

sellforte

Marketing Effectiveness Guide

2022 edition



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What 2022 looks like in terms of marketing

The topic of Marketing Effectiveness has always been complex. Consumer behaviour changes, new media channels come into play, and data exhaust creates both opportunities and threats in terms of understanding what really drives the sales.

Recent years have underlined these obstacles probably more than ever. Covid-19 pushed us inside and into digital spaces, while marketers have been left cookieless at the wake of the rumble between Google & Apple.

So what's happening to marketing during these turbulent times?

One thing's for sure – the era of event-based optimisation is coming to an end. Privacy-related issues are here to stay, and in the future we have to find better ways to test and learn from campaign to campaign.

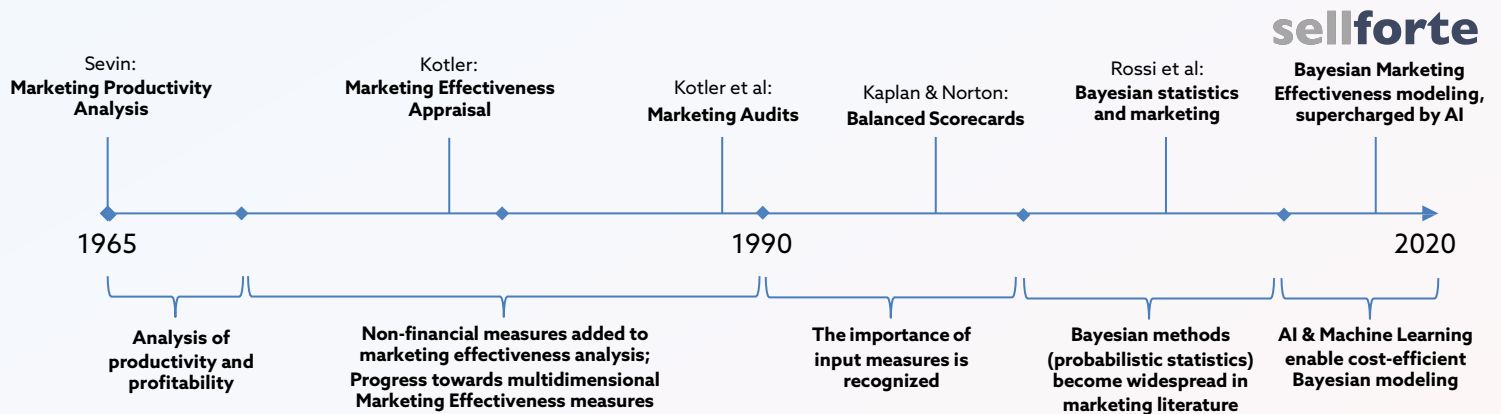
Smartly's Head of Marketing Riikka called it "[the one thing that can save the advertising industry](#)", and RefineLabs' Ashley [expects "a return to Mad Men era in marketing"](#).

Could 2022 be the year we start to look things from a broader perspective and approach marketing from a scientific point of view?



Marketing effectiveness in a nutshell

Measuring marketing effectiveness comes in many forms, with the most common models revolving around conversion and business metrics such as campaign sales, cost per acquisition or website visits, and being deterministic by nature (this definitely happened as my model tells).



Recent development has introduced marketers *probabilistic* models (there's x% probability that this activity caused this sales uplift), such as Bayesian modeling.

$$P(A | B) = \frac{P(B | A)P(A)}{P(B)}$$

In Thomas' mindset probabilities could and would be estimated more realistically by looking at the bigger picture

Compared to previous generations, there are three major factors in Bayesian modeling compared to traditional models: **Priors, Hierarchical modeling & probabilistic programming tools.**

The two first enable Bayesian approach to deliver superior accuracy and reliability in terms of the results, whereas the third describes how extremely complex calculations can be run in practice.

Data setup

Marketing Effectiveness Analysis is like baking a cake – you can mess up really bad if you don't have the right ingredients. Here's the recipe for success:

Step 1: Sales data

Time Frequency	Minimum	Decent	Superior
	Weekly	Daily	Minute
Location	Total	Store chain or city	Store
Product	Category-Brand	SKU	SKU
Time Range	2 years	> 2 years	> 3 years

Where do you get this data: Obtainable from your company's ERP, Data warehouse or CRM.

