

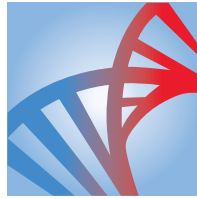


ROI Genome
Intelligence Report

The Advertising Evolution

Media Trends, Truths and
Taking Action for Tomorrow





ROI GENOME

WHAT IS ROI GENOME™?

Over the past two decades, 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 performance at a fundamental level to establish principles and truths for success. By understanding and quantifying how factors such as brand health, marketplace and country dynamics, and competitive landscape all impact performance for each type of offline and online marketing activity, Analytic Partners provides context and perspective for our clients.

ROI GENOME HIGHLIGHTS

In depth understanding of how marketing works, including:

- ▶ Hundreds of billions in marketing spend measured
- ▶ More than 2 million marketing metrics
- ▶ Global footprint – 45+ countries
- ▶ 20 years of experience across 750+ brands
- ▶ Cross-section of industries & tactics

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

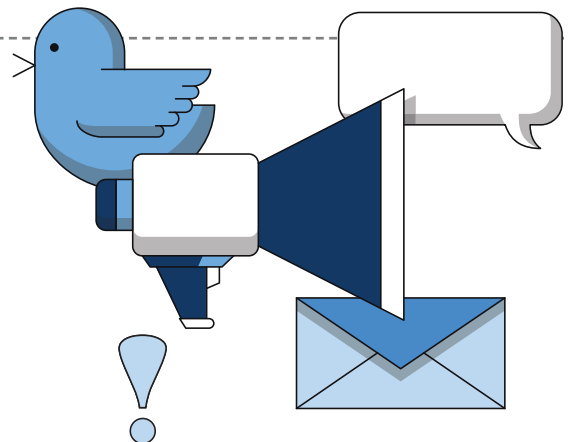
Trends – Media Complexity & Performance

Marketing has always been complicated, but the levels of complexity reached over the last several years have brought us into an unprecedented ecosystem. The long-standing debates about the role of marketing in driving business performance has compounded with an ever-evolving landscape that includes traditional, new and constantly emerging forms of media.

On top of the age-old performance questions, business leaders are also facing increased fragmentation and new challenges brought on by data deprecation. Simultaneously, a multitude of new marketing channels are being leveraged and measured by marketers, offering both opportunities and challenges in understanding which channels are truly making an impact.



The number of marketing channels being utilized has grown **3x** since 2016



It has never been more critical to have a holistic and accurate understanding of advertising performance and effectiveness. It is also critical to remember that while different types of delivery mechanisms, sales channels and messaging has changed dramatically, fundamental concepts of advertising and marketing such as awareness, recency, and synergy remain constant.

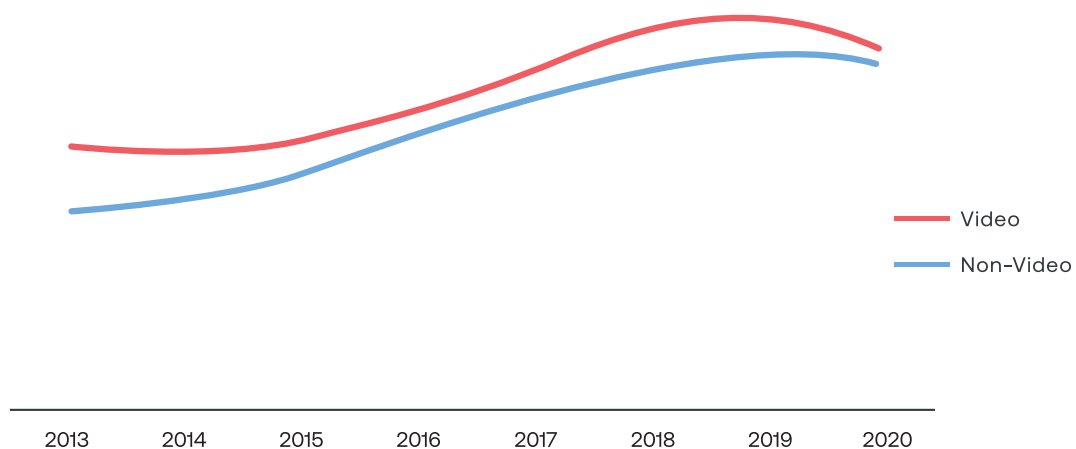
The Analytic Partners ROI Genome exists to distill fact from fiction. Its mission is to create wisdom from accumulated numbers and knowledge, and this report offers a harmonized view of advertising and its performance over time, perspective on why and how it works, and insight for future planning. While marketing is certainly complicated, we will take a step back and provide overarching principles and identify opportunities for sales growth and brand success.

