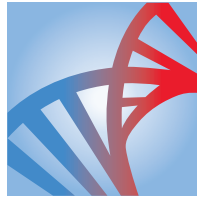




ROI Genome
Intelligence Report
**Uncovering Growth
Opportunities**





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.”

Introduction

If there ever was a time to revisit the importance of scenario planning, it is now.

Scenario planning is important because the practice itself allows for the consideration of what-if scenarios and a range of possible outcomes. By understanding what may unfold, business leaders are better prepared to considerably increase the odds of success. As we look forward, it is important to leverage a holistic framework for commercial decisioning. It is critical for brands to better understand what drives their business from a comprehensive lens.

Analytic Partners' ROI Genome shows that companies that adopt data-driven simulations to enhance their business planning process drive at least 5x the growth versus those that do not. This drives return on investment increases of 25-70% and translates into an average of \$50-100MM in growth each year – without any increases in investment levels. We further see that this growth is sustained over time and the use of analytics helps drive that \$50MM+ growth year after year through the continuous use of data-driven decisioning.

There is an opportunity for brands to shift from seeking one-off wins to a more holistic performance mindset. To do this, brands should leverage a strategic framework for scenario planning incorporating online and offline drivers and KPIs, internal and external forces, and risk and opportunity areas. Such a framework will support consistent, sustained growth.

Companies that plan with data-driven simulations drive an average additional growth of \$50-100 million without increased investment



Scenario Planning for Success

In order to find opportunities and grow, business leaders must adopt data-driven decisioning, a comprehensive understanding of their business drivers, and leverage scenario planning. The following framework offers a guide: aligning the business to specific KPIs that represent holistic business success. In addition, it is important to understand the controllable and non-controllable drivers that influence performance, and factor in key considerations and dynamics that are unique to your business.

Scenario Planning Framework

Establish a credible foundation to support data-driven decisions

Measurements of Success

Key Performance Indicators (KPIs) such as sales, new customer acquisition, store or site traffic, profit, brand health, and other customer or consumer metrics.

Performance Drivers

Business drivers that are controllable (e.g. marketing, product launches, sales efforts, etc.) and non-controllable (weather, seasonality, competition, economic factors, consumer trends, etc.)

Key Considerations

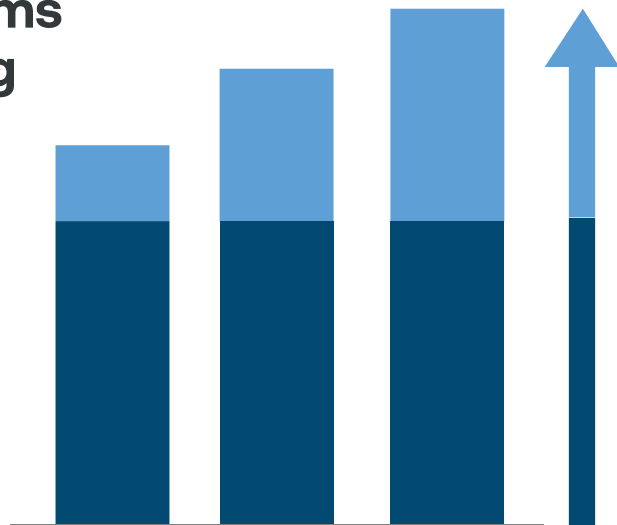
Critical business dynamics such as route to market (ecommerce expansion, brick & mortar, delivery, etc.) and customer dynamics (segmentation and tiered classification).

Analytic Partners' ROI Genome shows that businesses with strong organizational adoption of analytics that take actions on the recommendations generate 5x the growth of those that do not. This translates into a significant 25-70% improvement in the performance of marketing investments through the combination of analytics and scenario planning. Our research also showcases that the impact can be sustained and additive to accumulate unlimited growth potential and value over time.

