



Media strategy and the road to growth

White Paper – Reality Analytics

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Background

According to Byron Sharp,¹ there is solid empirical evidence that brand advertising does produce sales. That is probably the main reason why so many advertisers invest billions in their advertising campaigns. Although Byron Sharp's summary of research on the effects of advertising is encouraging, it does not tell marketing managers and media planners exactly how to invest advertising money in an optimal manner in order to realize brand growth. At times, a brand may spend too much on advertising, while at other times, it may spend too little². Thus, the critical question is: how can brands optimize their advertising ROI? There is a big need for knowledge on how to spend communication budgets both effectively and efficiently.

Although Byron Sharp favors an always on strategy, this is not always affordable for everyone. Should a brand adopt a pulsation policy (alternating advertising between high and low levels), or one uniform policy (even-spending of advertising)? Academic research appears undecided, as theoretical and empirical findings contradict: theory predicts a uniform, always-on policy to be superior, while study results support a pulsation policy.³ In any case, the bulk of empirical studies of firms' advertising budgets suggest that most firms over-advertise.³

A stepwise approach to effective and efficient media planning

In order to determine the optimal allocation of the advertising budget over time in order to realize growth, DVJ Insights has developed a stepwise approach. Our approach is based upon a combination of 20+ years of experience with media planning and supporting academic research. The main question to answer is which media strategy should be followed to impact sales.

In order to produce insight into a brand's optimal allocation of the marketing budget over time, marketers need to have precise insights into the impact each medium is likely to generate. After all, optimal media planning can only be done when the effects of each individual medium are known. This stepwise approach is summarized below.

Step 1 – Integration of all relevant data

In 2011, McKinsey⁴ first coined the term 'the Era of Big Data' to define the rapidly increasing amount of behavioral data that is becoming available for organizations to collect, integrate and analyze. The availability of these types of data offers tremendous opportunities for organizations to reshape their business based on data driven insights. A recent study conducted by MB Vermeer amongst 10,000 practitioners, showed that organizations that were able to successfully integrate insights and analytics in their business planning cycle are over-performing in terms of business growth⁵.

In order to generate actionable insights into the optimal media planning, all relevant brand data need to be integrated. We create comprehensive data sets that do not only include the usual suspects such as awareness, (un)aided recall, and preference, but also variables such as website visits, social media data, PR activities, and free publicity (resulting from, for example, coverage by

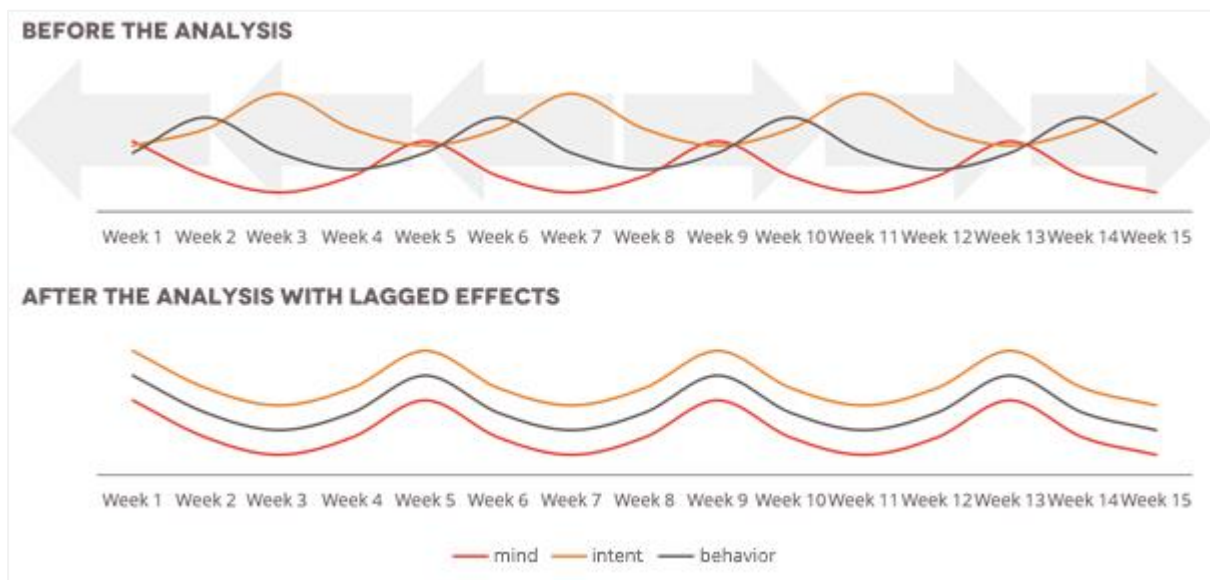
news or lifestyle media). Therefore, the approach starts with collecting all relevant data that is related to communication and make them comparable by using the same time unit (mostly weeks). The moment we have collected all data and made them comparable we can start to analyze patterns in the data by using multi attribution modelling.

