Beyond ROI. Optimising the media mix for maximum business growth

The Payback Series: Edition 5

5 years of the Payback Series

Since 2016 ThinkTV's 'Payback Series' has used econometric modelling to delve deep into media effectiveness.

- **Phase 1:** The Australian media and marketing community's first large–scale market-mix modelling project comprising three years of raw sales and campaign data generated by 21 advertisers with a collective spend of more the $500m
- **Phase 2:** Specific modelling of the Finance, Auto and FMCG sectors
- **Phase 3:** An investigation into the optimal media mix for each sector
- **Phase 4:** Marketing mix modelling on media's ability to generate sales demand across both the short and long term
- **Phase 5:** How to optimally deploy media across key business, marketing and media considerations

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Payback Phases 4 & 5 use the largest media market mix model ever conducted in Australia

60 brands from
10 categories

9 media channels analysed with **$450m** total annual spend

850+ ROI observations across multiple years and media campaigns

Source: 'Demand Generation', Feb 2021, Mindshare/MediaCom/Wavemaker/GroupM/Gain Theory

Media investment tips

Balances, trade-offs and decisions

Before investing, consider...

The CFO has some extra marketing dollars up for grabs. The only catch? They want to know exactly how you plan to spend it to accelerate top-line sales growth.

The first question is how big is the campaign budget? The Payback study shows that an allocation of 50% of budget to TV is optimal for campaign budgets between $1 million and $10 million.

The second question is how will success be measured? When deploying media spend ROI can be used to compare and optimise the efficiency of campaigns, but if we allocate media dollars beyond diminishing returns then both ROI and the ultimate goal of sales volume, will suffer.

Due to it's reach and scale TV is slower to hit diminishing returns; as a result TV is nearly 3x as scaleable as the next most scaleable channel.

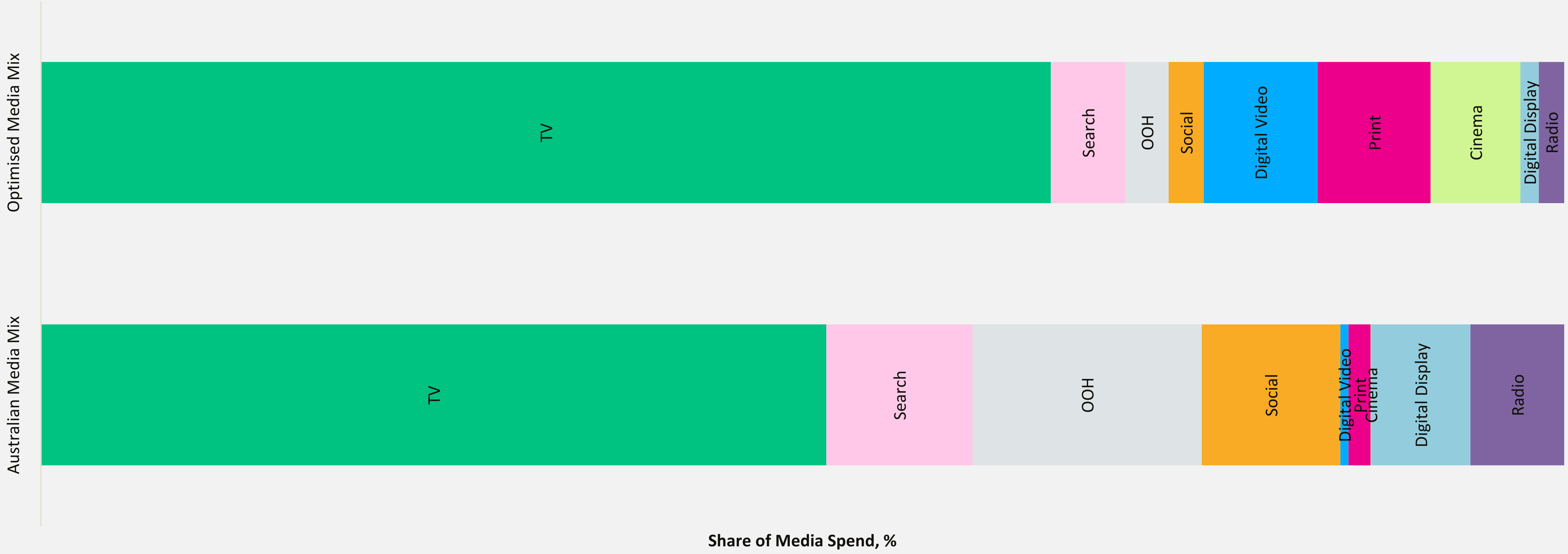
The third question relates to the timeframe for results. While some channels burn bright and fast, TV burns bright and long, generating results in both the short- and longer-term.

It is important to consider that some media channels make others work even better; this is known as synergy effect. The presence of TV in the mix makes other campaign channels more effective.

And the final question will be about risk in delivering the results. Some media channels are better than others at delivering consistent results every day, day after day.

What is the optimal media mix?