A continuous and rigorous test and learn approach that leverages scenario planning enables brands to sustain and grow each year alongside constantly changing landscapes. The role and impact of marketing evolves over time, and brands can drive tangible incremental growth each year by adhering to a rigorous analytic program of measurement alongside the constantly changing landscape. Brands that consistently adopt data driven insights into their planning stand to gain hundreds of millions of dollars of growth or more versus those that are not adopting analytics and scenario planning.

Our ROI Genome shows that brands that adopt measurement programs and scenario planning decisioning achieve

25-70% ROI Gains



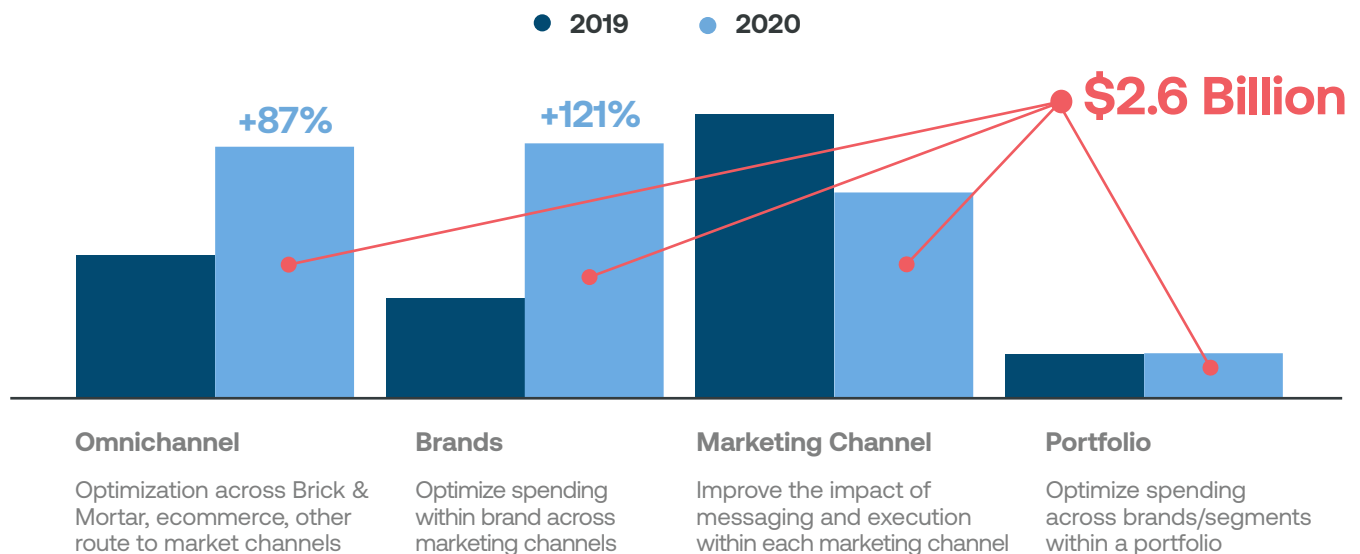
In 2019, Analytic Partners identified \$1.8 Billion in growth due to data driven decisioning supported by the power of scenario planning. We revisited this in 2020 and identified even more growth for our clients due to the opportunities that the incredible recent change has brought to the marketplace. In fact, Analytic Partners identified \$2.6 Billion in growth opportunities, all supported by scenario planning and comprehensively understanding various avenues for growth.

When looking at 2020 versus 2019, we see some trends. In addition to more growth opportunities, the source of opportunities has shifted, concentrating in omnichannel optimization and improving support within brands and across tactics. Opportunities to grow through omnichannel efforts, given the acceleration of ecommerce, almost doubled in 2020 with an 87% increase YoY. Similarly, brands were in a position to make more significant budget changes across tactics, leading to a 121% increase in growth from optimization across channels. These combined efforts lead to growth opportunities equal to \$1.8 Billion out of the overall \$2.6 Billion – just over two-thirds of the total growth opportunities.

