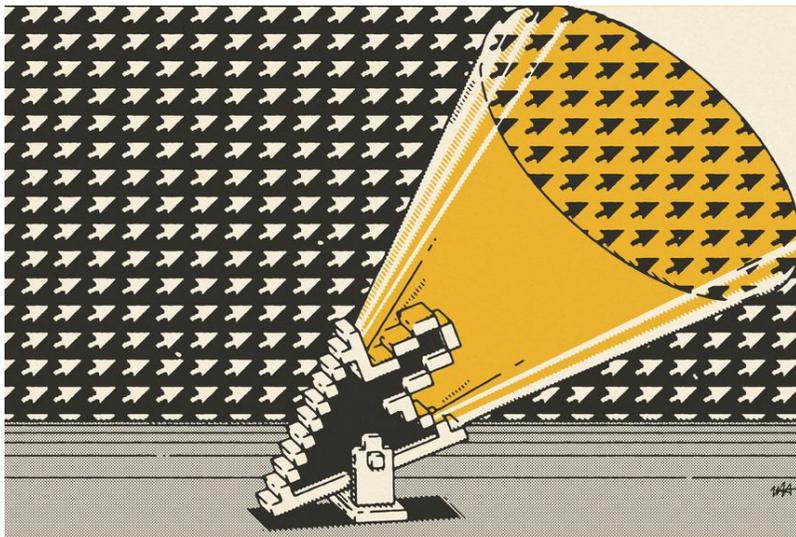


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BUSINESSJOURNAL REPORTS: LEADERSHIP

# Why Advertisers May Be Overemphasizing Performance Marketing

Yes, it's easy to count clicks. But Cait Lamberton and Jim Stengel argue that companies hurt themselves when they ignore brand marketing.



The digital-advertising dilemma: performance marketing for clicks vs. a focus on the brand.

ILLUSTRATION: MICHAEL HADDAD

*By Kate Kaye*

Feb. 12, 2023 12:00 pm ET

Businesses looking to advertise may think they have a binary choice: They can opt for quantifiable “performance marketing,” which measures success based on whether people open an email, click to buy something or “like” a product. Or they can choose “brand” marketing—which aims to give consumers a message about the brand as a whole.

In recent years, the industry has shifted heavily toward performance marketing. That makes sense: The internet has made it so easy to quantify whether an ad leads to a sale.

It's also a mistake, says Cait Lamberton, a professor of marketing at the Wharton School, and Jim Stengel, president and chief executive of branding consulting firm Jim Stengel Co. and former global marketing officer of Procter & Gamble Co. Dr. Lamberton and Mr. Stengel argue

that if companies dismiss the importance of telling a brand's story, they could misinterpret data and spend money in the wrong ways.

The Wall Street Journal spoke with Dr. Lamberton and Mr. Stengel, who is also an investor in software that helps measure the impact of branding on businesses, about performance marketing and brand marketing and how the two can work together. Here are edited excerpts of the conversation.

**WSJ:** *When we think about brand advertising, we usually think about names that evoke a persona or attitude—aspirational brands like Apple, Harley-Davidson and Louis Vuitton want to project ideals in their branding and create lasting impressions on people. On the other hand, performance marketing is intended to do just that: Perform by urging someone to click to buy something or take some sort of action. Is this an accurate description? What did I miss?*



Jim Stengel

ILLUSTRATION: WSJ

**MR. STENGEL:** I don't think you missed anything. We have this fallacy that digital marketing is more effective and therefore we should spend more money on performance marketing. Cait and I are challenging that.

**WSJ:** *Why is branding important anyway? What do some businesses miss or underestimate about it?*

**DR. LAMBERTON:** For the last few years, there's occasionally been a somewhat apocalyptic mantra saying "the brand is dead." This idea came in part from the rise of mega platforms like Amazon, where people could obtain virtually identical products made by a host of manufacturers and consumers could share enough information with one another to reduce the risk of an unbranded product. Also, everyone could use social media to create their own brand, and easy search was presumed to raise price sensitivity [thus diminishing the power of brand names].

But as the environment becomes more crowded and noisy, well-developed brands stand out not only by virtue of their consistency and familiarity, but because the associations companies built into brands went beyond star ratings.

