

2017 **MARKETING INTELLIGENCE REPORT**



ROI GENOME

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WHAT IS ROI GENOME?



ROI GENOME

Over the past 17 years, Analytic Partners has collected a vast quantity of marketing intelligence across industries and countries. This intelligence lives and breathes in **ROI Genome**. ROI Genome has been an evolving endeavor that goes beyond traditional “you are here” benchmarking to understand and quantify the drivers of ROI and marketing success at a fundamental level to establish principles and truths for marketing success. By understanding and quantifying how factors such as brand health, marketplace factors, country dynamics, and the competitive landscape all impact marketing performance for each type of offline and online marketing activity, Analytic Partners can provide context and perspective for our clients.

The mission of ROI Genome is “To create marketing wisdom from accumulated numbers and knowledge.”

ROI GENOME HIGHLIGHTS

\$430B+
in marketing
spend
measured

22,000+
ROI's and
elasticities

45+
countries

**Cross-section
of industries
& marketing
tactics**

In depth
understanding of
how marketing
works, including:

- ▶ Halo and brand health principles
- ▶ Synergies and cascading impacts
- ▶ Media planning principles

NOTES ON THIS REPORT

“ROI Genome: 2017 Marketing Intelligence Report” seeks to highlight overarching trends identified in Analytic Partners’ ROI Genome and offer insights for marketers based on those trends. We hope to help marketers get to the heart of the matter of what marketing and advertising efforts drive return on investment and what factors influence those returns.

This report is unbiased and independent. It has not been commissioned or influenced by any group or company. This independence is at the heart of Analytic Partners’ philosophy and approach to any insights we provide to our clients.

The intelligence collected within ROI Genome is based on the work Analytic Partners has provided our clients. We take the confidentiality of our clients very seriously, and while they are some of the biggest companies from around the globe with well-known brands across industries, we do not share our client list.

It is important to note that every company is different, and while this report seeks to show overall trends, they may not reflect on what is seen in an individual company. This is why an Adaptive approach to analytics is important – no two situations are ever the same.

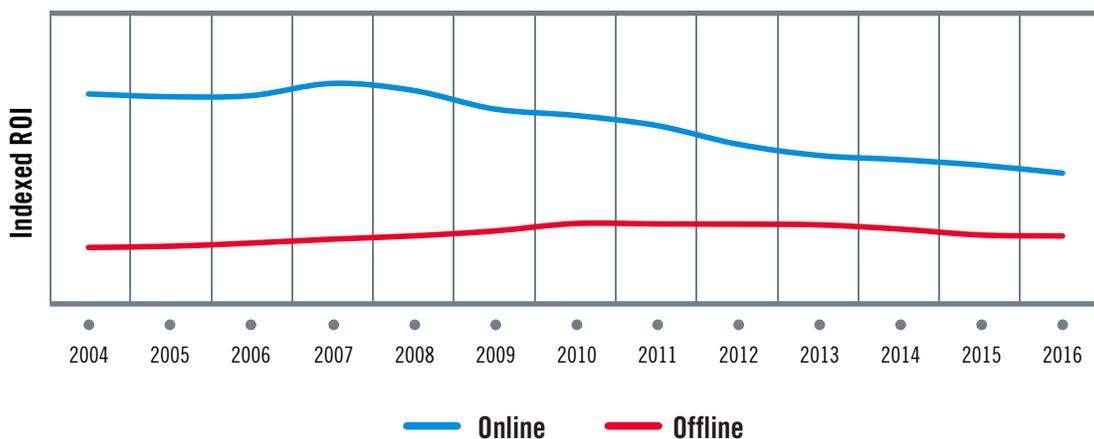
We hope you will find the insights within this report useful. Please visit us at www.analyticpartners.com to learn more or to contact us with any questions.

TRENDS

ROIs Converging - Offline + Online

Looking back to 2004, the ROI for online advertising has consistently outperformed ROI for offline advertising, though with plenty of variations across businesses and countries across the globe. Lower costs and more precise targeting has allowed for efficiencies unattainable in offline media. However, over the last decade there has been a steady convergence with online advertising efficiencies declining year over year and offline remaining relatively stable as costs continue to evolve. The convergence is slightly more dramatic outside of the US, but a consistent trend over time.

