Mix Optimization Takes Over Planning

by Jim Nail, July 8, 2014

KEY TAKEAWAYS

A Scientific Approach To Mix Optimization Means More Analytics And Less Planning
With more real-time data and better tools to analyze and act on it, the current yearlong planning cycles are less and less fit for their purpose. Integrating data, analytics, and programmatic buying can liberate marketers from making media planning decisions months in advance.

Adaptive Processes Replace Planning
As optimization gradually replaces planning as the critical process to deliver on marketing goals, marketers must develop an iterative, Agile-like approach to test a range of media, read results, and make rapid optimization decisions.

New Processes And Technologies Emerge To Support Adaptive Approaches
Today’s discrete tools and technologies create friction and delay between collecting data, discovering insights, and applying findings to improve campaigns. Led by a merger of attribution and marketing mix modeling, new tools will consolidate and integrate into a new marketing optimization platform.
Mix Optimization Takes Over Planning
Continuous Improvement: The Marketing Mix Optimization Playbook
by Jim Nail
with Luca S. Paderni, Tina Moffett, and Samantha Merlivat

WHY READ THIS REPORT
The marketing mix optimization playbook has charted a course toward a data-driven, scientific approach to marketing, supported by more-fluid adaptive processes, that addresses consumers at each stage of the purchase path. While most firms will implement each of these initiatives individually, the future of marketing will be shaped by new processes that integrate data, analytics, and programmatic technologies to manage marketing efforts in real time, elevating optimization skills above planning sophistication. Read this report to gain a deeper understanding of how these changes will interact and the steps that marketers should take to continually optimize their mix and drive positive business outcomes for their brands.

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Forrester interviewed seven vendor and user companies, including eBay Enterprise (formerly ClearSaling), Growth Calculus, Marketing Evolution, MarketShare, Razorfish, Turn, and Visual IQ.

Related Research Documents
Mix Art And Science For Marketing Success
July 22, 2013
Marketers Need To Acquire Adaptive Skill Sets
December 20, 2012
Cross-Channel Attribution Presents A Clear Path To Marketing ROI
September 20, 2012
PREPARE TO SUNSET PLANNING AND EMBRACE OPTIMIZATION

Today’s lengthy cycles of planning, budgeting, executing, and evaluating marketing campaigns evolved in an era when it took a significant amount of time to laboriously gather data and evaluate multiple alternative plans before committing to fixed media commitments with little flexibility. The past few years have already seen this process condense into shorter, faster cycles supported by better data and technologies that allow changes to happen midcampaign, particularly in online display advertising. In the next few years, these trends will extend to other digital channels and, ultimately, offline media as well (see Figure 1). As this happens, Forrester believes that marketers will see the progressive collapse of traditional marketing planning processes into a continuous marketing presence. This new breed of planning processes will be guided by a data-driven scientific approach, managed adaptively, and supported by a technology platform that bridges the gulf between results reporting and media buying.

Figure 1 Continuous Optimization Expands Across The Media Landscape

<table>
<thead>
<tr>
<th>Year</th>
<th>Triggers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Programmatic buying and attribution tools allow real-time optimization now.</td>
</tr>
<tr>
<td>2015</td>
<td>Online video is increasingly being traded programmatically.</td>
</tr>
<tr>
<td>2016</td>
<td>As mobile tracking improves, optimization will follow.</td>
</tr>
<tr>
<td>2017</td>
<td>Dynamic ad insertion will allow audience-based buying in VOD, streaming, etc.</td>
</tr>
<tr>
<td></td>
<td>Adoption of integrated marketing mix modeling and attribution tools spurs optimization of additional media types.</td>
</tr>
</tbody>
</table>

The Scientific Approach Challenges The Existing Marketing Planning Cycle

With more real-time data, better tools to analyze and act on it, and increasing urgency to capture sales from in-market consumers, the current yearlong planning cycles are less and less effective. This established approach to planning is being pushed aside as:

- **Programmatic media buying shifts targeting from content to audiences.** The expensive, inflexible nature of media buys has been the principal driver of the past planning discipline: Before a marketer committed to a contract with little ability to change, she had to be sure it was the best possible plan. Because programmatic buys using platforms like Turn acquire only qualified individuals and the campaign attributes can be revised as needed, investing significant time studying the audience demographics of specific media properties becomes unnecessary.
Real-time data sheds light on more and more consumer media interactions. Consumer time spent with media is increasingly migrating to digital platforms where audience habits can be tracked and reported in detail. Among those who have online access within marketers’ prized audience of adults aged 18 to 49, almost half of the time spent with newspapers, magazines, and radio is spent on the online versions of these media.¹ Even TV viewing is migrating to digital platforms: Since 2011, the time US online adults spend watching TV online has grown 51%, from 1.9 hours per week to 2.8 hours.² In addition, as set-top box data becomes more readily available from companies like The Allant Group, marketers have less need of broad estimates of consumers’ TV viewing habits and can more precisely map their specific audiences.

Powerful — and predictive — analytics turns big data into key performance indicators. Digital advertising technologies, website analytics, and an unprecedented volume of data, if properly integrated, can give marketers rich insight into the attitudes and actions their messages affect. With this detailed feedback streaming in as the ads run, marketers can predict the media’s effectiveness on its delivery of business goals rather than just how well the media audience mirrors their target.

Adaptive Processes Replace Traditional Planning

With the increasing ability to analyze results within hours and change media and messages on the fly, spending months before campaign launches to ensure the “perfect” media plan is a waste of effort. Instead of the traditional long-range planning exercise, marketers will increasingly integrate the data-driven, scientific approach with their adaptive branding skills to develop an even more rigorous discipline of evaluating and refining media placements with hard data.³ This new approach will rely on:

Testing and learning to adapt the media plan in flight. Media “plans” will be just starting points, not the hard-and-fast road maps they are today. As a starting point, marketers will allocate budget across a media mix, knowing that within a couple of weeks the results will tell them which media is delivering the desired goals and which is not. Rigorous analysis against the campaign’s key performance indicators (KPIs) will drive rapid reallocation of budget to drop underperforming elements of the mix and increase spending on successful elements. Megan Tweed, vice president of media at digital agency Razorfish, pointed toward this future, telling us: “We create a media mix for a client as a rough idea of where we should be. Once the campaign is in market, attribution is more meaningful to tweak the mix based on results.”

Leading indicators at the point of exposure to predict business outcomes. Few products or categories have the luxury of a short, fully online purchase process that allows for a simple awareness-to-purchase path. But marketers can no longer afford to wait for weeks after a campaign is over to analyze sales to see if the marketing worked. An increasing number of consumer actions between the ad exposure and sale take place online, giving marketers new possibilities to find specific actions or sequences that correlate to a future sale. Several of the firms referred to an increase in search volume driven by TV advertising, for example, as a new leading indicator of marketing success. These new leading indicators give marketers new data to optimize around.
For Marketing Leadership Professionals

Mix optimization takes over planning

Tracking customers’ path to purchase as marketing’s true contribution. While selling a product is a desirable outcome, in many cases, it is out of marketing’s control to close a sale. But marketing is responsible for moving the prospect along the purchase path and understanding that this path is a key metric, according to a recent survey Forrester conducted with the Association of National Advertisers. Marketing success will therefore reflect how many consumers are moved how far through their decisions, based on exposure to marketing stimuli.

New Platforms Combine Data Collection, Analysis, And Media Buying

Marketers have embraced new tools and technologies, including marketing mix models, attribution tools, and technologies such as demand-side platform (DSPs) and data management platforms (DMPs) to track and improve marketing effectiveness. As all media platforms become digital and their advertising inventories become fully addressable, Forrester believes that these tools will consolidate into fully integrated planning and optimization platforms, operating in real time.

The first pieces to merge: marketing mix modeling and attribution. By 2016, two currently separate tools will become functionally identical, blending the different statistical methodologies they use and resulting in a tool that will allow marketers to monitor the impact of each element of the mix on a daily basis. The market has already entered this transition, which will accelerate marketing planning evolution as:

- **A single measurement tool emerges from maturing technologies.** Marketing mix models and attribution have always been two sides of the same coin: applying statistical techniques to make a more nuanced evaluation of the contribution that each channel in the mix makes to overall success. Marketing mix models are already moving from a once-a-year exercise to quarterly, or even monthly, revisions. Attribution tools gather data in real time and are branching out from just digital channels to incorporate TV and other offline data as well. Vendors such as Marketing Evolution and Visual IQ have been refining their platforms and combining these capabilities for the past few years, while other vendors, including MarketShare and eBay Enterprise (which acquired attribution firm ClearSaleing), have laid out product road maps leading to this single tool.

