Measuring POE complexity

**By Irina Pessin,
Managing partner, USA, and
Karl Weaver, CEO, Data2Decisions**

The digital age has created a marketing ecosystem of Paid, Owned and Earned channels with activity in each impacting on the other. Measurement of this ecosystem requires the adaptation and connecting up of a range of existing tools

Throughout the past decade, we've witnessed a tremendous acceleration in the advancement of technology – an acceleration which has prompted significant changes to consumer behaviour and given rise to a more complex and diverse marketing landscape. The gap between marketing engagement and consumer action has vastly reduced and the message route can now flow through multiple channels and can be two-way.

This has transformed the way brands are marketed to consumers, with marketers now utilising social networks, dedicated brand content, forums and blogs; the marketing ecosystem is now more developed and complex than ever before, and it is constantly evolving and feeding back information and data generated by those who take part in it.

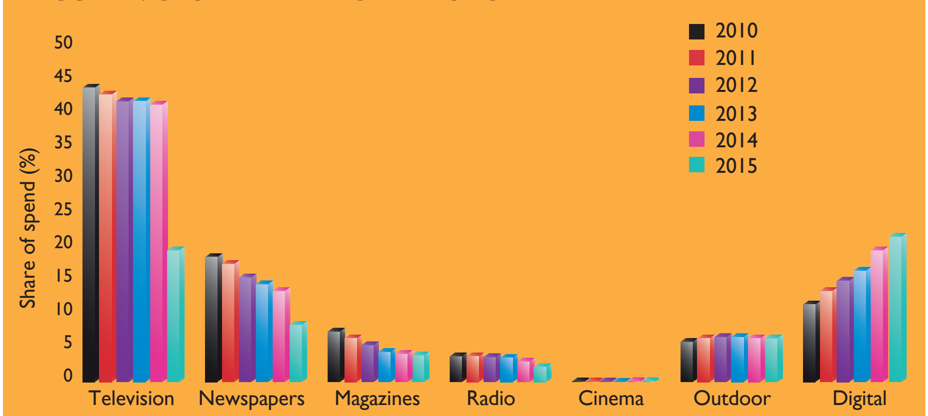
With this disruption to the marketing world set to continue, we are faced with the additional challenge of deciding what measurement techniques to employ. There is now an overwhelming amount of information available at an incredibly detailed level. With enough computing power, money and time, we can analyse everything. If we did though, we would be overwhelmed with all the output. But it doesn't need to be that complicated, not when you focus on measuring what matters.

Naturally, there have been substantial changes to the way marketing and media is planned, with the proliferation of digital channels giving birth to now popular industry terms – Earned and Owned – to be considered alongside traditional Paid channels.

The approach to planning has evolved from a purchase funnel model to more complex versions of the consumer journey. Now we have ecosystem planning, where plans are developed based on the desired Paid, Owned and Earned (POE) media experience at each stage of the customer journey.

Digital is fundamental to the new ecosystem and now represents a significant proportion of media spend. Although digital spend continues its upward trend, the overall spend profile is still dominated by TV (Figure 1). One reason for this is the difficulty

FIGURE 1: GLOBAL MEDIA SHARE OF SPEND



Source: Carat AdSpend

in measuring the impact of the evolving ecosystem. The spend profile is shifting but without a view of the true benefits, advertisers are reluctant to commit to significant expenditure in non-traditional channels.

The way in which consumers now interact with brands creates a measurement challenge: Owned and Earned media work differently to Paid media and their combination creates long, complicated consumer journeys with opportunities to multiply through sharing and recommending. Since it's no longer linear, the true effect is not always best represented by traditional marketing mix modelling (MMM) techniques, and practitioners have to consider adopting different approaches to draw out these effects.

The key strength of MMM, as it is usually applied, is that it measures the direct effects of advertising on sales. Not measuring the indirect effects from interaction between channels within the ecosystem means that the RoI of digital investment could be underestimated. Further, any dual causality that can exist between Earned and Owned channels and sales is not considered. Understanding such causality in the ecosystem is important to improving the way media is planned, in particular in terms of content management.

For example, YouTube views may be a driver of sales of a product, but understanding how more sales lead to more YouTube views is important in informing your investment decisions.

The total ecosystem can be complicated and so measuring the interconnectedness between channels becomes more important in determining how to drive business outcomes. For example, Figure 2 shows the contribution of Paid media to sales, along with its impact and interactions across the various Owned and Earned touchpoints within the ecosystem. From this we can assess the direct and indirect effects and the potential for channel synergies.

