

MARKETER'S HANDBOOK TO

# **HOW MARKETING DRIVES SALES & PROFIT**

**sellforte**

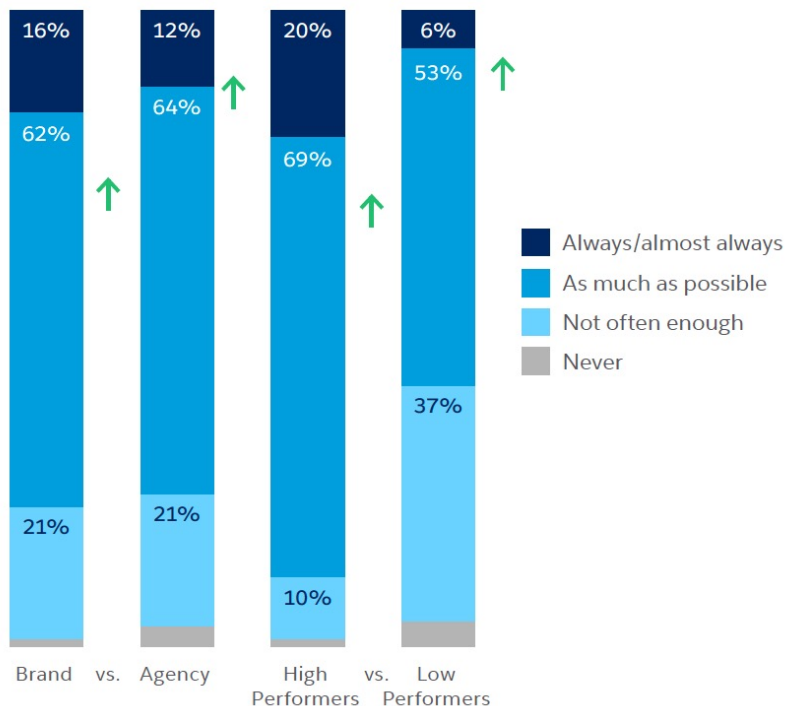
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# WHY WE'RE HERE

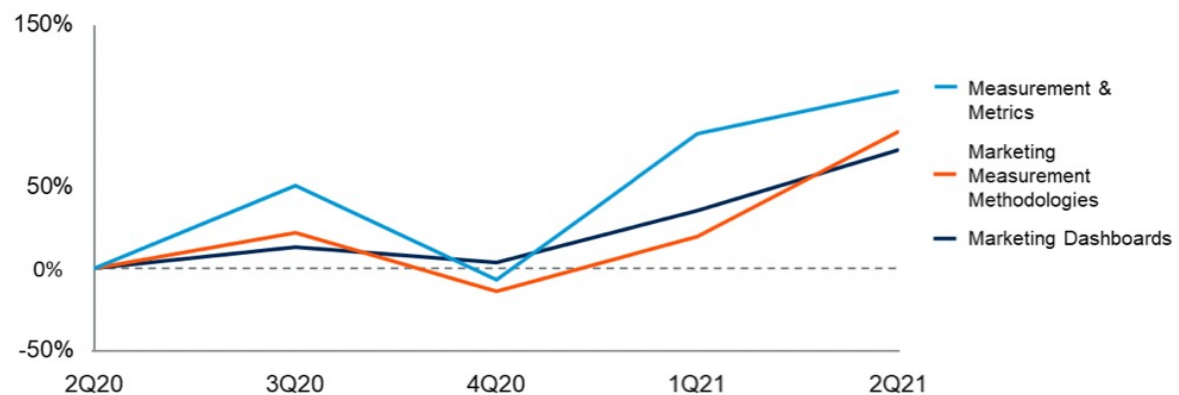
## Extent to Which Marketing Organizations Use Data for Decisions



**Future high performers in marketing leverage as much data as possible, and invest in measurement & metrics instead of flashy dashboards**

Salesforce Marketing Intelligence Report 10/2020, n = 1,050

## Trending Themes in Gartner Client Conversations About Marketing Data and Analytics



n > 2,100 client inquiries from April 2020 through June 2021 classified against the Marketing Data and Analytics Initiative