Advertising Efficiency Trends Across Industries



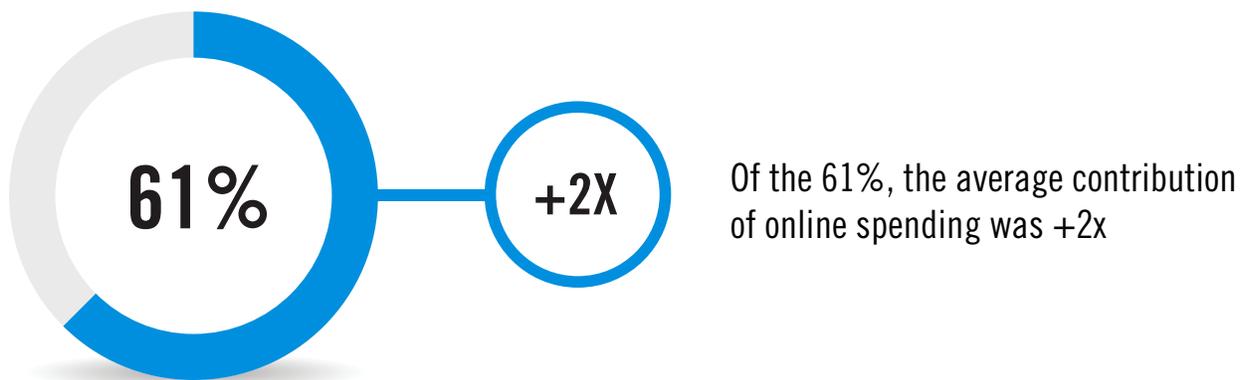
Source: Analytic Partners ROI Genome; Analysis based on global cross-industry data 2004-2016; Online includes Paid Search, Paid Social, Online Video and Digital Display; Offline includes TV, Print, Radio, & OOH.

Increases in online buying costs and diminishing returns from higher and higher investment level are likely strong contributors to the convergence of ROI trends. Online media also struggles with transparency and accuracy of reporting due to fraud and bots influencing results.

Growth in Online Spend

Of the brands included in this analysis, 61% increased online marketing spending from 2015 to 2016. Within these brands, the average contribution of online spending more than doubled, increasing from 6% of total marketing spending to 15%.

Of the brands analyzed 61% increased online spending from 2015 to 2016



The Power of Synergy

And while there is still an efficiency gap between online and offline, with online being, on average, 15-30% more efficient over recent years, this is not true across all brands and there is a strong case to be made for a combined-channel approach. Analytic Partners has found that combining offline and online in a combined channel approach is 50% more efficient than offline alone and more efficient than online alone.

ROI Comparison: Single Channel Strategy vs. Combined



Source: Analytic Partners ROI Genome; Analysis based on over 3,200 campaigns from 2012-2016

