

Module 5: Data Analytics

Lesson 3 - Measurement

OVERVIEW

In this lesson, students will learn the importance of measuring a business or brand's advertising and communications investment.

OBJECTIVES

1. Understand the concept and importance of measuring a business or brand's advertising and communications investment
2. Identify which channels and communications are helping to effectively to reach the consumer
3. Distinguish between ROI and ROAS.
4. Explain the importance of KPIs.
5. Explain how traditional broadcast media measures audience size.

KEY TERMS

Conversion

KPI (Key Performance Indicator)

Ratings

ROAS (Return on Ad Spend)

ROI (Return on Investment)

This Lesson Bundle Includes:

- Measurement - Lesson Outline
- Measurement - Presentation Slides
- Industry Application - Related Links
- Discussion Deck - KPIs (Brand Awareness)

MEASUREMENT

Return on Investment (ROI)

Businesses and brands spend millions of dollars every year on advertising. Media investment can be one of the biggest expenditures for a company (not including the cost of producing the actual advertisements, which can also cost millions). It is critical that brands understand the impact and efficacy of the media investment, and how best to optimize strategies to maximize the **ROI (return on investment)**.

In marketing, **ROI** is a way of measuring the effectiveness of a business or brand's marketing efforts. There are many different formulas used by companies to calculate ROI, but generally speaking, a business will use ROI to evaluate a campaign's impact on total revenue or gross profit.

ROI can also help marketers to:

- Justify the investment in marketing activities
- Make future determinations about budgets and sales forecasts
- Develop benchmarks for which future marketing activities are measured

When calculating ROI, a business will take into consideration a wide range of expenses, including creative work, design, and staffing, in addition to other costs associated with the campaign.

Return on Ad Spend (ROAS)

Alternatively, **ROAS (return on ad spend)**, is a term more specific to advertising. **ROAS** refers to the amount of revenue that is earned for every dollar spent on an advertising campaign. In other words, if a business or brand spends \$10,000 on advertising but the campaign generates just \$4,500 in revenue, the campaign would be considered a disappointment. If the \$10,000 ad spend results in \$50,000 in revenue, the business or brand will be much happier with the results.

Marketers hope to achieve high-margin results with their ad spend, so simply breaking even is not a realistic campaign goal. Generally speaking, businesses look to generate a minimum of a 4:1 or 5:1 ratio on ROAS, or a return of \$4-5 for each dollar spent.

Calculating ROAS



$ROAS = \text{Revenue generated} \div \text{campaign cost}$

For example, if a business spends \$10,000 on ads, and they generate \$50,000 in revenue, they would divide \$50,000 by \$10,000 to calculate ROAS, giving them a ratio of 5:1, or a 500% return on ad spend.

Key Performance Indicators (KPI)

A **KPI**, or **key performance indicator**, is a measure of campaign performance against a predetermined set of goals or objectives. Agencies will agree on KPIs with a business or brand in the brief, allowing them to evaluate and track progress toward these goals. This tracking helps to ensure that the business or brand's marketing investment will be effective by making sure KPIs have been established before any ads are produced or media is planned or purchased.

KPIs include:

- Total sales or revenue generated
- Number of impressions
- Engagements
- Lead generation
- Conversion rates
- Improved brand health metrics
 - *Unaided/Aided brand awareness*: “Unaided” brand awareness refers to a consumer’s ability to name a product or brand without being prompted while “aided” would include a marketer asking the consumer, “have you heard of product or brand X?”



DISCUSSION

View the “KPIs” discussion deck in class and see if you can identify which questions are representative of “unaided” or “aided” brand awareness, and how the results could help determine a useful KPI for the products and brands identified in the presentation.

