



A model approach to improving marketing metrics.

Insights from our new research on emerging trends in
marketing performance measurement.

Measure, master and grow.

We are in an era of significant transformation of the methods, tools and skills involved in measuring marketing effectiveness.

Over the past generation, as digital became the central medium for lead generation and customer engagement, marketers increasingly leaned into methods such as multi-touch attribution that enabled tracking of exposures and actions at an individual level. This helped usher in an era of experience personalization that has, in turn, elevated customer expectations. It's no longer enough to be relevant; brands are expected to provide human, intuitive engagement at every touch point.

Moreover, marketing teams are increasingly expected to contribute to business growth by pulling the right media levers at the right moments to drive customer conversion and increased revenue. Effective measurement and optimization are critical in order to make smarter decisions and faster adjustments in the moments that matter.

But recent changes at the device, browser and regulatory levels have diminished both the volume and availability of third-party customer and media performance data available to help marketers activate, measure and improve performance. This signal loss is having a real effect on the performance metrics that brands can effectively track. At the same time, marketing science teams have grown increasingly focused on factoring the complete range of media—both online and off—into measurement models in order to improve attribution capabilities.

To understand the current state of advertising performance measurement during this time of transformation, Deloitte Digital commissioned a study by Lawless Research to gauge the capabilities and results among midsize and large companies across nine different business-to-consumer industries plus advertising agencies that serve B2C brands. We then developed a maturity model based on sophistication of measurement practices, measurement effectiveness and business performance. (See methodology, page 10.)

We discovered that the brands with the most advanced marketing measurement capabilities—we call them **measurement front-runners**—are deepening customer engagement and loyalty, driving faster sales and beating revenue goals for their businesses.

In the following pages we explore the ways that measurement front-runners are growing their data capabilities with a focus on new, model-based omnichannel marketing measurement approaches.



For more insights from our research on marketing performance measurement, please see other installments in this series:

Part 1: “Connecting marketing KPIs to business objectives.”

Part 3: “Expanding your marketing measurement capabilities.”

Download the full series now.

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RESEARCH FINDINGS:

Lost signal, broken models.

The significant reduction in media and customer data available to marketers as a result of third-party browser cookie deprecation, device-level restrictions and regulations is having a tangible impact on measurement effectiveness and accuracy across industries.

Many marketers are struggling to understand the implications. In fact, two in three marketing leaders told us they are only slightly or somewhat aware of the impacts of privacy changes and how the loss of second- and third-party data is impacting attribution accuracy across media platforms. Meantime, two in five companies believe that ensuring the quality of data is a top challenge to measurement effectiveness going forward; and only about one in three respondents said their attribution capabilities are first-rate.

Brands are right to be concerned. According to previous research and analysis conducted by Deloitte Digital, companies across a range of industries risk an average of \$91 million to \$203 million in revenues *per year* due to the loss of third-party cookie data and signal loss,

and the resulting impacts on advertising effectiveness as well as on website personalization, lookalike modeling, retargeting pools, ad platform optimization, platform reporting, measurement and attribution.

Agencies and media partners can't simply solve the loss of marketing signal for you. Indeed, advertising agencies were *less likely* than brands in any of the B2C industries we surveyed to claim they are "completely aware" of the impacts of privacy changes on signal loss and attribution accuracy across media platforms. Brands recognize this gap, telling us that a lack of qualified vendors is the No. 1 greatest challenge to improving media measurement. More than four in five said they plan to issue a request for proposal for measurement services by the end of 2023.

The loss of marketing signals hits right at the heart of measurement methodologies that have dominated over the past generation—particularly multi-touch attribution (MTA). Because that methodology is dependent, in part, on third-party cookies and focused on tracking, measurement and attribution at

