Measuring the Returns from Above the Line Media

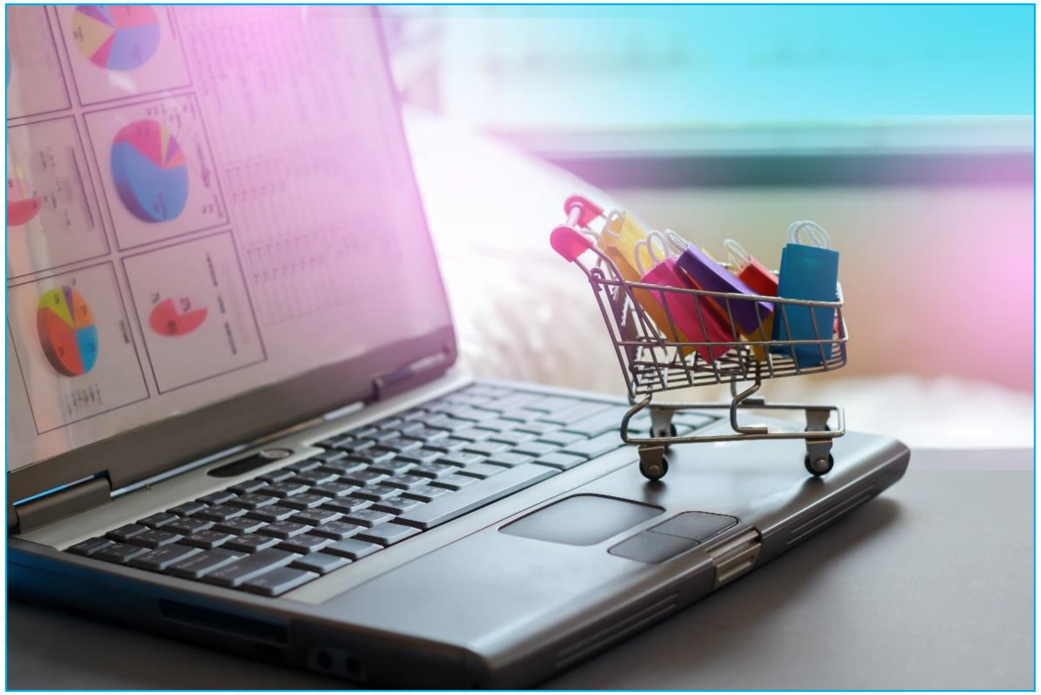
A Case Study

retail alchemy

measure • improve • grow

Background to the study

- A large, well known retailer, having experienced a prolonged period of sales decline, wanted to understand the performance of its marketing mix and how this might be further optimised to help alleviate some of the decline seen so far
- The retailer in particular was keen to understand the performance of its Direct Mail program vs other media channels, having historically invested most of its budget within this area
- Of particular interest was the role in more traditional channels (TV, Radio etc) in promoting long term brand health over the more short term, direct impact of activity such as Direct Mail
- Additionally, the retailer wanted to understand the true performance of it's digital activity with regards to conversion through digital being driven by other media channels
- Finally, the retailer was keen to understand exactly what its projected total annual media spend would deliver so that it could set the right budget to return sales to growth going forward



Our methodology: the basics

"A statistical process that uses various data sources to assess the level of mutual correlation between a dependent (KPI) variable and multiple explanatory variables"

