Don't Let An ROI Model Ruin Your Day

Jim Spaeth
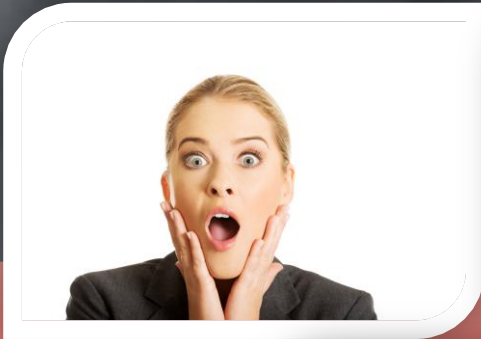
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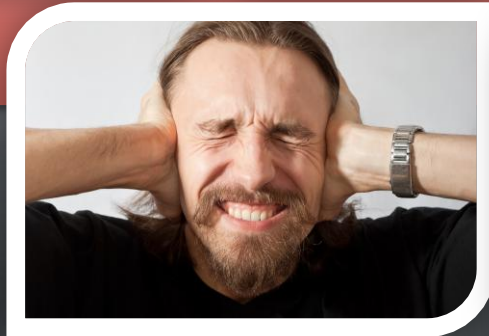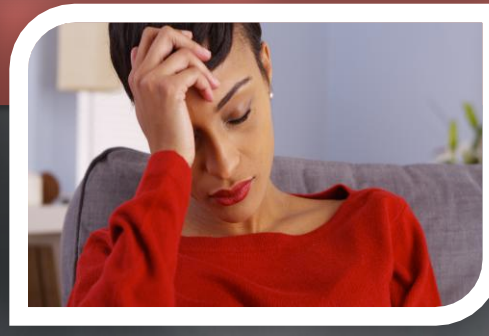
5 Stages Of Grief

Shock

Anger

Acceptance

Denial

Depression

STOP!

Don't Accept The Model Estimates ...

UNDERSTAND the process

GET IN the conversation

QUESTION the model's estimates

UNDERSTAND THE PROCESS

Return On Investment is a Financial Metric

ROI = Profit Contribution **/** Dollars Invested

Profit Contribution = Incremental Sales Generated By OOH **X**

Contribution Margin **-** OOH Spend

ROAS (Return On Ad Spend) is similar … but different, based on revenue, not profit
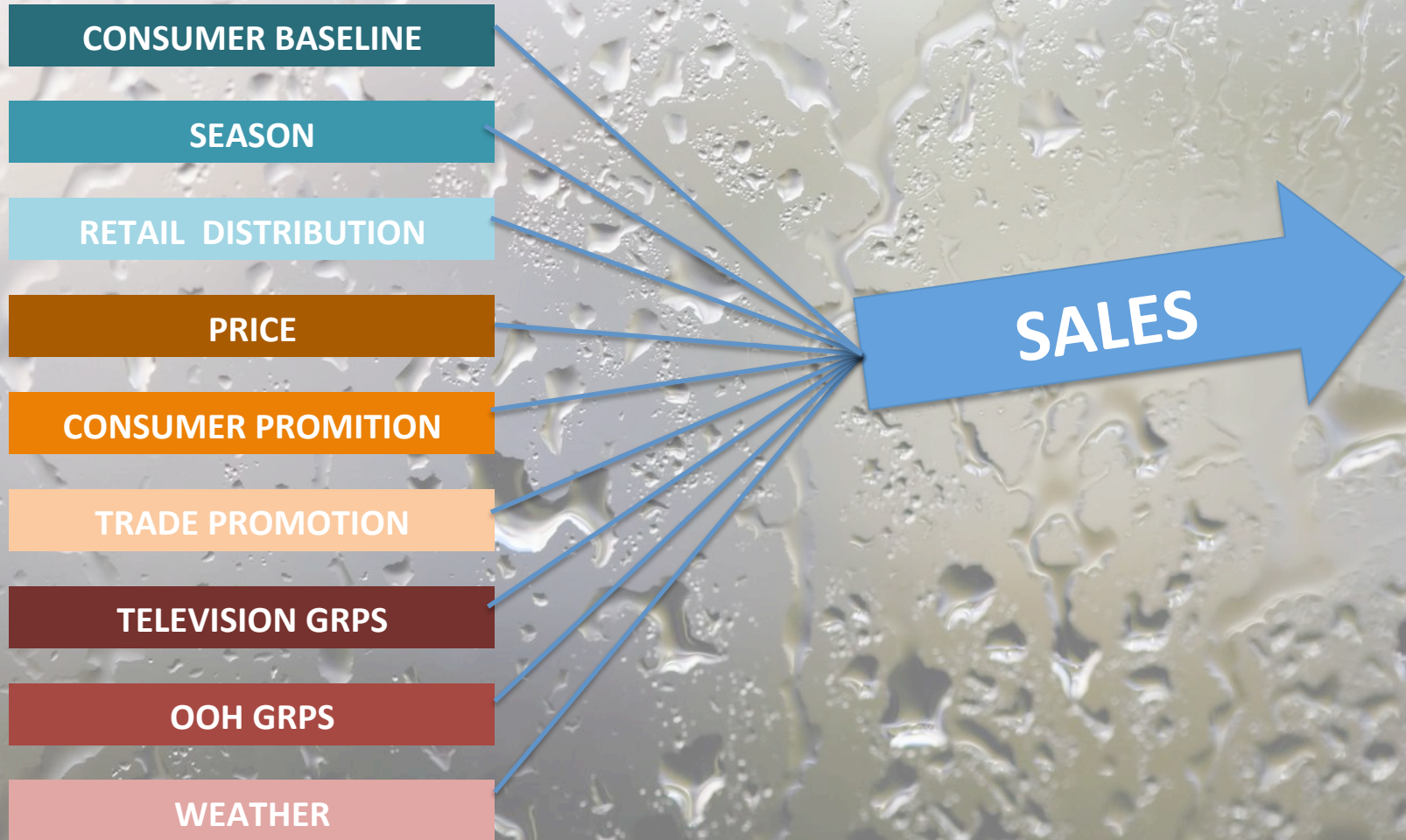
Effectiveness Studies Look Similar,
But Aren't ROI

