

# Digital ROI – What We Know

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Presentation to the Marketing Accountability Standards Board

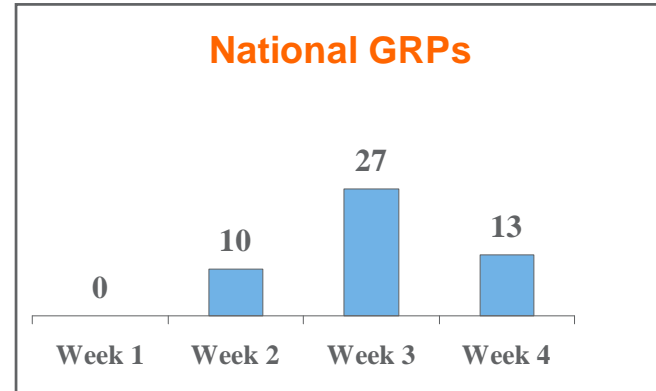
August 6 2009

# Agenda

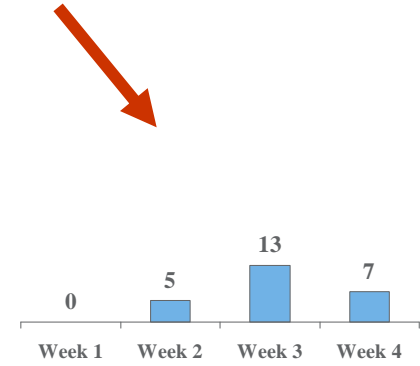
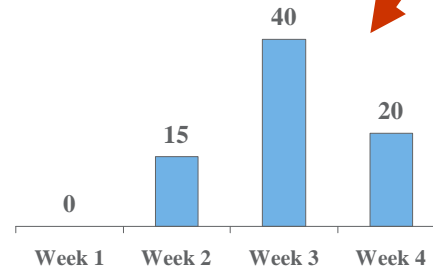
- Sources of Digital ROI Learning
  - Marketing Mix Modeling
  - Exposed/Unexposed Analysis
- Key Learning So Far
  - Marketing Mix Modeling
  - Exposed/Unexposed Analysis

