MEASUREMENT STRATEGY

Getting to Best-in-Class Effectiveness

WHAT'S INSIDE

INTRODUCTION & SCOPE

This paper has been created by Gain Theory and commissioned by EffWorks, an initiative organised by the IPA that champions accountability in marketing and promotes a culture of Marketing Effectiveness from C-Suite, all the way down through organisations.

In creating this paper, a cross section of senior marketing and insight professionals from 40 brands were interviewed, representing a UK advertising spend of more than £7bn.

The purpose of this paper is to generate momentum and direction around Marketing Effectiveness measurement and to help marketing and insight professionals maximise the impact of marketing.

Contributors Include

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Combined £7b Media Spend

WHY READ THIS PAPER?

If marketing is the engine of business growth, the boiler room of decision-making requires a 'best-in-class' effectiveness strategy.

Many organisations struggle with Marketing Effectiveness. Indeed, many are still trying to figure out which adverts are working; and how marketing in a broader sense, beyond advertising, is helping generate business growth.

> **No single organisation was wholly satisfied with the way that marketing effectiveness was assessed.**

An organisation's marketing strategy can allow it to differentiate products and services and create meaningful brands that support growth in profits, not just turnover.

To ensure that marketing is as effective as possible, its impact must be measured. Having the right Marketing Effectiveness strategy will help marketers create the right culture, make the right decisions, avoid wastage and maximise impact.

In speaking to more than 40 brand representatives responsible for more than £7bn advertising spend in the UK, we found that no single organisation was wholly satisfied with the way that Marketing Effectiveness was assessed.

For some, organisational limitations are a barrier – not having the right people in place at the right time. For others, it is the sheer complexity of their markets and gaining a deep understanding of what KPIs would genuinely change the dial.

This White Paper has been created to generate momentum around the Marketing Effectiveness strategy conversation. It's designed to help organisations focus on what matters and to suggest strategies that will ensure Marketing Effectiveness becomes an established part of how they do business.

5 KEY TAKEOUTS

Start as you mean to go on - organisations need to have the emotional and political fuel to start and stay on course for the Marketing Effectiveness journey if they want to create a best-in-class strategy. This includes having the willpower, motivation and desire, as well as the ability to collaborate.

1 Getting The Basics Right

Marketing Effectiveness improvements, while significant, can be dwarfed by the benefits from simply doing existing marketing better. Late TV bookings in the UK, for example, can attract a substantial additional fee and, even if the fee is avoided, you often end up with poor inventory. For white goods retail, similarly basic questions include: are we advertising products that will drive footfall, or purchase with a high attachment rate and high margin? Is supplier funding being used in the best way?

2 Less Detail = More Impact

A flood of data means that we can be more micro and granular than ever. That's not always helpful. As an example, for large multinationals the ability to move budgets at the margin from one country to another is the biggest potential win. In this scenario, big picture metrics such as economic forecasts, market size, penetration and market potential are much more important than micro channel ROI.

3 Match Metrics To Strategy

A key element of successful Marketing Effectiveness is to ensure that activity is assessed against the right KPI. Everyone wants profitable growth, but different companies will be taking different routes to get there. The metric should match the brand's chosen roadmap.

4 Anticipate

The metrics that matter will vary. Best-in-class Marketing Effectiveness anticipates and predicts these changes.

5 Stop Standard Reports

Issuing poorly curated standard reports is not best in class. Move towards a response-based style where answers to specific questions are available, not just a one-size fits-all approach. Understand the hierarchy of metrics and what is important to whom.

DEFINING MARKETING EFFECTIVENESS

Everyone talks about Marketing Effectiveness but it's not always clear what it means. And Measurement Strategy cannot be implemented successfully without an agreed definition.

Is it about justifying past actions or learning about the future? Is it just about Return On Investment? Does it embrace the market disruptions that are happening all around us or does it strive to present a picture of control?

The best approach delivers all of these things and more, but the immediate goal for our interviewees was ensuring that every marketing pound was spent in the way most likely to further the overall goals of the company.

> **"Marketing Effectiveness is about more than just marketing."**

Most of our interviewees also pointed out that Marketing Effectiveness is about more than just marketing. Indeed, the very term can put it in a silo, reducing its power and influence across the company. Practitioners now commonly refer to the process as Business Effectiveness.

We use this terminology throughout the White Paper to emphasise the fact that marketing is one of the key levers that businesses have at their disposal to increase profitable growth. Marketing is, or should be, at the heart of the debate in any company, whether the executive is debating how best to launch a new product or trying to understand what consumers truly want from the brand.

Defining the right metrics and approach to assess Business Effectiveness will be different for every company. The key to measuring it accurately is having a clear idea of what the marketing activity was designed to do.

Different companies will require marketing to perform different roles but the measures to determine success must be determined at the start of the process. Indeed, this was a key recommendation in last year's "Culture First" report from the IPA.

While the overall goals of the companies we spoke to were broadly similar – profitable growth – their chosen paths were often different.

Three things remained the same, however:

1 / There should be a tight focus on a small number of Key Performance Indicators (KPIs) or metrics.

2 // There should be a consistent approach to measuring effectiveness.

3 /// There should be a constant evaluation of the techniques available to establish effectiveness.

FORTITUDE

Fortitude is a key characteristic for success with Marketing Effectiveness programmes. Fortitude means having the emotional and political fuel to keep the journey on track.

"Our company struggles with silos, with brands that are set up to be competitive entities, and thus sharing is a cultural challenge to say the least."

It means having the right motivation, intent and desire. But, most importantly, it's about having all these characteristics shared by everyone not just Marketing or Insights.

Shared Purpose

Have everyone agree on what Marketing Effectiveness will do and won't do; define success; agree language and manage expectations so that people understand it's not about being 'data-driven' but being 'data-informed'. As one Financial Services CMO said: "It's key to take emotion out of decision-making by agreeing on common objectives and metrics across the organisation, and then managing those using data and insight."

Collaboration

Collaboration is key across several functions and not just Finance. Often Marketing and Media teams will not have a direct impact on Product, Pricing or Placement etc but inevitably these will impact success. Being clear from the outset who you need to bring along on the journey and what to ask, when to ask and how to ask, will help create better outcomes.

Breaking Down Silos

One Media VP was recently quoted as saying : "Our company struggles with silos, with brands that are set up to be competitive entities, and thus sharing is a cultural challenge to say the least."