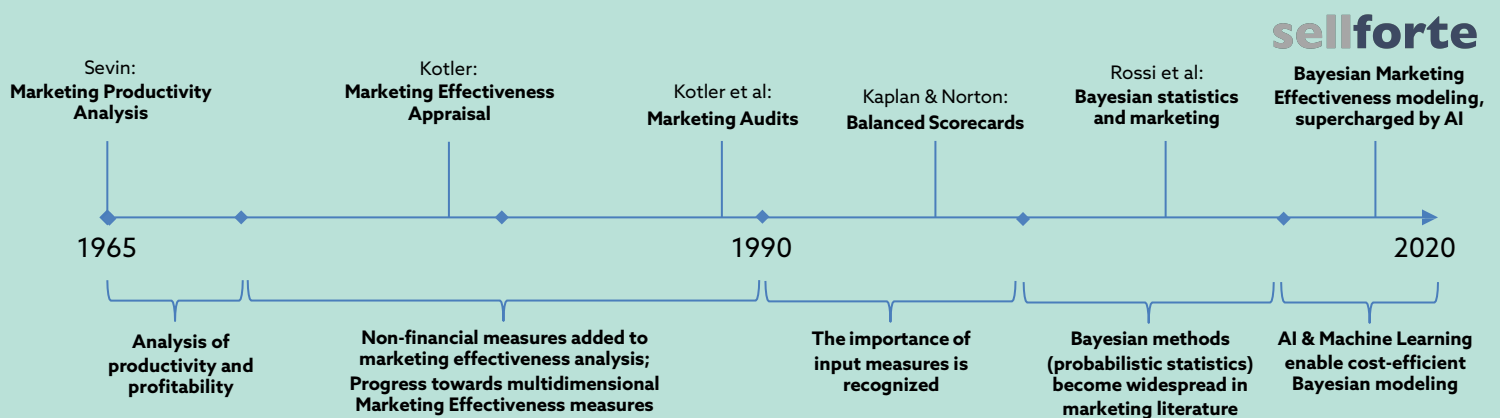
Source: Gartner

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Gartner

# What's happening in marketing attribution – in 60 seconds

In a nutshell, Marketing attribution is going through a major shift from deterministic (this definitely happened as my model tells) to probabilistic (there's x% probability that this activity caused this sales uplift):



But isn't entirely sure model better than the probabilistic one? In some case yes, but as we all know in marketing nothing's ever 100% sure. Here's some pitfalls deterministic attribution includes:

**Last click attribution**– Imagine you see TV ad for a great vacuum cleaner and decide to buy it. You'll google it, click the first link (which is an ad), and make the purchase. Your SEA gets all the credit for the purchase, even though TV triggered the purchasing process.

**Multi-touch attribution**– MTA utilises device IDs to recognize the same user across different devices and assigns fractional credit to each touchpoint. But the same problem applies here as above, traditional media isn't assigned any credits, even when it's due

# What's happening to marketing attribution after the cookie apocalypse - in 30 seconds

**First of all, nothing's going to happen for some time!** Google postponed the removal of third-party cookies, and even when it does happen the current identifiers will be replaced with Federated Learning of Cohorts, which according to Google, will be at least 95% as effective as cookie-based advertising.

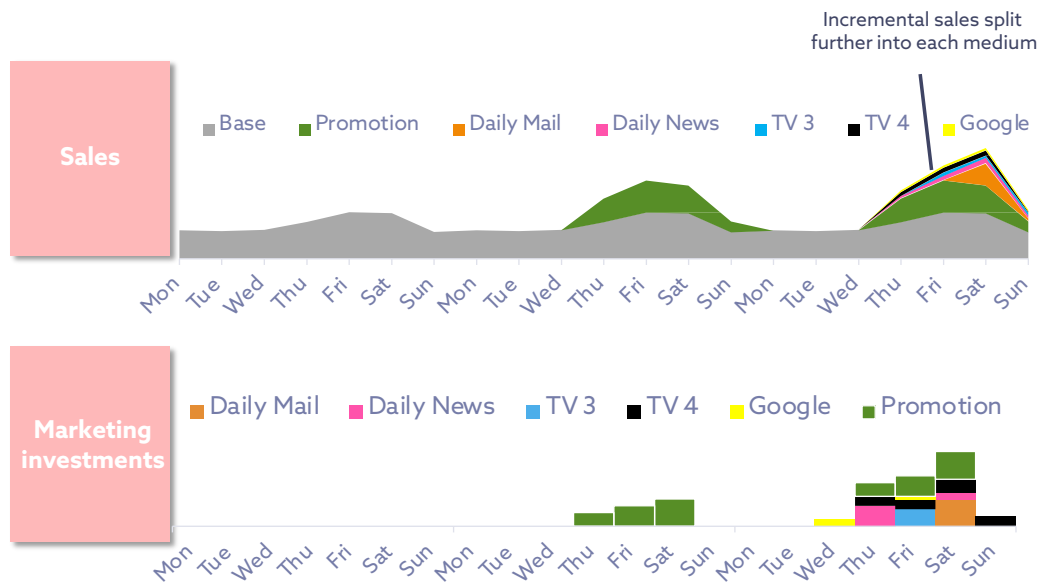
**Ultimately, marketers will lose third-party cookies!** Bad news for the cookie monsters out there: The big four a.k.a GAFA a.k.a Google, Amazon, Facebook & Apple have invested massive amounts to build their data-driven organizations, and will most likely monopolise this data in the future for themselves. It's a bit naïve to think they'll share their data once the system is fully in place.



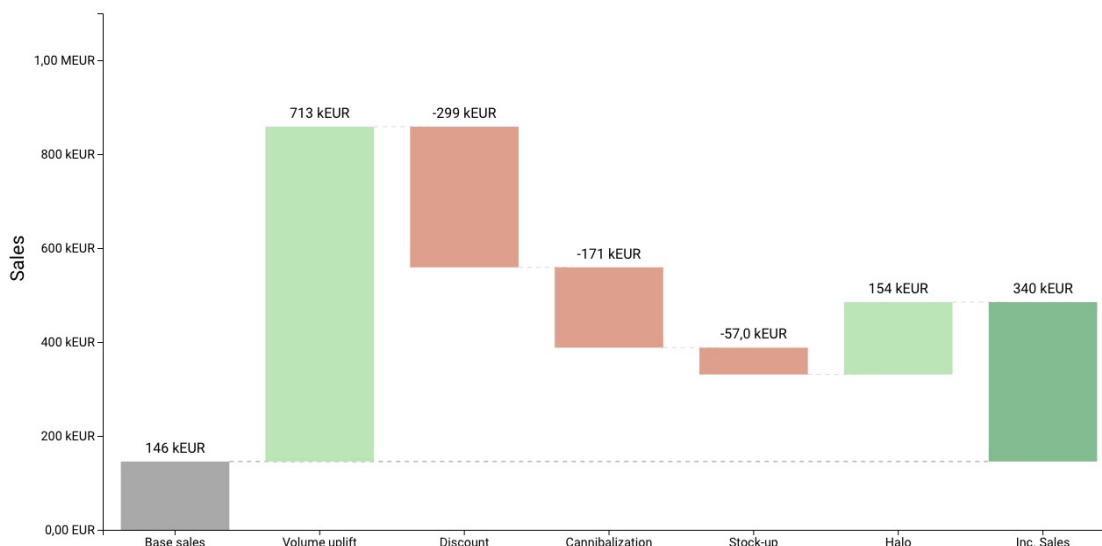
# Okey I get it, data is important. But we're here to talk about the sales & profit – in 15 seconds

