SEQUENT Partners
METRICS THAT MATTER

Driving Profitable Growth with Full Customer Attribution Modeling

Recently, Sequent Partners authored a white paper that laid out the current state of attribution and ROI measurement. Conducted for CIMM and the 4A's, the paper highlighted the tremendous promise and opportunities associated with this detailed and more granular ROI methodology.

The results of our study suggest that right now, attribution analytics and applications are evolving. Historically, attribution was centered exclusively on digital pathways and consumer journeys. The analysis was isolated not only from the rest of the media mix, but also from other sales, products, long-term brand equity building efforts, prices, promotions, and operational and relevant external variables. Furthermore, attribution models were hampered technically by apriori algorithms such as "first click" or "last click," which assigned outcomes to a fixed digital touchpoint, regardless of other influences. Misattribution and inefficient spending allocations often resulted.

Today, more complex statistical methods are used to infer both direct and indirect causality. That is important because the revenue-generating abilities of digital were significantly overstated when all sales related to digital were deemed short term and incremental. Our paper concluded that "In order to have a truly complete picture, the models should include all online and offline media, the rest of the marketing mix, important environmental factors like weather, all offline and online sales, or other conversion behaviors, some measure of brand health/strength and the ability to identify baseline sales in order to discriminate incremental sales." That's a tall order, but to become an accurate, reliable measure of performance, attribution must go beyond short-term digital effects with preset algorithms.

In truth, although the insights from early (and even some current) digital attribution studies provided more granular guidance for digital activities, they produced results that were largely inconsistent with the realities of consumer purchasing. The results confounded marketers, who did not know how to reconcile the ROI estimates with truths they knew about their businesses. The results of these digital attribution studies bore little resemblance to historic results from marketing mix model analyses, or to newer, more holistically focused commercial effectiveness models.

Best practice for attribution tools are more holistic, comprehensive and dynamic. They account for baseline sales, include measures of brand health and operate in concert within marketers' decision-making processes. The impact is felt beyond digital, beyond media and even beyond marketing. Such best practices help guide investments across a broader range of organizational variables.

MMA and Sequent Partners recently published an article that highlights some of the high-value and innovative ways MMA transforms marketing mix modeling into a more holistic solution embracing all dimensions of commercial effectiveness. Their approach demonstrates how commercial investments need to work synergistically to maximize brand and marketing ROI.

We are fortunate to be in the position to share some case studies that highlight the value of drilling down this type of analytic approach to drive digital tactics. This paper will demonstrate the transformation that is taking place in today's cross-platform, cross-organization attribution analytics.

We will see case studies in which:

- Customer segmentation, cross-platform attribution and "test and learn" plans enabled a marketer who faced a new customer segment—mobile/digitally oriented Millennials—to quantify the value of the new consumers and develop significantly more effective and efficient plans to reach them.
- The synergistic contributions of television and digital efforts were uncovered to enable a traditional print publisher to successfully transform their business from offline to online.
- Long-term brand-building tactics and short-term revenue-generating tactics were aligned to achieve short-term financial objectives without compromising brand health for a global luxury brand.

Optimizing All Touchpoints Along the Purchase Path: Moving Beyond the Last Touch Model

Today, it is vital to understand the true contribution of each touchpoint across the purchase path using customer-level data and insights to optimize investments as close to the customer and real-time as possible. This objective became a reality for one of MMA's clients, a major global apparel and accessories retailer that has a long heritage of engaging customers through direct mail catalogs. As younger consumer segments started to identify the brand as a "hipster" brand, and its core segment aged, the company needed to find a way to engage Millennials in a digital-only setting while protecting their traditional core revenue from mature customers.

The company knew that "last click" attribution did not provide the insight they needed to optimize the customer journey. They needed to identify the role of all digital touchpoints, particularly among the growth segments that represented the future of the business.

They engaged MMA to help them find new ways of targeting these new, high-value customers more effectively and efficiently through digital and mobile devices. It was important not to hurt sales generated from its existing and mature customer base in which awareness had been created largely through traditional marketing channels. Although total sales volume had remained strong, the company's strategy of optimizing touchpoints and sales channels *in silos* was leading to missed opportunities in key new customer channels, an important part of the go-forward brand strategy.