Omnichannel opportunities refer to the ability to identify new route-to-market sales channels and ways to reach customers, which was particularly relevant in 2020. With the rise of ecommerce, brands can focus efforts to reach consumers in different physical, digital, and fused ways. For example, we identified opportunities to shift spend for an emphasis on driving web visits and conversion, delivery methods, and new routes to market. This growth has led to an increased ability to lean into the appropriate channels and communication strategies that will drive more omnichannel success.

Opportunities also increased within brands across tactics. For example, identifying and quantifying the value of shifting investments from Radio and OOH to online channels such as Social and Emerging Audio and Video.

Growth Opportunities Identified by Analytic Partners



The largest opportunity from 2019, improving the impact of messaging and executions within each marketing tactic, remains a key source of growth opportunity. Further, we can break these broad concepts into more tangible areas that business leaders can understand and relate to their own businesses.

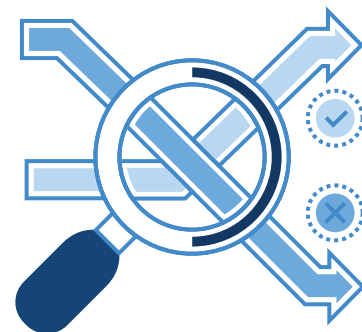
Leveraging Performance Drivers

Measurements of success are typically profit, sales, share, traffic, or other brand outcomes that directly or indirectly tie back to company performance. Many brands are re-prioritizing what success looks like to balance with longer term strategy. For example, ecommerce sales are growing rapidly in some industries, but may still represent a very small portion of sales for those such as grocery and automotive, so dramatic shifts in spend might not be necessary.

Similarly, driving bottom line sales is always a priority, but so too should be a balance of new vs. existing customers. In the short term it may be wise to prioritize sales performance, for example, but if there is no emphasis on new customer acquisition the brand may optimize itself out of long-term growth because the ROI in driving new customers may be lower than retaining and expanding with existing customers.

By understanding the risks and opportunities to balance overall goals and subsets of goals, businesses are better able to adapt to both short- and long-term growth. It is equally important that business leaders focus on creating multiple goals across business segments and brand metrics versus simply improving ROI and achieving maximum short-term sales optimization.

By quantifying risks and opportunities, businesses can best adapt to the ongoing changing landscape



Performance drivers can be very complex, and interactions are common. Performance drivers for any business are made up and influenced by a combination of internal and external forces. External factors include natural demand for your industry that can change over time or between different types of customers, as well as the efforts of competitors within the industry. Internal factors are those decisions your organization makes that impact performance, such as innovation, marketing, and other forms of communications to the marketplace. The external (non-controllable) factors and internal (controllable) factors interact with each other, and tie back to measurements of success with key considerations. The choices made, and those made by the competition, influence the ability for your organization to achieve your overall goals including specific ecommerce or new customer success subset goals.

External Forces

External drivers have incredibly significant influence on a brand or industry and are not actively under the control of any given business or decision maker. What comes to mind today are dynamics such as reduced human mobility and the implications this has on time spent at home. This complex concept has a range of impacts across different businesses – some positive and some negative. Making sure you understand this impact, how it has evolved over the past year, and its isolated effect on your business’s performance will be valuable as you scenario plan for the future.

One of the most important external factors impacting the ROI of your marketing efforts is natural demand. As natural demand for your product increases by 25-50%, your marketing ROI can increase by 14-27%, on average. Conversely, if demand dries up for your product or service for reasons unrelated to the brand itself, ROIs can decrease by 19-37% or more depending on how extreme the environment may be. This means that a \$10MM investment in a high-demand product or service will on average yield \$8MM more sales than one with average demand due to outside influences such as surging seasonal sales or increased relevance.

