Measure. Optimize. Thrive.

How to demonstrate advertising's value and boost growth

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01 Introduction

We know that effective marketing drives business growth, but we also know that CMOs still find it hard to prove this is the case, especially when times are tough and budgets are squeezed. We have written this report to overcome this challenge, with a specific focus on measuring the contribution of advertising.

By reading it you will discover:

- → How advertising significantly contributes to business growth, often well beyond the level of initial investment, showing that it is a business driver in good times and bad.
- → How you can grow your contribution from advertising.
- → Which measurement techniques you can use to demonstrate the impact that advertising has alongside other growth levers, which enables data-informed decisions to be made about where to invest.
- → Why advanced measurement is just one of the building blocks you need to deliver truly effective marketing.

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Understanding the relationship between investments and growth

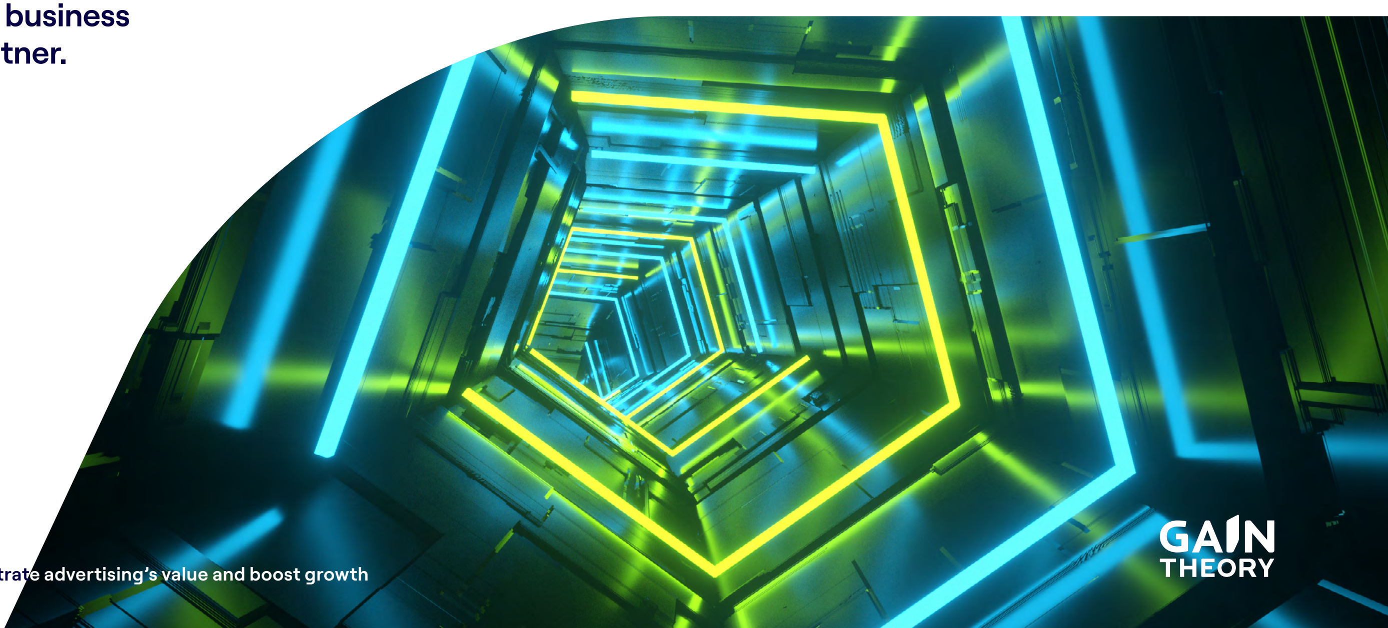
Understanding the contribution that marketing – and advertising in particular – makes to business growth is crucial to the success of both marketers and the companies they work for. But we know marketers often lack the confidence and the ability to demonstrate the value their work delivers:

40% **of marketers don't agree that their company has clear directives to evaluate and optimize marketing investments, according to Gain Theory and WARC.**

48% **of CMOs and senior marketing leaders can't prove marketing's value and receive credit for its contribution to business outcomes, according to Gartner.**

If you fall into either of these groups, then it's critical you develop the knowledge and skills to quantify and communicate the value of marketing. Failure to do so will ensure marketing is seen as a cost rather than an investment, increase the likelihood of marketing budgets getting cut – particularly when there is economic or geopolitical uncertainty or when the business doesn't meet its financial targets – and mean conversations between marketing and the c-suite fail to hit the mark.

To help marketers avoid these scenarios, we have delved into Gain Theory's rich database to analyze how advertising contributes to business growth at a wide range of organizations, in multiple markets, industries and at different stages of maturity.



Definitions and methodology

Advertising spend and contribution:

Marketing is a broad discipline that is defined differently by different organizations. In this report we've focused on advertising spend and contribution as they allow for a more accurate comparison across different businesses and external benchmarks. Before we go any further, let's be clear what we mean by advertising, spend, and contribution.

Advertising: all paid and owned media, which includes sponsorship and influencers as well as traditional channels such as TV, social, OLV, and OOH.

