accenturestrategy

# THE MONEYBALL MOMENT FOR MARKETING IN CANADA:

## LEVERAGING TV TO DRIVE IMPROVED MEDIA SPEND PERFORMANCE

Commissioned by thinktv

EXECUTIVE SUMMARY

# MARKET CONTEXT

*Moneyball*, the book by Michael Lewis, documents how a professional baseball team used data and analytics to fundamentally change the way the team's management evaluated players and executed strategies, moving away from traditional statistics in favour of new metrics correlated highly with "what produces wins."

A recent study conducted by Accenture Strategy, commissioned by think**tv** in Canada, has uncovered a 'Moneyball moment' for Canadian advertisers. With a focus on producing insights to help marketers rethink their approach to evaluating media performance, the study shows how advertisers can use analytics to improve the way they allocate and measure how media investments produce sales.

The key takeaway from our study is that Canadian advertisers can amplify the effectiveness of their overall media investments and drive increased sales by exploring how to rebalance their media allocations towards Multiplatform TV (TV and long-form digital video content).

# FIVE IMPORTANT INSIGHTS FROM OUR RESEARCH:

1. **Canadian companies can justify an increase in their overall media spend:** Canadian companies on average spend 1.7% of their revenue on media. This investment generates a 10% higher sales return than that of US companies who spend nearly twice the percentage of revenue in the industry categories evaluated. Given that both the US and Canada are expecting a 3.0-3.5% annual GDP growth over the next three to five years, Canadian companies can increase their overall media spend to capture this growth[1].

2. **Major brands are underinvesting in TV in Canada:** Our analysis found that advertisers can maximize the yield on their media investments by increasing budget allocations to TV by 5%. Based on the last 12 months of sales data, such an increase would yield a 4% increase in annual sales generated by media, amounting to C$1.4 billion in incremental revenue in the industries we assessed. The gap between optimal and current TV advertising spend varies across industries and is more pronounced in Telecommunications and Automotive at 7% and 6% respectively.

3. **TV has a material Halo Effect on digital media:** The Halo Effect is the ability of TV advertising to amplify advertising effectiveness in multi-channel campaigns. This sales ROI boost from TV to digital is often hidden when measuring ad effectiveness. Our research shows that accounting for the Halo Effect increases TV's sales ROI by 23%, giving it the highest attributed ROI of any media channel. Further, when the impact of TV is attributed correctly in an integrated campaign, TV amplifies the sales ROI of digital by 19%.

4. **TV provides a strong upside for the next dollar spent:** The next dollar spent on TV will outperform the next dollar spent on any other media channel across each industry we assessed. Given TV's higher marginal return, our analysis found that for new investments in media, allocating approximately 50% of that incremental spend on TV would drive the highest yield for the media budget overall.

5. **The untapped value of Long-Form Digital Video Content (LFVC) in Canada:** We define LFVC as advertising against broadcaster-owned digital video content greater than 15 minutes, viewed online or via mobile devices and often sold separately from TV. Our analysis reveals that LFVC generates 2x the average sales ROI of digital media. However, as LFVC viewership has rapidly increased in Canada, the media spend has not followed. Our dataset showed limited spend in LFVC in Canada despite its strong sales ROI. This disconnect creates a valuable opportunity for both marketers and broadcasters moving forward.

[1]*International Monetary Fund (IMF), 2018*

# WHAT THIS MEANS FOR ADVERTISERS

**The findings show that advertisers can improve their advertising investment yield in a material way by leveraging analytics more effectively. We propose the following actions for Canadian marketers:**

1. **Re-evaluate Overall Spend.** Our Canadian and US studies support increased media spend in Canada. The amount of increase will vary for each advertiser, but our findings show that sales ROI from media spend is more pronounced in Canada than in the US. And, when Canadian advertisers consider the nearly 12x sales ROI their media investments deliver, it makes sense to look at increasing the budgetary allocation to media over other areas of investment.

2. **Re-evaluate Media Allocation to Drive Improved Return.** Our analysis identified TV as an undervalued media channel. Advertisers should rebalance media investments accordingly, by evaluating performance based on attributed sales ROI measures and not just on impression reach, frequency and cost.

3. **Leverage Attribution Analytics Continuously.** For Consumer Packaged Goods (CPG), Over-the-Counter (OTC) Pharmaceuticals and Automotive, we used third-party data sources to conduct this analysis. Given the availability of data, Canadian advertisers should invest in media attribution analytics to use these findings continually and ensure their ongoing ability to optimize media yield.

