Nepa White Paper

# Marketing Mix Optimization
## Nepa and Facebook

*Case Study – FMCG Brand*

Nepa

## Introduction
## Who's who?

**About the Client**
The client's main objective is to strengthen its position as a leading FMCG company in several countries through organic growth. Major tools for this growth objective are unique local insights to stand out from the competition.

**About Nepa**
Founded in 2006 and listed on the Stockholm Nasdaq stock exchange, Nepa works in the crossroads of analytics, IT, business understanding and marketing research. With ongoing assignments in 50+ countries across five continents from offices in Stockholm, Oslo, Helsinki, Copenhagen, London, Mumbai, New York, Nepa is one of the fastest organic growing companies in Swedish history.

Nepa's Marketing Optimization Suite helps clients invest money where it matters.

Nepa's products define customer journeys, help clients make informed decisions on content and media spending, and track short- and long-term performance. The Marketing Optimization Suite products are being used by a clear majority of the top advertisers in the Nordic region.

One part of the Nepa Marketing Optimization Suite is the Nepa Marketing Mix Modelling product (MMM), which provides clients with comprehensive modelling to determine the impact of media on both short-term sales and long-term branding and brand awareness. Nepa operates independent of media agencies and media houses and delivers media optimizations with exclusive data from data exchange partnerships with Facebook and Google.

## The Partnership

**Nepa as Facebook Partner**
Being part of the Facebook MMM program allows Nepa to instantly access advertising data from the Facebook data platform for their clients, which is used to deliver in-depth insights on the true effects of different types of advertising on Facebook, Instagram, Messenger and Audience Network.

Using granular regional level, target group and ad product insights, Nepa guides clients on how to use their Facebook platform advertising to drive short-term performance and long-term brand building.

## Testimonials

### Client
*We had an MMM performed for our FMCG brand which gave valuable insights into which media will best help us maximize ROI in terms of balancing short-term sales vs long-term brand building. It also gave us deeper insights into what role Facebook plays in our overall marketing mix.*

### Nepa
*An extremely interesting case, supporting a brand with increasing competition in-store from private label and other cheaper brands, and to use media as a tool to turn the negative brand development around. Working together with facebook gives us quick access to granular data, speeding up the project process resulting in both smoother and improved delivery for the client.*

# Marketing Mix Modeling Methodology

**Solving multiple marketing challenges**
Marketing Mix Modeling (MMM) with Nepa provides a platform for answering several key marketing questions such as:

*1. How does communication affect sales in relation to other activities?*

*2. How efficient are different media in driving short-term vs. long-term sales?*

*3. How has efficiency of media investments changed over time?*

*4. What is the optimal media investment level?*

*5. What is the optimal media mix?*

By studying historical short-term (sales) and long-term (brand awareness), alongside data on significant drivers in the marketing mix and other internal and external factors, a complete breakdown of all sources of sales and brand equity is identified.

Other common factors of interest outside the media mix investments include price changes, product changes or launches, distribution changes, holidays and seasonal variations, weather and consumer confidence.

The rich data set is then used to establish sales and brand models in the Nepa MMM platform, where millions of models are tested to establish the true effects of all factors.

By identifying the source of sales and brand awareness derived from media investments in relation to other factors, companies can understand the role of marketing in driving business.

By identifying the role of media investments and media mix, calculation of the ROMI – the return on marketing investments – is possible. By understanding the return of investments, we can simulate and optimize future media budget and marketing mix scenarios.

Insights from Nepa MMM are used by various stakeholders in the organization and among partners to optimize the marketing work at several levels, typically resulting in:

• Top management – Improved KPI targets by understanding the role of media

• CMO/Head of Marketing - Improved media ROI on business performance

• Marketing Managers - Improved campaign strategies

• Performance marketing/Web analysts - Improved agenda through cross media perspective

• Media Agency - Improved media buying ROI

# Case
# The business challenge

**Short- versus long-term effects**
The Client's Care Brand is one of the top brands within the category and is at a premium price point. The Brand has experienced pressure from loss to mid-price range products in stores, growing private label products, and increasing promotional pressure. These challenges have resulted in sales losses and decreasing brand value.

