



Topic: Marketing or Media Mix Models and ROI

Working Group(s): WFA Insight Forum
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WFA contact: Ioana Danila i.danila@wfanet.org

INTRODUCTION

A member of the **WFA Insight Forum** requested information from the WFA network to gather perspectives from other WFA members on **Marketing or Media Mix Models and ROI**. Members were asked:

1. Do you use Marketing or Media mix models to generate an ROI on Marketing?
2. *If so*, what level do you create the ROI on? Sell-Out to consumer, Sell-in or profit?
3. Do you use the output in setting goals from a financial perspective? Please select what applies from the below options:
 - a) Using the output of incremental sales uplift as part of a sales target
 - b) Using profit ROI as part of a P&L reconciliation
 - c) Something else (please include a brief description)

The questions were posed to a representative sample of WFA members with expertise in Insights, and **14** of them provided the below feedback. **The full responses can be found below.**

1. Do you use Marketing or Media mix models to generate an ROI on Marketing?

Respondent 1: No, unfortunately we do not exploit the full potential of our MMM due to a lack of trust in the method

Respondent 2: Yes, we do

Respondent 3: NO. We are strongly against MMM as there are typically too many variables and not enough data for the model to hold.

Respondent 4: No, not really. I am not sure ROI (€) is the right metric to understand the effectiveness / success of marketing. It promotes short-term focused thinking. What we do, we try to understand how the different channels contribute to long- and short-term marketing KPIs, such as Awareness, Brand Image, Brand Affinity, Consideration, etc. It is not as rigorous as a MMM study, but somewhat deeper than a simple tracker.

Respondent 5: Yes, MMM is an important part of marketing measurement and optimisation.

Respondent 6: We're really at a very early stage when it comes to measuring the ROI of our marketing investments, in all honesty the measurement of campaigns is still often quite subjective and often done by our creative teams – although we are making progress and measuring ROI is a key objective for 2022.

Our primary focus for the past few years has been Account Based Marketing targeting key stakeholders within specific identified businesses. We have measured our performance by either feedback from our customer-facing origination team (sales) or direct contact from the company. Previously we have driven performance marketing where we have measured costs per Lead, Marketing Qualified Leads (MQL's) and Sales Qualified Leads (SQL's) and sale. This has all been in a B2B context where it is easier as we know exactly who we are targeting.

Respondent 7: Yes, occasionally

Respondent 8: Yes

Respondent 9: Yes, we use market mix models for our most important brands and countries.

Respondent 10: Yes



Respondent 11: Yes, we do use Media Mix Models, but not for ROI on Marketing rather we use it for determining channel mix for short term incremental sales. Media Mix models cannot fully account for long term effect of branding comms. Most CPG companies depend on branding comms to develop mental availability and penetration (refer Byron sharp – how brands grow).

Respondent 12: Yes, we started with Media Mix Modeling and have started breaking out the base and looking at other Marketing effects (transitioning into Marketing Mix Modelling)

Respondent 13: YES, we do, but given our budget and time constraints we only run MMM on selected brands and countries, this ~every other year

Respondent 14: Yes

2. *If so, what level do you create the ROI on? Sell-Out to consumer, Sell-in or profit?*

Respondent 2: Sell-out only

Respondent 4: As I said, if you focus on these metrics, your will reward marketing only for half of the objectives your brand should focus on. If that is fine with you, OK. But I believe you should always balance it out with long-term aspects as well.

Respondent 5: Gross profit as this gives the real ROI and enables better decision-making. When margins change, we build an ROI decomposition to explain drivers of change, we also report sell-out contributions. Sell-in is not used as we are trying to measure consumer response to advertising.

Respondent 7: Sell out

Respondent 8: Sell-Out & Margin ROI

Respondent 9: ROI is based on sell-out in a small number of countries where high quality data area available; for other countries we use sell-in data

Respondent 10: Retail sales value

Respondent 11: Instead of ROI driven we use a data-driven approach to understand marketing impact on brand and business outcomes. ie track development of relevant KPIs to steer the organization. We do however calculate channel ROI metrics like ROAS (using sell-out) for e.g. for search, but that is used mostly for campaign optimization.

Respondent 12: It depends on the sales channel, but we mainly work off net sales across eCom, Retail and Wholesale. ROI contribution to net sales across sales channels.

Respondent 13: We calculate the ROI on sell out to consumers, using IRI data and our internal financial data

Respondent 14: Modelling takes place using consumption sales data (sell-out) from suppliers like Nielsen & IQVIA as the dependent variable. Volumetric outputs are then converted into gross profit using internal data, in order to account for coverage shortages and to be able to compare ROI across brands.

3. *Do you use the output in setting goals from a financial perspective?*

Respondent 1: Something else: only for Media Mix Optimization and measuring the Impact of Communication campaigns

Respondent 2: a) *Using the output of incremental sales uplift as part of a sales target:* Usually not but I may not exclude that some local Business Units may incorporate some MMM findings in their sales strategies/plans

b) *Using profit ROI as part of a P&L reconciliation:* It may happen, but it is not normal practice

c) *Something else (please include a brief description)...* We also use MMM for driving Media spending planning across brands

Respondent 4: No, because we don't use it.

Respondent 5: a) Using the output of incremental sales uplift as part of a sales target

Respondent 7: c) We use the output essentially for media optimization purpose (level of invest, waves, types of media, formats etc.)

Respondent 8: c) ROI is leveraged to understand incremental sales, campaign performance as well as optimizing. Additionally ROI is an important metric and part of the organization's scorecard.

Respondent 9: Option a (sales target) is our most common use - but we also use outputs for other types of financial goal setting, primarily around efficiency.

Respondent 10: Option c) - input for planning tools, portfolio allocation tools and high level trade-offs between big levers.

Respondent 11: The output of MMMs is used mostly in annual media planning process as an input for creating media strategies. These are mostly executed at local market level with guidelines from global media and market research teams.

Respondent 12: As we have mainly used it as a Media topline planning tool, we look at ROI by sales channel and by media tactic (driving to the net sales) – looking at what business unit drives best ROI (net sales and halo sales). It is then used for local net sales forecasting and scenario planning in the key countries – EU, China & US. If we spent more in 'brand' campaign, what would be the net sales forecast vs spending more in commercial campaign? So factoring in diminishing returns of the various tactics and optimal splits for media

Respondent 13: We use the outputs to optimize our media / promo plans for the following year, using simulators and strategic objectives (it's 'art & science'), in order to be as efficient as possible

Respondent 14: Not directly. MMM output is mainly used to simulate and quantify the future sales impact of marketing activity. This is captured in annual planning, and thus may be part of the P&L, but the approach is not mandated, as MMM coverage is not universal.

ADDITIONAL INFORMATION

You can find our knowledge on related topics on our [Global Knowledge Base](https://www.wfanet.org/knowledge-base). You will need to be logged in to download any files. WFA members can click here to register www.wfanet.org/register or contact membership@wfanet.org

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1. Contact WFA team with the specific question you would like peer to peer feedback for
2. WFA will check there are no potential competition compliance issues with the question
3. WFA sends an anonymous question to other **non-competitor** members and collates the feedback
4. The combined results will then be checked by our competition lawyers
5. The consolidated **anonymous** results will be shared with all those who participated in the information exchange

Contact [loana.danila](mailto:loana.danila@wfanet.org) for more information.

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