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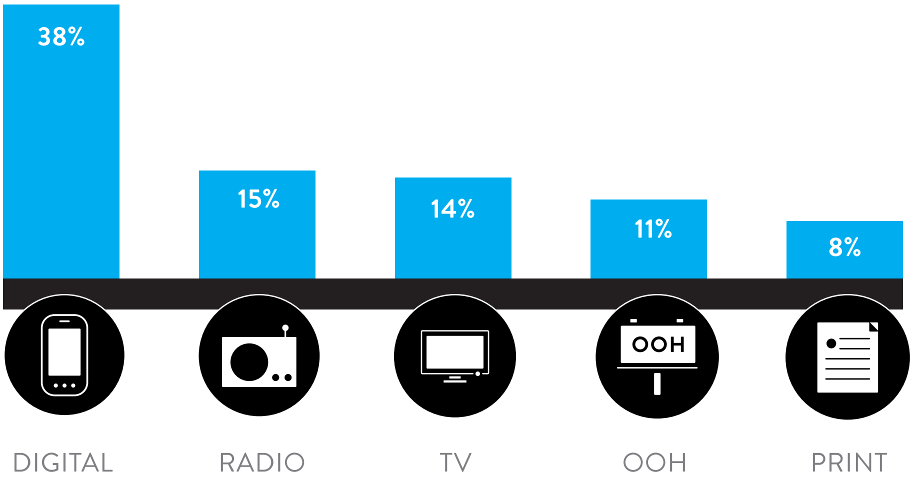
FIVE STEPS TO OPTIMISING MARKETING MIX STRATEGIES

It's tough being a marketer today. Consumers have a barrage of choices in front of them, leaving marketers scrambling to establish value, stand out and deliver. With the ultimate objective of finding their way into consumers' shopping carts, marketers need ingenious ways to reach and increase brand appeal. Mix in a cluttered media landscape and rapid advancements in technology, brands are finding themselves increasingly challenged to capture consumer mind share. The irony of their position is that brands are advised on the efficacy of their media plans and campaigns by the very agencies who create them, which effectively defeats the purpose of independent return on investment (ROI) evaluation.

In the midst of stiff competition and increasing budget concerns, brands want to know where and how to spend effectively. That's where marketing mix modelling (MMM) can help. MMM helps brands achieve their objectives by studying the historical relationship between marketing spending and business performance. The MMM framework helps marketers understand the sales drivers and the ROI on their marketing investments. It addresses many challenging questions that a marketer faces, including prioritising and optimising choice of media, timing of exposure, the size of investment and more.

GROWTH RATE OF SPENDS BY MEDIA VEHICLES ('15 VS.'14)



Source: KPMG 2016 Report | The Future: now streaming

THE MMM FRAMEWORK HELPS MARKETERS UNDERSTAND THE SALES DRIVERS AND THE ROI ON THEIR MARKETING INVESTMENTS. IT ADDRESSES MANY CHALLENGING QUESTIONS THAT A MARKETER FACES, INCLUDING PRIORITISING AND OPTIMISING CHOICE OF MEDIA, TIMING OF EXPOSURE, THE SIZE OF INVESTMENT AND MORE.

While every brand has unique dynamics, there are some guiding principles that apply to them all:

1 MIRROR MIRROR ON THE WALL, WHO HAS THE HIGHEST ROI OF ALL

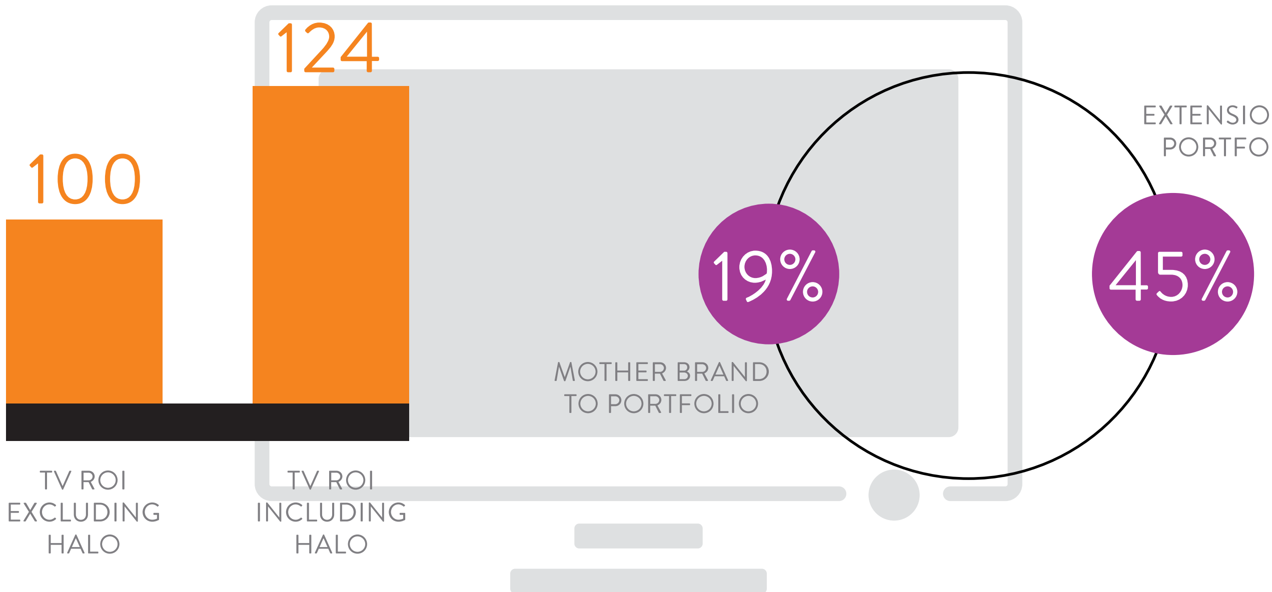
Marketing spends vary across industries and regions depending on where (media platform) messaging resonates most with consumers. And advertisers base their media type options on the profile of the consumers they intend to reach. In fast-moving consumer goods (FMCG) for instance, TV is the dominant mode. Comparatively, service industries spend more on digital platforms. The ROI on spends across the various platforms is what's critical here. Brands need to evaluate current ROI for their offerings across media platforms. They would need to be creative and step out of their comfort zones to stand out from the growing clutter. Moreover, digital media is a critical piece that can't be ignored. Nielsen has observed digital ROIs to be twice as efficient as TV, and so for most brands, digital now needs to be an integral part of the media plan rather than a separate strategy.

