MEASURING ECOMMERCE ROI

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AGENDA

1) Myth Busting

2) Data, Data, Data

3) ROAS vs. ROI

4) ROI Best Practice
   1) MMM for eCommerce
   2) MTA for eCommerce
   3) Campaign 'Sales Lift' based Internal Measurement

5) Final Thoughts

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MYTH BUSTING

ROAS is the same as ROI

eCommerce data is different to Store based KPIs

eCommerce cannot be compared to Offline

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ROAS VS. ROI

ROAS

Formula: Revenue from ad campaign / cost of ad campaign

- Your ad campaigns generates $15,000 monthly. And you spent $4,000 on AdWords for your advertising campaign.

- ROAS formula: 15000 / 4000 = 3.75

- What does this mean? Well, it means that for every dollar you spent, you earned $3.75 in profit.

ROAS is a ratio derived from comparing how much you spend to how much you earn (by analysing sales)

ROI

Formula: ((Revenue x Margin Rate) – Expenses) / Expenses

- ROI determines whether the campaign is worth the investment or not. By taking the *margin* into account, you determine your overall profits and actual ROI.

- Looking at our example imagine the business has a 20% margin rate, then our formula would be:

- ROI formula: ((15000 x 0.2) – 4000) / 4000 x 100 = -0.25 (or -25%).

- ROI is negative, after calculating the retail margin.

ROI accounts for the amount you make after paying your expenses.

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SO WHERE DO WE START IN MEASURING ROI... DATA, DATA, DATA

eCommerce Retail Analytics example

1 — **Time Periods**
- Weekly Data essential
- Current & Previous year's data
- Pre-During-Post Campaign Time-Period

2 — **Product Level**
- Brand level - *minimum*
- Product/SKU level – *preferable*
- 1P & 3P data where applicable

3 — **Market Level**
- Website Platform or Platforms
- eCommerce Store-based sales for C&C performance
- 1P & 3P data where applicable

4 — **Fact Level**
- Sales Volume (Value Currency & Units Wt)
- Retailer Margin
- COGS

Measuring eCommerce performance effectively is dependent on a robust and granular data provision

