ROI Genome Flash Report

Data Doesn't Lie, but Your Marketing Metrics Can Mislead You

Analytic Partners
ROI Genome

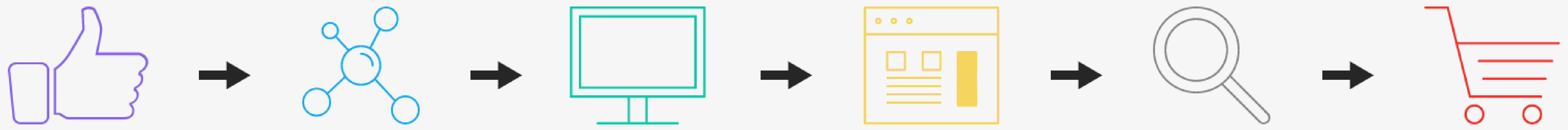
For every $1 spent, 35 cents are lost when brands optimize using siloed metrics.

Data doesn’t lie. But sometimes, seemingly similar marketing metrics conflict with each other. You might recognize this if you’ve sat around a table with different organizational functions providing contradictory and confusing reports on what appears to be the same thing. This is a classic situation of teams offering siloed metrics to support diverging marketing strategies.

If this sounds familiar, it could be that your teams are attempting to make comprehensive spend decisions based on siloed metrics. Siloed metrics are commonly derived from analysis of marketing-only data within a specific subset of the business, for example, when click-throughs are evaluated within a single digital campaign and linked to a web conversion. The decisions look good on paper, but using this data is highly unlikely to drive the best results for your company because they leave too much out of the analysis.

Siloed metrics are an oversimplification of what drives results based on partial data. Yet channel-specific metrics like return on ad spend (ROAS), used by platforms such as Google Analytics and Adobe Analytics, and by some brands and agencies directly, are still used to make cross-marketing investment decisions, despite their blind spots, biases, and data gaps.

Customer Journey Example



Organic Social → **Paid Social** → **Website Visit** → **Display Ad** → **Paid Search** → **Purchase**

Person A read a post highlighting Client X's products and then saw a Facebook ad for the brand	These exposures led her to visit the website to learn more	After her website visit, she was Retargeted with a Display ad, at which point she clicked a Paid Search ad to navigate back to the website	After further research on the website, she made a purchase

Why Real-Time Reports Can Lead Your Brand in the Wrong Direction

Last click and other user-level metrics fail to account for other touchpoints in a customer's journey that contribute to the sale or other KPI. For instance, they might incorrectly attribute clicks and impacts to paid search, ignoring the fact that our ROI Genome research suggests 30% of search clicks are generated by other types of marketing.