DIGITAL NEEDS TO BE AN INTEGRAL PART OF THE MEDIA PLAN RATHER THAN A SEPARATE STRATEGY.

2 SAY HELLO TO HALO!

When two portfolio brands in consumers' minds have a connection, advertising for one brand may drive results for the sister brand. This is called the "halo effect." Our studies show that established brands benefit from the halo effect of media supporting new extensions, or sub-brand launches that are under a single brand umbrella. A common advertising tagline or theme can add to the halo effect too. Contrary to what one might expect, the halo effect from parent brands to the portfolio is much lower than the halo effect from extensions. Therefore, it makes sense for brands to support extensions rather than focusing all of their media efforts on the parent brand. In reality, creating a balance between the two is key in driving portfolio sales.

LEVERAGE HALO EFFECTS TO ACHIEVE PORTFOLIO GROWTH BY BALANCING MEDIA WEIGHTS ACROSS BRANDS/SUB-BRANDS IN THE PORTFOLIO

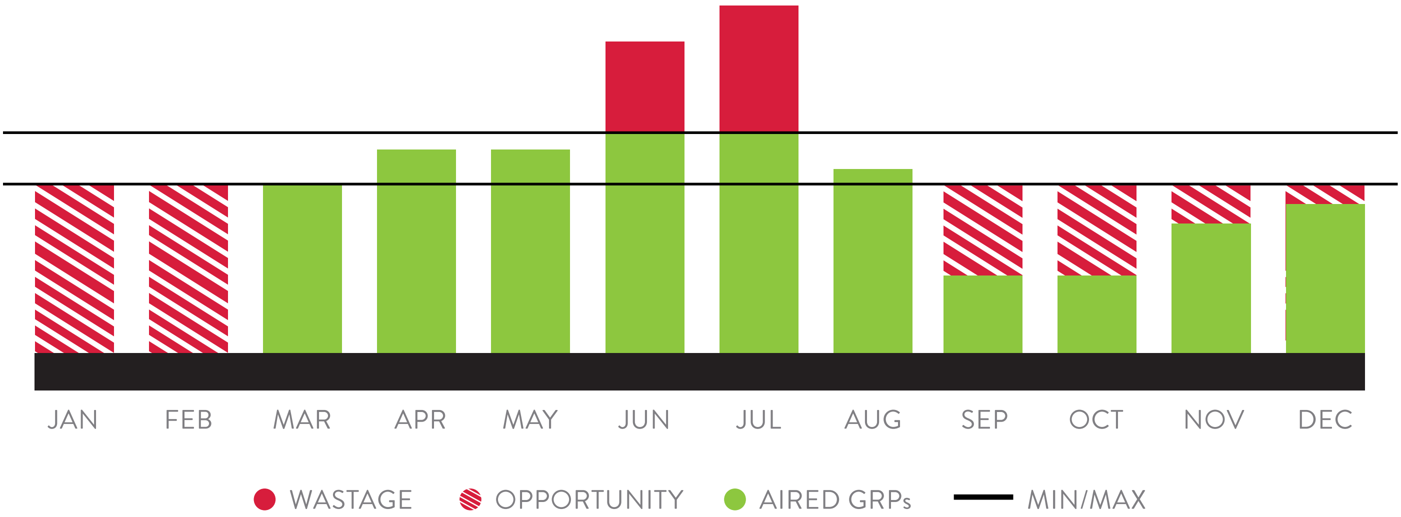


Source: Nielsen

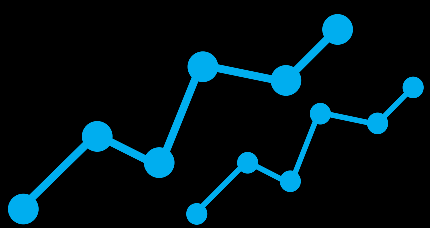
3 OPTIMISING MEDIA SPENDS – A UNIVERSAL ESSENTIAL

The law of diminishing returns exists everywhere, including in the world of media planning. Nielsen research across multiple brands shows that because of flighting and buying of spots, more than two-thirds of the delivered GRPs in a given week are suboptimal (either too low or too high), suggesting considerable scope for GRP optimisation. Understanding flighting patterns will help marketers optimise their media spends. Their objective is to establish the optimal range of GRPs for the brand and spend within it to maximise ROI.