Typically, campaign profitability can be broken into two areas:

## Factor 1: Where you advertise



## Factor 2: What you advertise



FACTOR 1:

# WHERE YOU ADVERTISE





## MEASURING INDIVIDUAL MEDIA CHANNEL'S SALES UPLIFT

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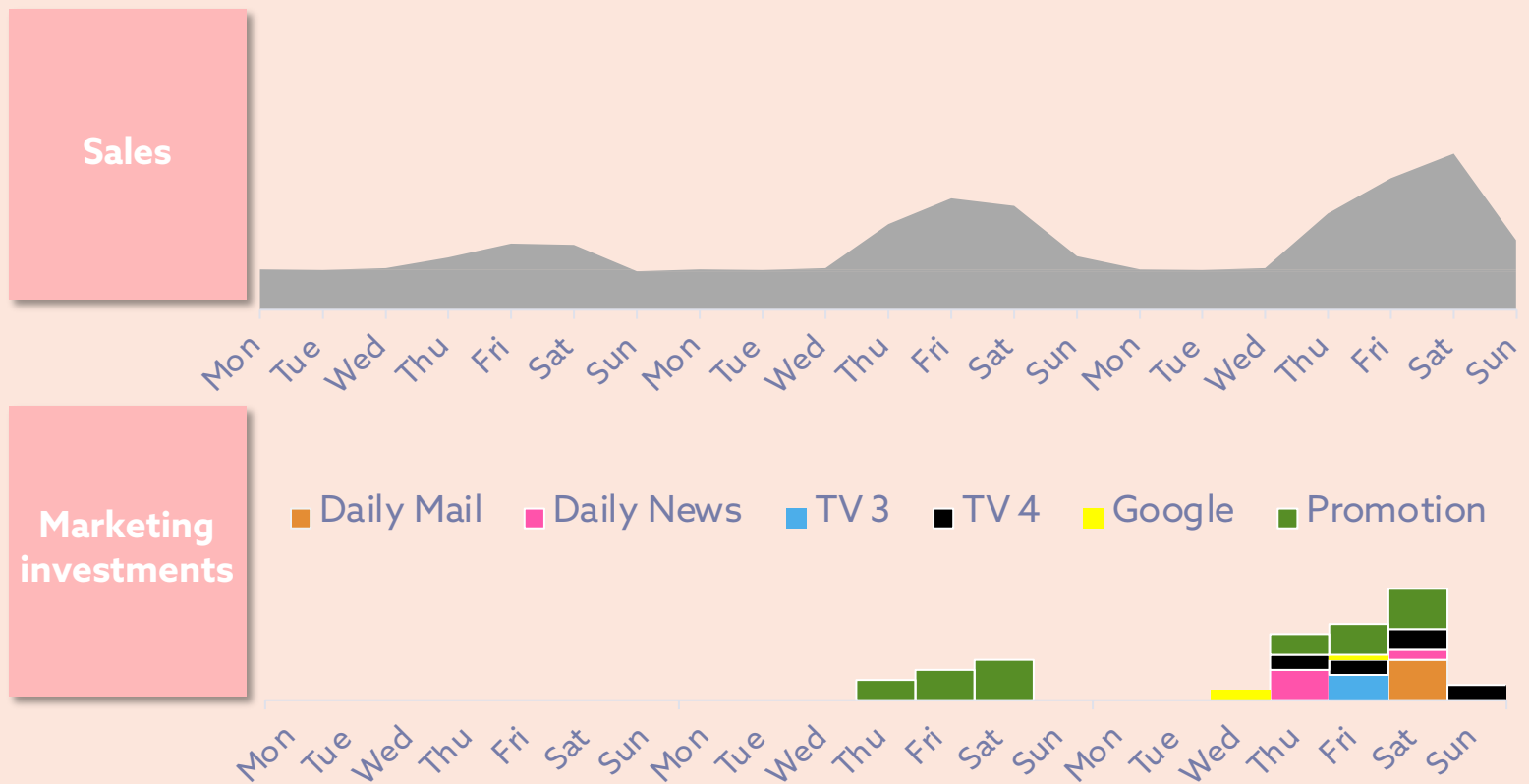
One of the biggest fallacies regarding Marketing Effectiveness is that it's practically impossible to know individual (offline) media investment's ROI. But it is very much possible. Here's how:

### **How to isolate individual media channel's sales / profit uplift:**

- ▶ You need sales and marketing data from at least past 2-3 years
- ▶ The data needs to be as granular as possible. Item-location-day level sales data and media metrics + media items in marketing data are the bare minimum
- ▶ Analyzing single campaigns, quarters or even years without wider dataset leads to inaccurate results. If you want good results, you need to feed the model a lot of data
- ▶ Continuous analysis = continuous development. Marketing Mix Modeling projects are a thing of the past, with many flaws and heavy price tag on them