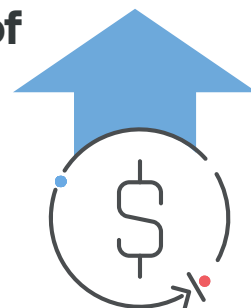
Our ROI Genome indicates
that a product demand
increase of

50%



can lead to an
ROI increase of

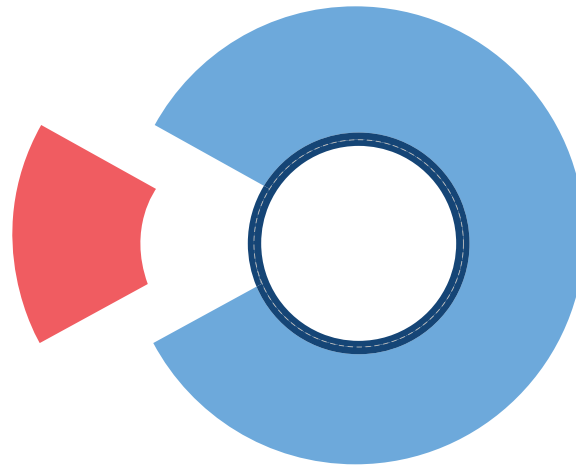
27%



Competition is another external, non-controllable factor. Understanding the role competitors' efforts play and how they impact your business is crucial. The Analytic Partners ROI Genome shows that if a single similarly sized competitor were to double their advertising and promotion budgets, the average brand would stand to lose 15% of its overall business that year.

Our ROI Genome shows an average brand could lose almost

15%
OF ITS
BUSINESS



if a similar sized competitor doubles its advertising and promotional investments.

Simulating possible realities of what this could look like across your competitor base will help refine what is needed to achieve your goal and can be tuned throughout the year as investments unfold. Fortunately, the controllable decisions a brand itself makes will far outweigh the role that competitors play, even with extremes.

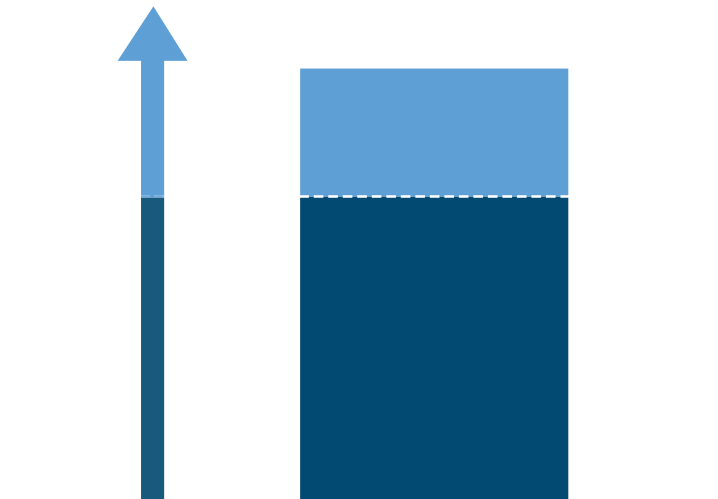
Controllable Components

Understanding how external forces will set the stage through wargaming variations of your potential business performance is a powerful first step. There are plenty of levers for a brand to pull to influence awareness, consideration and purchase.

Of these levers, your brand's presence and product availability are key. This encompasses different retail environments, store formats, fulfillment methods, physical/digital shelf space and prioritization. Distribution of a product and presence of a service is typically the top driver of sales for any business.

Our ROI Genome has identified and quantified that higher levels of physical or digital presence can lead to