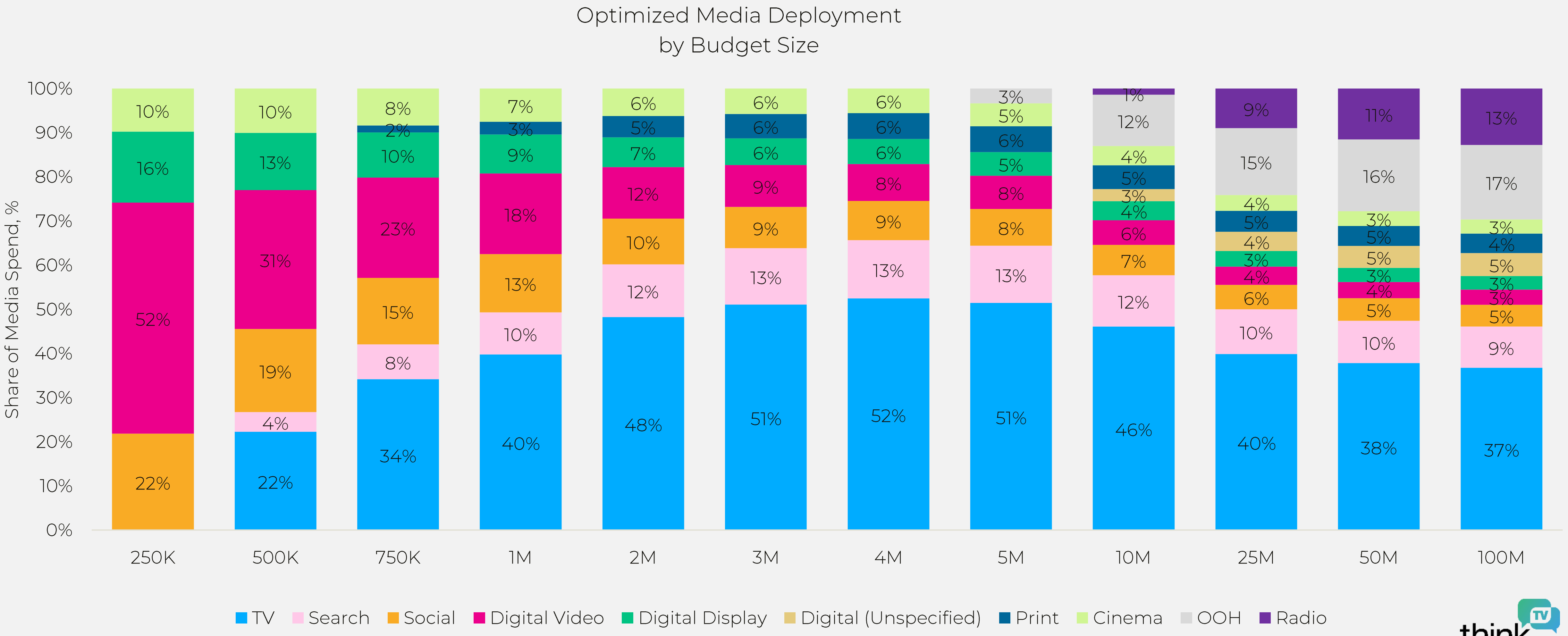
It's unlikely your brand conforms to an average, so instead of a magic formula, planning the optimal media mix is a key strategic process for marketers.



Source: 'Demand Generation', Feb 2021, Mindshare/MediaCom/Wavemaker/GroupM/Gain Theory
Note: Comparison is for Retail category . Current mix based on total media spend in dataset; Optimized mix based on AUD5M budget;