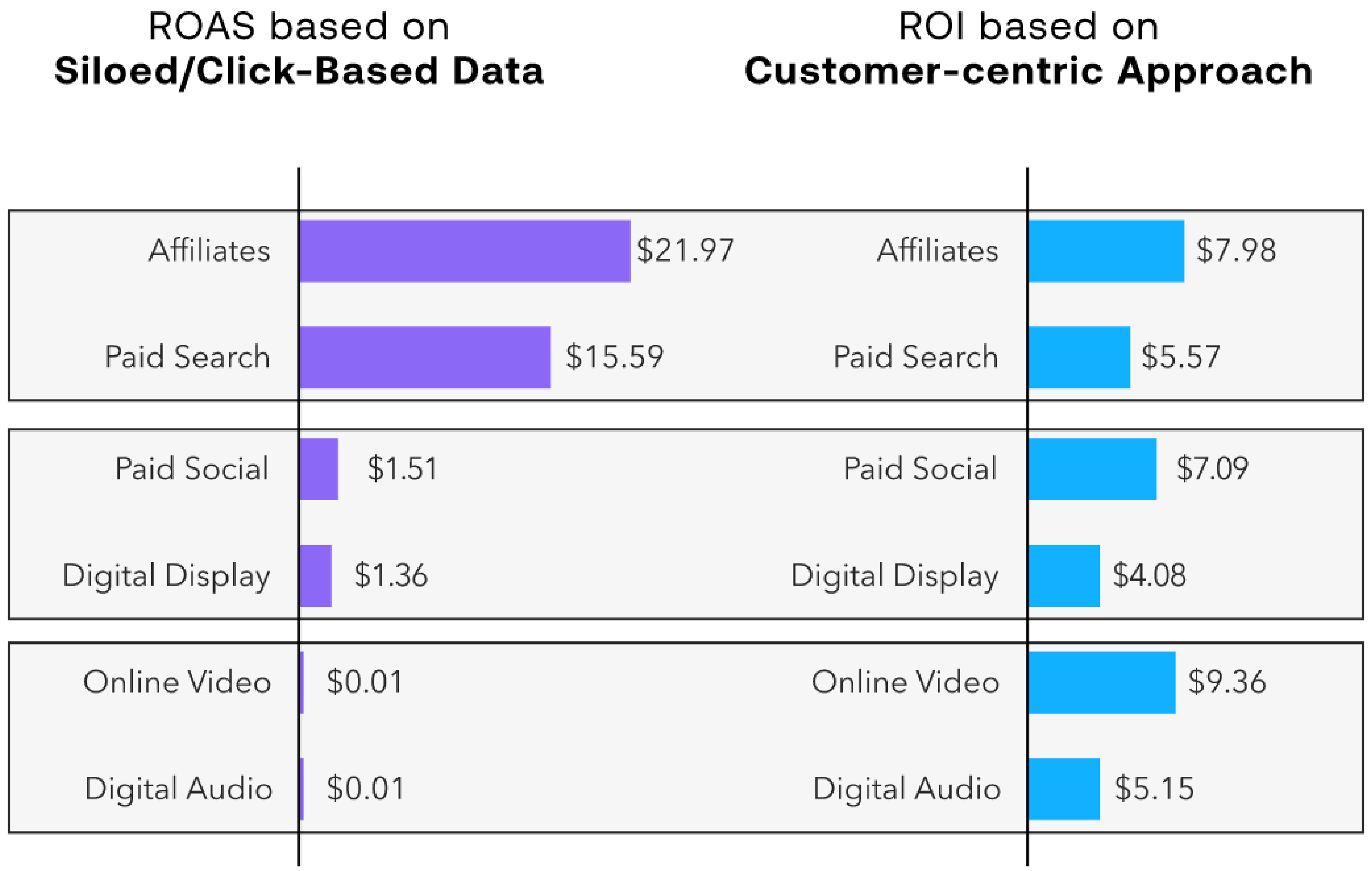
Additionally, search metrics often claim credit for sales that would have occurred regardless of whether a marketing campaign was run or not. Our research also shows that siloed web analytics ROAS

Analytic Partners
ROI Genome

It's not surprising, however, that marketing teams and leadership like and trust siloed metrics. It's difficult to ignore how compelling it is to use these types of real-time measurements. These reports are available every minute of every day and always provide something new to look at and tweak.

The chart on the right highlights a comparison of misleading, siloed ROAS metrics to accurate, customer-centric ROI metrics. The results are striking, demonstrating that when using ROAS or click-based data, Affiliates and Paid Search performance are inflated by 3x, while other tactics like Paid Social and Video's performance are notably undervalued.

Case Study Brand X: Omnichannel Apparel Retailer



Overstated by 3X

Opportunities to drive in-store sales are missed through Last Click

Significantly understated

Analytic Partners
ROI Genome

Report Card Siloed View

	Channel 1	Channel 2	Channel 3
Campaign A	✗	✓	✓
Campaign B	✗	✓	✗
Campaign C	✓	✓	✗
Campaign D	✗	✓	✗
Campaign E	✓	✓	✗

