

# Linking Media Engagement to Sales

OMD Proprietary Study

June 26, 2007



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# Agenda

- Brief Review
- Engagement drives performance:
  - Claimed ad response
  - Brand preference
  - Sales
- Putting Engagement to Work
  - Media Planning
  - Media Buying
- Moving Forward

# OMD's 2006 Engagement Study

## Purpose:

- Analyze a range of potential engagement metrics to better understand what it is, how to measure it, and whether it drives ad effectiveness.

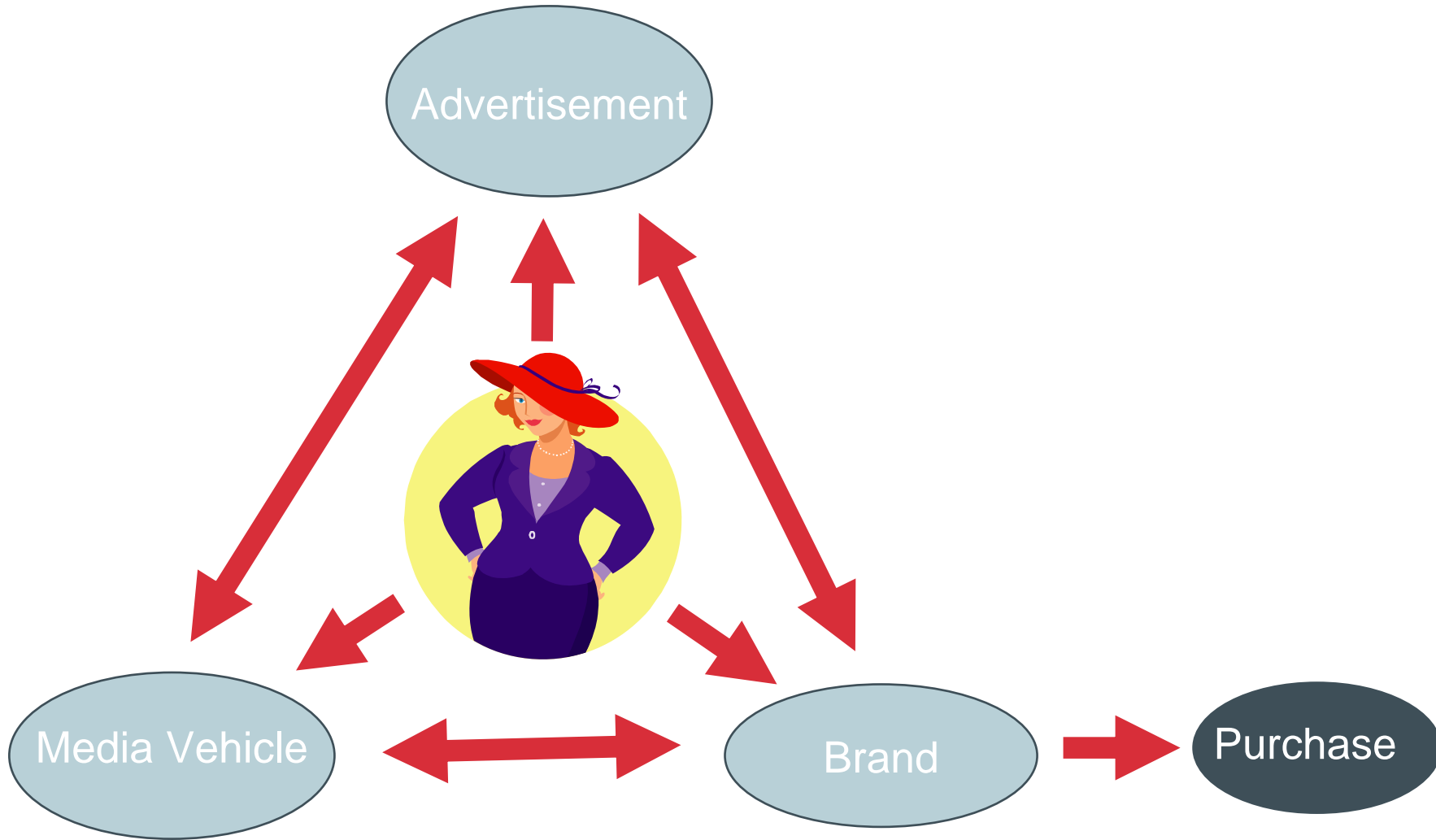
## Key Findings:

- Common media engagement metrics are highly related.
- More engaging vehicles have consistently higher claimed ad response, according to common syndicated measures.

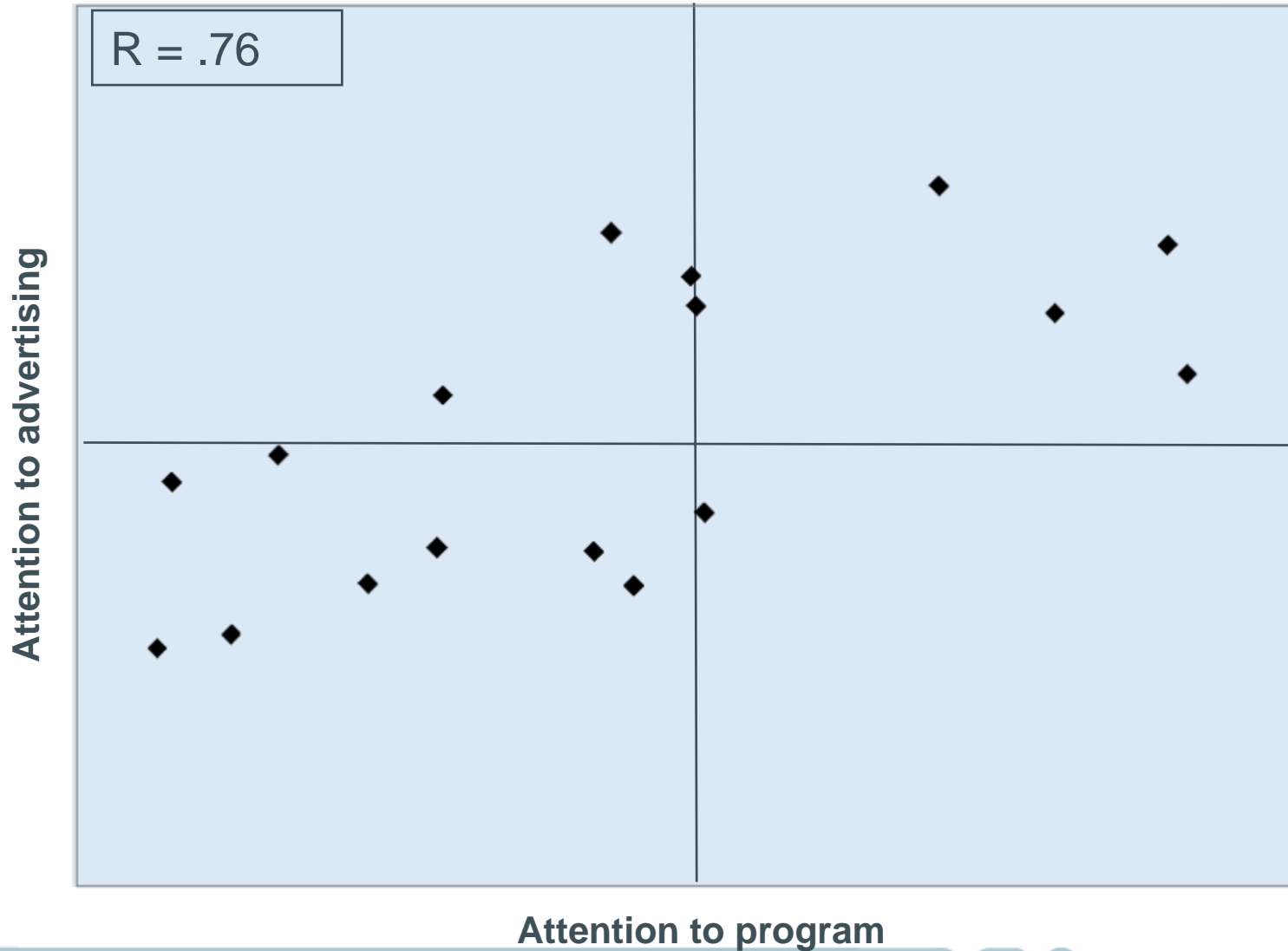
## Next steps:

- Explore further the relationship between media engagement and brand metrics, such as brand preference and sales.
- Explore how the use of vehicle engagement metrics impacts media planning.

# What is Engagement?



# Program Engagement → Attention to Ad (TV)





**Analyses #1:**

**Engagement vs. Brand Preference**



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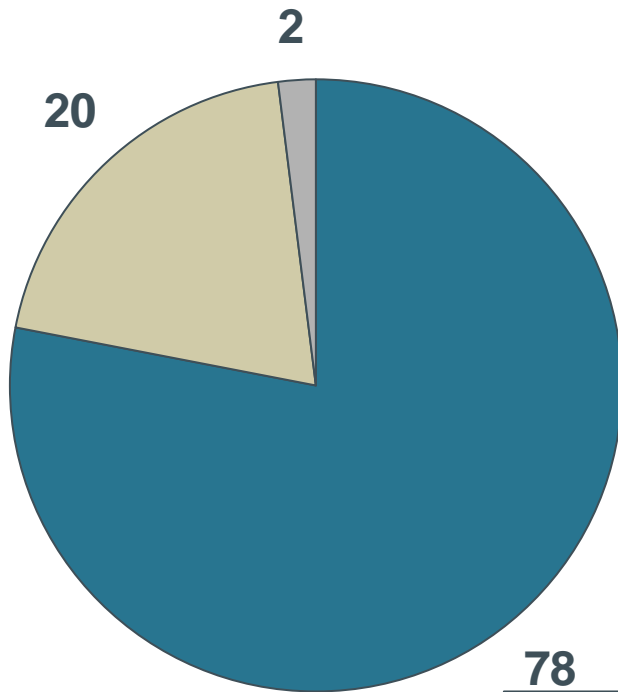
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# Engagement vs. Brand Preference

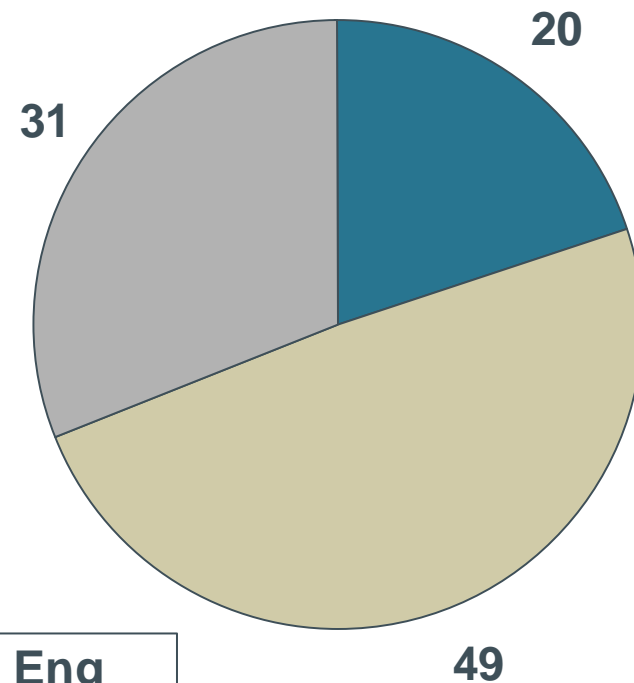
- 20 tests of the effectiveness of an ad on 2 different media (test/control design)
- Broad mix of categories/brands
- Rigorous controls on test vs. control cell comparability in each test
- Several identical metrics in all cells:
  - Media, brand and ad engagement
  - Brand preference

# Driving Brand Preference

**Absolute Brand Preference (R2=.84)**



**Incremental Brand Preference (R2=.68)**



# What does it mean?

- Advocates of Brand Engagement are right –
  - Brand engagement is a stronger predictor of a consumer's overall preference for a brand than other factors
- Advocates of Media Engagement are also right –
  - Ad Engagement and Brand Engagement are more significant drivers of changes in Brand Preference



**Analysis #2:**

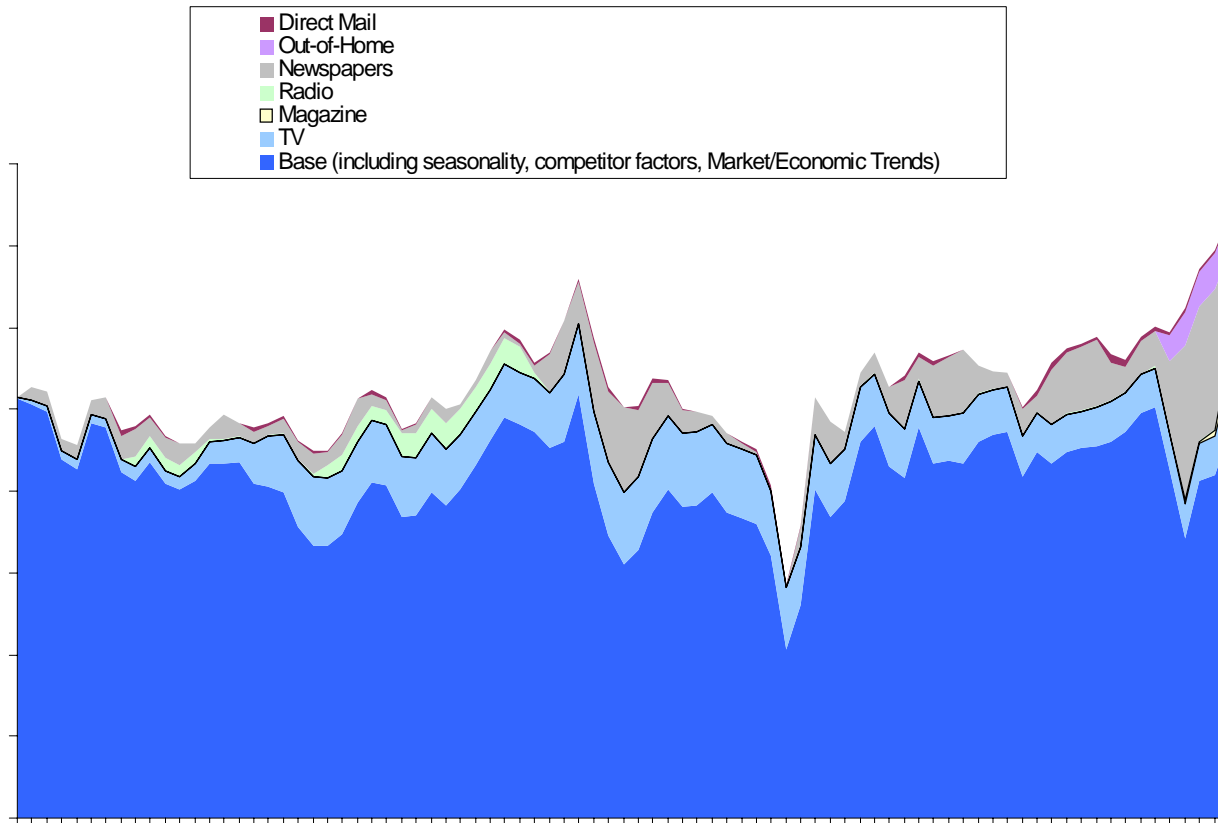
**Engagement vs. Brand Sales –  
Individual Brand Models**