To support the Brand and its challenges, Nepa conducted an MMM (marketing mix modeling) project by focusing on short-term effects on sales and long-term effects on brand.

The Client decreased media investments over the last 3 years, with the last year down 37% compared to 3 years ago.

The brand's media investments over the last 3 years was largely comprised of classical media investments: TV, radio and print. Facebook and Instagram investments account for less than 10% of media investments (see fig. 1).

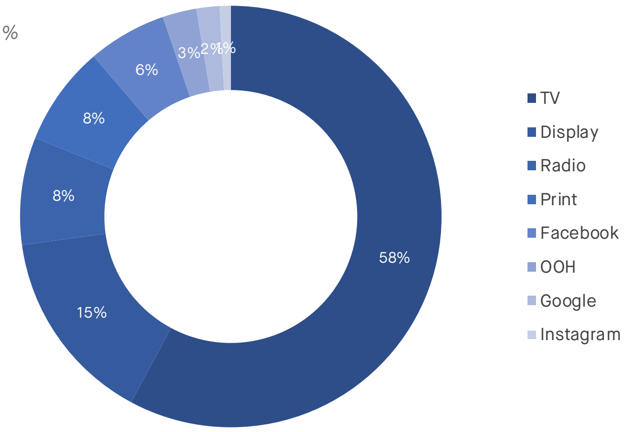
The Client wants to focus on how media can support converting negative brand development into positive growth. Nepa supported the brand with answering the following questions:

*1. How does communication affect sales compared to brand awareness?*

*2. How efficient are different media in driving short-term vs. long-term sales?*

*3. What is the optimal media communication strategy?*

*Fig.1*
*Net media investments in %*




# Sales

**How does communication affect sales compared to brand?**
Nepa distinguishes between the short-term sales effect and the long-term brand awareness effect of media. The contribution of media indicates to what extent either sales or brand awareness are determined by media investments, compared to other activities such as promotion, and other external factors.

Nepa determined the short-term contribution of media to sales to be 4%. However, with decreasing investment levels and increasing promotion share, the media contribution decreases over time.

The media contribution is mainly driven by TV, Display as well as Facebook (see fig. 2).

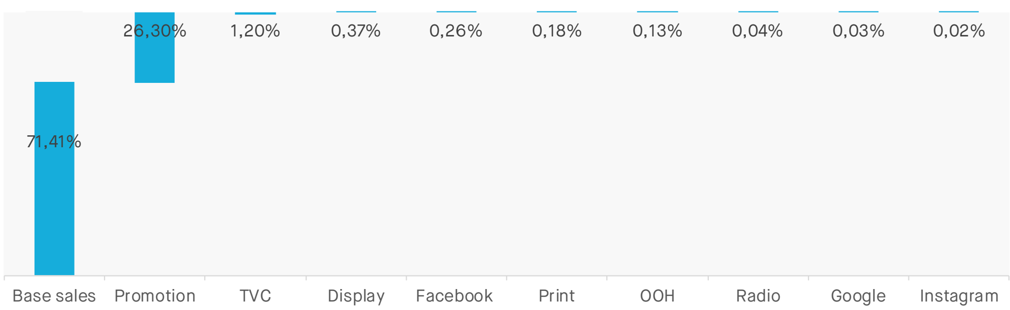



*Fig.2*
*Model contribution to sales*
*In total, 4.5% comes from media investments*

## Sales
continued

Classical media types (TV, radio and print) have a higher investment share than their media contribution. Conversely, online media types show a high contribution compared to their investment (see fig.3).

