

RESEARCH REPORT

SOLVING THE MARKETER'S DILEMMA:

HOW DATA-DRIVEN DECISION MAKING IMPROVES BUDGET CONFIDENCE AND RESULTS

EXECUTIVE SUMMARY

Most marketers today must do more with less. Faced with steep competition and an increasing number of ways to reach consumers, they need to spend every penny wisely. Setting the right marketing budget is critical. Nielsen set out to uncover how those responsible for their company's marketing budgets make decisions.

Nielsen surveyed almost 200 marketing budget decision-makers at large B2C companies in the U.S. Our research found that when planning budgets, a majority of B2C marketers cobble together spreadsheets, in-house analysis and agency recommendations, or simply adjust the previous year's budget. As a result, they don't have confidence in how they're spending their company's marketing dollars.

But there are some practices that marketers who are more confident in their marketing budget decisions have in common. This research report presents the methodology and findings from Nielsen's survey of B2C marketers with recommendations for how to improve the budget planning process.

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INTRODUCTION: THE MARKETERS' DILEMMA

The process of assembling a marketing budget is typically fraught. Marketers must evaluate their performance from the previous budget cycle and make predictions about what impact future activities will have on the bottom line.

Gathering accurate data about spend and performance is challenging. Marketers often have to estimate costs and can be penalized if they wish to grow budgets for untested initiatives or if campaigns from the previous year didn't perform as expected.

In addition, the process is time-consuming, with some estimates at up to [20%-30%](#) of senior executives' and financial managers' time. The bottom line is that the budget process can be a barrier to innovation and improvement, with many marketing executives settling for incremental changes from the previous period.

B2C MARKETERS MUST DO MORE WITH LESS

B2C brands face unique marketing challenges. Those in the retail, financial services, travel, consumer products, health, automotive and food industries must target individual consumers through multiple marketing and media channels. They manage large budgets that typically range from USD \$1 million to USD \$20 million or more.

As the number of platforms, channels and devices has skyrocketed, marketing and advertising budgets have not grown in parallel. By one estimate, spending on consumer-focused advertising and marketing [slowed in 2017](#). At the same time, CMOs and other marketing executives are being asked to grow results and contribute directly to the bottom line.

There is little consensus regarding the best way to allocate budget for optimal return. With a wide array of forecasting models, methodologies and tools at their disposal, many brands continue to rely on external agencies or, in many cases, the humble Excel spreadsheet.

NIELSEN RESEARCH OVERVIEW

In order to understand how marketers are setting their budgets today, Nielsen conducted an anonymous third-party survey of almost 200 marketing budget decision-makers at large B2C companies with over USD \$10M in revenue and USD \$1M in annual marketing spend in the US.

Nielsen sought to answer some of the biggest budgeting questions facing B2C marketers today:

- How do big B2C brands measure the impact of marketing activities on performance?
- How confident are these marketers in their ability to determine the most effective marketing budget allocation that will drive the greatest return for their brands?
- What sources of information do marketers use when deciding how much to spend and where to spend across marketing and media channels?
- What tools, if any, do marketers use to estimate the impact of their budget allocations?
- How often do marketers have to adjust or re-evaluate their spend changes throughout the year?

The results showed that marketers who use marketing mix modeling or other advanced analytic solutions to evaluate, simulate and optimize decisions about spending have far greater confidence that they are allocating their budgets the right way.

KEY LEARNINGS

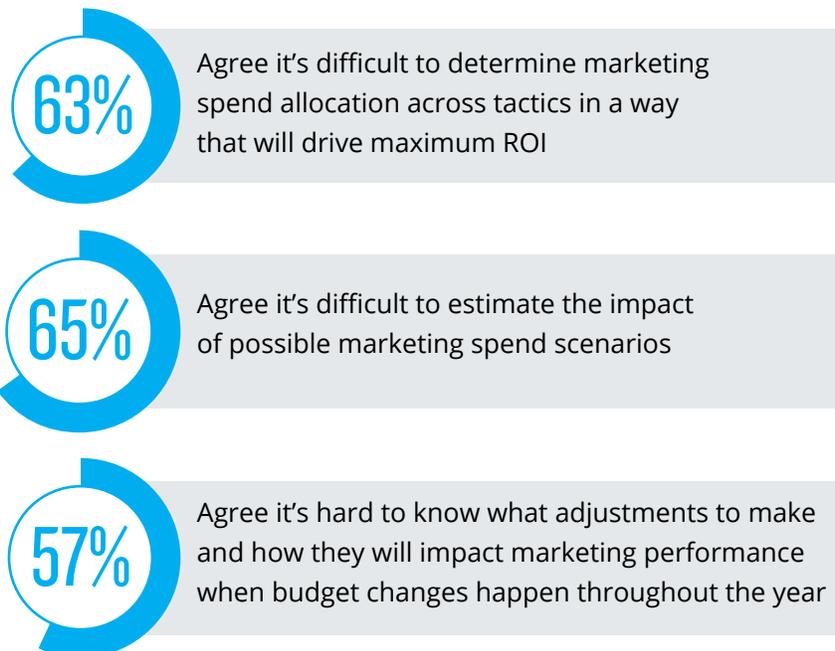
HOW MARKETERS ARE SETTING BUDGETS

INSIGHT #1:

DETERMINING THE RIGHT MARKETING BUDGET IS DIFFICULT

If you think it's hard to develop a marketing budget, you're in good company. Over half of the marketers we surveyed struggle to determine the right allocation, the potential impact of spend levels, and how to adjust budgets in response to changes within the company or in the market.