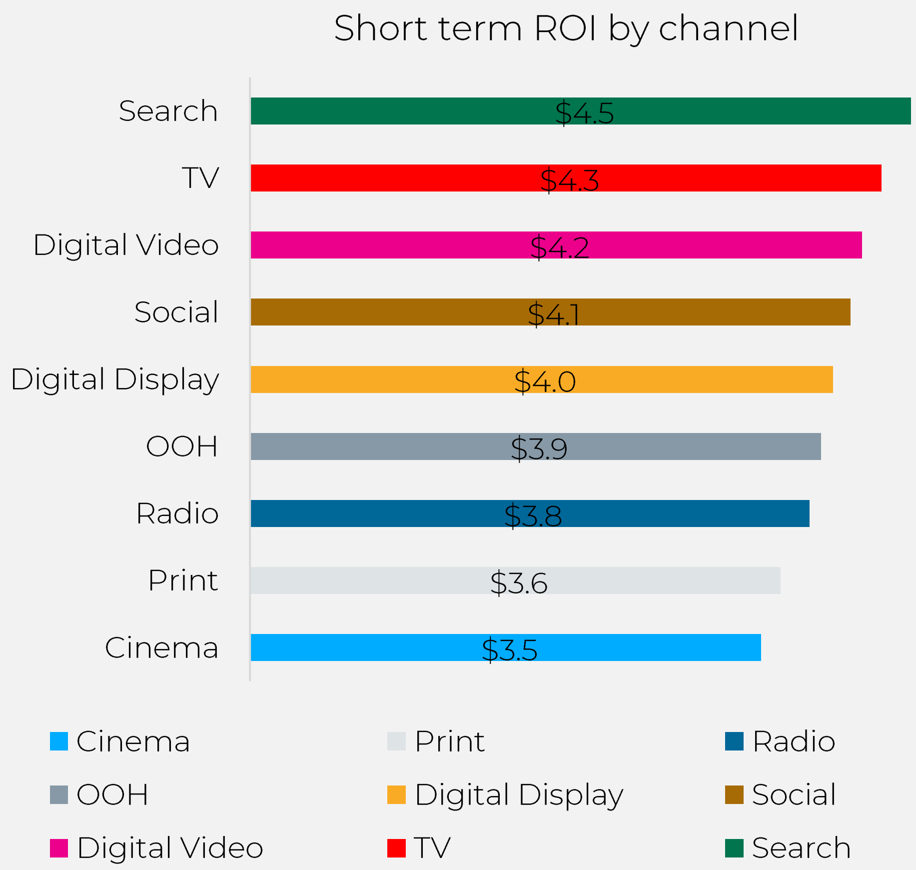
The optimal media mix by campaign size

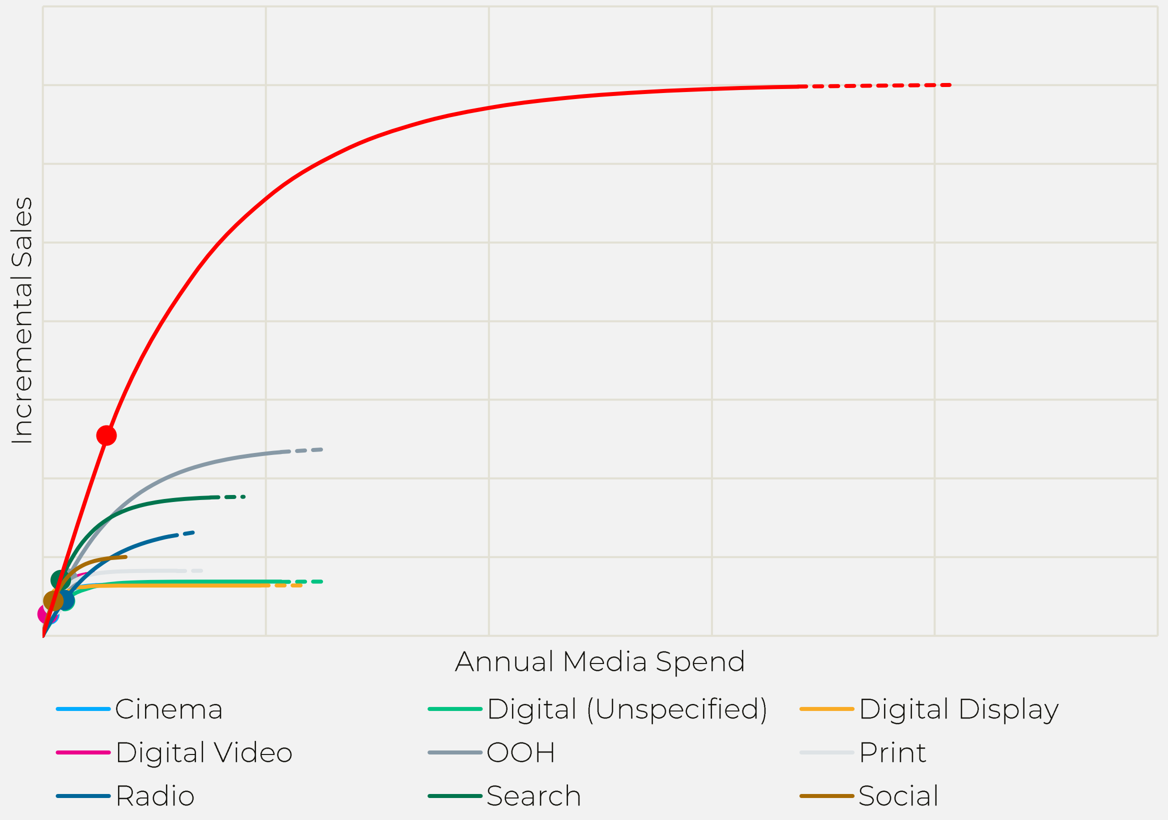
TV is the bedrock of the media mix for all but the smallest campaign budgets.



ROI should be strong and scaleable

ROI diminishes at different levels of spend for different media channels; ROI that is scaleable keeps generating returns for longer and warrants a larger budget allocation.





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Encyclomedia: Campaign ROI & diminishing returns

$$ROI = \frac{(sales - campaigncost)}{campaigncost}$$

$$ROI = \frac{(\$2m - \$500k)}{\$500k}$$

$$ROI = \frac{(\$1.5m)}{\$500k}$$

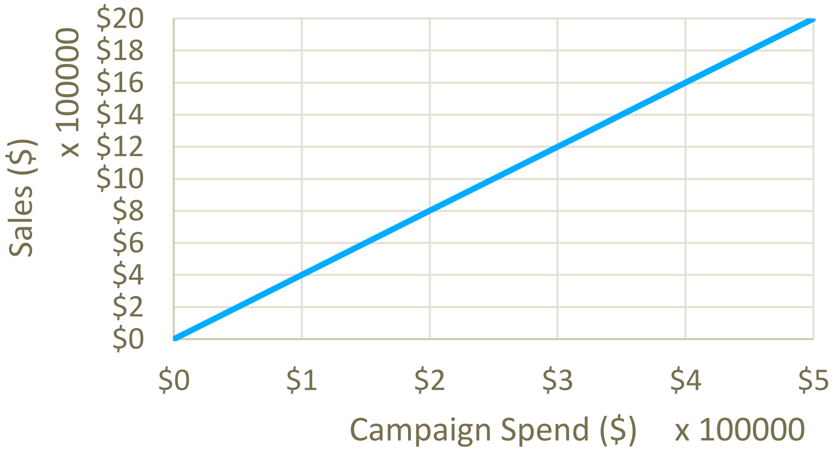
$$ROI = \$3$$

For every $1 spent on marketing, I receive $3 in sales.