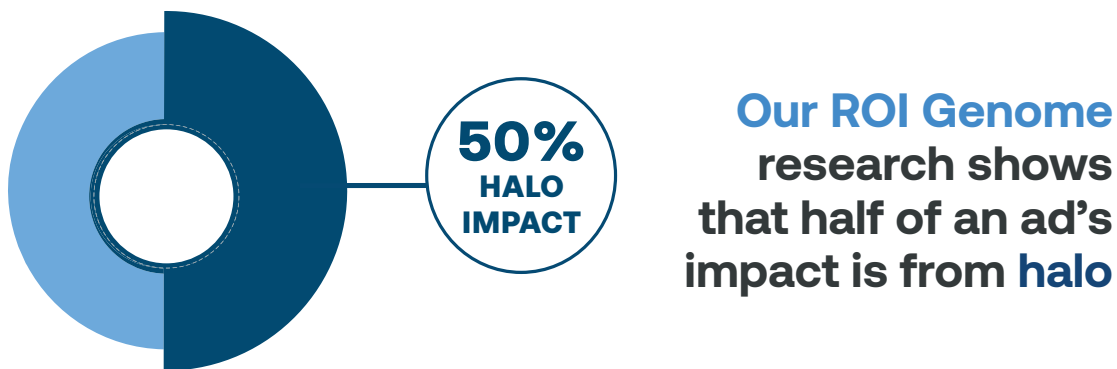
**32%
HIGHER
RETURNS**



Our ROI Genome research suggests that higher levels of physical or digital presence can lead to 32% higher returns. Brands that seek out ways to drive increased presence by creating innovative ways to meet consumers where they are in these volatile times are the ones that will be most successful in the years to come.

Marketing investment itself tends to be the next most important driver of performance. The more a brand invests in advertising, the more sales it will drive. It is no coincidence that the brands that continuously invest to drive awareness and consideration are the market leaders and stand the test of time. Advertising and other awareness driving methods certainly drive repeat purchases and avoid loss to competition, but also tend to be among the top drivers of new customer acquisition. Essentially, these methods serve as the crucial communication regarding the availability of the product or service.

Beyond marketing investment, creative quality and halo are two interrelated areas that tend to be among the most underappreciated factors with advertising. These factors can influence advertising performance to a greater extent than audience targeting. Halo is a term that explains the positive impact that advertising for a specific product/model/service has onto other products/models/services within the portfolio or megabrand franchise. Creative quality is the value of the message content itself and its likelihood to resonate and drive behavior change when delivered. The ROI Genome shows that half of an ad’s impact is from halo, and without halo, advertising may not pay out in the short term.

