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Digital Measurement



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06

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Introduction

Think of the role measurement plays in marketing as sailing with a compass. That compass can give analysts the most efficient, expedient path to their destinations. Although the compass's dial may flicker from time to time, analysts can trust and depend on its guidance. Unfortunately, uncertainties introduced in the wake of regulation and data privacy initiatives have smashed that compass. While it's still readable, it's hard to know if its guidance is accurate. Yet it remains – just as it has always been – easy to know which way the wind is blowing.

Introduction

In this context, digital measurement minimizes uncertainty in evaluating marketing performance and fuels instinctive decision-making. Specifically, measurement does three important things for a brand:

Establishes a source of truth – Ensure stakeholder trust in data reliability across data sources to measure what matters by defining clear customer value and key performance indicators.

Introduction

Allows for insight discovery – Understand consumer behavior and the effect of marketing efforts in the context of the customer journey.

Enables the activation of insights – Allocate scarce marketing resources optimally across channels, initiatives, and partners.

Analysts' measurement plays an important role in any organization by enabling business growth through a combination of understanding and accountability.

The Four Categories of Digital Measurement

Digital measurement covers a wide variety of objectives, platforms, and tactics, making it necessary to use a simple framework of categorization. The framework presented in the following figure classifies digital measurement in four categories:

The Four Categories of Digital Measurement



Brand Impact

How well does marketing improve the way consumers perceive your brand?

Insights into brand health allow marketers an idea of their digital marketing performance as a complement to sales lift measurement



Consumer Outcomes

How well does marketing drive value for you across each / all sales channels?

Valuing outcomes that range from sales to the important actions leading to a sale informs tactics to manage consumer behaviors



Customer Value

How well does marketing help you maximize value from your consumer?

Optimizing profitability is a key benefit of programs rooted in lifetime value (LTV), calculated using sophisticated methods or simple models



Attribution

How well do you measure and value the impact of your media across channels?

Marketing Mix Models (MMMs) are a traditional approach being complemented by Multitouch Attribution (MTA) using new data and methods

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Making the Intangible Tangible: Brand Impact

Making the Intangible Tangible: Brand Impact

Companies can use several methods to value what has been an inherently intangible asset: their brands. Each approach differs in its perspective regarding value and the inputs in its calculations, but each can provide valuable insights into brand impact.

Making the Intangible Tangible: Brand Impact

Assessing Attributes

This subjective means of assessment assigns values to attributes, such as satisfaction, loyalty, awareness and market share, that are tracked separately or weighted according to industry. Advertising agency Young & Rubicam has developed a “Brand Asset Valuator,” which is an attribute assessment approach that’s based on differentiation, relevance, esteem, and knowledge.

Making the Intangible Tangible: Brand Impact

Brand Equity

The brand equity approach combines three elements:

- effective market share, which is the sum of market shares in all segments, weighted by each segment's proportion of total sales;
- relative price, which is a ratio of the price of goods a brand sells, divided by the average price of comparable goods in the market;
- and durability – the percentage of customers who will buy that brand in the following year.

Making the Intangible Tangible: Brand Impact

Brand Valuation

Brand valuation methods seek to take the most robust financial data available to model a plausible valuation of a brand. While the assumptions underlying these methods are also subject to challenges, they at least strive to create an objective-as-possible marker or view of a brand's strength.

Making the Intangible Tangible: Brand Impact

‘Royalty Relief’

Brand Finance publishes its annual Global 500 study using a “royalty relief” approach that calculates the net present value of the hypothetical royalty payments an organization would receive if it were to license its brand to a third party. As a hypothetical approach, the assumptions underpinning a royalty relief calculation are open to challenge. Yet the system of royalty payments is well established so assumptions can be rooted in practical experience and applications.

Making the Intangible Tangible: Brand Impact

‘Net Promoter Score’

Its power is its simplicity. It asks customers, “How likely are you to recommend company/brand/product X to a friend/colleague/relative?” and scores their responses from zero to 10. “Promoters” give a nine or 10 score, “passives” a seven or eight, and “detractors” a zero to six score. The NPS score is the percentage of promoters less the percentage of detractors and ranges from –100 to +100.

Although largely qualitative, this method is straightforward.

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Measuring Sales Levers: Consumer Outcomes

Measuring Sales Levers: Consumer Outcomes

Ever-present consumer outcomes stop short of an ultimate sale, but are valuable, nonetheless. Such outcomes happen along a consumer's decision journey and the path toward a sale and, therefore, should be measured. In this context, the small presale steps (e.g., visiting an auto dealer website) are called microconversions, while the final conversion (e.g., buying a car) is the macroconversion.

Microconversion outcomes occur in online and offline consumer behaviors.