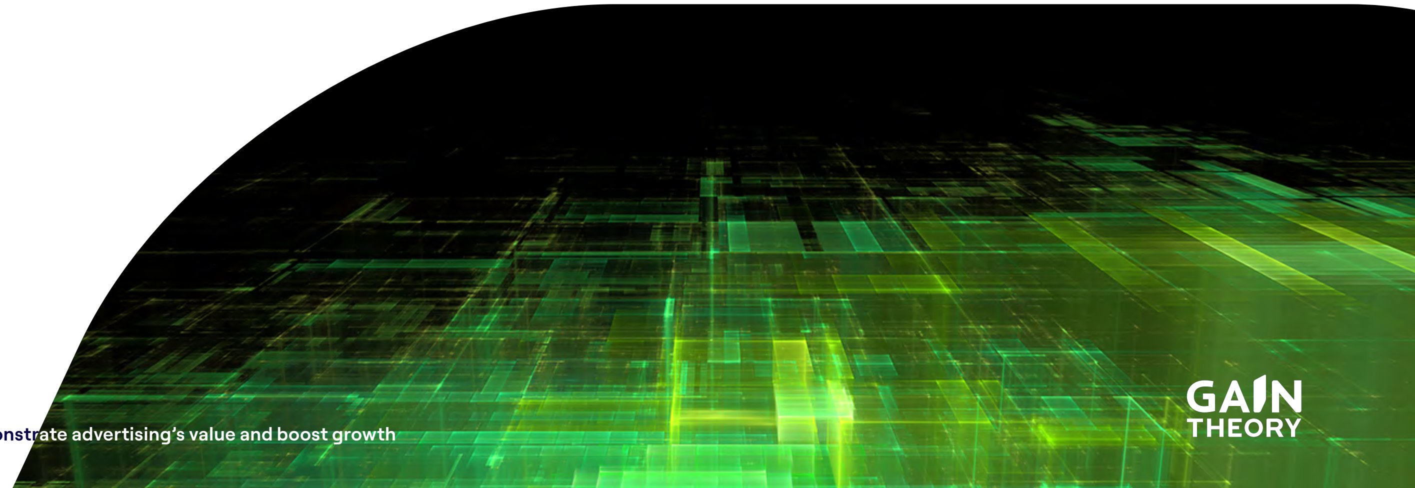
Spend: the investment in media spend, not creative or 'non-working' spend. On average, media spend is 50% of total spend but this is not the case across all clients.

Contribution: the incremental sales generated specifically by advertising spend.

Using MMM to measure revenue drivers:

The findings in this report are based on the analysis of 75 company-market combinations from Gain Theory's client database. There are three broad types of insights:

1. We analyzed data from previously built marketing mix models (MMMs), which enable an organization to understand the key contributors to revenue, to isolate the impact of advertising on overall revenue.
2. We also looked at how much of the companies' annual revenue was spent on advertising and compared this to the contribution.
3. Finally, we ran a year-on-year comparison of advertising's contribution to revenue and what you can do to increase it.



02 Topline results

"For the first time, we have data at scale to show the contribution that advertising makes to business growth. The great news is this contribution is significant and considerably outstrips the initial investment."

