produce valuable brand analytics.

Direct to Consumer Websites

Used initially by established brands to showcase products and engage with consumers these are increasingly being used as direct sales channels. The sites generate not just data on consumer attitudes and relationships but also on purchasing behaviour. The channel offers the ability to collect data from market tests of innovation, pricing and merchandising. These sites also benefit by providing exclusive offers, premium and personalised products to engage consumers, build loyalty and differentiate the channel.

Direct to consumer websites require considerable investment in content and marketing to drive traffic and develop customer loyalty, so some analytics activity is aimed at optimising site performance against the ranking algorithms of the search engines. However, perhaps more important is measuring the effectiveness of the site in building the brand and consumer loyalty. The ultimate potential of D2C sites and consumer loyalty is perhaps demonstrated by the Apple D2C website which generates substantial revenues.

New digital-first brands with distinctive offerings also use D2C websites to build relationships and sustain digital conversations with their target segments, permitting them to cut into the share of bigger brands without incurring the costs associated with supporting other channels. However, such firms usually go on to develop a presence in bricks and mortar channels to enable consumers to experience the product and will see increased conversion rates in all channels as a result.

The consumer intelligence that can be accumulated through the digital conversations encouraged by D2C sites is a long-term strategic asset for brands. Both new and established brands have used D2C channels for encouraging users to share ideas for new products and marketing messaging.

Bricks and Mortar Retail

Most brands using this channel have established account management processes for negotiating with bricks and mortar retailers over assortment, pricing and presentation. This channel provides consumers with the opportunity to experience products in a way that is not possible online. Store-in-store works for higher margin brands that can support the additional marketing costs. Analysis can indicate how the consumer confidence created in bricks and mortar channels can be shown to influence online conversion rates. Data captured on sales and share are the basis for revenue growth management analytics and for managing the relationship with the retailer using trade profitability analytics.

Analytics Challenges

Analytics offers help with managing these complexities. The ability to integrate data from multiple sources to measure returns is fundamental. The data is usually integrated within a cloud service such as those provided by Google, Microsoft and AWS as these are eminently scalable and low cost.

Where analytics services are used it is important that they provide access to raw data via APIs or other interfaces. Data strategy policies should be established that prevent valuable information being rendered inaccessible in any internal or external silo, which would inhibit the development of consumer intelligence as a strategic asset.

From the CFO's perspective, expenditures on digital marketing and channels produce both short term returns and create strategic assets – brand equity and consumer intelligence – that are the foundation for future growth. The investments also involve trade-offs and cross-impacts. By using an integrated approach to analytics, this complexity can be effectively managed.