Accountability:
A Guide to Measuring ROI and ROO Across Media

brand awareness

message association

efficiency

ROO

purchase consideration

ad effectiveness

ROI

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quantifiable results

productivity

brand favorability

brand share

cross-media analysis

marketing performance

profit margin

action-taking

Accountability:
A Guide to Measuring ROI and ROO Across Media

"Marketing accountability is the foundation for improving marketing, building business performance, enhancing productivity and streamlining critical processes. That is why the drive to embed accountability as a core marketing discipline will only increase. With it will come enhanced marketing ROI."

— Bob Liodice, President and CEO, Association of National Advertisers

A Resource for Advertisers, Agencies, Marketing and Media Professionals

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Accountability: A Guide to Measuring ROI and ROO Across Media

Accountability has always been an important part of the advertising process. So why do the words “accountability” and “ROI” seem to occupy so much more of advertisers’ thoughts and time today? The answer is not a simple one, and numerous factors have influenced corporate attitudes, but essentially, “why” can be boiled down to:

Corporate expectations have changed.

Why focus on accountability?

With corporations under increased pressure to show that every dollar they spend delivers results, marketing expenditures are now being held to the same level of accountability as other investments.

Clients expect to see detailed, quantifiable results for their marketing and advertising efforts that demonstrate a positive return on their investments. They want to know which elements of their marketing plan helped achieve their goals in the most efficient manner—and which did not—and be able to allocate their budgets on an ongoing basis accordingly.

“There’s a new accountability in marketing that hasn’t been there in the past. Companies are beginning to realize that it’s important for their marketing strategies to be aligned with their business strategies.”

— Karen Haefling, Chief Marketing Officer, KeyCorp

This corporate attitude change comes just at a moment in time when advertisers face major challenges because:

Consumers are more difficult to reach than ever.

Reasons include:

- Media options available to consumers have increased.
- Technologies that have been designed to suit consumers’ growing desire to be in control of what they see and hear have given consumers the option to reject advertising messages.

To determine what will yield the best results in planning their advertising efforts, advertisers and their agencies turn to research and analytic tools more and more to guide them in making decisions. However, the multitude of analytic options has led to confusion about what constitutes accountability and how to measure it.

In response to the need for clear information regarding accountability, this guide provides a clearly organized, easy-to-use resource, with insights on:

- **What accountability is**
- **How it is measured**
- **What has been learned to date**

Before advertising accountability can be examined, the first challenge facing advertisers is defining just what accountability is. A full 70 percent of top marketing executives in the 2004 Forrester-ANA Marketing Accountability Study said it was "somewhat or very difficult" to agree on a definition of accountability.

What is accountability?

The survey listed multiple definitions of advertising accountability, which fell into three categories:

- **Brand:** Awareness, Attitudes, Purchase Intent, Gross Rating Points (GRPs), Reach/Frequency, Media Post-Buy, Financial Value of Brand Equity
- **Direct Marketing:** Number of Leads, Cost per Lead, Cost per Sale, Lifetime Value of a Customer (LTV)
- **Sales:** Total Sales, Incremental Sales, Market Share, Ratio of Ad Spend to Sales

Respondents were asked to identify which definitions they use (with more than one selection allowed). Their responses reveal the complexity of coming up with a simple definition of accountability:

- On average, respondents chose 5.8 definitions
- 51 percent tracked at least one metric in each of the three categories
- 77 percent tracked both brand and sales metrics

Although no one definition of accountability can be determined, ultimately "accountability" means insuring that advertising performance achieves results—whatever the desired objectives might be.

Accountability Starts with Understanding the Consumer

Making effective marketing decisions requires understanding how the consumer processes information as he or she moves toward a purchase decision. To that end, several organizations have developed purchase decision models (also called purchase funnel models) that show how marketing and advertising efforts affect consumer attitudes and behavior.