Media Performance Over Time

ROI Genome research shows that advertising performance and ROI has continued to increase over time. Given the rise of ecommerce and conversion-based marketing alongside the rapid increase of engaging marketing mediums and offerings, this upward trend is to be expected.

We know that advertising ROIs continue to improve, but the more critical question in light of that is: which channels have the greatest impact? Our ROI Genome research continues to demonstrate that video advertising outperforms non-video advertising in terms of driving conversions and return on investment. However, the ROI gap between video and non-video performance has been closing over time, and both have been steadily increasing in performance.

Video and Non-Video Efficiency Over Time



Channel proliferation and performance are big pieces of the puzzle. But, given industry questions surrounding the effectiveness and efficiency of marketing, an opportunity exists for business leaders to better understand the true role that media plays in driving sales and brand growth.

Truths – What Marketers Need to Know

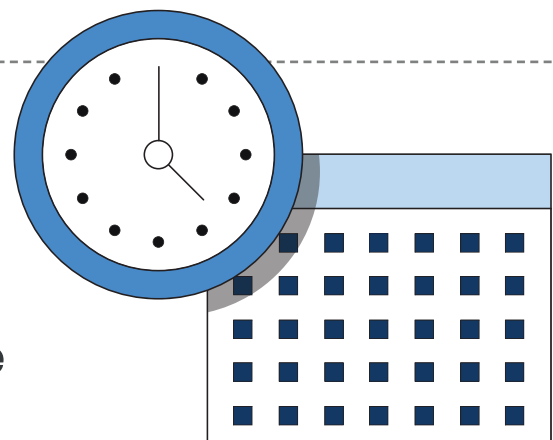
Even within a steady stream of disruptions, advertising continues to perform in today's world. While there are numerous ways to reach both wide and precise targets, the role and impact that advertising has remains rooted in concepts that have remained consistent over time.

When Does Media Make an Impact?

Marketing has both an immediate and delayed impact. This is true on many levels, and can be measured with a high degree of confidence when the appropriate data and methods are utilized. Advertising can have an immediate, in the moment impact, a gradual delayed impact such as later in the day or week, or a further delayed impact. These combined are what are commonly referred to as short-term impacts, which tend to be the impact that an advertisement has on the next purchase cycle for the category, product or service. In addition, there are long term impacts when customers repeat purchases and longer-term behaviors change.



Two-thirds of the impact of advertising happens **after** the week of exposure



The impact that advertising has over time also behaves differently than other forms of marketing like promotions, coupons, and emails which have more immediate and lesser delayed and sustained impacts. Additionally ROI Genome shows that video advertising has twice the half-life of non-video advertising, and its cumulative impact after the week on air is 160% higher than non-video advertising. These impacts happen usually within a few weeks - not months - and this is true of both in-store and ecommerce impacts.