Step 2 – Examining relations between KPIs

The second step is to determine the relationships that exist between the relevant KPIs. The key KPI is different for different brands and across different categories. It can range from brand health indicators, to website behavior, to sales data. Because DVJ Insights integrates all available data sources into one single platform, we are able to explore relationships between a wide range of different types of KPIs.

The most important relation we want to understand is what the key drivers for growth are. Growth is then operationalized in terms of sales (quantity) or the most important other KPI that is used for understanding the effectiveness of marketing.

The analyses we perform to uncover the relationships between the key KPIs are extensive. For example, the relations between all available mind, intent, behavior, media and external data are carefully analyzed. These analyses generate actionable insights into, for example, the KPIs that affect sales, which KPIs are primarily affected by your media investments, and how external influences (such as weather, seasonality, PR, etc.) affect which KPIs. These analyses are able to provide clear and relevant insights into the customer journey.

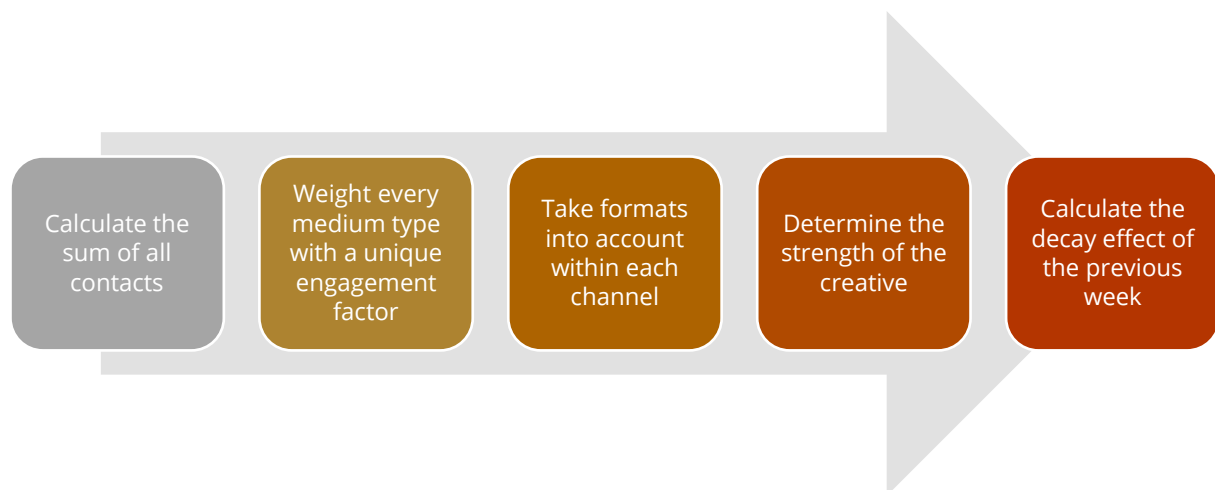


Also, we extend our analyses to delayed media effects on one or several KPIs as showed in the figure above. That is, as scientific research has established, some campaigns or media channels are able to affect audiences for a longer period of time.⁶ If advertising effects last after the campaign

has ended, it is inefficient to start advertising heavily when the campaign's effects are still visible. Thus, analyses of delayed effects provide clear insights into the optimal timing of campaigns. This analysis will create a clear picture of the consumer journey that consumers have before, during and after buying a product.

