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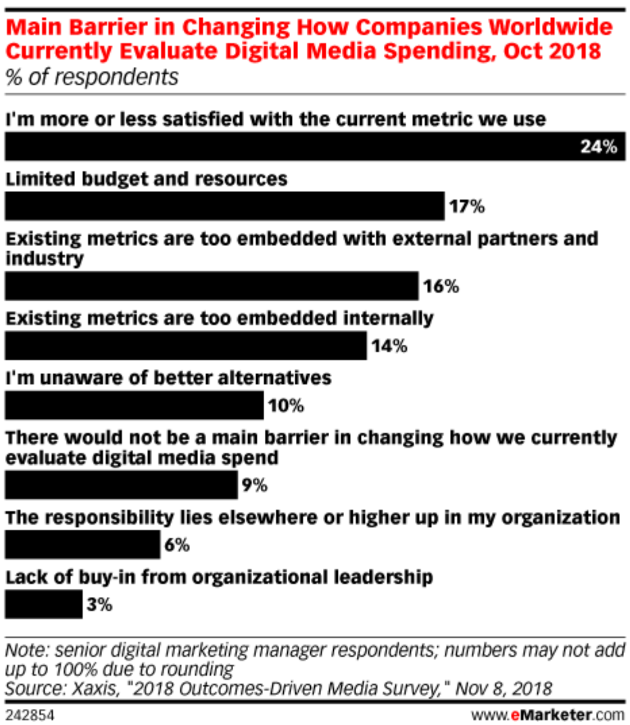
Inertia Prevents Marketers from Re-Evaluating Their Spend

Article

With digital marketing constantly evolving, marketers are frequently on the lookout for new tactics and technologies that could improve margins and increase revenue. But for those looking to change up how they evaluate their media spend, there are network effects and sunk costs that interfere.

In an October 2018 survey by Xaxis of 4,798 senior digital marketing managers worldwide, 16% of respondents said that the main barrier preventing them from re-evaluating their digital media spend is that the metrics they use are too embedded within the broader industry and companies they work with. Another 14% of respondents said that they can't change their current metrics because they are too embedded within their own organization.

"The establishment of standard metrics and formats often takes years and requires the work of marketers, publishers, third parties and industry bodies," said Matt Sweeney, CEO of Xaxis North America. "Often the pace of change outstrips that of agreed-upon metrics."



The survey indicates that marketers face both internal and external inertia, which prevents them from re-evaluating their digital media spend.

Internal pressures can be driven by sunk costs. For instance, if a company has been relying on the same metrics for many years, and its decision-makers feel it will be too difficult to change the way it approaches data analysis, then the company may stick with its current metrics even if a new way would be more profitable long-term.

"Brands can resist changing metrics, but their competitors won't," said Danielle Krauter, vice president of media strategy at Goodway Group. "In this new environment, how you leverage your data analytics will define your success."

External pressures can be created by network effects. If most marketing and media firms adhere to a particular metric, then that metric will become more important to marketers regardless of its intrinsic value.

For instance, Nielsen TV ratings have become so important to marketers partly because the metrics are widely used throughout the industry, according to Mike Kisseberth, chief revenue officer of Future plc. If a marketer that is focused on TV audiences wanted to eschew Nielsen ratings, they may have a difficult time getting the companies they do business with to adopt alternative metrics.

"Moving away from this measurement as a marketer, agency or media company carries significant business risks," he said. "As a result, most will just pony up and continue doing deals with a less-than-perfect data set."