The Current State Of Marketing Mix Models

Presented by

September 20, 2013

The Council For Research Excellence

- Consists of 35+ senior-level research professionals.

- Represents advertisers, agencies, networks, cable companies, and station groups.

- Seeks to advance the knowledge and practice of methodological research.

CRE Member Companies

Agenda

Welcome and Introduction

Richard Zackon (CRE), Dave Poltrack (CBS, CRE)

Presentation

Jim Spaeth, Alice Sylvester (Sequent Partners)

Update on Industry Initiatives

Gayle Fuguitt (ARF), Bob Liodice (ANA), Mike Donahue (AAAA), George Ivie (MRC), Dave Poltrack (CRE)

Panel

Jim Spaeth (Sequent), Doug Jensen (Avon), Larry Davis-Swing (MediaVest), Dave Poltrack (CBS), Neil Canter (Nielsen)

Q&A

Dave Poltrack

Introductory Remarks

CRE ROI Committee

Chair: Dave Poltrack, CBS Corporation

Members:

- Michele Buslik, Targetcast
- Laura Cowan, Lin Media
- Ed Gaffney, Group M
- Jeffrey Graham, Twitter
- Mark Kaline, KCC
- Doug Pulick, NCM
- Bryon Schafer, Hulu

- Ceril Shagrin, Univision
- Howard Shimmel, Turner Broadcasting
- Kate Sirkin, MediaVest
- Leslie Wood, Nielsen
- Richard Zackon, CRE
- Tom Ziangas, AMC

Project Objectives

- Provide an in-depth understanding of current methods used to estimate advertising ROI

- Assess the strengths and weakness of the data, techniques, and organizational processes employed

- Begin defining best practices

- Recommend improvement priorities

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Presenters

- Jim Spaeth
- Alice Sylvester

40 Interviews

Among Leading Practitioners, Academics and Advertisers

Discussed:

- Models In Use Today
- Quality Of Media Inputs
- Application Of Model Outputs
- Beginning Of Best Practice Discussion

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Impressive Developments

Unprecedented Complexity

- Increasingly sophisticated models
- Highly variable processes for applying the learning
- Models evolving in light of complex media world and focus on "funnel metrics"
- Challenging media data acquisition
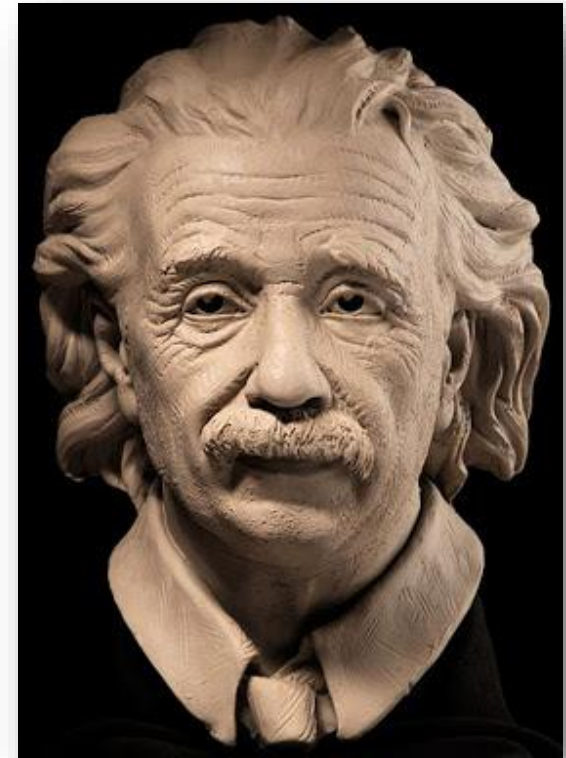
Range of Sophistication

- For modelers who are constrained by time/money demands, straightforward models fit their needs

- Other modelers are pushing boundaries – wrestling with long term, complex interactions and more complete view of the contribution of advertising

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Big Split At The Advertisers

Two Distinct Users

- Analytics/modeling people who really get it
- Less knowledgeable users
  - Not equipped to address data or technical issues
  - Learned to trust the modelers over time
  - Assume the models are right

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Models In Use Today

Approach:

- Regressions

- Series of Equations

- Agent Based Models

- Single Source

- Cross-Channel Attribution

Observations:

- Highly Efficient; Collinearity Issues

- Incorporate brand effects and interactions

- Reflect complexity of networks and systems

- Uniquely isolate advertising effects

- Digital only; isolated

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What's Modeled?

- Advertising components deployed against different objectives
- Short-term financial performance
  - Contribution margin and revenue-based returns are used
  - Allows modelers to align recommendations with business strategy
- Some models use consumer metrics like awareness, preference, consideration etc.

