Google

The Effectiveness Equation

How to understand the full impact of your marketing strategy and prove it to the rest of the company

EXECUTIVE SUMMARY

Marketing effectiveness remains a critical challenge for businesses, with only 40% of senior marketing decision-makers believing their organisation has a clear effectiveness goal and just 20% agreeing on how to measure it.[1] This misalignment brings real commercial risk: when CMOs can't demonstrate the full impact of their work, marketing investment can suffer, ultimately undermining business growth.

Through extensive analysis and collaboration with industry partners, we've identified six key insights that can help organisations better measure and communicate marketing's full business impact:

1. **Short-term ROI only tells half the story.** Analysis of hundreds of effectiveness studies shows that marketing returns during months 5-24 are equivalent to those of the first four months—yet businesses routinely undervalue these carryover effects.[2]
2. **Brand and performance marketing are better together.** For e-commerce brands media effectiveness peaks when 40-60% of the investment goes to brand building, with brand marketing contributing to both short-term and long-term sales.[3]
3. **Strong brands are more immune to price increases.** There is a clear link between brand strength and pricing power, with strong brands consistently commanding prices up to twice those of weaker brands.[4]

1 Google/Kantar, UK, FR, DE, Understanding perceptions of advertising effectiveness within the marketing community, n= 476, June 2023. **2** Ekimetrics, UK, DE, FR, IT, Meta Analysis of several countries and categories which measured YouTube, TV and Social Media, 36 UK studies from AUTO, 35 DE studies from AUTO, 45 FR studies from AUTO, 35 FR studies from TELCO, 33 FR studies from RETAIL, 28 IT studies from AUTO, 2017–2022. **3** Ipsos MMA, CH, DE, DK, ES, FR, IT, NL, PL, RO, SE, UK, Meta Analysis of Ipsos MMA Marketing Mix Database, 2020–2023. **4** Google/Kantar, DE, UK, "Beyond the Sale: How Marketing Impacts Revenue", Dec 2024.

4 **Collaboration between functions is critical.** But there are big discrepancies in how departments view this cooperation. Marketing decision-makers typically consider the quality of collaboration to be lower than their finance counterparts.[5]

5 **First-party data helps challenger brands compete with market leaders.** Our research shows that using customer data to personalise marketing messages can potentially help brands win 10 to 26% preference share from category leaders, depending on specific product category.[6]

6 **Sustained marketing investment is important.** Many businesses treat marketing as an operating expense to be cut during economic downturns. However, analysis shows that regaining lost market share typically requires a disproportionate reinvestment— approximately $1.85 for every $1 initially saved through cuts.[7]

Together, these findings underscore a crucial truth: clear proof of marketing effectiveness through proper measurement is key to aligning the whole business on its strategic value.

5 Google/Project X Initiative/Newton X, UK, DE, Profitable Growth B2B Research, n=126 marketing decision-makers & n=124 finance decision-makers, Aug 2024. **6** Source: Google/The Behavioural Architects, UK, First party data in the messy middle, n= 5500 in-market shoppers, Apr 2024. **7** BCG, US, BCG brand impact analysis, Quantitative analysis of nearly 150 major US brands across 15 industries, July 2022.

CONTENTS

INTRODUCTION

Marketers now have more tools and data at their disposal than ever before, but many still feel under pressure to prove their worth.

Even when senior business leaders are aligned on marketing strategy, they might not be fully aligned on the KPIs that signify the marketing department's 'success'—leading to uncertainty and even scepticism about campaign results.

Indeed, our research suggests that only 40% of senior marketing decision-makers believe their business has a clear marketing effectiveness goal, while just 20% agree on how to measure it.[8] And during economic downturns, this lack of consensus can mean that marketing budgets are among the first to be frozen or cut.

Most marketers know that their campaigns do more than just drive short-term sales. In fact, as we've seen in previous research, every interaction consumers have with brands and products influences their future decision-making. Good marketing doesn't just convert—it grows the pool of potential buyers, inspires greater loyalty from existing customers and enables well-marketed brands to command a price premium. But without robust methods for capturing this broader contribution, businesses often default to short-term ROI, understating marketing's role as a growth engine.

8 Google/Kantar, UK, FR, DE, Understanding perceptions of advertising effectiveness within the marketing community, n= 476 senior marketing decision-makers from advertisers and marketing communications agencies (UK=156, FR=158, DE=162), May 2023.

This measurement challenge has grown more acute as marketing teams face persistent pressure to *"do more with less"*. Marketing leaders are expected to drive growth across a broad range of channels and touchpoints while operating with constrained resources and heightened scrutiny. The imperative to prove value has never been stronger, yet marketing measurement is inherently complex, and no single method can capture the full and varied contributions of marketing to business growth.

Executive misalignment on this issue carries real risk. When the C-suite lacks consensus on marketing's value proposition, growth opportunities may be missed as budgets fail to keep pace with potential. Resolving this tension won't be an easy task. Finance departments already work with industry-wide metrics and methodologies, and it will take time and cooperation across the entire marketing sector to bridge the gap. But even small steps towards better alignment between departments can help build mutual understanding and shift perceptions.

To that end, rather than offering definitive answers, this ebook—a collaboration between our measurement experts and industry partners including Nielsen, Kantar, Ekimetrics, the Behavioural Architects and WARC—aims to advance an ongoing dialogue about measuring and communicating marketing's full impact.

We've drawn on published literature and conducted surveys and interviews with business leaders and marketing practitioners across Europe. And in the following chapters we'll examine persistent questions and misconceptions about the value of marketing, explore how marketers balance competing demands, evaluate the relationship between brand power and pricing power, and propose a framework for measuring both short- and long-term effects.

CHAPTER 01

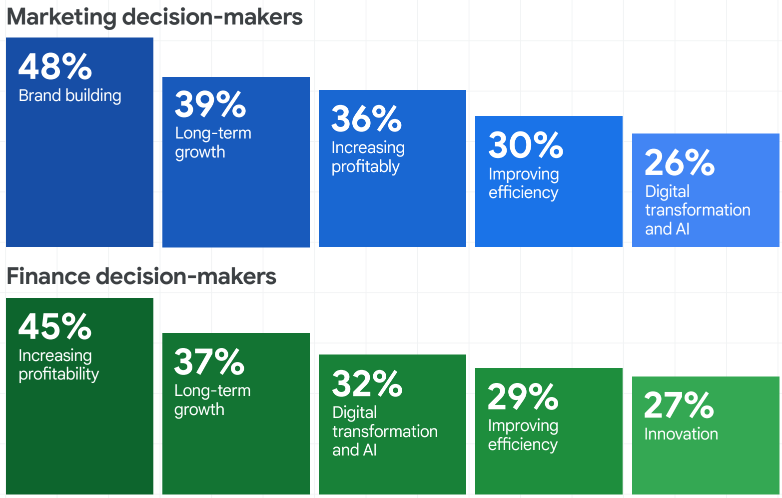
Why is there still uncertainty about the value of marketing?

An exchange between attendees at a recent summit underscored the basic challenge marketers are facing. When one CMO described being constrained by fixed annual budgets, a CFO from across the room responded simply, "If I saw a solid business case from marketing, I would sign the cheque right away." This moment crystallised an essential disconnect in how many organisations view marketing investment.

Despite advances in marketing technology and data analytics—and widespread recognition from the C-suite that marketing drives growth—there are cultural and technical barriers that still prevent its full acceptance as a growth engine. The cultural divide manifests most clearly in how marketing decision-makers and finance decision-makers think about priorities of the business.

FIGURE 01

Company priorities for marketing and finance decision-makers



Marketing decision-makers include CMOs and other senior marketing leaders, finance decision-makers include CFOs and other senior finance leaders. Q: "Which of the below match your company's overall priorities for 2024/2025 best?" Source: Google/Project X Initiative/Newton X, UK, DE, Profitable Growth B2B Research, n=126 marketing decision-makers & n=124 finance decision-makers, Aug 2024.

While both functions acknowledge that marketing drives short- and long-term business growth, their perspectives on company priorities diverge significantly. Almost half of the marketing decision-makers we surveyed named brand building as the top company priority for 2024-2025, but it didn't even make the top five priorities among finance decision-makers.

As an example of this dynamic, our measurement experts recently worked with a brand's marketing team on a six-month geo-based incrementality test. It proved that the brand's Google campaigns drove consideration. But when the results were presented to their CFO, the response was blunt: brand consideration wasn't enough, and unless the experiment was rerun to prove increased profit, there would be no extra budget. Despite gathering robust data, the team hadn't translated their findings into the language of finance.

This example highlights a fundamental challenge: how can marketing demonstrate its contribution to a company's operating profit in terms that resonate with finance? At its core, the basic profit equation is straightforward:

Profit = *Sales * Price - Costs*[9] †

9 Price - price per unit; costs - total cost (that includes fixed and variable costs)

† The equations presented throughout this paper are simplified illustrations of the real-world models

Traditionally, marketing's contribution has been credited primarily through driving sales. However, this simple view captures only part of marketing's impact. As we'll explore in more detail in Chapter 2, understanding true incrementality—separating marketing-driven gains from baseline demand and external factors like seasonality or competitor activity—is crucial for accurately measuring marketing's contribution.

$$\text{Profit} = (\text{Baseline sales} + \text{Incremental sales from external factors} + \text{Incremental sales from marketing activity}) * \text{Price} - \text{Costs}$$

NB: all sales expressed in unit sales

Moreover, marketing's influence extends well beyond short-term sales lifts. When we account for both immediate and lasting effects, the equation expands:

$$\text{Profit} = (\text{Baseline sales} + \text{Incremental sales from external factors} + \text{Incremental sales}_{ST}{}^{*} + \text{Incremental sales}_{LT}{}^{**}) * \text{Price} - \text{Costs}$$

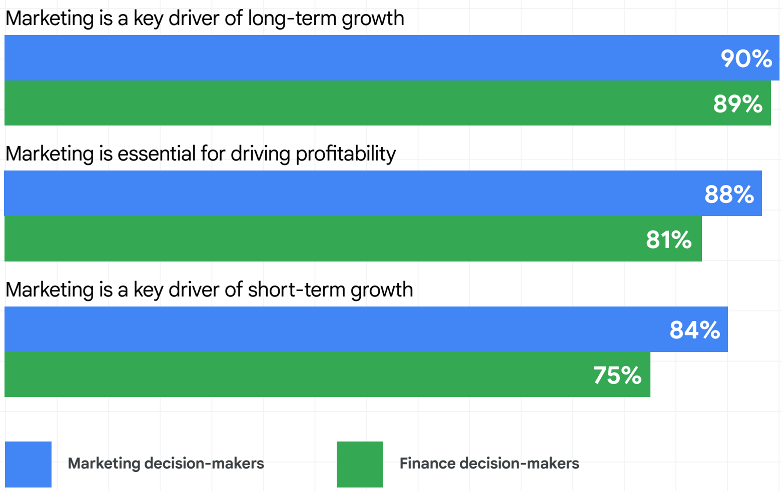
NB: all sales expressed in unit sales

where ST represents "short-term" (0-4 months) and LT represents "long-term" (5-24 months) effects. This more complete view helps explain why both marketing and finance functions value long-term growth—a topic we'll examine in depth in Chapter 3.

* Incremental sales from ST marketing
** Incremental sales from LT marketing

FIGURE 02

Marketing and finance decision-makers are aligned on the importance of marketing for growth



Marketing decision-makers include CMOs and other senior marketing leaders, finance decision-makers include CFOs and other senior finance leaders. Q: Please indicate your level of agreement with the following statements about the role and importance of marketing in your company. T2B= “strongly agree” + “agree”. Source: Google/Project X Initiative/ NewtonX, DE, UK, Profitable Growth B2B Research, n=126 marketing decision-makers & n=124 finance decision-makers, Aug 2024.

However, the quarterly reporting cycle often forces finance to deliver results short-term, making marketing chase immediate sales impact even if both functions want to invest for the future. The impact of this misalignment is most severe during times of economic uncertainty. When times are hard, CFOs face pressure to cut non-essential spending, and while short-term marketing campaigns can be easily connected to sales, brand-building initiatives that resist such straightforward validation are often vulnerable to cuts. Moreover, standard accounting rules further compound the problem by treating marketing as operating expenditure, creating a perverse incentive to cut marketing first when businesses need to protect their bottom line.