The model below, an example supplied by Dynamic Logic, represents one framework for illustrating the consumer-advertising interaction during the purchase process, but all such models typically recognize the following sequence:

- Consumers have brand awareness levels and perceptions that precede advertising/marketing efforts (except for new products)
- Consumers must associate a message with a brand if that message is to influence consumer attitudes and behavior toward the brand
- A positive attitude toward a brand precedes and contributes to purchase consideration

Each phase of the consumer decision-making process offers advertisers opportunities to gauge how well their advertising message is being received and then adjust their plans based on findings.

"Marketers are shifting from input-based to outcome-based plans and measurements. Where once they asked, 'What is the cost per thousand of the audience I am buying?' Today they are demanding, 'How many people came through the purchase funnel into my store as a result of this campaign?'"

— Randall Rothenberg, Director of Intellectual Capital, Booz Allen Hamilton

How do you measure where consumers are in the continuum?

Measuring accountability

Even as the consumer decision-making process provides advertisers with a framework for looking at accountability, ultimately advertisers need to quantify results. The major ways results can be measured are by looking at:

- **Proof of Advertising Performance**, which tracks the delivery of advertising against expected goals
- **Return on Objective (ROO)**, which examines marketplace response for advertising and marketing programs against preset objectives
- **Return on Investment (ROI)**, which measures the relative efficiency of various marketing tactics (such as advertising/promotion mix, media mix, scheduling options, etc.) against marketplace performance (typically reported as sales results)

"Companies showing a commitment to measuring marketing tend to be better at delivering profitable revenue growth."

— CMO Magazine

Measuring Proof of Advertising Performance

The measurement of advertising performance is essentially an audit function, which tracks whether advertising ran when and where expected and whether advertising delivered the projected audience or circulation. It provides answers to questions, such as:

- Did an advertiser's ads actually run?
- Did the ads run in the scheduled time periods/issues?
- Did the ads run in all the anticipated markets?
- Did the ads get the expected placement/timing?
- Did the ads run with a satisfactory competitive separation?
- Did the delivery of the ads exceed or fall short of the projected audience/circulation numbers?

In determining whether advertising ran as expected, advertisers examine actual or reported delivery by reviewing schedules and/or a physical representation of the medium (tapes, copies, etc.).

Media audience/circulation delivery is evaluated in different ways, e.g., broadcast media are measured in specific dayparts, print media by issues.

In assessing overall delivery, advertisers and agencies take the schedule that ran and examine the audience/circulation, looking at:

Number of Announcements or Insertions x Audience or Circulation = Actual Delivery

They then compare the actual delivery to expected goals.

Advertisers seek improved measures for audience and circulation across media. For example, they are requesting faster delivery of data and larger sample sizes to increase reliability. Given the increasing complexity of media included in advertising plans, new companies are emerging to assist advertisers and their agencies in examining schedule integrity and delivery.

"More and more, we are measuring advertising success based on return on objective (ROO). With the increased pressure on accountability, ROO provides a means to determine the success of an advertising effort and the media elements within it, using quantifiable goals as a benchmark."

— Renetta McCann, Chief Executive Officer, Starcom MediaVest Group

Measuring ROO

When measuring return on objective (ROO), the basic question asked is "Were my marketing/advertising goals achieved?"

The measurement of ROO can include a variety of objectives, such as:

- **Changes in Consumer Attitudes**, based on tracking attributes that could include awareness, message association, brand favorability and purchase intent.
- **Shifts in Consumer Behavior or Marketplace Response**, based on examining metrics, such as:

— Sales
— Coupon redemption rates
— Business reply card response rates
— Website visits
— Web advertising clickthroughs
— Phone responses
— Amount of store traffic
— Recommendations to others
— Saving ads for future reference

Surveys are commonly used to measure ROO. As an example of using surveys to measure changes in consumer attitudes and behavior, Affinity's VISTA Print Effectiveness Tracking Service examines how different magazine creative executions and vehicle selection contribute to consumer action. On average, their work shows that 50 percent of magazine readers took or plan to take action as a result of exposure to specific magazine ads.