Matthew Chappell
Global Client Success Officer
Gain Theory

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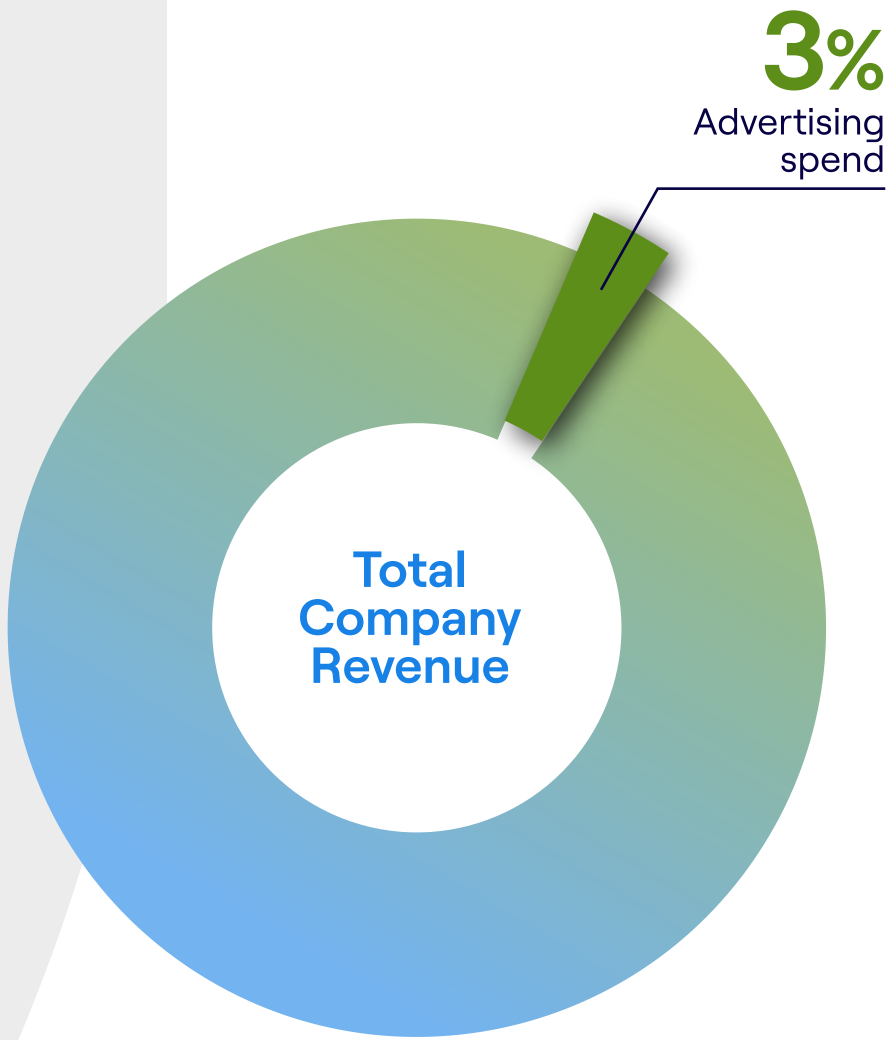
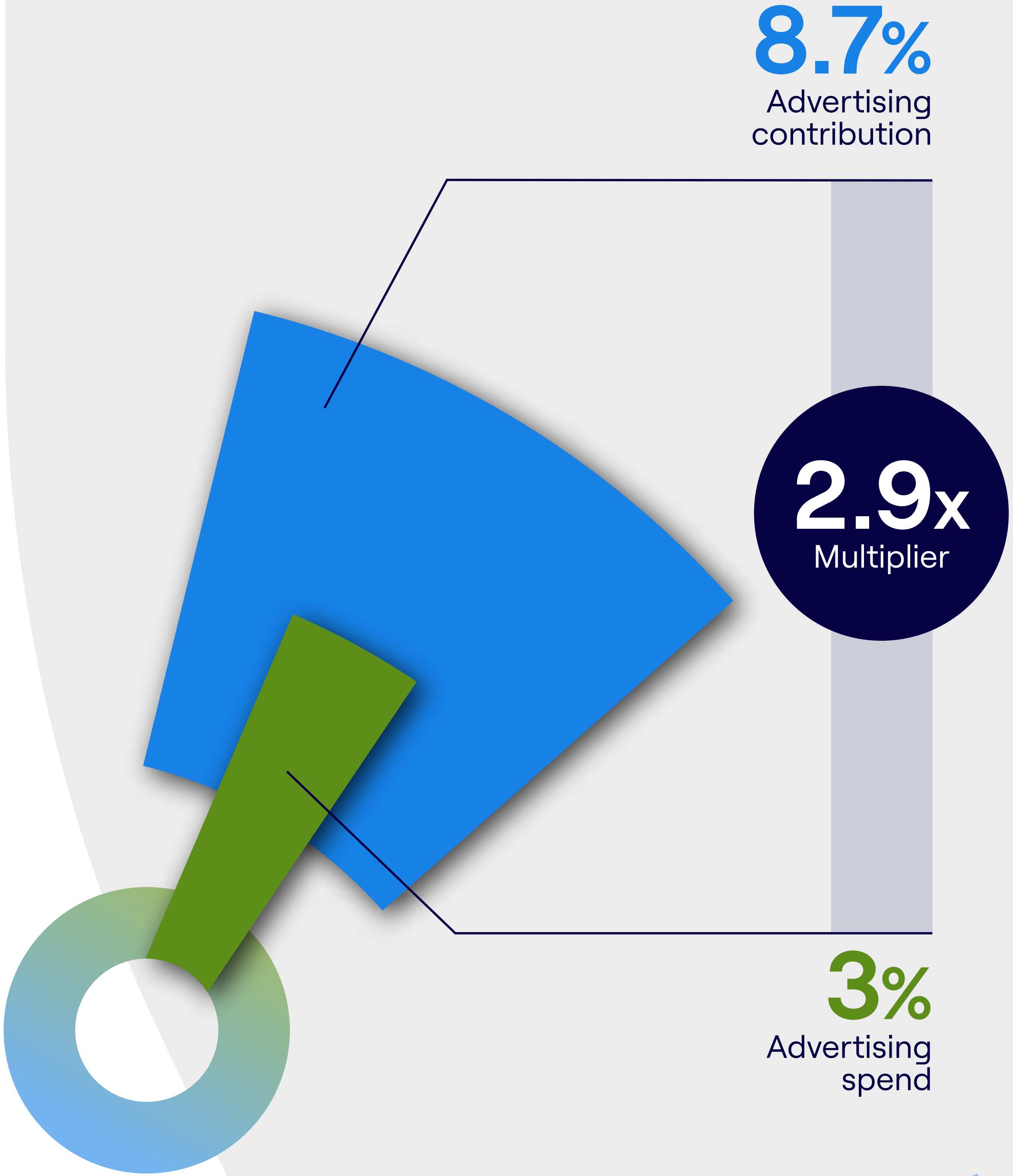
How much are brands investing in advertising?

On average, advertising spend accounts for 3% of companies' total revenue, according to our analysis. There is a wide range, with some companies spending less than 1% and others into the high teens.



Advertising has significant impact on business growth

On average, the contribution that advertising makes to a business' total revenue is 8.7%, according to our analysis. This means it delivers 2.9x the initial investment of 3% - an impressive number, we hope you'll agree!



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Growth in advertising contribution

“Getting a clear picture of how our advertising spend really performs has been a game-changer. Gain Theory showed us that our marketing isn’t just an expense—it’s an investment in growth. Knowing we’re getting strong returns has helped us make smarter decisions and invest more confidently, because we can see it’s making a real difference to our performance.”