Long Term Effects

Just Now Beginning To Be Addressed …Good Time For Consensus

- ROO as well as ROI

- Upper funnel effects – awareness consideration

- Longer term Adstocks, repeat purchase patterns

Creative Quality Not Uniformly Considered

...Despite the fact that creative quality can explain 70% of advertising's effects

- TV copy test data as diagnostics
- Cascade of digital behaviors captured and may act as copy quality measure
- Quality of ads in other media generally not considered

Media Data Inputs

Best Data Has These Characteristics:

- Weekly
- Campaign or creative execution level
- Reach/frequency delivery
- By DMA, or even more granular
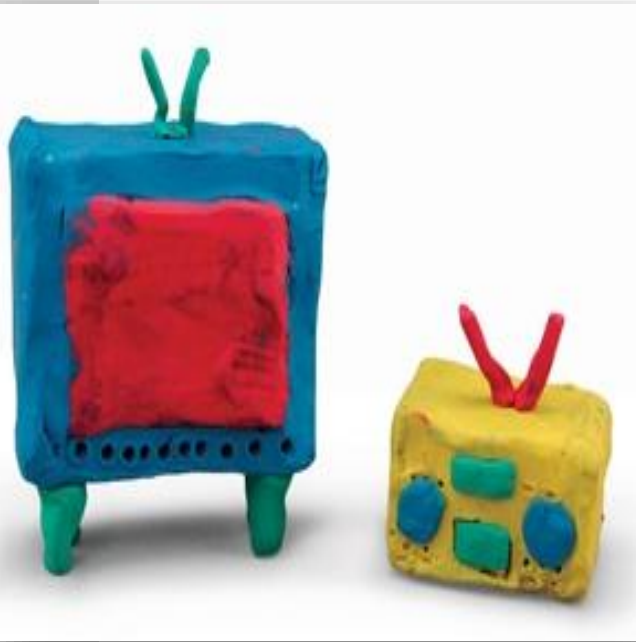- Consistent for all media elements

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Modelers Are Not Media Researchers

**With Some Exceptions Generally Use What They Get …
Don't Know What They Don't Know:**

- Planned vs. delivered

- Spend vs. GRPs or Impressions

- GRPs vs. TRPs vs. reach & frequency

- Broad averages vs. specific ad exposures

Media Inputs In Use

Traditional Media

- **TV** – GRPs by market and week are generally available; model at the daypart, length and campaign level when possible
- **Radio** – New PPM TRP data available by week, but not widely recognized or in use
- **Print** – Improvements made to provide best estimates of GRPs by market and week, recognized but not widely used

Media Inputs In Use

New Media

- **Mobile** – Not currently modeled for the most part; quite a bit of work required
- **Social** – Many metrics; struggling to find meaning
- **Digital** – Most difficult; abundant data, attribution concerns; situation may be improved with OCR; area of most development work

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Media Inputs In Use

Other Media

- **Hispanic** – No unique issues
- **Other Media** – (Buzz, Events) – elusive, not yet part of mainstream

Ugly Data Acquisition

- Media data acquisition process is unduly onerous, sloppy and not standardized
- Represents a huge amount of time and effort

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Best In Class Process

To Drive Advertising Decisions

- Cross-functional team with consistent involvement from the marketer, modeler and agencies

- Modeling findings integrated with other sources such as tracking studies and copy tests

- Finance plays a role - applies modeling results to budgeting decisions

- CEO or CMO support ensures modeling findings and recommendations are adopted

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Agency Involvement In The Process

- Big Range
  - Some simply supply data; later informed of results
  - Others plan alternatives based on model results
  - Others routinely interact throughout the process
- Creative agencies have no real seat at the table
- Not sure there is a re-entry process once media don't perform well in the models
  - Role for "Test and Learn"

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Opportunities – Media Data

- Simplify, standardize media data
  - Establish best practices
  - Encourage their development
  - Audit their use

Opportunities – Techniques

- Encourage open R&D toward measuring long-term effects of advertising
- Underscore importance of measuring creative efficacy – in all media

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27

Opportunities – Organizational Process

- Begin dialogue around organizational issues with applying model results to advertising and media decisions
  - Update ARF best practices
  - Engage 4As and ANA
  - Provide user education

Industry Response

Gayle Fuguitt
CEO,
Advertising Research Foundation

Industry Response

Bob Liodice
President and CEO,
Association of National Advertisers

Industry Response

Mike Donahue

EVP, Strategic Partnerships, American Association of Advertising Agencies

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Industry Response

George Ivie
CEO,
Media Rating Council

Industry Response

Dave Poltrack
Chair, ROI Committee,
Council for Research Excellence

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Panel
Discussion

Panel Discussion

- Jim Spaeth, Sequent Partners, Moderator

- Doug Jensen, Global Marketing Intelligence, Avon

- Larry Davis-Swing, SVP, Director of Analytics, MediaVest

- Dave Poltrack, Chief Research Officer, CBS

- Neil Canter, President, Global Analytic Consulting, Nielsen

Q&A

October 8:
Local Measurement Mini-Summit

Thank You!