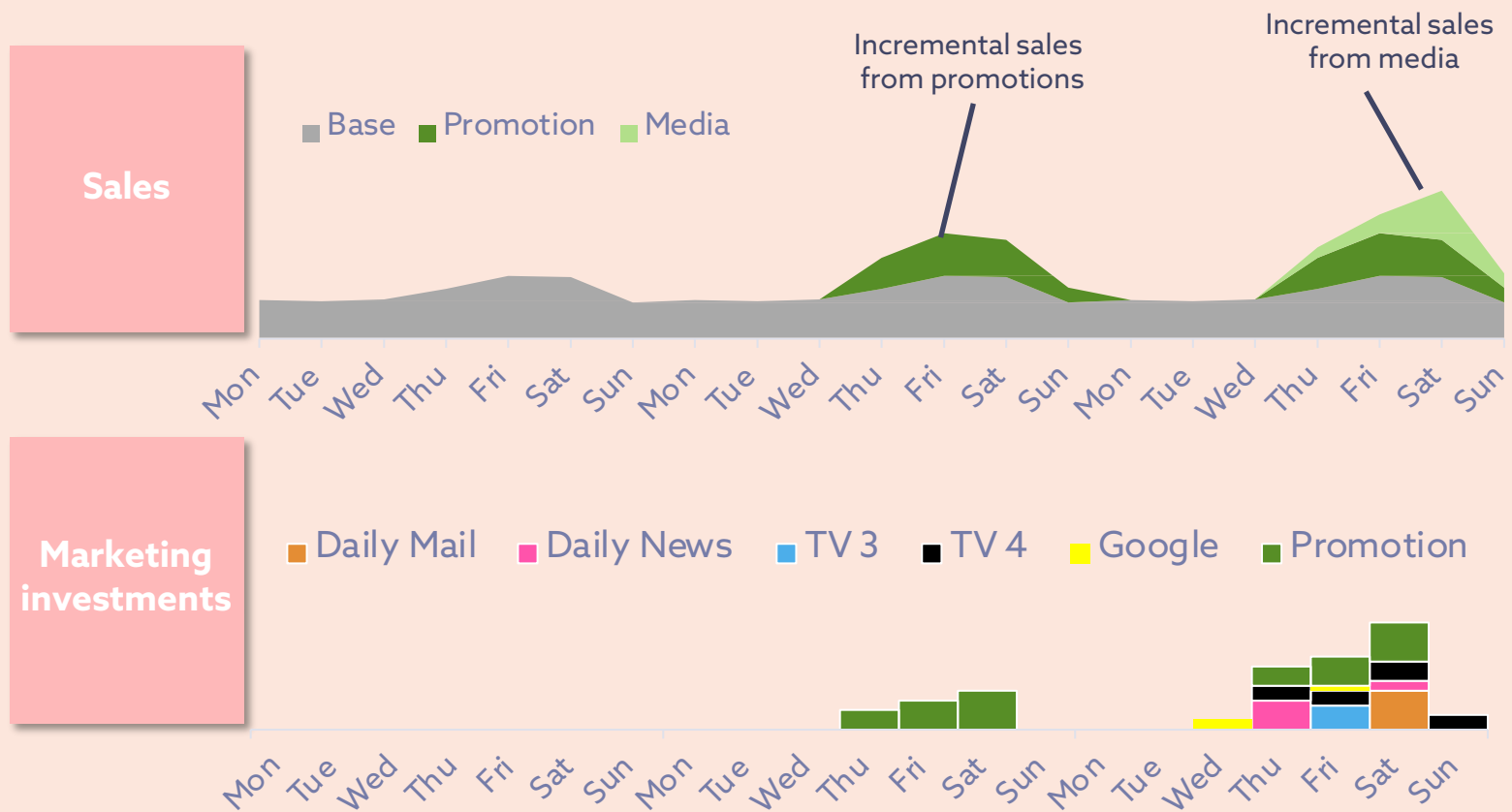
# Step 1: Collect sales and marketing data into a time-series



Why promotions are included in marketing investments?

Promotions are also in a way investments to enhance sales momentarily. For retailers, this bar represents the given discounts/price reductions, whereas in CPG/FMCG sector it's the trade marketing investments you pay to the retailer to have your products in promotion.