Zero Based Budgeting

The evidence for the success of Zero Based Budgeting is mixed, and even where it does meet our definition of success – higher incremental profits – the work required to deliver genuine Zero Based Budgeting should not be under-estimated. It's probably not something that should be done every 12 months. But a mindset of Zero Based Budgeting is very useful – having an understanding of exactly what the different elements in the marketing mix are doing to contribute to profits is a fundamental part of assessing effectiveness. If we don't know what it's supposed to be doing, success or failure is impossible to define.

A CEB study found that 47% of the 18 companies that used Zero Based Budgeting in 2014/2015 saw a significant margin improvement, compared to 45% of 40 companies that used traditional budgeting methods. That suggests results are not guaranteed.

Credibility Beyond Marketing: Finance

Ensuring Business Effectiveness measures have credibility beyond Marketing means Finance must be part of the conversation as early as possible.

Without the backing of Finance, there is a danger that effectiveness efforts are simply seen as just another token effort to put a value on marketing.

Finance requires that there be:

No black box solutions

Everything needs to be transparent. This has implications as to whether the heavy lifting / analysis is out-sourced and how well this will work. It also becomes crucial that reports going outside the marketing department are carefully curated.

Triangulation

A single source of evidence is **not** sufficient. In retailing, for example, the decision as to whether a brand runs TV advertising that features specific products and offers vs copy that features a particular strength, such as service, product knowledge or to deploy cause-related marketing is not going to be made on just an econometric analysis of past media return on investments.

Humility

Have a willingness to admit to and learn from mistakes. In fact, "mistake" might not even be the right word – decisions are almost always taken using the best and most up-to-date information. But things change, competitors evolve and markets change. Marketing teams must be willing to embrace change too.

Across every business there was a recognition that a tension exists between speed of response when markets are being disrupted and "analysis paralysis" that can be created when seeking to locate a single true north from multiple sources. Nevertheless, the effort was typically seen as worthwhile.

THE JOURNEY

The journey to embedding Business Effectiveness in an organisation has three clear stages of development: Crawl, Walk and Run.

During our interviews, we asked respondents to categorise their company's efforts in Business Effectiveness on a scale of 1 to 10.

All respondents, wherever they ranked themselves, recognised that they could not stand still: lower-ranked companies were determined to improve and those towards the top understood that they had to continually improve to maintain their position.

Crawl

Effectiveness can be overwhelming for those at the beginning of the journey. We spoke to organisations where large-scale studies had been commissioned but the results had not been disseminated, nor had any change happened or recommendations been implemented.

> **It's just a black box – why should I trust it?**

In these organisations, the key challenges appeared to be a lack of experience in making decisions based around analytics and insight and/or a lack of trust in either the data or the techniques being used. "It's just a black box – why should I trust it?" was heard more than once.

For effectiveness professionals and advocates in such organisations, the key is to start slow and start small. Relying solely on specialist agencies can be tempting but unwise as it will do nothing to solve the black box perception.

Best practice is to combine an in-house team with external specialists but ensure that the in-house team play a stronger role than just acting as gatekeeper or project manager. Results should be shared widely and internal advocates are always required.

At this stage, effectiveness measurements are typically limited to reporting on what has happened and, sometimes, what is happening now. Typically, insight is based around standardised reports. Data is often kept in silos, whether intentionally or otherwise.

Walk

Analytic programmes are well established in key parts of the business and decisions are being made based on this research. The risk for companies at this level is that reporting becomes routine, slow-moving and concentrated into big, expensive set-piece analytics conducted by external agencies. Often, results are used to post-rationalise decisions that were made on other criteria.

Companies that were improving were beginning to implement quick Test and Learn studies in a range of areas. Often these were informal and the techniques were relatively straightforward, but they had power nonetheless, and helped the concept of "test, measure, implement, test again..." to gain traction.

Whereas during the 'Crawl phase', most activity was around "what" has happened or is happening now, activity in this phase tends to be more around diagnosis (why did it happen) and prediction (what might happen if...).

Data governance has been established, and there are no longer multiple sources of the same information. Also, there is an increasing emphasis on action: "analytics demonstrated that, we should do this."

Run

Change driven by advanced analytics is the standard approach, with a well developed Test and Learn process in place. There is a growing acceptance that outside specialists can usefully bring additional insights and the company has the structure and the culture to make effective use of these consultants.

The challenge for organisations at this advanced level was two-fold:

Ensuring that the company moves together

There are often parallel tracks within organisations and these should begin to be smoothed out early in the Run phase. In Financial Services, for example, machine learning may be used to segment loan applicants on the basis of risk, with the decision to grant a loan becoming gradually more automated. In the Run phase, similar algorithms can be applied to develop insights around propensity of customers to buy additional services or to open and act on an email.

Ensuring that the company stays up to date

Ensuring that the company stays up to date with techniques and that innovations within the Business Effectiveness sphere are assessed for their relevance.

The journey towards an effective measurement strategy is captured below – it is much more about relationships, trust and curating results than it is about using a particular technique.

"It took a long time to build up a good level of trust and confidence with our analytics partners. Getting them to understand the business; getting them to understand how to present the results in a way that made them important to the exec. Now, a lot of time is spent ensuring that we don't rest on our laurels - we regularly meet with different agencies and test innovations to ensure we stay at the forefront of effectiveness measures"

Head of Marketing Effectiveness

Of the companies that we spoke to, none currently ranked themselves as a 10, but several thought they were reasonably close. Encouragingly, almost every respondent interviewed said that each year their efforts within Business Effectiveness were becoming more sophisticated and having a greater impact on the business.

THE ECOSYSTEM

To embed successful measurement of marketing and to genuinely have an impact on the business, the ecosystem is key to get right. And it's not necessarily about picking a particular methodology, it's far more important to focus on understanding the hierarchy of metrics and how it should be defined for your business.

It's also how to build an effectiveness team, and how to balance the need for in-house capability with the recognition that best practice and innovation tends to be generated more by consultancies.

The Hierarchy of Metrics

Not all metrics are created equal. Nor should we necessarily measure something just because we can. When speaking to brand representatives they were very clear that there was a hierarchy of metrics and that, for most, profitable growth was at the top. Of course, these metrics do not exist in isolation and while growth in profits might be the key metric, others are important because they ladder into and contribute to this ultimate KPI. What does this mean? Well, profitable growth is key. But this metric itself depends on another set of metrics, all of which need to be measured.