# Computing Online Exposure by Consumer Group

## Online Advertising



## Advertising delivered on Upscale websites

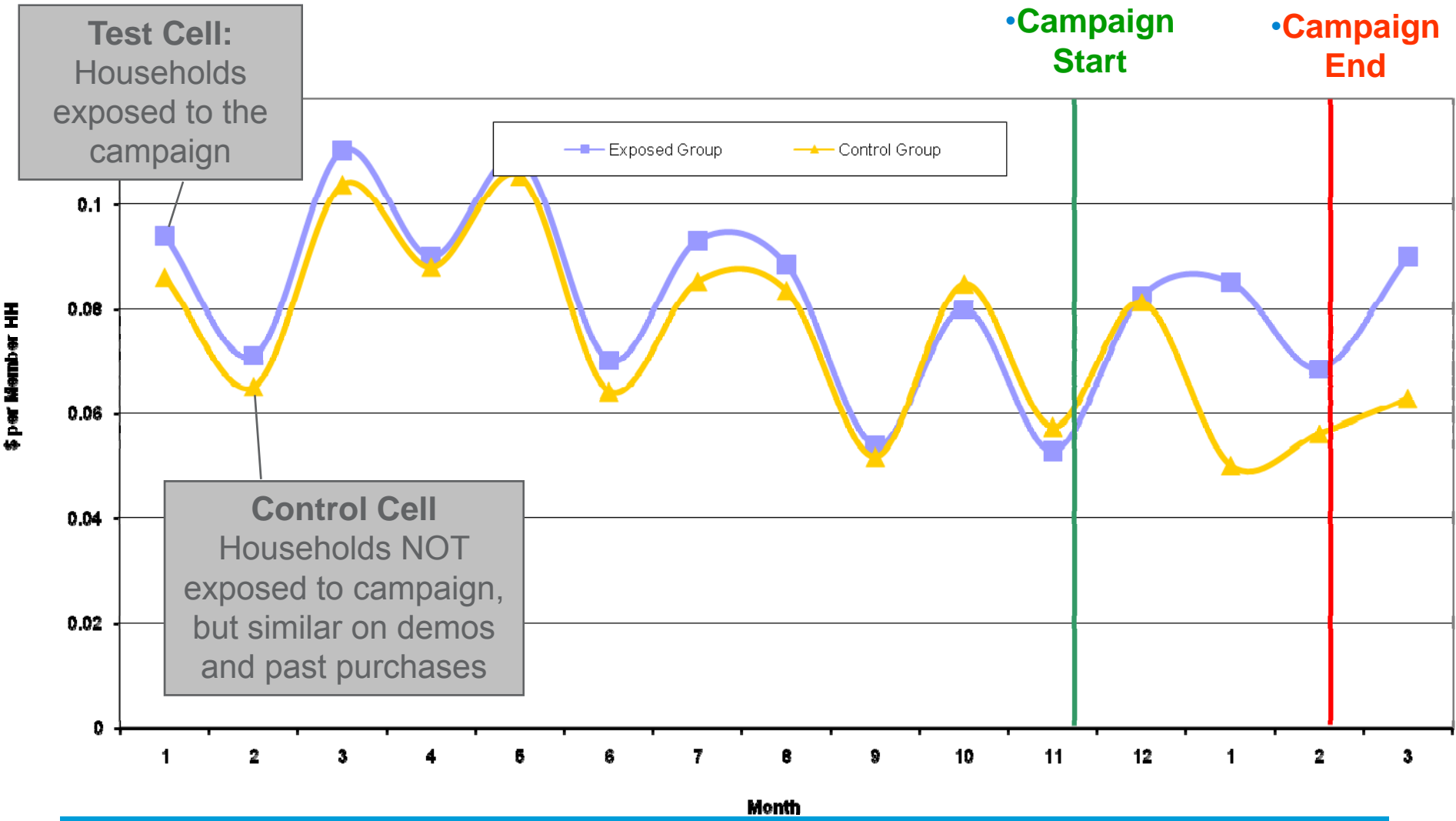


Upscale Store GRPs

Downscale Store GRPs



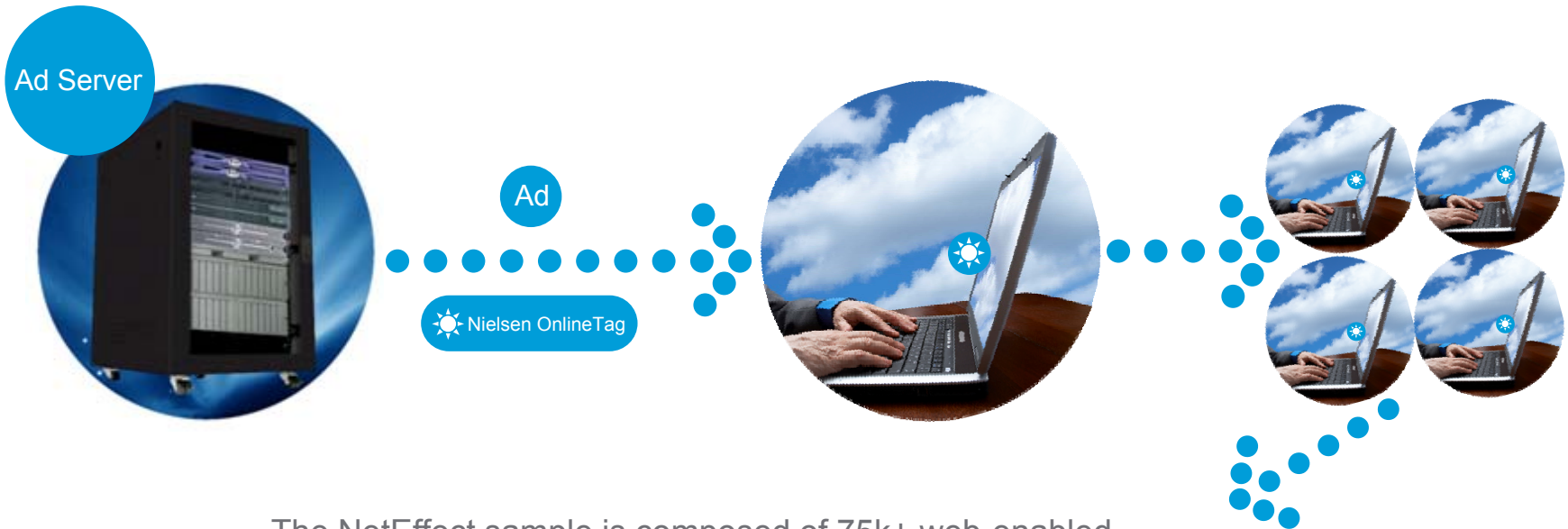
# The basics of the exposed/unexposed methodology



# How Does NetEffect Work?

- Nielsen Online's "tag" is embedded into each creative ad unit ...