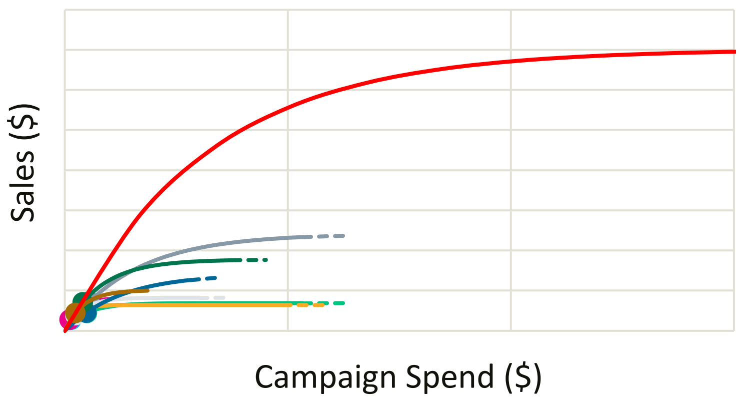
ROI (or ROMI) is a great way to compare the effectiveness of your campaigns but care should be taken in interpreting the results. In this example, every $1 in campaign spend generates $3 in sales.

The return is not linear however, and the sales generated per dollar diminish as spend increases. The rate of diminishing returns varies by media channel and is largely limited by the reach of the channel.

