

The evolution of effectiveness

May 2022



Returns to
marketing
are on the
up

The best laid
plans use
40-50%
online

There are 2
tasks for
online
advertising

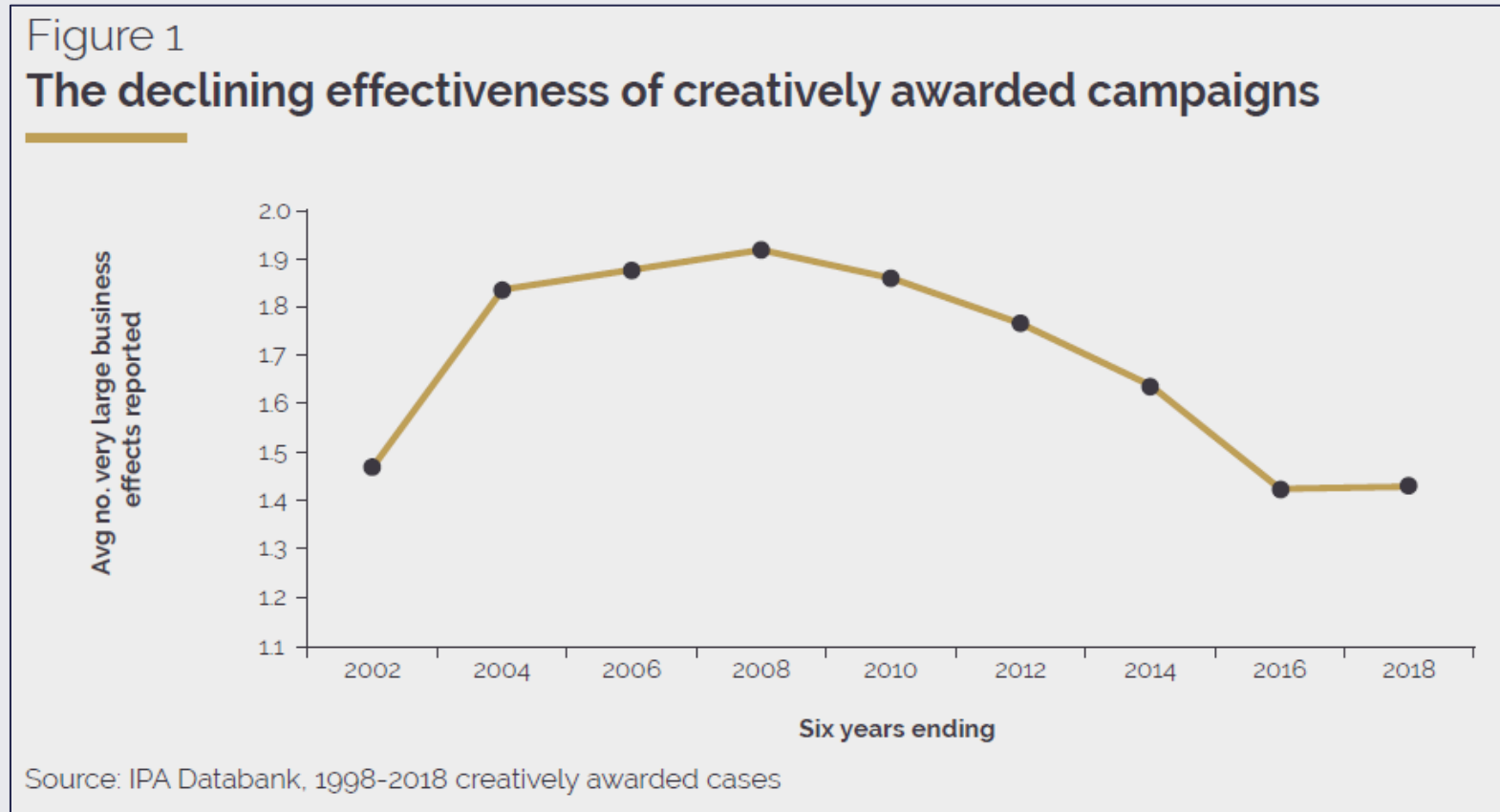
Q&A

Returns to marketing are on the up



2019: Peter Field's crisis in creative effectiveness