For example:

Growth in profits is key. One route is to increase **market share**

↓

Market share might be driven by improvements in **brand strength**

↓

Brand strength might be driven by better **marketing**

↓

Marketing Effectiveness might be improved by an enhanced **creative**

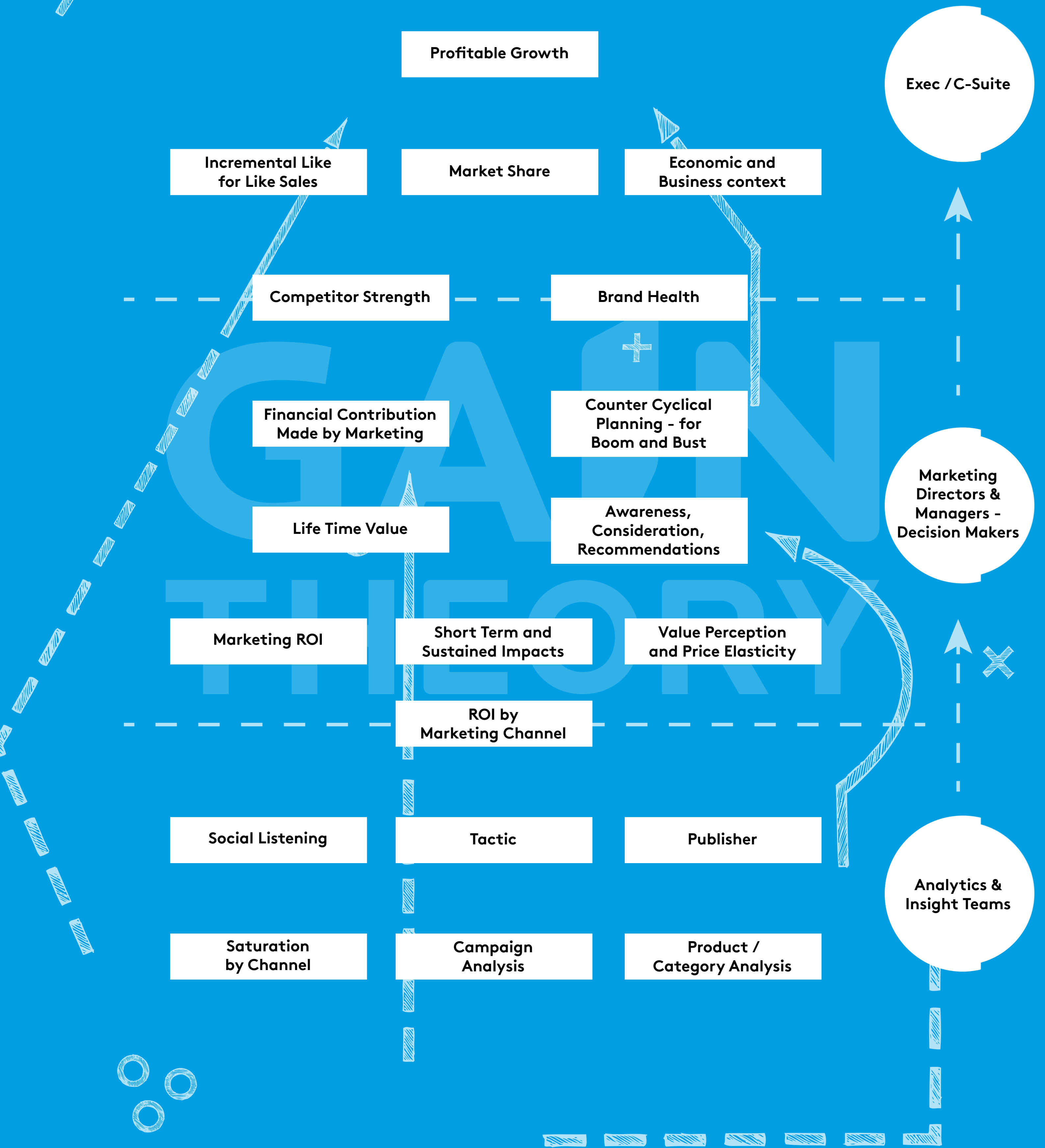
So for successful measurement, we need to acknowledge that:

1 / No metric exists on its own. Its place in the hierarchy needs to be known and understood. People have to know why something is being measured; they need to know where it sits in the overall hierarchy and how it contributes to their company's overarching strategic objectives.

2 // A clear definition of success is known and shared. We have seen time and time again that a poor measure of success hinders both measurement (what, exactly, are we measuring?).

3 /// Appropriately curated communication exists. A planner needs to know which tactic and publisher works best on digital. The CMO, in most cases, doesn't need to know and the CFO and CEO certainly don't. The C-Suite are more likely to be focused on big-picture decisions that are likely to move the dial in more significant ways – an example might be moving an element of the budget from a mature but wealthy market (e.g. North America) to one where the current returns are smaller but where growth potential is more significant.

Hierarchy of Metrics



3 COMMON METRICS

Market Share

This was often tracked closely by our interviewees and their companies but there was frustration that the effort required to increase share by even one point was not well understood. For example, a new retail bank with ambitions to gain 5% market share of all personal current accounts would need to acquire 70% of all those switching accounts over the next five years.

Understanding what this metric is saying means not looking at market share in isolation, especially in markets that are growing or declining, it is quite possible for share to fall while sales volumes are growing. While this is still poor – competitors are growing more strongly – the implications and remedies are very different to a situation where share and sales volumes are both falling.

Price Elasticity

This is a measure of the responsiveness of sales to a change in price and is usually defined as:

$$\text{Price Elasticity of Demand} = \frac{\text{\% Change in Sales}}{\text{\% Change in Price}}$$

The relationship is nearly always negative because if price increases we expect volume sold to fall. The metric is unlikely to be a simple relationship; there may be asymmetry between price increases and decreases; there may be threshold effects. And the relationship might be non-linear, where bigger price changes have a greater relative impact on sales than smaller ones.

However, essentially it describes what happens to demand when the price is changed.

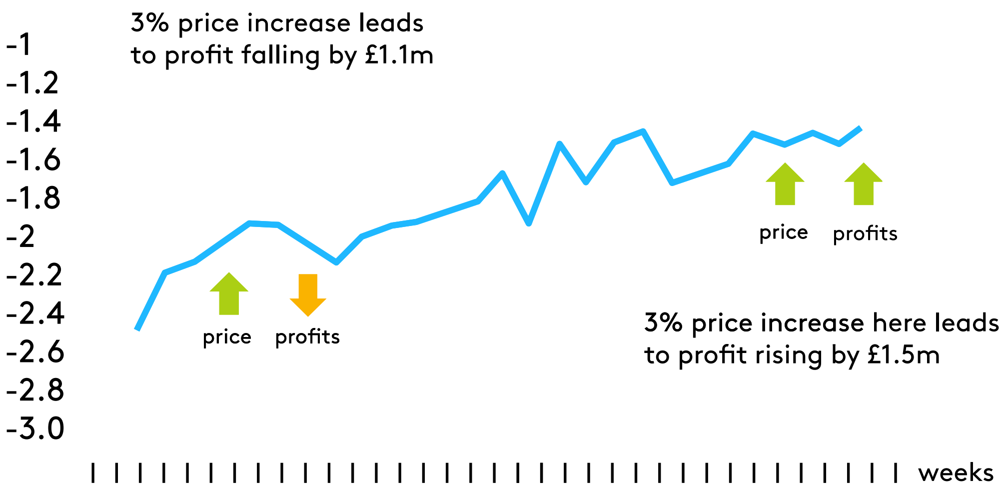
While many Business Effectiveness measurement programmes focus on the Return On Investment for media spend, the impact of the price elasticity changing over time on overall profitability can be enormous, often outweighing the impact of advertising over the short-term.