OVER HALF OF MARKETERS FACE CHALLENGES IN PLANNING THEIR MARKETING BUDGETS:



Source: Nielsen

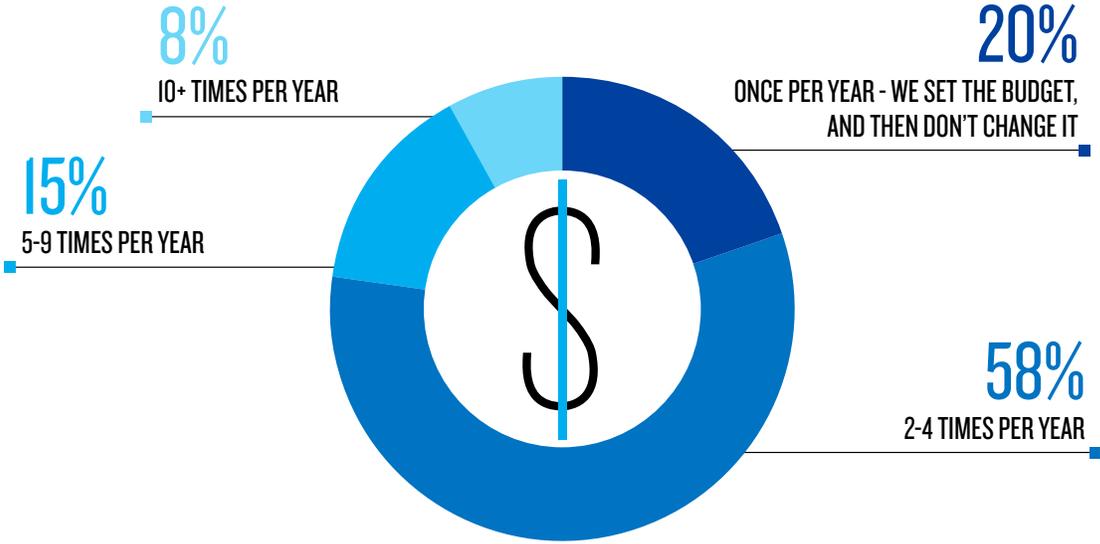
INSIGHT #2:

BUDGET DECISIONS ARE ONGOING

Budget decisions are not a one and done affair. While there is typically an annual budget setting period, budgets are not inflexible. Marketers must respond to market changes or internal initiatives, such as new product lines, business lines or other emerging opportunities.

Our survey respondents reported that, on average, they adjust their budgets about four times per year, with some making changes as often as ten times. This finding reveals that marketers need to be able to re-evaluate budget decisions on an ongoing basis.

AFTER YOUR MARKETING SPEND ALLOCATIONS WERE DETERMINED DURING ANNUAL PLANNING, HOW OFTEN DID YOU HAVE TO ADJUST OR RE-EVALUATE SPEND CHANGES THROUGHOUT THE YEAR?



Source: Nielsen

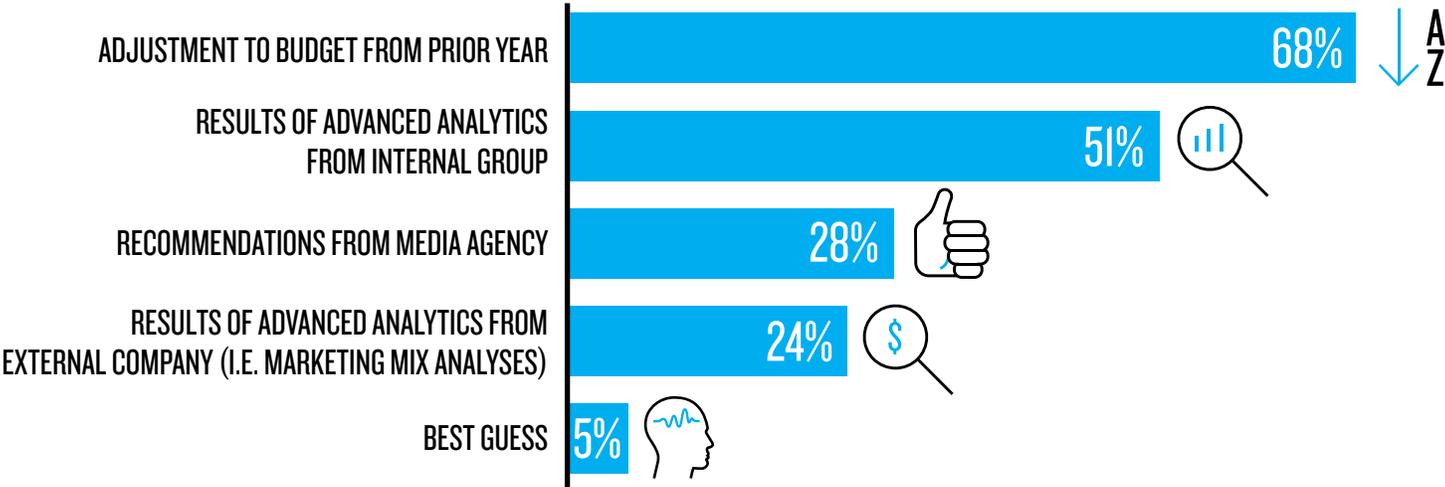
INSIGHT #3:

THE MAJORITY OF COMPANIES RELY ON THEIR OWN INTERNAL ANALYTICS OR PRIOR YEAR’S BUDGET TO INFORM DECISIONS

We found that less than one-fourth of companies (24%) rely on external experts when making budget decisions. A majority use their own internal analytics or base their budgets on the prior year’s. In fact, 68% of marketers use the previous year’s budget and either increase, decrease or level-fund it.

While it’s encouraging that the majority of companies aren’t simply making budget decisions based on their “best guess,” these marketers take a chance that whatever was done in the prior year might not have returned the best result.

WHAT WERE THE TOP TWO INPUTS FOR DECIDING HOW MUCH TO SPEND ON YOUR MOST RECENT YEAR’S MARKETING BUDGET AND WHERE TO SPEND ACROSS MEDIA VEHICLES?



Source: Nielsen

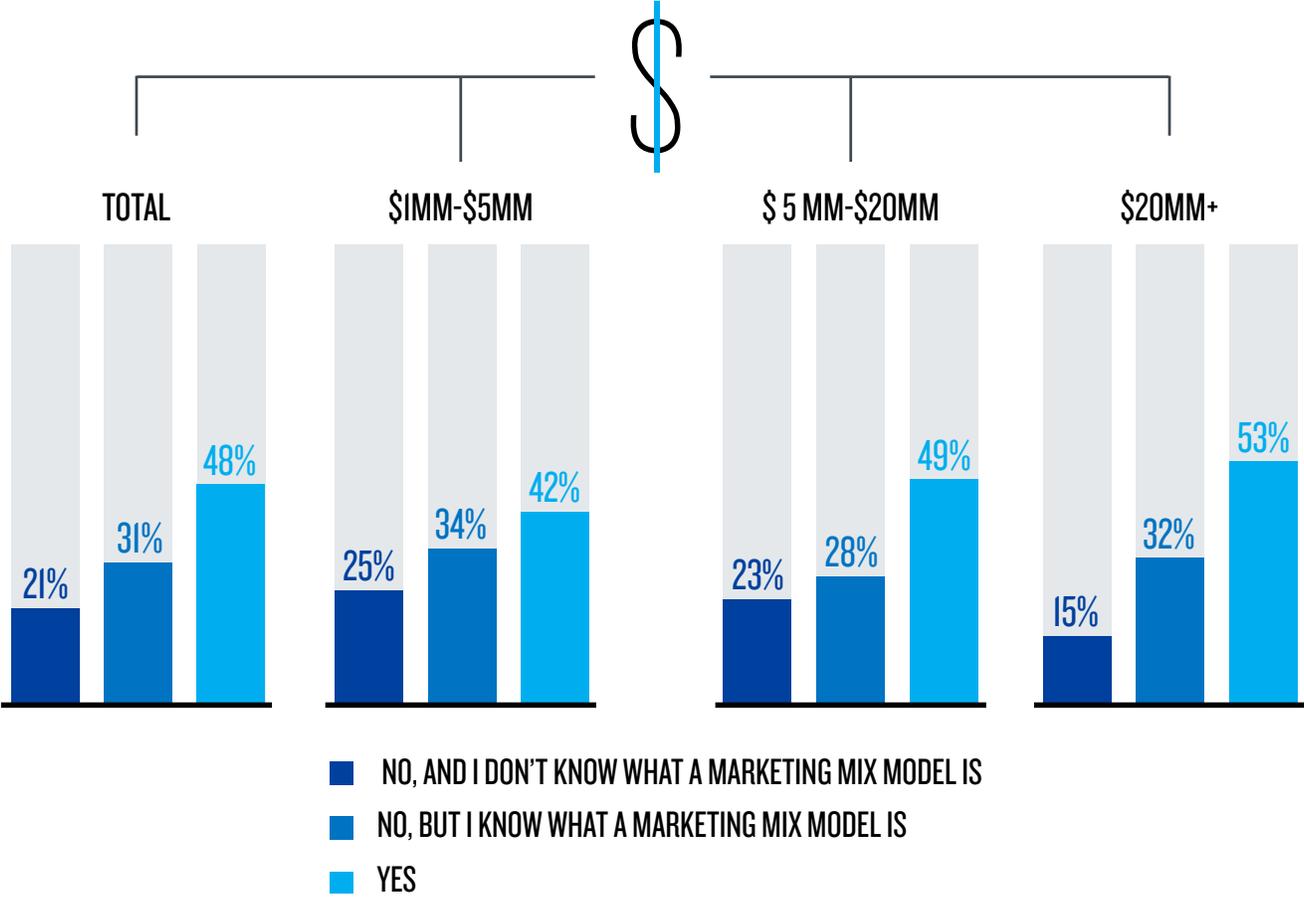
INSIGHT #4:

A MAJORITY OF MARKETERS DON'T USE MARKETING MIX MODELS TO TIE SPEND TO PERFORMANCE

Marketing mix models look at the historical relationships between marketing spend and business performance in order to determine business drivers. This is key information when allocating budget effectively, yet less than half of marketers use these models as an input and about one-fifth aren't familiar with these models.

DID YOUR TEAM USE A MARKETING MIX MODEL TO MEASURE THE IMPACT OF MARKETING ACTIVITIES ON PRODUCT PERFORMANCE?

ANNUAL MARKETING SPEND (U.S.)



Source: Nielsen

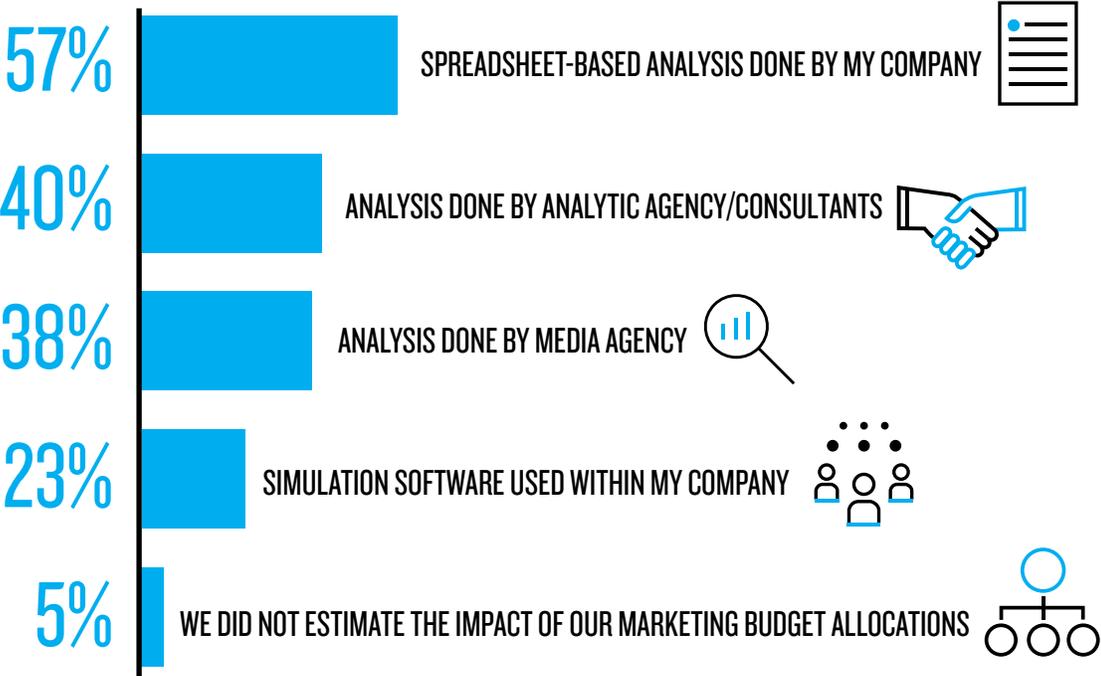
INSIGHT #5:

MOST COMPANIES USE INTERNAL SPREADSHEET ANALYSIS TO ESTIMATE THE IMPACT OF MARKETING BUDGETS

It's considered best practice to try to estimate the impact of budget allocations prior to making final decisions. While most companies (95%) have some method for predicting performance based on budget, the majority (57%) use spreadsheet analyses for these calculations.

Only about a quarter use simulation software intended for these complex calculations, and about 40% have either their agencies or external analytic vendors run the simulations for them.

WHAT TOOLS, IF ANY, DID YOUR TEAM USE TO ESTIMATE THE IMPACT OF POSSIBLE MARKETING BUDGET ALLOCATIONS?



Source: Nielsen

MARKETERS FEEL LITTLE CONFIDENCE IN THEIR BUDGETS

INSIGHT #1:

THE MAJORITY ARE NOT VERY CONFIDENT IN THEIR MARKETING BUDGET DECISIONS

The current processes used for allocating marketing budgets aren't optimal. More than half of respondents (60%) are not very confident in their team's ability to determine the most effective way to allocate their marketing budget.