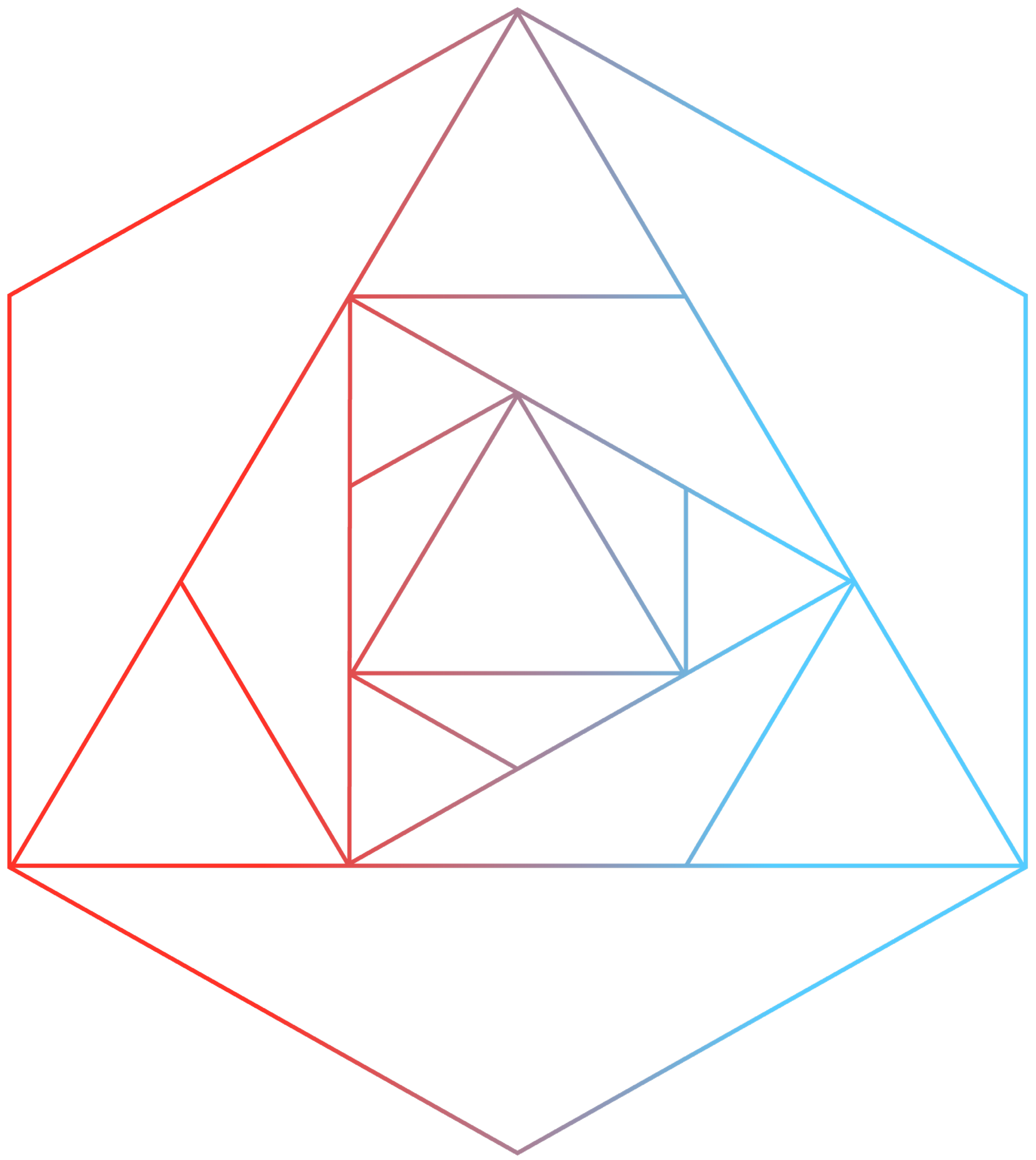
ROAS measurement today is siloed, fragmented, and short-term

Where siloed metrics fail is in delivering a truly unified and accurate view of marketing and sales drivers. Siloed metrics like ROAS and digital click metrics by channel don’t paint the full picture of how customers learn about your brand, research and consider their decision, and/or purchase your goods and services. They don’t tell the whole story, ignoring critical drivers of the brand-customer connection such as the brand, product, operational, and external factors. With that in mind, it is a mistake for brands to optimize their commercial plans based solely on short-term, siloed reports, and expect to drive growth.

Relying solely on short-term, siloed reports is a recipe for failure for brands looking to make a commercial impact. Customers interact with multiple channels and campaigns, and marketing does not exist in isolation. Brands must collaborate across functions and include data from across the enterprise to better understand customer behavior and preferences.
To make more effective and informed decisions that truly drive growth, brands need to prioritize a holistic view of metrics that captures the true impact of marketing on sales, coversions, and ROI.

Is it time to abandon siloed metrics such as ROAS?

Not entirely. But it is time to understand the strengths and weaknesses of these metrics, how to play to their individual strengths, and when to use them. Understanding and appreciating the fundamental differences between siloed metrics and a truly customer-centric framework delivers a much more effective view that improves decision-making.



Analytic Partners
ROI Genome

Siloed metrics can be used for quickly optimizing performance media within (and only within) specific channels and tactics, for example:

Determining which version of creative is performing best within a campaign and channel.

Understanding which branded paid search keyword delivers the optimal balance of conversions and cost-effectiveness.

Working out which campaign components (e.g., creative type, keyword) influences specific audience segments more than others.