This is because the short-term impact of advertising affects a relatively small proportion of brand sales but when the price changes everyone is affected.

If consumers can be persuaded to accept a price increase or, more realistically, a constant price while others are cutting theirs, profitability will be stronger than the competition.

The ability to charge a premium or to maintain prices when others are cutting is determined by Brand Strength and long-term, consistent brand advertising can cause the price elasticity to fall over time.

Corporates know this and in Retail, for example, price perception is tracked and examined in detail, while FMCG brands use Brand Strength as a key indicator of success.



Consistent brand advertising led to price elasticity falling over time

Picture This

Imagine we have a mid-size FMCG with annual sales of £100m and a gross margin (just net of production costs) of 40%. The price elasticity has been measured as -2.5.

So, a 10% price increase will decrease volume sold by 25%.

Price is changed by a small amount - just a 3% increase. The impact over the year is for gross profit to fall by £1.1m. The impact of people swapping for substitutes is greater than the impact of remaining customers paying a higher price.

But what if the elasticity is -1.5? Now, the same price increase boosts profit by over £1.5m or a swing of around £2.6m. And this is not revenue or turnover, but gross profit. And the effect will persist over time.

Return On Investment

This White Paper is not just about Return On Investment (ROI) – our view is that this is an intermediate KPI. Nevertheless, it is an important metric, and one that virtually all our interviewees tracked.

The challenge for Business Effectiveness is to understand what drives ROI, and how it can be maximised without damaging the long-term potential of the brand.

Most define it as follows:

$$\text{Marketing Return on Investment} = \frac{\text{Sales Value Uplift} \times \text{Margin}}{\text{Media Spend + Production Costs + Agency Fees}}$$

> **“Do not use ROI to create your strategy.”**

There may be other elements to add in or take out, depending on the type of business, or to make the calculation agree with the way other investments are evaluated. For example, White Goods Retailers might add in an assumption around insurance or service agreements, although these are less important now than in the past. Others might want to exclude agency fees and production costs. More sophisticated approaches might take a five-year view of the marketing investment and assess on a cost of capital basis against alternative uses of the money.

But whatever the exact definition, the ROI is essentially the increased margin income divided through by the cost of generating this incremental value. And there are some simple rules to follow (without getting into the more complex issue of diminishing returns to media weight and saturation effects).

These include:

Sales Value Uplift

It should include all halo effects, synergies and ideally a view on the long-term, either through an evolving base or by linking marketing spend to changes in purchase intent through to sales. If ROI is the objective, then make sure that, in FMCG, you focus on the big brands. In Retail, focus on the footfall generators, or those products and categories that drive a high attachment rate.

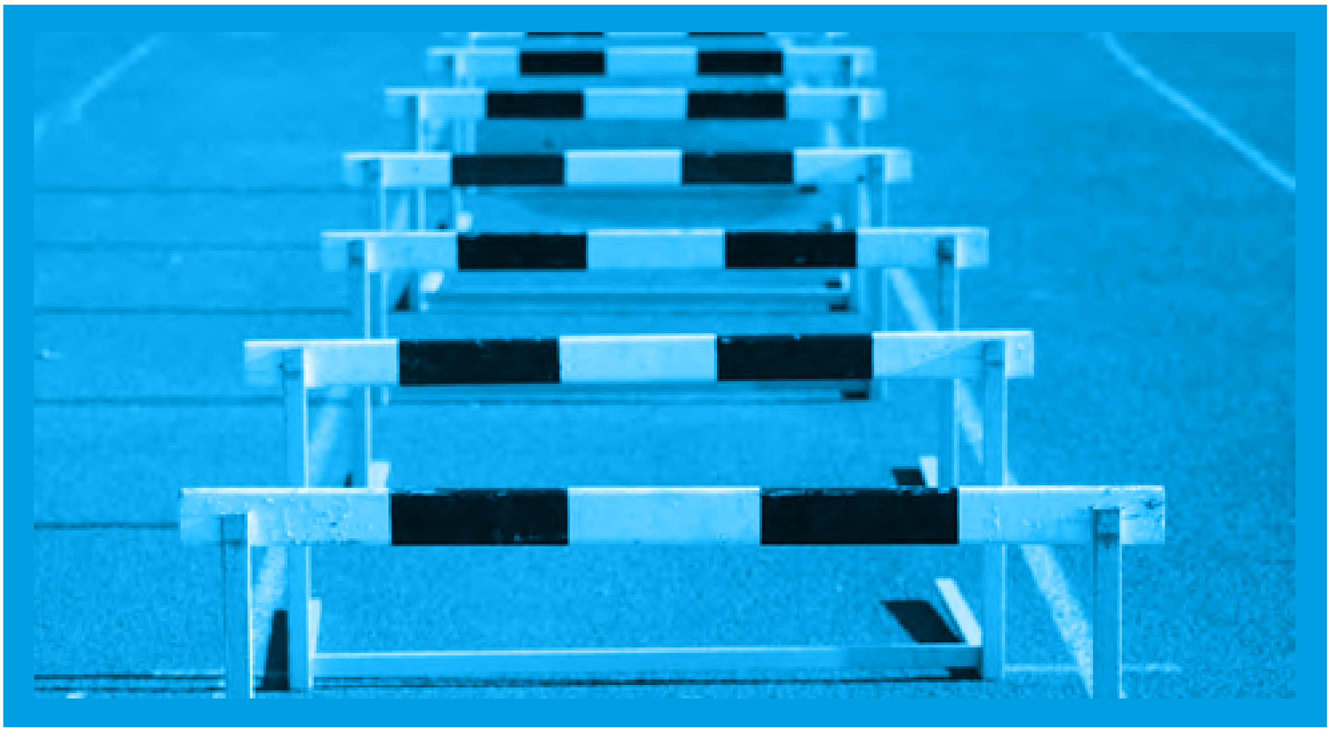
Margin Matters

For a retailer, margin varies quite widely between categories. The same is true within Financial Services. Focusing on high margin products or services will generate a stronger ROI.