From an analysis of entries to the IPA awards



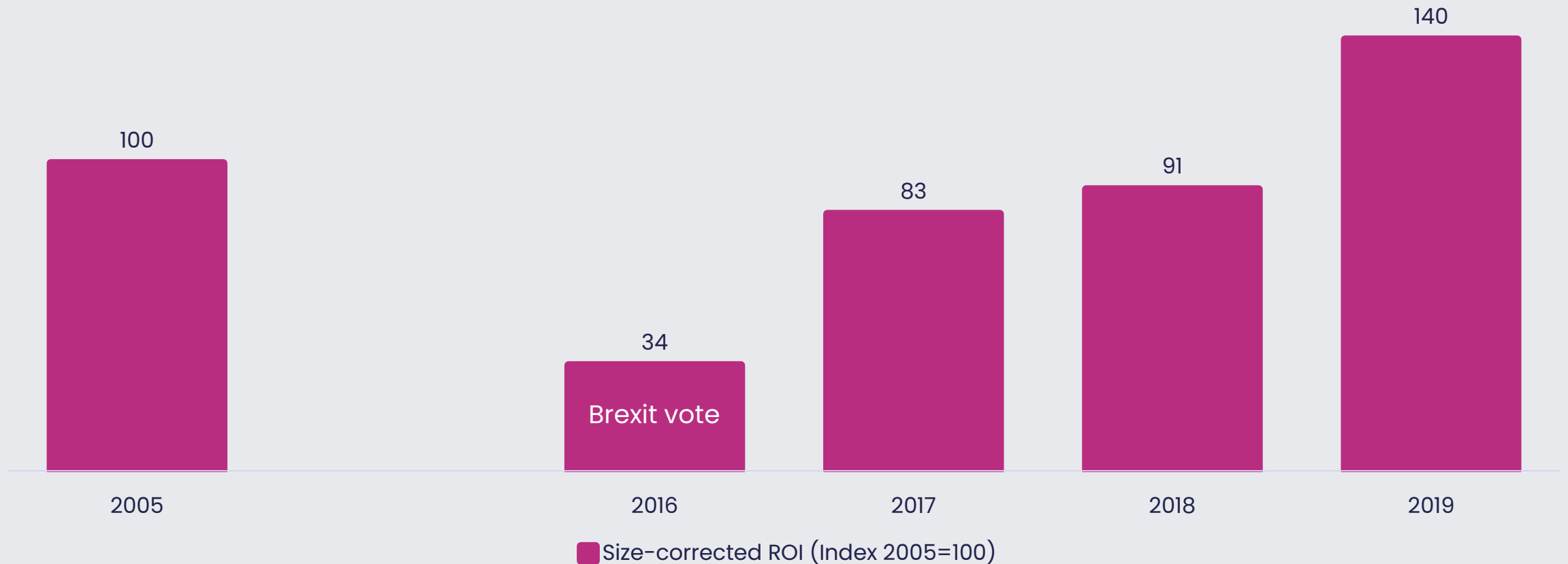


arc
advertising
research
community

If there was a general crisis in effectiveness, it's now over

Outside award entries recent ROIs are in line with 2005 and increasing

Size-corrected index for revenue return from £1 spent (2005=100)