Steve Challouma
Chief Marketing Officer
Nomad Foods

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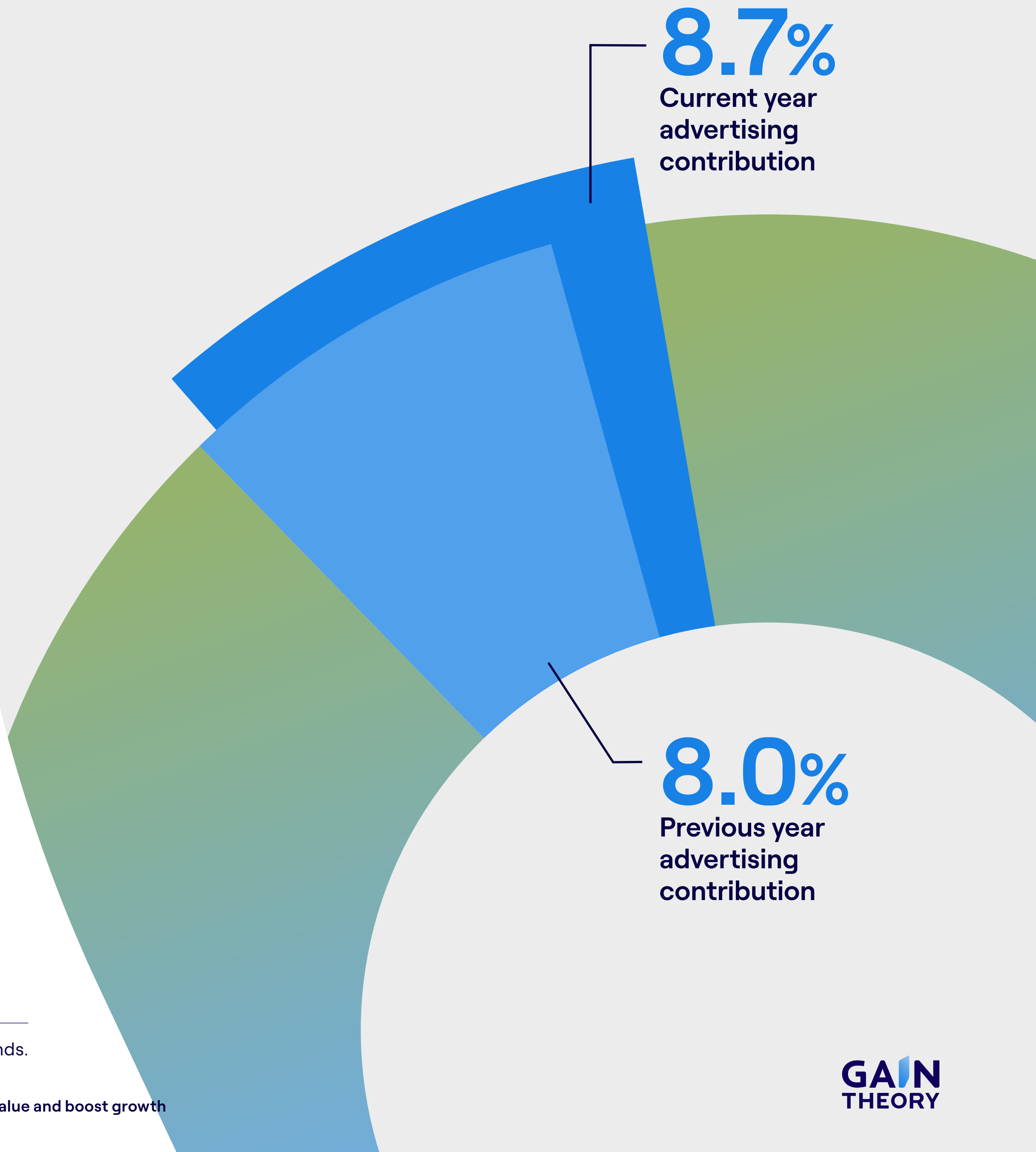
Contribution shows y-o-y growth

The contribution that advertising made to the companies we analyzed increased by 0.7 percentage points over a 52-week period*. This growth is significant given the typical size of company in our database. For a brand with $10b annual revenue, a 0.7% jump is equivalent to $70m additional revenue.



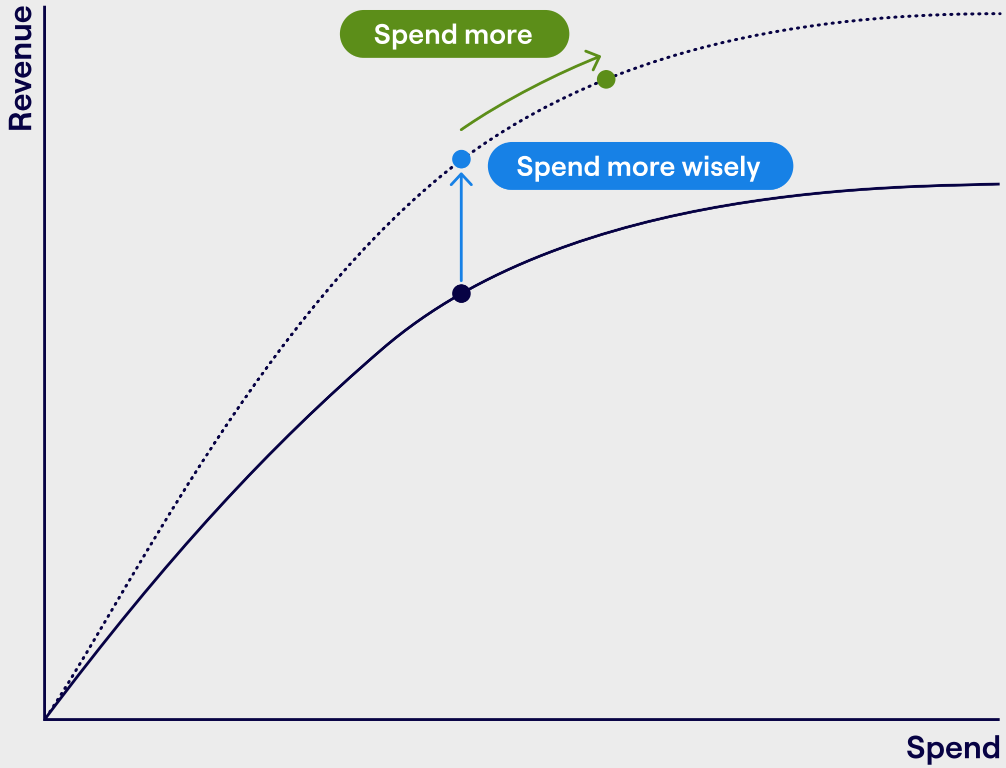
*We do not always look at a fixed year, so have compared last 52 weeks for parity across brands.

Two ways to increase advertising contribution

There are two ways to increase the contribution that advertising makes to revenue: spend more wisely or spend more.

Spending more wisely (e.g. by moving to a more optimal mix of advertising channels or by moving to a more optimal strategy) enables you to generate more revenue for every $ you spend (move from the black dot to the blue dot).

You can also spend more on advertising to increase the revenue you generate (move from the blue dot to the green dot). It's important to note that this happens at a slower rate.