Media Spend

Media Spend is a key component of ROI. To drive the highest ROI ensure that media channels go beyond those that have a direct impact on sales response but also include those that act as enablers and make other media channels work harder. Our analysis says that TV is still key, with VOD and SVOD growing in importance.

However, do not use the ROI to create your strategy. Define strategy and then use the ROI as a useful input to allocate the marketing budget between competing channels to hit pre-determined business targets based on the strategy.



Building an Effectiveness Team

Once a commitment has been made to measuring the impact of marketing on the wider business, the question becomes "how do we do it"?

How do we build up the expertise? How do we find the teams that can run the required analysis? And perhaps most crucially, how do we find the communicators who can take the results and ensure they are turned into coherent business recommendations?

Business Effectiveness teams can be in-house, external or a combination of the two. There are advantages and disadvantages to each approach.

Research recently published by Source (2018) suggests that, globally, approximately 75% of all analytics and insight work is run by in-house teams, with just 25% undertaken by consultants and agencies of various types.

Some of the approaches that we saw are set out in the following pages, each has its clear costs and benefits. Picking the right approach will depend on your own context and preferences as each can be successful.

In reality, most companies adopt a mixed approach with some parts of the effectiveness programme outsourced, and others very much kept in-house.

Due to fears about poorly curated results presentations, the overwhelming majority of respondents retained a high level of control over how results are communicated internally. Finding effectiveness consultants who were consistently "boardroom ready" was found to be a challenge.

For those companies and brands operating in more than one market, there are also challenges over where decisions on Business Effectiveness were made. There were broadly two approaches, which often coincided with the level of brand maturity.

DEFINING SUCCESS

Define success centrally, measure locally

The key advantage of this is that local expertise can always be brought to bear. The disadvantage is that, unless central control is tight, subtle differences in techniques and measurement can start to creep in, undermining the process. This approach tended to be favoured by mature brands, where KPIs can be broadly similar in most territories.

Define success locally, measure centrally

This approach tended to be favoured by new brands, or at least brands that are new to particular markets. Within Tech, for example, a brand might have very different levels of brand strength, penetration and trust in different markets. Success measures need to reflect this. The strengths are clear – consistency of measurement but flexibility in KPI success measures. A risk with this approach is a lack of buy-in at the local level that risks undermining the whole process.

TEAM APPROACHES

Approach	What This Means	Pro	Con
In-House Team	Data pulled from various stakeholders (e.g. media agencies) but all analytics and value-adding interpretation of this data is done by full time employees.	Over time, an in-depth knowledge of what works and why can be built up by this internal team, and they act as valuable internal consultants.	Teams are usually small, so can be vulnerable to one or two people changing role or leaving. Also, while they have very good experience it's only of a single client. This makes it hard to benchmark performance and also to innovate.
Pure Outsource	In this context, external agencies / consultancies cover all aspects of one or more effectiveness programmes.	Benefit from wide experience not just within a single vertical, but also related industries. Have the experience to know what questions you should be asking as well as answering the ones that have already been asked. Most innovation happens agency side even if driven by client demands.	Can sometimes seem remote from the wider business and the questions that are currently being asked and it takes time and effort from client teams to ensure that they are properly briefed. But with all analytics, the maxim "garbage in, garbage out" holds true. An important risk with outsourcing is the sheer length of time it takes new agencies to fully understand the business. This was felt most strongly in Financial Services and Retail but was mentioned by many respondents. The danger is that it risks "sticky" relationships and a lack of innovation as budgets remained fixed year on year.
In-Source	Partnership, whereby agency teams work next to client teams, typically at client office.	Best of both worlds. The internal team can 'brief on the go' and should have great connections across the organisation. The agency team tend to secure access to a wider group of people on a more frequent basis, thereby making the analytics richer, more detailed and more finely tuned towards answering the key questions.	This is often more expensive than other options.
In-House Expertise	Client teams don't necessarily "do" the analytics but they are very closely involved and can answer questions about results and risks without needing to go back to the agency teams.	Can be very effective – having internal consultants who understand both how the results were arrived at and the judgements that have been made, increasing the likelihood that insights will be deployed and improvements generated.	Sometimes an element of doubling up of roles, so not necessarily the most efficient approach.

BEST PRACTICE IN KEY AREAS

Test & Learn

Test and Learn is not a new concept but with advances in data collection, particularly in the online sphere, it's experiencing something of a renaissance.

The process is both simple and powerful. Take an action with one group of customers (the test sample), generally keep all other factors constant for a similar set of customers (the control sample) and then compare results.

These results are typically simple to analyse and are straightforward to interpret. Provided that no other factors affect just the test or the control, causality is also clear.

However, there are a number of pitfalls. Getting it right means ensuring that:

- There is a very clear hypothesis being tested and a very clear definition of what constitutes success.
- Test and control samples are result-neutral. Marketers need to think about whether membership of a particular sample will affect results. For example, on customer visits to a website, a randomised trial will probably work well. But for a retailer, randomly selecting stores is unlikely to be effective.
- Multiple Test and Learn experiments are not being run with the same group of customers (both test and control groups). Set up different groups for each hypothesis that you want to test.
- Decayed or lagged effects are allowed to work through before fully assessing the results. Also ensure that the impact of one test does not affect the results of the next one.
- Take into account that online tests can be difficult to manage. For example, a website may be visited many times (and on more than one device) so it is sometimes not always clear which version of a website has been seen.
- Test and Learn experiments start and end on the same day to avoid day of week response or purchase patterns impacting results.

Market Mix Models and Path to Purchase

Market Mix Models (MMM) have a long history and, used well, can make an important contribution to both understanding how marketing has worked in the past and how to make it work harder in the future. In a survey run by Forrester and Burtch over 2017, 45% of respondents were currently using MMM with a further 18% either piloting projects or planning to use in the next 12 months.

MMMs do have one major drawback: they are a single KPI model.

That is, they focus on the outcome of just one variable – usually sales, whether it be volume, units or revenue.

Path to Purchase (P2P) approaches differ in that they explicitly acknowledge that marketing is more nuanced and is often designed to have an impact beyond just the short term and that other KPIs are also important.

This is especially important for Auto, Financial Services and White Goods retailing, where the number of people in-market at any point in time is limited.