4. **Take Advantage of LFVC.** Invest more in LFVC as available inventory increases and audiences move more towards this format. LFVC has remarkably high sales ROI and is underutilized in the marketplace.

The spirit of *Moneyball* suggests that with every market inefficiency comes an opportunity. For the 2002 Oakland Athletics, a new way to evaluate player performance led to an historic string of victories that propelled the team into playoff contention, despite having the third smallest payroll in baseball that year. For advertisers in Canada willing to embrace the same strategic thinking that led to Oakland's success, there is an opportunity to improve yield from advertising investments and sales ROI. Our analysis has identified and quantified this opportunity – it is now up to marketers to take advantage.

# INTRODUCTION

One of the most significant and scrutinized discretionary budget items for most organizations is the marketing budget. Canadian companies spend over C$13.5 billion annually placing advertisements on various media channels, and marketers are under increasing pressure to deliver results from these investments.

While overall media spend has not grown much over the years (i.e. 1.8% compound annual growth rate (CAGR) since 2012[2]), there has been a notable shift in the way marketers allocate their budgets across media types. Investments in digital channels such as display, paid search and social have nearly doubled in size in the past six years. This growth has come largely at the expense of print, while spending on TV, radio and out-of-home (OOH) has remained relatively flat.

Considering the current situation, we conducted this study to answer the following questions:

- Which media channels are driving the best return on investment (ROI) in Canada?
- Do different media channels impact each other in a way that contributes to their overall performance?
- What is the impact different levels of media investment across channels have on overall performance?
- Are advertisers maximizing their overall media mix in Canada?

Until now, answering these questions with any accuracy was challenging and expensive. Many media channels have difficulties linking advertising spend directly to sales ROI. As a result, many advertisers equate advertising effectiveness with impression volume and cost, which are important, but not as compelling as sales ROI measures.

Our study links media spend, TV viewership and sales data to analyze the effectiveness of media spend across all channels, ultimately showing how rebalancing media spend can drive increased sales. Our robust data set includes over four years of data (January 2014 to mid-2018), covering 105 brands across four industries: Automotive, CPG, OTC Pharmaceuticals and Telecommunications. We assessed over $3 billion of total media spend over four years, which makes up over 5% of spend in the Canadian market.

[2] *thinktv Net Advertising Volume report, 2018; Accenture analysis*

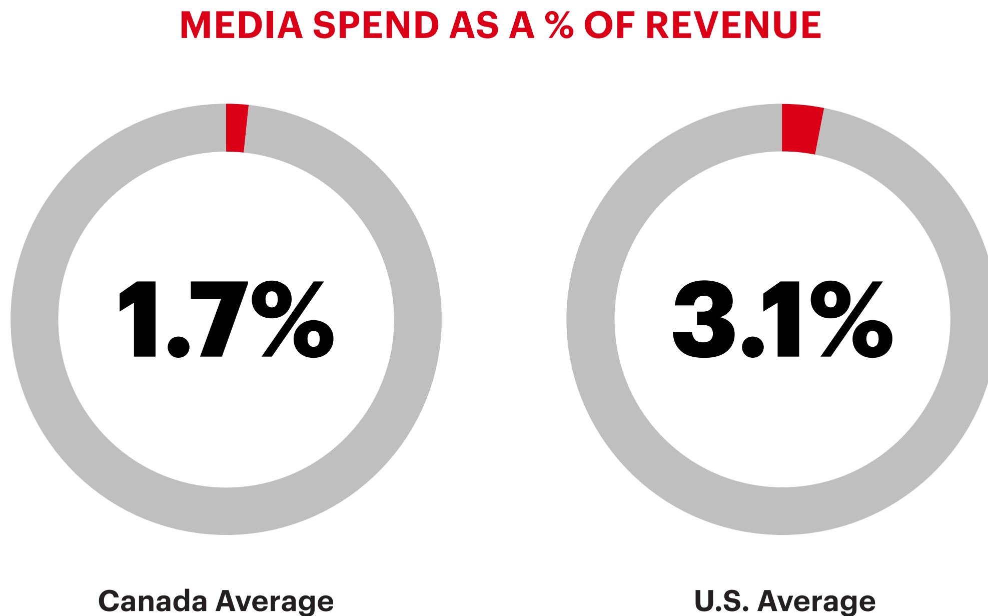
# KEY FINDINGS

FINDING #1:

## CANADIAN COMPANIES CAN JUSTIFY AN INCREASE IN OVERALL MEDIA SPEND

Canadian companies spend 1.7% of total revenue on media. By comparison, US companies spend nearly twice this percentage on media. There is a compelling case for Canadian companies to increase their overall media spend, given that it drives strong sales ROI. On average, we see a 12x sales ROI for media spend in Canada, which is approximately 10% higher than the U.S. Notably, media spend in Canada drove 21% of the overall sales we measured in our study, compared to approximately 19% in our US studies.