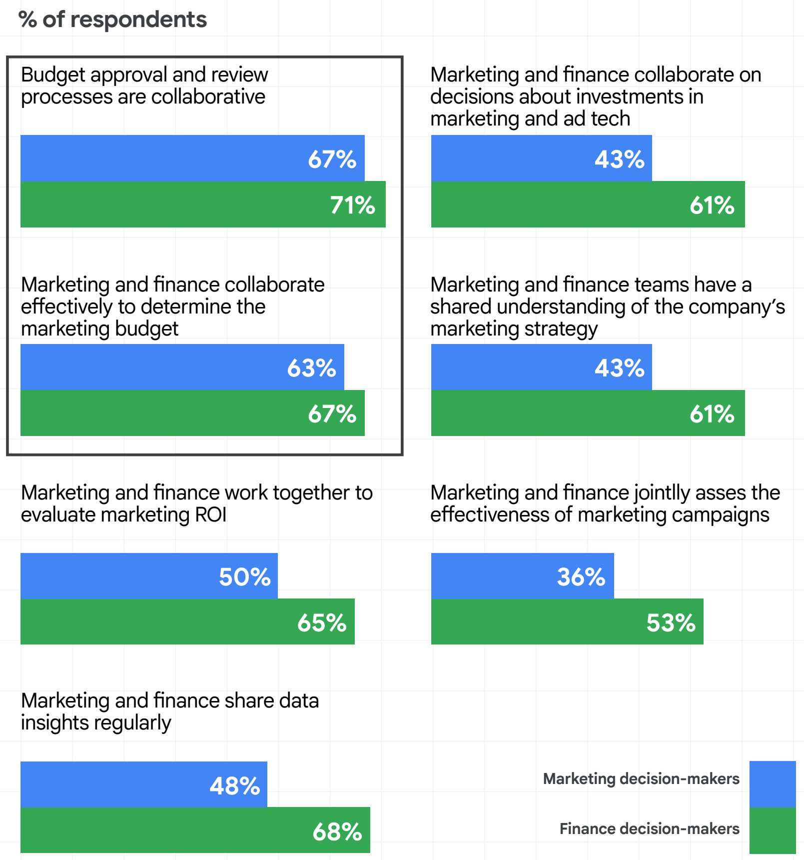
> Boards face a huge amount of pressure. And because of the need to look at quarterly results, they often take a very short-term view. And this has been a problem for marketing. It really comes down to accounting. Marketing is often seen as a cost.
>
> **Ian Whittaker**, Liberty Sky Advisors

Research from Deloitte (2021) shows that companies where CMOs and CFOs are on the same page consistently outperform those where they're not.[10] But while both roles acknowledge the importance of cross-functional collaboration, **finance decision-makers rate the current quality of cooperation as well as the tools used more highly than marketing decision-makers**—a disparity that may reflect traditional corporate power structures.

10 Deloitte: Marketing and finance—a partnership for growth. https://www2.deloitte.com/us/en/insights/topics/strategy/impact-of-marketing-finance-working-together.html, 2021.

FIGURE 03

Finance decision-makers rate the quality of collaboration higher than their marketing counterparts



Marketing decision-makers include CMOs and other senior marketing leaders, finance decision-makers include CFOs and other senior finance leaders. Q: To what extent do you agree with these statements about collaboration and communication between you/your marketing team and the CFO/finance team? Source: Google/Project X Initiative/NewtonX, DE, UK, Profitable Growth B2B Research, n=126 marketing decision-makers & n=124 finance decision-makers, Aug 2024

As one Marketing Director observed, “I think CFOs feel they have more control than they do. They see the outcome and challenge it but aren’t involved in the detailed planning. So while they might say it’s collaborative, by the time the plan reaches them, most of the work is done.” Similarly, a Head of Media at a global bank explained, “Finance is heavily involved for three, four weeks a year. And then they disappear. By Q3, they’re getting in touch again to adjust for Q4 and start discussing the next year.”

A further cultural challenge arises from how each function measures value. Finance operates with universally understood metrics, such as cash flow, profit and loss, while marketing often lacks this standardisation. Marketers will rightly baulk at the notion that their work is any less rigorous, but the gap between its evolving predictive metrics and the GAAP deterministic standards used by finance can be a real barrier to cross-departmental communication, and can even lead to mistrust in marketing results.

> CFOs don’t debate how to measure cash performance... One thing I think would dramatically enhance the credibility of marketers across the world is if we could agree on the most important metrics of performance.
>
> **Jane Wakely**, CMO PepsiCo

Protecting brand investments demands robust measurement, which brings us to the heart of the technical challenge. As our previous Measuring Effectiveness: Three Grand Challenges paper highlighted, no single tool or methodology is able to capture everything—multiple approaches are needed. Digital attribution is widespread and widely understood, but its insights tend to be short-term and only tell part of the story. On the other hand, brand metrics such as awareness and consideration, along with long-term indicators like customer lifetime value, demand more sophisticated—and often more expensive—methodologies. This has led to what one industry leader calls an "addiction to conversion", as marketers retreat to the safety of performance metrics that speak directly to revenue, even if they don't capture a campaign's full value.

> There is a clear gap between the deterministic world of finance and the probabilistic world of marketing.
>
> **Dr. Daniel Knapp**, Economist

Unfortunately, shifting these perceptions is only getting harder. Privacy headwinds have driven marketing to adopt new technologies and MMMs, which use aggregated data to measure effectiveness while preserving privacy.[11] Beyond this, the proliferation of devices, channels and formats has created customer journeys of unprecedented complexity. The result is often siloed and inconsistent data that can obscure marketing's impact and hinder collaborative decision-making. Subsequently, many campaigns default to tracking an overwhelming number of metrics, often not comparable across platforms, leading to reporting confusion and difficulty identifying crucial drivers of success.

11 Think with Google, Data Foundations for Growth: Drive and measure results in the AI era, Sept 2024.

Privacy headwinds

Loss of event-level data will put aggregated measurement methods – such as MMMs – more at the forefront.

Media complexity

Innovation is required to accurately model new digital formats and deliver credible measurement with trust and transparency.

Shift towards ROI

The industry is seeing increasing demand for media effectiveness measurement to justify every dollar of spend.

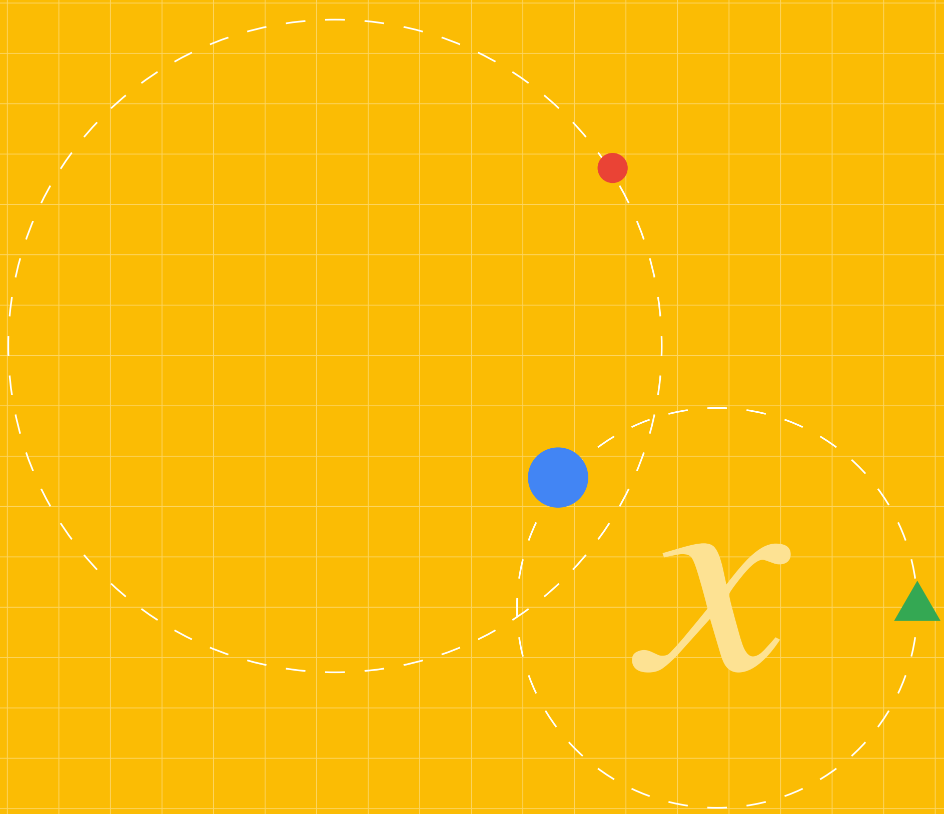
Transforming how organisations consider and capture marketing value will require action on many fronts. The interconnected challenges we've laid out here—cultural, technical and economic—demand new approaches to measuring and communicating how campaigns contribute to business growth.

As one Finance Director at a travel company says, "Right now, marketing and finance mostly come together during the budgeting phase. There needs to be more interaction, like quarterly reviews, where performance is assessed, and goals are clearly defined. Instead of just one conversation during budgeting, ongoing discussions would help."

Before marketers can make the case for increased investment, they need to build bridges between departments and establish solid foundations for their models and methodologies. So in the next chapter, we'll explore how to lay these foundations by asking a deceptively simple question: are you measuring the right things?

CHAPTER 02

Are you measuring the right things?



Effective marketing is always a balancing act. Marketers have to weigh the short-term and long-term effects on both sales and brand, efficiency against effectiveness, and reach against frequency—all while coordinating across an ever increasing number of channels and platforms.

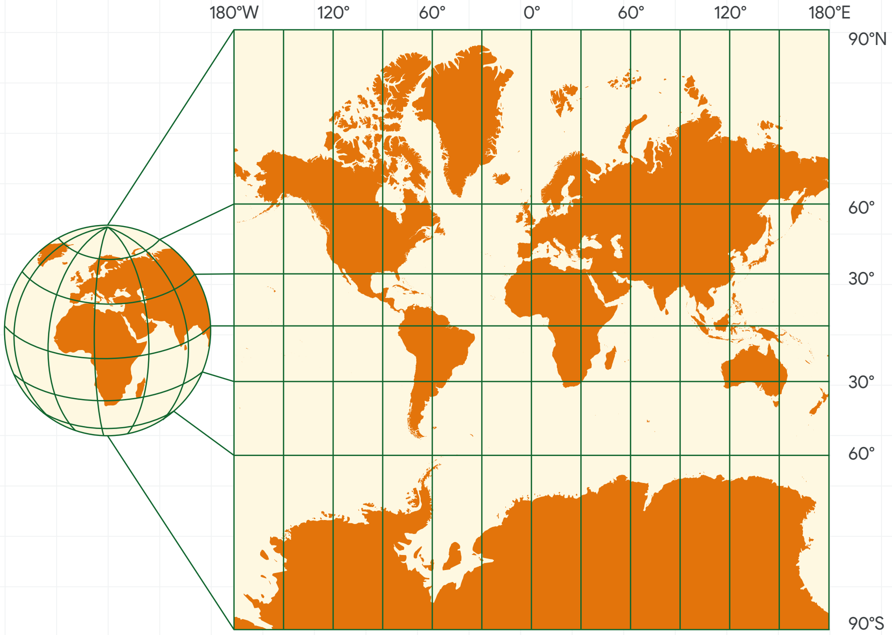
But when it comes to measurement, it can be hard to get the balance right. Focus too much on efficiency by maximising average ROI or minimising average CPA and you can miss the larger growth opportunity, or even risk losing hard-earned market position.

The challenge stems in part from what marketing teams are able to measure. A lack of better alternatives often leads them to optimise for metrics that are easily trackable within specific channels—click-through rates, cost per click, engagement rates—rather than focusing on ultimate business goals like revenue and profit. While channel-specific metrics can provide useful insights, overreliance on them could mean missing the bigger picture of marketing's impact on business growth.

Unfortunately, there isn't an easy answer to this problem. Today's media and consumer landscape is enormously complex and subject to frequent shifts. Building a marketing measurement framework involves making careful choices about what to include and what to ignore. Consider how cartographers approach the challenge of representing our three-dimensional planet on two-dimensional paper: there is no single ideal method, so they have to decide which aspects of geography to preserve accurately and which to sacrifice so that they can create a map that is usable for navigation and general understanding. And, like a 2D map projection of the planet that employs certain distortions in area size (to preserve angles for navigation), there is no one marketing framework that can offer an exhaustive view of reality.

FIGURE 04

Mercator Projection



The key is to make trade-offs purposefully, with a clear business destination or goal in mind. Ideally, marketing and finance teams will define KPIs together, but where this isn't possible, marketers should try to ensure that their metrics align with the financial measures discussed earlier.

One consequence of the ready availability of simple channel metrics has been an overload of KPIs. It's not uncommon for our teams to see campaigns optimising for ten or more campaign goals within a single account. The rationale seems sound: *more metrics mean more insights*. But in practice, this proliferation has serious consequences:

- Marketing budgets become fragmented across multiple smaller initiatives as teams attempt to optimise for each metric simultaneously—diluting the potential impact of more focused investments.
- AI-powered systems struggle to maximise outcomes when given too many variables to optimise towards.
- Most critically, human decision-makers become overwhelmed by the volume of data, losing strategic focus.