+

Partnership with Media Agency to ensure clear identification of awareness & conversion media types
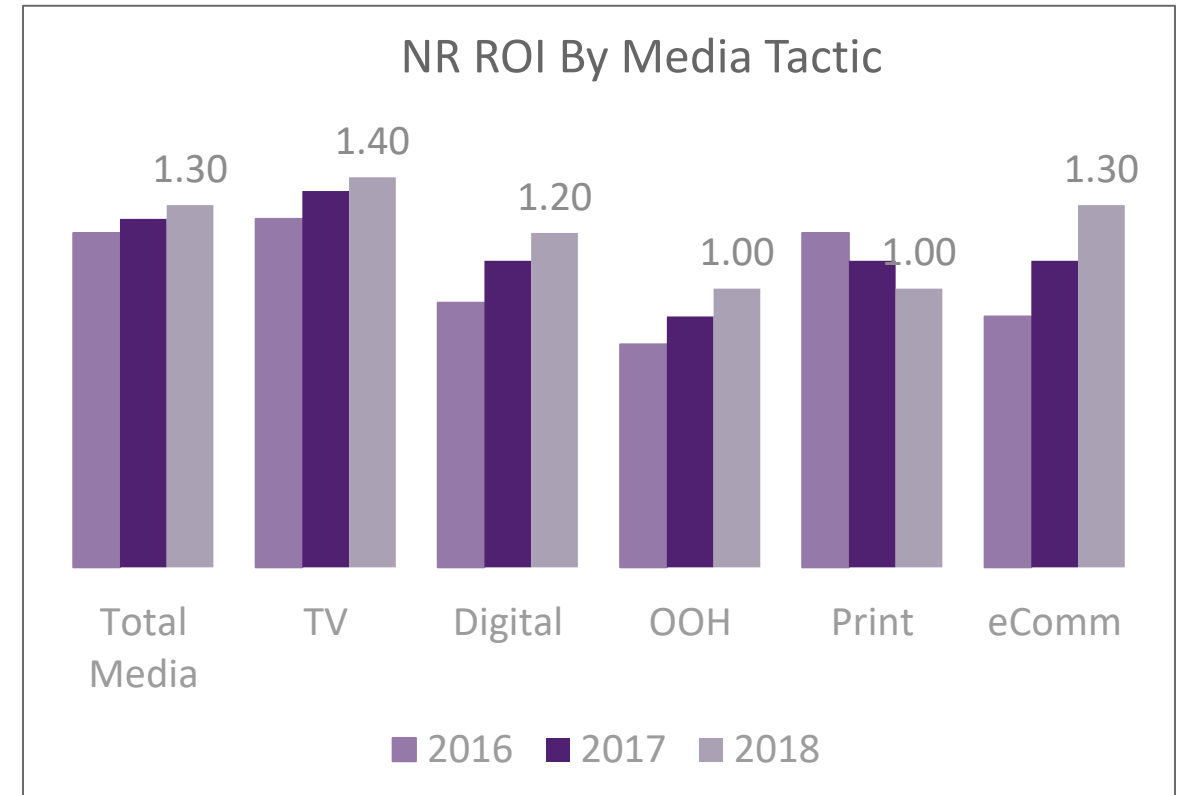
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ROI BEST PRACTICE
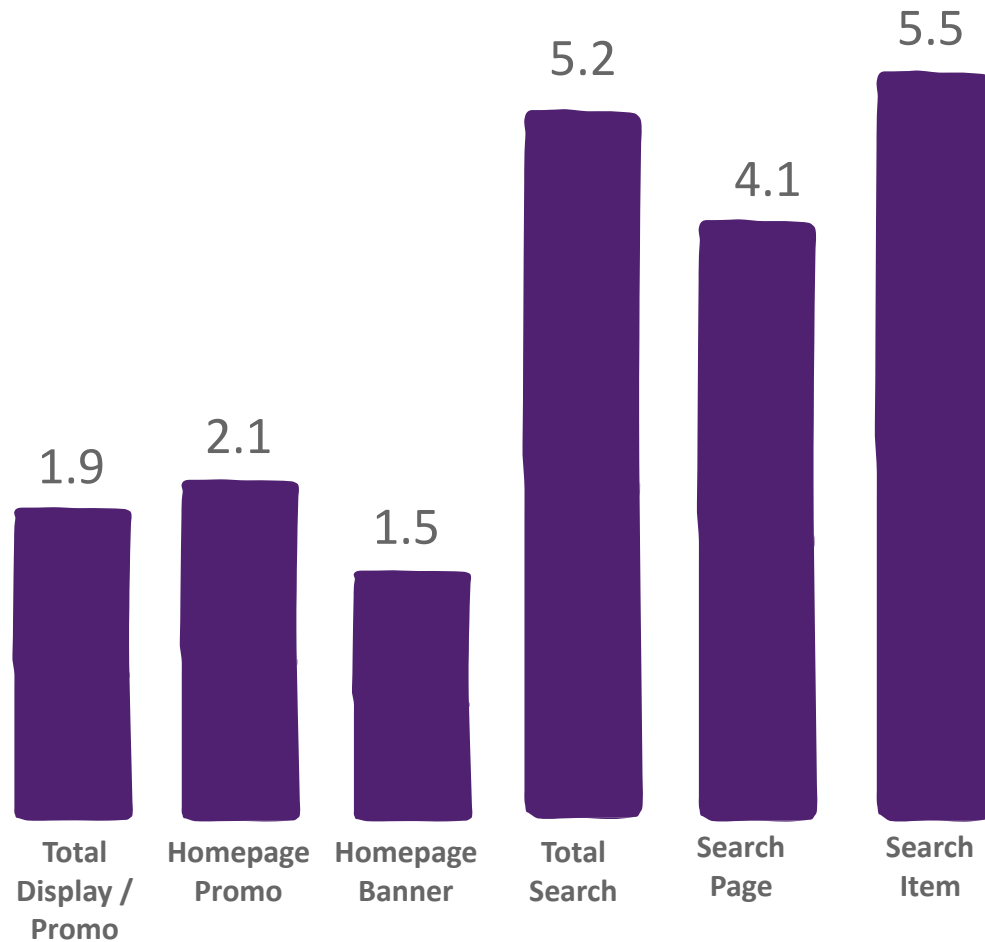
MMM – MARKETING MIX MODELLING

MMM – Gold-Standard for ROI measurement – critical for business alignment & budget support

- **Syndicated data**
  - **2 years store-week-sku level information**
  - for both **target brand/category** as well as the competition
  - to measure incrementality & account for seasonality.
- **Maintain internal consistency**
  - **ROI** is calculated in NR basis (incr. NR per $ spent)
  - **This is important to ensure close alignment & relevance in wider business discussions**
- If data granularity is available for eCommerce markets/retailers, they can be incorporated into MMM