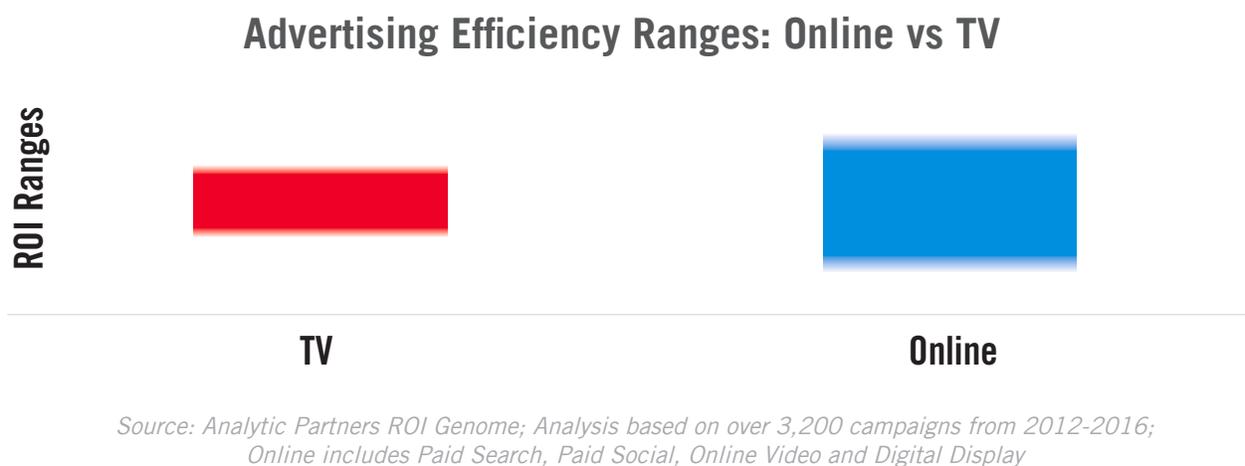
The Influence of Increasing Costs

When breaking out the online channels to look at these ROI trends more granularly we see that not all channels have been behaving the same. Over the last six years, efficiency for paid search and online video have both decreased at a slightly faster rate (-27% and -32% respectively). Digital display has seen a much more measured decrease (-14%). The decrease in efficiency in online channels is a factor in the trend toward convergence of online and offline ROI – however these channels still perform well. This decrease is likely driven by the payment/cost structures and availability of these channels stemming from the rise of programmatic and the unavoidable bidding wars for limited inventory. In short, costs have been increasing for these channels.

ROIs for an individual brand may counter the trend and see increasing online ROI if still developing sophistication in marketing across online channels. This is particularly true for social media where a clear trend has not emerged yet due to the wide variety of executions.

Wide Ranges in Online ROI

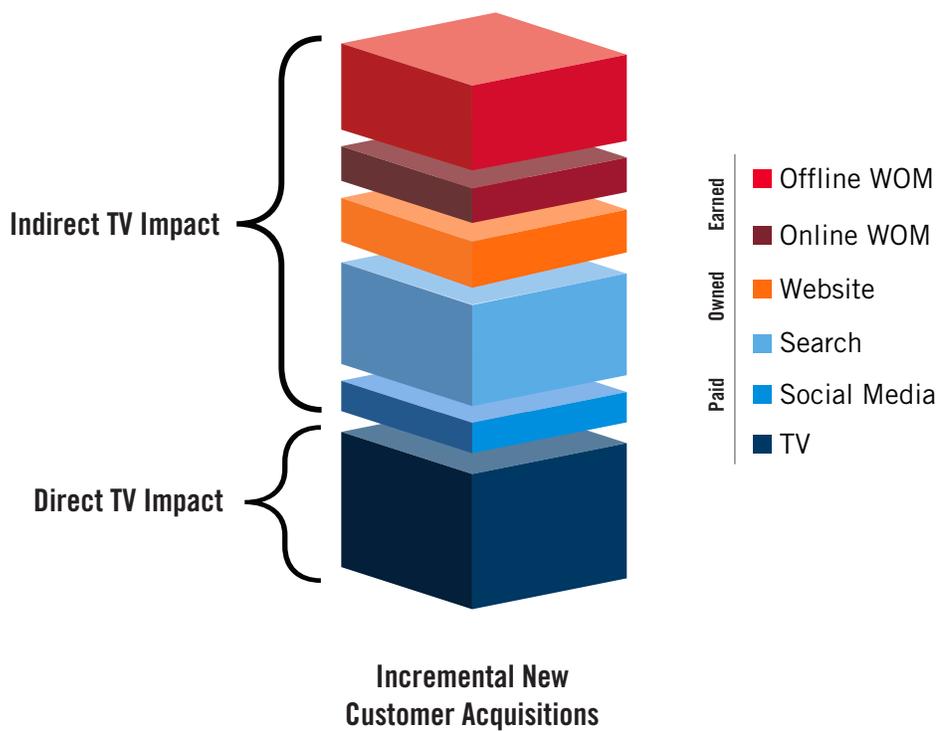
Offline advertising remains dominated by television. And while online ROIs are generally higher than TV, ROIs for online channels vary greatly with the upper and lower limits ranging very far from the mean. TV, on the other hand tends to be more predictable.



