



And... ACTION! Hollywood style econometrics.

How ongoing econometrics helps businesses grow.

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Abstract

Ongoing econometric modeling of sales is for business leaders what camera is for movie directors. Effort of actors will lead to a cinematic masterpiece only when they are recorded. Similarly, market changes, multitude of campaigns and use of new media touchpoints is a material for learning and growth only when the business has a tool to record the impact.

Modern marketing is not a mere soap opera, but rather an action movie with a lot of plot twists. That's why "ongoing" is often not a choice but rather a must have to maximize actionability of the learnings.

By using ongoing econometrics HEBE (a leading beauty retailer on the polish market) was able to act on market changes and better adjust the marketing-mix for their business. Acknowledging the big impact of media on sales in offline stores and placing more focus on awareness media ultimately led to 18% increase in the Meta advertising efficiency and nearly 14% growth in overall media-mix efficiency in a span of only 4 months.





Introduction

Most readers will agree that a successful advertising needs to be backed up by a solid strategy. And behind every good strategy you will nearly always find data, analytics and insight. Based on our client portfolio, we see that most leading business acknowledge the crucial role of a data-driven culture and value analytics as an important factor behind their growth.

Those businesses know that it gives access to unique information and creates advantage over their competitors. But...where to get this information from? This big question is being asked in media industry over and over again.

Should market benchmarks be used?

They represent an aggregated and averaged knowledge, so this information is not really unique and thus won't lead to competitive advantage. Additionally, there is no real guarantee it will even apply to our business. Good benchmarks can serve as a guideline, but will never be as accurate and implementable as insights gained straight from the business itself.

Maybe web analytics is the way to go?

This is a solution used by ecommerce-only businesses with purely digital media-mix. But for omnichannel businesses this source of information is not sufficient, as it completely omits the impact of media on sales in physical stores.

It also tends to favor lower-funnel media while neglecting the incremental impact on sales of the upper-funnel media, as well as fails to consistently track and measure cross device and cross platform impact.

Media planning based on partial information is not an ideal solution. This way of media efficiency evaluation is skewed towards lower-funnel media. It does not acknowledge that every touchpoint may work on different steps of customers' path to purchase.



Should businesses rely on analyses conducted on the internal historic data, e.g. MMMs?

They are definitely the most extensive and precise tool a business can use to evaluate media efficiency. However, high cost and big time investment needed to deploy such an analysis is oftentimes a blocker. That's why most brands are not able to run MMMs every year. More often, they are run once per 2-3 years, which renders some of the findings not relevant, especially in turbulent times and for the fast-paced digital-focused businesses.

It is clear that in current market, there is no shortage of reporting tools and data sources helpful in media planning. Different reports and presentations are often piling on the desks of people in charge. In this situation the paradox of choice is real and might be problematic, especially when none of the sources gives a full picture and many are outdated.

As the market changes and business calls for tools allowing for fast and accurate decision making, research hubs adjust as well and new approach to media evaluation emerges. Leading examples of ongoing econometric modelling tools include mLab.Sales by MediaCom or open-source solutions such as Robyn by Meta. In this case study we will focus on the impact of the former on HEBE (Jeronimo Martins Drogerie i Farmacja Sp. z o.o) business.

What is ongoing econometrics?

mLab.Sales is an analytic solution that leverages machine learning, cloud computing and Bayesian econometrics. It allows for fast and accurate media campaign efficiency evaluation. **It merges the advantages of both web analytics and Marketing Mix Modelling:**

- Similarly to MMMs, mLab.Sales reports ROIs consistently across all media touchpoints, including TV, radio and other ATL activities. This gives a business a full-picture overview of its media landscape. mLab is also not constrained to online sales channels. By sourcing from most advanced econometrics, it can be used to evaluate media impact on physical stores as well and as a result cover 100% of brand's sales.
- mLab reports media results in quarterly, monthly or weekly frequency. By doing so, it provides the business with the most recent state of media-mix what leads to educated decision making even in a changing market. Results are available in an interactive web dashboard, making it a convenient tool for daily work. All the data is processed and modelled in the back-end. Thus, mLab is non-analytics-savy user-friendly.

Case study

Our story starts in 2021 when HEBE (Jeronimo Martins Drogerie i Farmacja Sp. z o.o) decided to run an Economiser (an extensive Marketing Mix Modelling Project) in cooperation with Business Science Warsaw.

This initial project was later extended to ongoing sales modelling through mLab.Sales.

Current analytical setup consists of two Bayesian models. First of them is dedicated to online sales channel while the second one concentrates on sales in physical stores. Results are reported in monthly frequency. Modelling is conducted on over 900 datapoints and every month new datapoints are added.