The metrics overload is compounded by inconsistent definitions between platforms and channels. Basic metrics like "views" and "conversions" can mean dramatically different things in different contexts. For example, one platform might count a video ad as being viewed after three seconds, while another requires ten. The attribution rules also differ across platforms. This lack of standardisation makes it extremely difficult to compare performance between channels or build a unified view of marketing effectiveness.

> We've got the finance team saying, well, you're telling me that we've got this from Meta and we've got this from Google and then we've got this from this channel and it doesn't add up to what we're seeing in our backend.
>
> **Global Chief of BI and Analytics** at a UK-based agency

So how can marketers escape the metrics maze to build a measurement framework that truly captures their impact? The first and most critical step is clearly articulating business objectives—before a single metric is chosen, organisations must define precisely what they are trying to achieve. From there, meaningful KPIs serve two crucial functions: as diagnostic tools that reveal how marketing activities contribute to these objectives, and as predictive indicators that forecast the likely impact of strategic shifts.

When building a KPI framework, marketers should consider these four fundamentals:

- **Start by clearly defining your business goals and understanding your industry context**—this foundation is crucial for tailoring a Media KPI framework that accurately measures and predicts progress.
- **Ensure you include KPIs for both effectiveness ("what results have we achieved?") and efficiency ("results relative to costs")**—favouring one over the other can create the wrong incentives.
- **Measure those KPIs holistically and over as long a time horizon as possible**—tracking progress towards long-term goals as well as managing day-to-day campaigns.
- **Secure stakeholder buy-in**—by sharing your set of KPIs and explaining your standards of measurement to teams beyond marketing.

This approach necessarily varies by context. A rapidly growing start-up might prioritise KPIs focused on market penetration and customer acquisition, while a mature brand might choose metrics that reflect customer loyalty and brand equity.

With this foundation in place, we can now begin exploring three fundamental concepts that should anchor any marketing measurement framework: Total and Marginal ROI, which help optimise investment levels; Incrementality, which isolates marketing's true contribution to business results; and Reach and Frequency, which - while being different due to being input variables or Media Deployment Characteristics - are key to understanding how media exposure drives business outcomes.

Two kinds of ROI: why you need to track them both

Marketing effectiveness ultimately comes down to a simple question: what value did the marketing activity create and at what cost? Fortunately there are two complementary metrics that help us understand this relationship: Total ROI (tROI) and Marginal ROI (mROI).

Total ROI, also known as Average ROI, measures a campaign or channel's overall efficiency in converting spend into revenue—in other words, the total value you get for your total investment. By contrast, Marginal ROI reveals the value of each additional unit of spend—answering the crucial question: *what will more budget actually deliver*?

We can express these measures mathematically for any given marketing channel:

$$\textbf{Total ROI} = \frac{\text{Sales generated by channel } n}{\text{Marketing spend for channel } n}$$

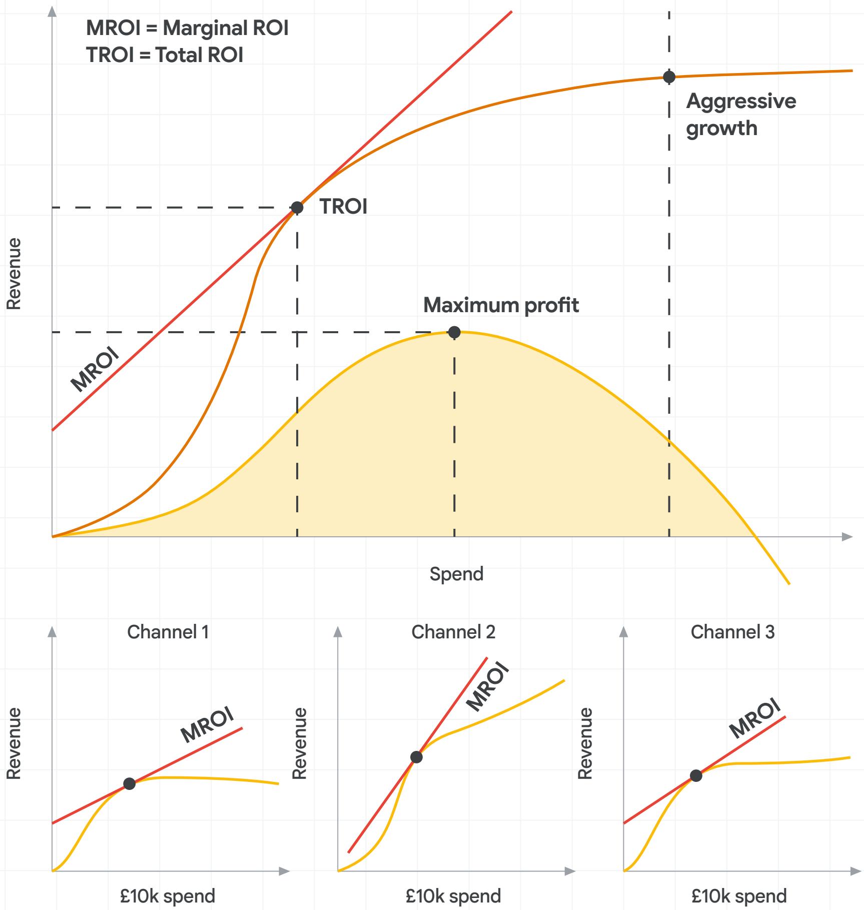
$$\textbf{Marginal ROI} = \frac{\Delta \text{ Sales generated by channel } n}{\Delta \text{ Marketing spend for channel } n}$$

While Total ROI helps assess a channel's broad performance, Marginal ROI guides media budget allocation, answering the question of how to distribute a given budget across channels for maximum incremental efficiency. Understanding both metrics—and how they interact—is essential for optimising investment.

Response curves help us visualise these relationships by mapping media spend against an expected result such as revenue. These typically follow an S-shaped pattern that appears consistently across channels, with experience and theory pointing to this as the most realistic representation of media effectiveness. Impact is limited initially as a campaign exposure accumulates, followed by a period of significant growth that eventually tails off into diminishing returns.

FIGURE 05

Response curves and the dynamics of ROI



This chart is an illustrative example and is not reflective of actual figures

For a simple illustration, consider a marketing campaign on a specific media channel, such as YouTube, for a new soft drink. As the initial spend ramps up, their advertising barely registers in a crowded marketplace—too few people have seen the ads too few times to generate meaningful sales. Then, as investment increases, the campaign impact reaches an acceleration point where the message is sufficiently reinforced across a growing audience to generate a wider consumer response. That's the point where the slope of the response curve is the steepest. Eventually, they approach saturation, where most of the target audience is converted and doubling an already-substantial budget only delivers marginal gains in sales.

These diminishing returns can be captured mathematically. For any set of marketing channels, we can express incremental sales as:

$$\text{Incremental Sales} = \sum_{n=1}^{N} (beta\_n * f(Impressions\_n)) \text{ for all channels } n$$

where f function represents the S-shaped transformation that produces diminishing returns as impressions increase.

This mathematical representation helps us understand why simply increasing impressions linearly won't produce linear sales growth. It is important to know where on the response curve you are at the moment: are you a rising star or cash cow? For Google Ads campaigns the Performance Planner tool can forecast the sweet spot between spend and effectiveness, but for broader campaigns marketers should work with finance to model specific curves for those channels.

These response patterns have profound implications for investment strategy. The point of maximum marginal ROI—where each additional unit of spend generates the highest additional return—typically occurs early in the response curve. It is followed by a point of maximum total ROI – the spend level where the channel delivers the highest profitability. However, stopping investment at this point often means leaving substantial value on the table. As long as the ROI exceeds the levels of profitability acceptable to the business, additional investment will continue improving overall returns, even though each additional unit of spend will yield a slightly lower marginal return. Google's Business Finance team regularly works with advertisers on building their response curves and identifying the optimal ROI point.

> We need to move beyond channel performance optimization and look at ideal budget allocation: advertisers miss out by not investing enough to maximise results (profit or LTV) or not accounting for total value generated (e.g. online and offline conversions). Advertisers we work with often see around 40% uplift in net value generated and are able to stay ahead in a competitive environment.
>
> **Rares Rusu**, Head of Business Finance, Google Southern Europe

If you already have defined spend levels across several marketing channels and are thinking where to invest additional budget, marginal ROI is a helpful metric to consider. If you know the marginal ROI for each channel, you can see which channel is currently delivering the biggest bang for your buck. Mathematically, it reflects how steep each response curve is at this level of investment. Increasing investment in the channel with the steepest potential growth will maximise return from your advertising spend.

Modern measurement approaches can now reveal these relationships with increasing precision. However, limitations in historical data sometimes prompt misleading conclusions. It's crucial to approach such findings with healthy skepticism. Often, these results simply reflect the constraints of analysing a narrow range of spending levels rather than the true relationship between effort and outcome.

Next we'll explore another question that helps identify whether to continue investing in a specific marketing activity: did it actually drive additional revenue for the business? Which brings us to the concept of incrementality.

Incrementality: establishing the true value of marketing

Not all business success is attributable to marketing. After all, businesses generate sales through multiple channels, with product quality, operational efficiency, pricing, customer service and innovation all playing their part. So the true challenge of measurement is to separate the value added by marketing from the baseline value that would exist without it.

As we discussed in Chapter 1, a profit equation can be represented as follows:

```
Profit =
(Baseline sales + Incremental sales) * Price - Costs
```

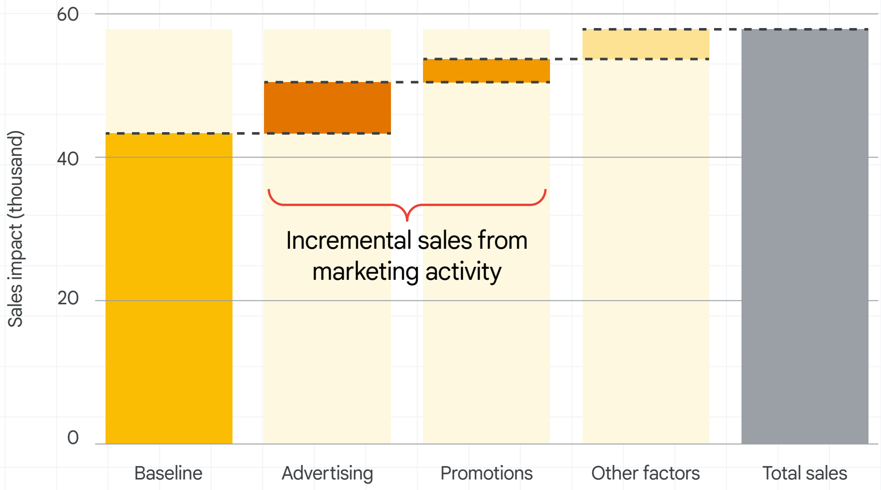
In measurement terms, baseline sales represent the underlying demand for a product or service—sales that would occur without any active short-term marketing. Every business naturally experiences ebbs and flows around this baseline. These fluctuations stem from a multitude of factors, including seasonality, weather patterns and competitor actions—as well as, crucially, the company's own marketing and media activities. The challenge lies in accurately separating these influences to isolate the incremental contribution specifically attributable to marketing and media.

Let's consider the example of a hotel: during peak season, location demand alone might drive a 70% occupancy rate without the need for active marketing. If marketing then pushes that rate to 80%, the true incremental value of those campaigns is the additional 10%, not the total revenue from all booked rooms. This distinction becomes crucial when making the case for additional marketing investment.

The waterfall diagram below illustrates what this attribution process looks like in practice, showing how incremental sales can be broken down into their constituent parts, with baseline sales representing the portion that would occur without marketing activity or promotions.

FIGURE 06

Incremental sales



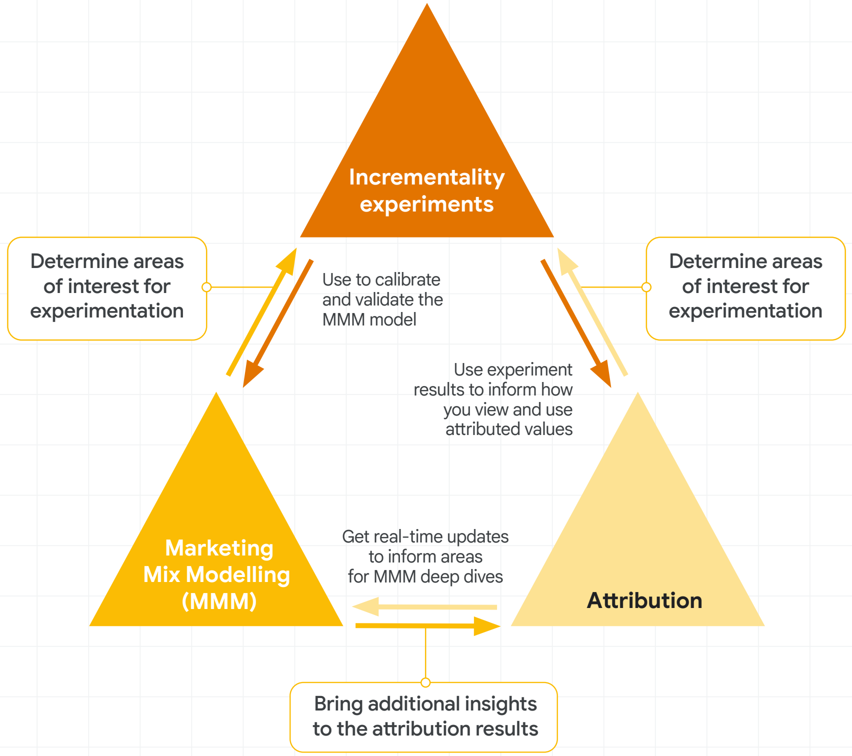
But to complicate matters further, baseline sales aren't static. They shift constantly in response to external forces—from broad economic conditions to competitor moves and market trends. And the relationship between baseline and incremental sales is no less complex. While we often think of them as separate, they're deeply connected.

