

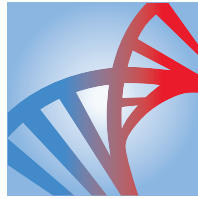


ROI Genome
Intelligence Report

The Rules of Recession-Proofing

How to Maintain Advertising
Effectiveness in Challenging Times





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
- ▶ Millions of marketing and measurement metrics
- ▶ Global footprint covering over 50 countries
- ▶ Over 20 years of experience across 1000+ Brands

The mission of ROI Genome is “to create wisdom from accumulated numbers and knowledge.”

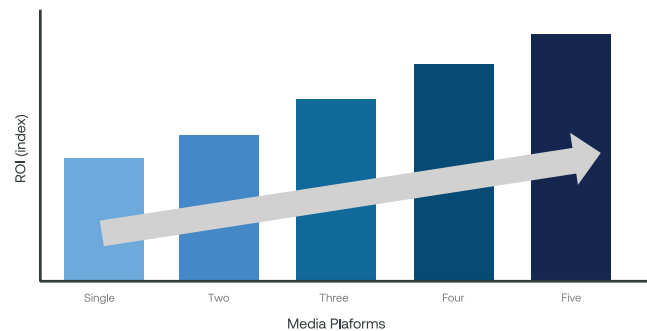
Despite Looming Recession, Brands Can Thrive

The omens of recession are upon us, which means that organizations are taking inventory of spend and feeling the temptation to abandon marketing best practices and cut budgets in an attempt to save in the short term. **But in times of crisis, research shows that cutting marketing budgets is a recipe for long-term failure, not success.** Rather than defaulting to austerity policies informed by panic, brands should protect and recalibrate their media investments, focusing on maximizing advertising effectiveness to achieve the greatest ROI.

Advertising effectiveness is amplified by synergies across media channels and the brand portfolio, with ROI Genome® findings indicating that the synergistic impact of using multiple marketing channels can **increase the impact of advertising efficiency by 35%.**

ROI Strategy Comparison

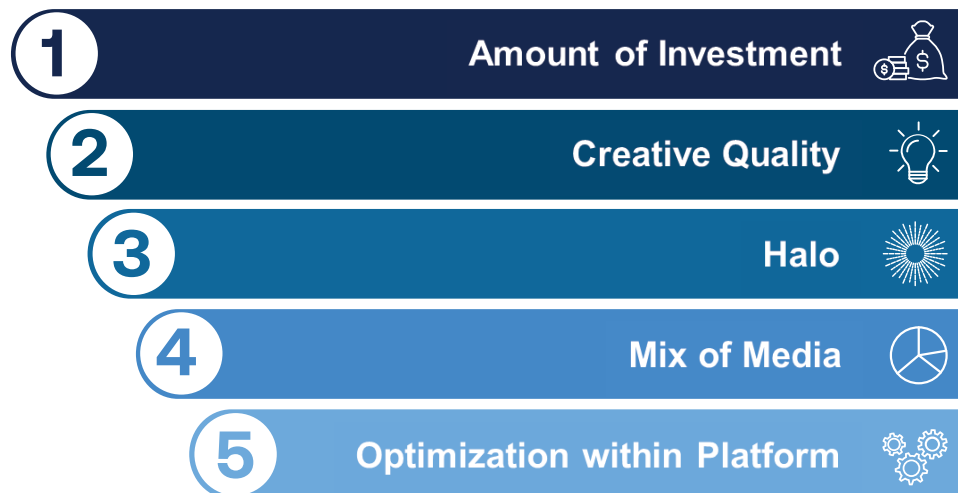
Our ROI Genome shows that there is a strong case to be made for a combined multi-channel approach to drive campaign effectiveness



5 Considerations to Get More Out of Your Advertising

So, with the risk of budget cuts on the horizon, how can brands avoid the strategic error of cutting spend and instead make their advertising work harder for them? It comes down to the five biggest factors contributing to success: amount of investment, creative quality, halo, mix of media and channel optimization.