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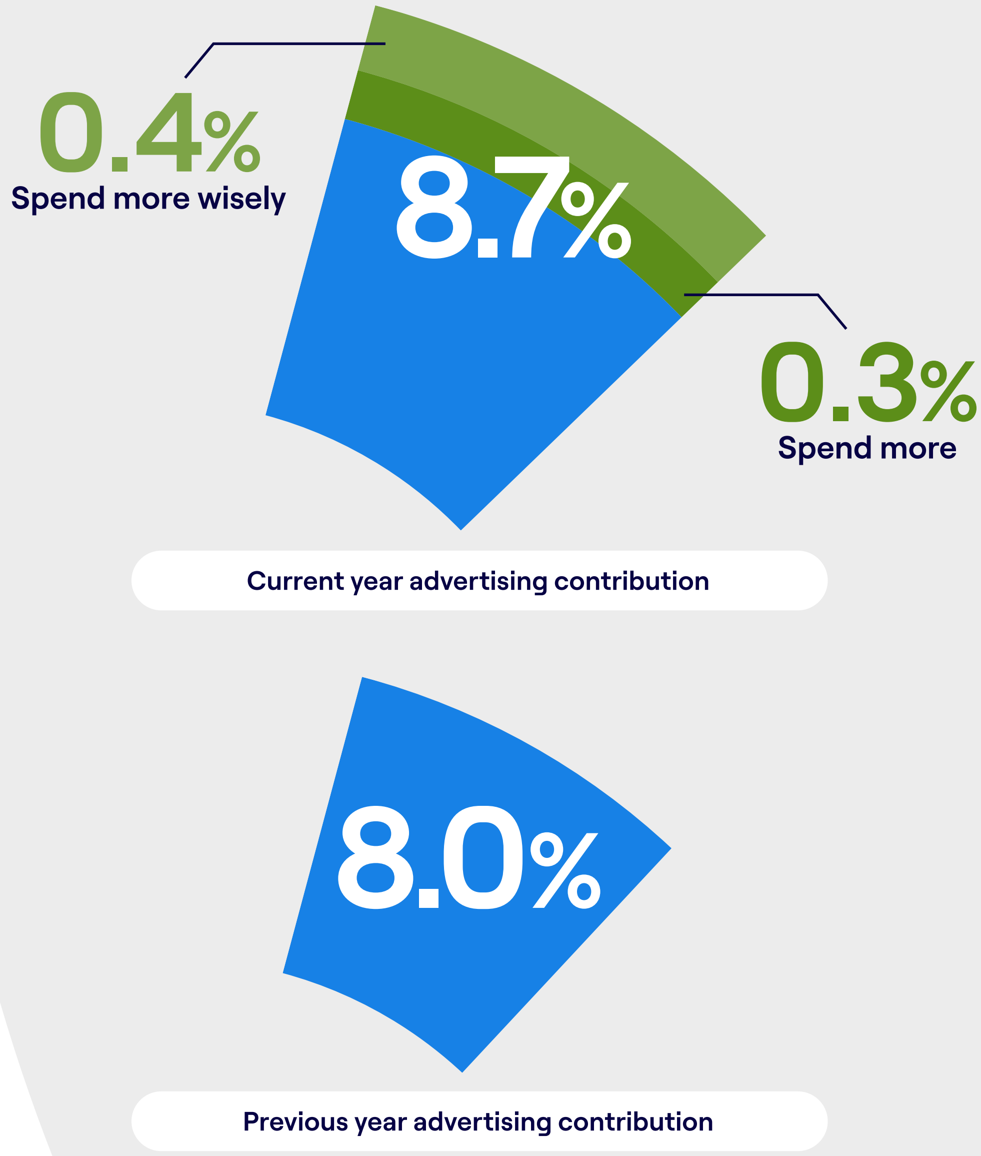
How spending more wisely leads to growth

The companies we analyzed spent more wisely and spent more. However, it shouldn't be an either-or decision – it's important to understand the link between the two.

By spending more wisely and demonstrating the impact of this spend, marketers can increase confidence that the wider business has in advertising effectiveness. In turn, this leads to a higher likelihood of being able to increase your budget and spend more. By optimizing this new spend, you create a virtuous circle of improvement that drives business growth.