- **Marketers react in real time based on real-time results.** When marketers can see which segments, channels, and creative are working while a campaign is running, they will, of course, want to change the campaign to boost results for the rest of the schedule. Marketing Evolution CEO Rex Briggs demonstrated how his platform is tied into DSPs like X Plus One so that as marketers view performance statistics on a dashboard, they can instantly change parameters of the campaign to take advantage of higher-performing opportunities.

- **Marketers rediscover the power of creative and branding.** The pressure for marketing to show immediate return on investment has skewed budgets toward search, email, and cost-per-action display ad buys. But marketers realize that these channels don’t work in isolation and are increasingly measuring the interaction among the points along the path to purchase.
The statistical analyses in these new platforms allow marketers to observe, for example, when an offline ad causes a spike in website traffic, giving marketers confidence to reallocate their budgets across reach, depth, and relationship dimensions. Creative, too, will get new attention as marketers see evidence of the overexposure and wear-out of an ad resulting in declining rates of action. Marketing Evolution's Rex Briggs noted, "Creative delivers twice the impact of media selection, and the best way to match the creative to the audience is to test during the campaign."

**Recommendations**

**START THE JOURNEY FROM PLANNING TO OPTIMIZATION TODAY**

The ability to optimize media continuously will be built over time. Marketers should begin now to lay the foundation with the key steps that will enable this transition:

- **Start with programmatic media buying and attribution now.** Programmatic buying is all the buzz, but only about one-quarter of marketers are doing it now. Attribution, too, is in the early stage of adoption. While both of these tools concentrate on digital media, they are a good starting point for the journey toward optimization, and both have a growing array of vendors offering robust capabilities.

- **Build real-time data feeds into attribution and marketing mix models.** In building a marketing mix model, it is best practice to create a data feed so updates are easier and faster. These feeds should increasingly take advantage of real-time data streams. Even though today's models and tools can't take full advantage of this data, it is a prerequisite for tomorrow's optimization tools and processes.

- **Democratize access to model tools and insights.** Today, the specialized nature of modeling and the rarity of skills mean that most firms build analytics groups separately from marketing and then must create ways for these groups to work together. This data-driven approach is too important to risk lack of coordination or poor communication undercutting the value that can be extracted. While a specialized group will likely continue to build the models, model vendors increasingly offer dashboards and other tools to allow a broader set of stakeholders direct access to the models. One key to the success of these dashboards: views tailored to the specific information needs of different users, from the business impact KPIs the CMO wants to monitor to the placement-by-placement detail the channel manager needs.

- **Break the campaign mindset.** Marketing is typically planned in short bursts, not because that is the most effective approach but because budgets don't allow for a continuous presence in the market. As optimized approaches eliminate waste, they will free up money that can be used to provide a more-continuous media spend. Marketing can then focus on tuning the messages, offers, and products promoted over the course of time as corporate priorities change, competitive activity demands a response, seasonal context shifts, and consumers demand contextually relevant interactions that deliver real value.
SUPPLEMENTAL MATERIAL

Methodology
Forrester’s North American Consumer Technographics® Online Benchmark Survey (Part 1), 2014 was fielded in March and April 2014 of 58,725 US individuals and 6,341 Canadian individuals ages 18 to 88. For results based on a randomly chosen sample of this size (N = 58,725 in the US and N = 6,341 in Canada), there is 95% confidence that the results have a statistical precision of plus or minus 0.4% of what they would be if the entire population of US adults who are online weekly or more often had been surveyed and plus or minus 1.2% of what they would be if the entire population of Canadian adults who are online weekly or more often had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US and Canadian online populations. The survey sample size, when weighted, was 58,583 in the US and 6,326 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that respondents who participate in online surveys generally have more experience with the Internet and feel more comfortable transacting online.

