

# The Dragon Tail Effect

Convergence of Brand & Performance Marketing  
to Drive Sustained Business Growth



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# Brand Building in the age of convergence

In the last one year or so, there has been a lot of discussion around how marketers need to deal with 'the new normal' due to the impact of the pandemic. The advent of technology in people's lives has brought about many lasting shifts in consumer behaviour which have upended traditional brand building models and provoked debate around what the future holds for marketing and brand building. This has major implications for the large global advertising industry which is estimated to be worth \$657bn in 2021<sup>1</sup>.

One specific and prominent topic of discussion within this is the surge in the role of performance advertising, especially as **consumers are spending significantly more time on online channels where they can engage actively or even transact with brands unlike on traditional broadcast mediums** - and the impact this has had on the importance of brand advertising in the overall marketing effort. This is a very important topic and while opinions on this abound in literature today, this requires a data driven answer which this whitepaper aims to provide.



# Consumer Journeys are transforming and becoming increasingly complex

For consumers, with the rise of online and especially mobile, purchasing journeys have started to look drastically different. The classical marketing funnel as we know of is collapsing with blurring lines between top-of-funnel and bottom-of-funnel. Consumer journeys are now increasingly non-linear and complex and definitely not in a neat sequence of Awareness to Consideration to Purchase.

As an interesting case in point, E-commerce channels traditionally thought to be for 'bottom-funnel' are now the 2<sup>nd</sup> biggest source of brand/product discovery for items bought online<sup>2</sup>. On the other hand, Social Media traditionally thought to be for 'upper funnel' continues to be the #1 channel for Discovery but is also now the 2<sup>nd</sup> biggest purchase channel online<sup>2</sup>.

For consumers on mobile, everything they see from a brand is a brand experience, whether it is brand advertising or performance advertising, and sometimes it **takes a few seconds and a single press of a button to move from awareness to purchase.**

Every touchpoint is an opportunity to build brand and drive performance



# Marketers' response to shifts in consumer behaviour



The big question, therefore, is - in this convergence, what is the sweet spot for marketers to achieve short term and long term success?

Traditional brand advertisers, who in the last few years have been hurt by new 'disruptor' brands stealing share from them via online commerce are now themselves making a sharp pivot to bottom-of-funnel performance with online Commerce. The pendulum seems to have swung so much that we sometimes hear them asking '**should all our ads be shoppable?**'.

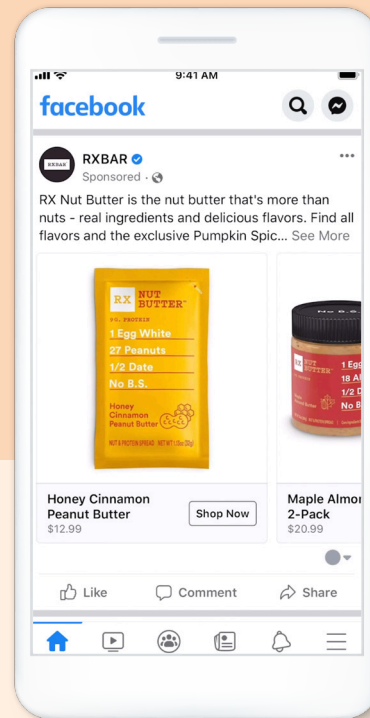
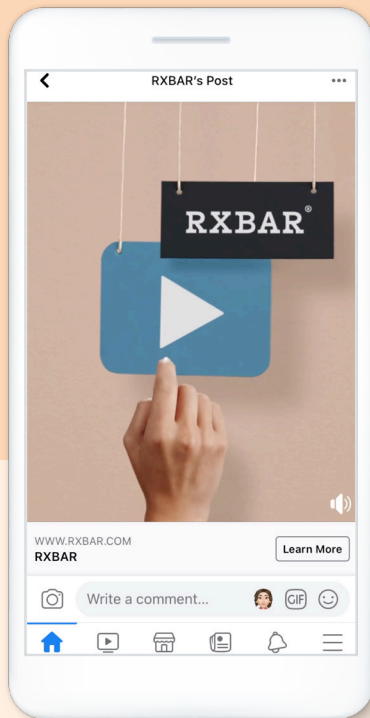
Performance advertisers, on the other hand, especially with many of them now competing in heated markets with intense competition, are beginning to focus on building top-of-funnel measures like brand awareness and preference to protect/ grow market share. Even performance heavy advertisers from sectors such as E-Commerce or Gaming who were earlier focussed on transactions, are re-orienting their marketing efforts to build their brands with consumers. As their consumer base matures,

**building brand preference and differentiation has proven to drive penetration among new users** for these performance advertisers (beyond just deep discounts).