Optimizing inflight campaigns within walled gardens such as Amazon, Google or Meta to tweak current campaigns and consider for future campaigns.

As a useful data feed to integrate with broader holistic measurement programs.

Siloed metrics misinform decision-making.

Using siloed metrics more broadly can lead to poor decisions and missed opportunities in investment and marketing strategies. Siloed metrics don’t provide an unbiased view of all activities and their impact on consumers. In fact, according to our ROI Genome research, 35 cents of opportunity is lost for every one dollar spent if spending is prioritized based on siloed measurement. .

To make the best decisions for your business, consider all factors that impact customer behavior, including brand importance, operational factors, product, and delivery methods. Keeping the customer at the center of all decisions is crucial.

For every $1 spent,
35¢ of opportunity is lost
if spending is prioritized based on siloed measurement.

Analytic Partners ROI Genome

Avoid using siloed metrics when:

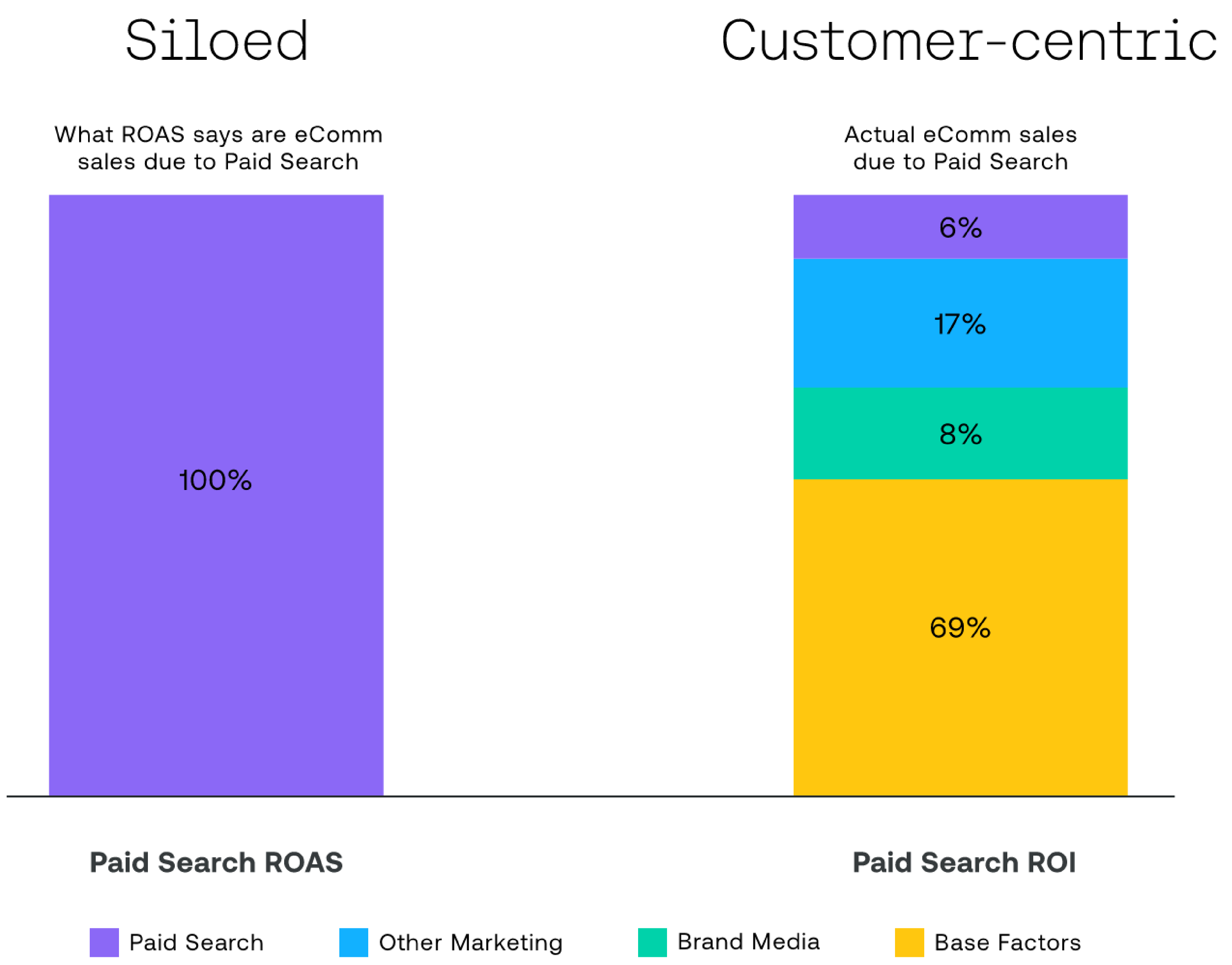
- Deciding where to allocate your marketing budget across different tactics and platforms. Siloed metrics introduce blind spots and biases, causing over-investment in less impactful areas and under-investment in tactics that improve business performance.
- Projecting sales. Using partial digital views or siloed retail channel metrics can mislead forecasts, overemphasizing lower funnel activities that may over-index on digital sales and under-represent offline sales. This can lead to inaccurate forecasts and overlooks the value of upper funnel tactics.
- Understanding the role of brand marketing in driving revenue. As previously mentioned, siloed metrics often overlook the disproportionate impact that brand spend has on performance ROI, leading to a lack of investment in top-of-funnel activities.