Effectiveness in flux as online finds its place in the mix

And marketers learnt how to use it properly

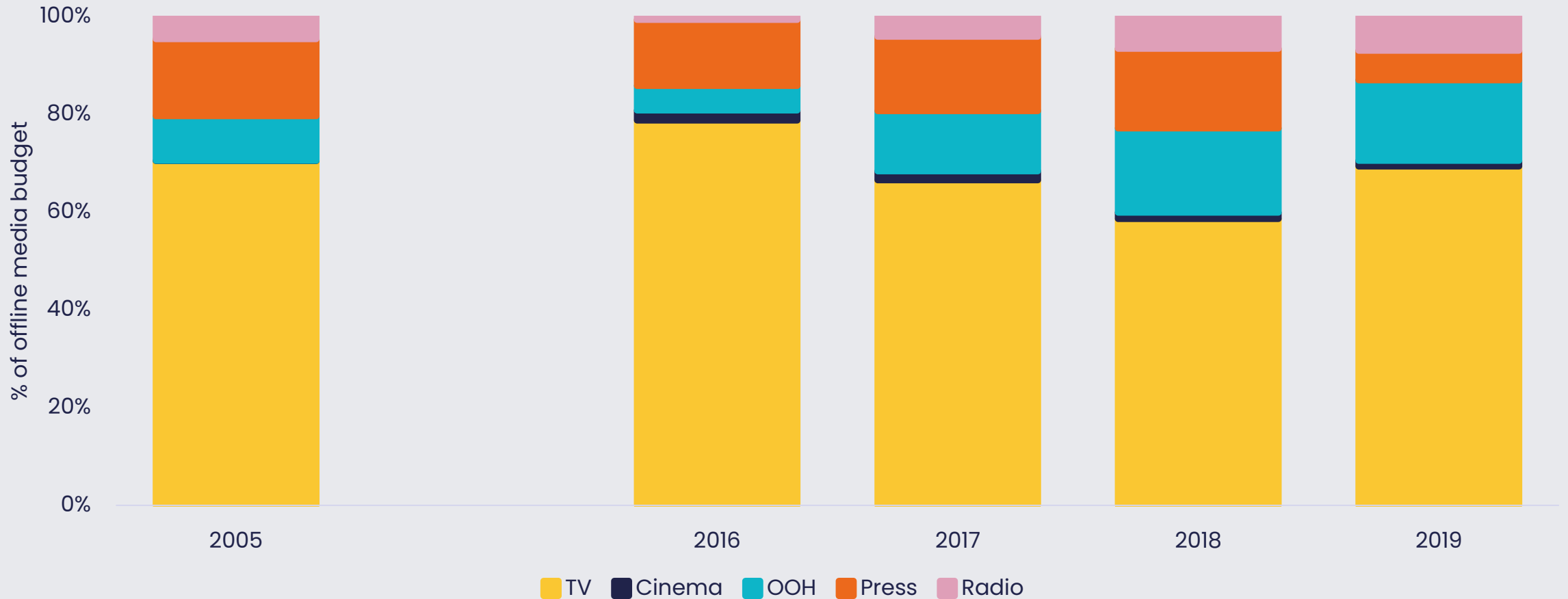
Size-corrected revenue ROI and online % of budget