- *Brand perception (image)*: what consumers think of the brand.
- *Consideration*: whether a consumer would consider purchasing any product or brand from a group of choices.
 - For example, a consumer might be asked in a focus group, “If you were to consider visiting a coffee shop, which of the following coffee shops would you consider visiting? Select all that apply from the following: Starbucks, Dunkin’, Dutch Bros, Peet’s, Caribou Coffee.”
 - If the response from consumers suggests they would not consider the product or brand, marketers must then invest in strategies that will shift consumer sentiment in a favorable direction.
- *Choice*: whether a consumer would choose to purchase a product or brand over competing products or brands.
 - For example, a consumer might be asked in a focus group, “If you were to choose just one coffee shop to visit, would you choose Starbucks, Dunkin’, Dutch Bros, Peet’s, Caribou Coffee?”
- *Trial*: when a consumer is aware of the brand, would consider a purchase, but would prefer to try it before committing to the brand. Consumer experience, word of mouth, and other factors can influence purchase decisions in the trial stage.
 - For example, a consumer might try Caribou Coffee for the first time and like the ambiance of the store, the service from the barista, and the taste of the product, influencing their decision to purchase Caribou Coffee again.
- *Brand loyalty*: When a consumer is brand loyal, they might not even consider trying or purchasing a product or service from competing brands. When a business or brand has loyal customers, they benefit from word of mouth, referrals, and recommendations.
 - For example, a Dutch Bros customer who is loyal to the brand might tell all their friends how great the product is and encourage them to try Dutch Bros.

Tracking Campaign Results

Throughout a campaign’s lifetime, marketers continuously monitor results to make sure the campaign is tracking toward its KPIs. Through tracking, marketers can optimize the campaign, and do so on an ongoing basis if necessary. They will identify elements that are performing well, and shift more advertising toward the message or channels that are proving to be most effective.

Once the campaign has ended, marketers conduct a recap and present the results. This recap communicates an analysis of the campaign performance, including “learnings” and “future considerations.” For example, the business may have learned that social media, when measured against the campaign KPIs, outperformed TV advertising, or that Instagram far outperformed Snapchat, and might recommend the business or brand allocate future ad spending accordingly by spending more on social or Instagram and less on TV or advertising on Snapchat.



Typically, marketers will follow a process for tracking campaign results:

- Monitoring results
- Analyzing results
- Optimizing campaign strategy
- Campaign recap
- Apply learnings



Measurement Metrics

So how are these campaign results measured? Each advertising channel utilizes specific metrics to identify how many consumers see or interact with the brand message or advertisements.

Digital & Social

- CTR (or click-through rate)
- CPC (or cost per click)
- CPM (or cost per million impressions)
- Views
 - Total views vs CVR (completed view rate)
- Engagement
 - Comments
 - Post likes and dislikes
 - Shares (retweets, reposts, etc)
- Page likes and followers
- Traffic
 - Web page or website visits
 - Conversion rates
 - **Conversion** occurs when a consumer responds to a business or brand's marketing call to action.
 - A consumer opens an email from the business or brand
 - A consumer fills out a contact form, shares personal information, and requests more information about a product or service
 - Ultimately, a marketers' goal is to encourage a conversion that results in the purchase of the product or service
- Downloads (apps)
- Total number of impressions

OOH/DOOH/TV/Print/Radio

- Total number of impressions
- Footfall attribution (whether consumers visited a store or other place of business after seeing an advertisement)



TV/Radio

- Total number of impressions
- Viewership or listenership determined by “ratings”

Traditional broadcast companies measure their effectiveness and reach through **ratings**, which are expressed as a percentage of the potential TV or radio audience viewing or listening at any given time. Ratings are measured by the number of households or people tuned into a particular radio or television program at a specific time which provides an indication of audience size.

According to Nielsen (a company that measures ratings): *"Ratings are used like currency in the marketplace of advertiser-supported TV. When advertisers want a commercial to reach an audience, they need to place it in TV programs which deliver an audience. The larger an audience a program delivers, the more the commercial time is worth to advertisers."*¹



KEY TAKEAWAY

Measurement is important because it helps to ensure the effectiveness and efficiency of a company's ad spend, which is critical to the overall health of the business.



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Impressions - [Black Diamond's cheesy billboard stunt generates 200+ million media impressions](#)

TV Ratings - [TV Ratings 2022-23: Final Seven-Day Averages for Every Network Series](#)

KEY TERMS DEFINED:

Conversion: Occurs when a consumer responds to a business or brand's marketing call to action.

KPI (Key Performance Indicator): The amount of revenue that is earned for every dollar spent on an advertising campaign.

Ratings: The number of households or people tuned into a particular radio or television program at a specific time which provides an indication of audience size.

ROAS (Return on Ad Spend): The amount of revenue that is earned for every dollar spent on an advertising campaign.

ROI (Return on Investment): A way of measuring the effectiveness of a business or brand's marketing efforts.

1. <https://www.frankwbaker.com/mlc/math-media-what-do-ratings-represent>