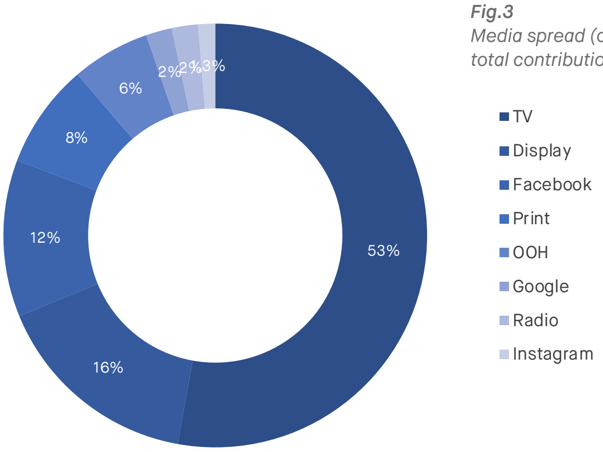



*Fig.3*
*Media spread (out of the 4.5% total contribution (see p.3))*

## Brand awareness

The relevance of media investments for brand awareness is higher than sales, with 10% of brand awareness driven by media investments. TV has the highest contribution share, which is consistent with the investment share of >50%. Facebook shows a medium contribution to brand awareness, while having low investment levels; and Instagram, with lowest investment share, ranges at the lower end of contribution to brand awareness (see fig.4).

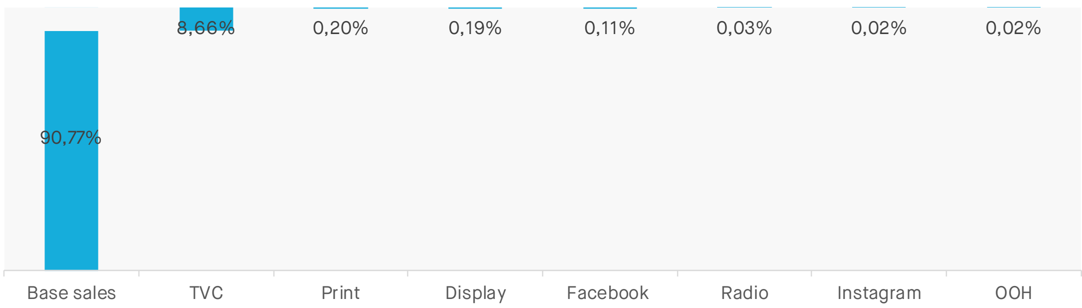


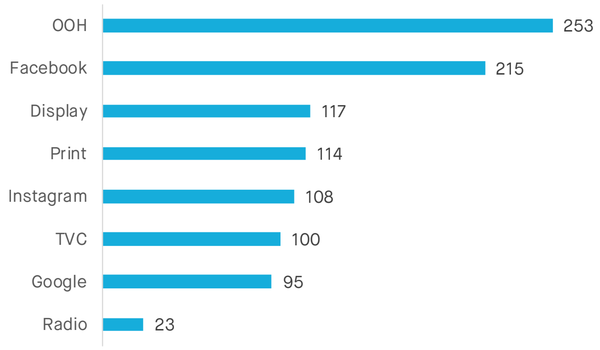

*Fig.4*
*Brand awareness*
*In total, 10% comes from media investments*

# Return on investment

**How efficient are different media in driving short term vs. long term sales?** To determine the optimal media mix, understanding the return on investment for each media type is crucial. Nepa calculated the immediate and long-term ROI for one Euro in media. The short-term ROIs show the efficiency of each media type.