Measuring Sales Levers: Consumer Outcomes

Analysts can measure a plethora of microconversions in consumers' online interactions. As data are created online, analysts can access and track the information with tools in Google Analytics. Activities that could qualify as examples of microconversions from consumer actions on a website include:

- Viewing a page
- Watching a video
- Commenting on a blog post
- Sharing a post on social media
- Creating an account
- Signing up for an email newsletter
- Downloading an app
- Placing an item in an online shopping cart

Measuring Sales Levers: Consumer Outcomes

Analysts can earn insights that will inform marketing strategies that are designed to drive these microconversions by assigning dollar values to each outcome. Typically, the assigned values should be based on the likelihood that a consumer fulfills a macroconversion after the microconversion (and, of course, the calculated dollar value of that macroconversion). Outcomes more highly correlated to a macroconversion (e.g., placing an item in an online shopping cart) should have a higher assigned value than those that exhibit less correlation (e.g., viewing a webpage)

Measuring Sales Levers: Consumer Outcomes

Measurable offline behaviors can also be thought of as microconversions. Store visits, which measure consumers who enter a defined physical location, are an important microconversion outcome for most advertisers. This is especially true for brands that interact with consumers offline (e.g., retail shops, movie theaters, auto dealerships, etc.) and build online relationships to influence behaviors in the physical world. Although a store visit outcome is a step short of a sale, advertisers that value store visits typically see a high correlation between a consumer who visits a location and then buys an item at that moment or in the future

Measuring Sales Levers: Consumer Outcomes

The mobile location industry began as a way to customize apps and target ads but has “morphed into a data collection machine.” Typically, companies collect, use, store and sell location data to help advertisers, investment firms and others. Apps most popular among data companies are those that offer services keyed to people’s whereabouts – including weather, transit and travel – because users are more likely to enable location services on them.

Measuring Sales Levers: Consumer Outcomes

Location data can be tremendously important to advertisers who seek to optimize their marketing strategies (and, more specifically, their media bidding strategies) to consumers' locations.

Perhaps even more importantly, location data helps analysts assess advertisements' effectiveness. Online retail advertisements should be assessed by the degree to which they drive consumers to stores. Used in this way, location data provides transparency for investing advertisers while holding platforms, agencies, and others involved in media sales accountable for ad performance.

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Understanding What Is Important: Customer Value

Understanding What Is Important: Customer Value

Scott Kirby, formerly president of American Airlines, gave Wall Street analysts a peek into the lopsided economics of his airline on an October 25, 2015, conference call, saying half of the company's 2014 sales came from 87 percent of customers who flew on the airline once. What this means, of course, is that a paltry 13 percent of travelers contributed 50 percent of American Airlines' annual revenue.

Understanding What Is Important: Customer Value

The idea of differentiated customer value isn't unique to the airline industry. Every business earns different economic value from different consumers. By understanding what their valuable customers look like (and what they don't resemble), advertisers can affix differing levels of value to nearly every consumer they could pursue in the market.

Understanding What Is Important: Customer Value

The key to unlocking this insight is understanding valuable attributes for prospective customers. Advertisers can build “best customer” profiles based on analyses of demographic, psychographic, and behavioral data they collect.

“Look-alike analyses,” that is, identifying consumers who demonstrate similar attributes, can reveal new high-value targeting opportunities.

Understanding What Is Important: Customer Value

The importance of understanding valuable consumer attributes goes beyond acquisition opportunities. Applying relative values to each characteristic, attitude, and action that comprises the value calculation can deepen customer understanding while providing the foundation for marketing strategies that target consumers, engage with messages, and incentivize behaviors.

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Assessing Marketing Effectiveness: Attribution

Assessing Marketing Effectiveness: Attribution

Measuring lift on a marketing campaign seeks to isolate the effect the campaign had on consumer behaviors. Online behaviors are easier to measure than offline actions, but online and offline conversions are important to lift measurement. At its core, this pursuit seeks to answer whether an intervention (e.g., the ad campaign) compelled a consumer to act, or would the consumer have acted anyway.

Assessing Marketing Effectiveness: Attribution

The rapid pace of change leaves analysts reeling from reshaped consumer behaviors, data, and partnerships. And yet, no single digital solution measures the full journey a customer will take to evaluate brands and make an ultimate purchase. Facebook, for example, remains the only solution that rigorously measures consumer behavior on Facebook pages, as the platform maintains an exclusive list of partners that receive valuable Facebook data. But when those consumers are on YouTube, Facebook is just as unlikely to know their behaviors as Google is to collect behavior data while consumers are on Facebook.

Assessing Marketing Effectiveness: Attribution

Multitouch Attribution

Multitouch attribution models (MTAs), also known as marketing attribution solutions, promise to provide actionable insights by collecting real-time customer behavior data. Through sophisticated models based on collected data samples, MTAs measure the relative benefit of specific digital media to influence consumers. Where actual data on consumer behavior exists, the models are termed “deterministic,” while models that plug gaps in consumer behavior data are termed “probabilistic.” A blend of deterministic and probabilistic models forms the inner workings of any MTA solution.