The media mix within offline has been stable

A mature mix of mainly TV with OOH, press and radio

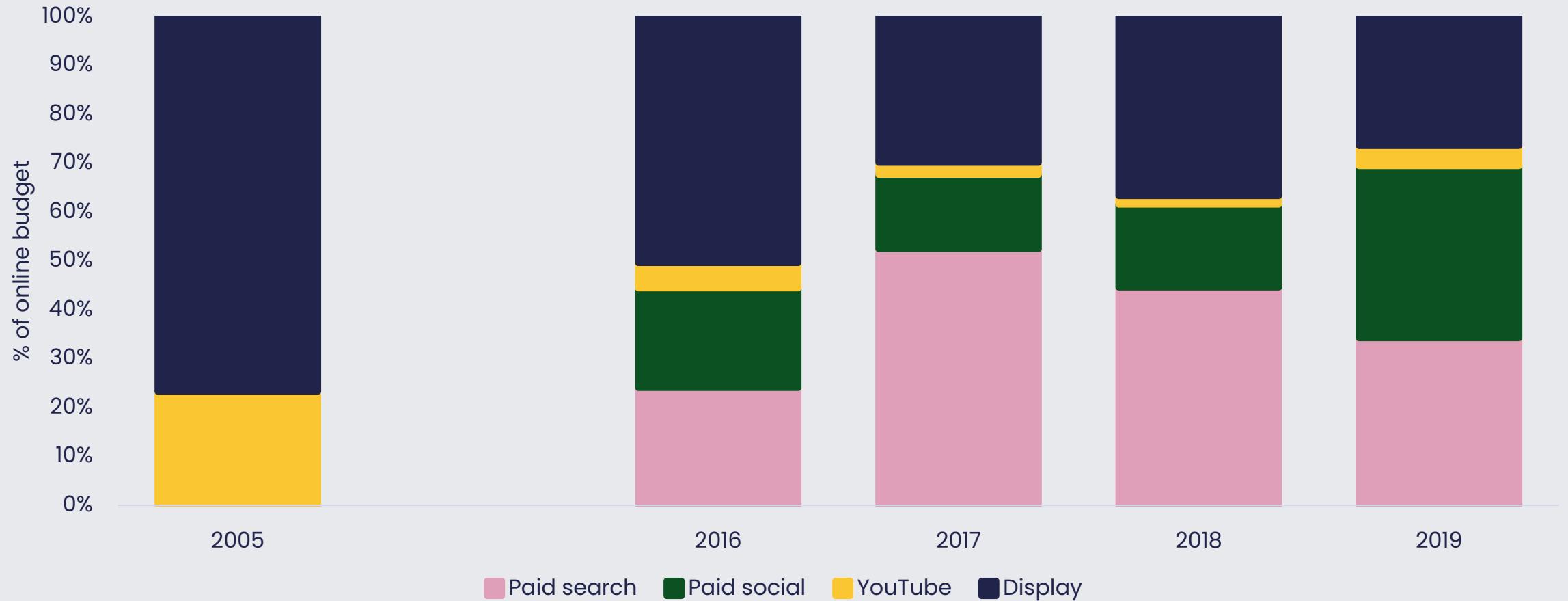
Media mix within offline



But within online, there are sweeping changes during the period ROI is increasing

This experimentation is the likely explanation for increasing effectiveness

Media mix within online



So.....

**It's time to move away
from the crisis narrative**

and....