Having this information helps planners determine the best timing and integration of channels within the system and with other sales levers. Figure 2 shows there is a big opportunity to maximise synergy from Searches which requires integrating messaging and content across TV and the Owned website.

This analysis also helps us simulate how changes to the Paid media investment, e.g. a $10m increase in TV spend, drives sales directly and indirectly.

There is a view that the ecosystem measurement challenge requires radically new models for measurement. Some go as far as to suggest there may be a single 'silver bullet' technique that will measure the whole system. We disagree for two reasons: first, the new techniques proposed usually lack efficacy in the short term; and, second, some of the tried-and-tested techniques remain relevant if they are applied in a different way.

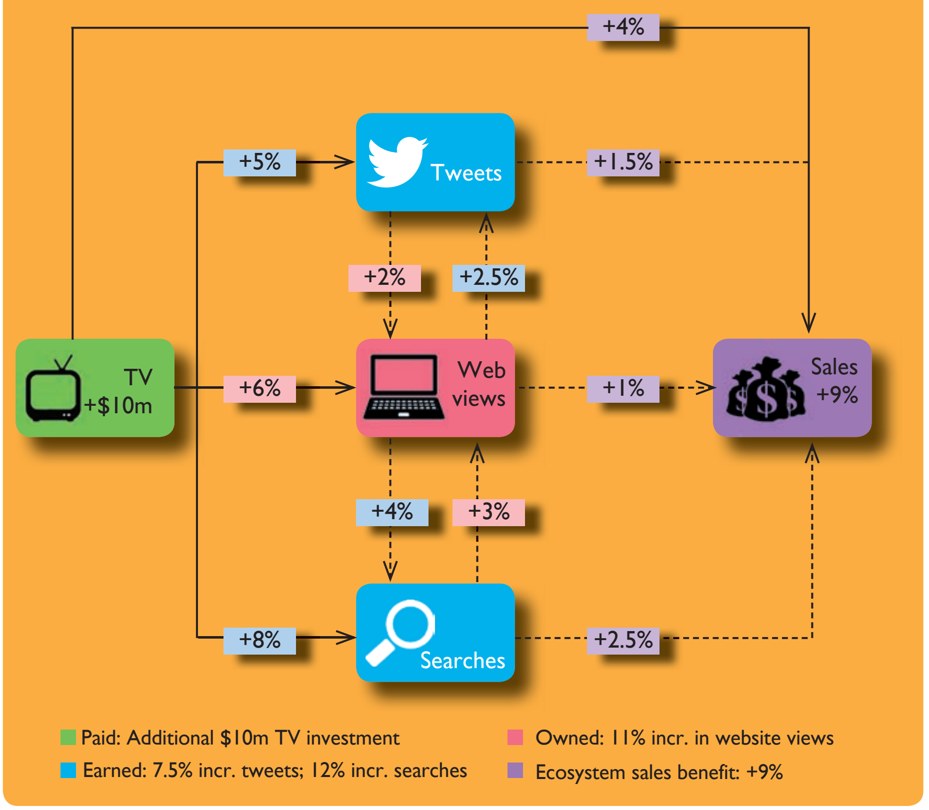
There are techniques under development that will be incredibly powerful in the future. Most often these are in the computational modelling space where individual-level data can be used to simulate more aggregated behaviour. However, these techniques will not be ready to be adopted by a broad client base within the next couple of years.

Contrast this with how some of the existing techniques are misunderstood in terms of their relevance. MMM is a great example, often criticised as backward looking and only capable of picking up direct effects. Indeed, this is how the approach has typically been used and so the associations are strong. But MMM is one type of modelling approach in a class of techniques. Closely related techniques, for example Vector Auto Regression (VAR) or nested regression, have the ability to unpick some of the interactions we now need to measure.

Of course MMM will be backward looking when it is only used to evaluate historical sales patterns and the results applied in a process that does not take account of future changes in the way sales drivers might behave. Not measuring what matters or incorporating insights into a future-facing process is the issue, not the technique.

So when we adapt MMM techniques to assess leading indicators and the indirect effects of sales, and we add information about how drivers might behave differently in the future, then we have some of what

FIGURE 2: THE PAID, OWNED, EARNED ECOSYSTEM



is needed for ecosystem measurement, but not everything. Other techniques need to be connected with MMM to realise its benefit.

We have been pioneering ways to measure the complex ecosystem. In the US, in particular, we have been pressing ahead with our ecosystem analytics programme, which is based on our view that to measure complexity right now we need to adapt existing approaches and start connecting them up in an actionable way. Simplify, connect, action.