To illustrate, suppose a company relies solely on siloed measurements to evaluate its marketing performance. They notice a wide range of ROAS by tactic, ranging from $0.01 to $22, and decide to shift their spending towards affiliates and paid search, assuming that these channels drive the highest ROI. However, this narrow last click view fails to consider the full picture. For example, video drives sales despite missing clicks, has a longer half-life than non-video media and can drive up to 30% of search clicks.

As a result, using ROAS alone can lead to incorrect conclusions about which channels are truly driving sales.

In the example to the right, ROAS attributes 100% of sales from paid search, when in reality, it's much lower when accounting for other drivers. Taking a customer-centric measurement approach uncovers that only 16% of sales are truly driven by paid search, while 25% is driven by brand and other marketing, and 59% is due to base factors.

Understanding True Impact



Many companies make investment decisions using ROAS data, perhaps even yours. Depending on how siloed metrics are shared throughout the organization, there can be a significant risk of misinterpretation. As companies emphasize quick decisions, it can be easy for business leaders to forget what the siloed metrics actually represent and that they do not tell the full story of marketing’s performance.

In a piece titled “A media effectiveness guide for CMOs (and CFOs),” Google also agrees that siloed metrics like ROAS have their limitations, saying:

“Measuring sales impact may require using more than one tool, including offline and online media as well as offline sales channels, to ensure comprehensiveness and granularity.”

Pivot to a customer-centric view

What is the best practice then? How do you measure accurately to make the best customer-centric, strategic choices and marketing investment decisions? The answer is not to lean wholeheartedly into a flawed set of metrics that tell an incomplete story. Or to lean solely into whichever metric or report is available first.

Instead, you need to start with a customer-centric measurement approach from the get-go. With a commercial view where the customer is at the center, you can better understand what is driving business performance. Privacy-conscious, customer-centric measurement helps to showcase the role of marketing in the context of the full commercial business drivers – brand, product, operational, and external factors.

See the forest for the trees

It's time to take stock and reassess the utility of the deluge of data and analytics we have access to every day. That is not to say these siloed metrics are not useful in some cases, but rather that we should be interrogating whether they are being applied appropriately. Are we looking at the whole forest, or are we fixating on a small section of trees?

Shifting to a customer-centric commercial view avoids costly, blinkered decisions and helps cut through biases – for instance towards all things digital, driven by the prevalence of digital and clickable metrics.

Everyone sitting around the table has the same goal: to add value and grow the business. But many commercial decision makers only have a narrow view on a single aspect of sales and the quick perception of marketing's impact. Introduce a customer-centric view of the business to make big, business-wide choices. This will lead to investment decisions that drive real value, and not value that only exists when you look at it in a certain way.

ANALYTIC PARTNERS

Analytic Partners is the leading cloud-based, managed software platform which provides adaptive solutions for deeper business understanding and right-time planning and optimization for marketing and beyond. We turn data into expertise so that our clients can create powerful connections with their customers and achieve commercial success.

ROI GENOME®

Over the past two decades, Analytic Partners has collected a vast quantity of marketing intelligence across industries and countries. This intelligence lives and breathes in ROI Genome. ROI Genome has been an evolving endeavor that goes beyond traditional "you are here" benchmarking to understand and quantify the drivers of ROI and performance at a fundamental level to establish principles and truths for success. By understanding and quantifying how factors such as brand health, marketplace and country dynamics, and competitive landscape all impact performance for each type of offline and online marketing activity, Analytic Partners provides context and perspective for our customers.