Relative Importance for Business Impact



Maintaining Media Investment Means Long-Term Growth

In times of economic uncertainty, ROI Genome research shows that brands that increased media investment saw stronger ROI, business growth and brand-building than those that did not.

For example, **60%** of brands that increased their media investment during the last recession saw ROI improvements – including the brands that increased marketing investment. Brands that increased media investment realized a **17% growth** in incremental sales. Overall, **over half of brands** that increased marketing investment saw ROI growth in back-to-back years.

Our ROI Genome showed that brands that increased media investment during the recession saw



Stronger ROI

60% of brands saw ROI improvements during the last recession - even the brands that increased marketing investment



Business Growth

Brands who increased media investment realized a 17% growth in incremental sales



Brand Building

Over half of brands that increased marketing investment saw ROI growth in back-to-back years

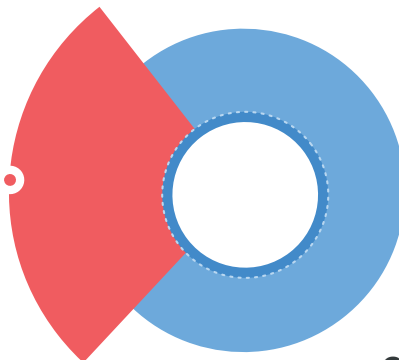
However, brands should not look at investment in a vacuum. It's also critical to take competitor actions into account. **For example, the average brand could lose almost 15% of its business if a similarly sized competitor doubles its marketing investments.**

If a brand makes a decision to decrease or eliminate spend, while a rival does not, that brand risks losing a significant portion of business not only in the short term, but potentially in the long term as well.

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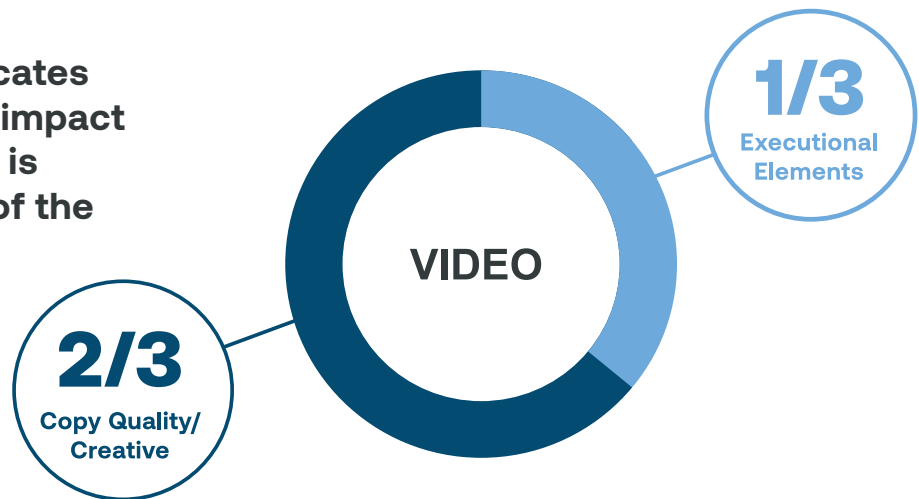


if a similar sized competitor doubles its marketing investments

Brand-Focused Creative Offers Better Results

The second major contributing factor to advertising success is investing in the quality of the creative, which has a far-reaching impact. For example, **two-thirds** of the opportunities to improve video advertising performance is driven by strong creative quality, versus executional elements like targeting, placement and timing.

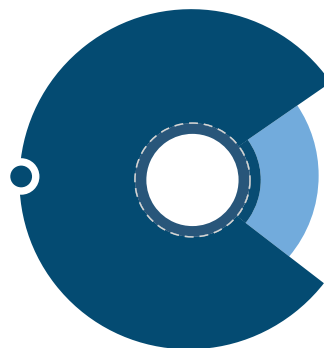
Our ROI Genome indicates that two thirds of the impact of a video impression is driven by the quality of the creative itself



Balancing brand and performance messaging is a vital lens through which business leaders should consider creative. ROI Genome® has found that brand messaging outperforms performance messaging 80% of the time. While product- or promotion-focused advertising may offer a boost in the short term – and therefore appear more immediately impactful – the longer-term impact is not as strong. Balance is key, and business should keep in mind that brand-building strategies and creative executions have a larger impact in the long term than short-term activations.