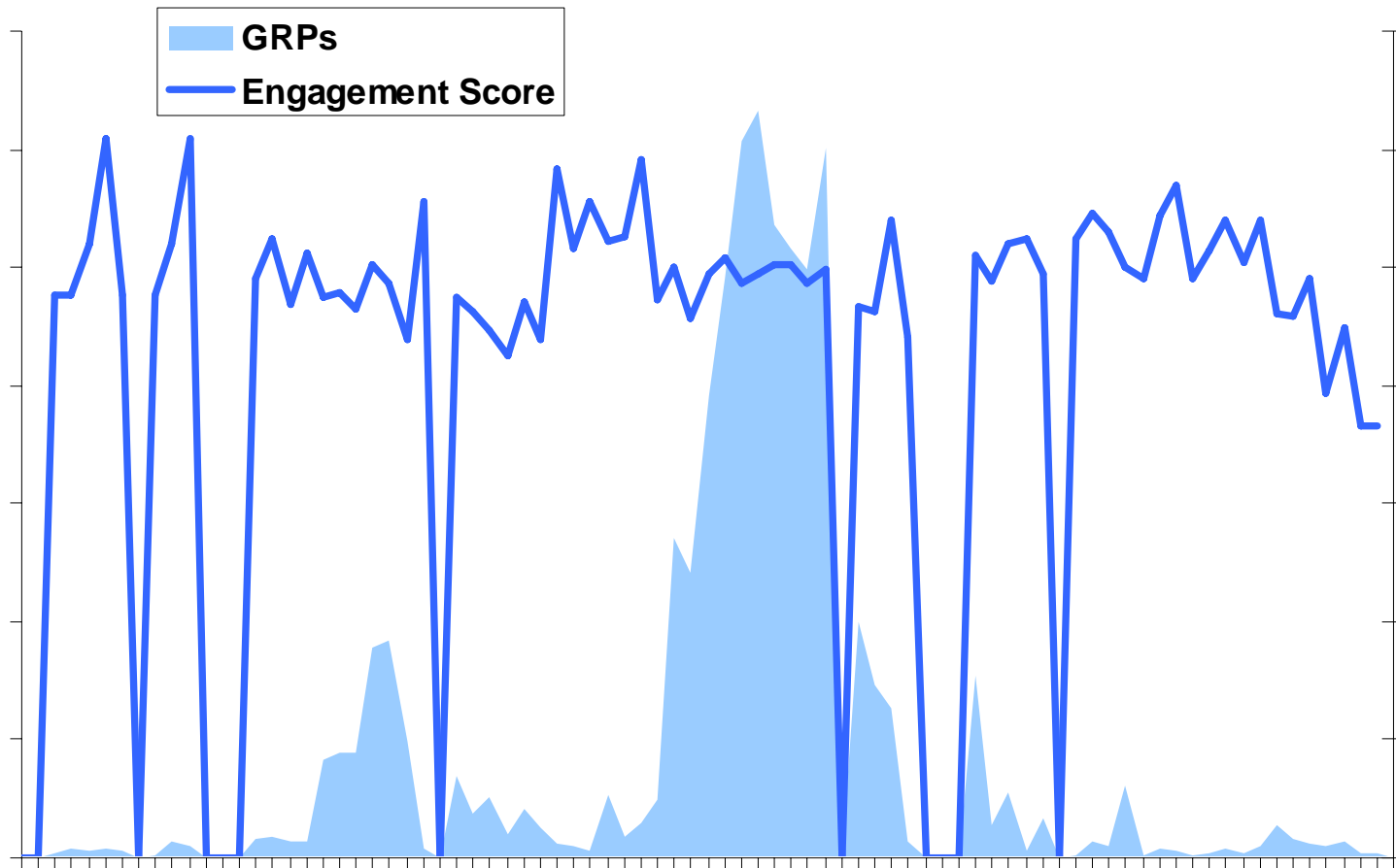
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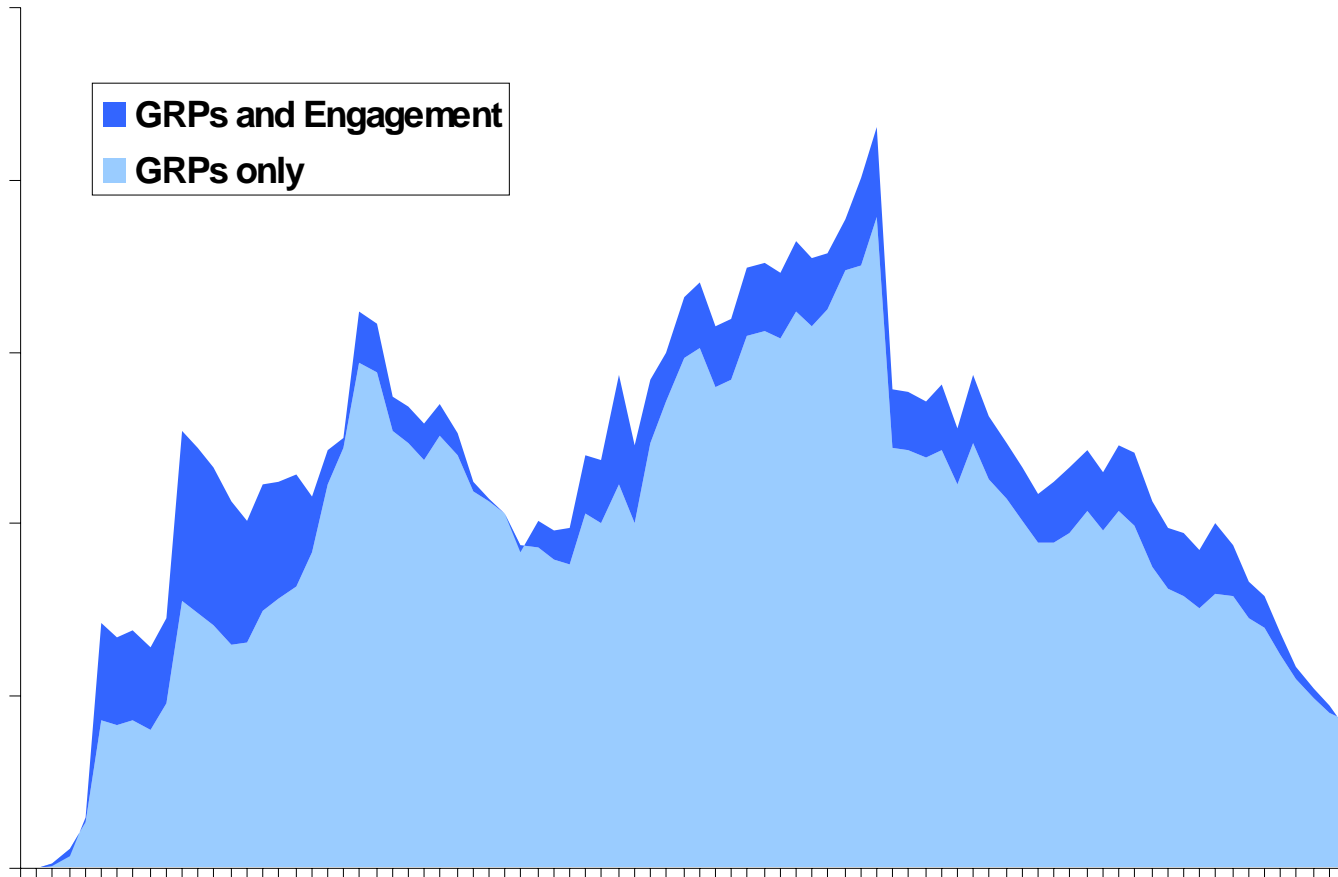
# Measuring Contributions to Sales