NR ROI By Media Tactic

| | 1.30 | 1.40 | 1.20 | 1.00 | 1.00 | 1.30 |

Total Media | TV | Digital | OOH | Print | eComm

■ 2016 ■ 2017 ■ 2018

The goal is to enable eCommerce ROI to be considered alongside all other media vehicles in budget discussions and allocation

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MTA – MULTI-TOUCH ATTRIBUTION

Bar chart values:
- Total Display / Promo: 1.9
- Homepage Promo: 2.1
- Homepage Banner: 1.5
- Total Search: 5.2
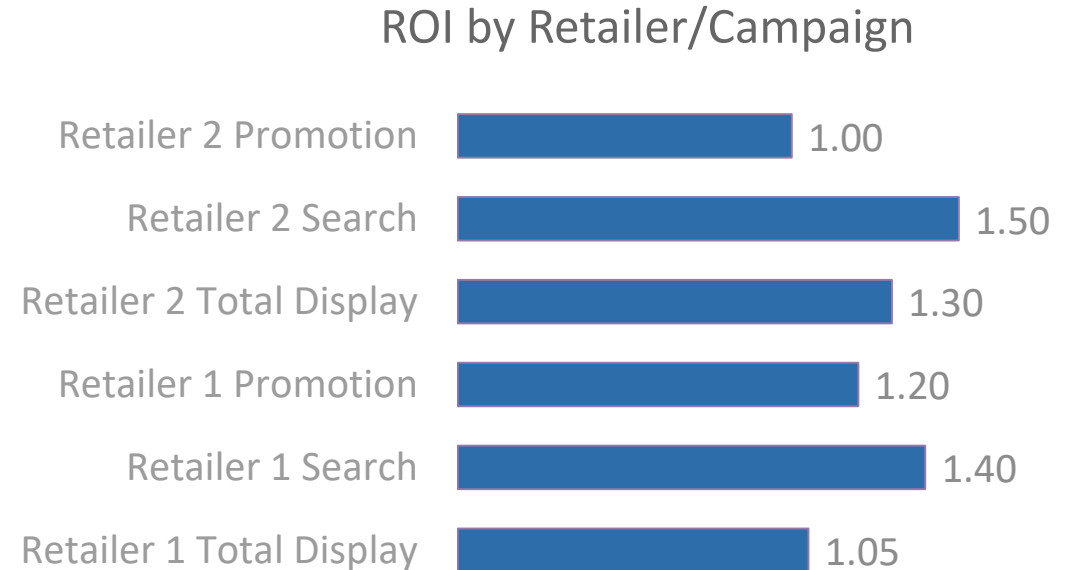- Search Page: 4.1
- Search Item: 5.5

- **MTA evaluates all touchpoints on individual's path to purchase** to accurately calculate ROI for each touchpoint:
  - **Consumer data** connected to **Digital Ad Exposure** to influence **Purchasing** (conversion and value)

- MTA methodology should be invested in on a project by project basis in key markets with key customers where appropriate
  - **to assess online investment and return on both online and offline sales**

- Agency Partner capabilities dependent to enable comprehensive measurement of activations with largest customers during the biggest events

MTA provides granular understanding of shopper dynamics & behavior influenced by digital ad exposure

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CAMPAIGN SALES LIFT INTERNAL MEASUREMENT

Agile, in-house solution for robust understanding of campaign without option of 'Test-Control' variables

- **Promotion based internal measurement** – Incremental Revenue analysis utilizing pre/during/post promotion measurement – providing incremental Sales & profit

- **Sales based analysis methodology delivering ROI at the activation level**

- **Data:** Weekly data (minimum 4-weekly) by Sku level. Baseline data generated by standardized 'prior 8-weeks'