***Figure 1***



FINDING #2:

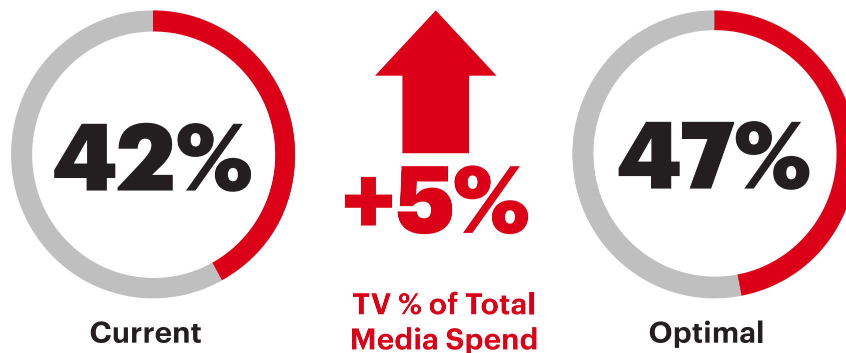
# MAJOR BRANDS ARE UNDERINVESTING IN TV IN CANADA

## Advertisers in Canada should rebalance media spend toward TV to maximize sales

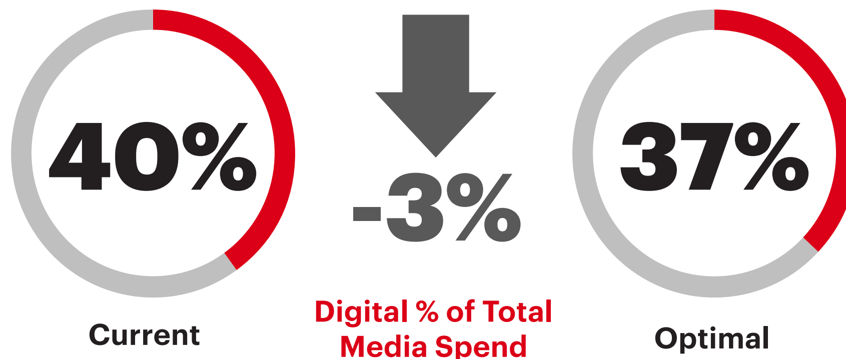
We looked to identify the allocation of spend across all media channels which would drive the maximum sales ROI for Canadian advertisers. Our analysis shows that TV is underinvested by 5% of total media spend. Closing this gap will allow advertisers to maximize the sales ROI driven by their media budgets.