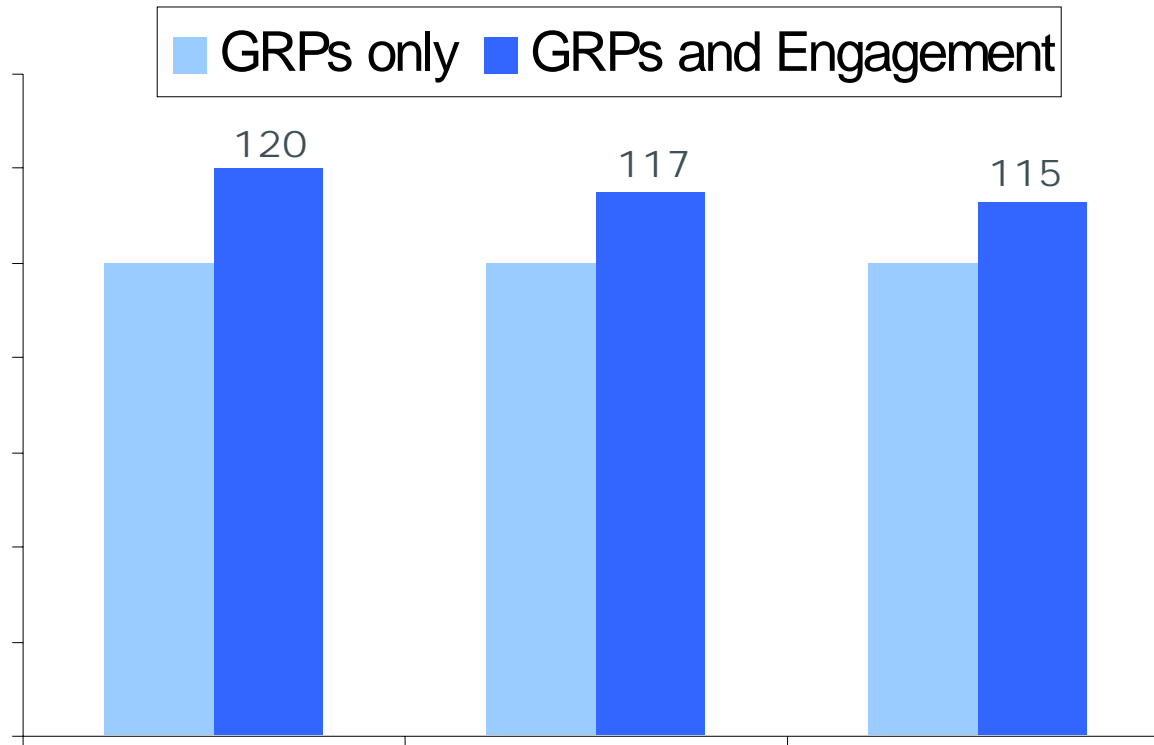
# Engagement of GRPs Run Varies Significantly



# Adding Engagement Increases Ad Contributions



# Ad ROI Increases 15-20% Across 3 Brands



# Incorporating Engagement also Improves Model Fit

- We also achieved stronger model fits by including the Engagement measures:
  - Higher  $R^2$
  - Lower error
  - Significant impacts from TV and Engagement
  - No significant changes in impacts from other factors

# What Does it Mean?

- Promising preliminary results
- Adding Engagement metrics to mix models:
  - Improves advertising ROI
  - Improves model fit
- Implication → Media engagement significantly drives sales
- Implication → Choosing media vehicles based on their engagement (combined with standard metrics) improves measured advertising ROI
- Caution: These findings are preliminary, based on limited brands in one category. Further work is needed.