Video has 2x the half-life of non-video advertising and video impacts are 160% higher in subsequent weeks after airing (versus non-video advertising)



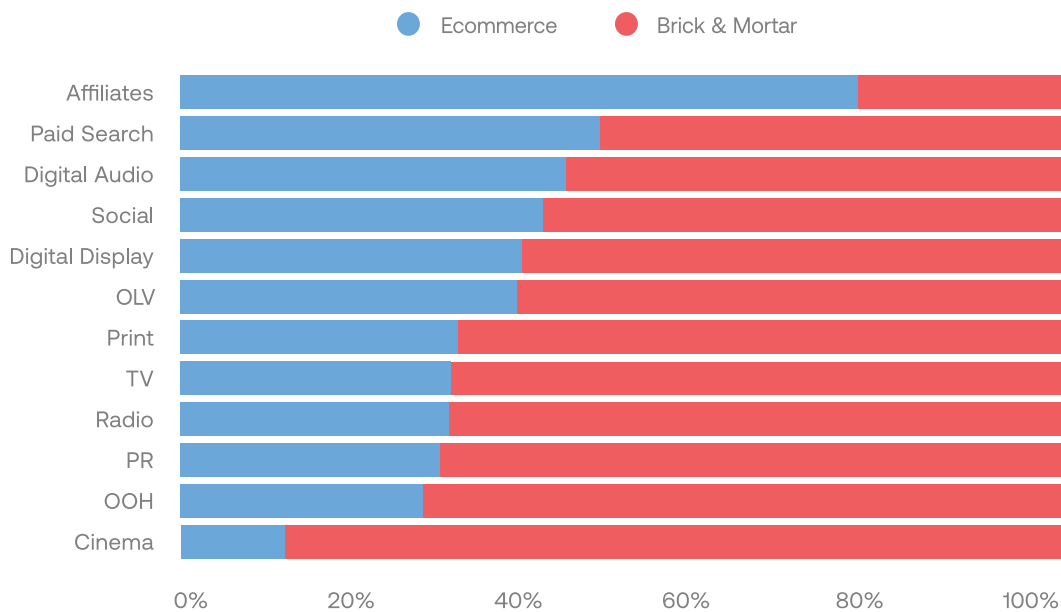
When Impacts Happen: Why it is Important

Marketing, finance and business leaders that are simply looking at the immediate impact of marketing are falling short of understanding its role. When comparing the impact of advertising to promotions, this approach downplays the value that media brings versus other offers and discounting efforts that are only immediate. When comparing the impact of advertising across different types of media, we should also acknowledge that some tactics like TV, OTT and OLV will impact sales for a longer period of time than most Search or Display. Looking only at the immediate returns will lead to incorrectly undervaluing or overvaluing channels in driving short-term conversions, let alone the longer term impacts of brand building.

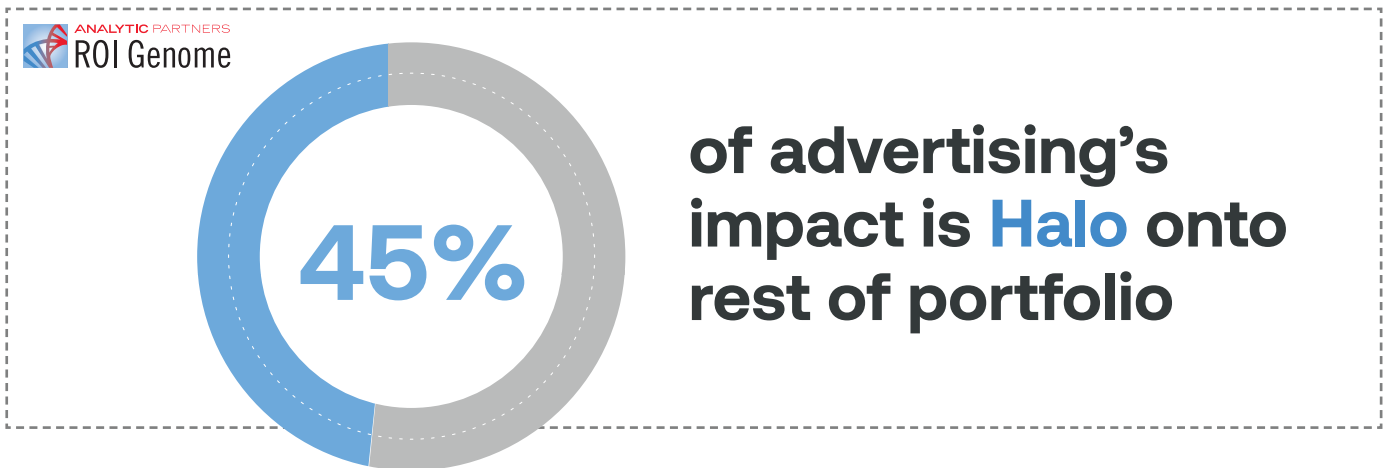
Where Does Media Make an Impact?