Actions Readers Took or Plan to Take as a Result of Exposure to Specific Magazine Ads

Have a more favorable opinion about the advertiser	16 %
Recommend the product or service to a friend, colleague or family member	15
Gather more information about the advertised product or service	12
Visit the advertiser's website	12
Consider purchasing the advertised product or service	9
Visit a store, dealer or other location	8
Purchase the advertised product or service	7
Save the ad for future reference	5
Took any action (net)	**50 %**

Source: Affinity Research VISTA Print Effectiveness Tracking Service, 2005; Base: Actions taken based on respondents recalling specific ads

When measuring ROO, it is important to know that the survey being used to determine performance conforms to survey measurement best practices, taking into account factors such as:

- Surveys often rely on consumer intentions—not on actual actions. For example, not all consumers who state that they intend to purchase something when answering questions for a survey actually follow through on that intent.
- Results will vary over time. It may be important to track attitude and behavior shifts across several time periods to understand changes in what is being measured versus assessing only a single point in time.

Measuring ROI

Measuring results such as changes in consumer attitudes and reported behavior are important, but often the foremost result that interests advertisers is return on investment or "ROI," which examines questions such as:

- What did I get back ("return") for the money I was asked to spend ("investment")?
- Am I making or losing money for each dollar invested?
- What is the relative payback (or loss) of each element that I am using?

"Every brand in every country that has done marketing mix modeling or marketing ROI [analysis] has improved the productivity of its marketing spending without exception."

— A.G. Lafley, Chairman and CEO, Procter & Gamble

Traditionally, ROI measures were direct marketing's purview because cost relative to return could be analyzed on the basis of measures such as cost per lead, cost per response, etc.

Recent advances in technology have allowed more complex data to be analyzed less expensively and more quickly, which has spurred the growth in ROI measurement of general advertising and marketing elements. Techniques such as marketing mix modeling were introduced in the 1990s and have expanded to meet the increased ROI measurement demand from marketers.

While consumer packaged goods companies were among the first to conduct this analysis, a broader set of industries has since applied marketing mix modeling for their brands, including categories as diverse as pharmaceutical/OTC, automotive, financial services and retailers.

But just what is marketing mix modeling, and how does it work? The next section will answer some of the major questions frequently asked about marketing mix modeling.

Marketing Mix Modeling Basics

"The science of measuring advertising effectiveness has evolved to the point that we now know which part of our advertising budget is working and which isn't."

— Bob Eckert, former CEO, Kraft Foods

What is marketing mix modeling? Marketing mix modeling is a statistical technique based primarily on pattern recognition. This analysis compares week-by-week, market-by-market patterns in advertising and marketing elements to patterns in sales. When the patterns match, the incremental sales are attributed to the elements that drove sales.

As part of the process, marketing mix modeling quantifies the contribution and efficiency of each marketing element relative to incremental sales, while controlling for and measuring nonmarketing elements that influence sales, such as weather, economy, etc.

Media mix modeling, a subset of marketing mix modeling studies, includes only the influence of advertising media, not the full marketing mix, on results.

Successful marketing or media mix modeling relies on accurate and specific inputs for each brand being studied, and, therefore, each product has a unique set of findings. According to Leslie Wood Research, "The key to accurate and useful marketing mix modeling research is to have lots of data — many weeks and many markets, and to have 'interesting' patterns (highly variable data) across those weeks and markets for both advertising and sales."

What inputs are commonly used? Marketing mix modeling can measure any marketing activity that has quantifiable results, if sufficient and accurate data are available. Thus inputs for marketing mix modeling can include both incremental and baseline sales drivers.

Incremental sales are attributable to, or a result of, the specific marketing elements being analyzed in the marketing mix.

Baseline sales or "nonmarketing influenced sales" are not directly attributable to marketing.

Incremental sales drivers can be adjusted by marketers to influence sales. They may include:

— Magazines
— National TV
— Spot TV
— Newspapers
— Events/sponsorships
— Halo/umbrella advertising
— Outdoor
— Radio
— Online media
— Financial incentives (e.g., APR, rebates)
— Promotions
— Direct marketing activity
— Creative messaging

Baseline drivers are not fully controlled by the marketer and may include:

— Purchase seasonality
— Competitive activity
— Impact of special events (e.g., the Olympics, elections)
— Distribution
— Public relations
— Word of mouth
— Economic climate
— Weather

"There is a huge gap in marketing effectiveness between companies that are using marketing and media analytic tools and those that are not. A cross-functional approach to analysis of marketing optimization is a characteristic of the more capable companies."