- OOH performance is also measured a number of ways:
  - Improves television ratings
  - Drives retail traffic
  - Generates web traffic and social media activity
  - Lifts awareness and other brand measures

- "Return on Objectives"

Measuring the ROI of OOH

- **The vast majority of advertisers use Marketing Mix Models to:**
  - **Estimate the ROI of each of their marketing investments**
  - **Annually reallocate money from poor investments to profitable investments**

- **Does this really work?**
  - **Yes, in concept**
  - **Econometric models have been peeling apart the layers of brands' marketing plans for over 25 years**
  - **Their acceptance has grown steadily over that time with national brands**
  - **Importantly, some models are better than others and may or may not treat OOH fairly**

All The Elements Of The Mix "Explain" Weekly Sales

CONSUMER BASELINE

SEASON

RETAIL DISTRIBUTION

PRICE

CONSUMER PROMITION

TRADE PROMOTION

TELEVISION GRPS

OOH GRPS

WEATHER

SALES

The Sales Contributions Of Each Element Of The Mix Layer On Top Of Each Other

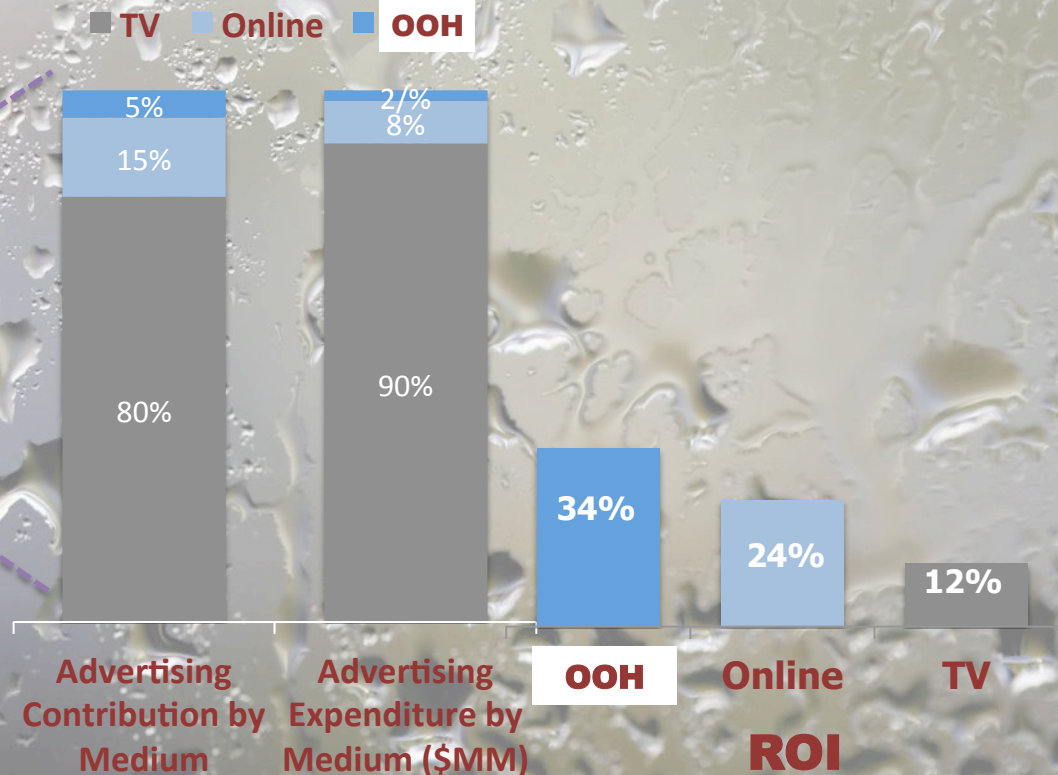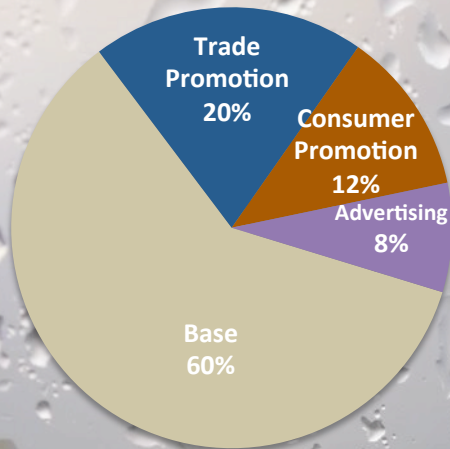

WEEKLY SALES CONTRIBUTIONS
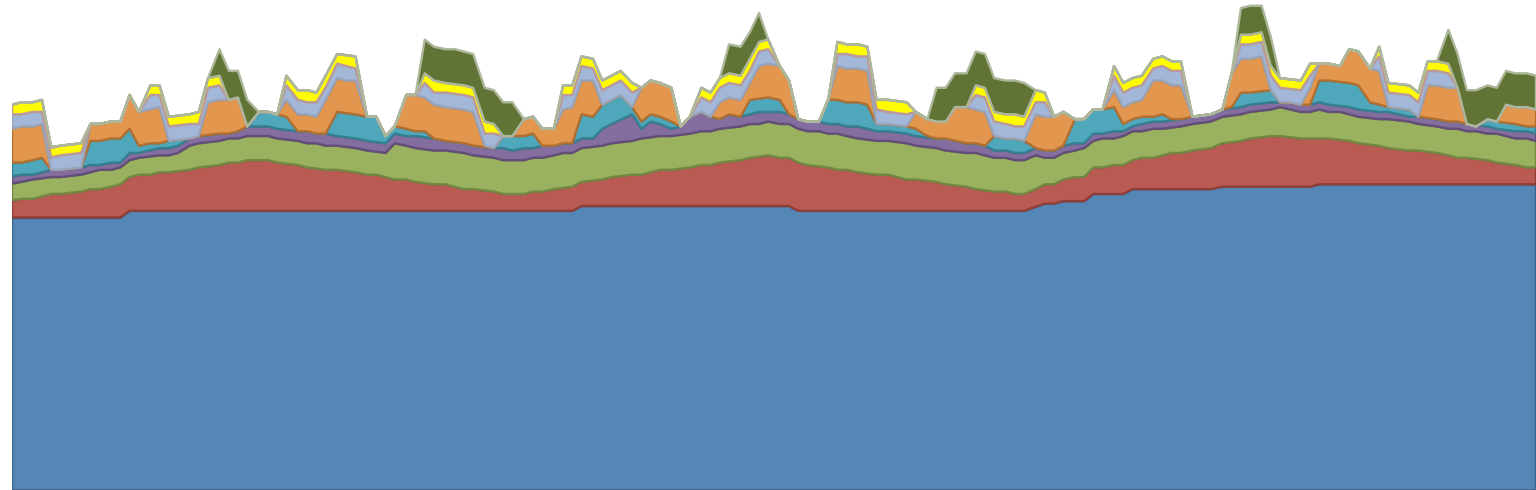
CONSUMER BASELINE · SEASON · RETAIL DISTRIBUTION · PRICE · CONSUMER PROMOTION · TRADE PROMOTION · TV GRPS · OOH GRPS · WEATHER