For example, some marketing activities such as Nike's 2018 Kaepernick creative are focused more on either shifting or reinforcing brand values.

It is clear that the goal for this type of marketing has less of an emphasis on winning customers today and more about gaining a foothold with the customers of the future.

And markets register this intent. For Nike – despite an initial share price fall of 3% and numerous videos of customers burning their Nike shoes and clothing – the share price actually ended higher than before the spot was aired.

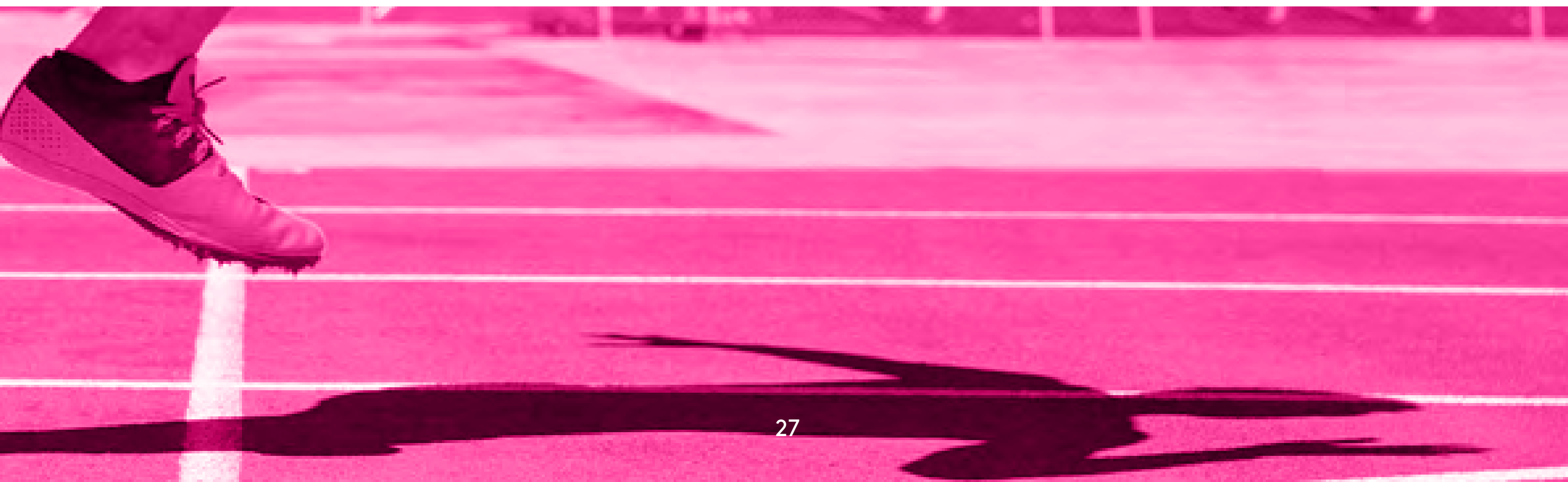
An MMM solution would evaluate this spot on the basis of its impact on sales while it was aired and perhaps up two to three weeks afterwards.

Fine, as far as it goes. But in this case, that's probably not far enough.

A P2P approach would also evaluate this short-term impact, but it wouldn't stop there. It would also assess the impact on factors like purchase intent among key demographics and would then relate these back to sales and profits. This more nuanced approach captures the full range of what marketing is trying to do.

Getting it right means ensuring we understand what each line of activity is trying to achieve and evaluating it accordingly. When marketing activity is just designed to affect sales then MMM is fine.

For all other investments, it will arguably result in investment return being undervalued and P2P approach may be more relevant.



Long-Term Impact

There are any number of ways that Marketing and Business Effectiveness teams attempt to build an understanding of the long-term effects of their marketing strategies. One popular option is Consideration or Net Promoter Scores.

However, the evidence for simple linear relationships between these metrics and volume sales is not always strong, partly because the data is not consistent and partly because sample size is usually too small to permit detailed analysis.

> **Getting it right means understanding what is driving the growth in the base.**

Increasing in popularity are more advanced analytics algorithms such as Unobserved Component Models (UCM). These work by allowing the base to evolve over time. This, after all, is often the point of marketing activity – building bigger brands so that all future activity is more effective and the product or service appeals to more people.

A recent study commissioned for the ProfitAbility report published by Thinkbox, provides case studies and in-depth research proving that UCMs can both identify and evaluate the impact of marketing activity over the long term.

Getting it right means understanding what is driving the growth in the base. We have seen case after case where the base line of sales changes over time, independent of normal seasonal patterns.

The sales base might fall because of competitor activity or it might increase thanks to marketing initiatives. Understanding the cause of these changes is fundamental to understanding how to improve business outcomes.

Picture This

For example, in Retail, an ad focusing on a short-term offer may well bring people into store but will it lead to more prolonged success?

Perhaps, but the evidence we have seen to date is that moving away from an exclusive focus on “call-to-action” messaging can grow the business over a longer time period.

Digital and Cross-Channel (Multi-Touch) Attribution

For organisations that invest in digital media, there is often a need to assign conversion credit to the digital channels of influence. Digital Attribution leverages user-level data and a granulat statistical model to detail the impact of digital. Models analyse the difference in media interactions between ‘converters’ and ‘non-converters’, allowing for the attribution of impact beyond the ‘last click’, identifying what actually drives the sale.

Because of the sheer volume of data available, analytic windows can be shorter than MMM (e.g. 28 days rather than the last 2 plus years). This makes Attribution more sensitive to near-term conditions than MMM, making it an effective tool to measure fast-evolving channels, such as social, and campaigns that cover short periods of time. In addition, granular data means that channels, publishers, sites, tactics, creative, and combinations can all be explored using Attribution.

There are a number of approaches that fall under the banner of Attribution, including:

Digital Attribution

Includes one or more trackable online exposures (including Display, Video, SEM, Email) against an online KPI (e.g. site traffic or e-commerce sales).

Cross Device Attribution

Inclusive of Mobile; requires implementation of Universal User ID technology and leverages deterministic and probabilistic ID matching.

Cross Channel Attribution (also referred to as Multi-Touch Attribution or MTA)

Includes integration of select offline marketing and sales channels (e.g. Direct Mail or CRM sales).

Getting it right means that we can combine the outputs of an attribution study with known budget constraints to inform optimisation of tactical investments over time.

Unified Measurement Framework

A Unified Measurement Framework brings the world of Attribution and MMM together. It enables one analytical framework across all marketing channels, causal parameters and KPIs. This means traditional channels such as linear TV, traditional causal parameters such as store promotions, and traditional KPIs such as offline sales are considered in the same model as digital impressions, clicks and e-commerce sales.