"Tagged" ads are seen by millions – thousands of whom are in Nielsen's 'NetEffect' sample



The NetEffect sample is composed of 75k+ web-enabled Homescan households that provide us with their offline purchase behavior and demographics

# NetEffect Control Sample Matching Variables

- Brand purchasing
  - Category purchasing
  - Competitor purchasing
  - Deal purchasing propensity
  - Coupon purchasing propensity
  - Account (Retailer) Spending
  - Total Spending
- Age
  - Gender
  - Age/Presence of Children
  - Household Size
  - Income
  - Race
  - Geographic Location
  - Education
  - Household Composition
  - Occupation
  - Employment Status
  - County Size
  - Spectra Framework
  - Other Relevant Variables

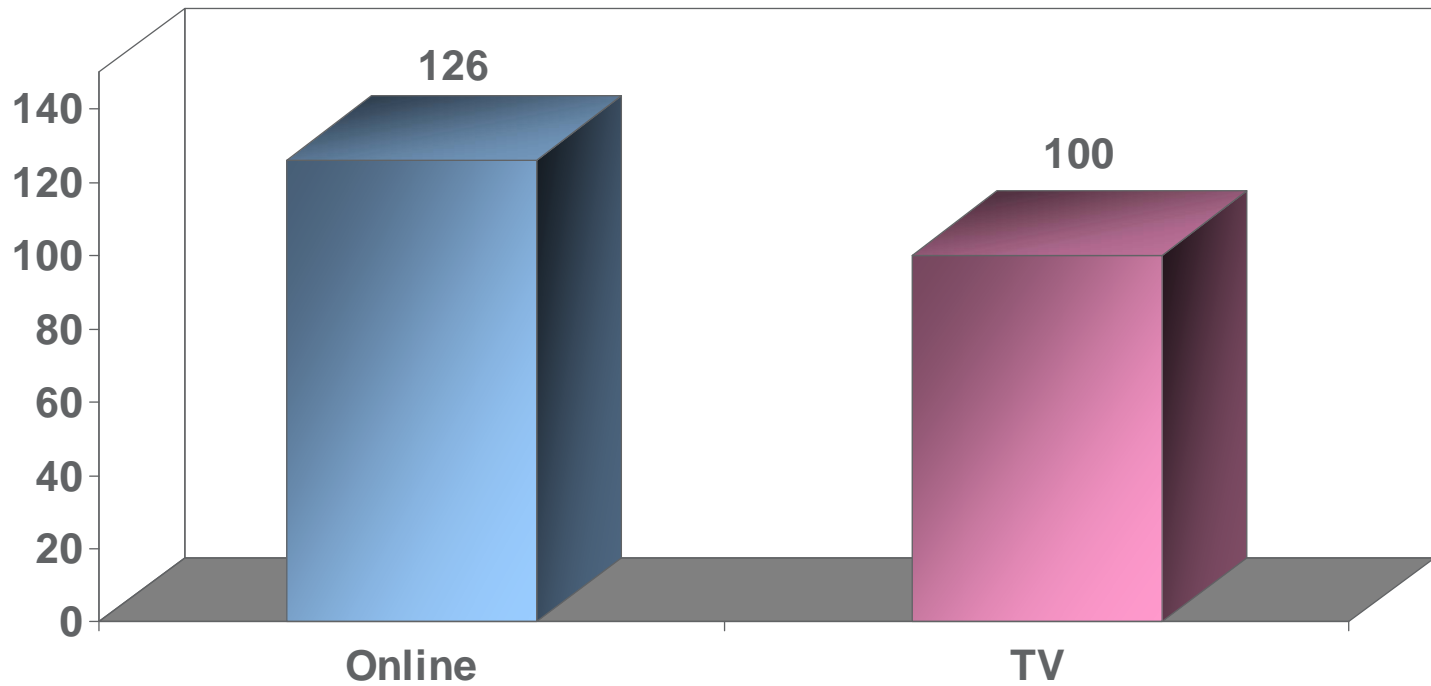


# Learnings for Online Based on Marketing Mix Analyses

- TV still dominant spend, but online is growing
- Key components drive effectiveness:
  - Mix of websites
  - Content/creative
- Broadband advertising (video) can outperform TV and Banner Ads
- Low cost drives efficiency
- Short-term ROI for online is higher than TV in many cases