— Ed See, Chief Executive Officer, Marketing Management Analytics (MMA)

The more variables incorporated into the marketing mix model, the more accurate the analysis will be. Typically, a marketing mix modeler requires an advertiser to supply:

— Three years of marketing activity data
— Amount of money spent for each activity
— GRPs/TRPs, when available
— Data divided into weekly increments

Other factors can influence results as well, including:

Brand versus umbrella effects: The impact of marketing done specifically for the individual brand being analyzed versus the effect of overarching corporate or portfolio messaging on the brand being studied.

Halo effects: The effects of "sister" brands in a corporate portfolio on the brand being studied.

Saturation: The point at which advertising no longer drives sales, or does so at a minimal rate—sometimes referred to as the point of diminishing returns.

Relevant, but often overlooked, is the inclusion of production costs in marketing mix modeling analysis. Production costs affect the efficiencies of specific marketing elements, because there is wide variation in production cost among them.

What are the strategic implications of marketing mix modeling results? Companies that fully implement marketing mix modeling into their approach change the way they plan, implement and assess their marketing programs. Some of the ways in which companies change their marketing because of marketing mix modeling analysis include:

— Amount of overall marketing investment
— Allocation among marketing elements
— Media allocation
— Response to competitive activity
— Scheduling
— Geographic allocation
— Creative messaging

What are the benefits of marketing mix modeling? Companies who use marketing mix modeling have cited a range of benefits, including:

— More efficient promotions and advertising
— Improved margins
— The ability to out-promote the competition
— Timely, actionable reports for faster planning and decision-making
— Increased communication because of shared language and discipline throughout the company
— Performance that falls closer to expectations, providing greater efficiency in resource allocation

“While marketing mix modeling has offered marketers tremendous value in improving their marketing programs, it has also provided the means to understanding how important factors outside of marketing, such as distribution, weather, economic impacts, etc., have affected their business performance.”

— Peter Szarka, Partner, Hudson River Group

Important points to remember when using marketing mix modeling:

Marketing mix modeling is based on historical data. Although history reveals important information for making decisions about the future, specific advertising conditions that occurred during the period studied cannot be exactly duplicated going forward. Also, because learning is limited to the brand’s experience, elements not previously used cannot be studied.

Marketing mix modeling as a technique does not tell a marketer what to do. It provides insights that can be used in guiding future actions.

Marketing mix modeling findings may be enhanced when understood alongside other research.

Larger patterns of how different elements work are often more illuminating than results for a specific element, for example, providing better understanding regarding marketing and media elements’ ability to work more or less effectively based on scheduling patterns.

The relative contribution of each marketing element is a function of both its effectiveness and the amount of funding behind the marketing, i.e., how much each marketing element contributes before the law of diminishing returns comes into effect is dependent on its inherent effectiveness and the size of the budget it receives.

While paybacks from marketing mix modeling insights are influenced by the quality of the creative and the media plan, **larger brands enjoy a significant built-in advantage.** Because of its scale, the larger brand needs a smaller increase in sales to recoup its advertising outlay.

Saturation occurs at different points for different media and depends on the size of the relevant target and how much weight is applied against it.

Marketing impact varies for different elements: some elements have longer lasting effects, while for others, effects erode more quickly, i.e., they experience “advertising decay” faster.

Marketing and advertising programs that support the benefits of a specific brand typically outweigh the cross impact from related brands (halo) or umbrella efforts.

The media or marketing mix alone is not always the main reason for its performance—other factors related to the brand and its particular circumstances can affect results, e.g., creative messaging or competitive activity.

For umbrella efforts to be measured accurately, advertising/marketing efforts should be measured on all brands that fall under the umbrella to calculate effectiveness and efficiency correctly.