$$Y = \alpha + \beta X_1 + \beta X_2 + \ldots \beta X_n$$

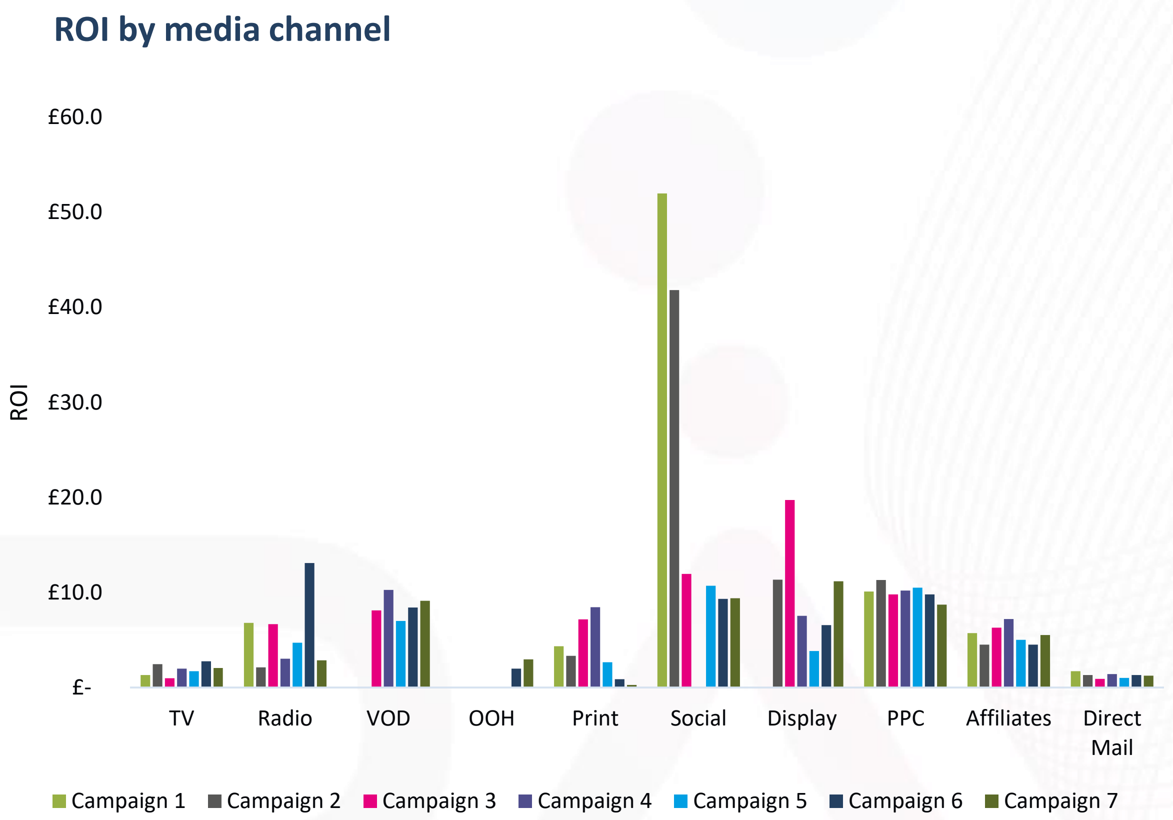
Dependent Variable

Explanatory variables

Example equation:

Seasonality = α + β Seasonality + β Economy + β Price + β Competitors + β Marketing

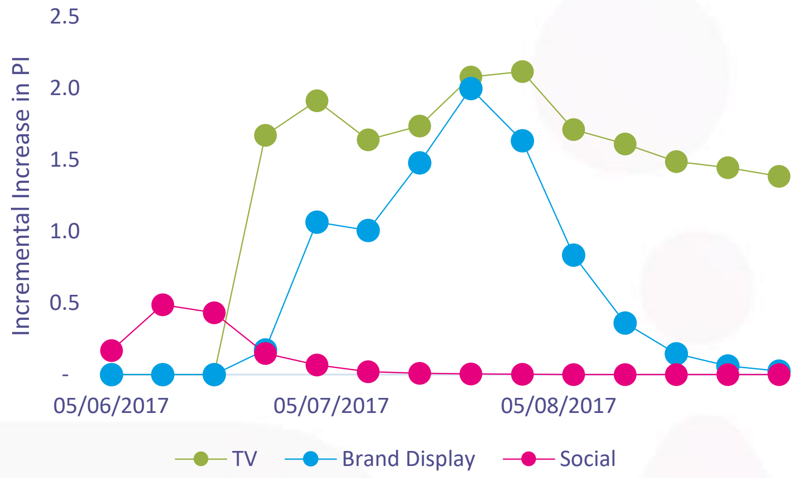
Key insights: measuring Short Term Channel ROIs