# Online ROIs\* are 26% higher than TV

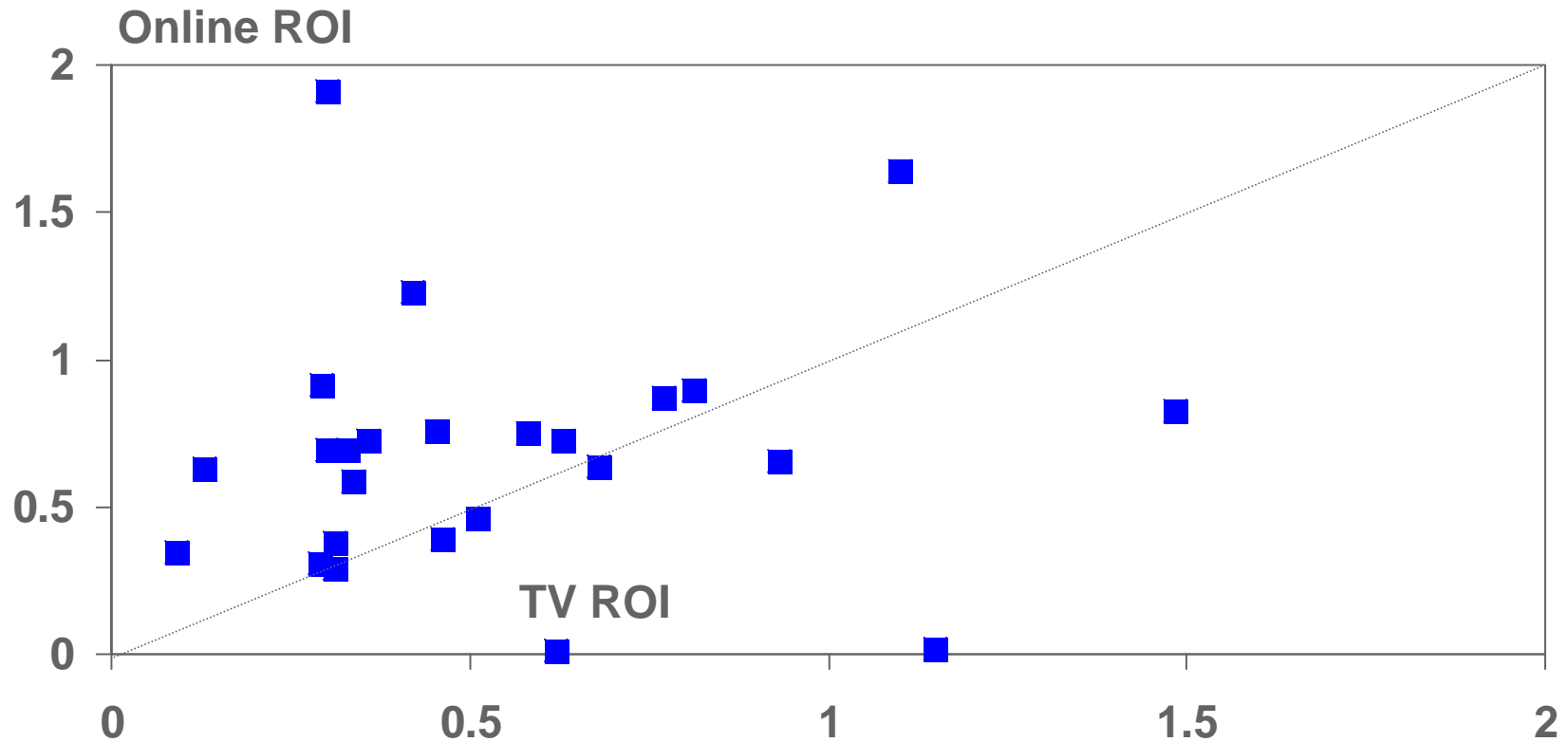
Online Payback Indexed to TV



\* ROIs based on mix modeling



# Online ROIs uncorrelated with TV ROIs



# The average campaign measured drove a 157 percent ROI\*

Over 200 digital campaigns measured, averaging...