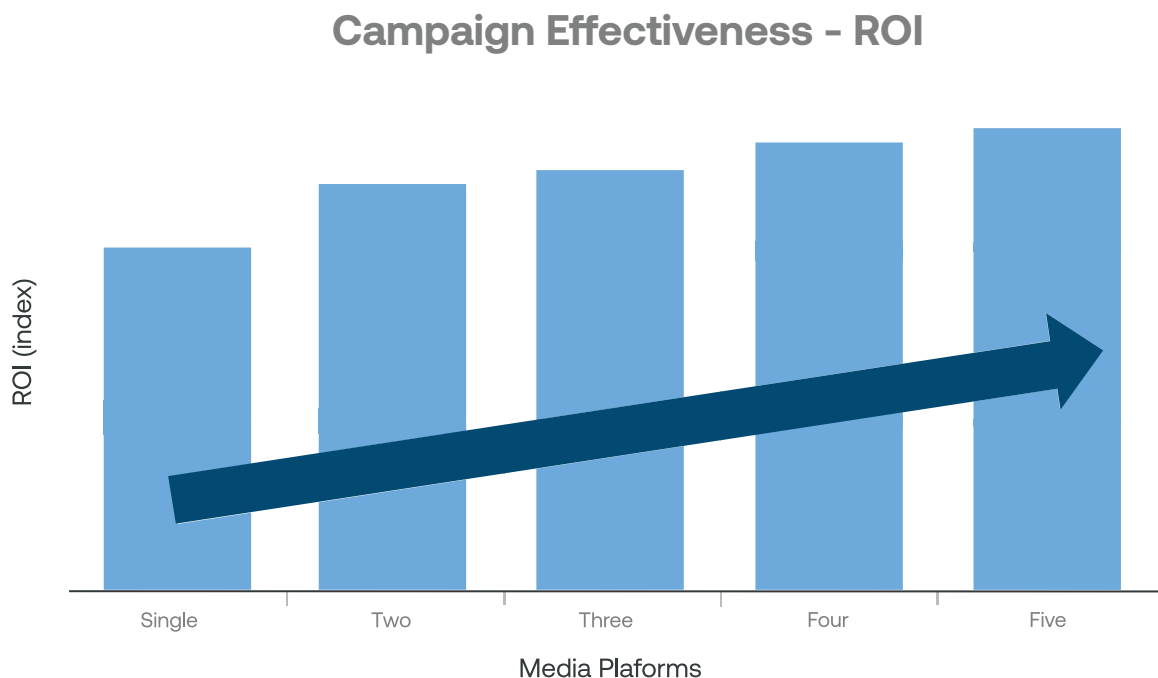


Similarly, ROI Genome research indicates that two-thirds of the opportunities to improve video advertising performance is driven by strong creative quality, well above and beyond other executional elements such as in-tactic buy types and/or targeting.



Every new form of marketing will impact a business differently than previous tactics. This does not mean we cannot use accumulated knowledge to inform decisioning about new tactics. Results vary from execution to execution, and the timing and audience and contextual relevance will impact performance. However, each of these concepts can be quantified and incorporated into scenario planning. While historical performance is not a perfect prediction for the future, it is invaluable to help triangulate a range of likely outcomes, whether through AI or informed decisioning. Additional factors that should be considered are: diminishing returns, synergies and cross-channel effectiveness, and the role that emerging media plays. All of these can also be quantified with accurate estimates that inform decisioning.

Our ROI Genome shows that there is a strong case to be made for a combined multi-channel approach to drive campaign effectiveness.



Applications of Scenario Planning

Scenario planning can support decisioning no matter what situation your business is faced with, from capitalizing on strong momentum to stemming losses, or finding new growth opportunities. As noted above, it is important to use existing knowledge and measurement insights to make assumptions about what may happen in the future. This process essentially assesses risk and opportunities by better understanding the size of the prize for different decisions. One seemingly risky proposition may be worth a possible growth/decline of 1 share point, but another proposition may be worth a loss of no more than 2 share points but could stand to drive as much as 5 share points in growth. Without an analytic framework in place, brands are not able to understand these risk and upside opportunity areas. This is particularly true in the current environment.

Business leaders are facing key questions right now, like:

- ▶ Will human mobility continue to stagnate, return to a pre-COVID normal, or meet somewhere in the middle in the next 6-12 months?
- ▶ What implications do these scenarios have for my business?
- ▶ What implications do these scenarios have for the ecommerce portion of my business and/or the new route to market we just launched?
- ▶ Will we run into any out-of-stock issues if we are near the extremes?

The key is to make informed assumptions, iterate through what-if scenarios, and continually test and learn to be prepared for multiple potential outcomes.

The following section explores these areas in practice with three different case studies exemplifying the most common situations brands are facing right now. These can be categorized simply into three growth tiers and situations: Surging, Slumping, and Sustaining. The case studies below walk through the dynamics involved under these three different settings.

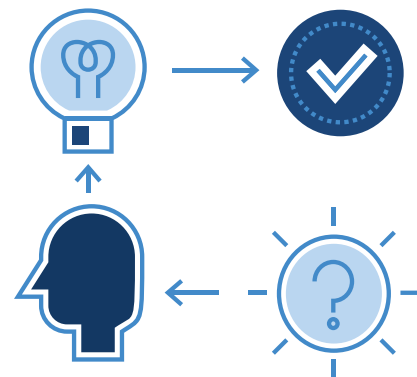
Business Case: Surging Sales

Situation: Online health & wellness brand with sky-high demand and surging sales

Business Need: Understand true drivers, if growth is sustainable, what are the risks and opportunities

Insight: One might think that a fast-growing business may not need analytics or scenario planning, but that could not be further from the truth. A comprehensive approach to measurement and scenario planning allowed this brand to better understand the role that each controllable and non-controllable driver had on performance. We were able to quantify the role that reduced human mobility and time spent at home have on performance, the role that innovation and media plays, as well as the hidden losses uncovered from out of stocks, delivery delays, reduced promotions and increased competitive pressure.