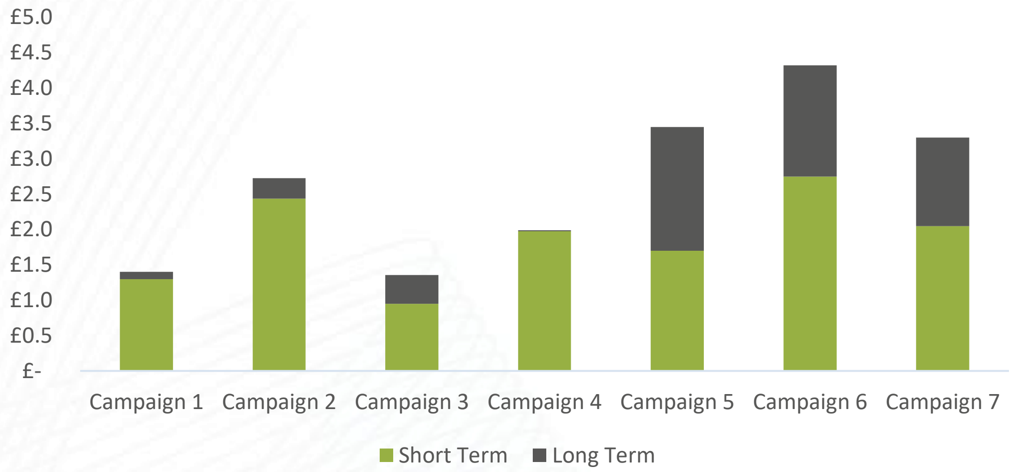
- Our analysis found that ROIs vary dramatically from channel to channel with most Digital Channels performing strongly whilst Direct Mail performs poorly
- Whilst ROI is obviously impacted by the disparity in spend between channels, the results indicate that the retailer was over invested in Direct Mail and dramatically under invested in channels such as Social, Display, Affiliates and PPC
- Traditional channels such as TV, Radio, Print and OOH meanwhile also prove to play a role in delivering profitable sales growth, albeit at slightly lower rates of return

Key insights: measuring the long term impact of media channels on brand health

Media impact on Purchase Intent



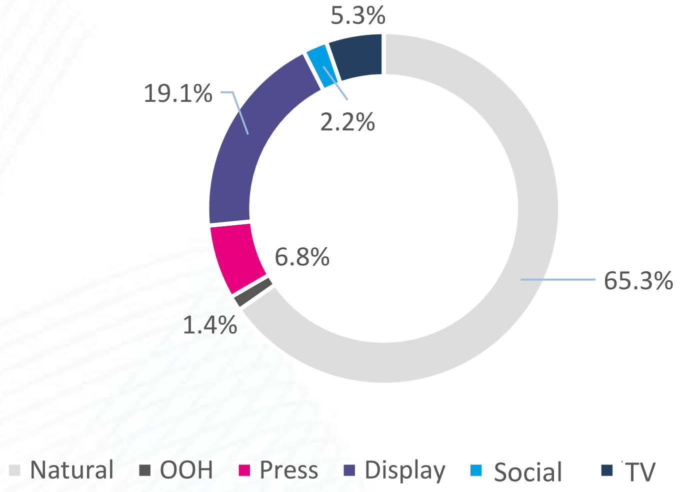
Long & Short Term ROIs: TV



- By modelling purchase Intent over a 3 year period and controlling for the influence of outside factors such as those of other operators in the transport industry and the economy, we have been able to detect an increase in Purchase Intent levels from the latest media campaign
- Correspondingly by using historic Purchase Intent and sales data we have been able to detect a positive correlation between movements in PI and movements in sales for the retailer
- We were thus able to estimate both the short and long term ROIs of the retailers media channels providing a much more comprehensive view of channel performance
- The key takeaway here for the Retailer was that although short term ROIs from TV were on the lower, TV was proved to be as effective as many of the other channels once the long term impact had been factored in

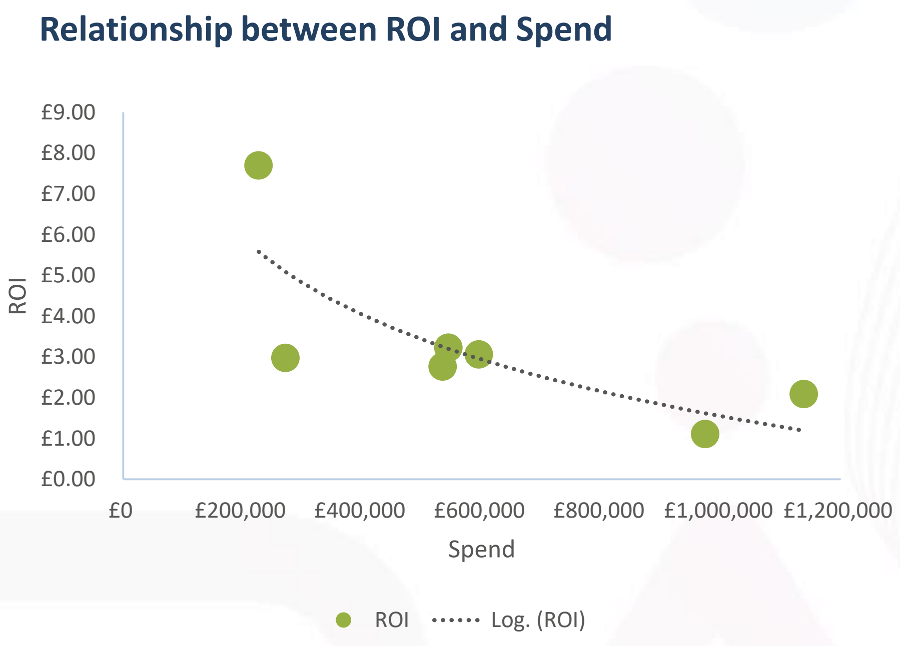
Key insights: assessing the true level of incrementality from Digital