***Figure 2***

### CURRENT VS. OPTIMAL MEDIA SPEND



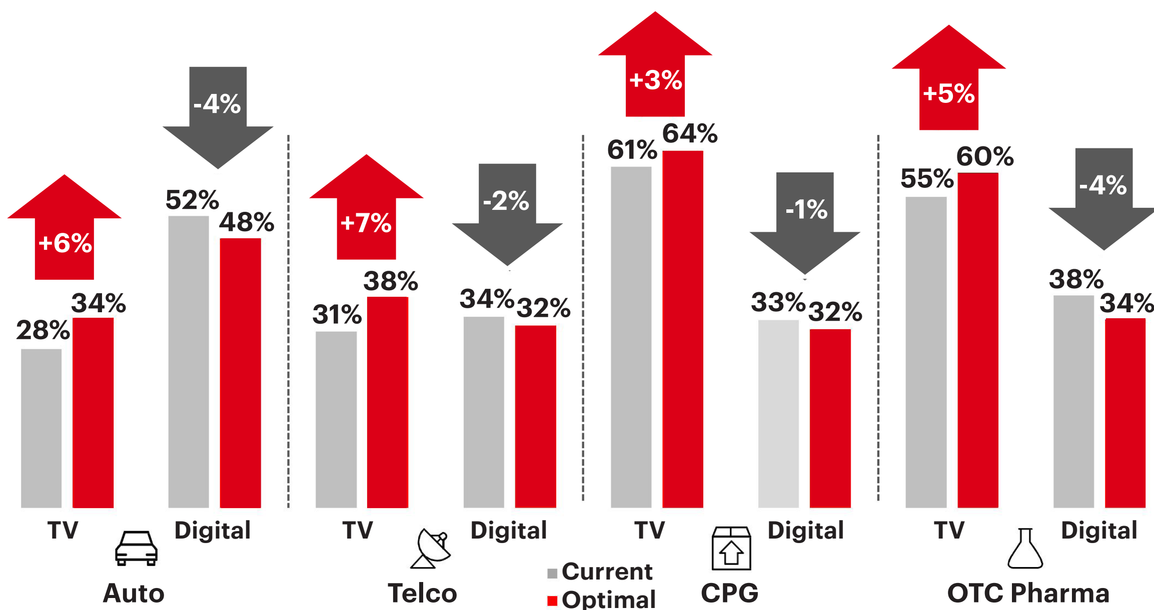

**Marketers currently underinvest in TV by 5%**




**Marketers currently overinvest in Digital by 3%**

The gap between current and optimal allocations is clear across each of the four industries studied (see Figure 3). Telecom and Automotive have the largest gaps in TV allocation at 7% and 6%, respectively. Also, despite already investing over 60% of media spend in TV, we found that CPG also had a TV allocation gap of 3%.

***Figure 3***




**What are the implications of this media allocation gap?**

Our analysis reveals that on average national brands have potentially missed out on **4% in annual sales** generated by media spend. For the industries in our study, this amounts to **C$1.4 billion in annual revenue**. The Halo Effect and Next Dollar Spent analyses in the following two sections of this report help to explain the media mix imbalances we found. The lost revenue opportunity was more significant in Telecom (4.5%) and Automotive (3.8%). Moving forward, early adopters who work quickly to close this media allocation gap could realize the significant benefits of increased market share and sales revenue growth.

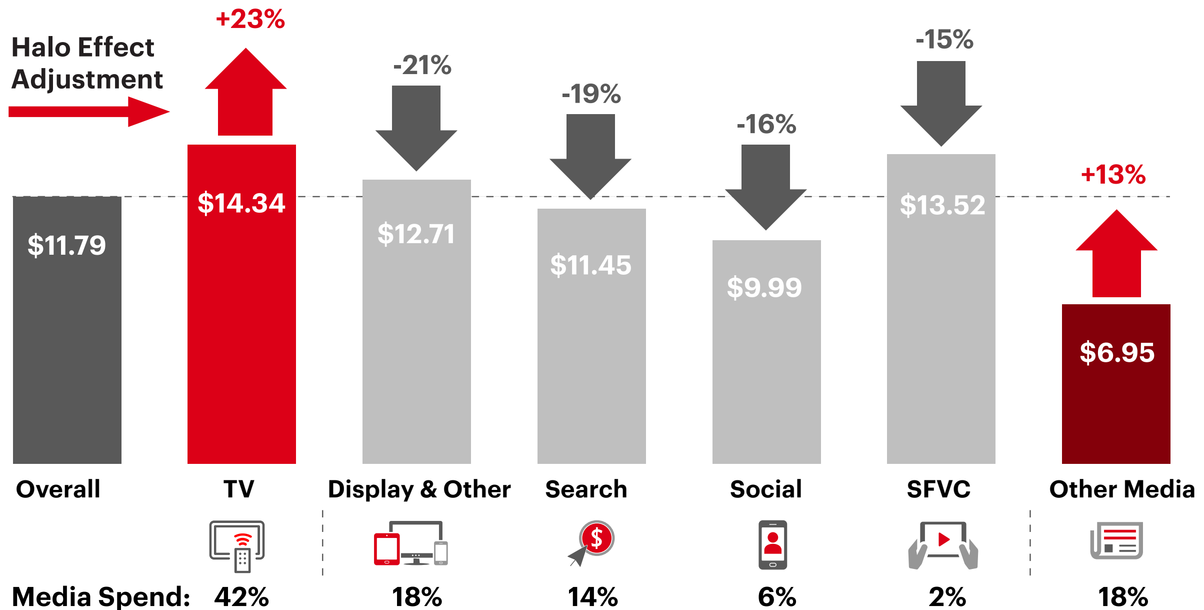
# TV HAS A MATERIAL HALO EFFECT ON OTHER MEDIA CHANNELS

## TV spend drives the ROI of Digital channels

When evaluating media channel performance, marketers often fail to account for the full impact that top-of-the-funnel advertising has on digital channels, also known as the Halo Effect. Upper-funnel TV spend materially amplifies the performance of investments in digital and other media, and the absolute return on a media channel is often quite different from the attributed return on a channel. Given the way consumers consume media and advertising, and the power of effective media investments to drive sales, it is critical that advertisers understand these implications to maximize yield.

Our study quantified the impact of the Halo Effect, and determined that TV amplified the sales ROI of digital by 19%; the performance of TV increased by 23% compared to its non-attributed value; and TV delivered the highest attributed sales ROI of any media channel (see Figure 4).