BUDGET CONFIDENCE OVERALL

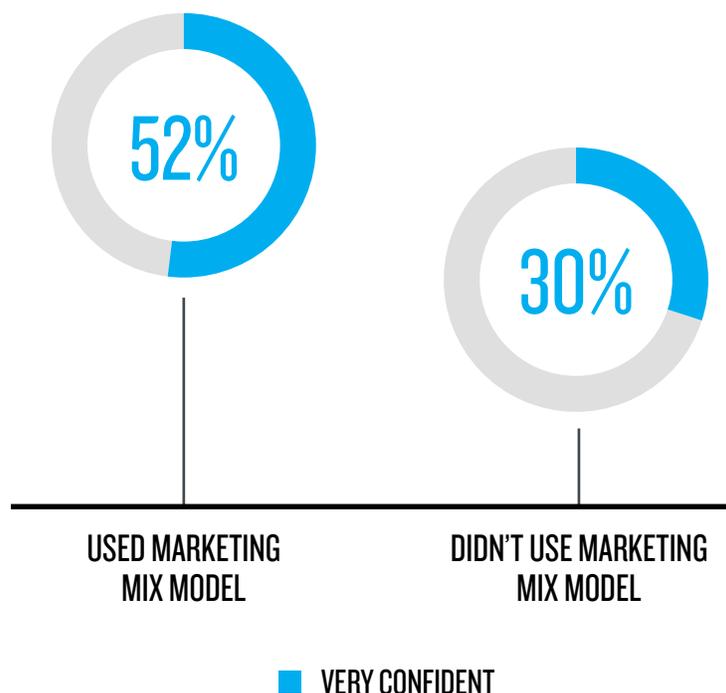
NOT VERY CONFIDENT **60%**



Source: Nielsen

INSIGHT #2:**BRANDS THAT USE MARKETING MIX MODELS TO MEASURE AND INFORM BUDGET ALLOCATIONS ARE MORE CONFIDENT IN THEIR DECISIONS**

One silver lining to our findings is that there are some practices that lead to more confidence in the important and complex decision of where to allocate marketing spend. Companies that used marketing mix models to inform their budget allocation decisions were 75% more likely to feel very confident in their team's ability to determine the most effective marketing budget allocation.

HOW CONFIDENT ARE YOU IN YOUR TEAM'S ABILITY TO DETERMINE THE MOST EFFECTIVE MARKETING BUDGET ALLOCATION THAT WILL DRIVE THE GREATEST RETURN FOR YOUR SPEND?

Source: Nielsen

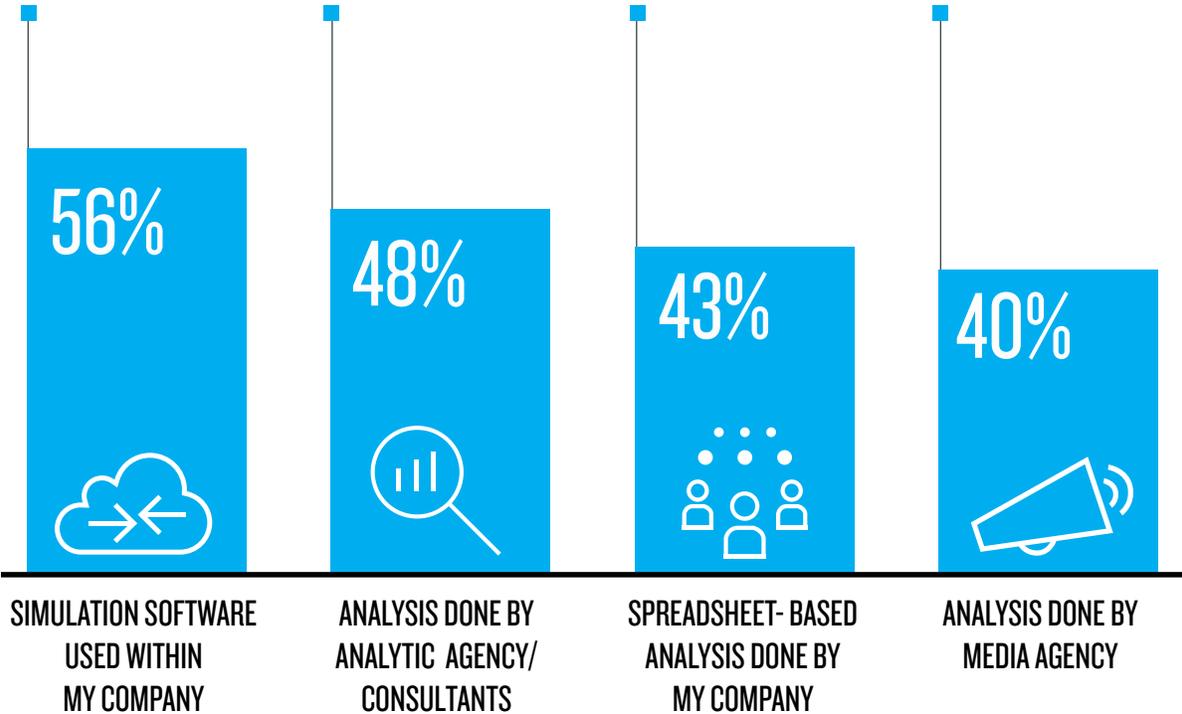
INSIGHT #3:

COMPANIES THAT USE SOFTWARE TO ESTIMATE THE IMPACT OF THE MARKETING BUDGET ARE MOST CONFIDENT IN THEIR DECISIONS

Marketers who have access to software that enables them to run their own simulations of various budget scenarios have the most confidence in their allocations. These marketers are more likely to feel confident in their decisions than those who rely on spreadsheets or external partners to estimate the impact of potential marketing budget allocations for them.

HOW CONFIDENT ARE YOU IN YOUR TEAM’S ABILITY TO DETERMINE THE MOST EFFECTIVE MARKETING BUDGET ALLOCATION THAT WILL DRIVE THE GREATEST RETURN FOR YOUR SPEND?

% VERY CONFIDENT BASED ON APPROACH USED TO ESTIMATE IMPACT OF BUDGET



Source: Nielsen

RECOMMENDATIONS: HOW MARKETERS CAN IMPROVE BUDGET DECISIONS

Deciding how to spend millions of dollars across different brands and marketing options is challenging. But there are ways to make it easier and more accurate. To improve your confidence in budget allocation decisions, follow these three recommendations.

RECOMMENDATION #1:

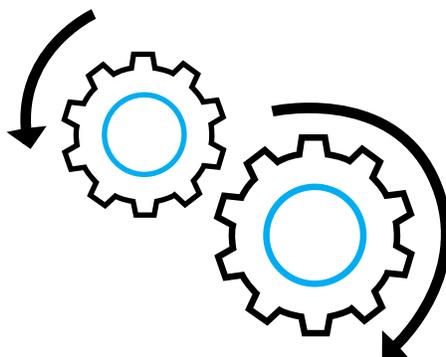
APPLY DATA TO DECISION-MAKING

Using data-driven decision-making helps marketers understand past performance and get information that improves their confidence in budget allocations. Rather than relying on time-consuming, internal spreadsheet-based analysis, consider implementing marketing mix modeling, multi-touch attribution or another analytic solution to evaluate and optimize spend decisions. These types of analytic approaches reveal where your marketing dollars are working best, and which ones are a drag on your bottom line. Insights from these analyses lead to a better understanding of how to allocate your marketing dollars in a way that drives significant improvement to your marketing ROI.

There are two primary data-driven approaches that marketers can use to measure performance and inform their budgets: marketing mix modeling and multi-touch attribution.

MULTI-TOUCH ATTRIBUTION

Tactical optimization
across all channels
at the user level



MARKETING MIX MODELING

Strategic optimization
across all channels
at the summary level



MARKETING MIX MODELING: STRATEGIC DECISION MAKING

Marketing mix modeling refers to a statistical modeling approach that uses summary-level data to measure the effectiveness of digital and offline channels while accounting for exogenous factors (seasonality, interest rates, competitive spend) and company knowledge.

This approach looks at the historical relationships between marketing spend and business performance in order to determine business drivers. Insight into these drivers enables marketers to allocate budget effectively across products, markets, and marketing programs.

Using past performance data, marketing mix modeling allows companies to understand and assess the incremental value of their investments so that they can see what's working and optimize marketing and spend properly.

These high-level insights enable companies to understand the impact of online (search, display, online video, social) and offline (linear TV, in-store promotions) marketing activities for a holistic view of marketing effectiveness.



MULTI-TOUCH ATTRIBUTION: GRANULAR OPTIMIZATION

Multi-touch attribution is an attribution methodology that uses individual, user-level data from addressable channels (such as online display and paid search) to calculate and assign fractional credit to marketing touchpoints and dimensions (campaign, placement, publisher, creative, offer, etc.) along the consumer journey.

Multi-touch attribution makes use of a unique identifier to track users across channels and devices, providing a deeper understanding of the effectiveness of marketing tactics at a highly granular level.

The benefit of this approach is that the models can be rebuilt daily, enabling marketers to continually optimize in-flight campaigns based on the most accurate, up-to-date-metrics.

While there isn't a one-size-fits-all strategy for measurement and optimization, any brand that relies on both online and offline channels can benefit from both methods of analysis. When used in tandem for a unified approach to measurement, marketers can make a broad array of strategic and tactical decisions to maximize efficiency and effectiveness across their entire marketing portfolio.