Assessing Marketing Effectiveness: Attribution

Multitouch Attribution

Traditional MTA solutions attempt to measure consumer interactions across the full spectrum of media channels (e.g., from TV to radio to out-of-home to all digital ad exposures). In contrast, digital platforms offer single media channel attribution solutions to measure and optimize consumer interactions exclusively on their own sites. Each attribution solution faces challenges in today's measurement environment.

Assessing Marketing Effectiveness: Attribution

Marketing Mix Modeling

Marketing mix modeling (MMM) is a time-tested method for measuring the effect of marketing and media investments. Many leading brands use MMMs to determine what's working across different channels. The MMM can be a crucial tool for guiding budget decisions as a periodic analysis to measure the effectiveness of each media type and channel (offline and digital). Typically, MMM studies are run quarterly, but a recent trend has been for brands to increase the frequency of MMM, up to a monthly cadence.

Assessing Marketing Effectiveness: Attribution

Marketing Mix Modeling

MMMs attempt to determine how media spend has affected key performance indicators (KPIs) – such as brand perception or product sales – by isolating the broad factors that can influence consumer behavior to calculate a media channel's return on investment (ROI). This is a tremendous undertaking, as everything from advertising to recommendations from friends to the weather can affect nearly any KPI an advertiser adopts as its metric for success. As a result, MMMs are built upon vast amounts of data and have been refined over long periods.

Assessing Marketing Effectiveness: Attribution

Marketing Mix Modeling

Purpose: MMM is used to measure the overall impact of the marketing mix on a brand's overall performance and sales. It focuses on understanding how components of the marketing mix, such as advertising, pricing, and distribution, affect the company's overall outcomes.

Type of Data: It relies on historical data available on sales performance, advertising, and other factors that can influence performance.

Multitouch Attribution Models

Purpose: Multitouch attribution models are used to analyze consumer interactions with the brand and advertisements across various touchpoints and channels. They focus on analyzing how consumers interact with the brand at multiple stages and how multiple touches play a role in purchase decisions.

Type of Data: It relies on real-time data and touchpoint data for consumers' interactions with advertisements and the brand.

Assessing Marketing Effectiveness: Attribution

Marketing Mix Modeling

Time Frame: Typically involves periodic analyses, often conducted every few months (e.g., quarterly), to measure long-term impact.

Ad Campaign Guidance: MMM does not provide direct guidance for specific ads or touchpoints. It measures the impact of the overall marketing mix.

Multitouch Attribution Models

Time Frame: Can be executed in more detail and efficiently within shorter timeframes, including real-time and short-term impact measurement.

Ad Campaign Guidance: MTAs help in guiding advertisements based on individual consumer interactions with specific touchpoints.

Assessing Marketing Effectiveness: Attribution

The integration between MMM and MTA:

Combine Both When:

- 1.Comprehensive Insights:** In some cases, it's beneficial to combine MMM and MTA. MMM can provide the big-picture view of overall marketing effectiveness, while MTA can offer detailed insights into specific digital touchpoints.
- 2.Budget Allocation and Granular Optimization:** When you need both macro-level insights for budget allocation decisions and micro-level insights for granular optimization, consider integrating both MMM and MTA.

Assessing Marketing Effectiveness: Attribution

The integration between MMM and MTA:

Combine Both When:

3. Varied Marketing Channels: If your marketing strategies involve a mix of traditional and digital channels, using both models can provide a complete understanding of their contributions to your goals.

Assessing Marketing Effectiveness: Attribution

The integration between MMM and MTA:

How?

Step 1: Define Objectives

- Clearly define your objectives for integrating MMM and MTA. Understand what insights you want to gain from this integration and how it will benefit your marketing efforts.

Step 2: Data Collection and Preparation

- Collect and clean the necessary data from various sources, including historical sales data, marketing spend data, and customer touchpoint data. Ensure data quality and accuracy.

Assessing Marketing Effectiveness: Attribution

The integration between MMM and MTA:

How?

Step 3: Model Selection

- Choose the appropriate MMM and MTA models that align with your objectives and data. MMM provides macro-level insights, while MTA offers granular insights into customer touchpoints.

Step 4: Integration and Analysis

- Harmonize data and integrate MMM and MTA models on a suitable platform. Analyze the combined insights to understand how each marketing channel contributes to overall sales and identify patterns and correlations.

Assessing Marketing Effectiveness: Attribution

The integration between MMM and MTA:

How?

Step 5: Optimization and Monitoring

- Use the integrated insights to optimize marketing strategies, allocate budgets effectively, and fine-tune campaigns. Implement a system for continuous monitoring and adjustments to adapt to changing marketing trends and effectiveness.

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Thank You