It is an established fact that advertising has impacts across sales channels. ROI Genome has found that all advertising has an omnichannel impact, meaning that online advertising affects offline sales and offline advertising affects online sales. Even with an ecosystem such as Amazon, its sales are impacted by non-Amazon advertising, and brands that leverage Amazon ads can measure their impacts onto Amazon and non-Amazon sales.

Average Sales impact by Marketing Channel

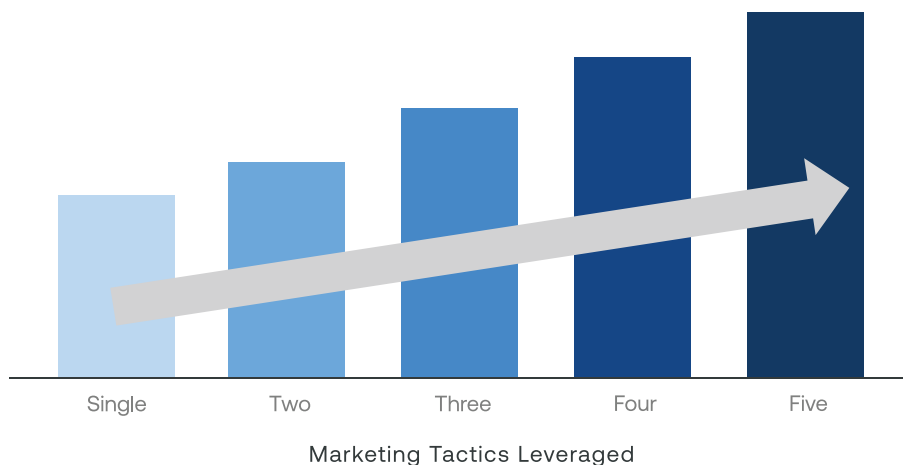


Halo is also prominent in the marketplace. When companies advertise specific products or services within their portfolio, they very often see positive sales impacts onto their other products and services.



Advertising even helps improve the effectiveness of other advertising, as we have seen from ROI Genome research and proven by a variety of quantitative and qualitative research methods. In fact, performance marketing is often significantly more effective when combined with brand, equity and cross-tactic messaging.