Auxiliary Digital Model



- By constructing an auxiliary model of various digital channels that explained variances in click through rates as a function of spend on other media channels (as well as environmental factors) we were able to determine the true level of incremental sales driven by each channel
- The contribution chart shows that although a sizeable proportion of "credit" for digital performance should be allocated back to other channels, digital channels themselves are, nonetheless delivering high levels of incremental sales

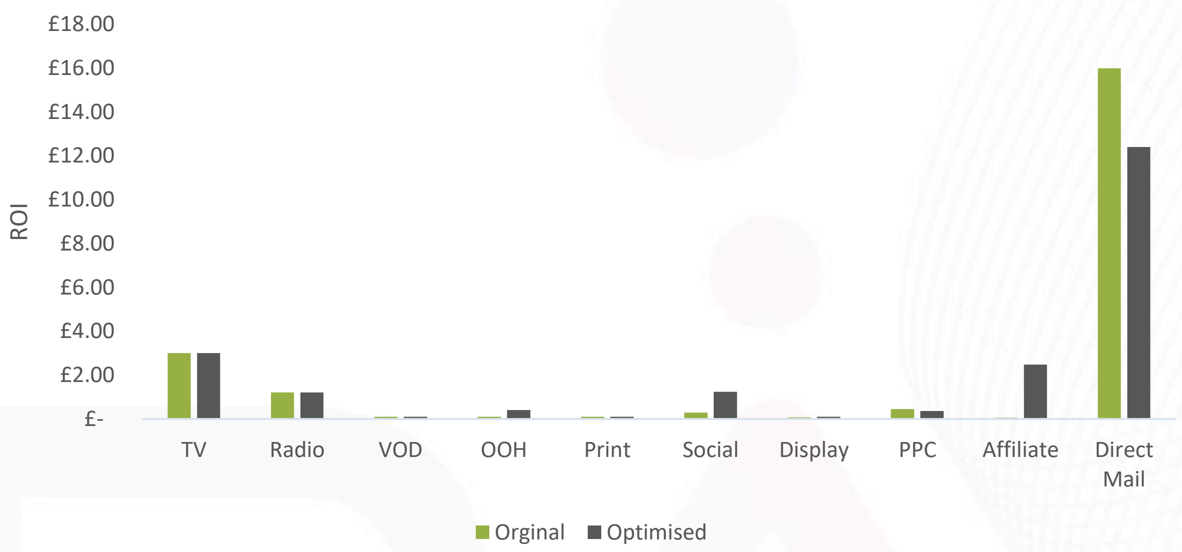
Key insights: assessing optimum spend per channel



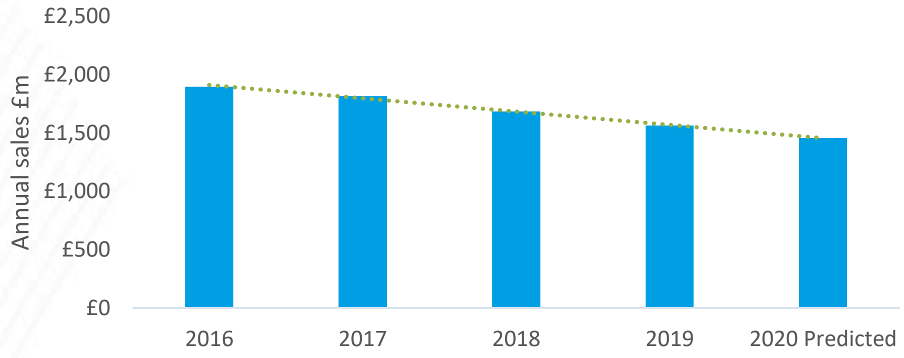
- One often overlooked relationship in marketing is the relationship between ROI and spend
- In general terms, the more that is spend on a media channel then the lower the ROI that will result as the marginal revenue gain associated with attracting more and more customers drops until it fails to outweigh the cost of doing so
- By analysing this relationship for each media channel, we were not only able to explain the pattern found in historical ROIs, but also determine the "acceptable" level of spend per channel that would be needed in order to deliver an ROI that made sense given the retailers margin