*Figure 4*




**Note:** Other Media includes Out of Home, Radio, Newspaper and Magazine. Radio & OOH spend reflected in the study includes only National Buys, suppressing the overall value contributed by those channels due to the exclusion of local buys.

We found comparable results in the US market, where TV amplified the sales ROI of digital by 18%. When we properly attributed that back to TV, TV's sales ROI increased by 10%. This lower percentage impact on TV is due to the higher base of TV spending in the US.

The Halo Effect of TV should not be surprising considering how TV advertising interacts with key digital channels. For example, it is well-established that branded paid search volume and conversion peak when running as part of an integrated campaign that includes TV. As consumers move down the purchase funnel, they are more receptive to paid search during and after viewing TV advertising. Similarly, higher click-through and conversion rates should be expected across display, social and other digital channels when aided by the awareness generated by TV advertising. Failing to account for this impact will result in an overstatement of the value of these digital channels, and an underestimation of the value of TV. Any resulting decreased investment in TV would ultimately lead to weaker performance by the digital platforms.

FINDING #4:

# TV PROVIDES A STRONG UPSIDE FOR THE NEXT DOLLAR SPENT

## Marginal returns on TV provide the highest ROI

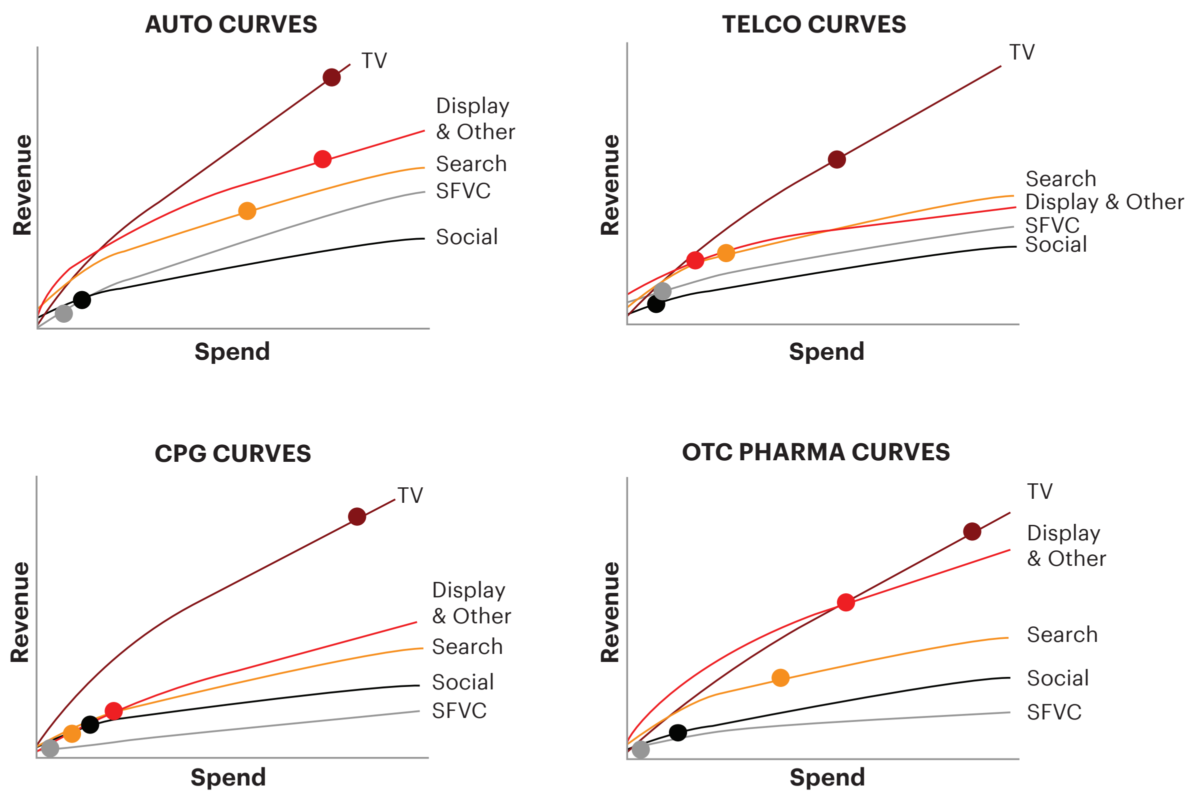
A key question for our study was where best to spend the next dollar of media to maximize sales ROI. Our research revealed that while digital channels supply the highest contribution to sales at lower levels of media investment, TV drives higher incremental sales per dollar when invested at higher levels. At current media spend levels, Canadian marketers see greater returns from an additional dollar spent on TV advertising than one spent on other media channels.