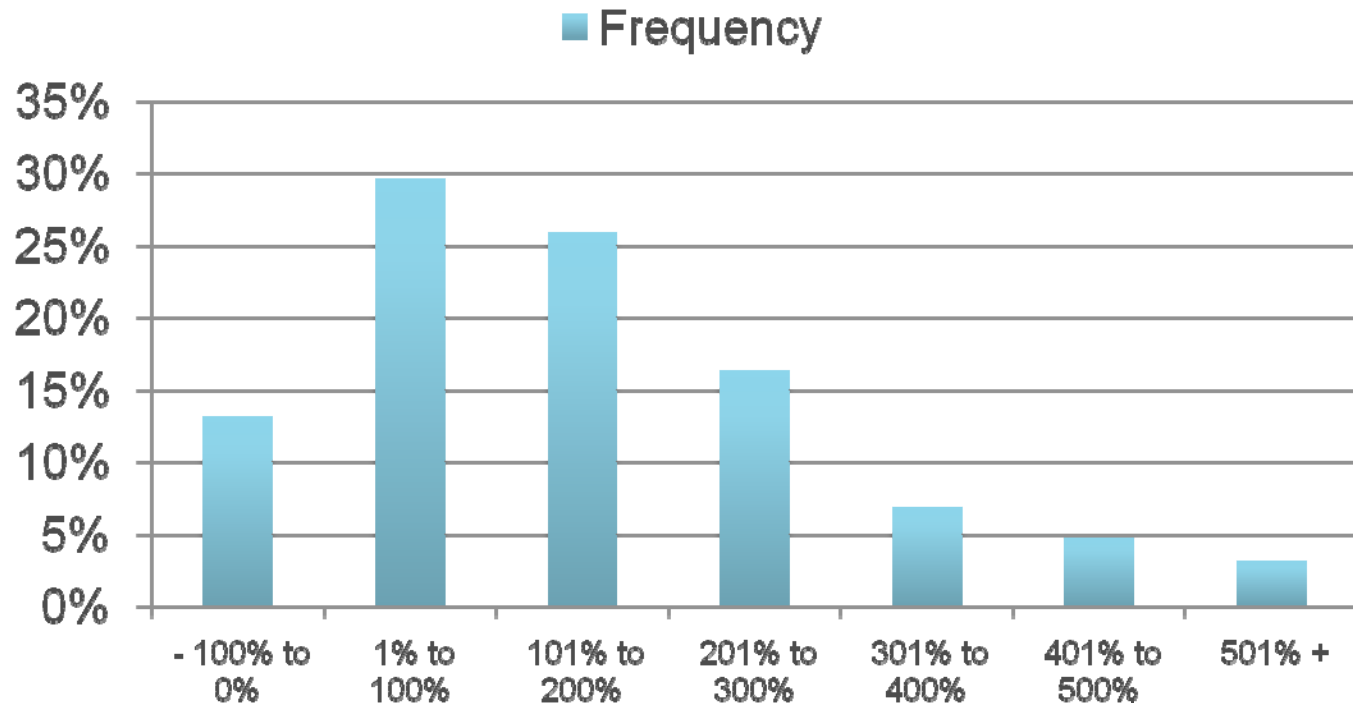


## Summary of Results

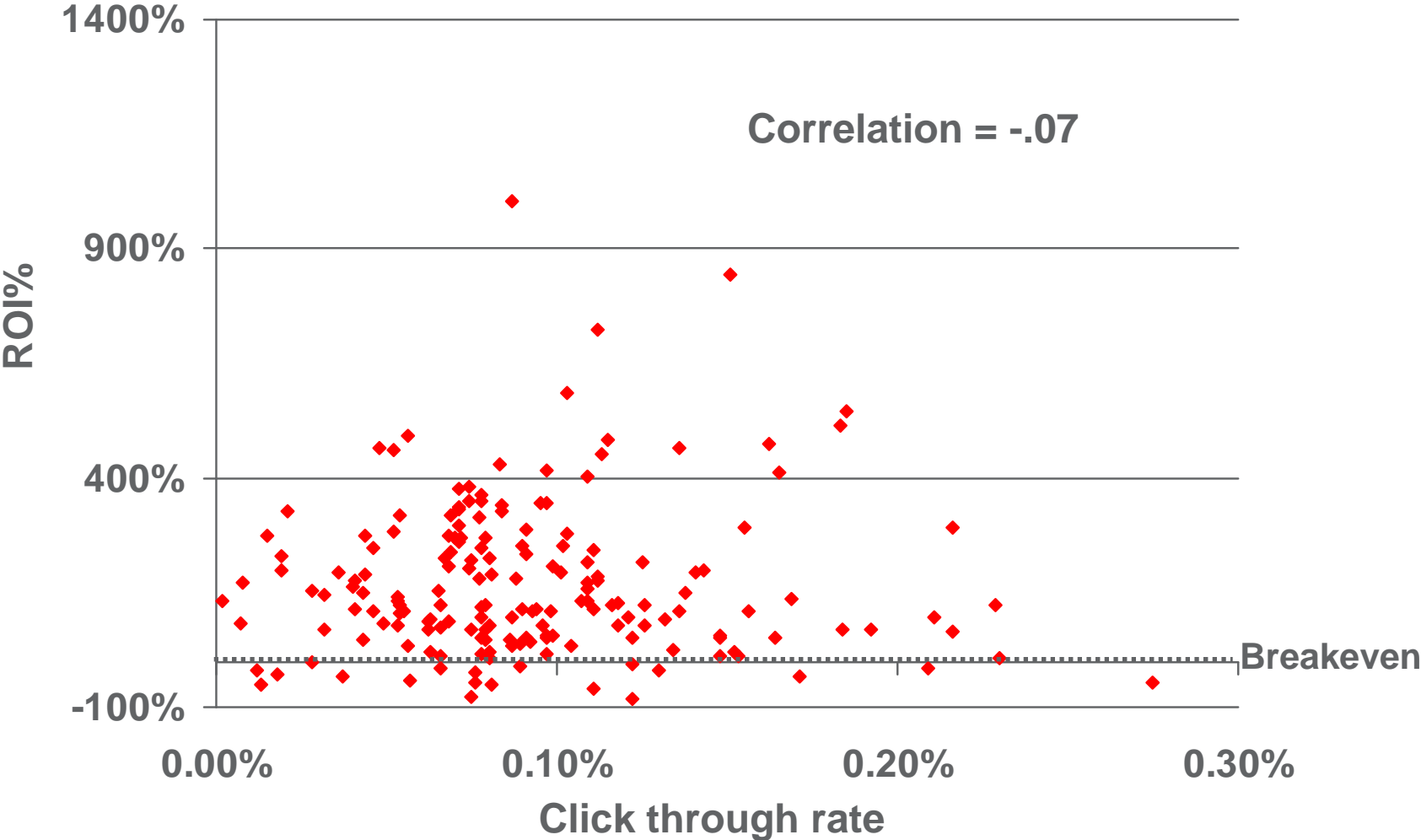
- Average increase in sales = **32%**
- Average short term incremental retail sales = **\$1.1m**
- Average ROI = **157%**
- Average increase in penetration = **18%**
- Average increase in buying rate = **14%**
- Campaigns with sub zero ROI = **13%**