Brand messaging outperforms performance messaging

80% OF THE TIME

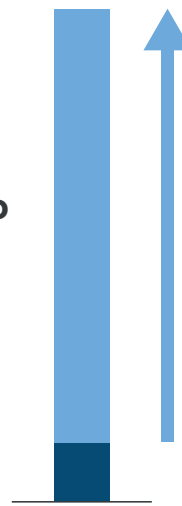


Trust the Halo Effect for Positive Impact

Brands also benefit from halo impacts due to their advertising spend. Halo is a term that explains the positive impact that advertising for a specific product has onto other products within the portfolio or brand franchise. The overall impact of halo drives portfolio synergies and therefore stronger advertising effectiveness, which can contribute to half of marketing impact and be up to ten times more effective under the right conditions.

Our ROI Genome shows halo typically contributes half of the impact of marketing but when effectively executed, halo can increase an ROI by

UP TO
10X



Business leaders should always aim to balance halo with performance goals for each business when planning. The three key principles to keep in mind are:

- Consistent brand equity: Halo provider and receiver should have consistent strategic benefits and/or equity
- Leverage contextual targeting as an alternative.
- Similar messaging: The branded elements of the products and advertising should be consistent (e.g. packaging, taglines, sound and color cues, etc.)
- Proximity: Co-promote, merchandize or bundle products/ services where possible to deliver synergy benefits

Media Mix and Channel Optimization Make a Critical Difference

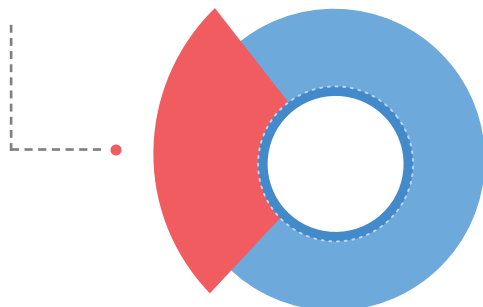
It's already clear that the more channels a brand can leverage in its media mix, the better. [There is a wonderful opportunity to layer media channels to drive synergies, which can lead to a nearly 40% improvement](#) when multiple channels are used.

However, the task of implementing the right mix to maximize ROI has become more challenging over time as the number of available media forms increases.

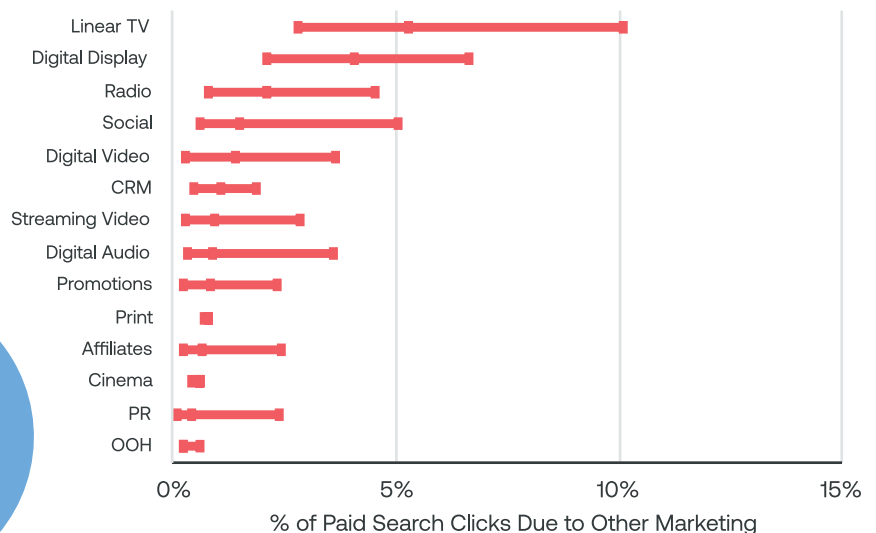
- We've seen a **400% increase** in the channels and touchpoints our customers have invested in over the last five years alone. That means that understanding exactly how each of the channels interacts with the others is critical.
- Online Search is one such example: ROI Genome research has found that **30% of Search clicks are fueled by other marketing channels**, and this kind of cascading impact varies based on the medium of advertising delivery.