**Analysis #3:**

**Engagement vs. Brand Sales –  
Cross-Sectional Model**



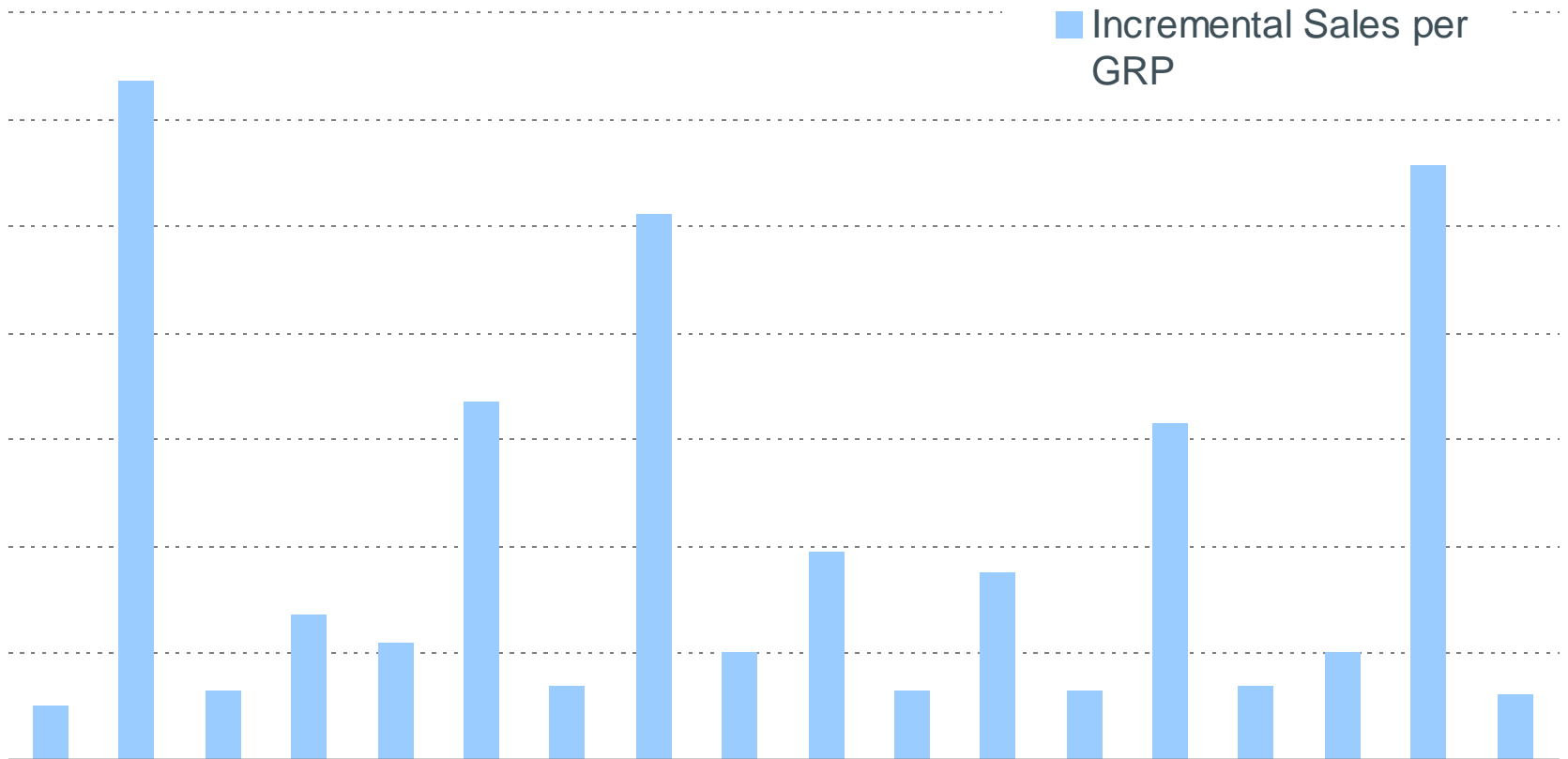
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# Cross-Sectional Model

- Across 20 brands/copies, all in OTC Remedies
- Differences in Incremental volume from advertising explained by:
  - Media engagement
  - Copy quality
  - Level of spending
- Uses results of individual brand mix models (that included only GRPs and not Engagement metrics)

# What Drives Differences in Ad ROI?



# Drivers of Higher Advertising ROI

	Significance
Cum. GRPs	.02
Media Engagement	.06
Copy Quality	.16

R<sup>2</sup> = 68%

# What Does it Mean?

- Strong preliminary results
- Confirms that a significant relationship between engagement and sales is a generalizable result, not limited to one brand or category.
- To quantify the true ROI of engagement, we need to:
  - Re-do the analysis forcing engagement into the model rather than using original models
  - Include results for brands planned for engagement



# Putting Engagement to Work

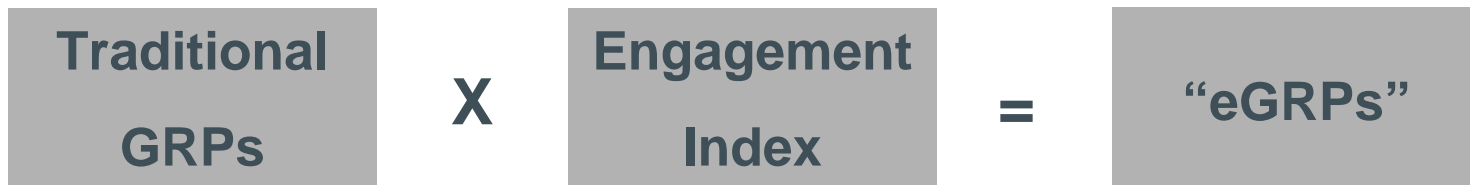


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# Putting Media Engagement to Work

- **Combine Engagement metrics with traditional metrics**
  - Ratings
  - CPMs
  - Strategic concerns
  - Other issues (clutter, bundled selling)
- **Adjust GRPs for “quality” of the exposure (or engagement of the exposure)**



# Incorporating Engagement Dramatically Changes Media Choices

Program	Rating	CPM	Engagement Index
Program A	3.0	100	85
Program B	3.1	100	115



**35% more  
Engagement**

# Engagement Advantage Across Entire Plan

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Brand	2005-6 Engagement	2006-7 Engagement	Index
Brand A	125	176	141
Brand B	99	113	115
Brand C	94	103	110
Average			122

# Moving Forward

- Results confirmed that media engagement drives brand metrics like preference and sales.
- The engagement of media vehicles varies widely across titles and target groups.
- Incorporating engagement metrics into media planning and buying (along with current metrics) helps us make smarter media selections and drives higher advertising ROI.
- We will conduct additional analyses to confirm and extend these results.