Beyond Paid - Incorporating Owned + Earned

Another insight uncovered when looking at the interaction of TV with other channels are the strong synergies TV advertising has with word-of-mouth (WOM) and other paid, earned and owned online channels. The example below is based on a case study for a consumer product but is representative of many businesses. This shows that indirect effects can increase the impact of TV by more than 2x when considering its impact on WOM, search, websites and social. Essentially, TV often serves as a trigger that sparks consumers to search, discuss, and share.

Example Service Business: Direct & Indirect Impact Due to TV



Source: Analytic Partners ROI Genome; analysis based on cases within a service business case study

INSIGHTS

Time/Message/Person

It has been said so many times but it continues to be true. Advertising effectiveness is impacted by reaching the right person, with the right message at the right time. Advertising efficiency layers in the cost implications of achieving this level of precision targeting or mass reach. ROI Genome insights back this up. Specifically, when we talk about these three factors we mean:

TIME:

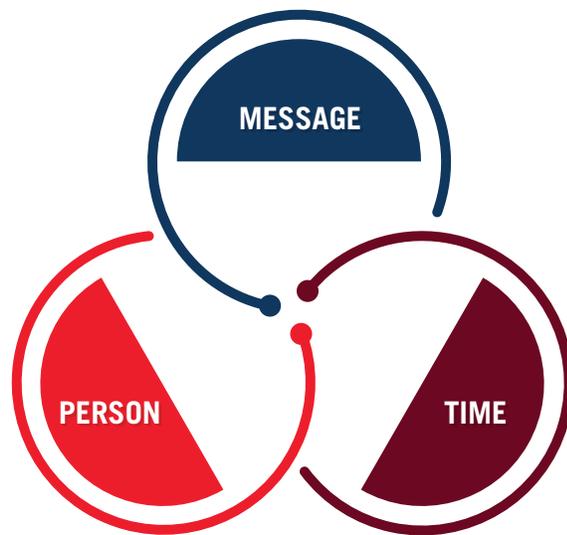
The time of day or week/ context of content or location/situation, external or environmental factors, time in decision cycle, customer journey

MESSAGE:

The quality of the creative itself – the amount of branding, communication of benefits, level of interest or engagement

PERSON:

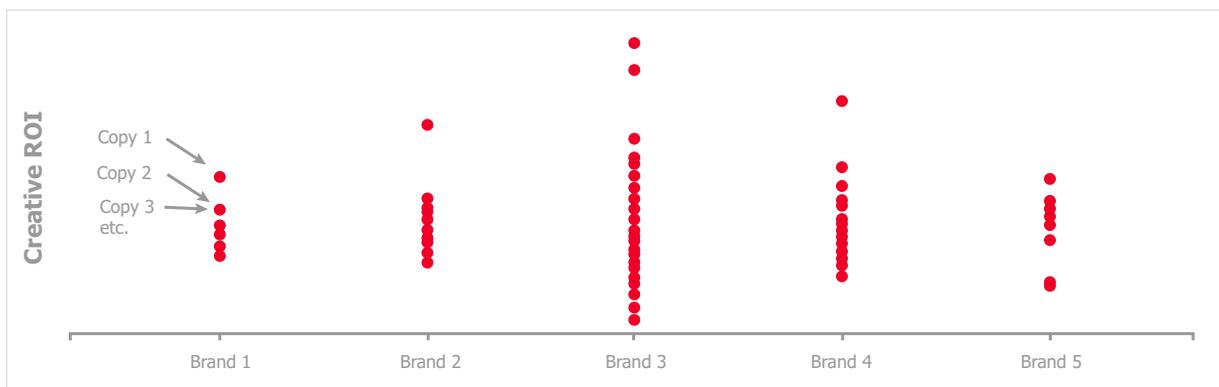
The audience/ target/ viewer of the ad



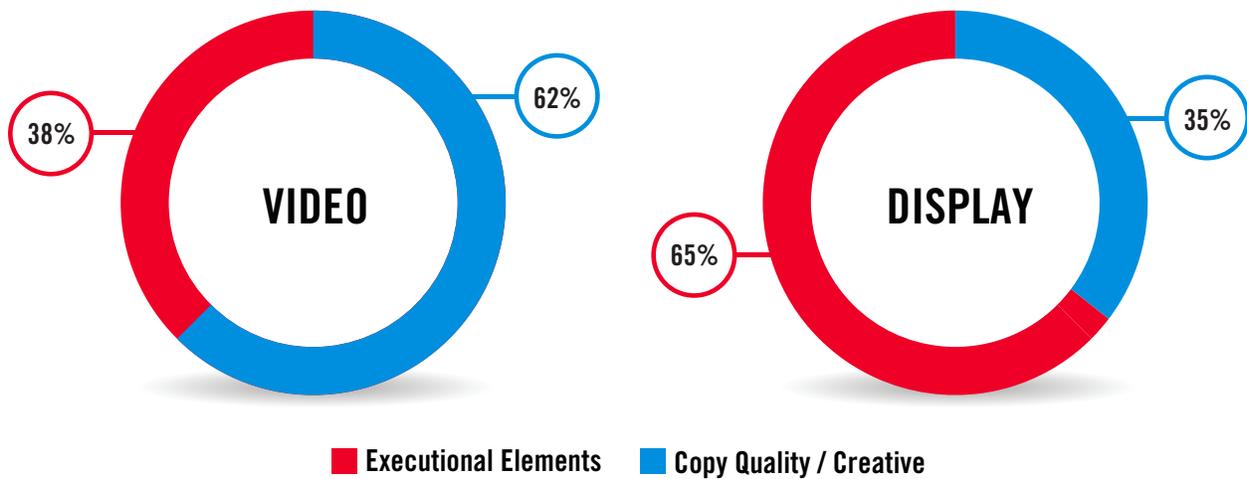
Right Message

Message and the quality of creative is highly variable. For example, in the graph below you can see the ROI for different TV creatives have wide variations within brands.

Video Creative ROIs Across Example Brands



Average ROI Drivers for Video and Display



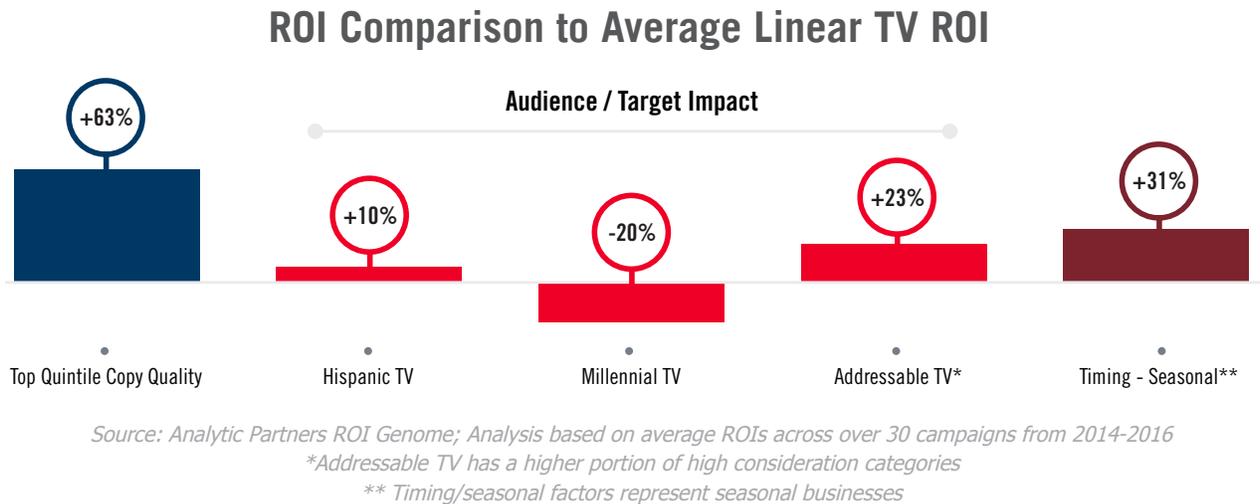
Source: Analytic Partners ROI Genome; Analysis based on over 3,200 campaigns from 2012-2016

When you compare the influence the creative message has versus executional elements, you begin to see interesting trends. For video, the quality of the creative itself – the amount of branding, communication of benefits, level of interest or engagement – is the most important factor in whether media will perform well in driving business impact or ROI.