Sales Contributions Of Each Part Of The Mix Are Estimated And ROI Is Then Calculated

GET IN THE CONVERSATION

Models Produce Estimates, Not Facts

- *Speak up!*
- YOU are the OOH expert and have something to contribute
- Media are not always properly represented in the MMMs
  - OOH faces specific data and modeling challenges
- Ask questions
- Support GeoPath's drive for increased data granularity

OOH's Special Modeling Issues

- **OOH is powerful driver of brand metrics, such as awareness**

- **Lower investment levels in OOH may force all formats and campaigns to be lumped together**

- **OOH is local by nature, but is not often modeled that way**

- **Current GeoPath data provides an annual average week audience**
  - **Models are based on weekly media delivery variations, current data averages these out**

QUESTION THE MODEL'S ESTIMATES!

You Can Do This!!!

Five Specific Challenges To Poor OOH ROI Estimates

1. How far off the OAAA's OOH norms were they?
2. Were formats evaluated individually, or was their performance averaged?
3. Was the creative good?
4. Did the data in the model reflect market level GRPs as actually ran?
5. Was it sufficiently geographically granular?
   - Was it modeled at the national, DMA or metro level?

   If not, are the clients willing to revisit – test and learn?

1. OOH Usually Performs Well

- Average ROAS = $5.97!
- Better than every other medium except Search
- Calls into question why your case was lower

OAAA/Benchmarketing
ROAS Norms Study

Medium	ROAS
TV	5.57
OOH (inc Cinema)	5.97
Radio	1.37
Print	4.58
Digital Display	3.73
Digital Video	2.94
Digital Search	14.28
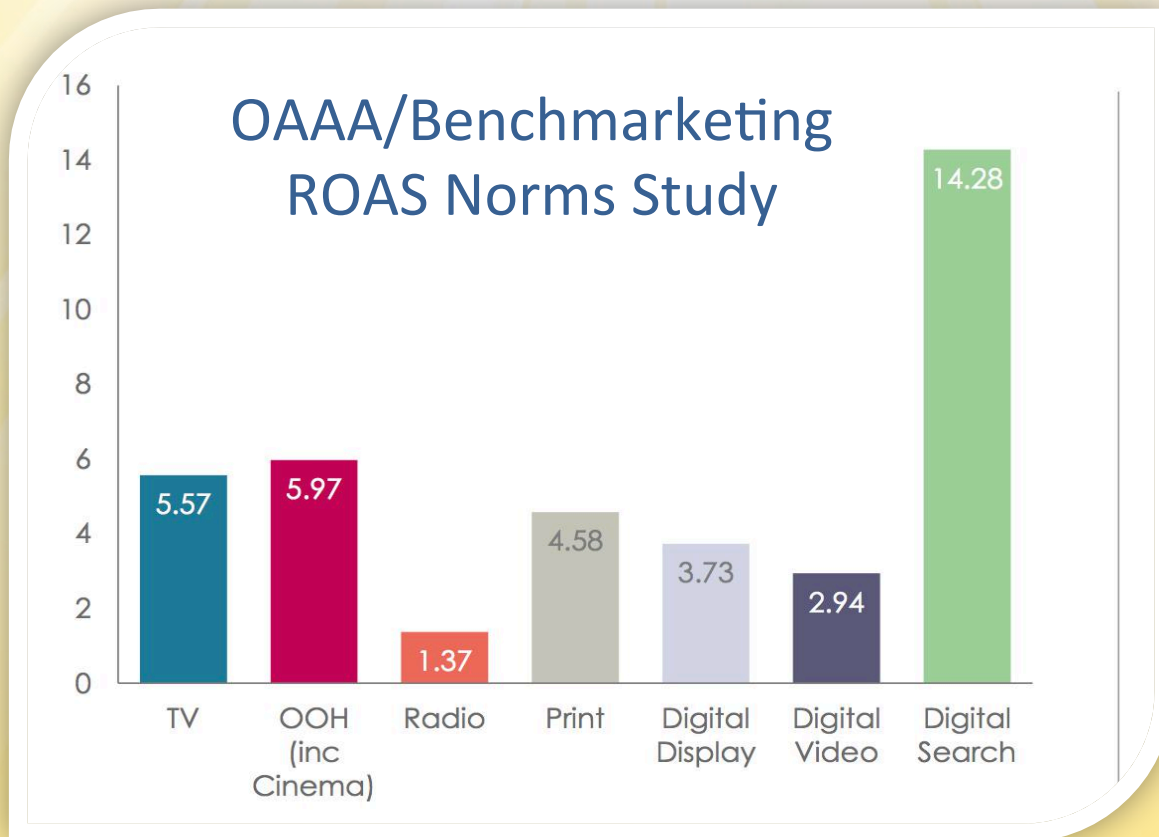
2. Were Formats Evaluated Individually?