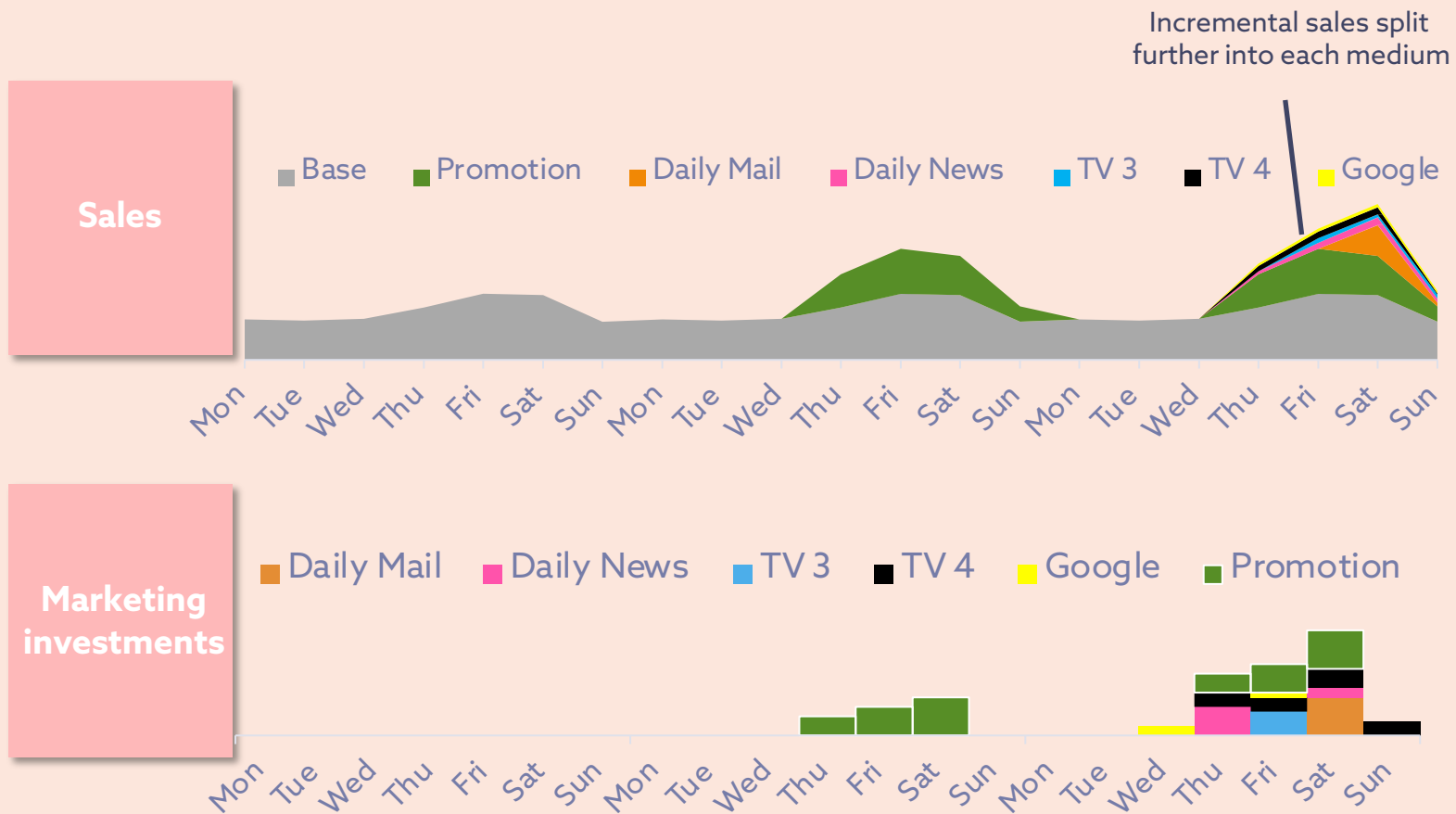
## Step 2: Isolate base, promotion uplift and media impact



How to isolate base, promotion & media uplifts?

As we have data from a longer period of time (minimum 2-3 years), the model can compare similar time periods during which the product wasn't in any promotion, when it was in promotion but not advertised in any media, and time periods when the product was in promotion AND advertised in one or more media channels.

## Step 3: Quantify each medium's sales effect



How to quantify individual medium's sales effect?

This is possible due to the following:

1. Sales data includes at least product category/brand level sales on weekly level
2. Media data shows what items have been advertised, in which media and when
3. As the timing and itemization of each media channel differs at least on some degree (you never have exactly the same items in each media, during exactly same time period), regression analysis can attribute sales to each media channel

FACTOR 2:

# WHAT YOU ADVERTISE

# NOT ALL PROMOTIONS ARE CREATED EQUAL

Promotions can be a superb way to boost your sales numbers.

More often than you'd like to think, however, promotions are not generating enough sales/margin to compensate their indirect business impacts.

A study carried out by Boston Consulting Group points out that **20 to 50 percent of B2C promotions are doing - well - nothing really.**

Another study pointed out that on average retailers spend **3-10% of their revenue on promotions**, yet **20-30% of the promotions are actually hurting the profit.**

It's time to gun down bad promotions with following instructions.