Strong marketing doesn't just drive short-term sales lifts—it gradually strengthens the brand's foundation, ultimately lifting the baseline. This creates a powerful compound effect: as baseline sales grow, they provide a stronger platform for future campaigns, potentially generating even greater incremental gains. It's a virtuous cycle that demonstrates why both short-term activation and long-term brand building matter. But of course, the opposite is also true: if marketing activity misses the mark it can diminish brand strength and ultimately erode the baseline.

So how do you actually measure incrementality? Our Modern Measurement playbook suggests three distinct approaches, which together offer a more complete view of marketing performance. User- and geo-experiments are the gold standard of incrementality measurement, but they may not be possible for all marketing activity. To gain a more complete understanding, marketers should balance experimentation with multi-touch attribution and Marketing Mix Models (MMMs).

FIGURE 07

Modern measurement



While implementing this framework takes significant effort and investment, the rigour is essential. Only by understanding true incremental impact can marketers deploy their budgets to full effect. But to do this well, they also need to master two of the fundamental metrics of media delivery itself: reach and frequency.

Reach and frequency: the mechanics of media exposure

Reach and frequency sit at the heart of media planning. These twin media delivery measures reflect how marketing budgets are deployed, shaping whether campaigns emphasise reaching new audiences or building recognition among existing ones—and crucially, help identify the point at which additional exposures stop delivering incremental returns.

The emphasis between these metrics has shifted over time. In the 1950s, planners focused primarily on maximising audience reach through traditional channels. By the 1960s, the emergences of the early ancestors of Marketing Mix Modeling brought frequency management into sharper focus, as brands sought to optimise budget allocation and avoid audience fatigue. In the early 1970s Herbert Krugman introduce his influential “rule of three”—the theory that three exposures are optimal for advertising effectiveness, with each serving a distinct purpose: first to create awareness, second to demonstrate relevance, and third to reinforce the message.

For a simple illustration of why it’s important to strike the right balance between reach and frequency, let’s return to our hotel example. The hotel’s marketing budget is enough to deliver 1000 impressions, but is it better to reach 1,000 people once, 250 people four times, or one person 1,000 times? Though these three scenarios represent the same number of gross impressions, their impact on occupancy will vary dramatically! A single exposure might not create enough awareness to drive bookings, while excessive frequency could restrict the potential customer base. The optimal balance typically lies between extremes: enough reach to capture the opportunity, enough frequency to drive action.

Building on our simplified incrementality equation, we can now express this more precisely:

$$\text{Incremental Sales} = \sum_{n=1}^{N} \left(f(\text{reach}_n * \text{frequency}_n)\right) \text{ for all channels } n$$

The targeting capabilities made possible by digital media have tempted many marketers to pursue high-frequency strategies with narrow, high-converting audiences. But as Dr. Grace Kite notes, optimising for conversions often means simply finding people already primed to convert.

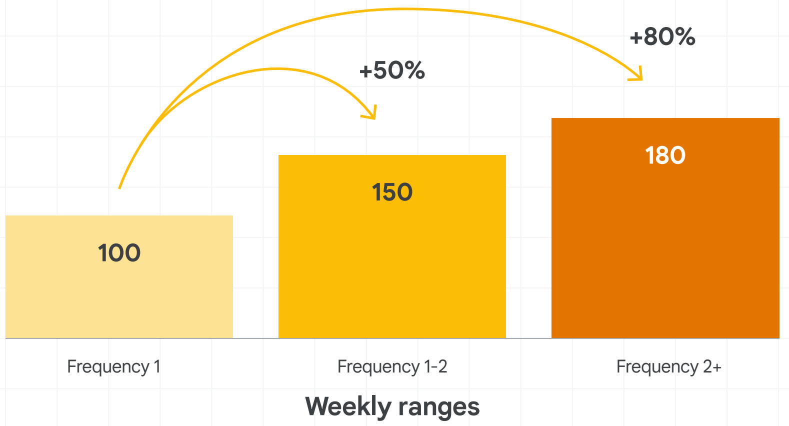
This "preaching to the choir" approach risks neglecting the broader pool of potential customers who might be persuaded with the right message at the right frequency. And research underscores the potential of expanding reach: data shows that reach typically drives 14% of incremental sales—a striking multiplier effect that highlights the often-untapped potential in a wider audience.[12]

Of course, the sweet spot between reach and frequency will vary by category and campaign, influenced by factors like purchase cycle length, creative quality and baseline consumer interest. A meta-analysis of 21 CPG brands in EMEA advertising on YouTube showed that a frequency of more than 2 yielded the highest effectiveness.[13] But identifying these optimal combinations requires sophisticated measurement.

FIGURE 08

Indexed effectiveness

(YouTube effectiveness for weekly frequency 1 + 100)



Google-commissioned Nielsen, DE, PL, MMM meta-analysis including 21 EMEA CPG brands that reported TV and YouTube. Effectiveness is defined as total incremental sales per 1,000 impressions (in US dollars), TV results represent average across all broadcasters, 2024.

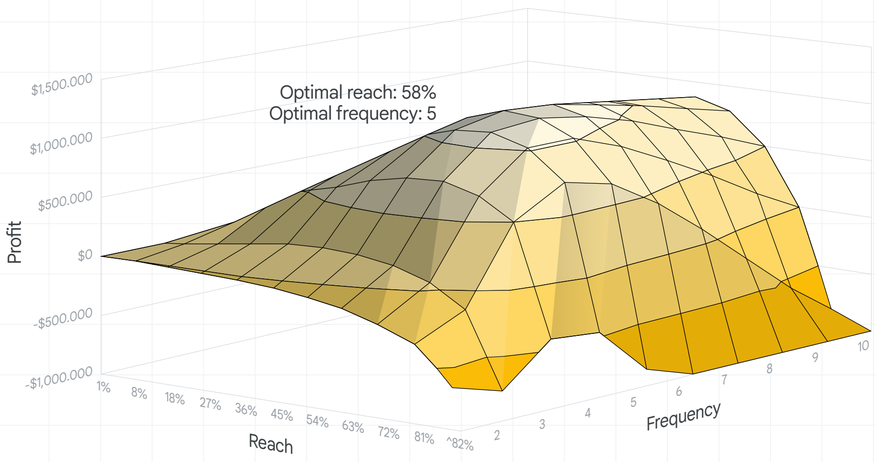
12 Nielsen Catalina Solutions, 2022. 13 Google-commissioned Nielsen, DE, PL, MMM meta-analysis including 21 EMEA CPG brands that reported TV and YouTube, 2024.

The need to strike a balance between targeting and scale points us to a broader challenge: how do we measure the actual business impact of different reach and frequency combinations? While media planning focuses on delivery, effectiveness measurement demands we understand how these choices translate into sales and revenue.

Traditional effectiveness models rely on aggregate metrics like impressions, gross rating points (GRPs) or target rating points (TRPs) to represent media exposure. While practical, especially given common data limitations, these metrics can mask crucial distinctions in how campaigns actually reach audiences. Just as our hotel example showed how 1,000 impressions could represent vastly different reach-frequency combinations, the same applies to effectiveness measurement—100 GRPs might represent broad reach with low frequency, concentrated frequency with limited reach, or any combination between these extremes. Without explicitly considering both reach and frequency in concert, we risk misunderstanding a campaign's true impact.

FIGURE 09

Example of reach and frequency plane



Illustrative example only. This response surface simplifies the relationship between reach, frequency, and sales for demonstration purposes. In reality, response surfaces are influenced by factors such as not all combinations of reach and Frequency are practically attainable, budget constraints, targeting, and multi-channel interactions. The principle of R&F MMMs in optimising reach and frequency strategies remains valid.

Fortunately, sophisticated measurement approaches are emerging that can better capture this nuance. Modern Marketing Mix Models can now distinguish between reach and frequency effects, enabling marketers to identify the combinations that maximise impact. For example, Meridian—Google's open-source MMM—allows marketers to model sales against reach and frequency simultaneously rather than in combination. This represents a significant advance from traditional models that treat all impressions as equal.

The implications for effectiveness are profound. Rather than treating reach and frequency as independent planning levers, we can now understand their interconnected impact on sales and revenue. This helps identify the sweet spot where either additional reach or frequency would yield diminishing returns—knowledge that's crucial for optimising media investment and avoiding wasted spend.

In this chapter, we've examined a few of the most fundamental measures of marketing impact on sales—from measuring true ROI, to isolating incremental effects and understanding exposure patterns. But these metrics tell only part of the story. Studies consistently show that marketing's long-term impact often equals or exceeds its immediate sales return. And in the next chapter, we'll explore how marketers can ensure that their measurement models account for these enduring effects.

CHAPTER 03

Are you capturing your long-term impact?

Strong brands make emotional connections that influence future purchase decisions. As a result, they can command price premiums, resist competitive pressure and recover more quickly from market disruptions.

Yet despite these clear benefits, many organisations struggle to maintain consistent brand investment. The challenge often comes down to measurement: while tactical campaigns deliver clear, immediate results that are easily tracked, brand effects accumulate gradually through carryover effects that are harder to isolate and quantify.

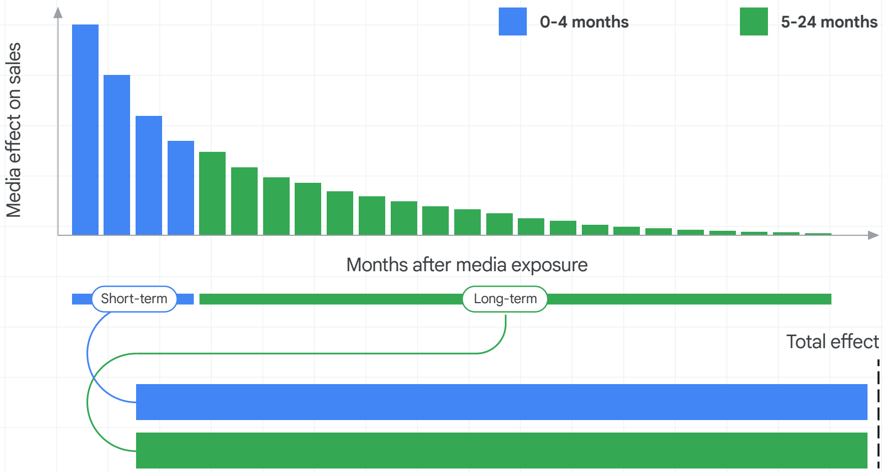
This tendency is most apparent during periods of financial stress. When businesses face pressure to meet quarterly targets, brand-building budgets are often the first to be reduced. The reasoning seems logical: unlike performance campaigns, it can be difficult to attribute immediate sales growth to brand activity. But this creates a troubling cycle. Reduced brand investment weakens consumer preference over time, requiring ever-greater promotional spending to maintain sales volumes. The long-term sustainability of the brand becomes compromised—ultimately eroding baseline sales.

Understanding this dynamic requires us to look more closely at how marketing effects persist over time through carryover effects. Our analysis of hundreds of effectiveness studies reveals a striking pattern: **the long-term sales impact of media investment during months 5-24 typically equals that of the first four months.**[14] This finding has profound implications for marketing strategy and measurement. By focusing exclusively on short-term impact, marketers could be ignoring half of the value they create.

14 Ekimetrics, UK, DE, FR, IT, Meta Analysis of several countries and categories which measured YouTube, TV and Social Media, 36 UK studies from AUTO, 35 DE studies from AUTO, 45 FR studies from AUTO, 35 FR studies from TELCO, 33 FR studies from RETAIL, 28 IT studies from AUTO, 2017–2022.