\* ROI = (incremental sales driven by campaign/cost of campaign) -1

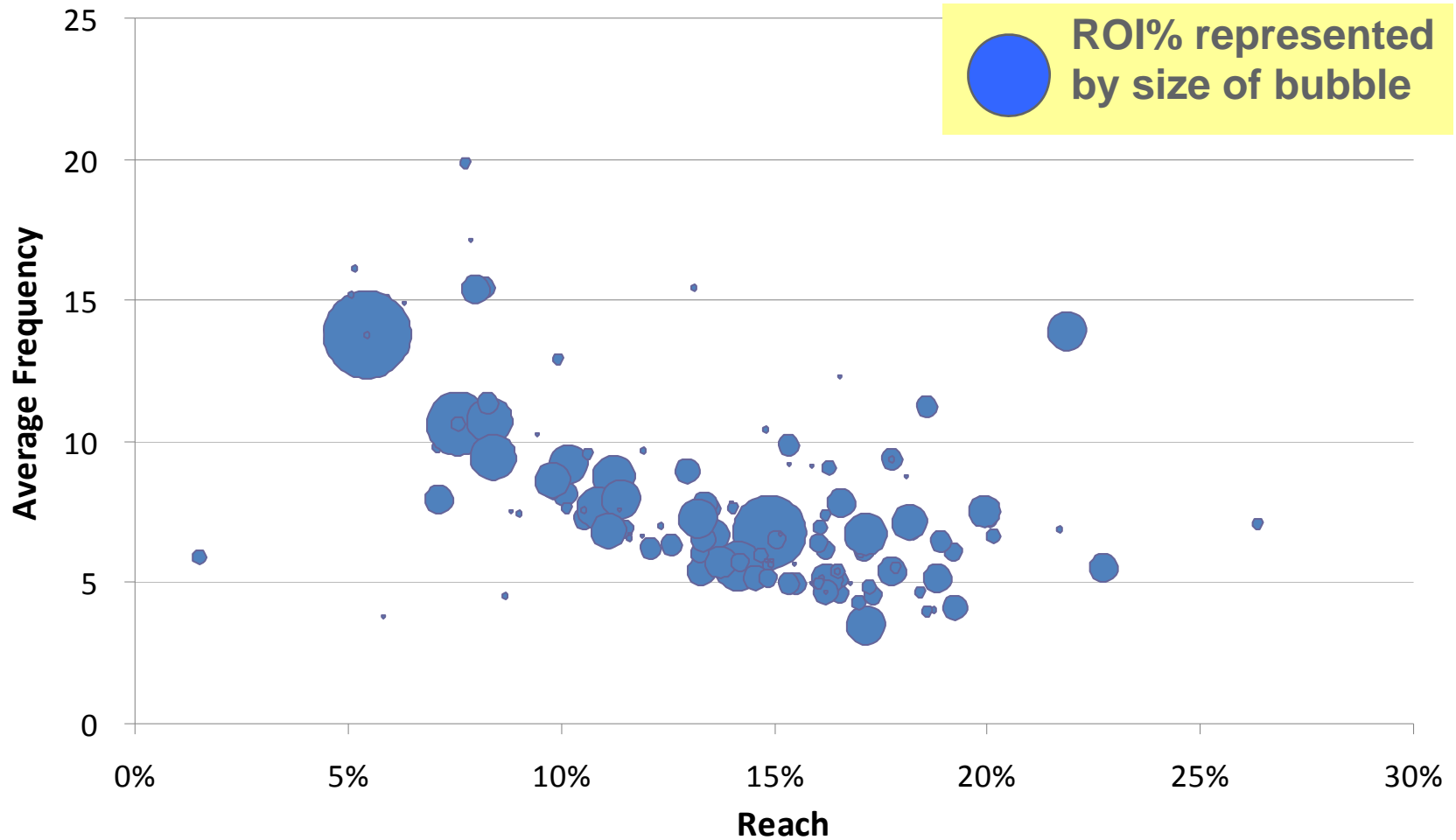
# While ROI exceeds 100% in over half of the cases, it was negative in nearly 15%



# Don't get hung up on click through rates. There is no correlation between CTR and ROI%



# Neither high reach nor frequency guarantees success



# Promotional messaging drives higher ROI than brand equity messaging

## Equity-only Campaigns

Average ROI = **143%**



“Care for your clothes and they’ll care for you”

Jorge Ramón, Celebrity Stylist

COLOR & SHAPE PROTECTION help protect that new look you love.