**Never stop learning-
by-doing... it works**

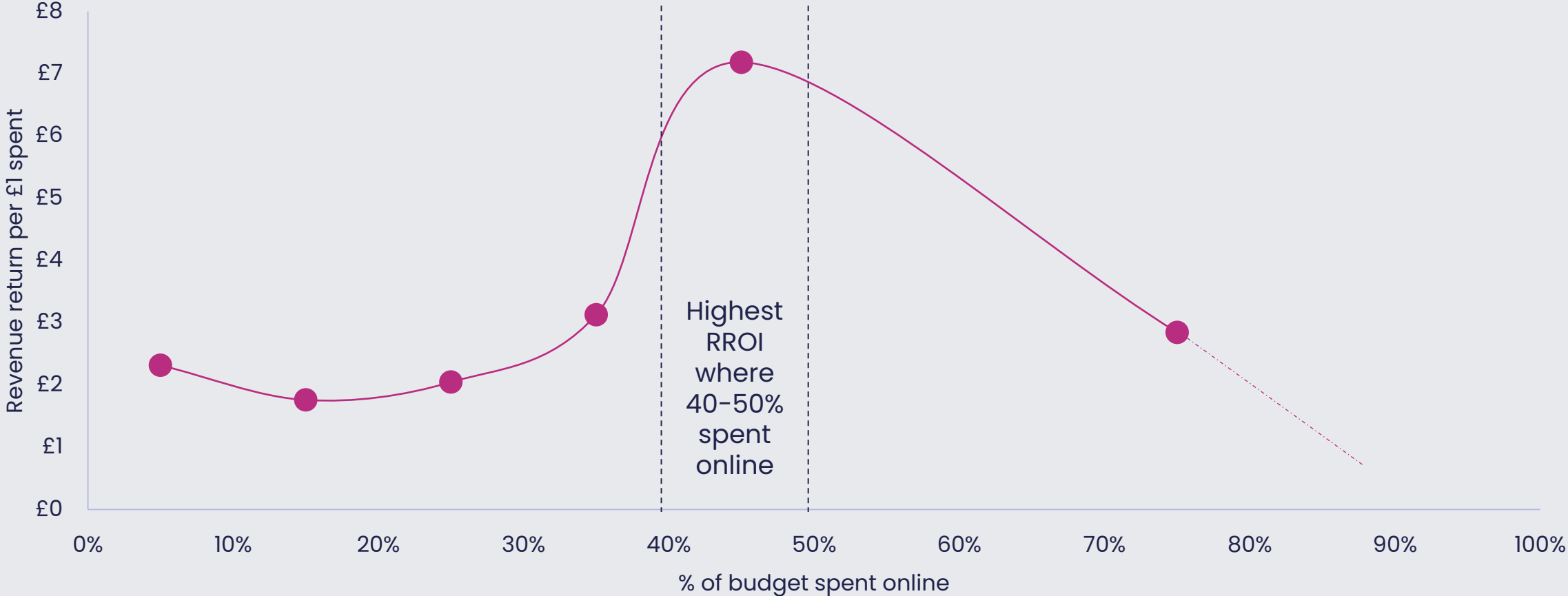
The best laid plans use 40-50% online



Revenue per £1 spent is highest when 40-50% of the budget is spent online

Based on this simple analysis of very rich data

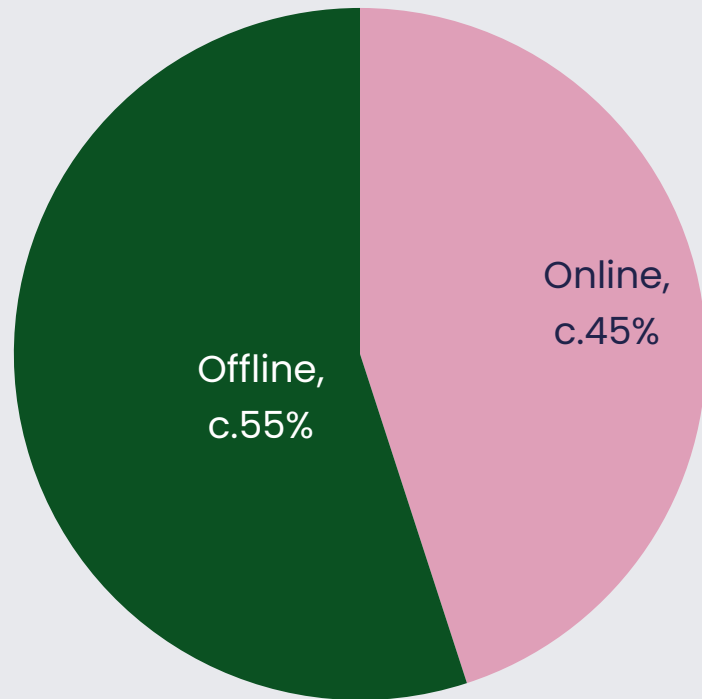
Relationship between % of budget spent online and revenue ROI



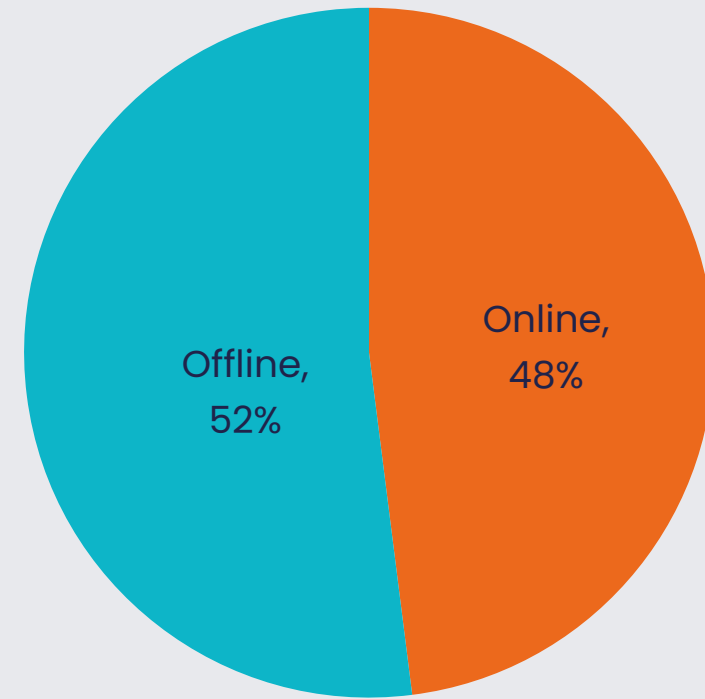
As of now there is no over-investment into online channels