Sales return is not linear…

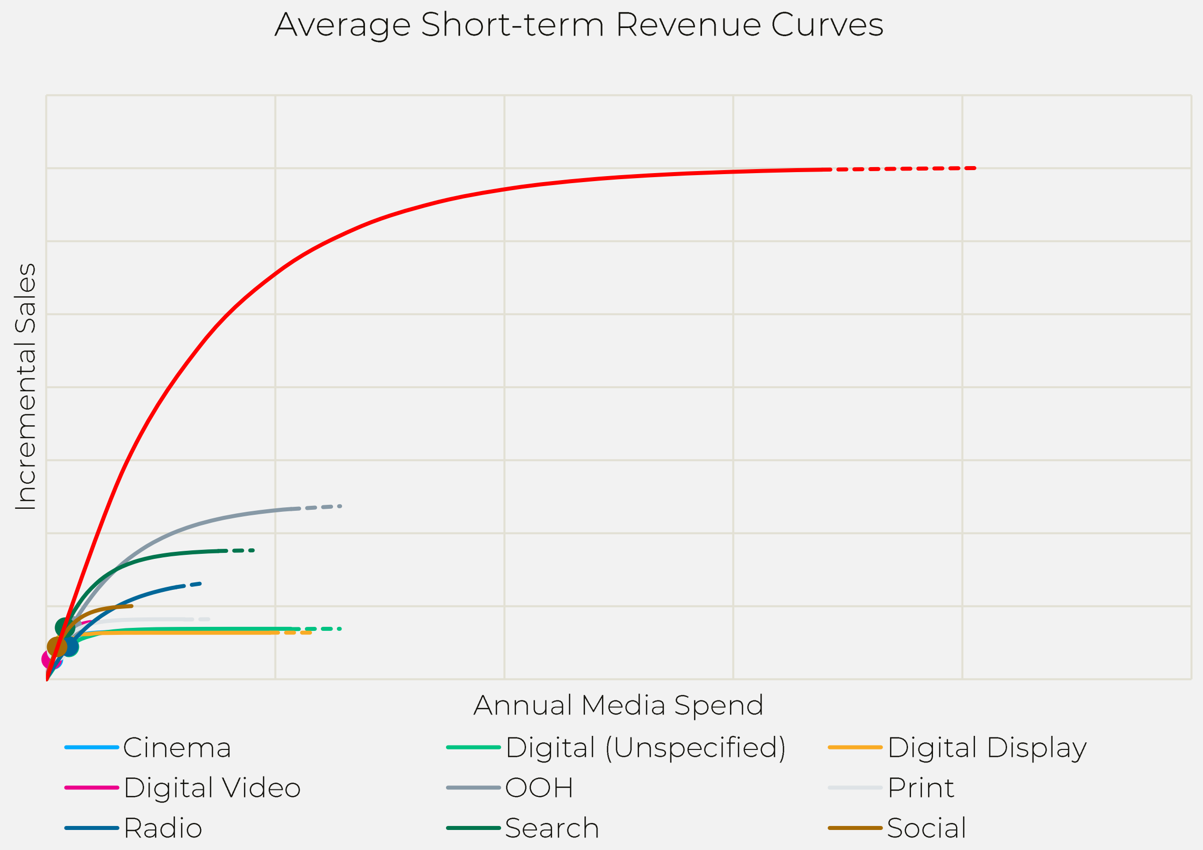


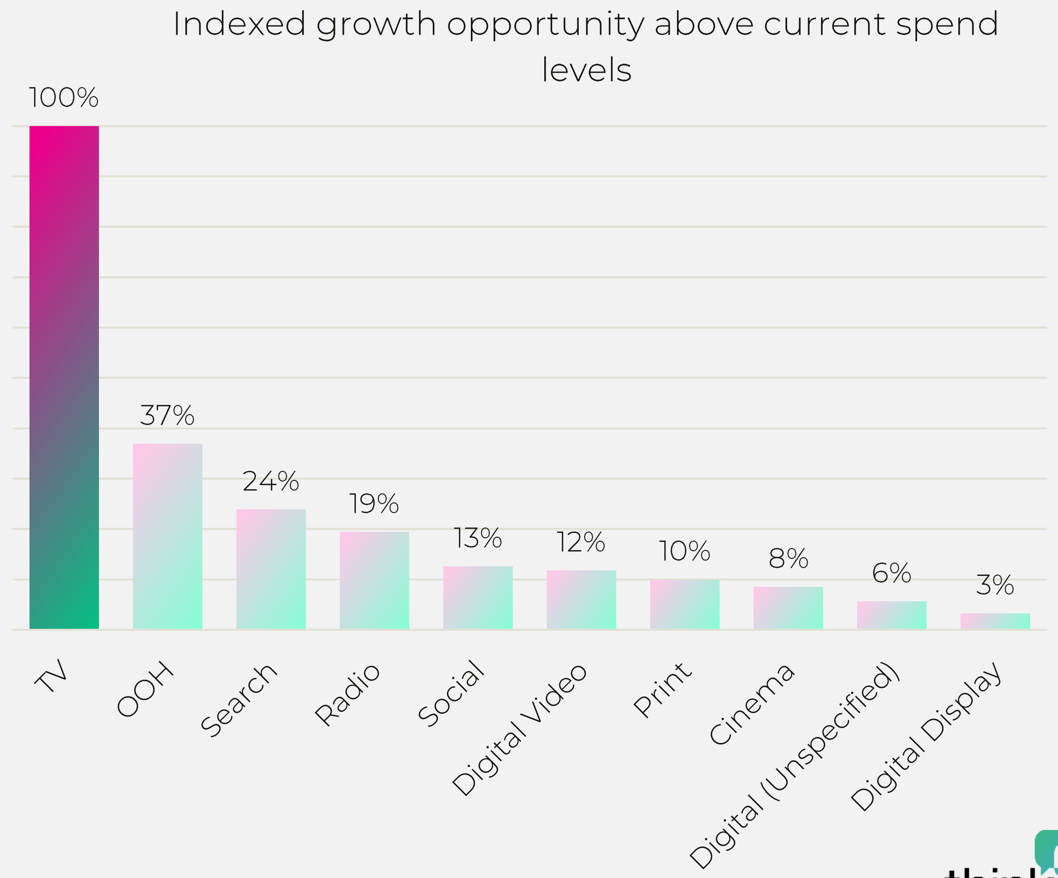
…it diminishes as spend increases



The rate of diminishing returns impacts the potential sales growth

The rate of return for TV diminishes more slowly than any other channel. As a result, you can invest more in TV and generate nearly 3x the growth opportunity from incremental sales compared to the next best channel (OOH).





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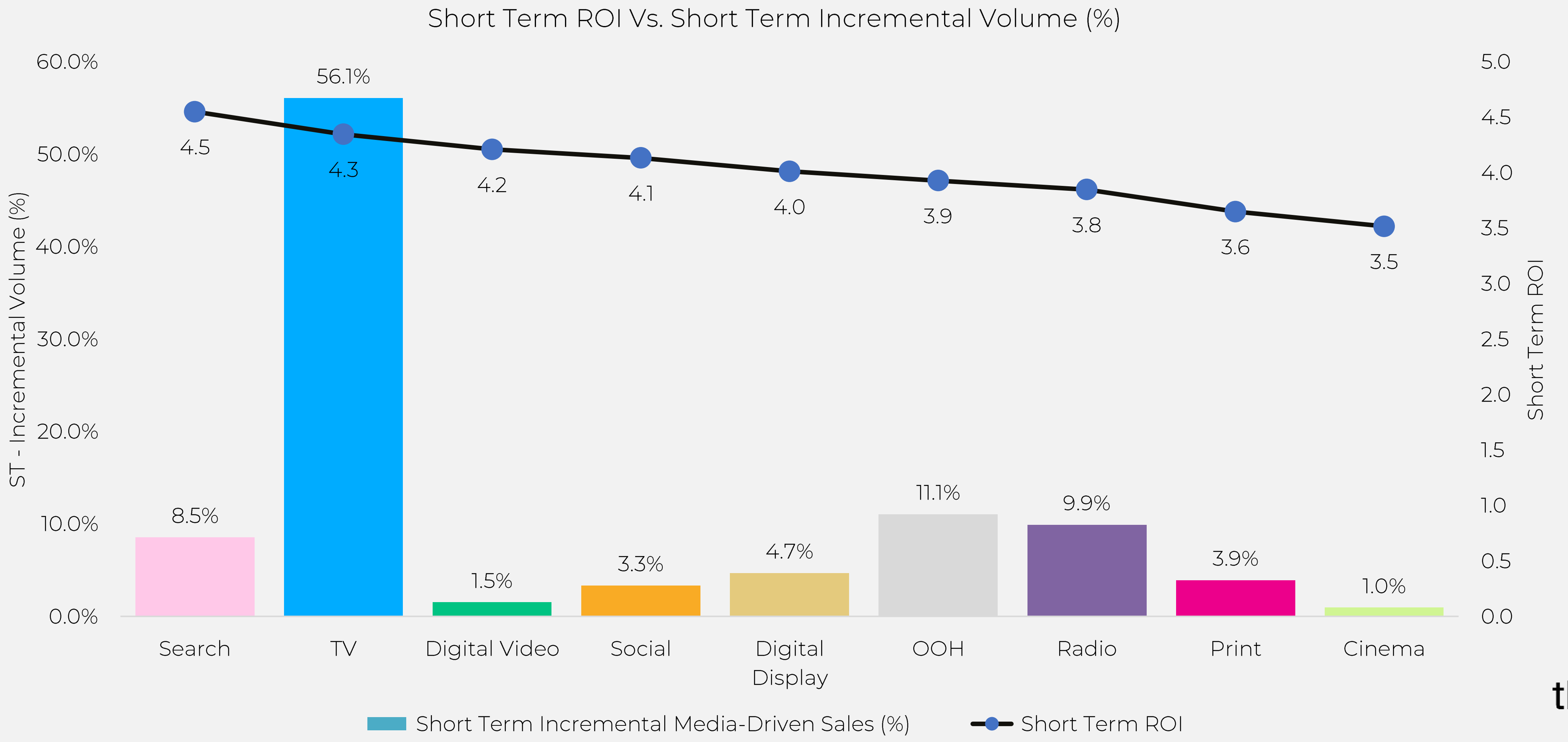
Measuring success means measuring growth