Advertising accountability: Lessons learned

Across media and brands, different analytic methods, such as marketing mix modeling for ROI and surveys for ROO results, have revealed some general truisms about advertising and accountability, including:

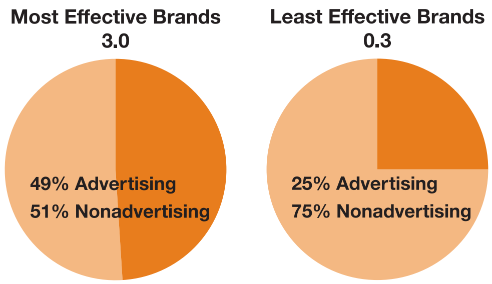
- Advertising usually works better than expected
- A more balanced marketing mix is likely to improve results
- Media saturation affects ROI
- Each medium in the media mix contributes to results in its own way

Advertising Usually Works Better Than Expected

One of the most important findings from accountability research is that it demonstrates that advertising generally works—it effectively influences consumer attitudes and behavior.

In a study entitled "Measuring the Mix," researchers from Marketing Measurement Analytics (MMA) analyzed 140 brands. Results demonstrated that brands that spent a higher percent of their marketing budgets on advertising received a ten times greater return (3.0 versus 0.3) on their overall marketing investment (based on 59 brands with sufficient data).

Marketing Effectiveness by Quintile



Source: Measuring the Mix, Marketing Management Analytics, 2002; Base: 59 of 140 brands

"What Drives Automotive Sales," a study conducted by Hudson River Group, documented advertising return for three automotive brands. Results showed that each of the three brands measured returned at least three and a half sales dollars for each dollar spent in advertising. The average was nearly a ten-fold return.

Incremental Sales per Dollar Spent

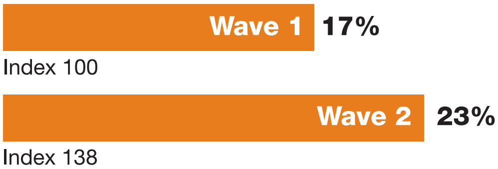
Brand A	Brand B	Brand C	3 Brand Average
$ 19.97	$ 3.47	$ 5.97	$ 9.80

Source: What Drives Automotive Sales, Hudson River Group, 2002

A More Balanced Marketing Mix Is Likely to Improve Results

Accountability studies show that when the marketing mix is allocated among a larger set of marketing/media elements, results often improve.

Changes in Marketing Allocation of Brand Studied Led to 38% Increase in Association



Source: Starcom MediaVest Group/Market Contact Audits, 2004/2005

Starcom Mediavest Group conducts ongoing proprietary research that quantifies the experiences consumers have with marketing communications relevant to the brand and its category. They continuously use results from their research to refine marketing programs, including examination of the mix.

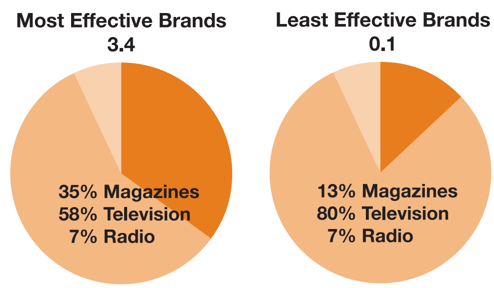
In the example shown (left), the budget for one of their consumer products brands remained unchanged, but the mix was refined between wave 1 and wave 2 to include a broader range of marketing elements. The new media combination resulted in improved association—one of the metrics measured—for the brand.

Another example demonstrating the benefits of a more balanced media mix was seen in MMA's media mix modeling study "Measuring the Mix." This study demonstrated that ROI increased when the advertising budget was more fully represented across media.

"The act of doing ROI analysis or evaluating the effectiveness of promotion is critical to determining proper resource allocation."

— Paul Rabideau, Executive Director, Marketing Science and Portfolio Analysis, Novartis

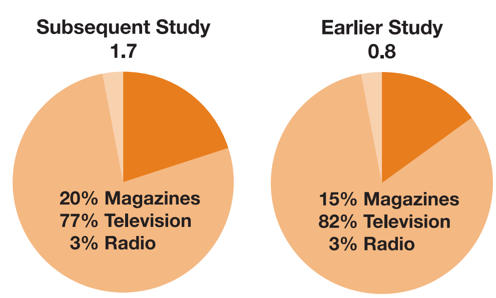
Average Media Effectiveness by Quintile



Source: Measuring the Mix, Marketing Management Analytics, 2002; Base: 59 brands

In "Measuring the Mix," a separate analysis compared the effect of changing the media mix for the same brands over time. When five percent of the media mix shifted from television to magazines, average media effectiveness more than doubled for the same brands.