In 2019 UK PLC was at 48% - exactly the "just right" zone

Optimum budget split
(arc analysis)



UK overall spend split in 2019
(GroupM data)



So... allocate up to
40-50%
of your budget to
online channels

There are 2 tasks for online ads



Task 1:
**An investment into getting new sales – that
you wouldn't otherwise have got**

Task 2:
**Help people that are already on their way to
your website to arrive safely**

The existence of the 2nd task explains the macro data

Businesses that want to sell on the internet need to be visible there

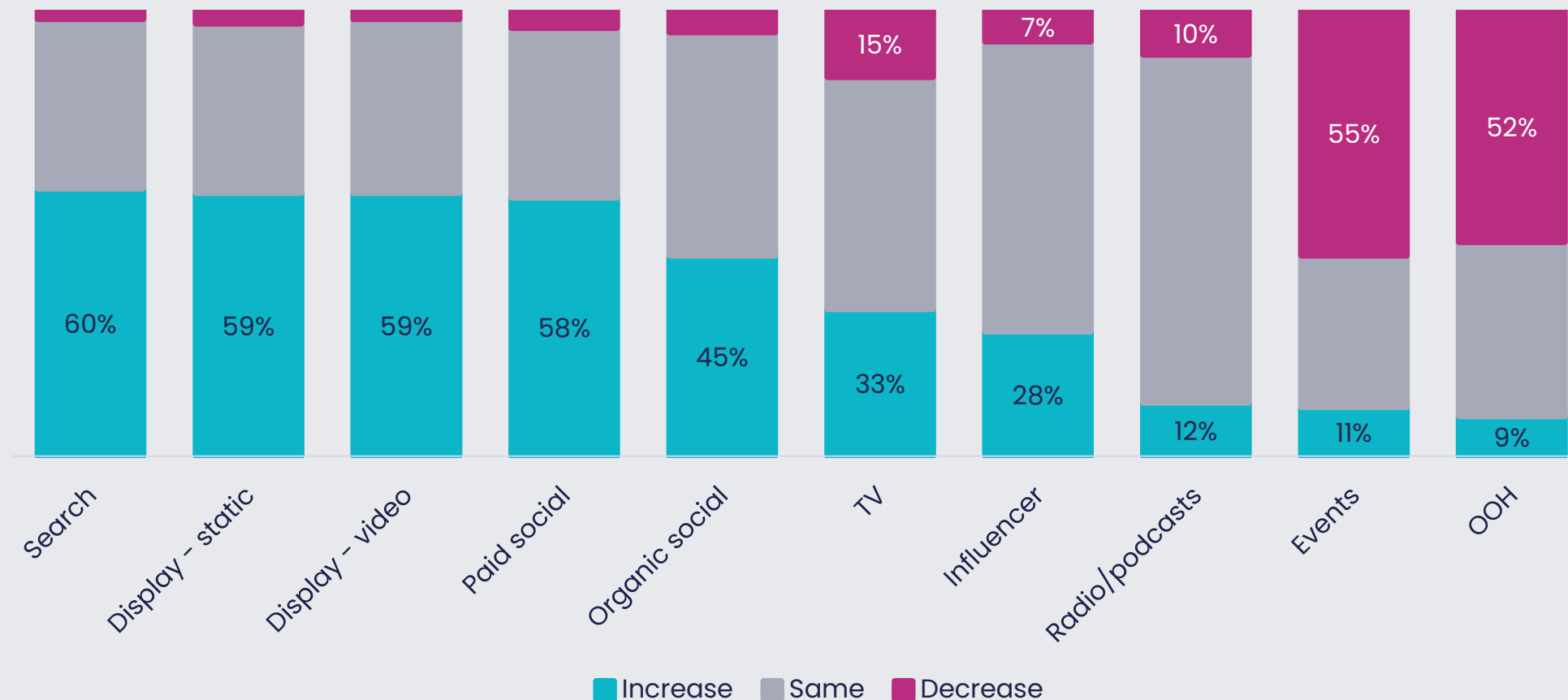
Share of online in retail sales and advertising budgets