FIGURE 10

The long-term sales impact of media investment



Source: Ekimetrics, UK, DE, FR, IT, Meta Analysis of several countries and categories which measured YouTube, TV and Social Media, 36 UK studies from AUTO, 35 DE studies from AUTO, 45 FR studies from AUTO, 35 FR studies from TELCO, 33 FR studies from RETAIL, 28 IT studies from AUTO, 2017–2022.

We can now expand our understanding of marketing's impact by revisiting the profit equation we introduced in Chapter 1, but this time distinguishing between short-term and long-term incremental sales:

$$\textbf{Profit} = (\text{Baseline sales} + \text{Incremental sales}_{ST} + \text{Incremental sales}_{LT}) * \text{Price} - \text{Costs}$$

$$\textbf{Incremental sales}_{ST} = \sum_{n=1}^{N} f(\text{Reach for channel } n * \text{Frequency for channel } n)$$

$$\textbf{Incremental sales}_{LT} = \sum_{n=1}^{N} f(\text{Reach for channel } n * \text{Frequency for channel } n * \text{Carryover effect})$$

††

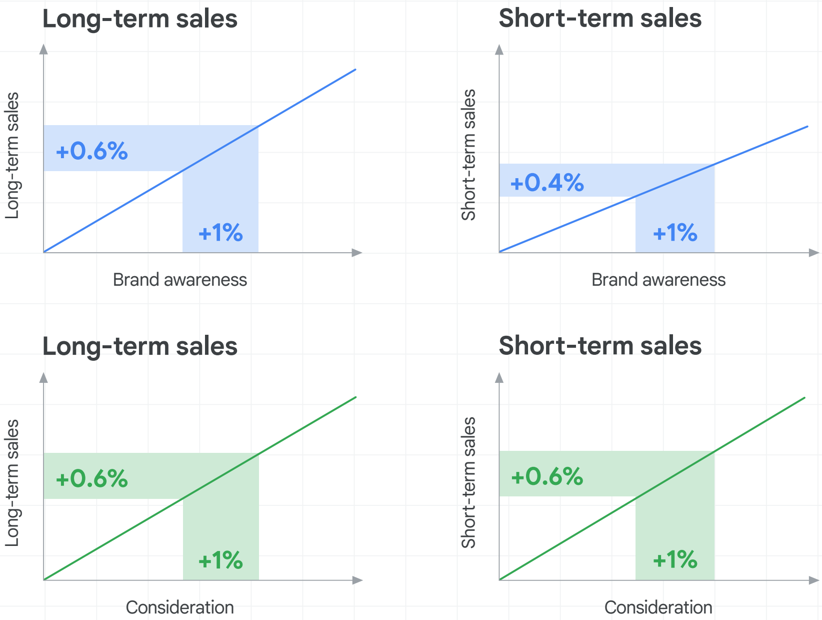
†† ST = short-term (0-4 months), LT = long-term (5-24 months)

Here long-term incremental sales are built by previous investments in marketing that came to bear fruit after 5+ months. These are often the result of investments in branding campaigns.

However, the relationship between short- and long-term effectiveness is even more nuanced than many realise. Our research shows that investment in brand activity doesn't just drive long-term growth—it actually amplifies short-term performance. Analysis across categories reveals that a 1% increase in brand awareness typically drives a 0.6% lift in long-term sales, while also boosting short-term sales by 0.4%.[15] This double effect highlights how brand building and sales activation actually work in concert rather than opposition.

FIGURE 11

The impact of upper and mid-funnel brand investment on overall sales



Source: Google-commissioned Nielsen, UK, DE, FR, MMM Meta analysis across 20 CPG and non-CPG brands that measured TV, YouTube and Social Media channels, 2020–2022.

15 Google-commissioned Nielsen, UK, DE, FR, MMM Meta analysis across 20 CPG and non-CPG brands that measured TV, YouTube and Social Media channels, 2020–2022.

To return to our soft drink example from Chapter 2: while promotional offers might drive immediate purchases, in the long term the brand could struggle to maintain awareness. In contrast, a balanced approach combining performance marketing with brand building should create a foundation for more sustainable growth by boosting consumer perceptions. And the problem is even more acute for rarer purchases:

> Here's the reality: in most categories, only a small percentage of your customers are ready to buy at any given moment. People hold onto cars for years, and they stick with their banks for even longer. If you wait until someone is actively looking to become a customer, it's often too late.
>
> **Mark Ritson**, brand consultant and marketing professor

Customer lifetime value (CLTV) is a powerful metric for capturing the value of both performance and brand activity. A promotional offer might secure the initial sale, but brand building influences whether that customer keeps buying, the price they're willing to pay, and how likely they are to recommend the product to others. When seen through this lens, the apparent tension between short-term results and long-term brand building begins to dissolve.

Finance departments often operate within what some call a "metrics corset"—constrained by the need to report quarterly or annually to shareholders. But CLTV provides a framework for evaluating marketing investment that satisfies the need for both immediate accountability and safeguarding long-term value creation.

> Conceptually it all comes down to customer lifetime value and what are the contributing indicators that get you to that clarity, that single clarity over how activity translates into business value.
>
> **CFO**, entertainment industry

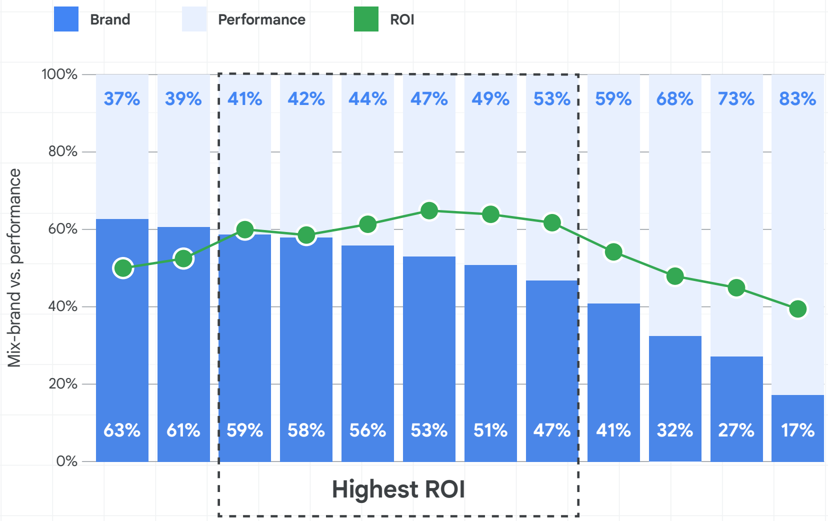
The reality of marketing's dual impact then raises a further question: what is the optimal balance between brand and performance spending? Meta-analysis of e-commerce brands provides useful guidance, suggesting that marketing efficiency peaks when brand building accounts for 40-60% of total media investment.[16] While demand-led performance campaigns remain crucial for converting interest into sales, sustainable growth requires significant investment in building that demand in the first place.

16 Ipsos MMA, CH, DE, DK, ES, FR, IT, NL, PL, RO, SE, UK, Meta Analysis of Ipsos MMA Marketing Mix Database, 2020–2023.

FIGURE 12

Maximise ROI by balancing brand and performance

Comparing European brands' e-commerce ROI (2020-2023)



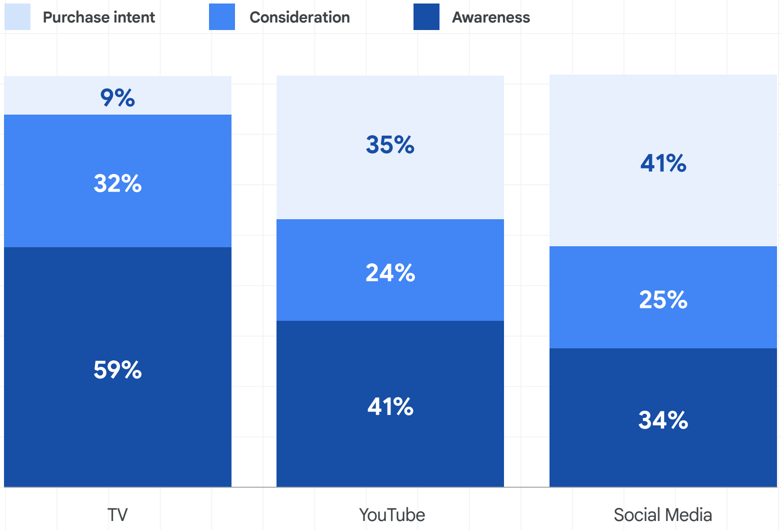
Source: Ipsos MMA, CH, DE, DK, ES, FR, IT, NL, PL, RO, SE, UK, Meta Analysis of Ipsos MMA Marketing Mix Database, 2020–2023.

Channel selection has a vital role to play in achieving this balance. Video advertising has emerged as particularly successful at delivering a full range of marketing objectives—building brand metrics while simultaneously driving short-term sales. A recent Nielsen meta analysis found that YouTube was the most effective channel when compared to TV and Social. YouTube was 2.7x more effective than TV and 2.8x than Social, delivering return on ad spend (ROAS) that was 1.4x higher than TV and 1.7x than Social in the long term.[17]

17 Google-commissioned Nielsen, UK, DE, FR, MMM Meta analysis across 20 CPG and non-CPG brands that measured TV, YouTube and Social Media channels, 2020–2022.

FIGURE 13

YouTube and Social Media have a distributed impact across brand KPIs



Source: Google-commissioned Nielsen, UK, DE, FR, MMM Meta analysis across 20 CPG and non-CPG brands that measured TV, YouTube and Social Media channels, 2020–2022.

Back to the map: the return of Marketing Mix Modeling

Capturing all of these multi-layered effects requires sophisticated measurement approaches. Traditional attribution models, focused on last-click or even multi-touch conversion, systematically undervalue brand-building activities. Fortunately, modern Marketing Mix Modeling offers a more comprehensive framework, capable of isolating both immediate and lasting impacts across channels—from direct sales lift to shifts in consumer attitudes and long-term buying propensity.

The resurgence of MMM as an essential part of the measurement toolkit reflects both mounting market pressures and advances in methodology. While most measurement approaches—including traditional attribution and standard MMM—remain confined to short-term sales windows, sophisticated custom models are emerging that can capture long-term effects. By analysing historical performance across channels and incorporating brand equity measures, these advanced MMMs help quantify the true value created by marketing investment over time.

This holistic view does come at a significant cost and requires both large quantities of data (typically 2-3 years of history) and analytical expertise. Dr. Grace Kite suggests that the investment often pays for itself: well-implemented MMM routinely improves marketing ROI by 10% and often as much as 20-30%.[18] MMM value is further complemented by consistent tracking of brand health metrics—from awareness and consideration to loyalty and advocacy.

The real power of these models lies in their ability to shape strategic planning. By creating detailed scenarios that quantify the relationship between investment patterns and business outcomes, an MMM enables more informed dialogue between marketing and finance teams as they collaborate on KPIs and long-term growth. These data-driven forecasts help protect brand investment during challenging periods by illustrating the true cost of short-term cuts in long-term value creation.

So far we've looked at how marketing creates value through immediate sales and long-term brand equity. But there's another crucial dimension of our equation to consider: price. In the next chapter, we'll explore how strong brands command strong prices—and what this tells us about marketing's role in driving profitable growth.

CONTENTS

18 WARC/Magic Numbers, Marketing Mix Modelling: How to get started and ensure success, 2023

CHAPTER 04

How does marketing affect pricing?

Business success isn't just a question of how many people will buy from you—it's also about how much those customers value what you sell. As we've seen, marketing's role in driving sales volume is well understood, but its ability to influence pricing remains relatively unexplored.

Price is an important component of the profit equation, but is often overlooked by marketers:

```
Profit = Sales * Price - Costs
```

This gap in understanding—and measurement—matters, representing another blind spot in assessing the true contribution of marketing. As Les Binet puts it, "The ability of brand advertising to reduce price sensitivity is one of its most important and least studied effects."[19]

So in this chapter we'll look at evidence of marketing's impact on pricing and why this effect further strengthens arguments for maintaining budgets during periods of economic uncertainty.

The topic of price sensitivity and pricing power has rarely been more relevant. A global rise in inflation over the past few years has had a significant impact on consumer behaviour. In this environment, marketers need to understand their activity not just in the context of customer acquisition, but how it protects brand value.