The importance of creative can be seen clearly when comparing traditional digital display with original and engaging content. Original content refers to online content that is a hybrid of editorial and a traditional advertisement - such as native advertising. When indexing against display, we see original content having 79% more response, while content such as games and apps seeing a 150% higher response. Marketers however, must monitor costs of creating original content to ensure response assumptions warrant the incremental cost.

Right Person

When looking at ROI impact for audience targeting vs. strong copy quality for TV, there is a strong connection between ROI and message.



Right Context

For digital ads, message and creative quality have a smaller impact on ROI improvement compared to executional elements such as targeting or context. For digital display ads, executional elements are the most important factor in driving ROI. Targeting, contextual and site relevancy are what marketers should focus on for digital.

Marketers should not ignore the importance of seasonality however. Insights revealed by ROI Genome data include:

- ▶ **Timing:** Marketers should get an early start and build up awareness by airing new campaigns prior to peak season.
- ▶ **Optimal Levels:** Strike while the iron is hot and air at higher weekly GRP levels during peak season.
- ▶ **Maintain Share of Voice:** Marketers should explore continuity with shorter copy lengths to increase SOV and maintain awareness levels.

Impact During the Customer Journey

Further to the topic of context, when planning out a channel mix along the customer’s journey, marketers should understand the degree of impact each channel has at each stage for their audience. For the example client below, we can see that while TV may have high impact across Interest, Inspire and Close, paid search is better left for bottom of the funnel calls to action. If this company was looking to inspire their customers they are recommended to focus on online video, digital display and print advertisements.

Example: Channel Impact across Journey

MARKETING CHANNEL	INTEREST	INSPIRE	CLOSE SALE
TELEVISION	●	●	●
ONLINE VIDEO	●	●	●
DIGITAL DISPLAY	●	●	●
PRINT	●	●	●
PAID SEARCH	●	●	●

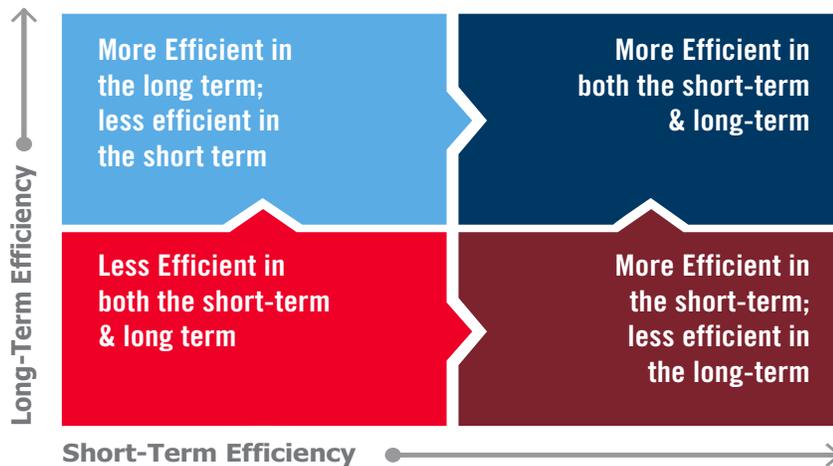
DEGREE OF IMPACT ● HIGH ● MEDIUM ● LOW

TV advertising, besides its enormous reach, also has a longer-lasting impact on sales when compared to digital advertising. Over half of TV’s incremental sales occur 5 weeks or more. Display ads see 91% of incremental sales occurring within 4 weeks.