The danger appears when marketers rely on misleading metrics like last-click attribution that would give credit to Paid Search as the driver of a conversion, when in fact it may have only been the end point in a much more complex journey.

30% of Search Clicks are due to other marketing activities

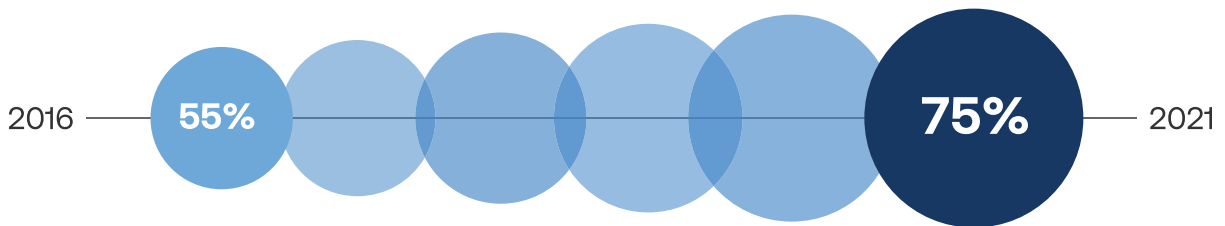


Drivers of Paid Search



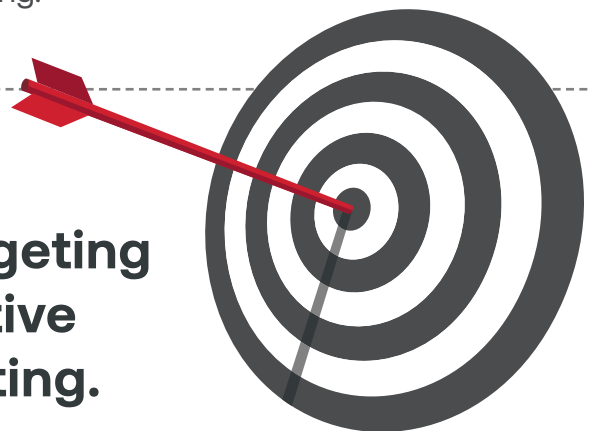
The mix of media should also be viewed through the lens of channel optimization to ensure that every campaign is reaching peak performance. In particular, the opportunity for targeting has grown dramatically over the past few years. In fact, **nearly 75% of sales generated by marketing come through media channels that enable some form of targeting approach** – up from 55% five years ago.

Percentage of Channels with Targeting Opportunities



Time and time again, contextual targeting proves itself to be particularly effective, allowing marketers to avoid some of the pitfalls caused by hyper-targeting, especially in an era where data privacy is critical, as well as broad reach targeting.

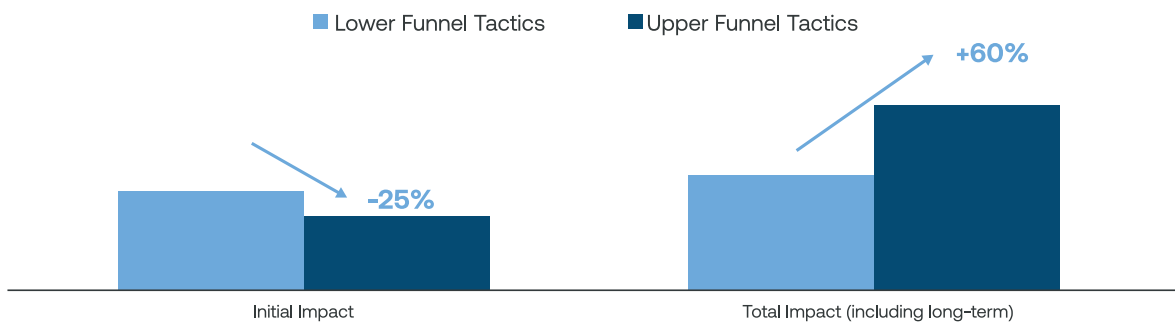
In general, contextual targeting is **1.2x to 2.5x** more effective than other types of targeting.