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CPG vs non-CPG

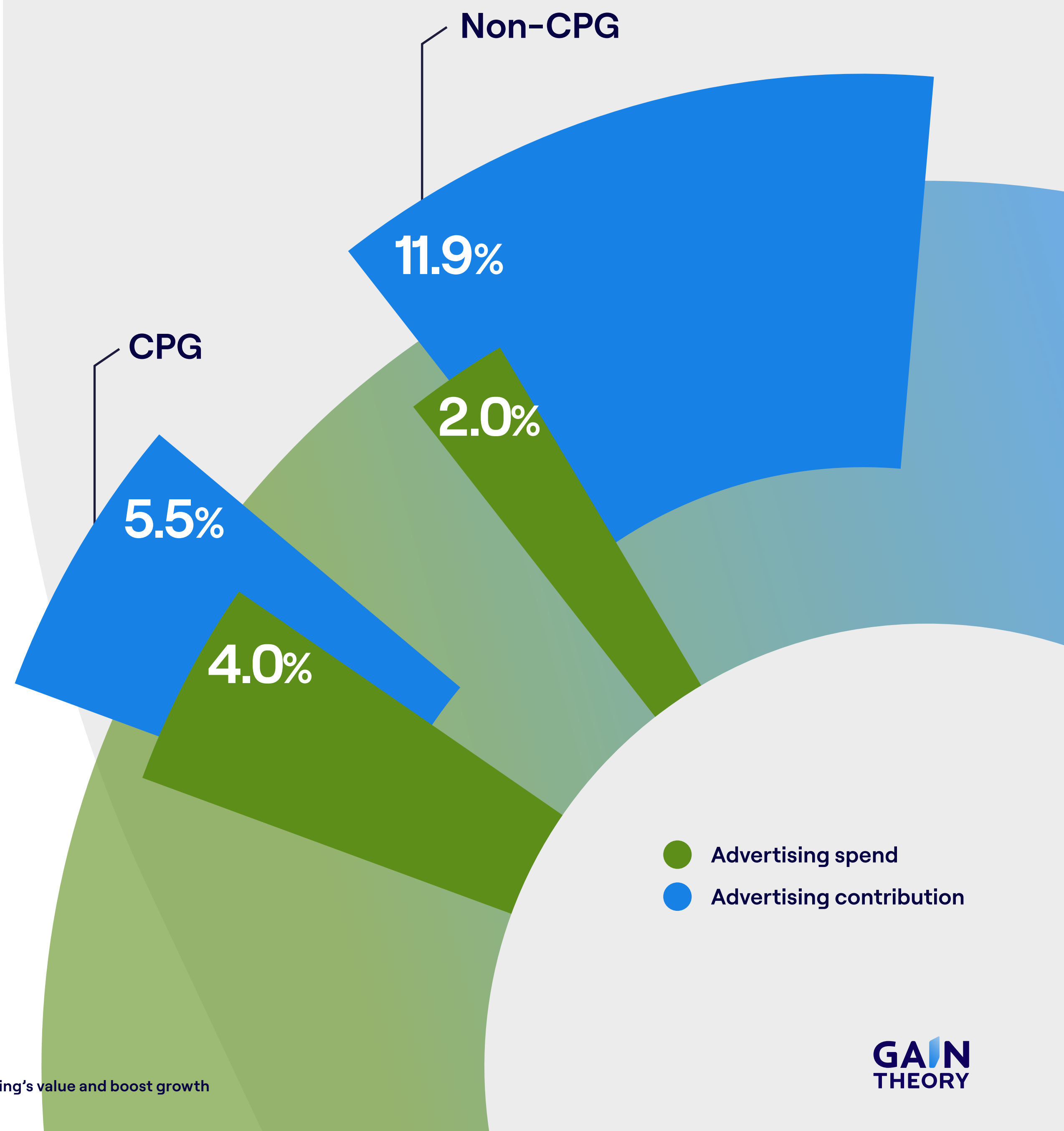
"Multiple factors determine advertising's impact. To maximize contribution in your sector, it's vital to understand factors like the purchase cycle, product life stage, and competitive landscape."

Zosia Jakobek
Partner
Gain Theory

There are significant differences depending on the sector

Analysis of the data by sector revealed how CPG companies differ from other industries. Non-CPG companies spend less on advertising and deliver more than double the contribution of CPG companies.

The reasons for this are circumstantial and explained on the next page, but it is important for CPG companies to know that their spend often has to work harder than other sectors.



Why is CPG contribution lower?

CPG companies	Non-CPG companies (often...)
Do not own the full customer journey Instead, the relationship happens through retailers who have more influence that weakens the potential impact of a CPG company's advertising.	**Do own the full customer journey** Banks, retailers, or hotel booking companies, for example, have control over the point of purchase as well as any advertising that happens before this point.
Have pricing that is comparable When you are in a supermarket it is easy to compare the price of two toothpaste brands, which means pricing becomes more important for CPG brands.	**Have more opaque pricing** While price comparison does exist in many sectors, individual products are not as comparable – home insurance with multiple add-ons to take just one example.
Rely on promotion The average CPG brand spends half of the year on promotion, which increases the impact promotions have.	**Rely less on promotion** Because the purchase cycle is longer, promotions tend to be less impactful on a % uplift basis.
Have low levels of e-commerce This means there's less space for performance marketing, such as paid search and social, which limits the number of potential advertising channels to choose from.	**Have higher levels of e-commerce** This means there is more space for performance marketing and a wider selection of advertising channels to choose from.

What else do we need to bear in mind?

1. Advertising can significantly impact distribution. Some food and drink retailers will only stock products (particularly new brands or products) with significant advertising budget to drive consumers into store. As a result, advertising becomes a pay-to-play investment.
2. Advertising impacts pricing power, which means the stronger your brand is the more you are able to charge higher prices.

Read more

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Case Study

CPG giant achieves 34% revenue uplift

Challenge

A leading CPG company with a portfolio of four distinct brands operating across the UK, France and Australia faced a common challenge: they were not maximizing the return on their media investment.

While each brand had its own marketing strategy, there was limited visibility into the overall effectiveness of their combined media spend. In 2022, their media-driven revenue stood at £61.5m, but the marketing team suspected that significant efficiencies were being left on the table.

They lacked a holistic view of how each brand's media performance impacted the others within the same market and struggled to identify the optimal allocation of resources across their entire portfolio. This made it difficult to justify further media investment and hindered their ability to drive sustainable growth.

Solution

MMM: We built comprehensive MMMs for each brand within each market. These models analyzed historical sales data, media spend across various channels, promotional activities, pricing, and external factors (e.g., seasonality and competitor activity). This quantified the impact of each factor on revenue and provided a granular understanding of media effectiveness at the brand level.

Scenario Planning and Optimization (SPO): Leveraging the insights from the MMMs, we used SPO to simulate the impact of different media allocation scenarios, both within individual brands and across the entire portfolio within each market. We identified opportunities to reallocate spend and to optimize the overall media mix.

Collaboration: Alongside our tools and expertise, we ensured there was a collaborative approach to the project. We worked closely with the company's marketing teams to understand their business objectives, brand strategies, and market dynamics. This ensured that the optimization recommendations were not only data-driven but also aligned with the company's overall goals.