Why do we see this variation in performance across different spend levels? At lower levels of media spend, the strengths of digital are most pronounced. Digital media's ability to target audiences and drive conversion creates strong returns on initial spend levels. As spend levels increase, however, and premium inventory within a channel becomes saturated, several challenges arise. In paid search, for instance, a finite number of keywords are most effective in driving sales, after which spend goes toward generic keywords that deliver weaker returns. In channels like social and display, there are limits to the number of premium digital publishers and performance across non-premium publishers is weaker.

Our analysis shows that TV offers a linear value proposition that is far more resistant to diminishing returns. Impressions matter, and as spend increases, a broader base of potential customers is reached which can then be converted down the marketing funnel.

The response curves below illustrate how these findings materialized across the four industries we examined.

*Figure 5*

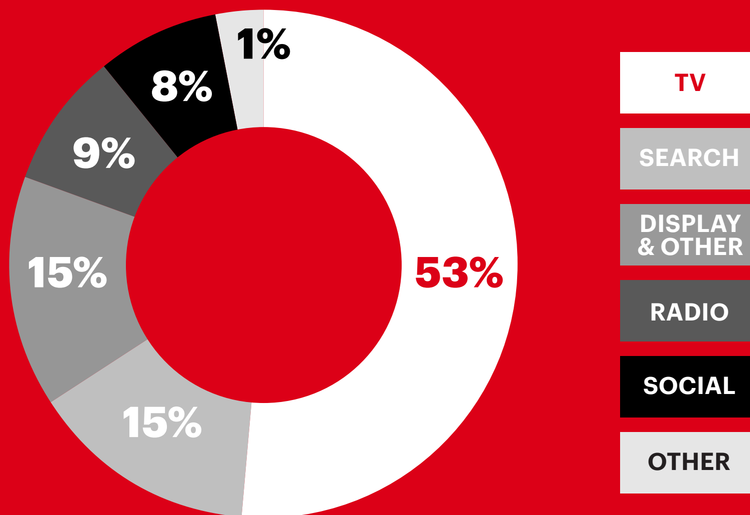



**Note:** The circle on each response curve represents the current spend levels in the corresponding media channel

As budgets increase, how should incremental media spend be allocated to maximize sales ROI? To answer this question, we tested different allocation scenarios to understand the impact of a 5% increase in the current media budgets of the companies studied. Our analysis shows that advertisers can maximize their sales ROI by investing just over half of incremental media spend in TV (see Figure 6).

***Figure 6***

## OPTIMAL ALLOCATION OF 5% INCREMENTAL SPEND




**FOR MAXIMIZED SALES ROI, TV SHOULD CAPTURE 53% OF INCREMENTAL MEDIA SPEND COMPARED TO 40% FOR ALL DIGITAL CHANNELS COMBINED.**

FINDING #5:

# THE VALUE OF LONG-FORM DIGITAL VIDEO CONTENT

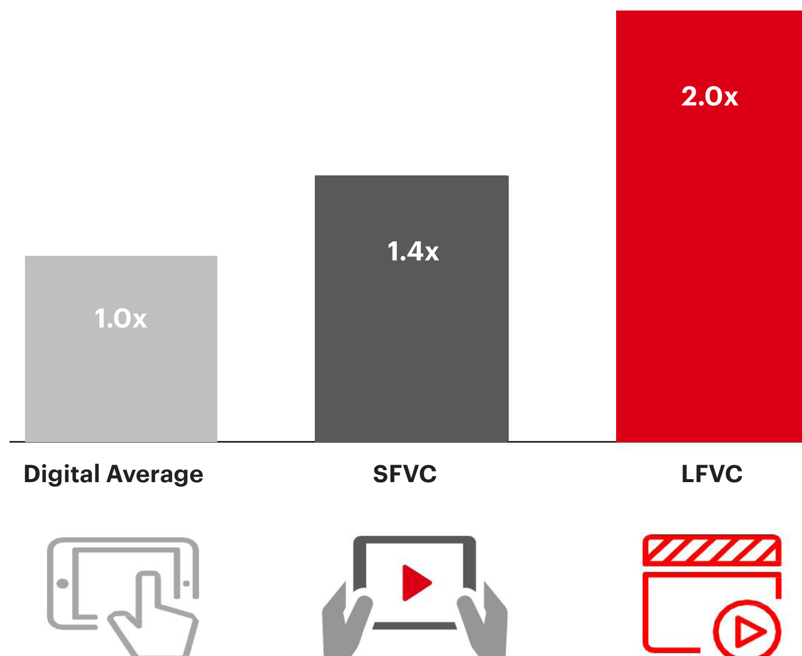
## Underinvestment in LFVC presents a large opportunity in the Canadian marketplace.

