Not All Performance Marketing Tactics Are Created Equal

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Marketing has never been easy, but inflation has challenged the majority of CMOs to do more with less and stretch their constrained budgets without compromising results. Now more than ever, marketers must spend smartly and hit their KPIs in the most cost-effective way possible.

And yet, over one-third of CPG marketers are unsure if they've made the right trade spend allocations, invoking the classic John Wanamaker quote: "Half the money I spend on advertising is wasted; the trouble is I don't know which half."

Seeking more certainty, we asked marketers in our recent State of Spend survey about where and how they're spending to achieve their goals. We found marketers are still investing evenly across the top and bottom of the funnel, but are trading traditional channels for shiny new performance tools that promise to engage and motivate consumers at scale.

However, not all performance marketing tactics are created equal.

(Re)defining performance marketing

Earlier in my career, I was part of the Whole Foods global marketing team that developed some of the first performance marketing programs, including the first card-linked offers. Even in the early days, these programs were true pay-for-performance solutions, where we as the retailer only spent money when we drove the desired customer behavior.

These programs were also measured using direct, deterministic purchase data, rather than inferred or modeled behavior. As a data-driven person who subscribed to the philosophy of "buy what you can measure and measure what you can buy," I loved the targetability and measurability of these campaigns relative to any other marketing tactic available to us at the time, including the ability to measure incrementality through A/B testing.

These programs both attracted new customers and drove them up the loyalty continuum. The performance solutions were powerful.

The primary objective of any marketer is to drive incremental sales, not impressions, clicks or even brand awareness. Those actions may lead to sales, but you can have strong brand awareness and still go out of business (i.e.: Blockbuster, Hostess, Toys R Us).

Impressions are irrelevant if they don't convert to actual sales. I'm perplexed by marketers' continued aggressive investment in top-of-funnel tactics before they've exhausted smarter, more effective performance options. It's also why many pay-per-click platforms attempt to position themselves as performance marketing, despite their inability to guarantee sales.

This positioning is misleading. After all, the term "performance marketing" comes from "pay-per-performance

marketing," not "pay-per-clicks-that-hopefully-lead-to-performance." The performance that brand marketers are looking for is revenue growth, not more clicks.

Flipping the funnel

If at the start of a campaign, you know every dollar spent on tactic A will result in a 7X ROAS, and you hope (but won't know until the modeling results come back several months later) that every dollar spent on tactic B will yield the same return, you should first exhaust the available spend for tactic A and only invest in tactic B if budget allows. Otherwise, there's a good chance of throwing money away.

And yet, brands continue to prioritize upper funnel tactics for a few reasons.

First, there's momentum. Many marketing teams invest in certain channels simply because "it's what we've always done." Second, it's sexy. What CMO doesn't want to add a cool, splashy campaign to their portfolio?

Lastly, brands have been swayed by upper funnel media and MMM platforms, arguing that brand media helps educate consumers on the benefits of a product, creating sticky purchase behavior over time.

That may be true, especially in high-consideration categories like cars. But the most effective way to educate consumers, grow awareness and inspire them to spread the word about your brand is by getting the product into their hands. This is particularly true in lower consideration categories such as grocery CPG. And given the mounting pressure on marketers to be more efficient and prove the results of their spending, the first dollars should always go toward the most measurable and proven performance tactics for driving incremental sales.

Smart digital rewards are among the best tools in a marketer's toolkit for converting people into purchasers, especially now

when 64% of shoppers say price outweighs brand name and 75% are willing to try a brand if it’s offered at a lower price.

That’s not to say brands should ignore upper-funnel media altogether. Retail media has helped close the attribution gap and is much closer to performance marketing than the tools that came before.

However, the most successful strategies utilize digital and cash-back rewards up and down the funnel, combining brand media with a stronger call to action that drives conversion and pulls consumers through the purchase consideration process. We see this often as brands have shared that media, paired with an offer, drives improved ROAS compared to that media alone.

Of all the findings in our latest survey, the most promising is this: Digital rewards are on the rise and projected to see the highest increase in spend over the next few years. In an environment where CPG brands must be as strategic as possible with their dollars, the savviest marketers are flipping the funnel, maximizing the power of promotions to unlock true efficiency and performance at every phase of the customer journey.

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