Well-developed brands build trust. Poorly developed brands—no matter how much exposure they might scrape to get, and no matter how many five-star ratings they can drum up on Amazon—don't create that multidimensional trust. And trust is how a company survives.

**WSJ:** *The idea of focusing more on branding seems relevant to a larger company that has an ad agency or an internal marketing team, but why should a small business that has only done digital performance marketing, or only sells on places like Etsy or Amazon Marketplace, divert marketing budget to branding?*



Cait Lambertson

ILLUSTRATION: WSJ

**DR. LAMBERTON:** For small businesses, there can be a big temptation to chase what seems to be working for other companies.

I've done some research where we found that [online deals and checkout countdown timers that mimic frenzied limited-time sales tactics used in offline retail stores]—consumers don't care about them at all. If anything, they make them skeptical, and consumers push away from them. For a small business, if they focus too much on performance marketing, they're going to be driven toward homogenization in a way that erodes effectiveness over time, because consumers get used to it, and that keeps the business from being differentiated from everybody

else.

If I go on Etsy, I will see many of the same tactics being used in the little stories to talk about brands. It starts to look the same. That's not great. If you're a small business, in Marketing 101, you need to be differentiated.

**WSJ:** *You've both argued that if companies don't invest in branding, it's dangerous to their bottom line. How can branding be a relevant concept in a digitally connected environment in which businesses want to quantify everything?*

**MR. STENGEL:** You have to bring all the data and analytics capabilities we have at our disposal now to the concept of brand, and we don't think that's been done up to this point as well as it could. There shouldn't be two classes of marketing, one that is more measurable, one that's not. We're challenging the assumption that brand marketing cannot be measured.

**WSJ:** *So should branding be seen as a complement to performance marketing, rather than a replacement for it?*

**DR. LAMBERTON:** There's an interaction between the two, which means the effect of one depends on the level of the other. If your brand starts dying and you're getting a lot of clicks, those clicks mean something very different than if your brand is growing and you're getting the same number of clicks.

People could be clicking just because they read a story about how terrible your company is. People could be clicking because they want to unsubscribe. People could subscribe, and they get stuck in there because the brand is doing things to keep them in that loop, but they don't have any true affinity for the brand at all.

So, when we disconnect the brand from the performance marketing, there's a huge risk of misinterpretation.

**WSJ:** *Isn't it difficult to prove the value of investment in branding to business decision makers at a time when inflation is high and people are buying based on cost rather than brand loyalty?*

**DR. LAMBERTON:** I think that's a big assumption. In times of chaos, people like safety. Brands provide safety; that's a huge part of their value proposition.

**MR. STENGEL:** For a lot of consumer segments right now, they're not that affected by what's going on in the economy. The power of a brand is, you have higher reach, you have higher loyalty and you have price flexibility.

**WSJ:** *Are you suggesting that if my brand is stronger, I can increase prices and be OK with that?*

**DR. LAMBERTON:** When you have a stronger, more differentiated brand, there are fewer substitutes for you in the consumer's mind. You may not be able to ratchet your prices up infinitely, but you can at least feel confident that there isn't a substitute that's going to compete directly with you on price.

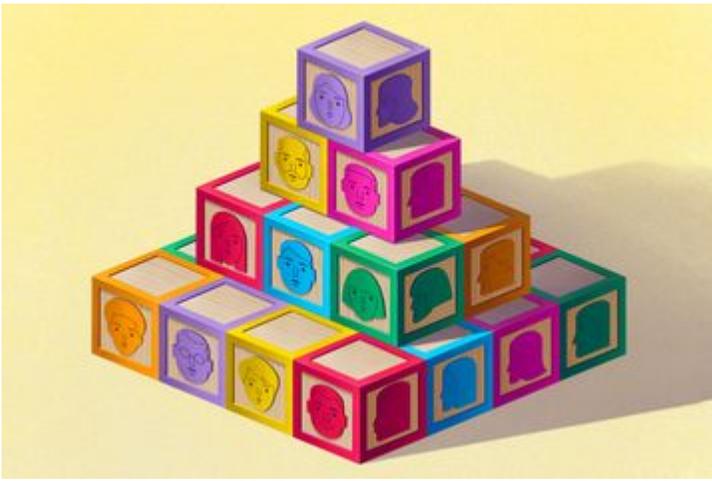
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