A three-phase plan was developed to estimate the value of all touchpoints along the sales conversion path across core and growth customer segments. First, a customer segmentation roadmap was built based on a combination of first-party CRM data and third-party audience data so that actionable segments could be modeled and reached with more targetable media. Over 500 targetable customer microsegments were created. Some consumers were strictly catalog purchasers, whereas others were strictly retail store visitors. A wide range of behaviors and customer life cycles were represented across all the segments, which ultimately played a critical strategic role in creating a targeted marketing plan. The goal was to appeal to high-value customers through all segment-relevant pathways. This dynamic behavioral segmentation scheme tracked and continuously updated the segments as customers, driven by different marketing approaches, migrated across the segments. Most important, this approach provided the means for digital attribution to address consumers with known strategic value, rather than anonymous devices.

After the segmentation was completed, attribution models were developed at the segment level. The objective was to move from "last touch" attribution to a "multi-touch" approach so that proper credit was allocated across the full range of addressable touchpoints—digital, mobile, catalog and other direct mail. The model determined how each touchpoint "assisted" other touchpoints and provided a sense of how to balance the allocation for each customer segment.

After completing the attribution models, a test and learn agenda was developed to evaluate the effectiveness of different touchpoint strategies that drove the highest sales conversions. This process created a means of validating and creating "proof points" specific to the recommendations from the multi-touch attribution results. The test and learn process provided the triangulation and validation of the proof points the client needed to confidently execute the strategy going forward.

Working with the client, MMA demonstrated that for each touchpoint, there were significant indirect (assister) effects along the purchase path, particularly for catalogs (their largest sales channel). Several website pages and paid search ads had significant roles in driving catalog conversions. Prior to the new model and the more holistic way of looking at the attribution synergies, 100% of catalog sales were attributed to the catalog and optimized accordingly. Unfortunately, this misattribution erroneously led to significant investment misallocations that produced suboptimal financial results. A holistic algorithmic solution, which measured the attribution effects of the variables and how they all worked together, provided a more accurate view of the customer purchase journey.

Interestingly, the study revealed that only 65% of catalog sales were driven solely by the catalog. The remainder of sales came from other tactics, such as digital media, that brought shoppers to the catalog. The analysis found that most touchpoints (with the exception of e-mail, which was highly targeted) were assisters and were more effective when used in combination with other touchpoints. For example, although direct conversions from various retargeting and ad network buys for display media were small, they were all crucial assisters to other touchpoints across both the e-commerce and brick-and-mortar sales channels. This led to a shift in how these tactics were optimized, leading to better targeting and activation of customer segment-level media investments.

Segment-level insights became important strategic planning requirements to drive incremental conversions among the newer, younger audiences. The first step was to activate digital media tactics to engage younger prospects who shop primarily through their mobile devices. A combination of mobile search, affiliate marketing, and other targeted display buys were used. Mobile paid search was also a key driver because it assisted various other touchpoints and acted as a conduit to conversion within the retail sales channel. With customer-level segmentations in place, the company was able to win this emerging market while using more traditional resources to protect its core shopping segment.

By applying multi-touch attribution to all addressable media, both online and offline, within a holistic full customer attribution and strategic customer-segmentation framework, the company was able to expand its growth strategy and report 4.9% year-over-year sales growth in 1 year. After realizing the value of this granular, near real-time approach, the company made additional investments in people, processes, and data platforms to bring their search buying in-house. This practice also allowed them to develop a continuous test and learn strategy fueled by attribution analytics across the entire purchase continuum. This began the process of transforming a one-channel business to an omni-channel growth engine.

Maximizing the Power of the Media Mix Through the Funnel to Increase Website Traffic

Viewing the entire customer journey is critical to understanding and optimizing the drivers of website traffic, particularly in today's world of cross-device usage and multiple touchpoint marketing. Because of the many touchpoints, synergies and attribution effects, it is increasingly complicated (and getting more so each day). Building strong brands in the digital ecosystem requires more care than ever—measuring the intersection of upper funnel and lower funnel touchpoints to reveal their dynamic synergistic roles in generating brand awareness, prompting consideration, creating discovery, and, ultimately, driving website visits.