While our study focused primarily on understanding the performance of current media spend, we also looked at areas where there may be untapped value for advertisers. One area stands out from our analysis: long-form digital video content. LFVC encompasses all broadcaster-owned digital video content that is greater than 15 minutes, viewed online or via mobile devices and often sold separately from TV.

Overall, the LFVC spend that we assessed outperformed all other digital channels by 2x.

***Figure 7***

**RELATIVE ATTRIBUTED PERFORMANCE**




LFVC is 2x as effective as the average of all digital channels on an attributed sales ROI basis. It also outperforms the highest performing digital channel, short-form digital video content (SFVC) by approximately 45%.

This media channel stands out because significant increases in LFVC viewership in the Canadian market have not been met with corresponding increases in media spend. While LFVC viewership has grown at a 20% CAGR from 2012 to 2017, advertising investment in the channel has grown at only an 8% CAGR over the same period[3]. This disconnect in the market creates a significant opportunity for advertisers, especially considering the strong sales ROI of LFVC.

We believe that LFVC performs better because it engages viewers through sight, sound and motion more effectively than search, display, social and SFVC. In addition to being targetable, LFVC delivers the high engagement levels of audiences who have typically sought out the content they watch. The impact of a LFVC ad is most comparable to a TV ad, and as such should be used and evaluated similarly. Moreover, LFVC inventory supplies access to viewers who consume more of their video content online.

However, there is an issue which has been suppressing LFVC media spend in the Canadian marketplace: inventory is scarce. LFVC spend was available in only one of the four industries we analyzed (Automotive) and spend in that industry was less than 1% of the mix. In the US, where the LFVC market is much larger, we saw similarly high sales ROI, however, it was often muted when agencies ran the same creative for digital pre-roll video as they used for TV.

Based on the above indicators from the Canadian market, and the broad-based evidence from our U.S. studies, we see a distinct opportunity for broadcasters to increase their efforts to offer additional LFVC inventory, and for advertisers to leverage this valuable inventory more aggressively as part of their media plans.

*[3]CRTC Communications Monitoring Report 2018; Accenture Analysis*

# CALL TO ACTION FOR MARKETERS

**Marketers must act now to capitalize on this market imbalance.** The goal of media is to drive brand awareness, brand affinity, and ultimately, sales. Our study showed that when looking at the effectiveness of media in driving sales, traditional metrics do not always paint a clear picture. It takes attribution-oriented analytics – like those used in sports – to understand what each media channel contributes to sales growth. Much like the analytics for baseball described in Moneyball, media is at a critical juncture where new statistics and analytics methods are needed for advertisers to carve out an advantage that delivers ongoing sales growth in both the short and long terms.

**We propose the following actions for Canadian marketers:**

1. **Re-evaluate Overall Spend.** Our Canadian and US studies show a case for increased media spend in Canada. The amount of increase will vary for each advertiser, but our findings show that sales ROI from media spend is more effective in Canada than in the US. And, when advertisers consider the **12x sales ROI** they get from their media investments, it makes sense to look at increasing the budgetary allocation to media over other areas of investment.

2. **Re-evaluate Media Allocation to Drive Improved Return.** Our analysis identified TV as an undervalued media channel. Advertisers should rebalance media investments accordingly, by evaluating performance based on attributed sales ROI measures and not just impression reach, frequency and cost.

3. **Leverage Attribution Analytics Continuously.** For CPG, OTC Pharmaceuticals and Automotive, we used third-party data sources to conduct this analysis. Given the availability of data, Canadian advertisers should invest in media attribution analytics to leverage these findings continually and ensure their ongoing ability to optimize media yield.

4. **Take Advantage of LFVC.** Invest more in LFVC as available inventory increases and audiences move more towards this format. LFVC has remarkably high sales ROI and appears to be underutilized in the marketplace.

# ABOUT THE STUDY

Our study linked media spend, TV viewership and sales data in the Canadian market. It provides advertisers with analysis of the effectiveness of spend across all media channels, showing how rebalancing that spend to TV can drive increased sales.