Average Media Effectiveness Same Brands Over Time



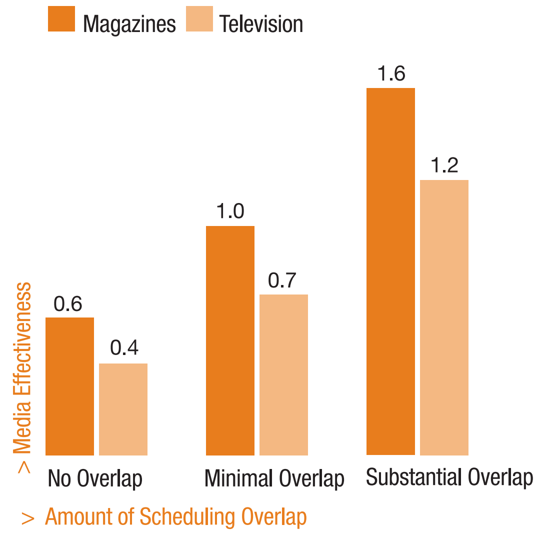
Source: Measuring the Mix, Marketing Management Analytics, 2002; Base: 36 brands

“Developing cross-media research tools and insights is the number one research issue among advertisers today.”

— Bob Barocci, President, Advertising Research Foundation (ARF)

Proof of the benefits of balancing the media mix extended to scheduling. By analyzing the weekly flighting of magazines and TV at the brand level, “Measuring the Mix” showed that the overall effectiveness of both magazines and TV—and the individual effectiveness of each medium—was the highest when there was substantial overlap in weekly scheduling, i.e., when more mix occurred.

Impact of Scheduling Overlap



Source: Measuring the Mix, Marketing Mix Analytics, 2002;
Base: 56 Brands with weekly data available

Media Saturation Affects ROI

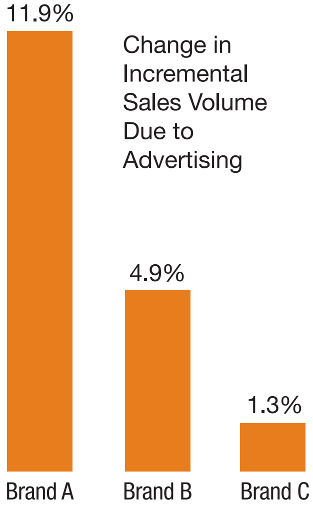
If a media mix shows saturation (the point at which advertising no longer drives sales), it shows that allocation to another medium would improve results; in fact, it demonstrates that there was “wasted money”—money that could have been better used in other media to grow sales. For example, Hudson River Group’s “What Drives Automotive Sales” revealed that the money allocated to TV often exceeded the point of diminishing returns, whereas magazines were rarely saturated.

Percent of Weeks Above Saturation

	Brand A	Brand B	Brand C	3 Brand Average
Television	39%	53%	51%	48%
Magazines	0%	2%	0%	1%

Source: What Drives Automotive Sales, Hudson River Group, 2002

Benefit of Reallocating "Excess" TV Weight



Source: What Drives Automotive Sales, Hudson River Group, 2002

"What Drives Automotive Sales" also showed that by reallocating the "wasted" funds into magazines, ROI increased for all the brands studied by as much as 12%, as illustrated (left).