Joining Attribution and MMM into a Unified Measurement Framework can be done using a variety of methods. Examples include:

- **Two-stage Modeling:** MMM is conducted first to identify contribution by channel (e.g. TV vs. Digital Display vs. Digital Video...) and then Attribution is used to further allocate sales by tactic.
- **Granular MMM:** Regression models using daily sales by geography or store, married with geo-spatial media / marketing, enables near-term and highly granular insight.

Regardless of the approach utilized, several best practices have emerged:

- Incorporate Total Sales – online and offline. When a 'complete' sales view is not available, ensure that the sales data used is representative of the brands total business.
- Build within a consolidated data infrastructure. This enables deduplication of data handling tasks, and deeper integration within modelling.
- Ensure an accurate reflection of 'baseline' by incorporating all controllable and non-controllable drivers.
- Measure impact against three-time horizons, the immediate, the shorter-term and the long-term.
- Operate at various levels of granularity to support upstream, strategic thinking and downstream, in-campaign optimisation.

Best-in-class marketing requires a broad suite of tools. MMM and Attribution complement each other well, as the weaknesses of one are the strengths of the other. Each method works well in isolation, but they work best when integrated, allowing for an accurate approach to omni-channel marketing measurement. The overarching benefit of a Unified Measurement Framework is that the insights generated can inform the entire marketing process, from upstream strategic thinking (budgets by geography, brand and channel) through to downstream tactical optimisation (budgets by campaign, tactic and creative).

Getting it right means ensuring that all results and planning/buying recommendations come from the same measurement system. There is no double counting of results and everything is assessed against a common currency.

This allows marketers to say explicitly which activity is acting in an enabling role across both on- and off-line media. This type of synergistic behaviour, where one media or activity works more effectively in the presence of another, is relatively common and is most easily found between paid search and TV, with TV making search work significantly more effectively.

Machine Learning

The complexity of today's path to purchase poses a challenge for marketers looking to acquire, grow and retain customers.

Forward-thinking marketers and insights teams with advanced analytics approaches have started using Machine Learning to help them solve this challenge and make faster, smarter decisions. And this is a sector that is growing fast – Forrester and Burtch (2017) estimate that the Machine Learning industry is growing by around 15% each year.

The reasons are two-fold:

- **Marketers have to deliver optimized outcomes to the highest possible degree** with increasing speed in the face of fast-paced consumer needs and shifting media landscapes. Faster decision-making support is required to optimise marketing in near-real and near-future time.

- **Data scientists are tasked to deliver faster, more accurate predictive insights** in the face of an explosion of data; pressure from marketing teams is pushing them to deliver granular insights for near-real time and near-future time optimisation purposes.

Machine Learning works by leveraging large-scale computer processing power to interrogate big, disaggregated data sets to uncover patterns that can classify and predict human behaviours. In other words, Machine Learning can shine a light on specific areas of opportunity to deliver a measurable business return.

Broadly speaking, Machine Learning works like this: feed in a set of data with a KPI that has a known outcome, hold some portion of the data back for validation and then train the algorithm to correctly predict the outcome.

The advantages are four-fold:

1 / Speed

In the not-too distant past, a lot of analysis would take a number of days, sometimes longer. Now, it can be done in a matter of hours, sometimes minutes.

2 // Automated

Machine Learning is not concerned with understanding why something has happened. It is only concerned with accurate prediction, enabling automation to be done easily.

3 /// Scale and Flexibility

Machine Learning can combine data sets that have different structures. For example, text analysis can be easily included along with numerical data.

4 //// Real Time

Because Machine Learning can automate at scale and with speed, it enables marketers to take action in real time. In practice that means brands can know what message/tactic to use to maximise the chance of conversion in online sales; or in customer service, flagging social media cases to identify which need to be dealt with urgently.

Getting it right means having quality data. If the data that goes into the model isn't accurate or is based on hypotheticals then the predictions and recommendations generated will almost certainly be skewed or wrong. Garbage In, Garbage Out has been true for a long time and the opaque nature of many Machine Learning solutions makes it even more important today.

It also means avoiding the risk of concept drift. Where real-world data differs from training and validation data it can lead to poor predictive performance. Concept drift is a well-known problem and is a key reason why very simple forecast models outperform complex Machine Learning variants when it comes to long-term forecasts.

Making sure your algorithm isn't over fitting is also key. The more sophisticated a Machine Learning algorithm and the better it predicts the training data, the more prone it is to confuse idiosyncrasies in the training data with genuine signals.

WHAT SUCCESS LOOKS LIKE

1
QUICK WINS

Ensure that all quick wins are achieved before moving on to more complex tasks. Is your media inventory the best that it can be? In Retail, has supplier funding been maximised and used in the best way? In Finance, Auto and Tech, is there a clear understanding and agreement on life-time value? In FMCG, is the importance of price elasticity understood and the potential for marketing to support and reduce price sensitivity recognised?

2
DEFINE SUCCESS

Agree on what success looks like up front, and why. Understand how each line of activity fits in with the overall business strategy and match appropriate metrics to it. Understand the requirements of stakeholders beyond marketing, especially when it comes to the three Ts – Triangulation, Transparency and Trust.

3 KNOW YOUR LIMITS

Be open about what you can do internally and, where needed, plan to improve your capabilities. Your position on 'Crawl, Walk, Run' spectrum and the speed with which you need to move will indicate the balance between building in-house capability versus working with partner agencies. Pick the approach that best fits your company culture and maximises the chance of success.

4 BE BOLD

Partner and collaborate but remember to be courageous as well. Focusing only on decisions that will genuinely move the needle takes focus and courage.

6 TEST & LEARN

Implementing a coherent Test and Learn programme is key to improving the effectiveness of marketing and its impact on the business now and into the future.

5 SELECT YOUR TOOLS

Whether you build in-house capabilities, outsource to specialist agencies or a combination of the two and whether you are using the latest Machine Learning algorithms or tried and trusted Market Mix Modelling, it's vital that you match your analytic efforts with the business' ability to use the insights generated. Does the effectiveness work need to be real time? If not now, when will you need that capability? Just as each line of marketing needs to contribute to overall business success, so must the Business Effectiveness programme.