## **Exploring Media Engagement**

By

Dr. Sandra K. Eubank  
U.S. Director of Research, Analytics and Insights  
OMD

and

Huw Griffiths  
U.S. Director of Metrics and Brand Science  
OMD

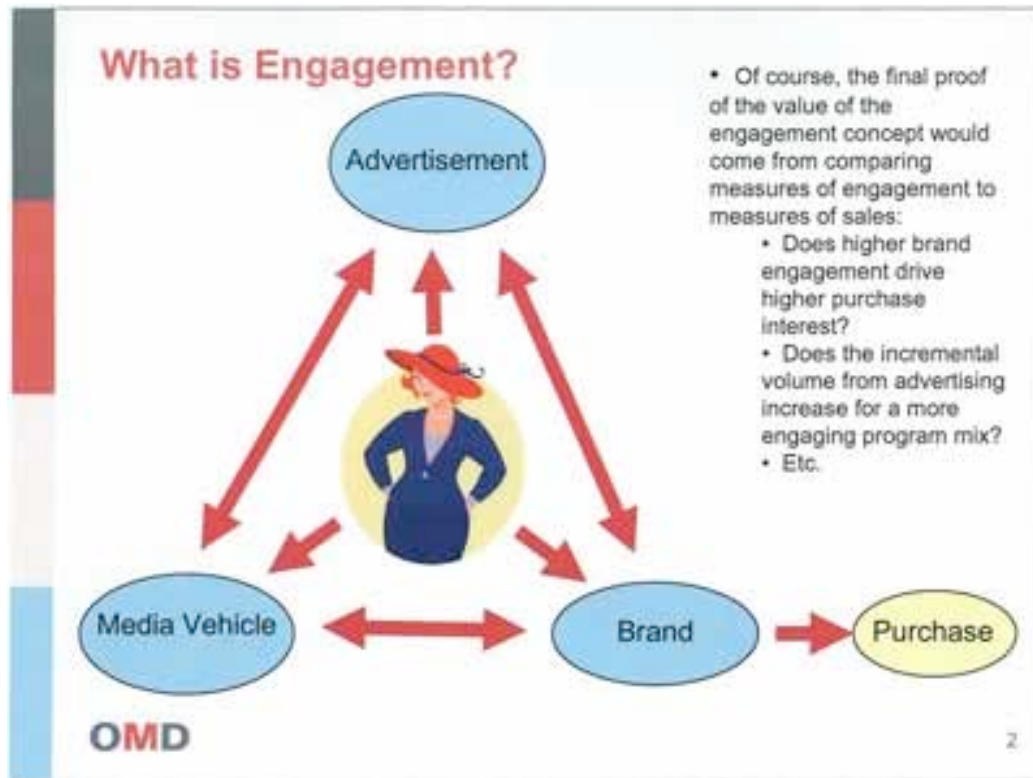
Engagement remains a much debated topic in marketing and media. While some media agencies and researchers have embraced the concept, others believe that the “holy grail” of engagement relates to how consumers experience brands. OMD has conducted several research projects to better understand the nature of media engagement and the impact it has on consumers’ attitudes and purchases. We believe that media engagement is strongly related to consumers’ response to advertising, and as such, is a powerful metric that can guide smarter media choices and higher advertising ROI.

This paper will further explore how consumers engage with media, ads, and brands, and which, if any of these variables is most related to marketers’ key targets of brand preference and sales.

### **OMD’s First Engagement Study**

Last year, OMD presented a proprietary engagement study which showed that several media engagement measures were correlated to ad attentiveness. In that study, however, we were not able to look at specific ads, or specific brands – just how consumers rated specific media vehicles, and whether ratings of media engagement were correlated with claims about responsiveness to advertising (on those vehicles).

Despite this lack, we hypothesized that consumers experience three separate forms of engagement – engagement with brands, engagement with ads, and engagement with media vehicles. We further proposed that these “engagements” were separate phenomena, and that all three probably had some role in driving brand sales. We promised to conduct additional research to explore this concept further in 2007.



In 2007 to address this issue, we conducted several separate analyses to better understand how media engagement affects key brand metrics such as brand preference and sales.

In the first project, we analyzed cross-sectional data. We looked at attitudinal measures of brand engagement, ad engagement and media engagement, and whether these are related to brand preference. Here, of course, preference is clearly not sales, but it is a brand-specific measure that is often hypothesized (and proven) to be correlated with purchase and share. This analysis is important because it allows us to gain some understanding of the relative contribution of the three “engagements” on overall brand metrics.

In the second project, we added media engagement metrics into marketing mix models for individual brands. This study was limited in scope, but we were able to look at results for different brands within the same category. In each case, media engagement is a significant driver of sales for the brand that was advertised. This analysis is important because it confirms our basic premise that media engagement drives sales, at least for the brands analyzed. It also shows that engagement measures can be added to classic mix models and improve their fit and reduce their error.

Finally, in the third project, we again used cross-sectional analysis. Here, we looked at the advertising ROI for each brand, and tried to explain differences in ROI with media

engagement and other variables. Again, media engagement was a significant predictor. The analysis is important because it extends this finding across more brands and categories.

While we are pleased and excited with these results, we believe there is clearly further work to be done in this area. In particular, due to limitations in the models and data used, we have not (yet) been able to determine the relative contribution of exposure (GRPs) vs. media engagement and ad quality. Understanding the relative strength of these levers would provide powerful learning and insights for marketers.

Each of the analyses and key results are summarized below.

**Analysis #1:**  
**Media Engagement and Brand Preference**

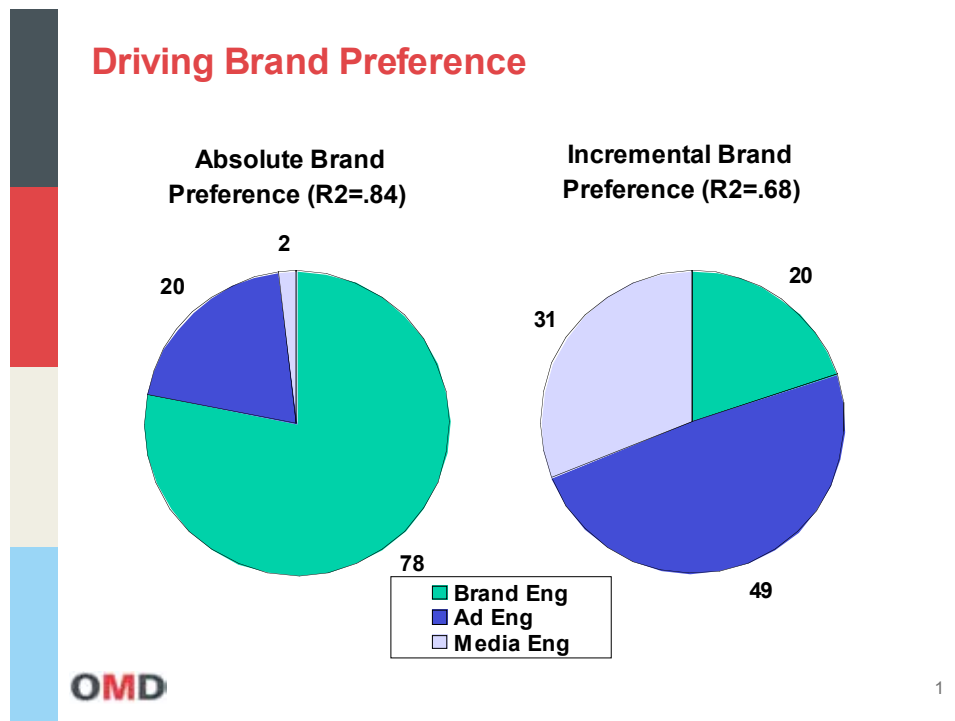
As a matter of course, OMD conducts or “supervises” tests throughout the year to measure the effectiveness of a client’s ads on different media platforms. Typically, these tests are conducted via surveys with a test vs. control design.

To explore how the three “engagements” effect brand preference, we added standardized questions of brand engagement, ad engagement, and media vehicle engagement to the questionnaire in each cell, as well as a standardized brand preference questions. To date, we have gathered these variables from 20 tests into a database for a cross-sectional analysis.

We analyzed this data using regression analysis to determine whether the three engagement variables (brand, ad and media) are strong predictors of brand preference. The results show that the three engagement variables are able to explain the bulk of the variation in brand preference ( $R^2$  of 84 and 68%, respectively).

There is also interesting learning about the relative contribution to preference of the three different types of engagement. If one wants to explain *raw brand preference* score (e.g. what contributes to how much a consumer prefers a brand) the strongest predictor is brand engagement (78% of explained variation) with the other two engagement factors making a relatively small contribution. However, if one wants to explain *incremental preference* (e.g. the difference between preference across each test/control cell pair) then ad engagement and media engagement are the stronger predictors (49 and 31% of explained variation, respectively).