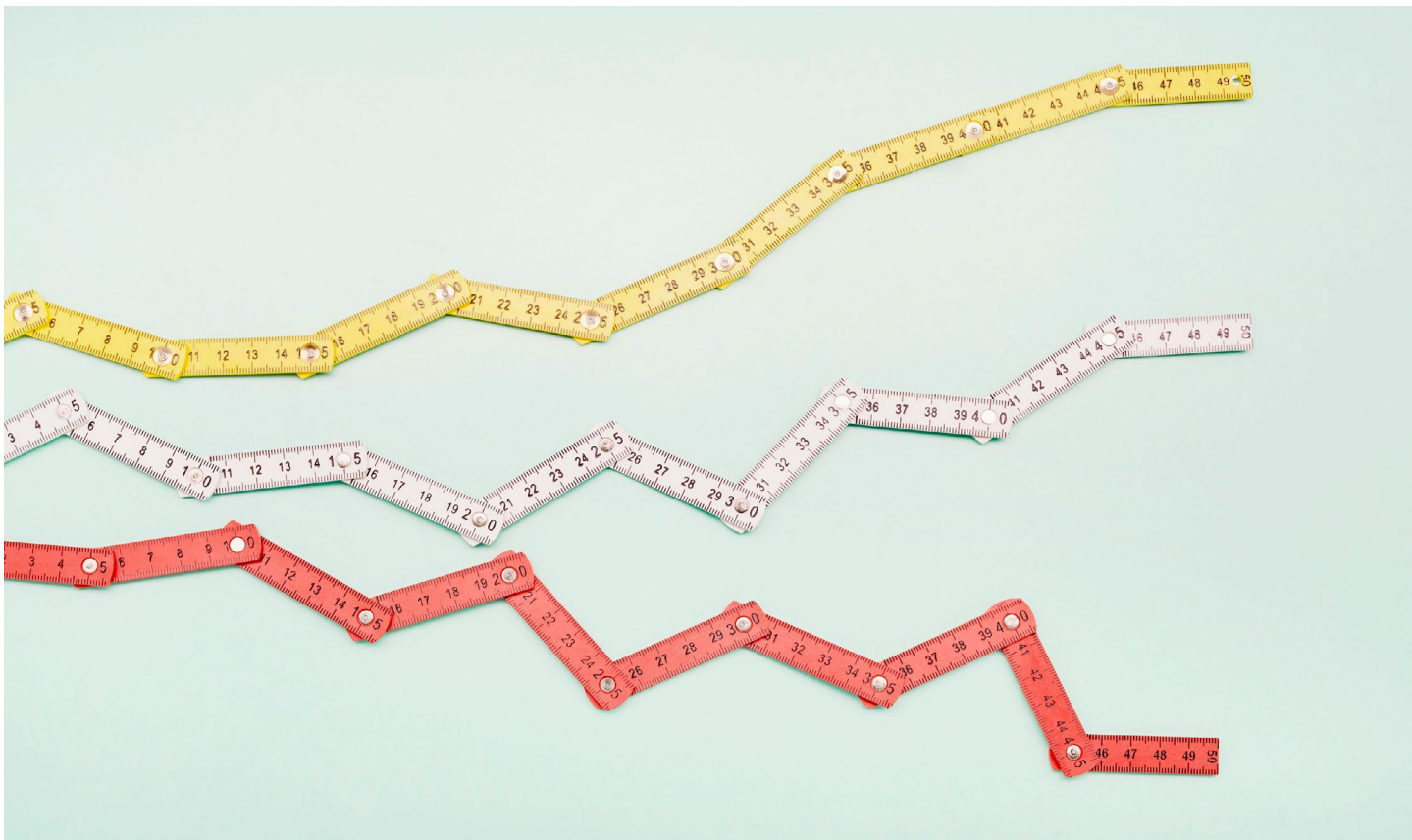
an individual person level, it is significantly impacted by changes in access to digital media data.

As a result, MTA has become increasingly inaccurate for measuring digital performance. This compounds shortcomings of the methodology that have been there all along—in particular its digital-only focus and the inability to incorporate data from the closed ecosystems of digital giants. So, while MTA may remain applicable for some limited uses (such as email and other owned channels), over the coming two years it will likely be sunset as a core measurement methodology for tying all forms of digital paid advertising to individual consumer outcomes.

83%

of companies plan to issue an **RFP for a new measurement services provider** by the end of 2023.





RESEARCH FINDINGS, CONTINUED:

Brands (re)embrace an old measurement model.

Among today's measurement front-runners, the ongoing changes in person-level data availability have ushered in a reevaluation and evolution of approaches such as media mix modeling (MMM) that incorporate a broader range of tactics and touch points—both online and offline. Our research shows that front-runners are more likely than companies with low measurement maturity to employ MMM. In an attempt to produce faster and more fine-grained insights than MMM typically provides, many front-runners have also tried to adopt a merged MMM / MTA approach.

By contrast, companies with low measurement maturity are more likely to rely on overly simplified methods such as last-touch, last-click and last-view attribution. Those approaches invite misattribution, ad fraud and gaming of the system. Under a last-touch methodology, media partners and agencies that lack

full visibility into the range of touch points between your brand and your lead or customer will attribute all results to their own last engagement with the individual—regardless of how many “touches” preceded or followed that last touch outside their own view. In fact, a last-touch methodology will take credit—and add cost—even when the last interaction recognized by a media partner was a purely accidental click through that resulted in a quick website bounce.