And the reaction to covid 19

Offline budgets fell, as is normal in recession, but as shopping went online, so did ad budgets

Compared to before covid-19, how is your use of these channels changing?



We need new language to talk about the 2nd task

For us as an industry and when thinking about how to spend our money



Byron Sharp

It's just another type of physical availability



James Hankins

It's different enough for a new name: digital availability



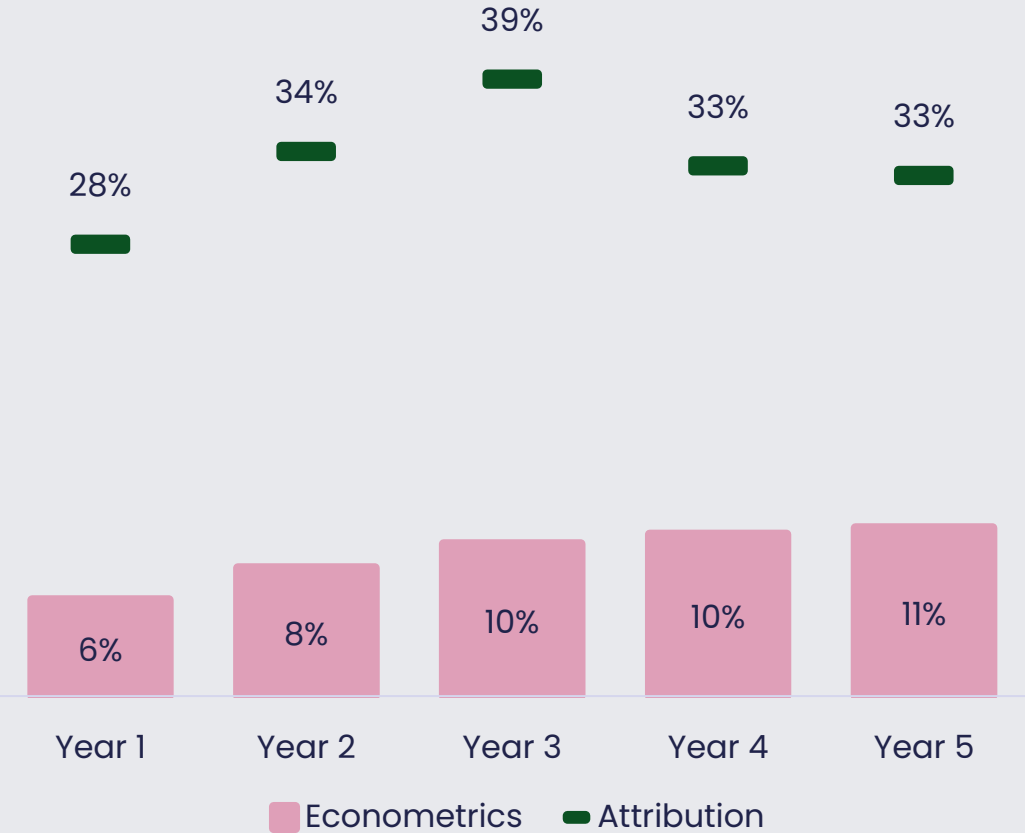
Grace Kite

These ads are the new rent – they replace physical things like buildings and signposts