Step 2: Media Investments & Itemization

	Offline media data	Online media data	Own media	Trade marketing (FCMG/CPG sector)
Example channels	TV, print, radio, OOH	Google, Instagram, Online display and video	Email, sms, newsletter	Retailer campaigns, store placement
Data source	Media agency (e.g. a cloud-based system)	Google/Facebook (through API)	Internal marketing department	Internal reporting system
Media metrics	TRP, GRP, OTS, gross spend	Impressions, clicks	Number of people reached (distribution)	Floor priority, number of stores

Item/campaign	Media Group 1	Media Group 2	Media	Media metric	Investment
Brand A	TV	Commercial channels	Channel 3	TRP	xx €
Product B-G	Social Media	Facebook	Facebook Display	Impressions, clicks	xx €
Family Matters – brand campaign	Own media	Newsletter	Brand newsletter	Reach	Reach

Where do you get this data: The answer depends on the amount of media channels and whether you're cooperating with a media agency. As a rule of thumb:

- Online media data can be pulled with APIs
- Offline media data comes from media agency. If you're not using an agency, the media seller should be able to provide the metrics or you already have them in in-houses systems or Excels
- Own media and trade marketing data metrics come from internal systems

Step 3: External Data Sources

The third dataset is actually an optional one. But it's also kind of necessary to have. You see, it's the secret ingredient in Marketing Effectiveness Analysis. Like in all masterpieces, your model needs something that makes the other ingredients pop.

The trick is, nobody else knows better than you what this secret ingredient might be: It's something that characterizes your industry, something that affects the demand, the customers, and the impact marketing has on both of these.

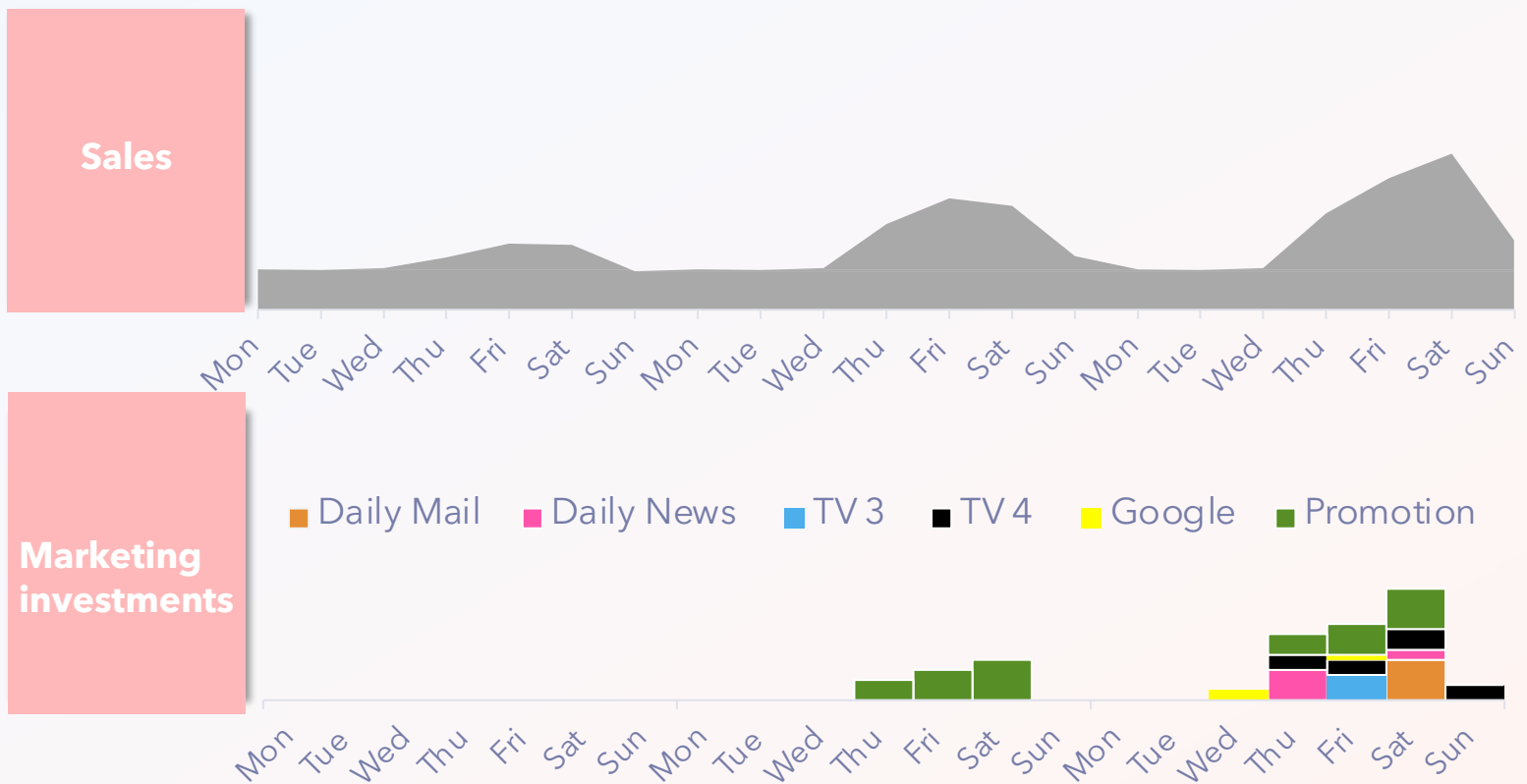
Here's some of the previous seasons' fan favourites:

Data type	Where you could get it	Why it matters
Weather data	Open weather data services	Weather affects mood, holiday planning and pretty much everything
Business KPIs (Traffic, NPS, ...)	Google Analytics, Data warehouse, management presentation	The business KPIs are there for a reason. Might be worthwhile to include them to the model
Macroeconomics	Government statistics	Increase in shopping power and overall consumption might explain growth in sales
Demographics	Government statistics	Changes in the demographics could mean your target audiences are growing/diminishing
Competitor prices & campaigns	Internal benchmarking/monitoring	The price comparison might be high within your industry. Aggressive campaigning will show in your results as well
Competitor media investments	Kantar TNS	Higher or lower media activity on the competitor side might explain why your media ROI is in motion

How many external data sources do I need? Once again, none is required, but a few may enhance the modeling results' accuracy and reliability. Remember that modesty is a virtue, and too many variables will cause the model to overfit. For example, if your model already implements yearly seasonality (e.g. ice cream sales on Summer), one needs to be smart about using the weather as an explanatory variable.

How to calculate media channel ROMI

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

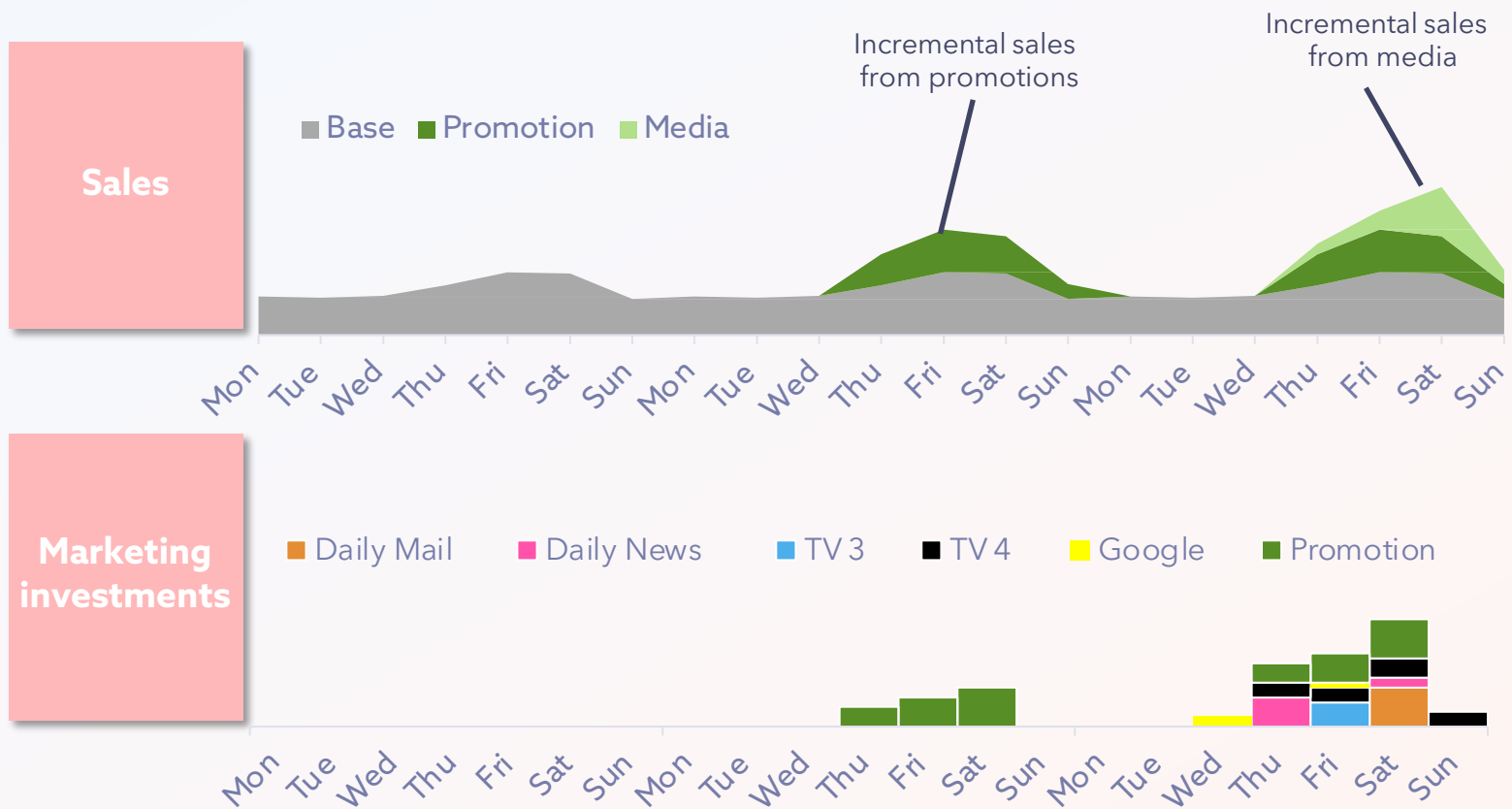


Why promotions are included in marketing investments?

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.