A comprehensive approach to measurement and scenario planning allowed the brand to better understand the role that each controllable and non-controllable driver had on performance amidst disruption.



Outcomes & Action: Management, board and investors were given the confidence to know what portion of this recent level of strong performance could be sustained. Scenario planning informed new product launches and provided the confidence to continue to support a premium price while reducing promotion offers to certain levels. Specifically, the scenarios were able to showcase how a 80% / 60% / 40% return to pre-COVID human mobility would impact demand for their business, and equip the brand to be prepared for different possible outcomes with decision trees. This also supported product manufacturing and logistics decisions alongside pricing to ensure supply/demand was balanced appropriately. Through wargaming, the brand was able to simulate what pre-COVID competitive pressure levels would look like versus the current high pressure. Three marketing plans were created and presented to the CEO to showcase how revenue and sales goals would be met, and why, with a high degree of confidence.

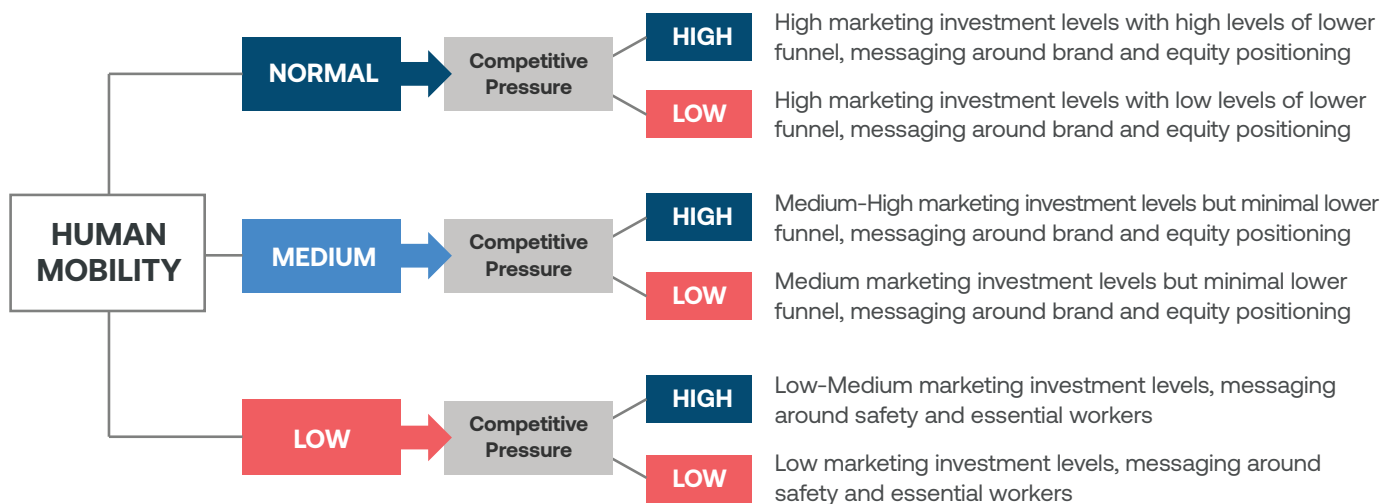
Business Case: Slumping Sales

Situation: Hospitality brand with significant declines in demand and slumping sales

Business Need: How and when to activate marketing to stimulate growth

Insight: Through a holistic analytic framework and scenario planning, we were able to isolate the role that different disruption factors had on performance for this brand. Armed with that knowledge, we could determine the likelihood of hitting our original and revised sales goals with different possible marketing plans. We also leveraged Agile Learning for experimental design tests, coupled with ROI Genome knowledge, and identified that marketing ROI will be 40-60% lower than historical performance until natural demand reaches 50% of pre-COVID Levels. After that point, ROI will improve to be 25-40% lower than historical performance. Competitive scenarios were incorporated with recommendations on how to respond accordingly. Additional insight showcased that lower funnel marketing activities were 1/3 as efficient when run without preceding upper funnel efforts.