Step 3 – Calculating a KPI that represents all media contacts

The next step to optimal allocation of the marketing budget involves creating a KPI that reflects the number of actual media contacts a brand establishes with the target audience. The number of contacts with consumers a campaign establishes is not the same as the sum of each medium's reach. First, media differ in their ability to engage the audience and hence, the impact of reaching 100.000 consumers is different for different media channels. Second, media campaigns differ in the extent to which their content is memorable. Some campaigns linger in consumer memory for a longer period of time after the campaign has ended than others. Third, the creative itself is a major factor in determining the impact of a campaign. A stronger creative typically needs less exposures in order to generate effect.



In order to integrate these aspects, we have developed the Reality Performance Score (RPS). The RPS represents the total number of media contacts a brand establishes with their audience. The RPS takes into account all touch points and their ability to reach the audience. Importantly, it corrects for the unique engagement factor associated with individual media, while at the same time incorporating both consumers' memory for the campaign and the campaign's creative impact. The way the RPS is calculated is described in DVJ Insights' whitepaper 'Optimizing your media effectiveness and efficiency.'

The RPS is then related to the KPIs in order to examine which KPIs are affected by the RPS.

Step 4 – Calculating the minimum and maximum necessary number of contacts

Each key KPI needs a minimum amount of contacts in order to create impact. Contacts below this minimum are wasted because they do not reach the threshold to impact the audience. Also, each KPI is associated with a maximum number of contacts. If the media contacts exceed the maximum number of contacts, additional media contacts do not create an additional effect on the KPI, and hence, they are wasted as well. Anytime the RPS exceeds the maximum number of media contacts, the brand is overspending. And overspending means inefficient use of the media budget, and lower ROI.

In order to calculate the minimum and maximum amount of media contacts necessary, we carefully analyze the relationship between the KPIs and the RPS for a longer period of time. When enough data are available, the RPS reaches a point where an increase in media contacts does not correspond to an increase in the KPIs. This area is the ideal bandwidth of media contacts: brands spend enough to be heard, but not too much to spend inefficiently.



Importantly, the minimum and maximum amount of media contacts can be calculated for each individual medium and each individual KPI. This allows brands to make informed choices about which KPIs to target with which media. For example, the analyses may reveal that TV increases preference, while the email marketing program generates website visits. Based on this insight, brands can adjust campaigns according to their goals.

Step 5 – Pre-campaign predicting and optimizing

The previous four steps provide insights into the general patterns of the brand in relation to marketing campaigns. These insights serve to guide future campaign decisions. To be able to predict and optimize future campaigns, we have developed a unique tool to calculate the RPS that a future campaign would produce. This enables marketers to evaluate their media plan and determine if their media plan is likely to produce the desired outcomes. The predictive value of this tool is even higher when the creative strength of the campaign is incorporated. The prediction tool is then able to adjust the number of necessary media contacts to the strength of the creative: a stronger creative is likely to need less contacts.



Conclusion

The challenge every marketer faces is how to spend the marketing budget both effectively and efficiently. Although research by the influential Byron Sharp suggests that an always-on strategy is much more effective than traditional advertising pulsation,¹ it still does not answer the question of exactly how much and when a brand should advertise. It should invest enough in media in order to be heard, but not so much that additional advertising does not add to its effectiveness. Thus, the crucial question is: what type of media strategy should brands follow in order to ensure their road to growth?

DVJ Insights has developed a unique approach to determining the most efficient manner to spend advertising budgets. It involves a stepwise approach leading to the optimal way to spend communication budget over time.

Our stepwise approach to effective and efficient media planning results in three specific benefits:

- Based on an integration of all available data, KPIs that drive sales can be selected and managed.
- Calculating a KPI that represents all media contacts gives true insights into the campaign intensity. It also allows for direct comparisons of how different individual media affect key KPIs.
- Actionable insights into the optimal media mix and media phasing, as the thorough analysis of your historical data reveal which media (combinations) affect your KPI the most, and how long effects last.

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About the company

DVJ Insights is a quality-based research and consultancy agency with a global footprint. we help our clients understanding how to realize growth by identifying relevant drivers, optimizing communication, improving the customer experience and introduce winning products and solutions in organizations.

We believe that research is all about listening. listening to our clients to make sure the research is embedded in the organization and answers the right questions, and listening to consumers by giving them the opportunity to express their feelings and share their stories.

We add value by leveraging the experience and expertise of our seasoned research and consultancy team, and staying true to our innovative mass qualitative philosophy.

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