How to calculate media channel ROMI

Step 2: Isolate base, promotion uplift and media impact

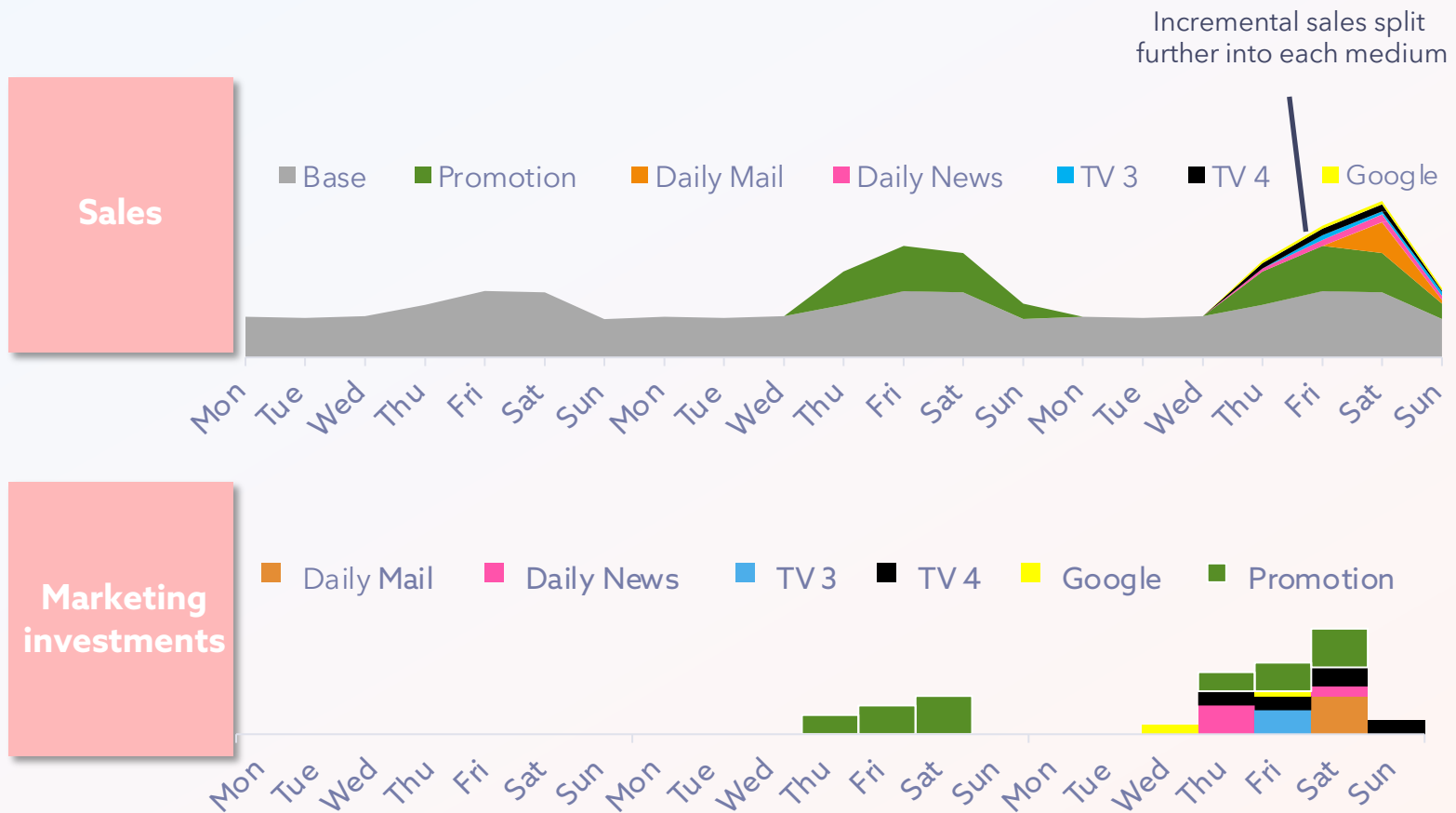


How to isolate base, promotion & media uplifts?

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.