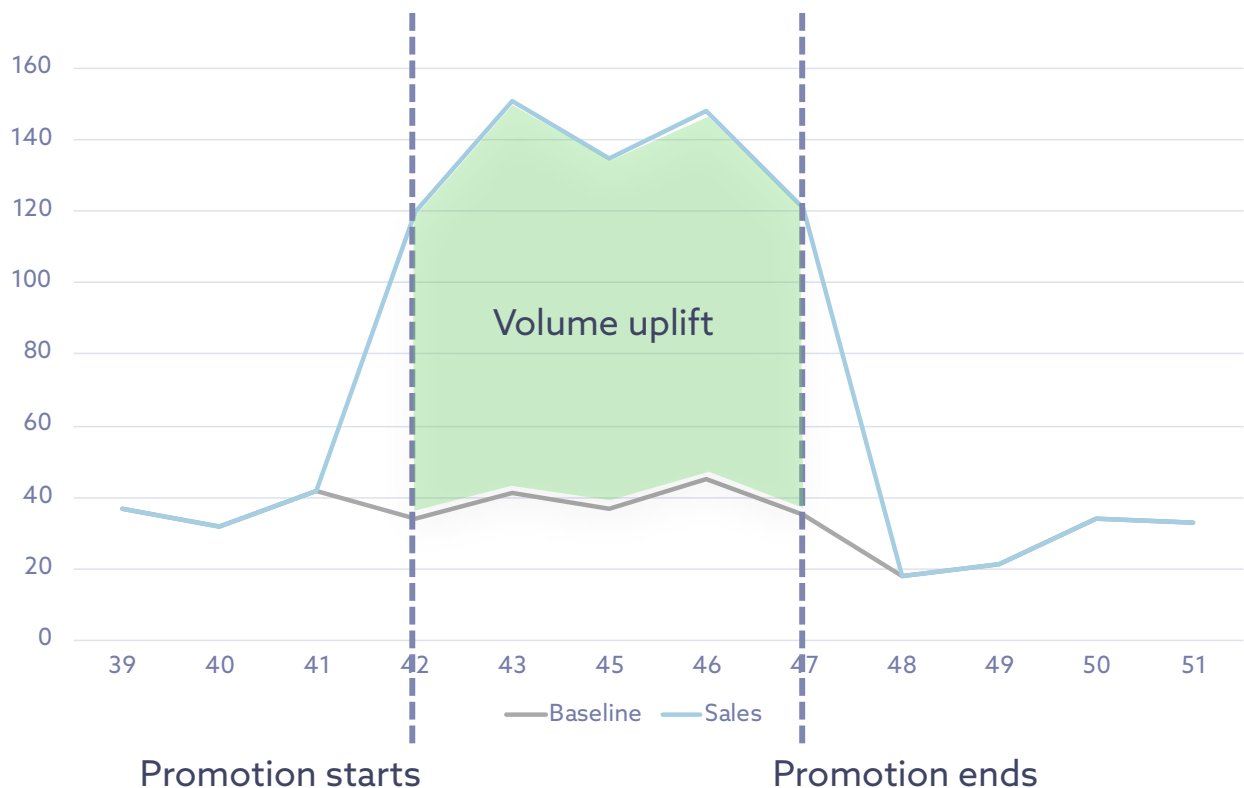


# WHAT FACTORS MAKE A GOOD OR BAD PROMOTION





# Step 1 – Calculating the baseline sales

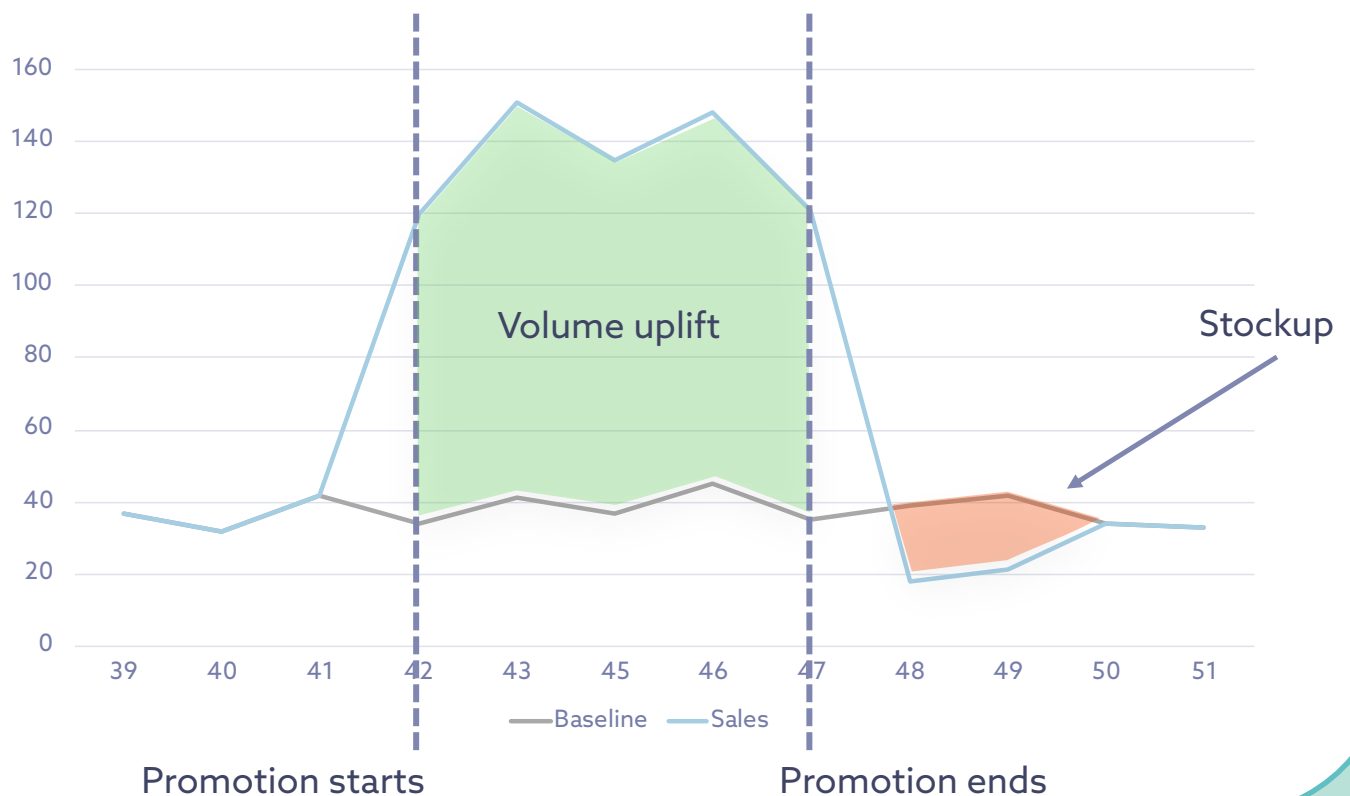


## ***How to calculate the baseline sales for each promotion?***

There are two main methods for this:

1. [Bayesian inference](#) (computationally more demanding, but provides far more accurate & reliable results)
2. [Linear interpolation](#) for each week-day with seasonal corrections (fast)

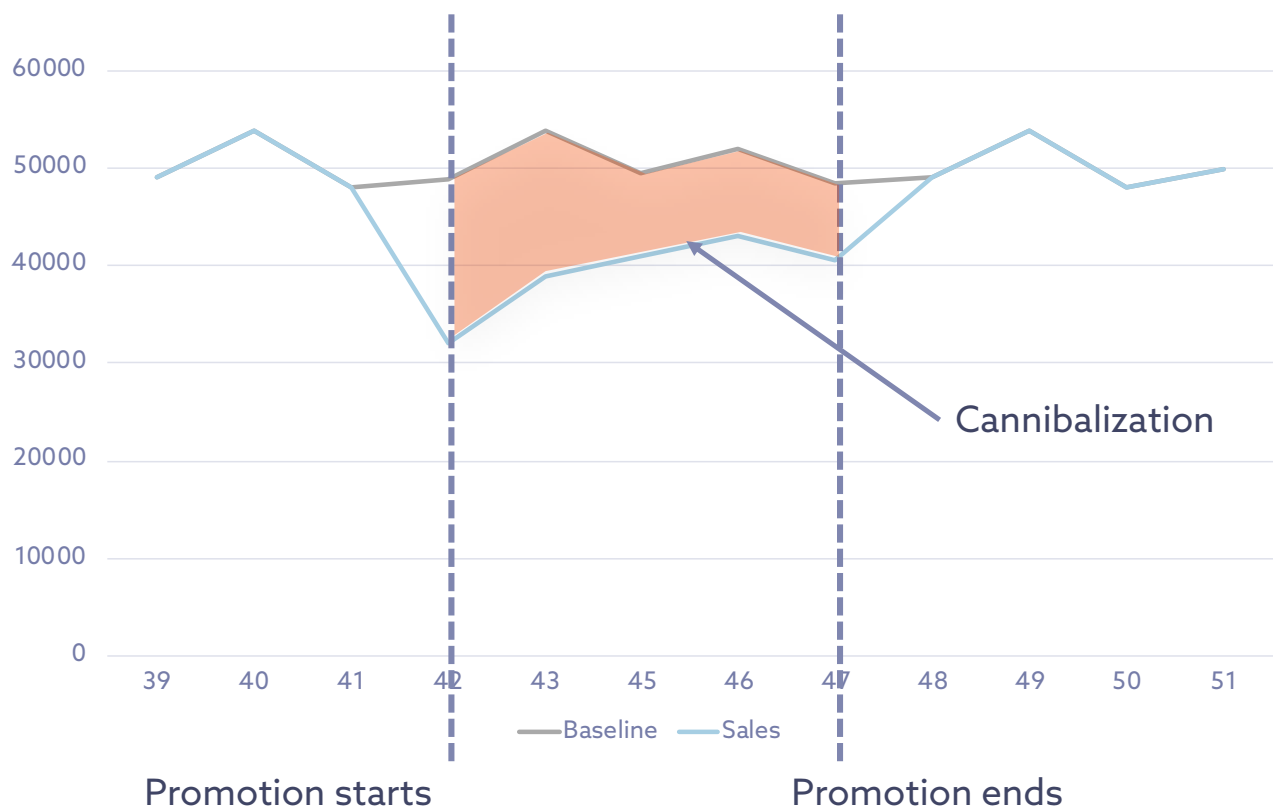
## Step 2: Measure stockup by calculating baseline for the time after the promotion



### ***How to calculate the stockup?***

Similarly to previous step, we can calculate to baseline sales for the time period *after* the promotion, which is usually higher than the realised sales due to the stockup effect – people buy large quantities at the discounted price, and won't buy these items (at normal price) during the following weeks, or even months!

## Step 3 – Cannibalization: Calculate baselines for other non-promotional items within the same category



### ***How to calculate cannibalization?***

Likewise with the promoted item, we calculate the baselines for other non-promotional items within the same product category.

Again, the baseline sales tend to be higher than actual sales, this time due to the cannibalization effect – customers purchase discounted products instead of their normal selection.

## Step 4 – Halo: Which non-promo items did the customers pick up in the same baskets with the promo items

### Receipt data

Item name	Volume	Turnover
Straw hat	1	25
Scarf	1	15
Socks	1	5

### Promotion data

Item name	Start date	End date
Straw hat	2020-08-25	2020-08-30
Leather jacket	2020-08-25	2020-08-30
Brown belt	2020-08-25	2020-08-30

### Attribute non-promo sales to promo items

Item name	Volume	Turnover	Promo flag
Straw hat	1	25	1
Scarf	1	15	0
Socks	1	5	0

## *How to calculate halo?*

Halo effect can be divided into two parts, complimentary & media halo.

The first attributes part of the normal-priced products' (found in the same basket) sales to promo item with the assumption those items were purchased partly due to the promotion (e.g. maple syrup & pancake ingredients).