A strong ROI may not generate the strongest sales growth.



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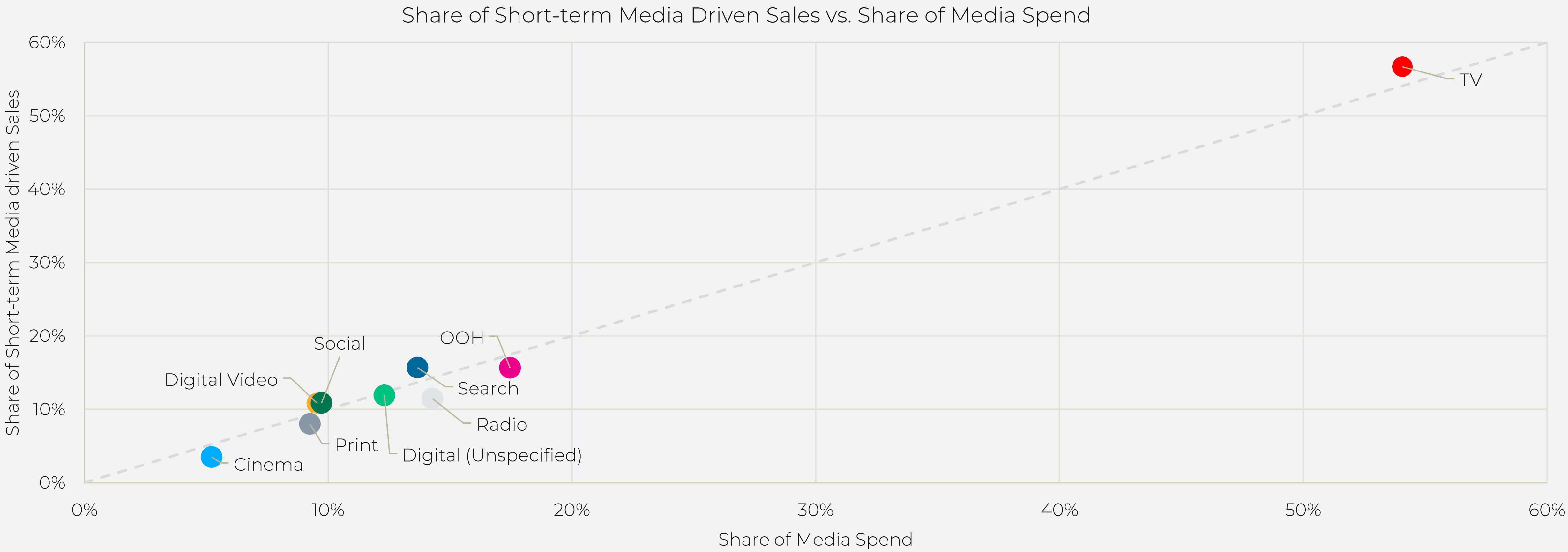
Different media channels differ in their ability to drive sales