ROI Strategy Comparison

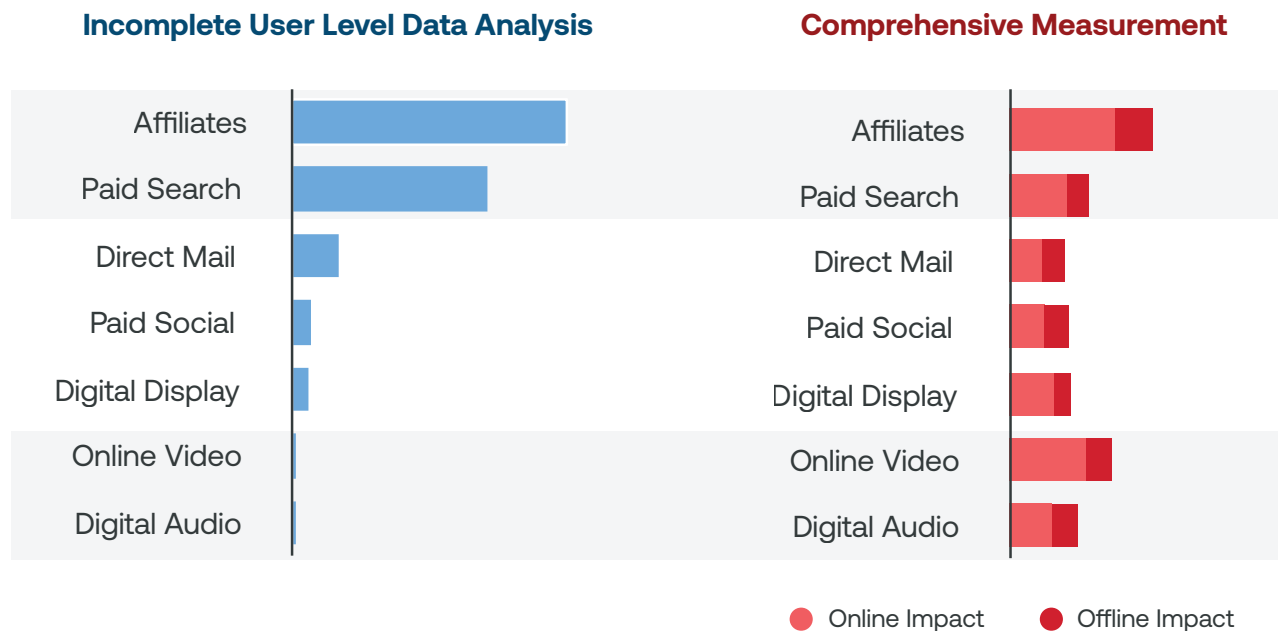


Where Impacts Happen: Why it is Important

Too many marketers today are relying on last click and similar view through performance metrics to understand the role that marketing has on business performance. This is particularly concerning when business leaders are using this information to make investment decisions across different types of marketing channels or messaging, some of which are designed and geared towards clicks and tracking. This dynamic is true not only across marketing tactics, such as online video versus search, but also across online and offline advertising and sales ecosystems.

Our ROI Genome Research has found that Last Click and similar performance metrics overstate the role of activities such as search and display by 2-10x and consistently understate the role of video. Performance metrics can be helpful to understand relative performance within certain types of marketing channels, but are not appropriate for comparing performance across marketing channels, tactics or ecosystem silos.

Client X Case Study: Omnichannel Apparel Retailer Net Sales ROI

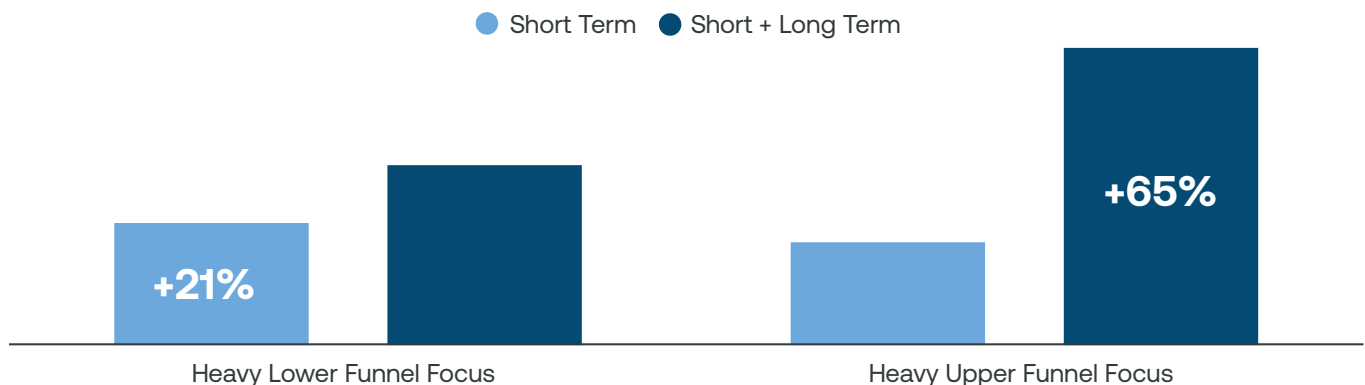


Who is Media Impacting?

The ability to reach and target very specific customers or personas is a great benefit to many companies, but with that benefit comes a flip side. Many companies are tuning their marketing decisions to focus strictly on lifts and ROI performance without recognizing that some customers may be more expensive to reach and/or less likely to convert ... but they are in fact the ones that will lead to growth. There are differences in marketing to new customers versus existing customers, and focusing efforts solely on one of those groups will be a detriment to overall growth.