Working with a publisher, MMA successfully reversed a flat to negative revenue trend by enabling the client to migrate their traditionally offline business and embrace online as a vehicle of future growth. This well-established print-only publisher relied on both subscriptions and ad sales revenue. In recent years, audiences had become less willing to pay for print subscriptions, which led to declines in circulation and a negative impact on ad revenue. A perfect storm was brewing. Recognizing generational changes in media usage, the company shifted their publication from print to digital. However, simply moving the same content from print to online was not enough. Without adapting their engagement strategy, the company continued to lose audiences and customers. Website satisfaction scores suggested the website was underperforming and competitors were stealing website traffic.

Freshly armed with new data on their online customers, the publisher was anxious to move from their legacy one-way engagement strategy and take advantage of the more collaborative co-creation potential of digital. They repositioned themselves and launched a new website. The goal was to move from only serving basic functional needs to become the “go-to” resource for expert, trusted reviews and recommendations throughout all stages of the path to purchase. To ensure a successful transformation, a new communication plan was designed that leveraged TV and radio as upper funnel awareness building tactics, social media to engage consumers in a real-time environment, and display and search to grow consideration and website visitation. All the marketing touchpoints were aligned to drive consumers along the journey through the funnel, ultimately growing website traffic and ad revenue.

The company and MMA built measurement and optimization plans to increase website traffic across the home page, editorial pages and classifieds. High-value shoppers and customers who were seeking product and brand information were identified. The website was also extended to engage people in a mobile environment.

Given the complex system of touchpoints driving website traffic, multiple problem-solving models were constructed to capture all touchpoint interactions at a very granular level. The media optimization platform was customized to leverage all these interactions, including the important cross-effects between upper and lower funnel media. Furthermore, given the long purchase cycle for the product category this publisher covered, a baseline model was established that included all longer-term drivers such as macroeconomic factors, industry-related trends, competitive website traffic, marketing activities, changes in website satisfaction, and seasonality.

The results indicated that website traffic was significantly influenced by a combination of marketing touchpoints working together. Overall media accounted for >30% of website traffic, the largest proportion being attributed to search. It was estimated that TV accounted for about 4% of total website activity, and its main role was to assist search and display performance. Social media delivered the strongest website visit lift per dollar spent, but the capacity to spend more in this channel was limited.

Although search was the largest source of website traffic across all pages measured, it was mainly due to expensive, non-branded search terms. This finding was important for the company. When a disproportionate amount of search traffic is generated from non-branded keywords, it signals a need for more awareness building to make the brand name top-of-mind with consumers. Too much nonbranded search suggests that users were looking for a specific website service, but could not connect the service to the right brand. The part of the media mix best suited to address this problem was television, which had only generated 4% of total website traffic. MMA recommended the client improve the focus and effectiveness of their TV effort to generate brand-specific awareness and improve branded search.

To determine the ROI of the marketing investments, the website traffic lift was translated to the incremental ad revenue they would earn. The marketing effectiveness program resulted in substantial improvements overall—more than $15 million in total profit.

As a first step towards achieving profitability improvements, the company optimized the TV genre mix. TV ROIs surpassed the break-even point by moving from broadcast to cable for efficiency and targeting, using less late night and more primetime, and focusing on the sports and lifestyle genres. Although TV still had the lowest ROI overall, it remained a core element of the mix given the combination of website traffic it generated and its ability to lift brand awareness—an important factor needed to improve the cost efficiency of search.

Display optimizations also yielded an additional $4 million in gross profit by moving dollars into new, more targeted ad networks to effectively reach the publisher's most valuable segment: shoppers in-market to buy a new product. After successfully implementing these changes in TV and display, a 35% cost savings was associated with nonbranded search through keyword optimization.

Overall, through measurement-guided optimization, the company achieved double-digit growth in marketing driven website traffic and conversion each year, while achieving an almost 50% increase in overall ROI. The transformation from an offline to online publisher was far more complicated than anticipated, but finally successful.