NEW Downy TOTALCARE™ [Learn more >](#)



## Campaigns with Promotions

Average ROI = **335%**

SENSODYNE PRONAMEL

You may have acid wear...  
learn how ProName™ can help.

[Rollover Here](#)

Save \$1



Eucerin

NEW SMOOTHING ESSENTIALS

The dry skin relief of Eucerin in a light-textured lotion

[GET COUPON NOW >](#)




make your SKIN the ultimate FASHION statement WITH *Caresse*

You could WIN a new Caresse inspired look each week.

No purchase necessary. Void where prohibited. Sweepstakes ends 6/30/09. Instant Win ends 11/30/09. Click for rules and entry.



# Appendix

# ROIs look good across all CPG product categories, with beverages leading the pack

	Sales Lift (Dollars)	Sales Lift (Percent)	ROI (Percent)
<b>Overall</b>	\$1.1 m	32%	157%
<b>OTC</b>	\$1.2 m	26%	173%
<b>Beverage</b>	\$1.2 m	23%	241%
<b>Food</b>	\$.9m	30%	122%
<b>Gen. Merch. &amp; Pet</b>	\$1.1m	36%	185%
<b>HBA</b>	\$1.1m	33%	124%



# Campaigns intended to extend existing brands drive more incremental sales, but lower ROI

*Why? With line extensions it is easier to move the needle, but the sales consequences are less significant*

## Existing Brands

Average Sales Increase = 30%

Average ROI = 163%



## Line Extensions

Average Sales Increase = 42%

Average ROI = 135%



# Broadly bought brands enjoy higher ROI, but lower incremental sales levels than minimally penetrated brands

*Why? With bigger brands it is easier to grow dollar sales than percentages of sales*

	Avg Annual Penetration	Incremental Sales %	Average ROI
Low penetration	4%	37%	148%
Medium Penetration	12%	34%	142%
High Penetration	29%	27%	181%

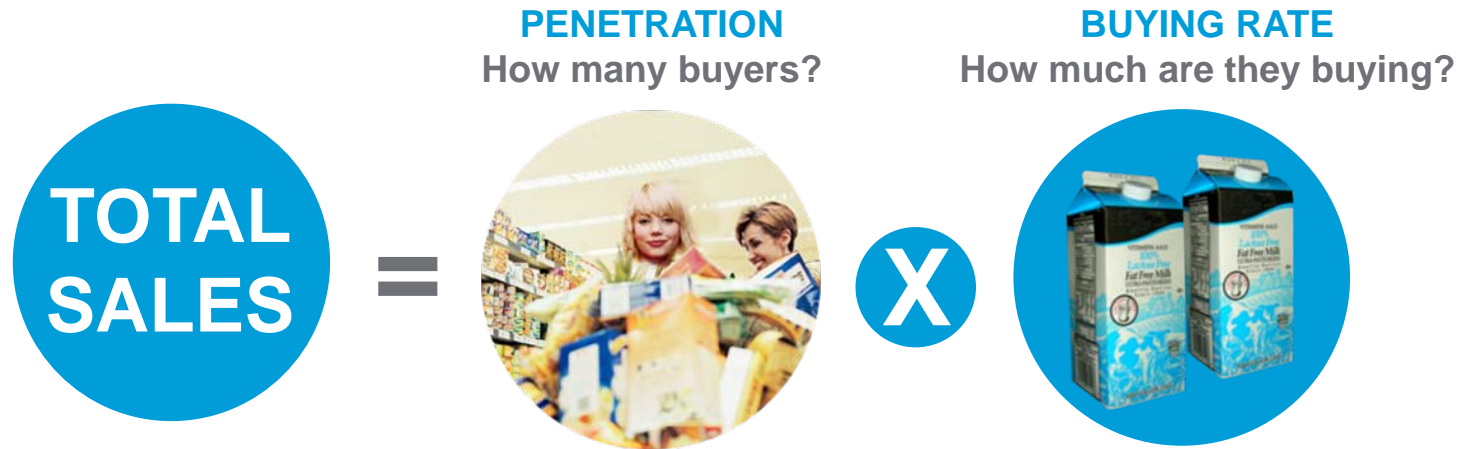


# Faster moving products also enjoy higher ROI, but lower incremental sales levels

*Why? Faster PC products also tend to have higher penetration, and vice-versa*

	PC Range	Incremental Sales %	Average ROI
Fast PC	<40	28%	237%
Moderate PC	40-60	30%	168%
Slow PC	>60	36%	129%