Forrester’s North American Technographics Online Benchmark Survey, Q3 2011 (US, Canada) was fielded in July 2011 of 64,515 US and Canadian online adults ages 18 to 88. For results based on a randomly chosen sample of this size (N = 64,515), there is 95% confidence that the results have a statistical precision of plus or minus 0.39% of what they would be if the entire population of North American online individuals ages 18 and older had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US and Canadian online populations. The survey sample size, when weighted, was 63,644. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that this was an online survey. Respondents who participate in online surveys generally have more experience with the Internet and feel more comfortable transacting online. The data is weighted to be representative of the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester’s offline benchmark survey. The sample was drawn from members of MarketTools’ online panel, and respondents were motivated by receiving points that could be redeemed for a reward. The sample provided by MarketTools is not a random sample. While individuals have been randomly sampled from MarketTools’ panel for this particular survey, they have previously chosen to take part in the MarketTools online panel.

The 2014 ANA/Forrester: Media Buying’s Evolution Challenges Marketers Survey was conducted online in February 2014 among a sample of 153 client-side marketers and looked at current and projected trends in media transparency, programmatic buying adoption, and metrics. Respondents were drawn from ANA membership and have an average of 17 years of experience in the marketing/advertising industry.
Companies Interviewed For This Report

eBay Enterprise (formerly ClearSaleing)  Razorfish
Growth Calculus                        Turn
Marketing Evolution                   Visual IQ
MarketShare

ENDNOTES

1 Online consumers aged 18 to 49 spend, on average, 1.8 hours per week with physical newspapers versus 2.1 hours with the online versions; 2 hours with physical magazines versus 1.7 hours with the online versions; and 4.8 hours listening to terrestrial radio versus 3.7 hours to online radio. Source: Forrester’s North American Consumer Technographics Online Benchmark Survey (Part 1), 2014.


3 Adaptive brand marketing enables rapid response to rapidly changing consumer habits and marketing channels and helps brands deliver compelling experiences that maximize return on brand equity on a continuous basis. See the December 20, 2012, “Marketers Need To Acquire Adaptive Skill Sets” report.

4 In the 2014 ANA/Forrester: Media Buying’s Evolution Challenges Marketers Survey, 77% of respondents identified “understanding the path to purchase” as an important factor in measuring campaigns across multiple media. See the May 22, 2014, “Media Buying’s Evolution Challenges Marketers” report.

5 Forrester defines a demand-side platform (DSP) as “a technology platform built for the buy-side to buy and optimize biddable media and audience data across multiple sources in real time” and a data management platform (DMP) as “a unified technology platform that intakes disparate first-, second-, and third-party data sets; provides normalization and segmentation on that data; and allows a user to push the resulting segmentation into live interactive channel environments.” See the September 7, 2012, “The Future Of Digital Media Buying” report.

6 Rather than fixate on the now-obsolete funnel, marketers are beginning to embrace a customer life cycle that starts with discovery, continues with exploration, leads to a purchase, and extends into customers’ post-purchase engagement with the marketer and with other customers. Marketers need to invest in a balanced set of marketing assets that best match the reasons that their customers turn to different channels at different stages of the life cycle: Reach channels support discover, depth channels support exploration and purchase, and relationship channels support engagement. See the July 22, 2013, “Mix Art And Science For Marketing Success” report.

In Forrester’s 48-criteria evaluation of demand-side platform (DSP) vendors, we found that MediaMath, Turn, and DataXu led the pack because of the breadth of their media access, the depth and acumen of their audience management capabilities, and their expertise in algorithmic optimization. See the December 14, 2011, “The Forrester Wave: Demand-Side Platforms, Q4 2011” report. In Forrester’s 67-criteria evaluation of cross-channel attribution vendors, we found that Visual IQ led the pack because of its expertise in cross-channel attribution methodology, reporting, and customer analytics. See the April 30, 2012, “The Forrester Wave: Cross-Channel Attribution Providers, Q2 2012” report.

Campaigns, even when enhanced by scaling, optimizing offers, improving measurement, and carefully tuning the mix, don’t deliver competitive advantage anymore. Why? Because your competitors are just as skilled as you are at the campaign game. Marketing’s job now is to identify and use context to create a repeatable cycle of interactions, drive deeper engagement, and learn more about the customer in the process. See the April 14, 2014, “The Power Of Customer Context” report.
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