Taken together these findings suggest two truths that resonate with marketers – brand experience is the strongest lever to drive overall preference for a brand, but advertising (both copy and media) is a strong lever to build preference for a brand over time.



We believe this analysis has generated interesting learning for marketers on the issue of engagement. Given the limited base size, we would like to revisit this issue using a larger data set to revisit the learning.

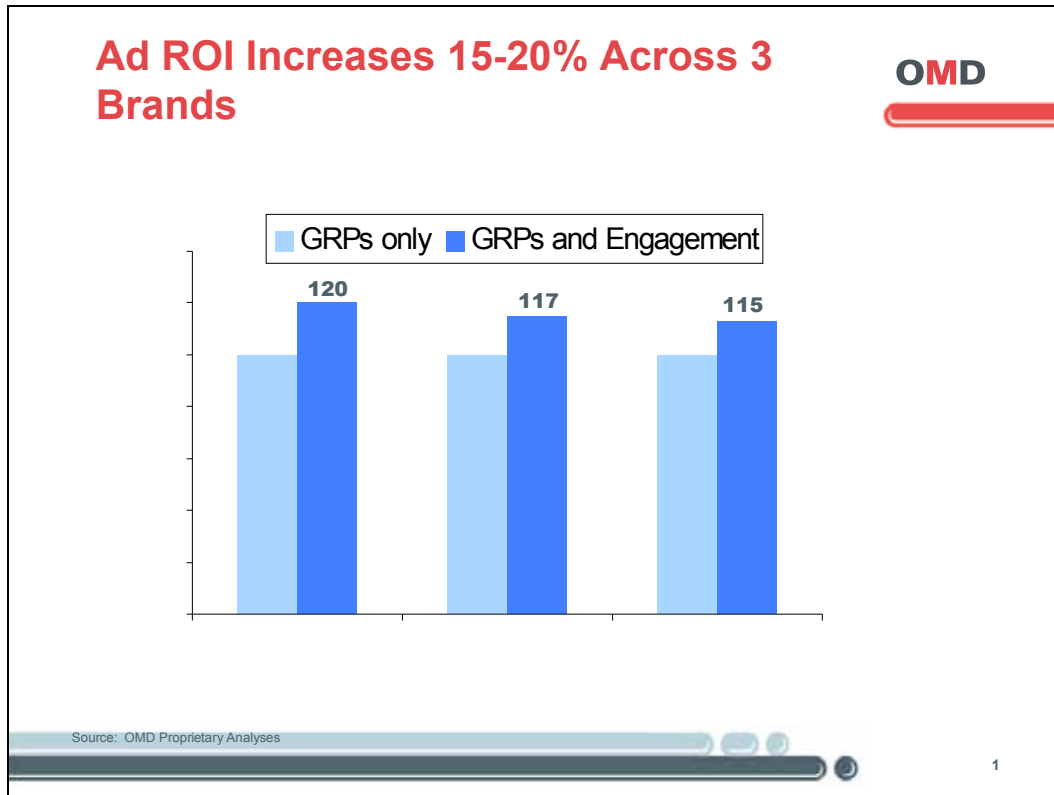
**Analysis #2:  
Media Engagement and Brand Sales –  
Individual Brand Models**

In a second project, we added media engagement metrics to marketing mix models for several brands in the Financial Services category. These models use standard metrics like GRPs, promotions, mailings, and measures of other marketing tactics to explain sales or related metrics.

Typically, advertising delivery in these models is measured by an exposure metric (GRPs). Since advertising is expected to effect sales slowly over time, GRPs are usually transformed into an ad-stock variable before entering them into the model. Adstock in any period contains the effect of the GRPs delivered in that period plus the remainder effect from advertising delivered in the preceding periods at decayed levels.

While GRPs measure consumer exposures to advertising, they essentially treat all exposures equally. However, we know from studying media engagement metrics that

the attention paid to ad exposures in different vehicles varies widely. To account for this variation, we added a media engagement metric to the analysis. The media engagement metric was calculated as a weekly index value. Engagement for each program was indexed against all programs, and the indices for the programs run in each week were weighted together based on the GRPs delivered by each program.



The same results were produced for all three brands:

- Media engagement was a significant predictor of sales.
- Adding engagement improved the overall ROI of advertising (GRPs plus engagement) by 15-20%.
- The  $R^2$  for the model increased.
- The model had fewer errors.
- The relative contribution of other key marketing levers was not significantly impacted by adding engagement.

These results are quite promising. They clearly confirm the basic premise that media engagement drives sales. Marketers have often felt that mix models understate the true impact and ROI of advertising. The addition of engagement metrics would help to minimize this effect by measuring two different aspects of television advertising – “exposure” to the ad (GRPs) and “engagement” of the environment surrounding the ad

(media engagement score). This has important implications for marketers. Increased ROI for advertising could drive higher levels of investment in advertising vs. other marketing activities. We feel the strong results seen here justify further investigation in this area.

In particular, these results need to be extended to other brands and categories to demonstrate their generalizability. Moreover, this concept could be extended by adding copy quality metrics into the equation to perhaps enhance advertising ROI further. Finally, more work is needed to develop an understanding of the relative contribution of the two advertising metrics to overall ad ROI.

**Analysis #3:**  
**Media Engagement and Brand Sales –**  
**Cross-Sectional Model**

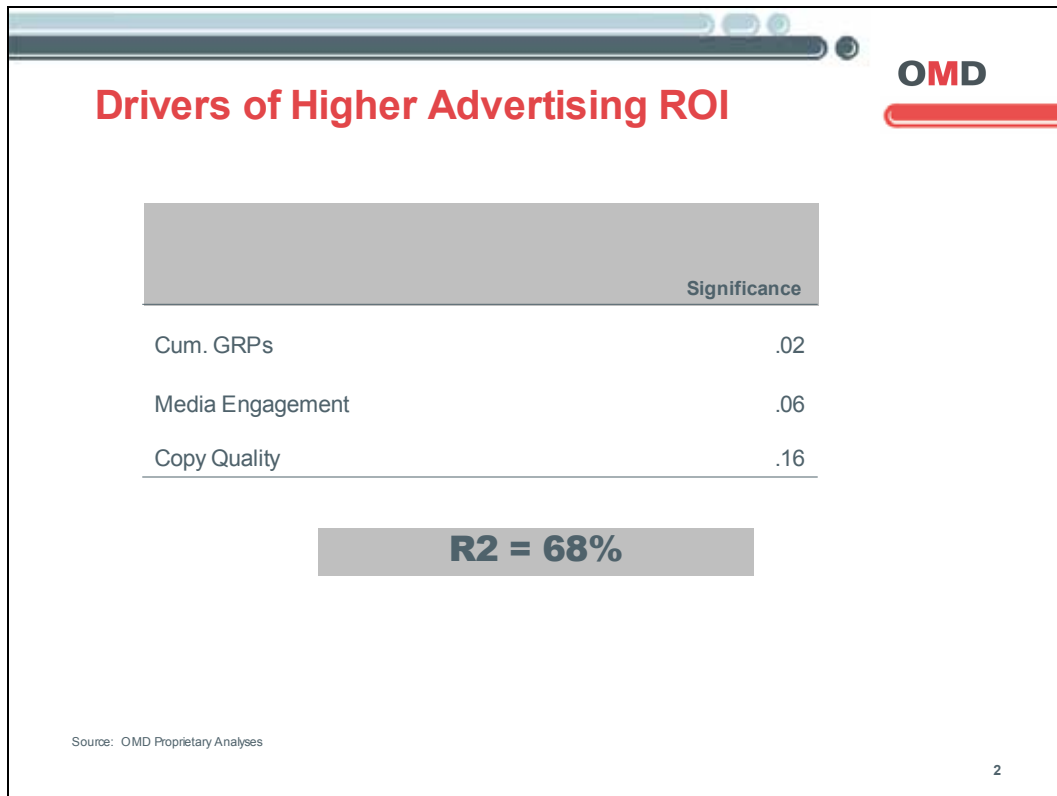
In the analysis above, we put engagement metrics into the market mix model for individual brands and found that this improved the advertising ROI. However, our results were limited because we only looked at 3 brands in one broad category (financial services). We conducted an additional project to extend this learning to other categories.