All of these changes are fascinating - and clearly the future of marketing has arrived, with the convergence of traditional Brand marketing and modern-day Performance Marketing. The big question, therefore, is - in this convergence, what is the sweet spot for marketers to achieve short term and long term success? Especially what is the role of each and how do they interact with each other? And what proven strategies can modern day marketers leverage to build their brand business?

**This white paper is aimed at answering the above questions and laying out an approach for marketers, based on data and evidence from actual testing.**

# The roles of Brand Advertising and Performance Advertising in the marketing effort



## Brand Advertising

Historically, marketers have focussed on brand advertising as a means to building top of mind awareness and driving the brand's point-of-difference via functional or emotional associations, as means to earn preference with consumers when they make a purchase decision.

According to Prof Byron Sharp, **the route to grow brands sustainably over time is to keep recruiting new users via driving mental availability and physical availability**. Brand advertising is important to build mental availability and thus help grow brand equity. Recent research led by Ehrenberg Bass proved that brands which paused/ stopped advertising saw an adverse effect on total sales (on average, sales fell 16% after one year, and 25% after two years<sup>3</sup>).

## Performance Advertising

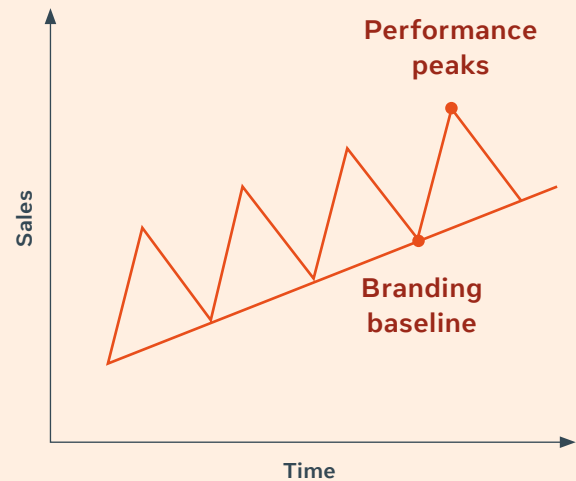
As consumers have moved more of their time (and their lives) online, E-Commerce has thrived as a channel for them to make more of their purchases. **Over 2B consumers today buy online through DTC setups or marketplaces<sup>4</sup>**. This is where performance advertising is critical. While brand advertising leads consumers into being aware and developing preference for a brand's offering, performance advertising aims to drive them into action - catalyzing the consumer's attention and affinity into a purchase, and effectively 'monetising' the equity built by brand advertising via converting it into a purchase.



# How do Brand and Performance marketing come together - Introducing 'The Dragon Tail Effect'

In their recent book, “Media in Focus : Marketing Effectiveness in the Digital Era”, Les Binet and Peter Field have presented a deep analysis of maintaining a fine balance between long term and short term strategies. One of the key findings is that the activity designed for short-term effects (like performance advertising) can reduce long term effectiveness. On the other hand, marketing activity designed for long term impact (brand building campaigns) is able to deliver impact primarily in the long term and can limit sales impact in the immediate timeframe.

However, when we plot together the effects of Short Term Driven Performance Advertising and Long Term Driven Brand advertising, we see that **the two can come together synergistically and sales trajectory starts taking the shape of a Dragon Tail (see graph above)**. This is what we call the Dragon Tail Effect.



As you can see above, the Brand campaigns ensure that the baseline of sales is consistently growing over a period of time, while performance campaigns add short term spikes on top of the baseline when activated. This leads to optimal short term performance while consistently growing the underlying health of the brand in the longer term.

The Dragon Tail effect postulates that brands need to synergistically run performance and brand campaigns in order to be successful in the longer run and drive sustainable growth.

# Who should care about this?

In short, **all marketers**. This is the new paradigm of building a sustainable brand business and marketers across industries need to pay heed and learn to leverage the right balance of Brand and Performance advertising to maximise their brand and business performance. We work with marketers across sectors like CPG, Gaming, Technology and E-Commerce to help them define the most appropriate strategies for their business.

However we believe that this is especially important for performance marketers who have historically been more engrossed in driving transactional metrics like acquisitions/ conversions and have not focussed on building brand health in the longer term, which would be critical as competition in their market segments heats up and the pace of new user growth starts flattening.



## Real life learnings on how the Dragon Tail Effect works for Performance marketers

Performance marketers are typically focused on metrics such as Acquisition (getting new users to transact) and Conversion (drive volume/ value of transactions) and typically assess the value of marketing effort by short term monetary return on money spent on advertising (like ROAS). This focus on driving immediate sales brings in significant gains in the short term and maximises short term ROI. However, as we saw earlier, short term marketing efforts miss the opportunity to generate brand equity, which in turn could have brought in more users and driven repeat sales, the implications of which would be felt in the long term.