# While online campaigns are more likely to drive increases in penetration than buying rate, advertisers should not be myopically focused on penetration



Of all measured campaign results:

58% had greater impact on penetration

39% had greater impact on buying rate

Of all measured campaign results:

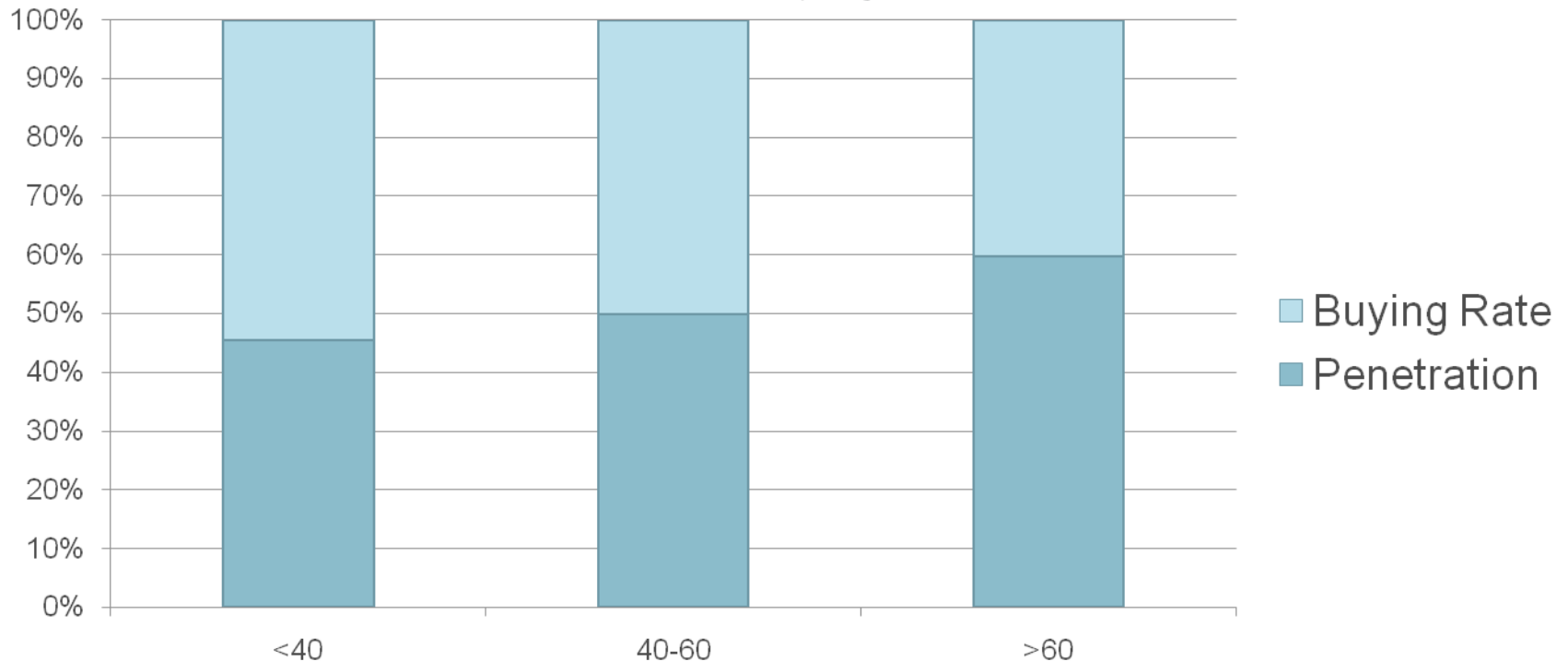
Average increase in penetration is 18%

Average increase in buying rate is 14%

# Buying rate becomes even more important as a product's purchase frequency increases

- *Sales for products with greater average purchase occasions are more sensitive to fluctuations in buying rate*

**Relative Contribution of Penetration & Buying Rate to Sales Lifts**



# Going big does not substantially compromise campaign efficiency

Quintile	Average Impressions	Average ROI%	Average Sales Lift
1	142m	134%	32%
2	83m	171%	30%
3	69m	137%	35%
4	63m	163%	33%
5	57m	179%	32%

# General Guidelines For Measuring Sales Impact of Online Sales Using NetEffect

- Assuming an 8-week campaign, frequency cap at 5 per user, and 60-day purchase cycle, offline sales impact measurement is possible with the following number of impressions:

Annual Brand Penetration	Number of Impressions
5%	175MM
10%	90MM
15%	60MM
20%	45MM

- If you have a particular brand or campaign in mind for NetEffect, we can provide a precise number of impressions needed once we have the specifics on campaign length, frequency, brand penetration and brand purchase cycle.
- Recent panel enhancements have reduced the number of impressions needed by 50%!**