JARGON BUSTER

JARGON	BUSTED	ADVICE
Incremental Like-For-Like	The change in sales revenue and profitability in one period over a similar period, often the same period last year. In Retail may be referred to as "Same Store Sales", like-for-likes strip out the effects of store openings or acquisitions and may also attempt to abstract from competitor activity. An attempt to understand and focus on organic growth / decline.	A key metric and closely linked to movements in a company's share price. Be aware that adjustments sometimes need to be made – in some years, the first quarter will include Easter, in others it won't.
Market Share	On the face of it, an obvious concept and one that should be tracked. However, the definition could and should change, depending on objectives. For example, what is the market share for Cola? Just carbonated drinks? Does it include mineral water, other soft drinks? Actually, does it include tea, coffee and other hot drinks?	Take care how market share is defined. Too narrow and it might not include important developments outside of what you think are core competitors. Too broad and it risks becoming a meaningless number.
Economic and Business Context	This has a major impact on all key performance indicators. For example, the payback from advertising in a downturn is likely to be very different to that when the economy is booming. Some changes may be permanent – for example, the gig economy.	Context is always key and must be overlaid on all metrics that matter.
Brand Strength	Is key but typically not a good predictor of sales next week, or the week after. It is typically a slow-moving index for mature brands. We often find that it is used to explain past events rather than helping to predict the future.	Carefully consider which areas of brand strength are important. It is seldom awareness, whether prompted or unprompted. Consideration and intent to purchase are typically more useful for power brands.
Counter Cyclical Planning	Despite Gordon Brown's claims to the contrary, boom and bust still survives. And while it may vary consumer to consumer, at an aggregate level, demand for products and services vary in line with changes to the economy. Other than staples, demand will tend to fall in an economic downswing.	Even with products that people buy every day, like breakfast cereal, consumers may switch to private label during periods of austerity. Planning to offset these cyclical movements is key to long-term success.
Contribution of Marketing	May be measured in different ways for different brands, depending on their objectives. This may range from test and learn, market mix modelling, complex Unified Marketing Impact Anaytics (UMIA) through to analysis of single source data. But placing a monetary value on marketing is key.	For marketing to be effective, its impact must be known. And success should not be defined after the event.

JARGON	BUSTED	ADVICE
Life Time Value (LTV)	Refers to the value generated by a typical customer over the duration of the relationship. Should include all relevant details, including cross-sells (e.g. selling a loan to a current account holder) and upsells (e.g. converting a standard account to premium).	Often difficult to define – narrow measures (by customer type) typically don't match with analytics and broad measures lack meaning. Also in some verticals hard to agree on a single LTV. Especially true in Retail Banking.
Short and Long Term	Often some confusion around the short and long term, not least because the definition should change by vertical. For example, the short term in Auto is probably not far short of the long term in soft drinks and confectionary.	Perhaps a better phrase than a "long-term effect" is a " sustained effect".
Return On Investment	Often used with advertising and very simply defined as the incremental (or additional) benefit from running activity divided by its cost. An ROI above 1 is usually considered to pay back on its investment though Finance teams are likely to use a more rigorous definition of the cost of funds used for advertising.	Its importance should not be overstated. Whilst the ROI is useful as a mechanism by which spend can be allocated across media channels, the success of a campaign should not be defined by its ROI. More important is the change in like-for-like sales.
Saturation & Diminishing Returns	The impact of advertising should increase with the level of investment, all other things being equal. But, at some level of spend, increasing weight by a further 10% will generate less than 10% incremental benefit. The effect diminishes.	Understanding where diminishing returns kicks in is useful from an efficiency perspective – addresses the question "should we increase weekly weight, or stretch the campaign out with more weeks of activity"?
Price Elasticity	Describes how responsive consumers are to price changes. Typically, brands try to make consumers unresponsive to price increases (maintain or grow profits) but responsive to price cuts (gain share).	A really key KPI and one that can be assessed using different methodologies. Where price changes are rare or have not taken place for some time, conjoint analysis can provide a useful guide.
Value Perception	Price elasticity is key but can be difficult to define for a retailer where thousands or hundreds of thousands of SKUs may be on sale over a period of months. So price or value perception, typically using data from a brand tracker becomes an important KPI.	Often perception is more important than reality and is something that can be reinforced by consistent advertising.

ABOUT GAIN THEORY

Gain Theory is a global Marketing Effectiveness consultancy that helps marketing and insight professionals have the confidence to make faster, smarter business decisions. It brings together data, technology and advanced analytics solutions delivered with a high touch consultancy approach.

As an independent practice within WPP, Gain Theory is passionate about making a meaningful difference to business performance – to improve marketing efficiency, grow market share and drive baseline profits and share price growth.

The global team consists of more than 200 consultants, data scientists, modellers, analysts and martech specialists operating from three core regional hubs – New York, London, Singapore – and serving 113 markets worldwide.

GAIN THEORY

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Jon is a Managing Partner at Gain Theory and has more than 25 years' experience in the Marketing Effectiveness field both client-side and as a consultant.

In his client-side role at National Savings, his remit as Chief Economist saw him play a pivotal role in bringing together the various data and analytics functions to ensure that there was a consistent measure of success that was socialised across the business.

At Gain Theory, Jon helps clients understand how to optimise the value of marketing investments by leveraging market-leading tactics devised through intelligent data, analytics, insight and consultancy. His work has helped leading brands improve new launch forecasting, optimize the mix between paid, owned and earned media as well as improving course correction in-campaign.

As an accomplished author and speaker, Jon is an advocate for the proper treatment of clients' marketing spend, seeing it as an investment rather than a cost and has published a number of papers highlighting the demonstrable impact of advertising on share price, the ultimate KPI for the C-Suite.

Jon holds a bachelor's degree from Staffordshire University and an MA from the University of East Anglia.

ABOUT EFFWORKS

The IPA's new Marketing Effectiveness initiative seeks to create a global industry movement, to promote a Marketing Effectiveness culture in client and agency organisations, and improve our day-to-day working practices in three key areas:

1 / **Marketing Marketing**
Developing the case for marketing and brand investment in the short, medium and long term, and promoting the benefits to internal and external stakeholders.

2 // **Managing Marketing**
Providing awareness and understanding of how marketing works, how to write the best brief, develop the best process for planning and executing marketing programmes, and motivate marketing and agency teams.

3 /// **Monitoring Marketing**
Delivering the best models, and guidance on tools and techniques, to plan, monitor, direct and measure the impact of marketing activity, using holistic approaches to return on investment.

ESTABLISHED BY THE IPA

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ABOUT THIS WHITE PAPER

If marketing is the engine of business growth, the boiler room of decision-making requires a 'best-in-class' effectiveness strategy.

This White Paper has been created to generate momentum around the Marketing Effectiveness strategy conversation. It's designed to help organisations focus on what matters and to suggest strategies that will ensure Marketing Effectiveness becomes an established part of how they do business.