Decision Tree with Staggered Reactivation Plan



Outcomes & Action: Through scenario planning and war-gaming, the brand has been able to inform management of what sales outcomes to expect in 2021 and will be prepared to activate as different triggers arise. By factoring in different possible scenarios of how much and when increased business and personal travel would occur, and the role that competitors played, management was able to understand possible outcomes for each quarter in 2021. They were also able to make informed decisions on when to activate their upper funnel and demand gen marketing – each having different timing and interrelated impacts – and how to leverage these investments to support and achieve goals for the organization.

Business Case: Sustaining Sales

Situation: Omnichannel brand with short term disruptions and sustaining level of sales

Business Need: Understand what swings in online & offline, sales & traffic, & out of stocks mean for future

Insight: While overall performance remained steady with only a brief uptick in spring sales, online and offline traffic and sales patterns showcased extreme swings of + and - 50% relative to history. Comprehensive holistic Commercial Mix Analytics allowed us to understand the controllable and non-controllable drivers of those disruptions, and how the sources of success changed considerably across the different routes to market. The same held true for new vs existing customers given the changing digital landscape and rapid omnichannel transformation. By understanding the role that different channels play, the brand was better able to understand the true impacts of brand versus demand marketing on customer behaviors and how they work separately and together to drive overall & ecommerce success.

Commercial Mix Analytics allowed us to understand the controllable and non-controllable drivers of recent disruptions, and how the sources of success changed considerably across the different routes to market.



Outcomes & Action: An omnichannel go-to market plan was created by demonstrating how upper funnel tactics and performance marketing drove sales and traffic. As a result, the organization was able to move beyond theoretical and siloed debates on whether to invest in brand or demand. Management was able to activate on the learnings that some tactics and messaging impact ecommerce sales channels more effectively than others, and certain efforts are more impactful in driving new vs existing customers. Bringing the insights together was highly valuable to showcase how different investment strategies benefit the multiple and different KPI goals the organization set out to achieve.

Summary

Scenario planning is at the core of the holistic performance mindset businesses need to succeed. In order to create sustained growth and impact in both the short and long term, business leaders need to draw on learnings from the past while anticipating multiple potential future outcomes. However, a data-driven framework on its own is not enough. Organizations need to go a step further and understand the questions they are trying to answer.

Scenario planning can be used across a variety of business cases to future-proof your strategy, and offers the ability to:

- ▶ Assess risks and opportunities for business goals and across cascading priorities
- ▶ Successfully plan against external forces and competitor actions
- ▶ Capitalize on the interconnected impact of marketing e.g. creative, halo, synergies, etc.
- ▶ Understand which tactics will be most effective across different sales channels

Best-in-class scenario planning is based on credible and data-driven insights. It should be collaborative and incorporate cross-functional input and assumptions. Finally, it should evolve with marketplace and business changes.

Anticipating and preparing for the future, both the short term and the long term, is what distinguishes the leading brands from the rest of the pack. By proactively planning against potential future circumstances and curve balls, you prepare your organization to be in the best position to make decisions for both immediate and sustained growth.

Principles of Successful Scenario Planning

Data-driven

credible and robust
based on data-
informed analytics

Collaborative

cross-functional
input and alignment
on plan options and
assumptions

Evolving

ongoing and iterative
integrated into key
decisioning and
planning windows

ABOUT ANALYTIC PARTNERS

Analytic Partners is a proven global leader in measurement and optimization. Our adaptive solutions integrate proprietary technology powered by the latest data science delivered through our platform and high-touch consulting. We enable deeper business understanding to support better, faster decisions.

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