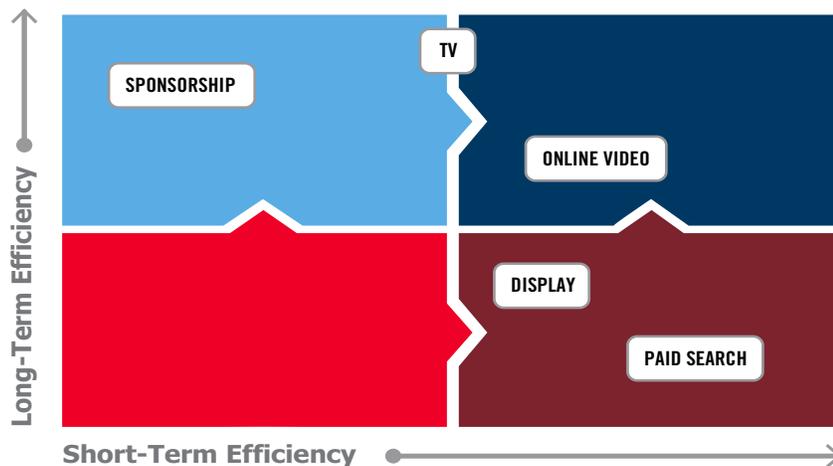
While each channel has its strengths, due to synergies, cross-channel strategies allow marketers to be the most efficient. Marketers should evaluate mix scenarios based on their KPIs and goals. Each channel should be leveraged to deliver a specific objective according to its strengths.

Short & Long Term Considerations for Spending Allocation

When marketers are determining spending allocation across channels they should consider multiple objectives including short-term ROI and long-term ROI or branding impacts.



When looking at the channels that comprise the majority of media spend through this lens, we again see TV as an attractive option. Although its short-term ROI is average, longer term impacts on business and branding are much stronger for TV vs. other channels. Online channels tend to have stronger short-term ROIs, but lower longer term impacts. Sponsorships have a much lower ROI versus other channels, but stronger impact in the longer term, slightly behind TV. Marketers should use these insights to balance spending based on short vs long-term goals.



Source: Analytic Partners ROI Genome; Analysis based on average ROIs across over 120 campaigns from 2014-2016; please note, fewer cases exist for OLV and sponsorships

RECOMMENDATIONS

Marketers Can No Longer Plan in Silos

Think about media mix holistically and focus on the customer rather than channels.

- ▶ **ROIs are converging** - The average ROIs of offline and online advertising are converging. We predict ROIs will equalize as online spending and costs continue to increase.
- ▶ **The power of synergies across media** - Marketers need to better understand the dynamics of their channel mix to find efficiencies and deliver a positive experience.

Creative is Critical

While executional elements get a lot of attention, the quality of the creative is hugely important.

- ▶ **Creative is especially important for video** - 62% of ROI for video is driven by creative elements. Top quality creative shows a 63% improvement to average linear TV ROI.

Don't Lose Sight of Context

In the drive to target the right person, marketers cannot ignore the importance of context.

- ▶ **Customer Journey** - Understand the degree of impact different channels have at each stage.
- ▶ **Seasonality** - Messaging customers with seasonality in mind allows marketers to focus budget when it can have the most impact and maintain share of voice
- ▶ **External factors** - Consumers don't live in a bubble. By including real-world factors like the economy and competitive activities you can ensure your message is most appropriate.

Balance Short-Term Business Results with Longer-Term Implications

Consider multiple objectives including short-term ROI and long-term branding impacts.

- ▶ **Fine tune your algorithms** - Optimization algorithms should weigh longer-term impacts to ensure continued brand strength and sustainability.

Look Beyond Paid Media

It is often said “what gets measured gets managed” but don't just focus on paid advertising

- ▶ **Owned and earned media is important** - Not only does owned and earned contribute significantly to brand success, they also have synergistic relationships with paid.



ABOUT ANALYTIC PARTNERS

Analytic Partners is a global analytics company that leverages adaptive modeling techniques and tools to help companies generate better marketing ROI, drive growth and, ultimately, grow closer to their customers. We work with marketers to build deep knowledge about brands, customers and competitors that is converted into sound strategies aimed at improving business performance.

Analytic Partners' ROI Genome is an industry leading 'beyond benchmarking' database of key performance metrics and insights across 45+ markets and a wide range of B2C and B2B industries. With over \$430 billion in marketing spend measured, it can explain the "why" behind results and provide unique perspective beyond client-specific learnings.

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