Getting under the skin of pricing effects

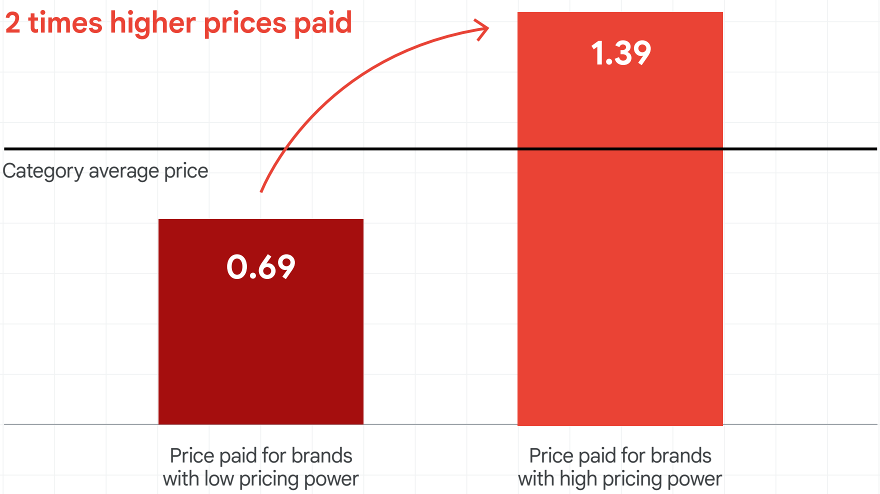
Historical data gathered by Kantar shows that pricing power—a metric that quantifies a brand's ability to command higher prices based on consumer perceptions—has long conferred a substantial competitive advantage.[20] To explore this further, we're going to take the skincare category as an example, but the principles outlined are broadly applicable to all verticals.

19 https://www.linkedin.com/posts/les-binet-9bb7453_how-mccains-patient-commitment-to-brand-building-activity-7265319823549632512-bcsO?utm_source=share&utm_medium=member_desktop **20** Google/Kantar, DE, UK, "Beyond the Sale: How Marketing Impacts Revenue", Dec 2024.

As the chart below demonstrates, the prices achieved by brands with strong pricing power are as much as twice those of brands with low pricing power, and these businesses have typically outperformed their less powerful peers in both shareholder value and market penetration.

FIGURE 14

Pricing power is a consumer metric that makes shoppers willing to pay up to 2 times more



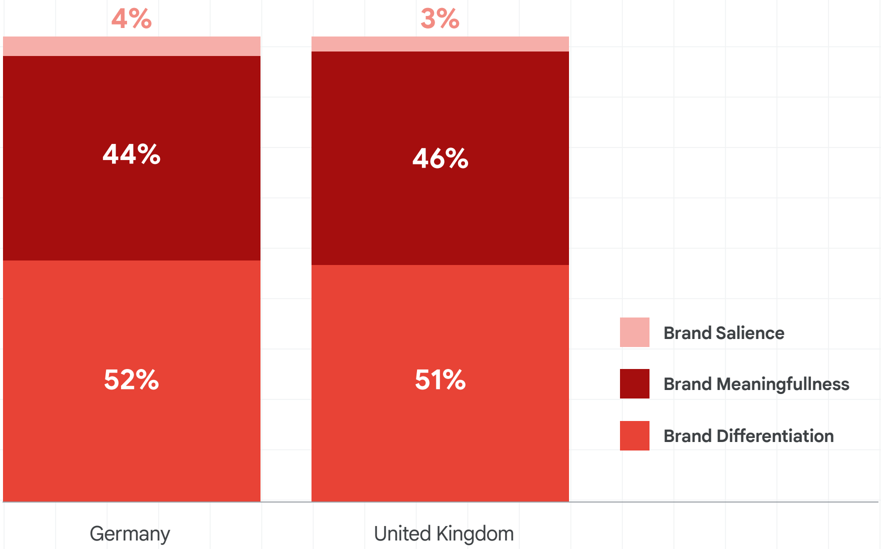
Source: Kantar's 2022 MDf validation' from this document https://www3.kantar.com/l/1035373/2023-09-26/4th-f/1035373/1695723435phSITVhz/Modern_Marketing_Dilemmas.pdf on page 71

But how do businesses generate strong pricing power? The short answer is that they create value that consumers recognise and appreciate—in other words, by brand building.

FIGURE 15

Pricing power grows for brands that deliver on, and communicate, a meaningfully-different brand promise

Drivers for brand pricing power



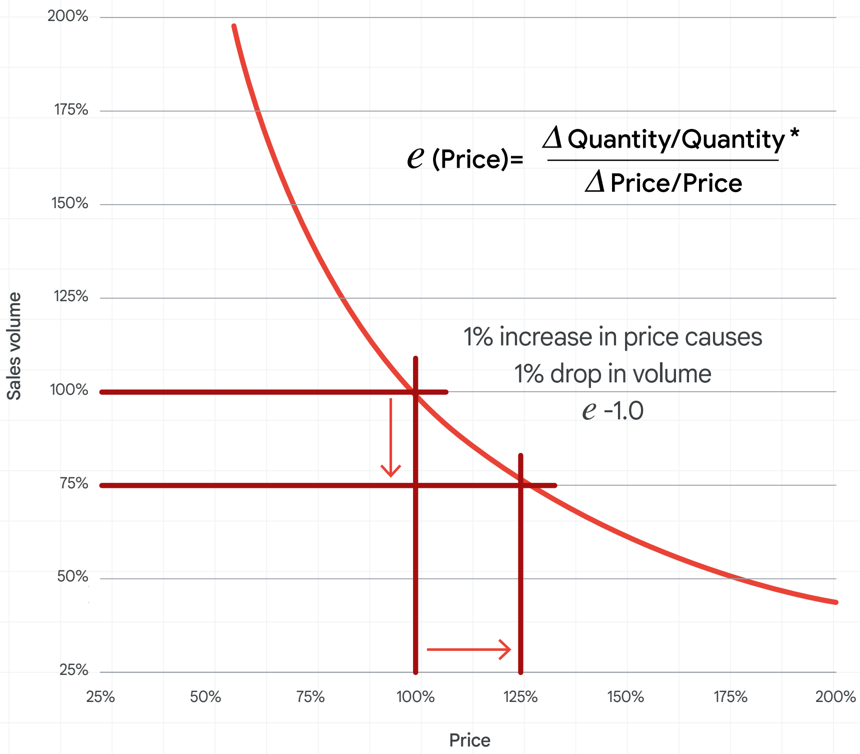
Source: Kantar BrandZ, UK, DE, Relevance of meaningfulness, differentiation and salience on pricing power, analytically derived via driver analysis across 52 categories in the UK and 35 in DE, 2023–2024

Measuring price elasticity: why strong brands don't snap

To understand how powerful brands maintain their advantage, we need to measure their resistance to price pressure. Price elasticity quantifies this phenomenon, showing how demand for a product fluctuates relative to a change in price. High elasticity means small price changes drive large demand shifts; low elasticity suggests relative immunity to price movements. The formula for price elasticity is as follows:

FIGURE 16

Price elasticity



*Where ΔPrice stands for a change in price for a particular product and ΔQuantity stands for a change in the demanded quantity of that product.

While categories have different baseline elasticities—influenced by factors like purchase frequency, competition, sales cycle length and switching costs—strong marketing can help individual brands transcend these category norms.

All other factors being equal, economic theory suggests that raising prices drags down demand. But strong brands can defy this gravity: the role of brand in purchase decisions adds buoyancy, allowing companies to command a higher price without losing volume. We've seen how economic forces can test this resilience, but Kantar's research shows that **while shoppers have become much more price-sensitive in recent years, brand remains an important signal through its connection to perceived quality**. Conventional wisdom might suggest that consumers default to the cheapest option in tough times, but "buy cheap, buy twice" is an expensive lesson that many have learned.

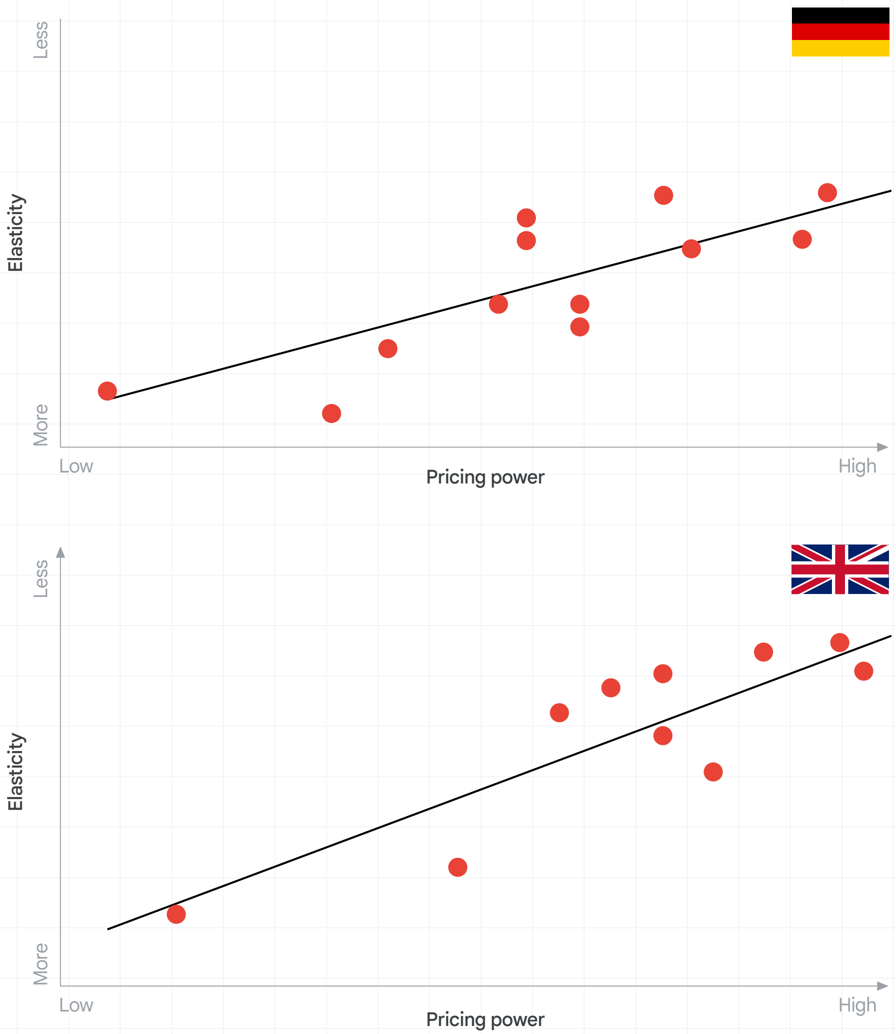
The link between pricing power and price elasticity is striking. Our research shows correlation coefficients of 0.76 for the UK and 0.65 for Germany in the skincare category—clear evidence that brands with strong pricing power see less decline in volume when prices rise.[21]

This resilience creates opportunities for revenue growth through strategic price management. But how brands build this pricing power matters. While marketing communication can significantly improve price elasticity, an excessive focus on promotional messaging can have the opposite effect. Our analysis suggests that moving away from promotion-heavy communication toward balanced brand building can reduce price elasticity by up to 20% in the long run.[22]

21 Kantar Worldpanel/GFK Data, UK, DE, 10-15 brands per market in the skincare category, 2022–2024 **22** Kantar Worldpanel/GFK Data, UK, DE, modelled Price Elasticity by brand including "promotion flag" (=indicator which % of volume was sold on promotions), Jan 2021–July 2024

FIGURE 17

Price elasticity vs. Pricing power



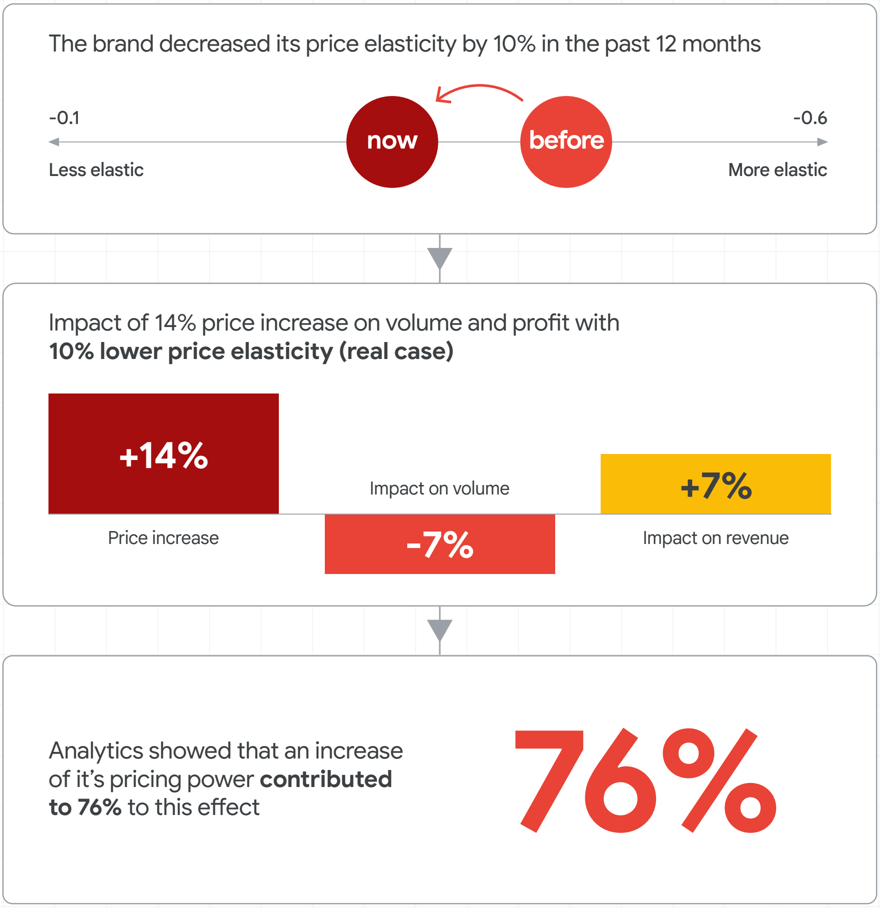
Source: Kantar Worldpanel/GFK Data, UK, DE, 10-15 brands per market in the skincare category, 2022–2024

Pricing under pressure: elasticity in action

So how exactly does marketing contribute to pricing power, and how can we quantify its contribution? Let's look at an example.