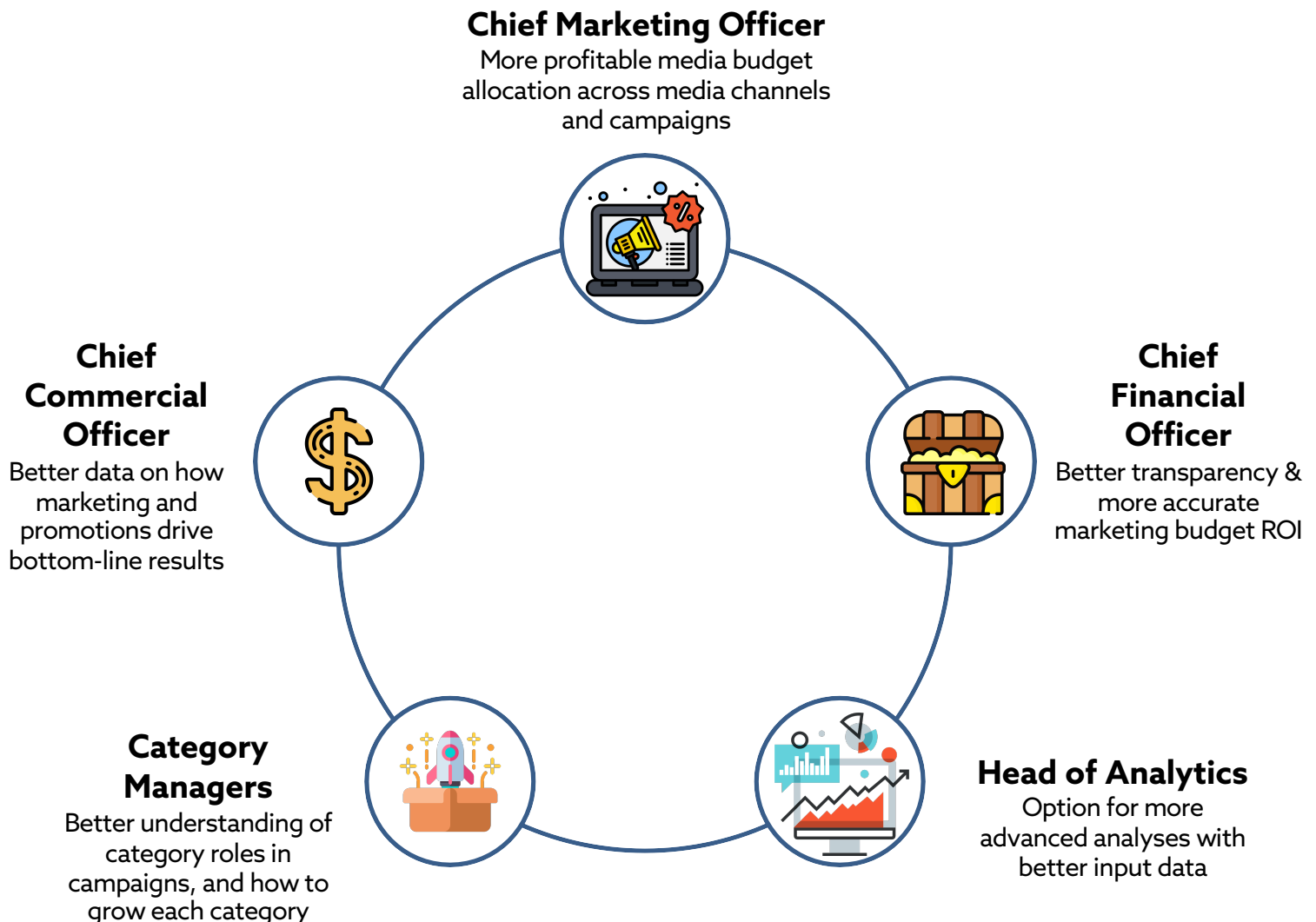
The latter evaluates how many customers came to store thanks to the promotion in external media, and how much normal-priced products these customers bought.

BONUS BENEFIT:

# **BREAKING SILOS WITH DATA**

# IT'S NOT ONLY YOU THAT BENEFITS FROM BETTER DATA

Good investments improve the performance of various different business functions, instead of just one. Here's some of the biggest benefits for different roles:





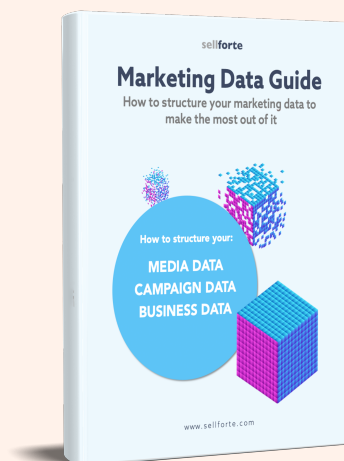
# WANT TO GET THERE FASTER – GET A HEAD START

Sellforte AI-powered commercial optimization software shows precisely how marketing campaigns and promotions are performing, providing the accurate, continuous updated insights needed to adjust, improve and forecast market strategy in near real-time.

Analyzing tens of millions of rows of receipt and media spend data, the algorithms quantify online and offline sales and margin outcomes. Results are exceptionally granular and readily accessible through a unique interactive web-UI.

**Schedule a free demo session**

## LEARN MORE ABOUT DATA-DRIVEN MARKETING MANAGEMENT



**Marketing data guide**



**Half Wasted -podcast**