RECOMMENDATION #2:**USE A SCENARIO PLANNING TOOL**

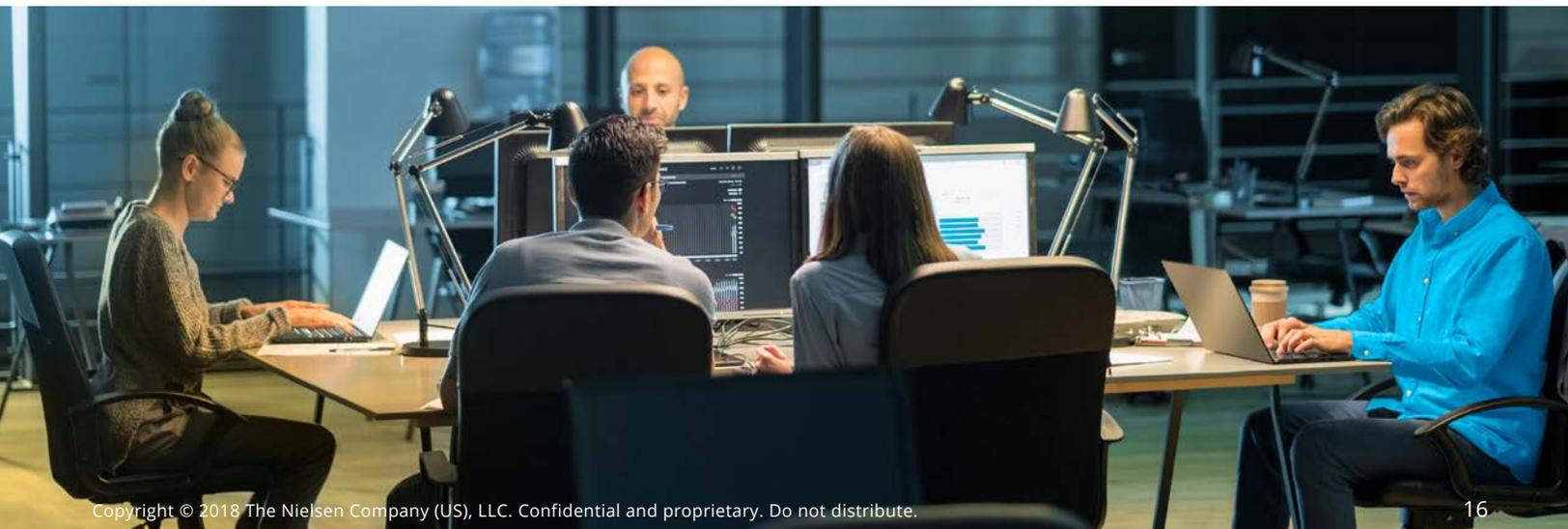
Marketers who have access to software that enables them to run their own simulations of various budget scenarios have the most confidence in their allocations. These marketers are more likely to feel that they are spending their company's dollars wisely than those who rely on spreadsheets or agency partners to estimate the impact of potential marketing budget allocations for them.

The ability to be in the driver's seat when making important budget decisions is beneficial. Use a scenario planning tool to forecast the impact of different spend levels in a virtual environment prior to making real-life budgeting decisions.

RECOMMENDATION #3:**GET SUPPORT FROM EXTERNAL EXPERTS**

Marketers today realize that to engage consumers successfully they must have an in-depth analysis of the entire journey — both online and offline as well as across devices. As our report shows, using marketing mix modeling, multi-touch attribution or another advanced analytic solution to evaluate and optimize budget decisions can give you confidence that you are spending your company's dollars wisely.

When the expertise, data, analytics, and tools aren't available within your organization, consider seeking support from external analytic service providers. Selecting the right solution for your organization comes down to your goals and objectives. Consulting with an experienced vendor will help you achieve the insight you need to drive meaningful results for your business.