We also need new decision tools

Attribution is often just counting everyone that walks past the signpost

Contribution of search and shopper (%)



Once someone has clicked on a google ad, anything they buy in next 30 days is attributed to that ad



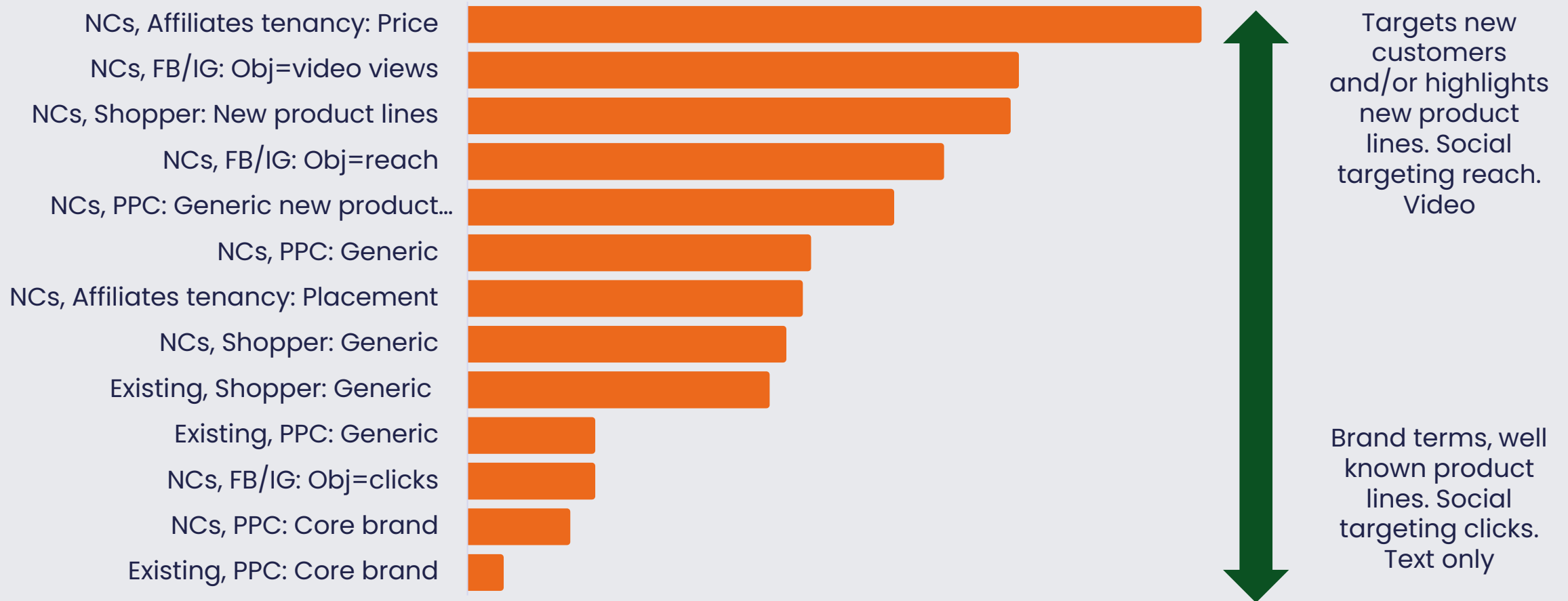
Econometrics shows that only c. 1/3 of these are incremental

Source: magic numbers econometrics

Targeted test and learn: Identify which are most and least incremental

Then switch off tests where savings likely to be highest

% of attributed sales visible in econometrics



So... allocate budget to both tasks

Task 1: Generate new sales

Brand:

Build future demand

Get to be known

People not in market now

People that need help to trust an online brand

e.g. TV, YouTube, OOH, radio/podcast, social

Performance:

Harvest current demand

Pool of people that are currently shopping

Get them to buy you

e.g. Paid search for generic terms, social

Task 2

Rent-like ads:

Have a shop on the high street

Be visible when people who already know you are trying to find you

e.g. Paid search for brand terms, affiliates, programmatic, social



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