For example, we have successfully used regression techniques on aggregated data to identify the impact of mass media and combined this with digital attribution modelling using cookie-level information to evaluate the full interactions. This means that the strengths of regression techniques, such as measuring longer-term effects, can be combined with the short-term focus of attribution modelling that is needed to make the most of the dynamic digital space.

We can also connect research data into the analytics ecosystem. We use consumer research to establish benchmarks for how channels might be expected to work. This enables us to get a better read on how an ecosystem might work, particularly in situations where detailed data is not yet available.

Combining results with other data sources, particularly individual customer transactions, is also proving very powerful. Again, it doesn't have to be complicated, although it can go that way quickly. In some cases, just connecting cookie data on what consumers have seen online with their transactions is helpful in understanding the final stages of the consumer's journey through the ecosystem.

We have been working on numerous client assignments in different markets, understanding more about evaluating the increasingly complex consumer journey. Of course there are some obvious themes emerging, such as how Paid media is significant in driving Earned communications in the right way; digital alone is not enough.

From our US experience, we find the typical contribution to sales from Owned and Earned activity (driven by Paid media) is in the range 0.5-2%, which we could not have detected without an ecosystem analytics approach. This has had a direct impact on the way media is planned, whereby planners are now able to determine synergies between these channels, how to maximise those and how they can translate into higher RoIs from media investment or savings for a client.

Within Paid media, the most effective channels for driving Earned activity tend to be Video (TV and Digital), Display and Print, which are usually good at stimulating activity on Twitter, YouTube and Facebook at rates in the range 20-30%. These particular Paid channels are the biggest drivers of Earned activity among these common platforms.

It seems obvious, but online activity is good at driving an online response, which then translates in part to a response in-store and a typically stronger response online. So the need for TV is potentially diminished, until you look more closely and see that this online journey works well to activate existing customers, but is weaker at driving new customers.

New customers often need a mass media trigger, and the brand effect generated will drive search, but often not by as much as you might think, as there are many other contributing drivers such as seasonality and competitor activity. The online bias of some customers also leads to some results we did not expect to see. For example, it's not uncommon to measure the online effect decaying over a longer time period than TV. Ultimately, there is considerable sensitivity to the target and the timing you need to get right to maximise the potential for an ecosystem, especially when considering the consumer response right through to a business outcome online or offline.

Significantly, once we have accounted for direct and indirect effects within the ecosystem and we optimise the mix, we are seeing potential RoI increases of around 20% for a brand. This is achieved by deploying the same investment more effectively across Paid channels, taking into account the interactions with Owned and Earned which drive better business outcomes, particularly sales.

This ecosystem analytics approach gives the client and the planner a deeper understanding of how different ecosystem touchpoints serve different purposes. This enables them to exploit these relationships through more effective media buying and planning. We have enough experience with ecosystem analytics to understand which content travels best through the ecosystem. Not surprisingly, some of the old rules still apply.

In the complex ecosystem you still need to use the data to filter out measures that actually matter. Developing a connected understanding is the best way to start to navigate the measurement challenge. Paid, Owned and Earned do serve different purposes and drive different metrics within the ecosystem but, ultimately, the metric that really matters is going to be a business outcome. This is why marketers need to set and track measurable goals, as highlighted in Speed Read – *Paid, Owned, Earned: Maximizing Marketing Returns in a Socially Connected World* (Source: Warc.com July 2012).

Discipline is still key in setting out how a campaign should work. Working closely with the planner on the development of the conceptual ecosystem is hugely beneficial. Even if you don't have the measures available, the rigour involved in setting out how you expect the campaign to work will in itself increase the RoI. The ecosystem approach makes 'test and learn' easier as we now have a digital environment where we can access the data we need and set up tests at low risk to get results faster.

Ecosystem analytics will become faster as we continue to build algorithms and databases that make the variety of data to which we have access, easier to manage. And this coming together of techniques is facilitated by technology akin to that which we have been developing, which makes the analytics scaleable across clients, brands and geographies. In particular, we take into account analysis of channels that have been difficult to measure in the past, e.g. digital and social, while automating outputs to make delivery timelier.

By using the tools we have, we can simulate complex optimisations for Paid media mix and timing, taking into consideration the full impact on Owned and Earned activity and, ultimately, on sales, in a matter of minutes.

We see the evaluation landscape becoming more connected, rather than being dominated by one all-encompassing technique. This is necessitated by the immediate client need for a more connected approach to strategy and planning, a trend that will certainly continue.

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