Result

- **Revenue uplift:** In 2023, the company saw a substantial increase in media-driven revenue, rising from £61.5m to £82.8m – a 34% increase year-on-year.
- **Improved media efficiency:** By reallocating spend to more effective channels and optimizing the media mix, the company significantly improved the efficiency of their media investment. In short, they were able to generate more revenue per dollar spent.
- **Increased confidence:** The data-backed insights gave the company the confidence to invest an additional 15% into media in 2024. They were able to justify this increased investment to senior management based on the proven ROI of their optimized media strategy.
- **Data-driven decision-making:** The company developed a culture of data-driven decision-making, empowering their marketing teams to make more informed choices about media allocation and strategy.

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Practical measurement guide

"Unlocking advertising's potential demands a credible valuation of its contribution. For many large brands, a rigorous and transparent MMM program is the best way to achieve this."

Michael Penfold
Senior Director, Analytics
Gain Theory

The two measurement techniques you need

There are a wide range of tools and techniques you can use to measure the effectiveness of your advertising. When it comes to measuring the contribution, there are two techniques we recommend:

MMM

MMM is a statistical technique used to measure the past performance of a KPI, typically sales. It uses econometrics to uncover which factors (e.g. advertising, price, weather) have driven this performance and the relationship between them over the short and long term.

Crucially, it measures incremental growth as opposed to what that growth can be attributed to. Armed with these insights, marketers can make strategic, data-informed decisions about how to optimize their investments, such as advertising.

A/B testing

A/B testing is a statistical method that can be used to measure the impact of advertising, by running a campaign against one cohort of people and not running the campaign against another cohort. Often, this will be done by splitting geographies; for example, advertising shown to the north of the country but not the south.

It works particularly well when your advertising investment strategy is simple and can be switched on for one cohort of people and off for another.

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When to use MMM and A/B testing

	More appropriate for	Less appropriate for
MMM	Large companies (e.g. more than $50M in revenue) that: cannot switch off marketing investment (e.g. in a region) for a sustained period of time; have the budget to run MMM robustly and implement actionable insights.	New or smaller companies without: strong budget levels; and/or the data structure needed to support 2-3 years of weekly data from across the business.
A/B testing	Small companies that can switch off marketing investment for a 6-8 week period and have access to granular sales data.	Companies that don't have access to granular sales data.

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MMM check list

Having the following in place will ensure your MMM project is more likely to be a success

Data foundation

- ✔ Access to a minimum 2-3 years of consistent historical data
- ✔ Access to clean, channel-level marketing spend data
- ✔ Ability to track and provide key business KPIs (sales, revenue, etc.)
- ✔ Documentation of major business events (product launches, pricing changes, etc.)

Business context

- ✔ Clear business objectives and questions to be answered
- ✔ Agreement on success metrics and KPIs across stakeholders
- ✔ Understanding of market dynamics and competitive landscape
- ✔ Identification of known external factors affecting performance

Internal readiness

- ✔ Executive sponsorship and stakeholder buy-in secured
- ✔ Cross-functional team alignment (Marketing, Finance, Analytics)
- ✔ Resources allocated for data collection and validation
- ✔ Clear process for implementing MMM insights

Vendor red flags to watch out for

- ✕ Promises of unrealistic quick results
- ✕ Unwillingness to explain methodology
- ✕ One-size-fits-all approach without customization
- ✕ Lack of focus on practical, actionable recommendations

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The importance of ongoing evaluation and optimization

"

Ongoing evaluation and optimization are key to maximizing advertising's impact. This requires a commitment to measurement, analysis, and a willingness to challenge conventional wisdom."

Maria Fadeeva
Partner
Gain Theory

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Measurement is just one capability required to drive growth

Advanced measurement, such as the use of MMM to measure advertising contribution, is a crucial building block of a best-in-class marketing effectiveness program. To ensure advertising and marketing more broadly truly drives business growth three other factors are also required:

- **Defining success:** the ability to align on a clear vision for marketing, as well as the goals and KPIs that will be used to measure both marketing effectiveness and demonstrate business growth
- **Data excellence:** the creation of a robust data strategy that enables data-driven decision-making
- **Foresight:** the use of data-driven techniques to plan for multiple potential scenarios that are likely to affect the business in the future.

These building blocks are underpinned by two accelerators:

- **Foundations:** ensuring you have strong capabilities and processes in place across all four building blocks
- **Culture:** developing the values, beliefs, and behaviors that characterize high-functioning individuals and teams

Learn more in Accelerating growth with marketing effectiveness: A playbook from Gain Theory and WARC.

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Case Study

Bridging the gap between marketing and finance with MMM

Challenge

A global, multi-brand retailer faced increasing pressure on marketing budgets. The marketing department was using MMM, but the finance team needed greater transparency and accountability regarding the models and their impact on the business.

The finance team, comprising senior individuals including CFOs of individual brands and portfolio CFOs, didn't fully understand the MMM methodology, leading to questions about the validity of marketing spend requests and forecasts. Furthermore, there was a misalignment in terminology between the marketing and finance teams, leading to misinterpretations of results and their implications for profitability.

Solution

This wasn't about increasing the granularity, scope, or technical sophistication of the measurement program – that was already in place. Instead, we focused on getting the marketing and finance organizations to agree on terminology, expectations, and how to use the results to benefit the business and achieve its goals.

As an example, marketing often spoke about "base" and "incrementality", but these words meant completely different things to the finance team. This simple misunderstanding meant the MMM insights lacked impact. Clarifying it was one of the keys to increasing trust and ensuring insights were actioned.

Result

→ **Increased confidence:** Our approach increased buy-in from the finance team by providing more clarity, highlighting which parts of the marketing budget were more lucrative, and helping to justify marketing spend.

→ **Increased investment:** The marketing department secured an additional $7-10m additional investment per brand that resulted in further profitable revenue growth for the business.