- Pre-trade contribution margin applied to enable profit based evaluation

ROI by Retailer/Campaign

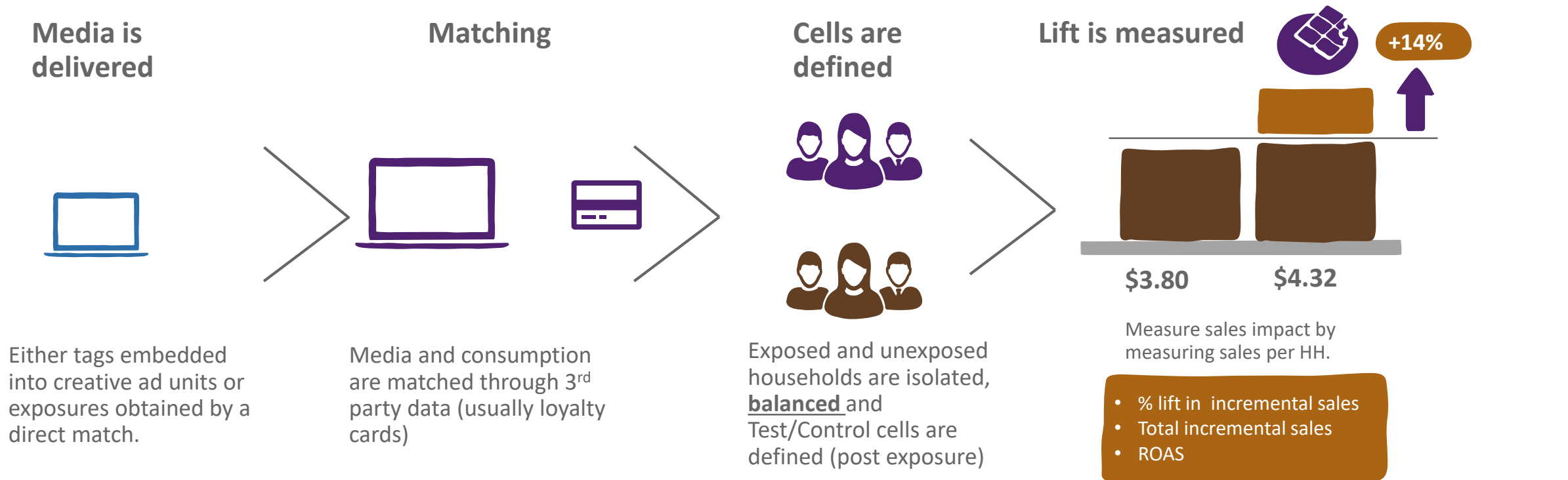| Retailer/Campaign	ROI
Retailer 2 Promotion	1.00
Retailer 2 Search	1.50
Retailer 2 Total Display	1.30
Retailer 1 Promotion	1.20
Retailer 1 Search	1.40
Retailer 1 Total Display	1.05

'Internal Based Measurement' enables consistent methodology to compare eCommerce Activations across campaigns, retailers, markets with limited data provision.