- Not all elements of a campaign may have performed equally
  - Were some formats better aligned with the campaign objectives and KPIs?

- Future ROI's could be improved by dropping under-performers
  - Only if they are identified
  - If they are not identified, there's no way to improve campaign performance

- This creates doubt and some testable hypotheses
  - Re-plan the OOH format mix and recommend a test

3. Was The Creative Good?

- As much as 70% of ROI is attributable to creative quality!

- Was the creative aligned well with the objectives?
  - With the media strategy?
- Did the campaign use principles of effective OOH communication?
- Were some executions stronger than others?

- Could new creative be tested?

4. Does The Data In The Model Reflect Market Level Weekly GRPs As Actually Run?

- Models require accurate, as-ran, weekly, market level GRPs
  - Any significant difference between the data provided to the modeler and the campaign as ran will **REDUCE THE OOH ROI ESTIMATE**

- Maximum granularity enables the modeler to evaluate formats and creative executions individually
  - Ideally, individual units with format and creative execution info, posting and take-down dates, latitude and longitude with audience data

- Sourcing OOH GRP data can be tricky for modelers
  - Specialist agencies, who appreciate the importance of accuracy, are the best source today

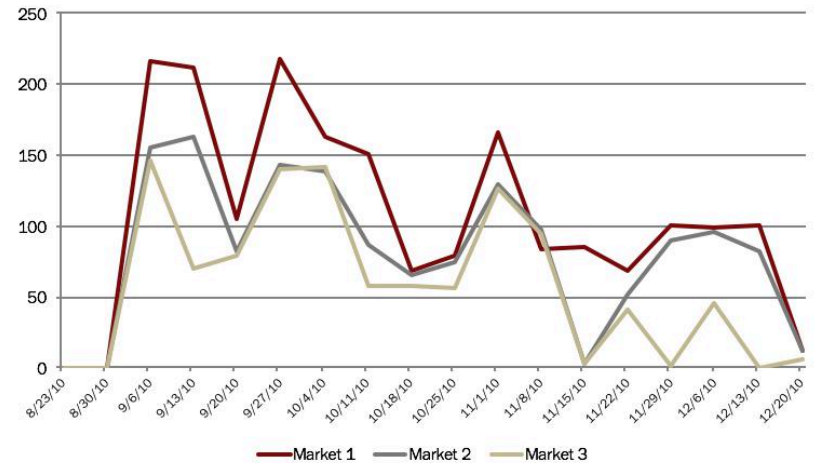# Planned vs. Actual Are Often VERY Different