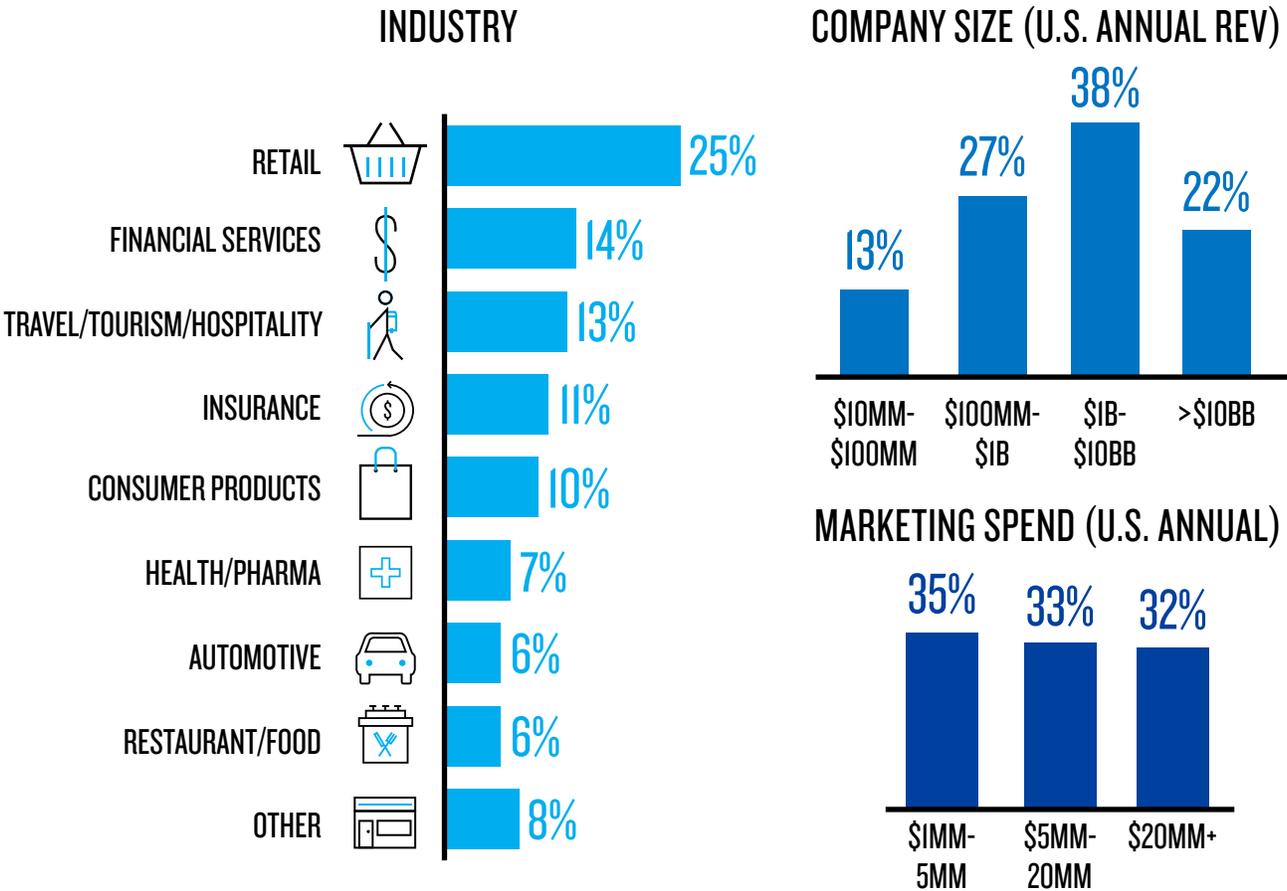
METHODOLOGY

Nielsen partnered with Research Now to conduct an anonymous third-party survey of marketing budget decision-makers at large B2C companies with over USD \$10 million in revenue and USD \$1 million in annual marketing spend in the U.S. The median annual revenue of respondent companies was USD \$1 billion to USD \$10 billion and the median marketing spend was USD \$5 million to USD \$20 million.

Companies in the survey included a wide range of B2C brands in the retail, financial services, travel, insurance, consumer products, health, automotive, food and other industries. Respondents work primarily in marketing and sales (45%), executive (20%), and analytics and finance (14%) and other functions.

All of the respondents were either the primary decision-maker for the marketing budget or involved/consulted in the decision. In all, 186 respondents involved in the budget allocation completed the ten-minute survey.

SURVEY RESPONDENT PROFILE



Source: Nielsen

TURNING INSIGHTS INTO ACTION

At Nielsen Visual IQ, we help marketers of all kinds keep up with the demands of the digital era. Our industry-leading solutions help you measure the efficiency and return on investment for every type of marketing spend across channels, business units, products and markets. We offer interactive tools that allow you to simulate the impact of alternative budget decisions.

Find out how Nielsen Visual IQ can give you the confidence you need to plan and budget for the best results possible. For more information, visit www.visualiq.com.

LEARN MORE

Download the Nielsen Visual IQ ebook [Crossing the New Digital Divide: Your Guide to Marketing Effectiveness](#) to find out how you can be a better marketer in the digital era.

REQUEST A DEMO

Request your free [Nielsen Visual IQ Demo](#) to learn more about how advance marketing measurement can help you get better results.

ABOUT VISUAL IQ, A NIELSEN COMPANY

Visual IQ, a Nielsen company, is the world's leading marketing intelligence software provider. Leveraging its rich history of marketing attribution expertise, the company provides a single platform for analyzing consumer profiles in combination with tactical marketing performance across all channels and devices. By combining the power of audience and attribution, its Marketing Intelligence solutions provide the real-time insight brands and agencies need to optimize marketing and advertising performance by audience segment and drive the online and offline success metrics they care about most. Visual IQ can be reached at VIQ.info@nielsen.com or by visiting www.visualiq.com.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what's happening now, what's happening next, and how to best act on this knowledge. For more than 90 years Nielsen has provided data and analytics based on scientific rigor and innovation, continually developing new ways to answer the most important questions facing the media, advertising, retail and fast-moving consumer goods industries. An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com.



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