Advertisers also often overlook their advertising ad-stock, or the period of time for which consumers remember ads which later prompt them to make a purchase. So advertising in a particular week typically has some retention in the following weeks. This is helpful in flighting where media pressure can be varied depending on the ad-stock build-up.



Source: Nielsen



ONLY 32% OF GRP SPENDS ARE IN THE OPTIMAL RANGE, 17% ARE ABOVE RANGE, WHILE 51% ARE BELOW RANGE. UNDERSTANDING FLIGHTING PATTERNS WILL HELP MARKETERS OPTIMISE MEDIA SPENDS.

4 TENDER LOVE AND CARE EVEN IN THE SECOND YEAR

Just like babies need care even after the first 12 months, so does a brand's media mix plan! Brands need to provide adequate support in the second year of launch in order to generate incremental trials and ensure repeat purchase behaviour. Ideally, companies should view products as "new" for two years and support them with incremental media support.

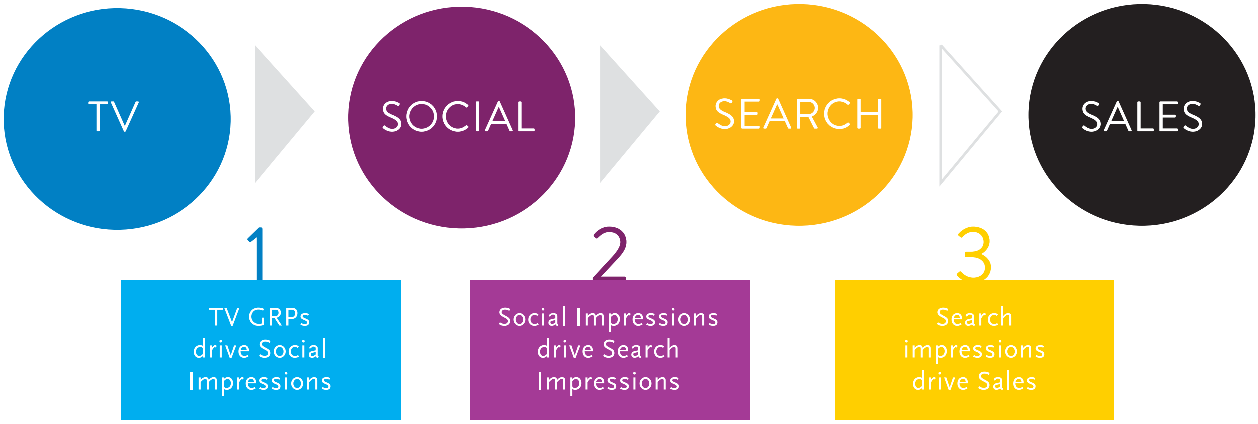
Nielsen's Breakthrough Innovation Report reveals that winners took little rest. Our breakthrough winners continued to power through with relentless support beyond the first six months. We found same store sales increased 41 percent in months 6-18 on a much higher base compared to just 11 percent for the other innovations. Our winners built demand by not only being in the right stores but also by supporting the product well into the second year. Moreover, the supported brands continued to expand distribution well after the first year, thereby ensuring appropriate availability along with adequate media support.

5 FRIEND OF A FRIEND

The influence that various media have on one another is a key aspect in advertising today. When advertisers had only TV, radio and newspaper to advertise on, sales and the relationships between ads on any of these were more linear. With newer forms of advertising, especially digital, the landscape has become a lot more complex. There are multiple underlying connections amongst these media which need to be understood and analysed in order to attribute sales accurately to the different vehicles. Think of it this way: A consumer sees an ad on television and wants to know more. Hence, the consumer searches for it online, which leads them to social media, which finally prompts them to buy the product. Thus the next generation of Marketing Mix with network analysis should be used in such situations to understand the influence of interconnected media on sales.

THE NEXT GENERATION OF MARKETING MIX WITH NETWORK ANALYSIS SHOULD BE USED IN SUCH SITUATIONS TO UNDERSTAND THE INFLUENCE OF INTERCONNECTED MEDIA ON SALES.

NETWORKS REPRESENTING PATHS OF INFLUENCE DESCRIBING THE IMPACT OF ONE MEDIA ONTO ANOTHER



Source: Nielsen

CONCLUSION

Efficient planning of the marketing mix, backed by actionable data, helps brands and advertisers to wade through the challenging world of advertising and come out successful. The crux of this is independent measurement of marketing ROI and subsequent marketing mix optimisation.

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ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population.

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