Planned GRPs
TRPs Provided to Modelers by Week
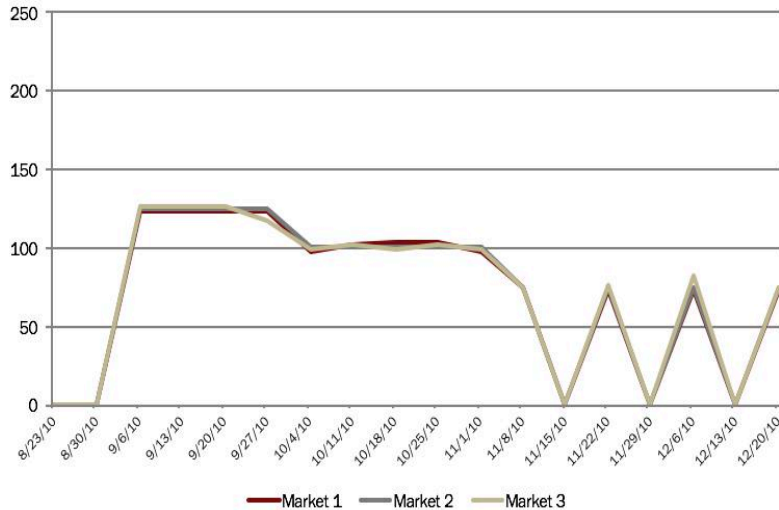

Actual GRPs
Actual TRPs by Week

A soon to be released Sequent Partners paper found that even with a 0.80 correlation between planned and actual, ROI estimates are reduced by 24%

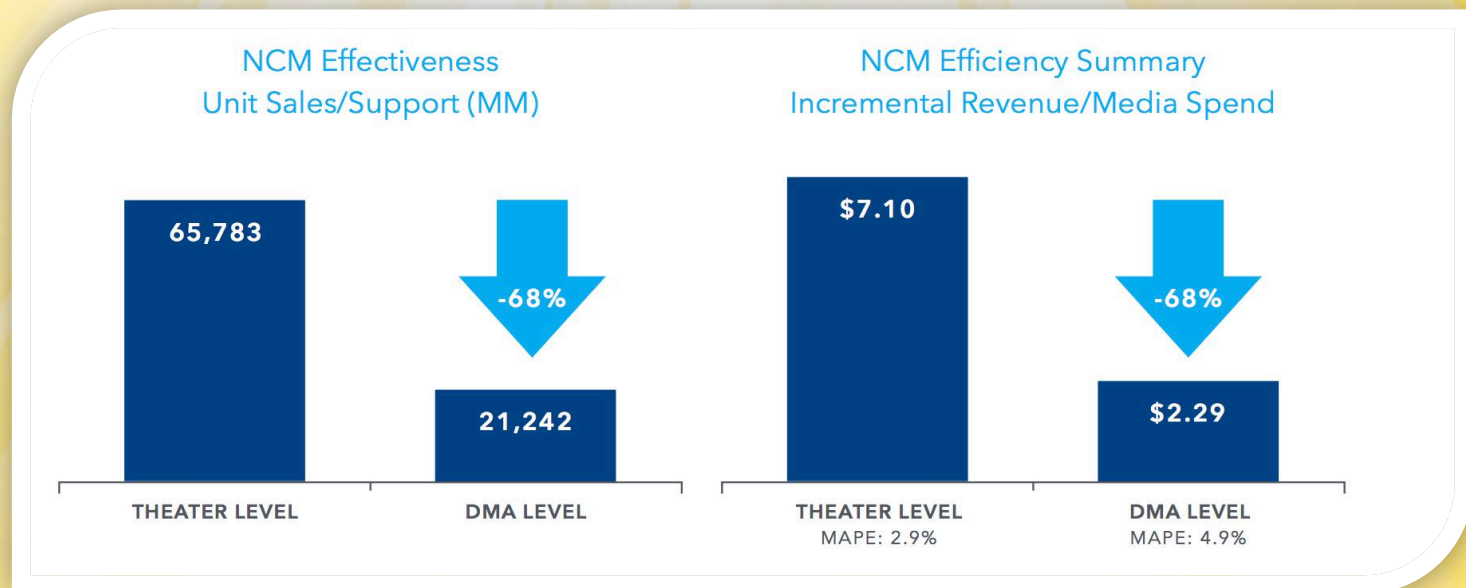# 5. Was The Data Sufficiently Granular Geographically?