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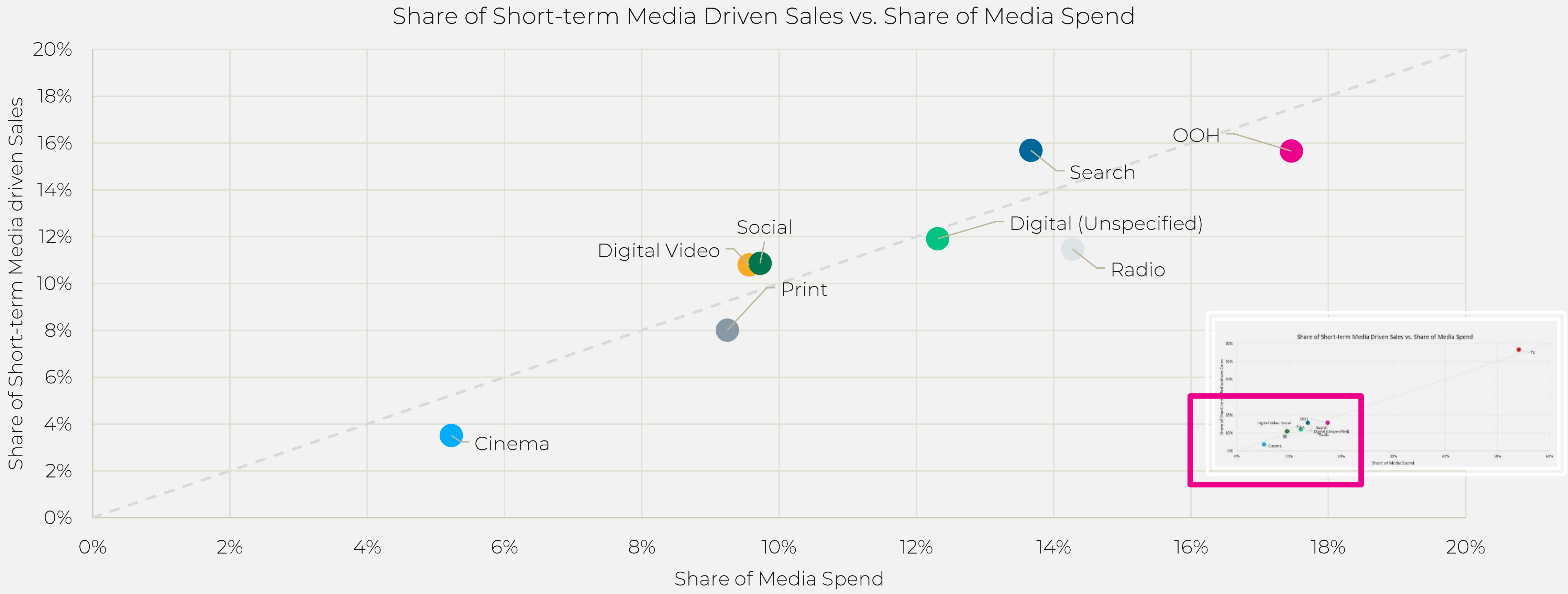
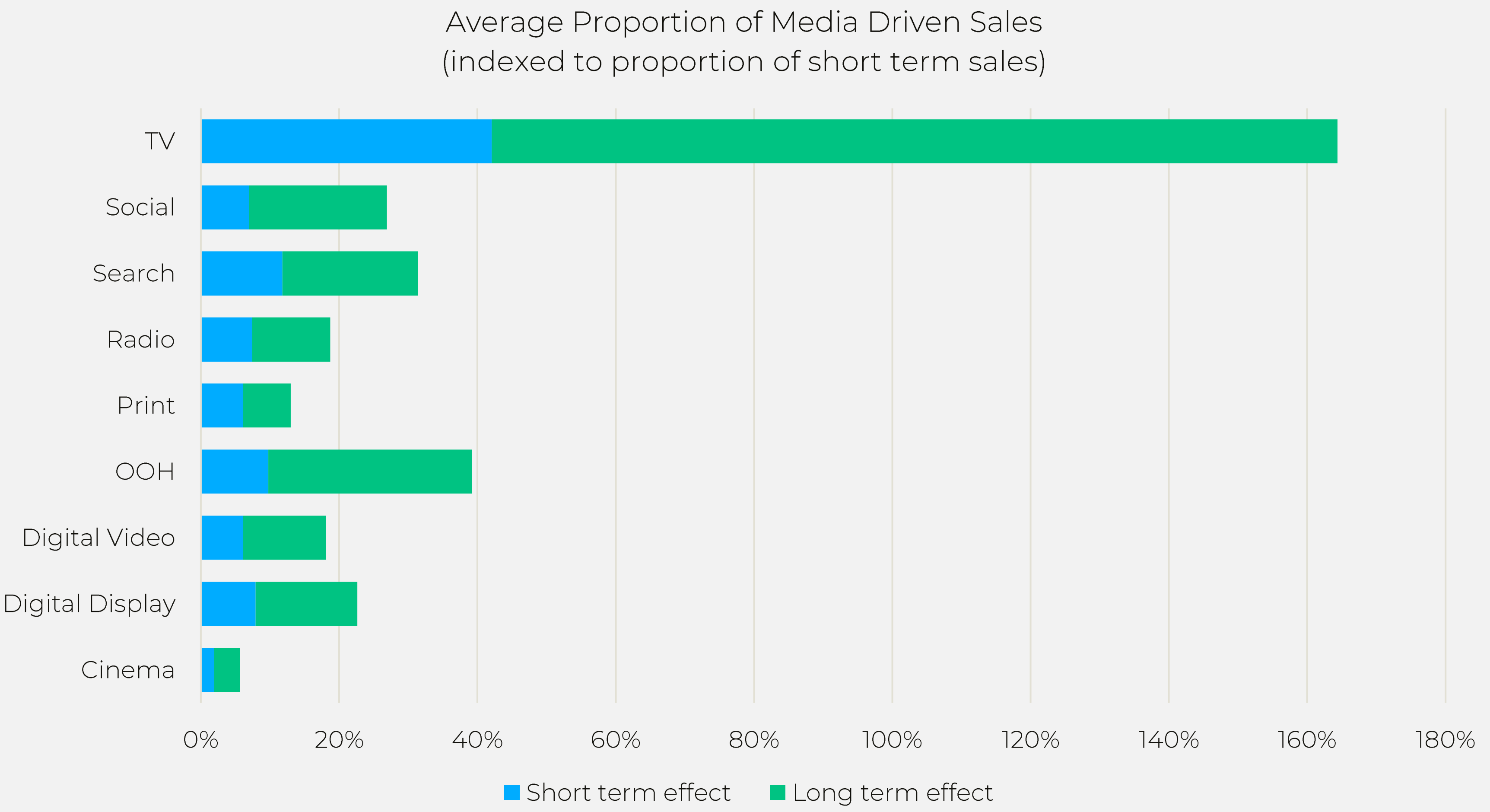
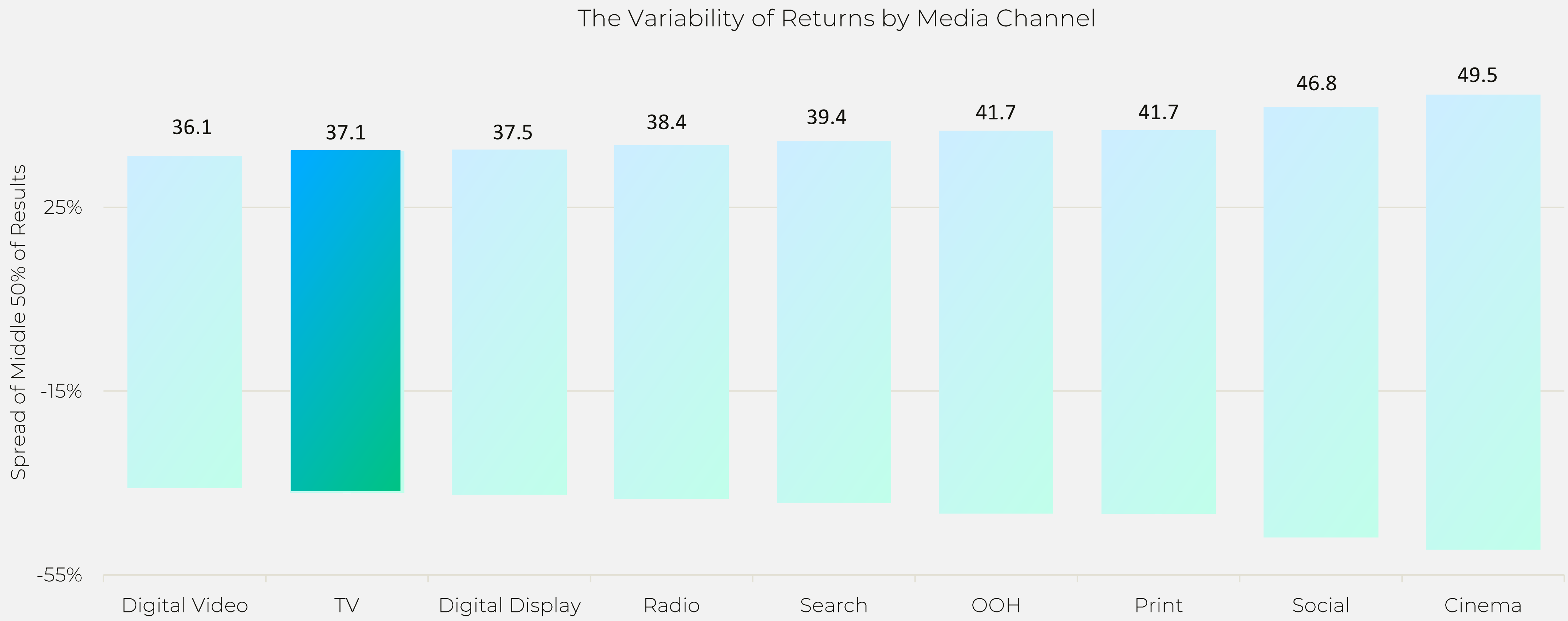