How to calculate media channel ROMI

03 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

What insights you should be looking for

ROMI

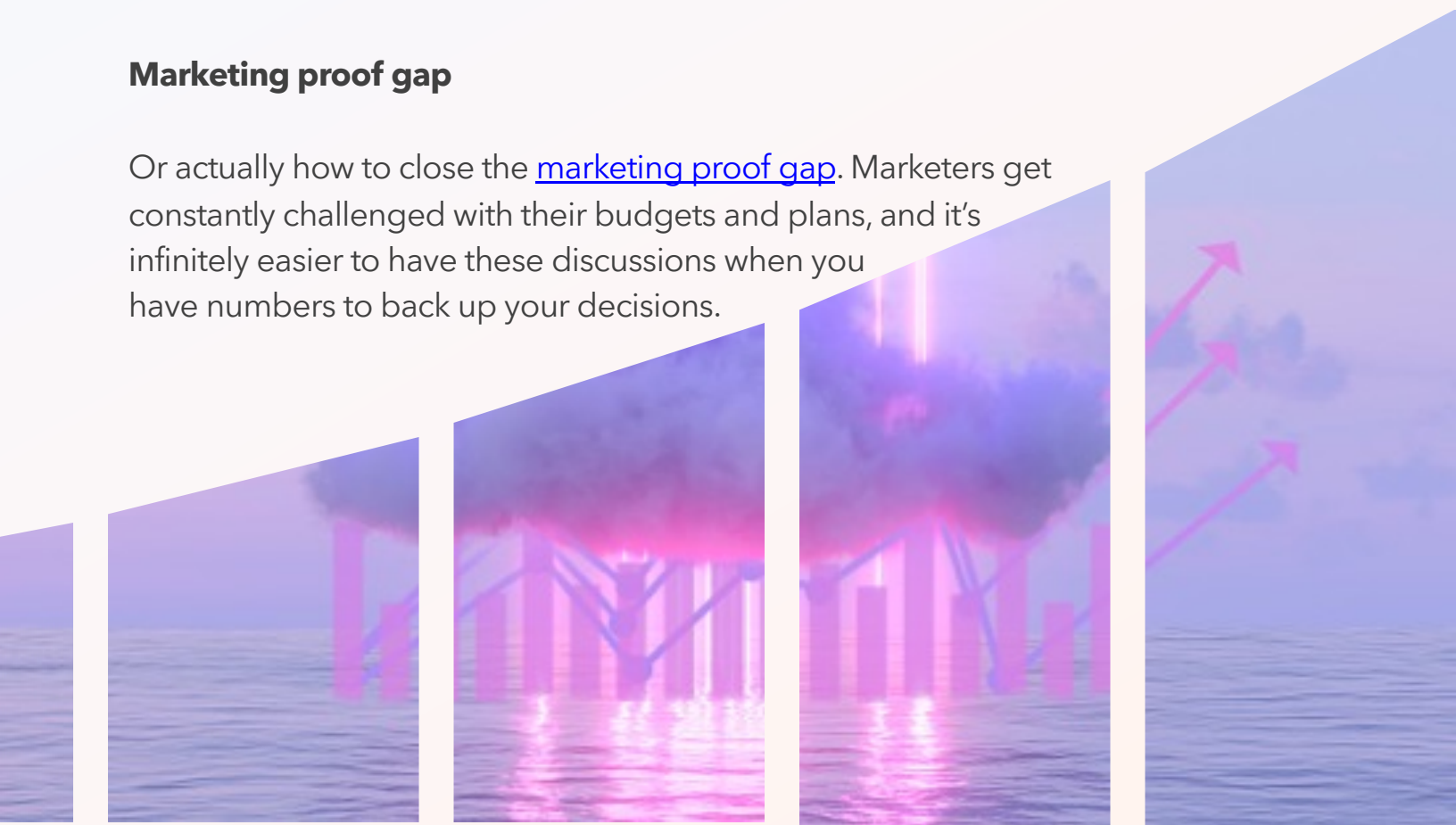
Ultimately, marketing effectiveness can be narrowed down to one metric: ROMI. It tells you the relation between impact and investment, and it can help you to determine next steps after a successful campaign. It also indicates [where the optimal investment level is](#).

Advertising response curves

Defining ROMIs can be misleading if you don't know the [advertising response curves](#) for each channel in your media mix. Figuring out the investment elasticity helps you to predict how results vary with different investment levels.

Marketing proof gap

Or actually how to close the [marketing proof gap](#). Marketers get constantly challenged with their budgets and plans, and it's infinitely easier to have these discussions when you have numbers to back up your decisions.



AI-powered solutions

Marketing Effectiveness Analysis is not difficult per se, but it's extremely laborious. That's why we've developed an AI-powered solution that automates majority of the calculations, providing world-class marketing effectiveness insights with a fraction of the cost of what the same would cost as a consulting project. As a continuously updated service through web-UI that's available 24/7.

Moreover, as we utilise Bayesian Machine Learning in the calculations, the AI learns and improves from analysis to analysis. As a technology partner we want to improve with our clients, and not just provide one-off solutions.

Try it out yourself today!

- ✓ Get a free demo walkthrough session + 30 day trial version with simulated data to test the solution yourself
- ✓ Gain access to Sellforte Learning Hub to discover more ways to use the software on strategic & tactical levels
- ✓ Ask more about the customization possibilities from Sellforte's team

Request a demo