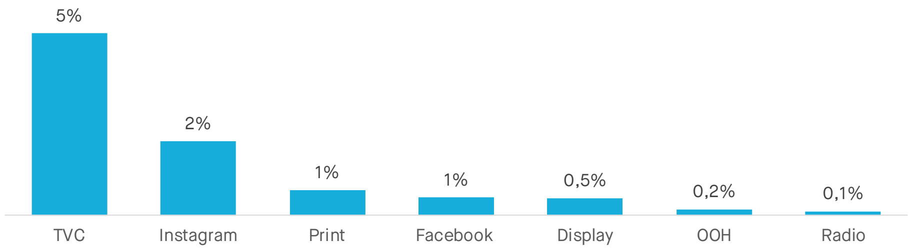
Apart from very successful out-of-home (OOH) campaigns (these were mainly used next to stores and functioned rather as an in-store promotion), Facebook has the highest ROI. An investment of 1 Euro in Facebook gives an immediate return of 1,7 EUR. Instagram provides a short-term return of 0,9 EUR per each invested Euro. TV, with the highest media contribution, has an ROI of 0,8. In the chart below, media sources are indexed against the TV ROI. Facebook is more than twice as efficient as TV (see fig.5).

*Fig.5*
*Return on media investment v.2*
*(average indexed by ROI TV)*




The long-term ROI of media investments indicate the gain in brand awareness in %points by each 10 000 EUR invested. TV appears to be more efficient in the long-term compared to the short-term, followed by Instagram, Print and Facebook (see fig.6).

*Fig.6*
*Return on investment per media*
*Percentage points per 10 000 EUR*





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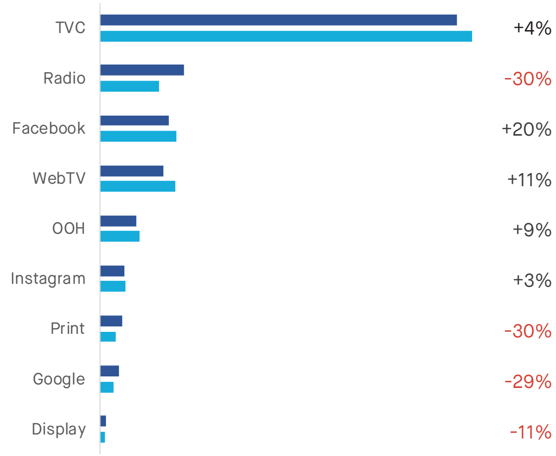
## Return on investment
continued

**What is the optimal communications strategy?**
The goal of any marketing and media strategy is to find the optimal mix that most efficiently drives both short-term sales and long-term brand awareness. Nepa marketing mix optimization tools can simulate this optimal media mix by accounting for both short-term sales and long-term brand awareness.

In the simulation below, the total investment in media stays untouched, while investments are shifted between different media types. Considering saturation of media types the optimal media mix would look like the following (see fig.7).

*Fig.7*
*Optimal media mix*
*Investment per media*




To drive sales in the short-term and long-term, media investments should shift to Facebook and Instagram, using investments from Radio, Print, Google search and Display & Programmatic. This would result in a short-term gain of + 30 000 sold units, and account for an increase in sales contribution driven by media of +12%. The gain is worth +140 000 EUR, plus additional gains of brand awareness leading to an increase in long-term sales.

More extensive optimizations are possible, as the example above shows the most conservative scenario. Increases in the media budget should be used for online activities that provide the highest monetary outcome.

**+0.16pp**

Increase in **brand awareness**, equal to an additional 9000 units sold.

**+39.000**

Total units sold including **short- and long-term effects** of implementing new media mix, equal to a 0.6% increase in sales.

## Conclusions and recommendations

Marketing Mix Modelling helped the Client see the value of media investments in both the short-term and long-term. In addition, Nepa determines the contributions and efficiencies of each media type. Using this knowledge in an advanced simulation tool enables clients to tactically use MMM insights to plan the optimal media strategy.

Nepa recommends focusing on both sales and brand awareness when deciding on the optimal media mix. The overall suggestion is to increase media investment to maintain media sales contribution and strengthen base sales via brand building:

- Increase investment in online activities due to favourable sales ROI and potential to strengthen brand value
- Continue using TV, especially to strengthen brand awareness
- Stop using Radio and free up investment for other media types; reconsider investments in print and Google search