And even when other touch points are recognized they are often significantly undervalued. For example, when a customer sees a broadcast TV ad and immediately thereafter encounters (and clicks on) a digital banner ad, the banner ad typically receives all or most credit—which is often more than it rightly deserved for the customer's action.

For these reasons, the move by measurement front-runners toward modeled approaches such as MMM is a step in the right direction. Perhaps not surprisingly, measurement front-runners are 2.3x as likely to rate their ability to attribute offline sales to digital marketing tactics as excellent, compared to companies with low measurement maturity. And they're nearly 2x as likely to say they have an excellent ability to forecast marketing performance using historical data, compared to companies with low measurement maturity.

Front-runners are significantly more likely than companies with low measurement maturity to use data about **supply chain, sales & promotions, and brand health** in their marketing measurement models.



DATA & MODELING BEST PRACTICES:

Taking measure of customer data.

Today's measurement front-runners aren't waiting to see how the ongoing evolution of data privacy regulations and the loss of marketing signals ultimately resolves. They are taking a proactive approach to addressing signal loss in ways that improve measurement capabilities and accuracy.

That starts with new approaches to data. Measurement front-runners are including, on average, 26% more data types in their marketing performance measurement models compared to companies with low measurement maturity. Notably, into their measurement models they're 55% more likely to factor in brand health data, 40% more likely to incorporate sales and promotional data, and 36% more likely to include supply and supply chain data. As a result, they're able to determine when factors outside of marketing impact business results—for example, when limited stock of a product impacts total conversions.

To improve what they do with this data, measurement front-runners are at least 40% more likely to be actively hiring data scientists and media analysts, increasing analytics staffing through advertising agency partnerships, and/or breaking down silos between marketing insights and measurement teams. We discuss these organizational moves in greater detail in part 3 of this series.

Along the way, they're reevaluating customer data collection practices with a focus on future-ready management capabilities and compliant, transparent processes for consent management and for sharing first-party customer data with marketing and advertising partners.

A key to this is to adopt a single source of truth for customer data. But one in three companies told us that aggregating siloed data and content from multiple systems is a significant barrier for improving measurement capabilities. To clear that hurdle brands should

align customer data repositories and the teams that use them around a next-generation customer data platform (CDP) and consent management system in order to improve effectiveness in measurement as well as experience activation.