Play the Long Game for the Best Odds of Success

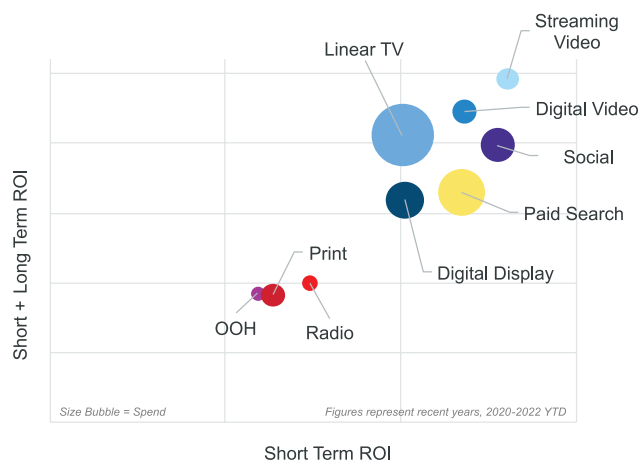
While the temptation during a potential recession might be to focus on the short-term, long-term thinking should always be the priority for brands looking to future-proof against challenging times. While lower-funnel activities, like Search and Display, might seem to be the best options for marketers aiming to achieve instant ROI, those kinds of short-term activations underperform their long-term counterparts over time.

The Long Term Impact of Short Termism



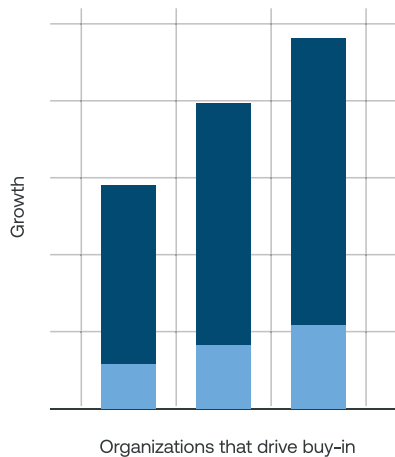
When considered over time, it's clear that certain channels will consistently outperform others, with video taking the lead.

Long term vs. Short Term ROI by Marketing Channel



Key Takeaways

Brands that react to a potential recession with panic or austerity measures are placing themselves at an extreme disadvantage. The winners when the economy resettles will be those that took this time to gain a holistic understanding of simulating and scenario-planning for future success. Organizations that effectively use the consistent discipline of data and analytics are well-suited to thrive despite environmental challenges. **In fact, companies that adopt data-driven simulations and incorporate them into planning processes drive at least 5x growth vs. those that don't.**



Companies that adopt data-driven decisioning achieve 5x GROWTH vs those that don't.

The principles of advertising effectiveness outlined in this report are a key part of scenario planning, and brands looking to move forward and preserve marketing budgets in this uncertain environment should remember to:

- Take a consumer-centric view, encompassing both online and offline channels, measuring holistically across the full route to market, short & long term
- Assess the impact of spend levels and creative as they have strongest impacts
- Leverage channel synergies and a mix of brand and performance for optimal impact

For brands that opt for panic, the potential impending recession will present a challenge from which it will be difficult to recover. For those steered by data, a long-term strategy and smart scenario planning, it will be another opportunity to strengthen the marketing muscles of the organization.

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Analytic Partners is the leading cloud-based, managed software platform which provides adaptive solutions for deeper business understanding and right-time planning & optimization for marketing and beyond. We turn data into expertise so that our clients can create powerful connections with their customers and achieve commercial success.

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