IRI National CineMedia study shows OOH impact extends from 5-15 miles, but always less than 30 miles

The more local the model, the stronger the OOH ROI.
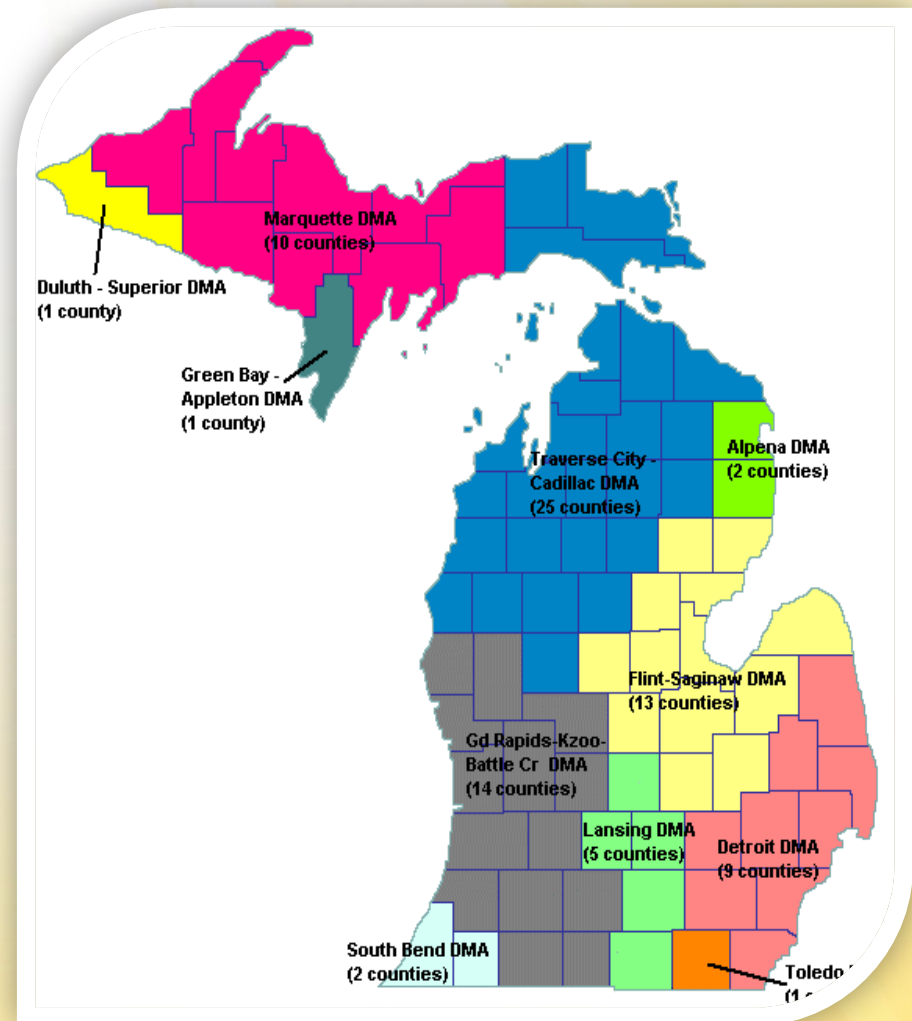
Insufficiently Granular DMA-Level Modeling Masks True Performance of Cinema Advertising

National CineMedia / IRI Study

The Alternative To A Ruined Day:
Test & Learn

- When the ROI model results are negative, but you have generated some doubt and some new ideas …

- OOH could be evaluated by modelers in limited test markets
  - Provides more precision than a model alone
  - Also enables advertisers with little or no history in the medium to evaluate the power of OOH

The Longer Term Solution:
Better GeoPath Data Next Year!

- Modelers need to be made aware of and given easy access to detailed campaign inventory data linked to GeoPath data

- The OOH industry is investing to provide the data the business requires:
  - Hourly granularity
  - Hyper local
  - More demos
  - Pedestrian, transit, roadside

It's Worth it to Fight the Good Fight
Case Study

- Another medium had bad ROI results from a big, important, national advertiser
  - Planned to pull $MMs out of the medium
- Data inputs to the model were questioned
  - Errors found in agency's GRP
- Data corrected, model re-run
- New ROI shows strong positive ROI results
- The medium is now back in the mix!

Summary
Don't Accept Bad News, Question The Model!

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3. Was the creative good?
4. Did the data in the model reflect market level GRPs as actually ran?
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Turn the Situation Around

THANK YOU!

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