Key insights: budget allocation

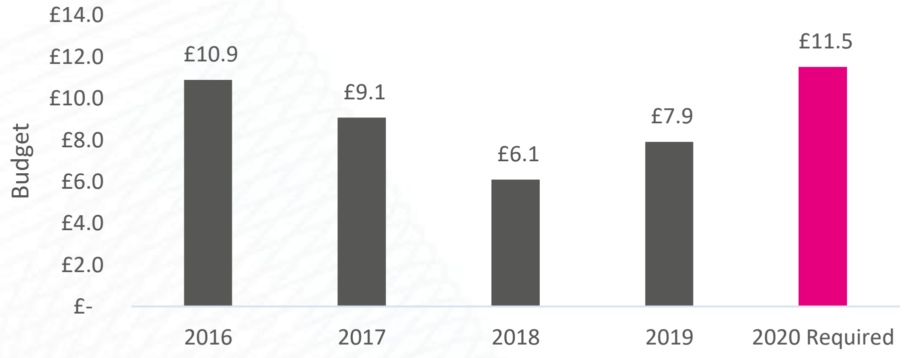
Optimal channel splits: planned 2020 budget



Annual Sales Forecasts



Budget required to abate decline for 2020



- Indeed, by plugging in the observed relationships between ROI and spend into our media optimiser, we were able to help the retailer determine the optimum channel splits for given levels of spend
- Using the same method, we were also able to help the retailer determine the amount of money, by channel, that would need to be spent to arrest the decline forecast for the year ahead

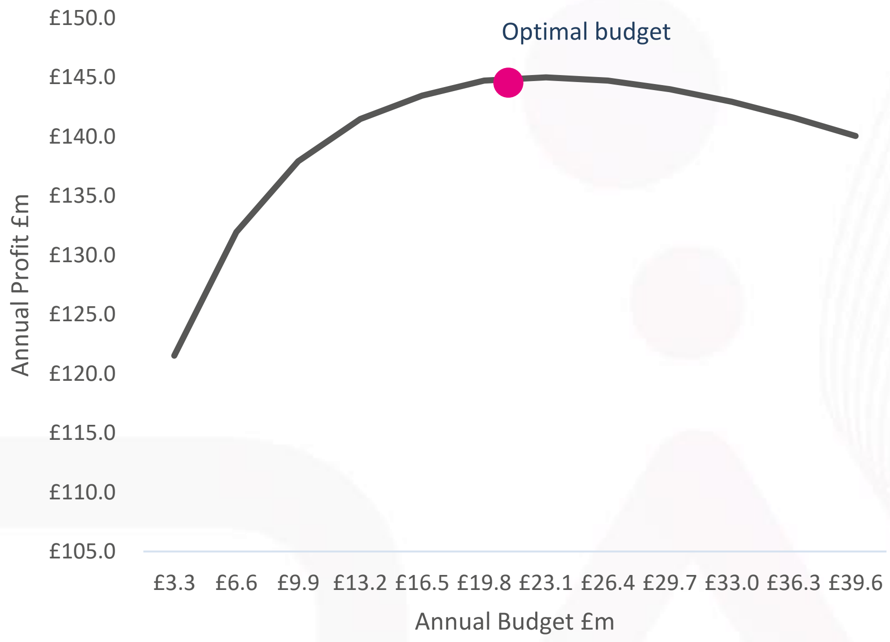
Key insights: laydown vs saturation

Saturation rates vs media laydown strategy

- By comparing the extent to which the effect of spend in a channel would be felt in subsequent off-air weeks (called the adstock) against the level of saturation present from week to week when on air, we were able to help the retailer assess the optimum weekly laydown strategy for each media channel
- From the opposite chart, its clear that ROIs could be improved for channels such as VOD, Print and OOH by simply following an “always on” strategy over a greater number of campaign weeks
- Conversely, for channels such as TV and Display ROI could be improved by simply condensing weeks on air and upping the weekly weights

Key insights: maximum annual spend

Optimal budget allocation curve



- Whilst our previous analysis around budget optimisation has focused on improving efficiency by altering channel spend as well as determining the budget needed to abate decline, another area of interest was what budget would need to be spent in order to deliver maximum profitability
- By running various optimal budget scenarios through our budget simulator, we were able to help the retailer determine that over 2 times their current annual budget could be spent to deliver additional sales growth without damaging profitability

Thank You!

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