Balancing Long-Term Brand Stewardship with Short-Term Tactic Revenue Generation

A global luxury apparel brand faced the challenge of becoming a mass-market brand without losing its brand appeal. There were many questions about the best way to drive sales and build the brand simultaneously on a global scale. The goal was to enhance their media investment efficiency by optimizing both long-term brand building and short-term sales drivers within a single framework.

The company had successfully created an omni-channel customer experience, but wanted to leverage and grow its brand equity to support efficiency in day-to-day tactical activation. They invested significant marketing dollars in digital and offline advertising, so a holistic customer attribution methodology was needed to provide granular digital recommendations while ensuring that brand equity continued to grow over time.

The MMA team engaged the client in key stakeholder discovery sessions to establish the internal definitions for "brand focused" communications versus "product" campaigns.

Mini-workshops were held with customer intelligence, brand marketing, operations, HR and digital marketing teams in the North American, Asia Pacific, and EMEA regions. The workshops enabled the client leadership to build a consensus around the definition of short-term versus long-term success and the roles that both tactics and messages played.

To measure the long-term effects of brand communications alongside the short-term impact of sales tactics, MMA needed to unify granular digital attribution within commercial effectiveness analytics. By measuring holistic business investment tactics and strategies, including marketing, sales, price, promotion and operational plans, it allowed MMA to identify tactics and sales channels and understand the *direct* impact of each driver on short-term sales as well as the *indirect* impact generated by growing brand health. To estimate this indirect, long-term effect, MMA examined a series of brand metrics that were statistically linked to long-term sales trends. The model determined which key brand measures were the strongest indicators of long-term sales trends and the sales volume generated by each measure.

This key step in the unified attribution model allowed MMA to develop pathway models that determined the “one true net” incremental impact for each digital and offline campaign on long-run sales.

The short-run attribution models provided effectiveness and efficiency measures for each tactic for both e-commerce and retail within a 13-week period. The indirect brand models provided tactic level “brand multipliers” so that long-run effects could be incorporated into a single holistic planning tool. Modeling by sales channel—retail versus ecommerce—was an important element to the analysis and revealed that brand health metrics play different roles for each shopping segment. Ultimately, this finding enabled optimization planning on marginal ROIs for all channels within a short-term (13-week) window and long-term (<12-month) timeframe.

MMA’s cloud-based business planning software, Avista, was adapted to include marketing ROI response curves for both long-term and short-term, down to the digital message level. Avista provided the operational glue from the modeling. It allowed the client management team to assess trade-off scenarios for long-term brand plans against near real time optimization of short-term effectiveness by lower funnel acquisition channels—and to do this at a campaign and channel level by market.

This practice led to dramatic changes in not only media and marketing optimization, but also in the way they planned brand communications—from a weekly to a 3-year horizon. It has driven a complete rethink on the nature of the best type of campaign, channels and tactics for longer-term brand building and the dynamic calculation of trade-offs versus short-term sales yield.

Working together through high-touch consulting, creative commercial thinking and state-of-the-art software to aid implementation, MMA helped the client radically transform their historical brand management process into a class-leading, integrated engagement process that allows for considered long-term brand investment and optimized short-term quarterly sales.

In the first year alone, this effort delivered over $50 million in incremental value from better channel and campaign optimization, and has led to more efficient and sustained brand building.

Postscript

Sequent Partners has been privileged to look into these revealing attribution case studies. As we have said, the promise of attribution is compelling—analytics at the tempo and granularity of decision making that accurately represents all aspects of how consumers engage with brands and informs more profitable marketing tactics.

There will continue to be several important success factors as attribution evolves. Attribution modeling must reach beyond the digital silo, into other elements of the mix. It must include offline marketing and consumer baselines to avoid misattribution. Attribution modeling must allow marketers to focus squarely on the long-term brand and the short-term conversion tactics. These improvements should propel the industry forward and ensure even greater success. The defining characteristic of attribution modeling is that it operates at the individual level. This characteristic may represent its biggest opportunity: bringing consumer insights back into marketing. The coming years will bring great excitement as the industry leaps to the next generation of analytics, enabling ROI-based decision-making.