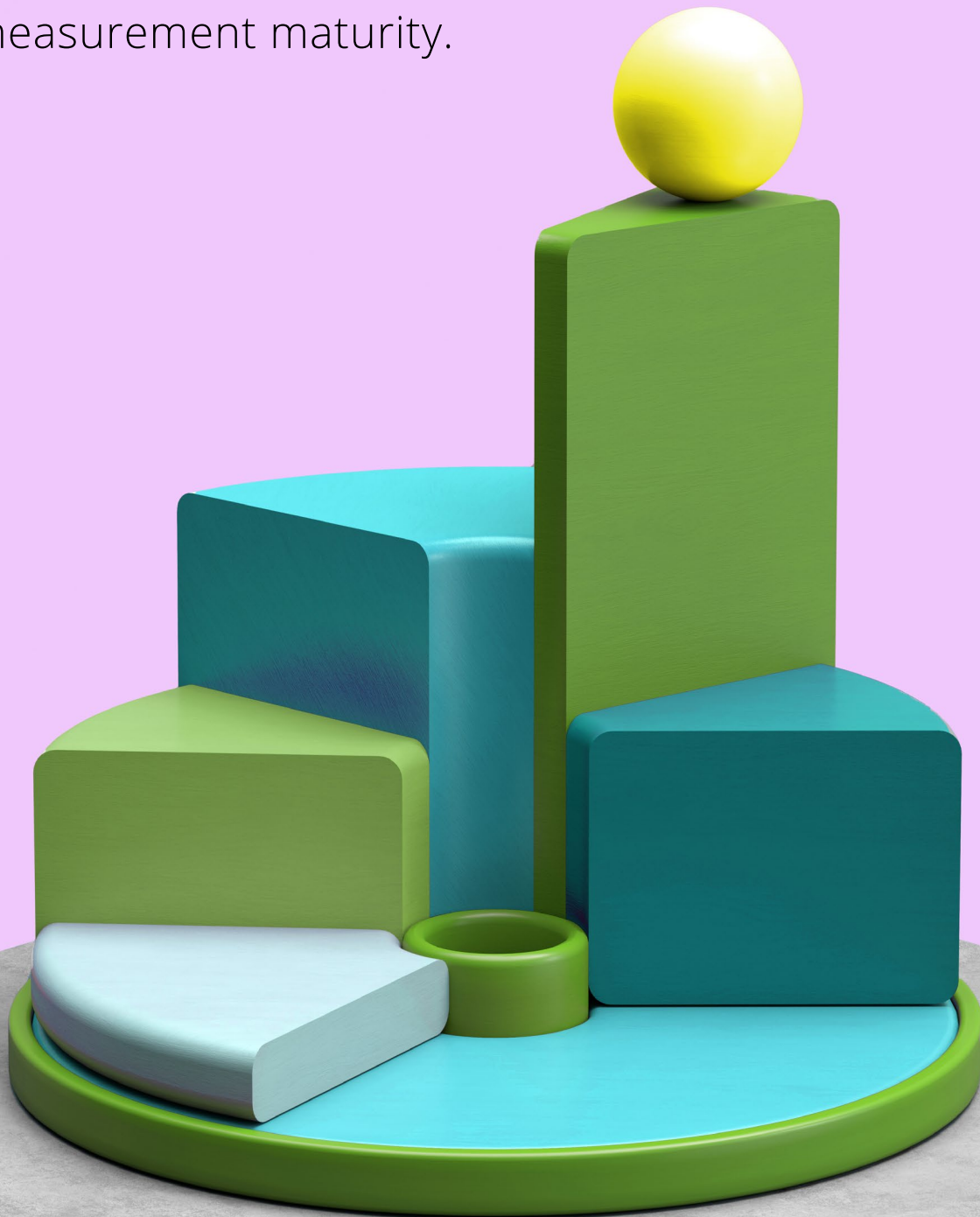


Is your brand cookieless-ready?

Using proprietary cross-industry benchmark data, we've developed an online tool to help brands quickly assess the revenues at risk due to the loss of third-party browser cookie data. Take our cookieless assessment to learn what's at risk for your brand:

www.deloittedigital.com/us/en/cookieless-calculator

Front-runners are 2.3x as likely to rate their ability to **attribute offline sales to digital marketing tactics** as excellent, compared to companies with low measurement maturity.



Get granular.

When it comes to identifying and adopting future-proof holistic advertising measurement models, marketers should recognize that individual, person-level measurement is no longer a viable, brand-safe standard for media performance measurement. We believe that a fair amount of the data that has been used in the past and today for person-level measurement is being collected in ways that consumers don't understand and in turn puts brands at risk.

Fortunately, there is a better approach.

The evolving regulatory environment combined with device and platform restrictions mean that **your measurement methodologies should focus on a new methodology referred to as “granular MMM.”**

Fueled by developments in artificial intelligence and machine learning, granular MMM employs aggregated media spend and impressions data; nonmarketing information such as seasonality, competition, economic conditions and promotions; and your own customer transactional and experience data. When leveraged together, these factors enable you to forecast KPI baselines and

incrementality gained from marketing. They can also provide detailed insights into what's working (and what's not) at a tactical and channel level. All of this helps pinpoint return on investment and aid in scenario planning.

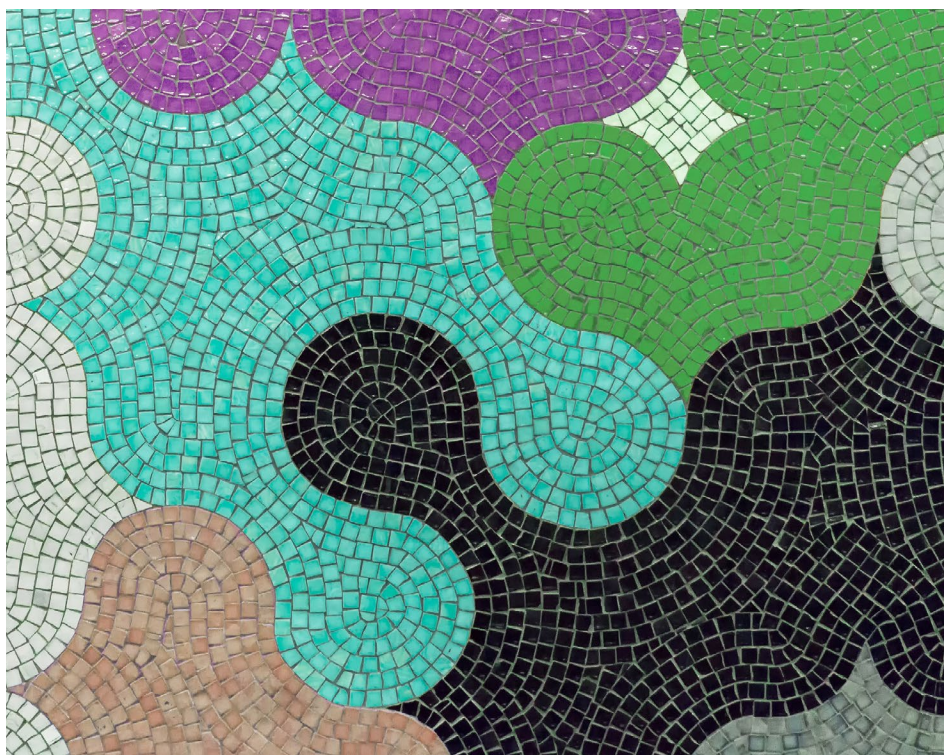
As such, this new approach to modeling incorporates the best characteristics of traditional MMM—in particular the ability to track and attribute performance of both offline and online media as well as email; and the best characteristics of MTA, including fast insights at the creative, audience, geographical, tactical and partner levels.