Consider a UK skincare brand that recently increased prices by 14%. Without strong brand investment, our analytical model suggests this would have triggered a 10% decline in sales. However, prior to this change, the brand was able to reduce its price elasticity from -0.7 to -0.6, meaning its customers became less sensitive to price changes. As a result, sales fell by only 7%, turning what could have been just a 2% revenue increase into a 7% revenue boost.[23]

FIGURE 18



23 Kantar Worldpanel/GFK Data, UK, DE, Price Elasticity was modelled out of real sales data over time, Jan 2021 –July 2024.

Crucially, over **three-quarters of this improvement in elasticity is attributable to increased pricing power**—which as we've established is driven by marketing. This direct link between marketing activity and price elasticity demonstrates how brand building creates commercial resilience—not just by communicating value, but by fundamentally altering how consumers respond to price changes.

This case also illustrates a broader pattern we've observed: brands that maintain balanced pricing strategies and avoid over-reliance on promotions can achieve lasting improvements in pricing power. The key lies in marketing that builds enduring brand value rather than simply driving short-term sales through discounting.

Understanding marketing's impact on pricing power adds another crucial dimension to the effectiveness equation. While driving sales volume remains critical, this analysis reveals how brand building enables effective revenue management through greater pricing flexibility, offering finance teams further evidence of marketing's broader contribution to business performance.

CHAPTER 05

How to find an edge with first-party data?

As digital privacy regulations tighten and third-party signals degrade, first-party data has emerged as an important business asset. But how valuable is this asset, and how can we measure its impact?

Our research across eleven product and service categories, from flights to moisturisers, provides clear evidence: when brands transform consumer-provided information into genuinely relevant offers, they can significantly outperform even established market leaders, enabling them to increase sales volume while maintaining the same levels of marketing investment.

But before we get into those details it's worth reflecting on an important nuance. The significance of first-party data isn't just about adapting to privacy changes. When consumers consent to share their data with brands, they do so in the clear expectation that they will receive a more personalised experience in return.

In a global survey our team conducted in 2024, we learned that 87% of shoppers say they expect brands to provide special offers and discounts aligned with their interests, and 73% say they expect recommendations to be based on their past purchases.[24] Brands that collect this relevant information about their customers but fail to use it aren't just missing an opportunity; they're breaking an implicit promise. And in an age where trust is paramount, brands that break promises rarely prosper for long.

First-party data's value lies in its ability to make generic marketing messages hyper-relevant to consumers that opt to share their data. Previous research in our Decoding Decisions series looked at how brands can use behavioural science principles to present information in a compelling way. In that initial research, we measured how these principles can shift shopper preference between market leaders and invented brands without customising or personalising any of the information presented.

24 Google/Ipsos, US, UK, AU, BR, CA, FR, DE, IN, IT, JP, MX, NL, SG, KR, ES, TW, TH, VN, The Relevance Factor, n= 18,003 online shoppers 18+, Mar 2024.

This time, before people took part in our task-based shopping experiment, we simulated the collection of first-party data by asking participants a number of questions about their preferences, what precisely they were shopping for, and what their past interactions were with different brands in the category. We then used that information to customise the information presented to respondents.

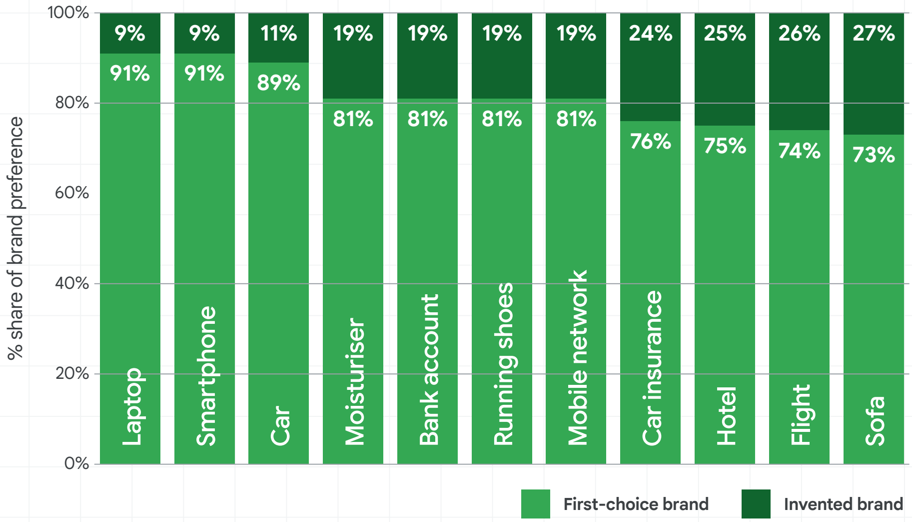
In the experiment, our invented brands (which serve as a proxy for challenger brands in the real world) were generally able to seize a small amount of preference share from first-choice brands simply by showing up with an identical proposition and offering shoppers a choice. The next phase involved putting non-personalised versions of two behavioural principles we leveraged in our original Decoding Decisions work:

1. **Social proof**, which is the tendency to follow the opinion, advice and behaviour of others in one's own decision making.
2. **Power of now**, which is the tendency to focus on today rather than think about what tomorrow might bring. We discount the future in favour of today.

In this study, we leveraged social proof by saying that a product or service was "one of our most popular" and power of now by saying that you could "get your quote today". Invented brands with the superior expressions of these two principles did better as a result, claiming a greater share of preference—between 9-27% depending on category.

FIGURE 19

Invented brands can win share with superior expressions of 'social proof' and 'power of now'



Source: Google/The Behavioural Architects, UK, First-party data in the messy middle, n= 5500 in-market shoppers, Apr 2024.

But by far the best outcomes came when we optimised marketing propositions for our invented brands with first-party data.

In the hotel category for example, our questionnaire simulated the kind of first-party data a hotel brand might typically collect—reasons for travel, preferences, shopping history and brand interactions. We analysed results to see what would happen when our invented hotel brand was able to show the messages that most closely matched an individual participant's preferences, but where their first-choice brand showed a message selected at random.

FIGURE 20

Our invented brand leveraged personalised messages based on results from pre-survey

Past behaviours
- **"Welcome back!"**
- "You might be new here"
- "Complete your profile"

Affinity
- "For those who crave stylish stays"
- "Cook up your dream hotel stay"
- **"Luxury awaits on your next hotel stay"**

Shopping mission
- "Beach trip"
- "For weekend trips"
- **"All-inclusive hotel"**

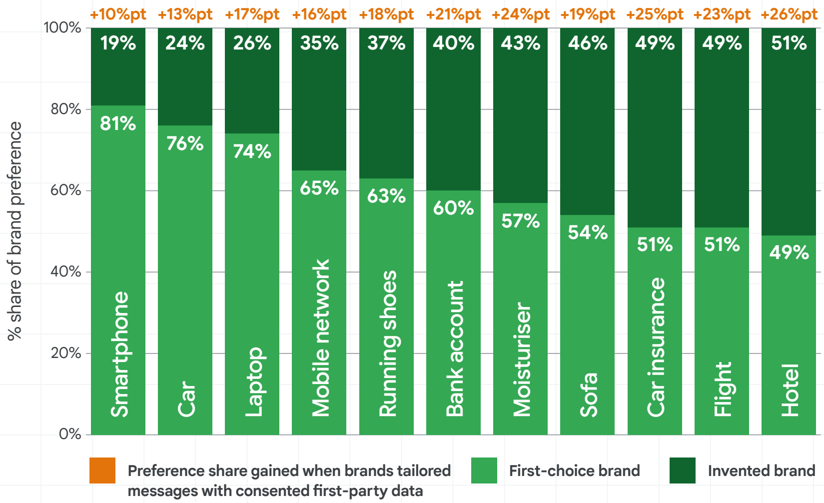
Demographics
- **"Families with kids"**
- "Groups of friends"
- "Solo travellers"

Messages that were tailored based on preferences shared in pre-survey

We found that tailored messaging and features could significantly increase the number of shoppers that our invented hotel brand was able to tempt away from their first-choice *hotel* brands, from 25% [Figure 19] to 51% [Figure 21].

FIGURE 21

Invented brands with tailored messaging and features can win share from first-choice brands



Source: Google/The Behavioural Architects, UK, First-party data in the messy middle, n= 5500 in-market shoppers, Apr 2024.

Across eleven categories in our research, the tailoring of messages using simulated first-party data boosted the impact of propositions significantly, helping our invented brands to capture an additional +10%pt to +26%pt preference share from established brands.[25]

For marketers seeking to quantify the value of first-party data, these findings offer compelling evidence. Moreover, this advantage may prove particularly durable as increasing regulation of the digital ads ecosystem obliges both advertisers and platforms to meet consumers' expectations for privacy.

25 Google/The Behavioural Architects, UK, First-party data in the messy middle, n= 5500 in-market shoppers, Apr 2024.

It's also worth noting that while other aspects of marketing measurement discussed in earlier chapters may appear to favour established brands—whether through access to historical data or financial resources for sophisticated modeling—first-party data presents a more level playing field.

Established brands might collect more data, but success here depends less on volume than on speed and agility. This fact shows up strongly in our research. By testing the impact of personalisation on completely invented brands against market leaders, we were able to simulate the appearance of new market entrants. Our findings suggest that if challenger brands can activate their first-party insights more quickly and completely they can gain an advantage against even the most established category leaders.

CONTENTS

CHAPTER 06

Why does consistent investment matter?

Economic volatility often triggers a protective reflex in businesses: cut costs, hold onto cash, wait for a better day. Organisations instinctively pull back—and for many, marketing budgets present a seemingly painless target.

They become a tempting lever for CFOs looking to protect the bottom line, based on a compelling surface logic: if consumers are spending less, shouldn't businesses do the same?

> Marketing is still often the first thing that's taken off the table if you need to hit quarterly numbers.
>
> **Marketing Director**, Global FMCG brand

Yet our research reveals that this apparently prudent approach often proves to be a false economy. The true cost of marketing inaction extends far beyond missed opportunities—it actively erodes brand equity and cedes hard-won territory to competitors. We started with this equation and the traditional credit marketing gets for incremental sales:

```
Profit = (Baseline sales + Incremental sales) * Price - Costs
```

As we've established, marketing doesn't only produce short-term impact. It also builds baseline sales through brand equity and long-term incremental sales through carryover effects, as well as reducing price elasticity.

This dynamic is particularly evident when we examine the relationship between marketing investment and revenue recovery. **Analysis shows that regaining lost market share typically requires a disproportionate reinvestment—approximately $1.85 for every $1 initially saved through cuts**.[26] Strong marketing doesn't just drive immediate returns—it builds brand equity that acts as a competitive moat, protecting market position and pricing power. When brands reduce their presence in the market, they don't just pause their progress; they begin an active retreat that simultaneously drains this moat and depowers their growth.

Consider this case study. When one major footwear brand reduced its marketing spend by 40% during a period of economic uncertainty, their primary competitor maintained consistent investment levels and launched an aggressive growth campaign. Within six months, the competitor had increased brand awareness by 15% and consideration by 11%. This example illustrates a fundamental truth about marketing dynamics: absence creates a vacuum that competitors will rush to fill, and once they've occupied that space in consumers' minds, dislodging them requires disproportionate effort and investment.[27]

The evidence for maintaining marketing investment during challenging periods is compelling. Nielsen's analysis reveals that brands risk losing 2% in future revenue for each quarter they forgo advertising, and it can take three to five years of consistent brand-building efforts to recover from such extended periods of marketing inactivity, underscoring the long-term cost of cutting marketing investment during economic uncertainty.[28] This pattern holds true across categories and time periods, suggesting that consistency rather than cutting provides the surest path to sustainable growth.