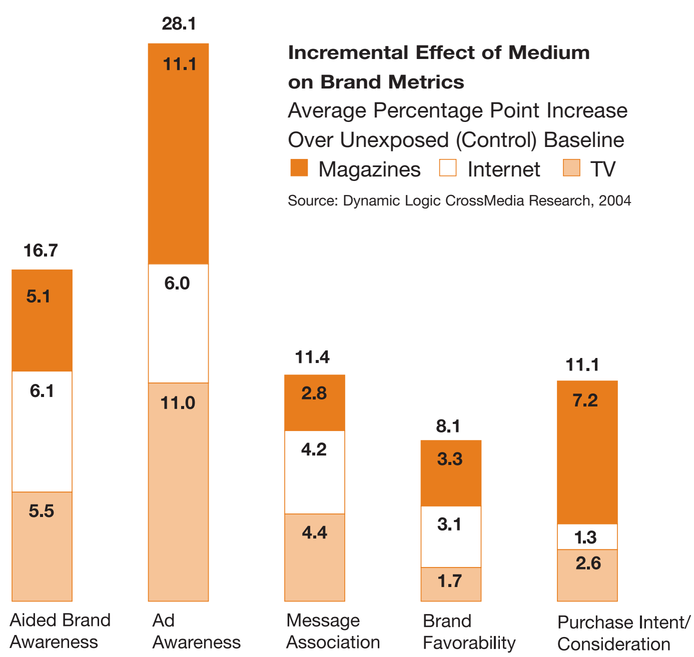
Each Medium in the Media Mix Contributes to Results in Its Own Way

ROI analysis shows *how much* each element of a marketing plan contributes to sales. However, it does not show *how* a medium contributes to sales.

Survey techniques that compare media exposure to results have been developed to help reveal how each medium in the media mix plays a distinctive role at different points in the purchase process. A recent study from Dynamic Logic tracked how each of the media studied affected advertising's impact at various stages of the purchase process. Their findings included:

- At the outset, the three media studied contributed similarly to increasing brand awareness
- TV and magazines were best at advancing ad awareness
- TV and the Internet were best at aiding message association (which could be a function of creative effectiveness)
- Magazines and the Internet influenced positive brand favorability the most
- Magazines excelled at increasing purchase intent: 64 percent of purchase intent was attributed to magazine advertising

Magazines Contribute Throughout the Purchase Cycle



“Return on investment—ROI—is the hottest buzz word in advertising and media; it has been for at least two years and will continue to be for another decade.”

— Jack Myers Report

Conclusion

“Accountability” is the word on everyone’s lips—and it’s going to continue to be one of the most discussed topics for a long time. ANA/Forrester’s Accountability Survey reflects the growing interest in measuring results among advertising leaders. The study showed that four in ten respondents are currently performing some form of ROI and/or ROO analysis, with nearly 20 percent of respondents expecting to increase their marketing mix modeling spending.

While accountability starts with proof of performance assessments, ROO and ROI analysis methods take it further, offering companies valuable insights on how to use their marketing dollars to get the best results—and ultimately, increase profits. As marketers endeavor to improve marketing performance and efficiency, analytic tools and research will continue to become more refined to help them get optimal returns from their marketing and advertising plans.

For more information on the accountability research presented here, please contact Wayne Eadie, Senior Vice President and Director of Research, Magazine Publishers of America. For additional copies of this guide or other MPA resources, please contact MPA at promotion@magazine.org or go to our website: **www.magazine.org.**

Glossary

When discussing accountability, certain terms come up regularly.
This glossary provides definitions of some of the most commonly used words.

Advertising Decay Rate: The rate at which advertising impact on results declines over time.

Baseline Sales: Expected sales in the absence of any measured marketing activity.

Brand/Product Marketing: Marketing done specifically for the brand/product analyzed.

Competitive Advertising: Advertising done by brands that are within the analyzed brand’s competitive set.

Efficiency: A metric that combines the incremental sales driven by a marketing tool with its cost—this allows for calculation of ROI.

Halo Effect: The effects of “sister” brands in a corporate portfolio on the brand being studied.

Incremental Sales: Sales generated by marketing that can be changed by varying the underlying support levels on a period to period basis (e.g., ad spend, incentives).

Incremental Sales Contribution: The percentage of total sales driven incrementally by a specific marketing or media activity.

Saturation: The point at which advertising no longer drives sales, or does so at a minimal rate—sometimes referred to as the point of diminishing returns.

Umbrella: The overarching corporate or portfolio messaging on the brand being studied.

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