*DISCLAIMER:

When interpreting the findings of this study please bear in mind HEBE operates in retail & beauty categories. Findings cannot be extrapolated to all businesses.

Absolute values of ROIs and other metrics, as well as details regarding HEBE media mix were omitted in this article to honor HEBE exclusive right to this classified data.

Case study described in this article is based on real life events. All analyses, strategic decisions and actions were

Impact on business

Use of ongoing analytics led to two major paradigm shifts in perception of media role in HEBE business. Ongoing econometrics emphasized the importance of focusing on offline sales boosting (contrary to giving priority to online sales channels) for the whole business to grow.

Recurrent analytics showed that focus on traditional sales channels should be just as strong, if not stronger.

This change of perspective led to further observation. Every month, with every wave of results it was becoming clearer and clearer that awareness media role in HEBE mix was underappreciated.

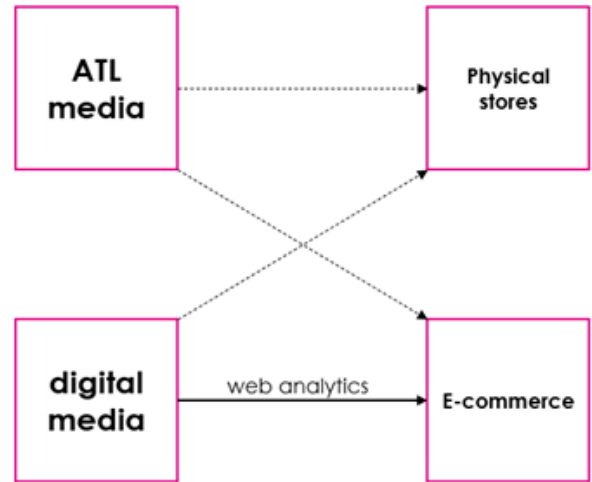


Online sales channel is a slice of a whole cake

There is no denying that media campaigns positively impact sales in all sales channels, physical stores included.

TV and other ATL media are known for that. But oftentimes low-funnel media such as paid SEM campaigns or performance Meta have impact on sales in physical stores just as strong ATL has. Most businesses are aware of this halo effect, but have no possibility of acting on this phenomenon.

Their problem is lack of adequate measurement. This was exactly the case of HEBE until mLab.Sales came in play. Now, **precise and up-to-date** quantification of all the media relations (picture 1) allows for rational decision-making in a full information environment giving HEBE a competitive advantage.



Picture 1.

While web analytics covers only a part of media landscape, econometrics gives a full picture.



In the case of HEBE, gaining access to all the information regarding cross-channel media impact was especially important because the majority of total sales in the business is coming from physical stores.

In other words (and with a slight simplification), using web analytics as a sole source of information meant making media decision based on minority of the information available.

Including ongoing econometrics in day-to-day media planning ultimately resulted in placing more emphasis on those touchpoints that boost physical store sales relatively stronger.

Such ongoing and iterative media-mix adjustments ultimately led to a **13.5% increase in total HEBE media efficiency in Q2 2022 vs Q1 2022**.

Role of awareness media

Among all the learnings coming from HEBE mLab journey one thing stood out as greatly impactful and (what even more important) instantly actionable. Dashboard review sessions disclosed the superiority of high funnel Meta campaigns compared to low funnel campaigns.

When taking all the interactions depicted on picture 1 into consideration, it was clear that high funnel campaigns drive sales on average **15% more efficiently**. Surprisingly, higher general efficiency is not coming exclusively from the impact on physical stores. Also online sales channel benefits much more from high funnel Meta campaigns than last-click analysis gives them credit.

Prior to implementing learnings coming from econometrics, minor part of HEBE's total Meta budget was used for high funnel campaigns. After the strategy shift the split increased significantly. **This change lead directly to an increase in total Meta ROI by 18.2%.**

EDITORS NOTE: More recent mLab.Sales reads confirmed that Meta is not the only channel behaving in this manner. HEBE Other media channels optimized for reach and awareness also drive significantly more incremental sales than campaigns with low-funnel role.



VI. Test & learn agenda

Unquestionable positive impact of ongoing econometrics on HEBE business resulted in the birth of an intensive test & learn agenda in media department. Access to monthly full-picture media results is a perfect setup for testing new advertising directions and further adjustments of media mix. **HEBE accompanied by Business Science Warsaw set to explore those directions aiming for further growth of media impact and the whole HEBE business.**

Any questions? Contact us

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