Media channels vary in their ability to drive sales volume in the short and long term



The risk, or variability, in achieving a return varies by channel



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Most media channels boost the efficiency of others, but the scale and consistency of the effect differs

Cross-channel Synergy Effect

Channel generating the effect	TV	Search	Social	Non-TV*	Display	Video
TV		7.13%	6.02%	5.31%	5.28%	4.67%
Search	7.13%		1.46%	1.30%	1.29%	0.98%
Social	6.02%	1.46%		1.01%	1.15%	0.99%
Non-TV*	5.31%	1.30%	1.01%		0.82%	0.59%
Display	5.28%	1.29%	1.15%	0.82%		0.73%
Video	4.67%	0.98%	0.99%	0.59%	0.73%	

*Note: *Non-TV is made of OOH, Cinema, Radio, and Print*

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Payback answers the big questions

- An allocation of 50% of budget to TV is optimal for campaign budgets between $1 million and $10 million.
- Due to its reach and scale, TV is slower to hit diminishing returns; as a result, TV is nearly 3x as scaleable as the next most scaleable channel.
- While some channels burn bright and fast, TV burns bright and long, generating results in both the short- and longer-term.
- The presence of TV in the mix makes other campaign channels more effective.
- TV is better than other channels at delivering consistent results every day, day after day.