When drilling down further into the segment of new and potential customers, upper and lower funnel strategy needs to be considered. Heavy lower funnel marketing strategies can generally be efficient in the short term, by leveraging performance marketing channels and messaging geared towards immediate behaviors with the highest likelihood of conversion. But heavy upper funnel marketing strategies – focused on brand equity messaging and channels reaching a broader array of potential new and existing customers – have 65% stronger impacts in the long term.

Marketing Strategy Efficiency and Business Impact



Who is Impacted: Why it is Important

Business leaders must create marketing plans and strategies that are rooted in reaching both existing and new customers – brands cannot win by optimizing to just their existing customer base. Bringing new customers in and driving increased penetration of your brand is among the most important long-term signals of health for a business. Balancing ROI and driving short-term sales lifts alongside efforts to reach new customers, even if less efficient, is important.

Implications & Planning for the Future

As the advertising ecosystem has become increasingly complicated, and more and more data and metrics have become available from business silos, the understanding of marketing and the role that it plays in driving short and long term sales and brand health has become clouded and marketing's role has become increasingly misunderstood.

At the same time, the lines are blurring between performance and brand, online and offline, and data deprecation is impacting not only media buying but also measurement. Business leaders can, however, leverage what we know about marketing trends and truths to build better tools and processes to break this cycle of uncertainty. Some leading companies are already aware of the misperceptions of precision that exist within today's vanity metrics and have tasked their organizations to take appropriate steps grounded in better research that support investment decision making.

As we look to the future, personalization will remain an important element of marketing strategy, but continued data deprecation brings new challenges. User level data at a person, device or household level aids media buying and targeting, but siloed user level journey data is flawed and incomplete on the measurement side as it doesn't take into account marketing and non-marketing factors that also influence conversions and are unavailable at a user level.

As data deprecation continues, we predict that it's going to cost more and be harder to reach customers and prospects. Sales lifts are generally strong when brands leverage targeting, and personalization is very effective, but we already see today that the benefits of reaching very specific targets is often outweighed by the cost to do so. Finding the right balance of targeting and prospecting appropriate audiences, large or small, will continue to be of utmost importance.

Ultimately organizations will need to continue to test and learn new and emerging forms of platforms, formats, messaging and creative. The best path to success is to understand the current and emerging environment to ensure future success.

Taking Action for Tomorrow

Analytic Partners recommends that marketers & business leaders implement the following for success.

Take Action	... And Understand Why	ROI Genome Facts
Identify multiple Key Performance Indicators that represent both short term and long term success	Focusing only on immediate short term conversion metrics and downplaying lasting impacts leads to longer term sales losses	Video Advertising has 2x the half life and 160% higher impacts in weeks after delivery vs non-video
Comprehensively measure online & offline business drivers across channels & ecosystems – don't use performance metrics for budgeting decisions	Marketing does not work in silos – measurement must include a full view of direct & indirect impacts and synergies for true growth	Last Click and Performance metrics overstate impacts from some tactics by 2-10x and severely understate the role of tactics like video & audio
Understand how brand messaging and prospecting executions perform alongside performance and conversion marketing and messaging	Oversized lower funnel marketing strategies and budgets can lead to short bursts of success and at the expense of new customer acquisition that generates sustainable sales and brand growth	Heavy Upper Funnel Marketing Strategies outperform Heavy Lower Funnel Strategies by 65% in the Long Term
Test and learn as the advertising ecosystem continues to evolve with new and emerging platforms and formats	New forms of marketing are often highly efficient with low demand and costs, and testing can help create speed to insight with ongoing marketplace changes	Brands that adopt measurement programs and test-and-learn achieve 25-70% ROI gains

ABOUT ANALYTIC PARTNERS

Analytic Partners is the leading cloud-based, managed software platform which provides adaptive solutions for deeper business understanding and right-time planning & optimization for marketing and beyond. We turn data into expertise so that our clients can create powerful connections with their customers and achieve commercial success.

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