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Media Optimization:
Does your media plan maximize value, or just cut costs?

John Hallward

Ross Hugessen

GAME CHANGERS

Ipsos

John Hallward | Ross Hugessen

The evolution of media buying

Media costs are of unquestioned importance to marketers, given that they represent such a large part of the average marketing budget. In turn, media buying has been predominantly based on media plans that minimize the cost for each ad placement or impression. And media agencies have traditionally competed by how they can achieve the lowest costs for their thousands of media exposures; their average cost-per-thousand (CPMs).

Many marketers and media buyers likely appreciate that some ad placements are worth paying more for - not because the audience is bigger, but because these placements earn above-average engagement and attention from the target audience. However, unfortunately, the media industry lacks a common 'currency' for evaluating the quality and impact of ad exposures across media touchpoints.

By default, 'lowest-cost' became (and still largely remains) the parameter by which to evaluate and optimize media plans. Lowest CPMs remain a fundamental preoccupation for many marketers and are at the core of many sophisticated media optimizer software programs. But just because CPM is the easiest thing to measure doesn't make it the right thing to measure.

The emergence of many online media channels offers a proliferation of choices with lower costs-per-exposure. This attraction of lower-cost digital media in comparison to traditional broadcast media has attracted a significant portion of the media budget.

Alongside this evolution, or perhaps as a reaction to so much choice and uncertainty, the company procurement department has taken on an expanded role in the advertising buying process of many large advertisers. The cost experts are increasing the pressure to lower spend on advertising.

However, this shift towards lower-cost touchpoints can easily obscure consideration of good value.

The growth of emerging media raises the question of impact, and makes campaign success more dependent on the media plan. Traditionally, most media buys would do a good job of reaching their full target. In turn, the impact (ROI) of the campaign hinged on the quality of the creative.

In this way, a low ROI campaign was rarely the fault of a weak media buy. Creative quality accounted for about 75% of the variance of the impact of a campaign and the media reflected the other 25%.

Today, the importance of creative has not diminished with the evolution of media, and it is likely more important than ever to gain attention in a cluttered media world. However, the impact attributed to the media channels themselves for the success or failure of the campaign has increased to about 42%[1]. This is because many more media plans are simply inadequate and affect a lower campaign ROI. Within this media component, about two-thirds is due to issues of reach, mostly because newer digital and media buyers tend to do less well in reaching their targets, due to factors such as fraud, poor targeting, excessive frequency to the same people, and/or a lack of attention from people.

The challenge for marketers is to learn how to optimize their media budget in this new environment and against the headwinds which brands face today, to ultimately achieve greater brand success.

We summarize some useful insights on strengthening the advertising and media plan using our databases, unique R&D studies and experiences.

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1. Have the discipline to only air great quality creative.

The ROI of the campaign hinges on great creative, more so than on the media plan. A strong media buy will not overcome weak or average creative. Never throw more media budget to support weak creative in the hope it will improve the overall campaign. This is a poor approach, with an expected weak ROI.

The good news is that today, there are a wide range of research solutions, including investment options and timelines, for evaluating your creative. Even with little time and little budget, there is a creative testing approach that will likely improve your campaign ROI.

2. Avoid moving money between touchpoints and media channels simply for cost-saving.

Advertisers often approach media planning like a game of checkers where each piece works in the same manner. In reality, it is much more like a game of chess where the pieces work differently, have their own strengths and weaknesses and hold different values to the player.

In our consumer mix-modeling data, we clearly see that different touchpoints work in different ways. Some are stronger at the beginning of the path-to-purchase while others are more effective at the end. Some are better for speaking to brand users while others have more impact for non-users. Choose media based on value and strength and not simply for lowest cost. A lower cost media channel may not translate to better value to the advertiser and should not be the basis for deciding to spend money on that touchpoint.

3. Choosing to target brand users or non-users significantly affects media allocation.

Targeting brand users or non-users is a strategically important concept. Brand users differ from non-users in which touchpoints influence them for any one specific brand. Non-users of a brand are less likely to follow that brand on social media, 'like' its Facebook page or visit its website. Non-users are also less likely to recall advertising for brands they don't use or like. We found the impact of social media channels was 25%-30% less effective amongst non-users than users.[2]

Digital touchpoints tend more towards the outcome of engaging current brand users, whereas broadcast and in-store touchpoints are strong for catching non-users. So, not only should different touchpoints be used to target brand users and non-users respectively, but the creative content, message, language, and tone used within each channel should also reflect these strengths. Smart advertisers need to plan different media allocations to optimize the impact of their budgets for users and non-users, and not focus just on costs as the basis for their media buy.

4. Pay attention to what explains most of the media impact: Reach.

Marketers must appreciate the importance of reaching their target as opposed to excessive frequency of exposures to certain people. The strategy of 'Recency Planning' can also be useful. This involves scheduling the ad exposures closest to a consumer's category purchase, then repeating this near-100% reach a second time, a third time, and so on for as many repeated 'reach cycles' as the budget allows. Our data, as well as that of many other organizations, shows the effectiveness of timing adverts just before category purchase to reach as high an incidence of the target as possible.

Getting multiple exposures to some people (frequency) while not reaching others is not as optimal as achieving better reach with lower – but evenly distributed – frequency. When considering the reach of your touchpoints, make sure to challenge the assumptions of online impressions which may affect our expectations of the reach our online ad will receive. Nearly 20% of total digital ad spend was wasted in 2016.[2]

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5. Advertisers need to invest in research on the quality of their exposures for attention and engagement.