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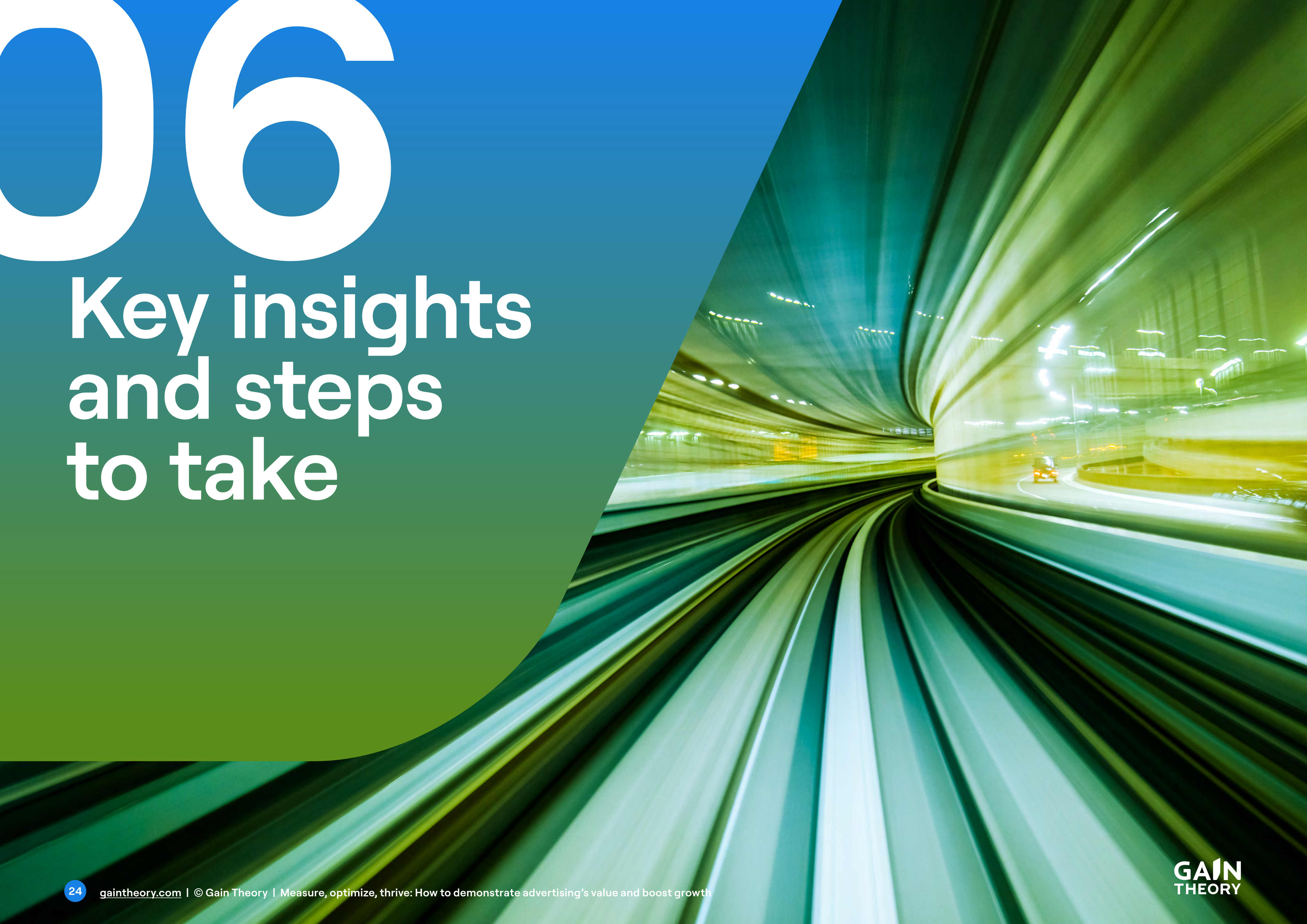

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Key insights and steps to take

Five key insights:

1. **Many marketers struggle to prove value:** A significant percentage of marketers (48%) can't prove marketing's value and receive credit for its contribution, leading to potential budget cuts and lack of influence.

2. **Advertising pays back 2.9X the initial investment:** Companies spend 3.0% of their revenue on advertising but it contributes 8.7% to revenue.

3. **Measuring and optimizing contribution boosts growth:** Companies that measure advertising spend and contribution, then spend more wisely and spend more, experience a year-on-year increase in revenue.

4. **CPG companies face unique challenges:** CPG companies often have lower advertising contribution compared to non-CPG companies due to factors like reliance on retailers, comparable pricing, and promotion-heavy strategies.

5. **Measurement is vital:** Using advanced measurement techniques is an essential building block of a best-in-class marketing effectiveness program, but it is not the only one.

Three steps to take now:

1. **Implement or reassess your measurement program:** Use MMM or A/B testing or a combination of the two and start to measure the contribution of advertising to revenue. Consider your company size, data availability, and ability to switch off marketing investment when selecting the appropriate method.

2. **Analyze and optimize advertising spend:** Once you have the required data, identify which channels and strategies are most effective and shift your budget accordingly. Focus on spending more wisely, not just more.

3. **Build a business case for increased investment:** Use the data from your measurement efforts to demonstrate advertising contribution to the C-suite. Advocate for increased advertising budgets based on proven results.

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About Gain Theory

Gain Theory is a leading global marketing effectiveness and foresight consultancy, dedicated to accelerating growth for ambitious brands. We give brands the confidence to make better data-informed investment decisions.

Using a combination of high-touch consultancy, unique partnerships, and proprietary technology, we offer award-winning solutions that are proven to deliver results.

As part of WPP, we benefit from unparalleled access to a wide range of data, expertise and tools, creating a truly differentiated offering in the industry.

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