**The study is based on the following data sources:**

- Our data set included over four years of data (January 2014 to mid-2018), covering 105 brands across four industries: Automotive, Consumer Packaged Goods (CPG), Over-the-Counter (OTC) Pharmaceuticals and Telecommunications.
- We assessed over $3 billion of total media spend over four years, which makes up over 5% of spend in the Canadian market. This gave us a statistically significant data set with which to work.
- Data was sourced from seven syndicated and non-syndicated sources. Syndicated sources included DesRosiers Automotive Consultants for Automotive sales data, and Numerator for TV viewership data.

**We leveraged the following analytics approach:**

- We categorized all media spend into a standard set of traditional and digital media channels: traditional included TV, Radio, OOH, magazine, and newspaper; while digital included paid search, display & other, social and SFVC.
- Our analytics techniques extended beyond a typical Media Mix Modelling (MMM) exercise. We first conducted an MMM analysis on the data set to establish baseline performance by media channel. We decomposed these MMM outputs further to understand the interrelated impacts of different marketing tactics (i.e. the impact that TV spend has on digital spends such as search or display). This enabled us to attribute value back to channels that amplify the effectiveness of other channels, which would otherwise be missed in a siloed, channel-by-channel analysis.
- Finally, we modelled the response curves of each media channel by industry to understand the expected incremental value associated with increased spend. From these models, we conducted scenario analyses to determine a marketing mix that optimized for revenue.

**An important note:** While media channels like newspaper, magazine, OOH, and radio were included in our calculations, our primary focus was to analyze the effects of TV and digital channels.

We believe the data used and the analytics employed effectively describe the Canadian media marketplace as outlined in this document.

# METHODOLOGY

**Marketing spend**

For this study, we analyzed more than $3 billion in anonymized marketing and media spend data between 2014 and 2018 spanning 105 brands across four categories, including Automotive, CPG, Telecommunications and OTC Pharmaceuticals.

Accenture leveraged econometric modelling techniques to isolate the multi-channel impacts of marketing spend, including Hierarchical Bayesian Regression, State Space, Unobserved Component Models and SEM (Structural Equation Modelling) to isolate the impact of marketing investments on sales outcomes. These modelling techniques attribute the impact of multiple marketing levers by relating them to shifts in monthly patterns of sales volume, while simultaneously controlling for all other key variables that might impact sales volume, including but not limited to macro-economic factors, seasonality, trends and competitive actions. Accenture's approach to evaluating marketing effectiveness and multi-channel attribution incorporates longstanding modelling and advertising impact concepts.

**Marginal returns**

To determine the marginal returns, implicit in understanding Halo Effect, we leveraged "diminishing return analysis" to understand how sales change with changes in media investment, assuming finite levels of effective media. Media transformations are selected based on their "best fit" (a statistical technique used to determine the best mathematical equation represented by the data) but have an implicit diminishing marginal returns component. This rate of decline between Average ROI and the Marginal ROI is critical to understanding the impact of the next best dollar spent, and the non-linear optimization that simulates the impacts of marketing budget shifts. We looked at brand sales data covering four years from 2014-2018.

Brand sales were broken out as follows:

1. Incremental sales: captures the short-term impact of all marketing investment (e.g. television, print, paid search, display, radio, and trade promotions).

2. Base sales: the sales a company continues to accrue in the absence of all marketing investment. Base sales are influenced by macroeconomic factors, distribution strength, brand equity, and other factors. Over time, base sales have been shown to erode in the absence of marketing activity.

# DETAILED CHANNEL DESCRIPTIONS

**DISPLAY & OTHER** is advertising against content on websites or in apps, whether in static or rich media form. Inclusions in this category are the following:

- Pure Play Content (core business is online/mobile content of all types)
- Ad Network / Ad Exchange (Properties that aggregate inventory and audiences from many sources or supply a tech-platform for automated auction-based buying in real-time)
- Mobile Ad Network / Ad Exchange (same as above but for mobile inventory)
- Print – Digital (Digital content of traditional print media properties)
- Other Digital (Other digital spend which does not fall into the above sub-categories)

**PAID SEARCH** is advertising that increases the visibility of brand websites in paid search engine result pages.

**SOCIAL** is advertising bought through social media networks.

**SHORT-FORM DIGITAL VIDEO CONTENT (SFVC)** is advertising against digital videos that are typically under 15 minutes in duration.

**TELEVISION (TV)** is advertising against conventional and specialty television content, including live TV as well as personal video recorder (PVR) and set top box (STB) on-demand content.

**LONG-FORM DIGITAL VIDEO CONTENT (LFVC)** is advertising against broadcaster-owned long-form digital video content which holds an ad load distinct from the standard TV buy.

**MULTI-PLATFORM TV** is advertising against the combination of TV and LFVC grouped into one category.

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