Granular MMM shouldn't be confused with current approaches such as merged MMM & MTA, which still rely on third-party cookie data and tend to take a “black-box” approach to blending data and insights. Unlike MTA, granular MMM does not require personally identifiable information or the kind of individual-level ad data (including third-party cookie data) that has been restricted by many browsers and the digital giants. And unlike traditional MMM, it can be used for *real-time* insights based on more and fresher data.

For these reasons, granular MMM can help deliver more accurate and detailed forecasting of sales and scenario planning to help accelerate brand growth, while also helping to optimize customer experiences in a privacy-compliant manner.

Shifting to granular MMM as a core measurement methodology has implications both for the KPIs you measure against (which we discuss in part 1 of this series) and the capabilities you need to develop to support better measurement. We discuss those operational impacts—both internal and external—in the third installment of this series.

Developing the capabilities and KPIs to support a granular MMM approach is well worth the effort. Early adopters of this new methodology find that it not only produces faster and more accurate measurement of marketing performance, but also a more trusted center of gravity and “source of truth” for the whole marketing organization.



A granular MMM approach provides **detailed accuracy** and serves as a **source of truth** for your whole marketing organization.

The evolution of marketing measurement.

A granular MMM methodology can incorporate the most important elements from existing measurement approaches, while solving for marketing signal loss.

	Multi-touch attribution	Marketing mix modeling	MTA + MMM merged	Granular MMM
Description	Digital performance measurement technique that assigns credit for each transaction based on what ads were seen and when.	A statistical model that assigns total sales attribution based on channel-level spend.	Reconciles transaction-level results from MTA with MMM channel aggregation to attribute sales within each channel.	An AI-powered statistical model that uses detailed campaign data to assign attribution at a tactical and a channel level.
Not dependent on third-party cookies		✓		✓
Omnichannel (online & offline) measurement & attribution		✓	✓	✓
Rapid tactical optimizations	✓		✓	✓
Budget optimizations		✓	✓	✓
Consistent data for modeling		✓		✓
Single source of truth for marketing & advertising teams			✓	✓
Takeaway	By only focusing on digital media, MTA overstates digital's effects and produces narrow results.	MMM commonly only reports on channel allocation and cannot provide rapid insights for tactical optimization.	A more holistic approach but still reliant on third-party cookies. Outputs are difficult to reconcile due to poor transparency.	Connects online and offline media including owned platforms and the platforms of digital giants while providing full transparency into modeled data sets.

Methodology.

Our research for our three-part series on marketing measurement was extensive, yielding an initial piece on the importance of connecting business objectives to marketing KPIs, as well as two other parts which outline practices for achieving that connection by improving marketing data and modeling (Part 2, here) and by expanding measurement capabilities (Part 3).

The foundational research for the series, conducted by Deloitte Digital between March 25 and April 25, 2022, is based on a blind survey of 800 leaders responsible for marketing measurement at US-based advertising agencies and business-to-consumer companies with 1,000 or more employees and revenues of \$500 million or more (\$250 million or more for advertising agencies).

Respondents by industry:

Advertising Agency: 7%
Consumer Packaged Goods: 36%
Financial Services: 6%
Health Care: 8%
Media, Entertainment & Publishing: 8%
Pharmaceuticals: 6%
Retail: 10%
Software and Applications: 6%
Telecommunications Services: 6%
Travel & Hospitality: 6%

Respondents by sales model (not including agencies):

Bricks-and-mortar locations: 19%
Digital only through company's app
and/or website: 5%
Digital only through third-party marketplaces
and/or social commerce: 5%
Both bricks-and-mortar stores and digital: 71%



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