But simply maintaining investment levels isn't enough—how that investment is deployed matters too. Our research shows that brands attempting to offset reduced budgets by shifting spend toward short-term performance marketing often end up making their long-term position worse. In one example, a brand with a strong marketing history pivoted sharply toward performance channels during a recent period of economic pressure and saw their marketing ROI drop by 44% within two quarters.[29] The cause? By reducing brand-building activity, they had weakened the foundation that made their performance marketing effective in the first place.

26 BCG, US, BCG brand impact analysis, Quantitative analysis of nearly 150 major US brands across 15 industries, July 2022. **27** Google/Ipsos MMA, DE, Ipsos MMA Marketing Mix Database Case Study Analysis, Footwear Brands, 2016–2021 **28** Nielsen, "Beyond today: Why long-term marketing drives business longevity", Global, September 2023, n=not specified in the article. **29** Google/Ipsos MMA, Ipsos MMA Marketing Mix Database Case Study Analysis, Retailer, Multiple European Markets, 2021

The relationship between consistent investment and creative effectiveness adds another crucial dimension. Our analysis shows that during periods of economic pressure, consumers become more receptive to marketing that demonstrates genuine brand values and provides clear product information. Brands that maintain presence during these periods have an opportunity to build lasting connections—but only if they remain visible. Those that go dark not only miss this opportunity but risk being absent from crucial moments in consumer decision-making.

And of course there is the impact of how different dimensions of marketing value interact. Strong brand building creates the foundation for pricing power. Sophisticated media deployment earns both immediate sales and long-term strength. First-party data enables more precise targeting while supercharging relevance and creating customer delight. The effects of good marketing reinforce each other, creating compound value.

This compounding effect becomes particularly evident in times of market upheaval. Nielsen research indicates that reducing brand-building marketing investment leads to brand decay, reducing the effectiveness of conversion marketing efforts and correlating strongly with a decline in future sales.[30] What looks like sensible cost management on a quarterly P&L often manifests as value destruction in the annual report. Analysis of the post-COVID period offers a proof of this pattern. Winning brands maintained relatively stable marketing investment throughout 2020, responded quickly as demand returned, and took a balanced approach that included both brand and performance elements.[31]

Long-term success demands viewing marketing not as a cost to be managed, but as an investment to be protected and optimised. In a landscape where consumer attention is increasingly fragmented and brand loyalty fluid, consistency of presence and message has never been more valuable.

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30 Nielsen, "Beyond today: Why long-term marketing drives business longevity", Global, September 2023, n=not specified in the article. **31** Google/Ipsos MMA, Meta-Analysis of Marketing Mix Modeling Database, Multiple European Markets (including Denmark, France, Germany, Italy, The Netherlands, Poland, Romania, Spain, Sweden, Switzerland, and the UK), 2017-2022, *CAGR is 2020-2022

Conclusion

As new media channels and privacy changes reshape the measurement landscape, marketers find themselves at an effectiveness frontier.

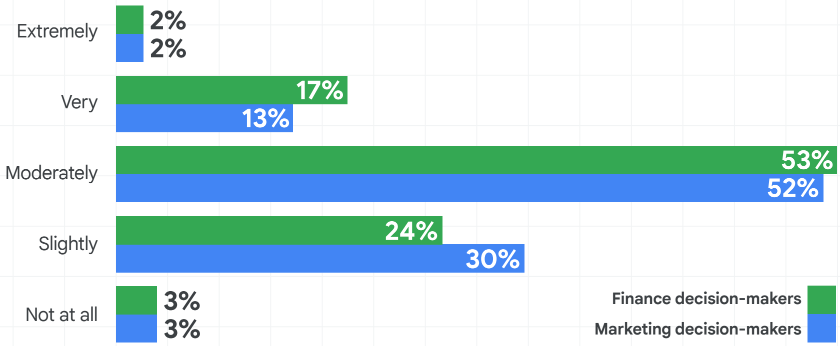
Advanced modelling tools are making sophisticated measurement more accessible than ever, bringing modern measurement approaches that combine attribution, MMMs and targeted experiments within reach of forward-thinking brands.

This evolution in measurement capability comes at a crucial moment. As C-suite focus on profitability and long-term growth increases, there is a huge opportunity to elevate the discussion beyond defending existing budgets to securing additional investment. And timing matters: while budgets are often viewed as annual fixed commitments, our research shows that CFOs are open to revisiting allocations to a certain extent when presented with compelling evidence of returns. Now is the right time to agree on marketing KPIs, partner on building response curves and create the testing plan to verify incremental impact.

FIGURE 22

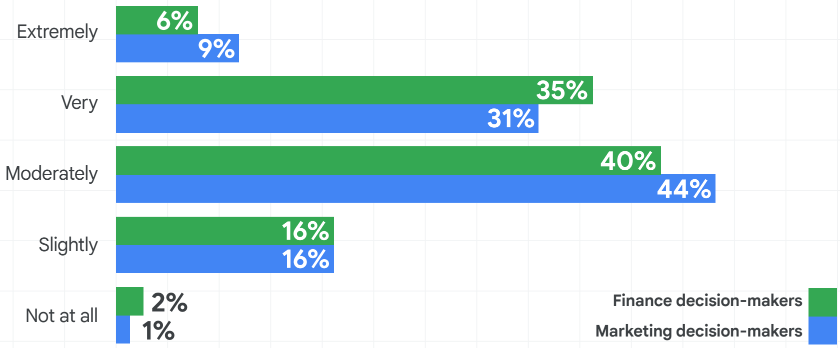
The size of marketing budgets is fairly flexible

How flexible is the size of your marketing budget (% of respondents)



For most, it is quite easy to reallocate marketing budgets

How easy is it to reallocate your budget between channels (% of respondents)



Marketing decision-makers include CMOs and other senior marketing leaders, finance decision-makers include CFOs and other senior finance leaders. Q: How flexible is the size of your company's marketing budget? T2B= "very flexible" + "extremely flexible"; Q How easy is it to reallocate your company's marketing budget between different marketing channels or partners? T2B= "very easy" + "extremely easy"

Source: Google/Project X Initiative/NewtonX, DE, UK, Profitable Growth B2B Research, n=126 marketing decision-makers & n=124 finance decision-makers, Aug 2024

For marketing teams, capitalising on this opportunity requires action in three key areas:

- **Keep building your measurement capability.** Investment in data and analysis shows a clear correlation with business success. Brands should measure effectiveness as part of regular campaign execution cycle, not just in response to requests from the C-suite.
- **Get comfortable with uncertainty.** Marketing measurement inevitably involves ambiguity—a reality that successful brands have learned to embrace rather than resist. Combining rigorous analysis with a test-and-learn approach creates more value than waiting for perfect data.
- **Build bridges beyond marketing.** Measurement frameworks need to resonate throughout an organisation to drive real change. Regular dialogue between marketing and finance throughout planning, evaluation, optimisation and decision-making can ensure that metrics align with broader business goals.

The evidence presented throughout this report demonstrates that marketing's contribution to business value extends far beyond simple sales metrics. Strong marketing builds pricing power, creates long-term impact and transforms first-party data into customer preference. Yet the breadth of these contributions is precisely what makes marketing's full value so challenging to capture.

Success will come to organisations that measure carefully, make evidence-based cases for incremental spending and act decisively when others hesitate. As privacy changes continue to reshape the measurement landscape and economic pressures create new challenges for marketers, the ability to demonstrate and defend marketing's full value contribution has never been more important. The foundations laid today—in measurement capability, cross-functional collaboration and consistent investment—will determine which brands emerge strongest from periods of uncertainty and change.

CONTENTS

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This report is a result of a number of studies ran by Google's Market Insights team in collaboration with industry partners over the past years

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Beyond the horizon: The holistic path to measuring media investments

This research was done in partnership with WARC, who specialise in media effectiveness and deliver insights to 75,000 marketers around the globe. The goal of this study was to examine long-term marketing effectiveness and the role of Marketing Mix Models in understanding holistic media impact.

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Fundamentals of ad effectiveness

The 2nd chapter of this report resulted from comprehensive desk research of the theoretical frameworks behind media effectiveness measurement. It gives an overview of the foundational concepts like incrementality, response curves, carryover effects and reach and frequency. It was conducted in collaboration with Kantar.

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Tomas Salfischberger,
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We need to talk: improving CFO and CMO collaboration to unlock marketing as the engine of profitable growth

This study explores the challenges and opportunities in aligning marketing and finance functions to unlock marketing's full potential as a driver of profitable growth. We have partnered with PXI to poll 250 of those in senior marketing and finance positions across the UK and Germany, coupled with in-depth discussions with 20 additional interviews and 10 finance and marketing leaders who joined in focus groups in DE and UK.

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Surpassing expectations in the messy middle

A part of the "Decoding Decisions" series, this study demonstrates how leveraging consented first-party data to personalise marketing messages creates superior customer experiences, enabling nimble brands to win preference share from established competitors and drive profitable business growth.

ACKNOWLEDGEMENTS

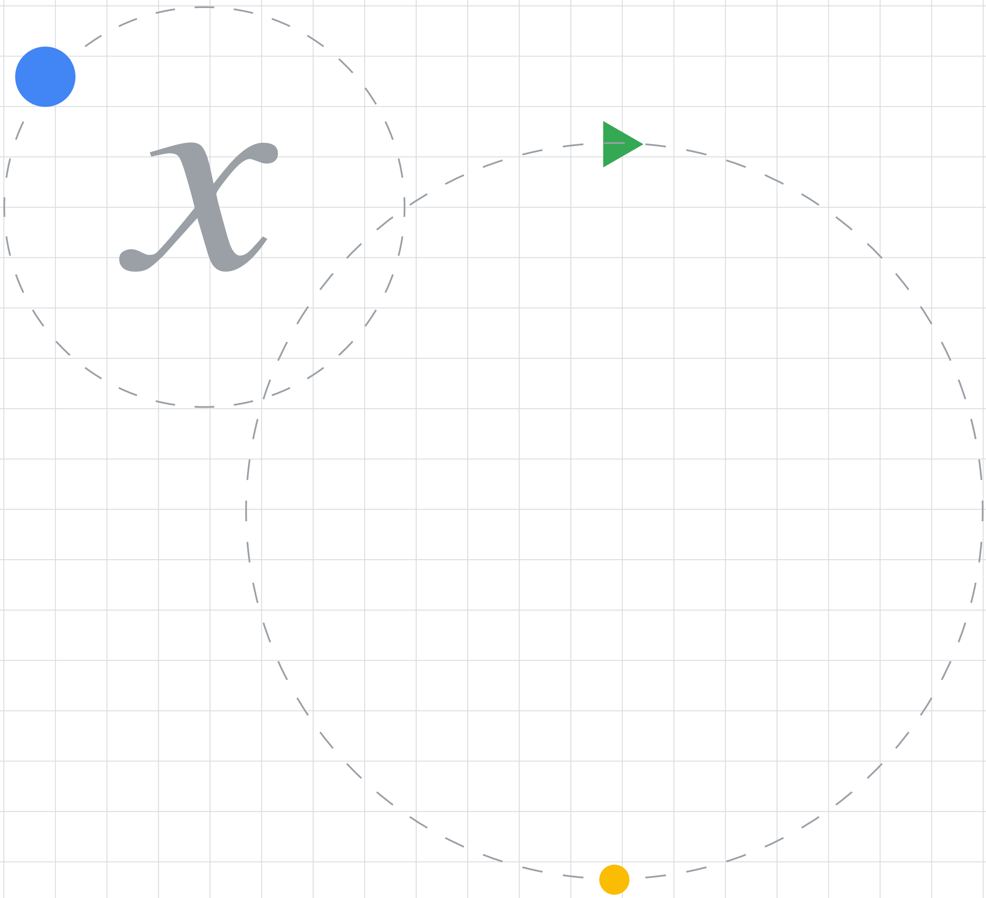
This work was influenced by many and we thank them for their advice, support and contributions.

From Google:

Olga Demidova, Arnav Panigrahi, Zsófia Nagy, Selina Rennie, Hamish Priest, Phil Wilson, Paola Olmos, Pascal Trang, Rares Rusu, Liz Cracknell, Gerald Breatnach, Ana Carreira Vidal, Dimi Mittev, JD Ohlinger, Morgane Gaudin, Lindsey Weedon, Pablo Pérez

From outside Google:

Philip Walford, Redwood BBDO, Anton Aksenov, Dipesh Mistry (The Behavioural Architects), Sian Davies (The Behavioural Architects), Gabriele Herrmann (Kantar), Mary Kyriakidi (Kantar), Jorge Alagon (Kantar), Jeff Schatz (Nielsen), Julien Gaviard (Ekimetrics), Winnie Cheng (Kantar), Robert Campbell (Kantar), Ian Maude (Project X Initiative), Brian Lange (Ipsos MMA) and Aron Solomons (Ipsos Strategy3), Rica Facundo (WARC), Ashik Ashokan (WARC)



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