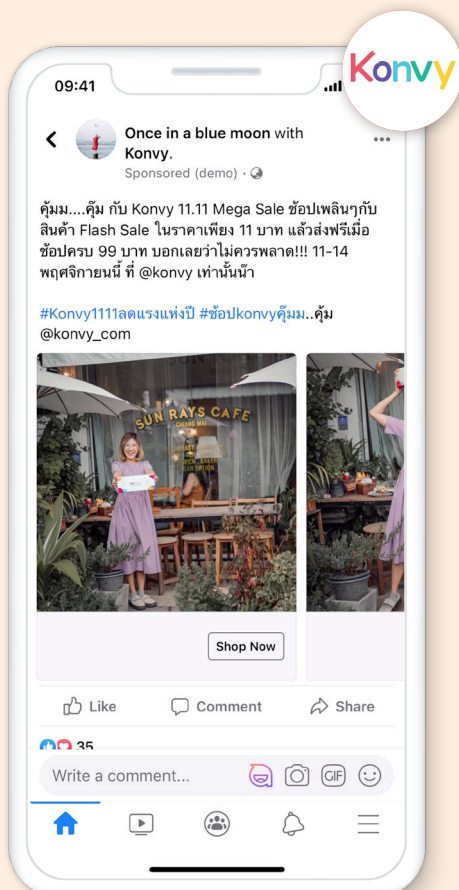
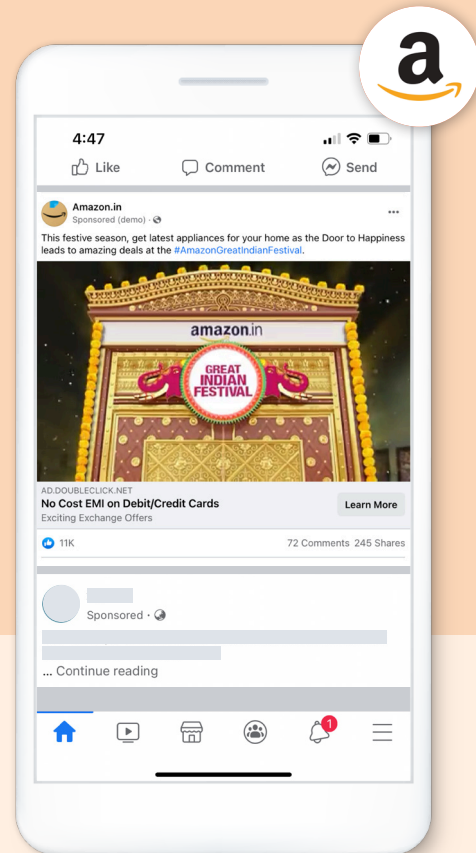
So the key question is, **how should performance marketers be thinking about driving short term growth in sales, but also focus on long term goals like brand equity and penetration**. The Dragon Tail Effect provides a databacked solution for this.



These business case studies manifest how the Dragon tail effect has been leveraged by some of Asia's leading e-commerce businesses.

## Amazon India

Amazon in India has leveraged Facebook's brand solutions like in-stream video to recruit new shoppers by driving awareness of their offers for their month long Festive shopping period (called Great India Shopping Festival). By incrementally adding brand communication to performance marketing initiatives, **Amazon observed nearly 65% of customer orders and over 85% of new customers on Amazon.in come from tier 2/3 cities.** The brand + performance media strategy allows the marketplace to maintain a high share of voice and top of mind recall in the buildup phase of the actual sale period through long-form video ads.



## Konvy Thailand

The Dragon Tail Effect applies to performance marketers of all sizes. Konvy is an online beauty retailer that offers a variety of name-brand skincare, makeup, fragrances and supplements at affordable prices for customers in Thailand. The beauty retailer partnered with content creators to drive awareness of the discounts and deals it was offering on its products during the 11.11 Singles' Day mega-sale event. Working with top lifestyle content creators in Thailand helped the online beauty store successfully advertise in a new way. By applying a brand & performance strategy with branded content ads the campaign earned the following results:

**2.2X**  
higher return  
on ad spend vs.  
performance  
campaigns only

**8X**  
more purchases,  
compared to photo  
and video ads  
alone

# What are the key takeaways for performance marketers?

From the above, it is clear that even for performance marketers, leveraging a synergistic mix of Brand and Performance advertising is essential - excessive focus on one without the other is likely to lead to lost opportunities. Brand building is critical for growing a healthy business in the long term for the following reasons:

a.



Creating **preference** and **loyalty** for their offering as competition heats up and buyers have a plethora of options to choose from.

b.



Improving **profitability** and **increasing GMV** by boosting baseline sales, instead of getting caught up in a vicious cycle of price promotion. Reduced price elasticity can allow for premiumisation of offerings

c.



Creating a compelling brand proposition to establish clear **consumer benefit** and **drive penetration** among new users as the consumer base matures and initial user growth flattens out.