SALES LIFT STUDY

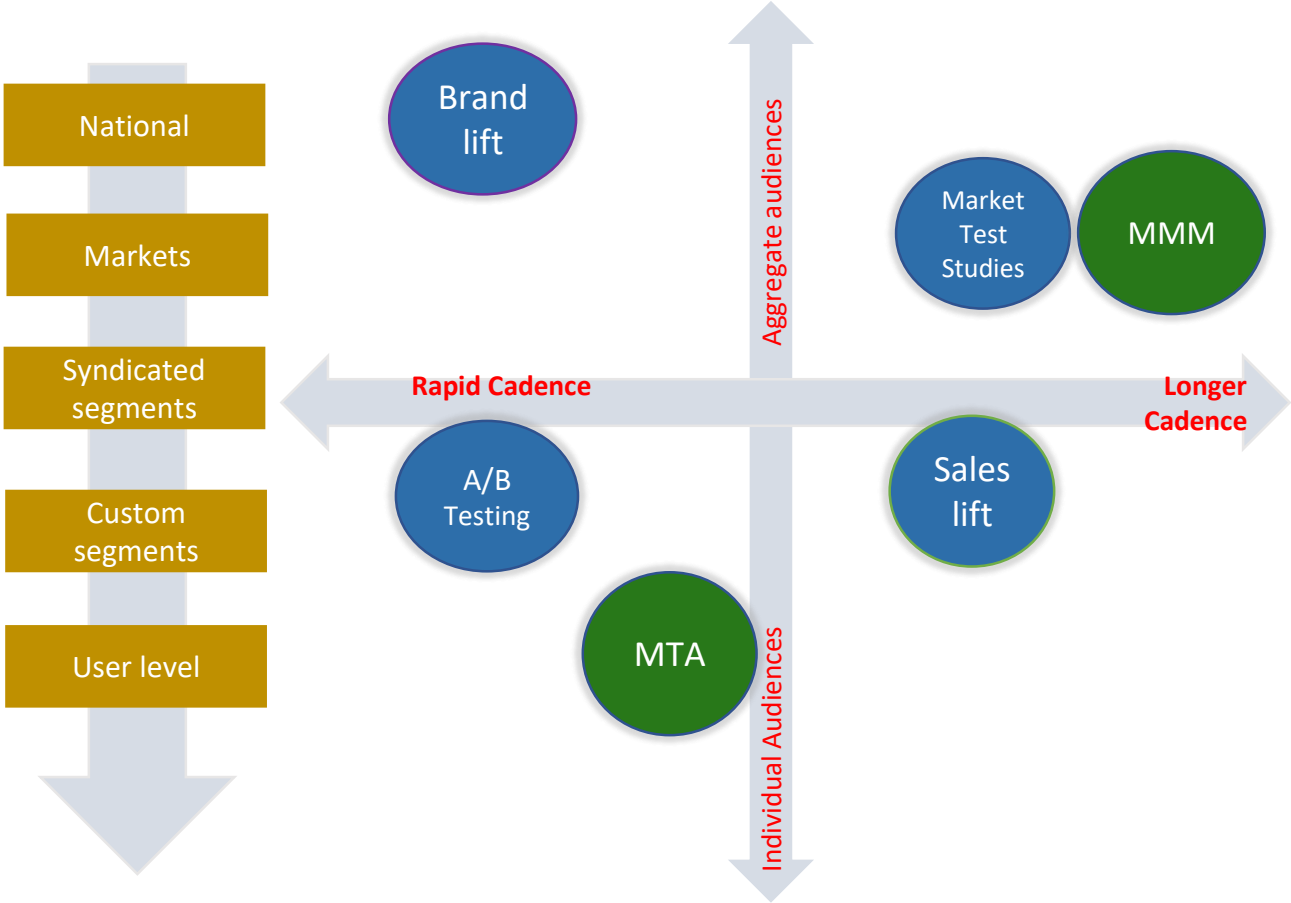Testing impact of ads to measure actual behavior on lower funnel metrics

- Methodology: Is the consumer buying a product directly caused by exposure of ad?

- To understand if a creative impacted consumer – to consider and finally purchasing the product .

Media is delivered

Matching

Cells are defined

Lift is measured

+14%

$3.80 $4.32

Either tags embedded into creative ad units or exposures obtained by a direct match.

Media and consumption are matched through 3rd party data (usually loyalty cards)

Exposed and unexposed households are isolated, **balanced** and Test/Control cells are defined (post exposure)

Measure sales impact by measuring sales per HH.

- % lift in incremental sales
- Total incremental sales
- ROAS

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IN SUMMARY – THE LANDSCAPE OF MEASUREMENT STUDIES

Different ways to measure what marketing tactics work.

Observational Studies		Experimental
MMM	**MTA**	**Lift Studies**
• Regression based modeling of aggregated marketing spend by channel vs sales, new customers	• Science of using advanced analytics on user level data to allocate proportional credit for conversion across marketing touchpoints	• Setting up control and exposed group. • Difference between the groups can be attributed to media exposure • Analyze lift in brand, sales, new customers
• **Pros**: Simplest, broadest coverage, well accepted	• **Pros**: Optimization for granularity in digital, frequency. More forward looking, near real time for fast pivot.	• **Pros**: Purest view of incrementality. Best way of resolving conflicting results from different models
• **Cons**: Lengthy timelines, correlation <> causation.	• **Cons**: Walled gardens / silos in digital data, coverage issues	• **Cons**: no way to build without impacting execution, no way to measure variety of marketing situations.

National

Markets

Syndicated segments

Custom segments

User level

Brand lift

Market Test Studies

MMM

Aggregate audiences

Rapid Cadence

Longer Cadence

A/B Testing

Sales lift

MTA

Individual Audiences

FINAL THOUGHTS...

Start small and iterate over time. Explore different methodologies where applicable **'Test-Learn-Scale'**

Prioritize biggest customers & best data provision. **Drive collaboration** *between 3rd party data & media providers*

Partnership *with Marketing, Media and I&A teams is key to 'unlock' the potential of eCommerce ROI through acceptance of* **'Comparative Measurement Methodology'**

The goal *is to enable eCommerce ROI to be considered alongside all other media vehicles in budget discussions*