Not all exposures within a medium are equal in quality. They differ in their ability to gain attention and engagement. In our studies on the quality of exposures, we observe that the amount of attention paid to each exposure within television, websites and apps differs by drivers such as enjoyment, genre of show or environment, time of day, day of week, content relevance, and so on.

Attention to any one exposure can vary ±20% from an average level of attention within the same channel. Clearly, buying the above-average exposures while avoiding the sub-average ones is worth paying for - the value may exceed the cost in many cases. Which exposures are best will hinge on the composition and interests of the target.

6. Buy ad placements based on 'above-average probability exposures' rather than simple audience counts.

With 'Real Time Bidding' (RTB) for digital and online media buying, we are starting to see greater appreciation for value rather than lowest costs, shifting the basis of media buying to 'probabilities of outcomes'. With RTB, there is no guarantee that paying a premium for impressions will lead to a sale, the decision is based on higher expectations or greater probabilities of business gains. The challenge is to apply these implications across the board, including off-line media and in-store touchpoints. Marketers need to invest in learning about the quality of exposures to optimize their probabilities. Optimizers need to evolve to maximize media value rather than just minimizing media costs.

7. Pay attention to the absolute levels allocated to each media channel.

Each medium has its own unique ad response function which differs in the height of its impact, and the necessary cost and the speed to achieve it. The response function is a convex down-curve with diminishing returns (see Figure 2). This means that each additional dollar spent has lower ROI than the previous invested dollar. On a simple ROI-per-dollar-basis, this rewards lower spending. However, it fails to appreciate that a certain minimum amount must be spent for optimum impact and to meet communications objectives. Enough must be invested in each medium to achieve both reach and impact.

Example Ad Response Function of a Media Channel

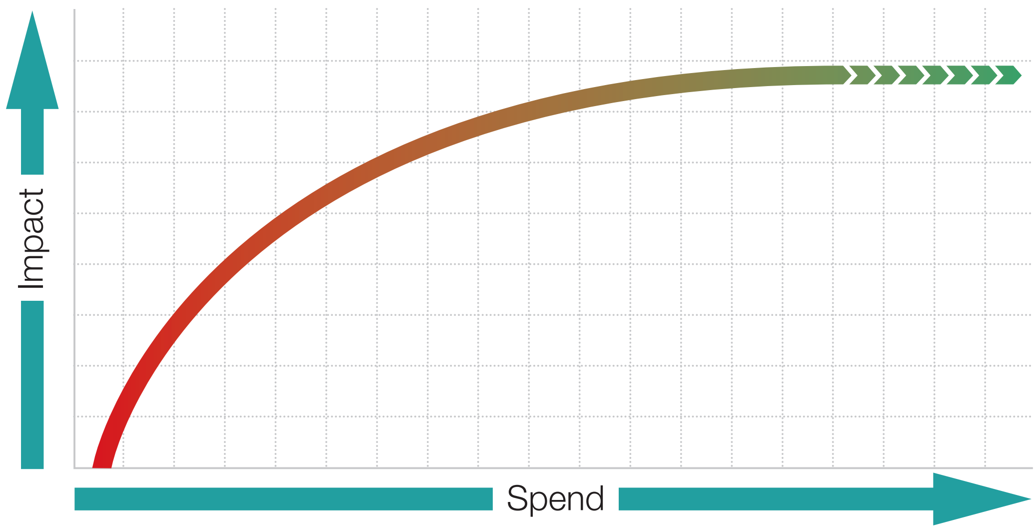

Figure 2

How to optimize

Small-budget advertisers should pick one medium and spend enough to economize the creative production costs while aiming to achieve the greatest reach possible in that medium. Trying to have a multi-media mix on a small budget may result in high agency fees and excessive production costs, while spreading the media too thinly across each touchpoint.

The main challenge of media optimization is to know the nature or shape of the advertising response curve for each different medium. Unfortunately, the height, speed and spend will vary for each.

Optimization works by allocating each media dollar one at a time to the medium which offers the strongest impact from the choices. As each dollar is assigned and the spend accumulates along the respective ad response curves, the impact potential of that medium is affected. In view of this, dollars are incrementally allocated to the respective medium until the total budget is reached. The outcome is the strongest impact potential, across the mix of media allocations from the optimized value of each placed dollar. This is about optimizing value (i.e. impact) rather than a traditional idea of optimizing which focuses on minimizing costs.

With such pressure on each media dollar, advertisers must make sure that each one is optimized for value and impact

Conclusions

One of the benefits of the presence of so many online media channels today with lower CPMs and practically no barrier to entry is that they allow lower budget ad campaigns access to 'mass' media. However, proper investment levels are important, as is a clear understanding of the attention and impact that all media touchpoints receive. And it is also important to appreciate that touchpoints work differently, for different objectives and to different (sub)targets.

Today, with such pressure on each media dollar, advertisers must make sure each dollar is optimized for value and impact. Cost is what you pay, but value is what you get. Smart marketers are putting careful consideration into the characteristics for quality in their media exposures beyond audience numbers, impression counts, reach, and frequency and lowest costs.

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John Hallward, Global Director, Offer and Innovation
Ross Hugessen, Senior Vice President, Brand Health Tracking

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www.ipsos.com
@Ipsos
IKC@ipsos.com