In this analysis, we built a cross-sectional model using results from previous market mix analyses of 20 brands. These brands are all OTC Remedies, which are different enough from financial services to show generalizability, but similar enough to each other to use together in a cross-sectional model without biasing the results.

Rather than refit the models so that they include engagement metrics, we took the original advertising ROI variable (incremental volume driven by additional dollar investment in advertising) as a dependent variable. In this analysis, we looked at whether higher levels of Ad ROI in the original models was associated with the ads having run on more engaging media vehicles. In this data set we also had copy test scores, so that variable was included in the model as well.

(We recognize that this is an inferior method for incorporating engagement metrics into mix models. This inferior approach was employed for convenience purposes. However, we don't believe it biased the results significantly.)

The results of this (shown in a table on the next page) were again quite positive. Higher engagement for media is a significant driver of higher ad ROI levels for these brands, as were level of GRPs and copy quality. The  $R^2$  for this equation is .68, which is sufficient for our purposes (proving that engagement is a driver of ad ROI) but not sufficient to draw generalized learning from this model.



We intend to conduct further analyses in this area to gain a better understanding of the general impacts of engagement, exposure and copy on advertising ROI.

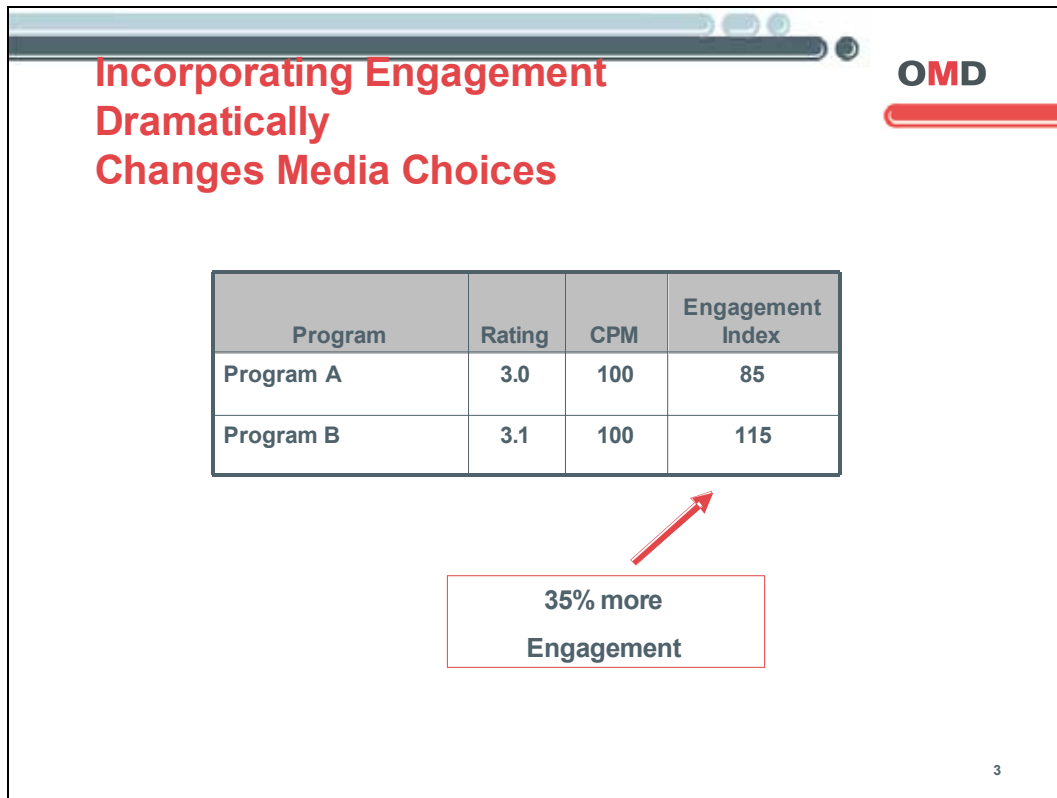
### Putting Media Engagement to Work

To further understand why media agencies are so interested in the concept of media engagement, let's look at how this concept would affect the day to day practice of media planning and buying.

To use engagement metrics in media planning, one needs to combine them with the other metrics that are currently used, including:

- Ratings
- CPMS
- Strategic concerns
- Other issues like clutter, etc.

To incorporate engagement, practitioners generally propose that we adjust the measure of the consumer's exposure to an ad for the "quality" of that exposure. Thus, GRPs or ratings could be multiplied by an "engagement" factor to produce "eGRPs" or "eRatings".



The chart above gives a simple example of what happens when we take engagement into account. The chart shows data for two TV shows – I’ll call them Program A and Program B, since my point isn’t about the specific shows but rather about the impact of considering engagement. Program A and Program B enjoy about equal ratings and costs – this is common since Ratings data are the current currency for setting price in the market. But when we consider the “engagement” power of these 2 programs, they look very different; Program B is 35% more engaging than Program A!

This means that if an advertiser believes that engaging programs are better environments for their advertising, that advertiser will always prefer Program B to Program A, will always want to run on B, and will probably not want to run ads on A unless he gets a price concession.

This chart only shows the difference for one program, but it’s easy to find differences of this magnitude since engagement metrics are not very correlated to ratings data. And the concept holds true for other media as well. We have seen differences for multimillion dollar ad plans that can be as much as 15-25% higher in engagement power by choosing similarly priced programs to maximize engagement.

## **Moving Forward**

Engagement metrics have been adopted by several advertisers and agencies today. "Believers" in engagement use these metrics to guide program selection and drive perceived ad effectiveness. While it's rare in today's market to include engagement metrics in a deal, believers also can use these metrics "under the table" to guide their choices and to generate an advantage for their brands.

Now that their impact on sales is confirmed, we believe these metrics should be broadly embraced by advertisers and agencies alike.