The **Incrementality Battle:**
A Solution for eCommerce

Every direct response digital marketer worth their salt has been asked some form of the following questions on more than one occasion:

→ Why should I bid on branded search when I'm first in the Organic results?

→ Won't Organic get that traffic anyway?

→ What portion of paid media is incremental vs cannibalization of other channels?

At Rise, we routinely encounter the challenge of understanding what paid media is truly contributing to the bottom line for our clients; it is a critical question to answer in our efforts to allocate media budgets as effectively as possible. It's more than viewing success by typical digital KPIs (CTR, ROAS, etc), it's understanding how your marketing efforts are driving more profit for the company. We know that there are many channels and tactics a marketer can choose to spend their budget on, so how do you decide where to spend it?

The problem is ubiquitous, but the methodologies and framework to tackle these questions are few and far between. Mostly, we see clients default to looking at blended KPIs as a shortcut to understanding performance. That is, until now! We have delved into this journey in partnership with many of our clients and developed a playbook for how to leverage data to drive more incremental results.

Building an Incrementality Model

Starting with a model that gets us closer to the truth is a giant first step. While the following methodology is by no means perfect, it leads digital marketers on a journey to a materially better outcome. We poured through the research and analyzed our own client's data to find answers to some of the most vexing questions related to incrementality and and the following summarizes the context and intuition that led us to a solution.

First, marketers should start by categorizing paid media efforts into 3 main categories: *Branded/remarketing*, *Non-branded/prospecting*, and *Competitive conquesting*.

Countless studies have pointed to the incrementality of branded paid search, and we agree that branded search deserves a place in your overall media mix. It also goes without saying that non-branded search should be considered more incremental than branded by the sheer fact that the user typing in the search is not actively looking for your company. We even take it a step further and break out competitive conquesting campaigns from non-branded. It stands to reason that converting someone who is actively looking for your competitor is more incremental than a generic non-branded search.

In order to translate our approach to actual numbers, we look to the incrementality within search based on organic strength. Generally speaking, the difference between branded, non-branded, and competitive terms is how you perform in the absence of paid search. In branded search, you are likely to rank #1, and even 1-3. Non-branded generally finds you in a 2-4+ placement, especially where strong influencers and blogger content exists. Within competitive keywords, you are very likely to rank well past the 5th spot, which pushes you below the fold and essentially out of mind. Using this framework and the research linked above, we get to the baseline pictured right.
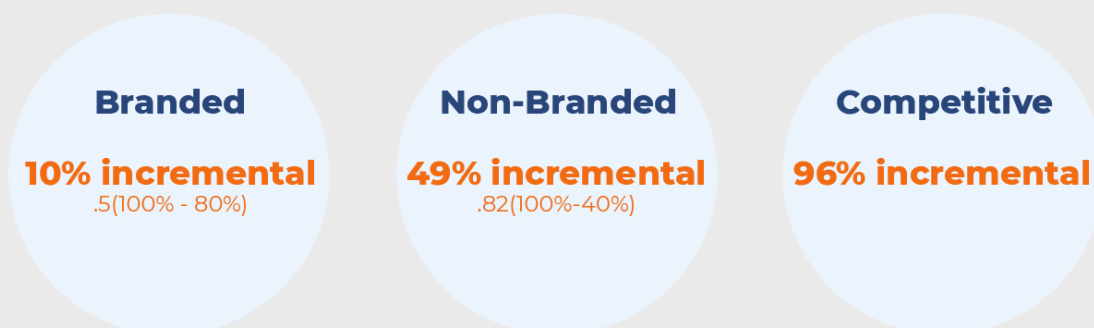
> "All models are wrong, but some are useful"
> - George E. P. Box

Branded
Ranks 1
50%
of clicks are incremental

Non-Branded
Ranks 2-4
82%
of clicks are incremental

Competitive
Ranks 5+
96%
of clicks are incremental

Not satisfied with a simple tiered approach, we applied even further rigor. Not all brands are created equal in terms of their unaided brand awareness and market share, so we saw a substantial gap in our model when seeking to apply it to challenger brands and market stallworths alike. If everyone in town already knows you, it is reasonable to assume that marketing incrementality would be lower than for an up and comer. To adjust for this, we take the inverse of our market share and modify for the incrementality based on search type.
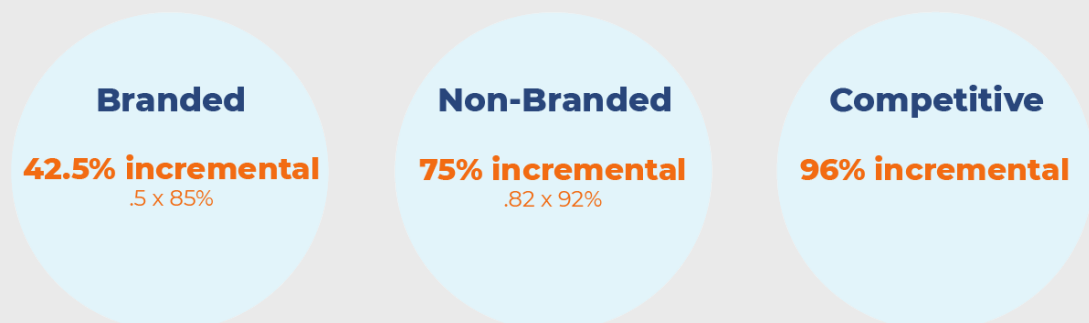
Branded
fully adjusted
for market share

Non-Branded
half-adjusted
of Branded as a baseline

Competitive
not adjusted
to create opportunity

High Market Share - roughly 80% of total market share

Branded

10% incremental
.5(100% - 80%)

Non-Branded

49% incremental
.82(100%-40%)

Competitive

96% incremental

Medium Market Share - roughly 50% of total market share

Branded

25% incremental
.5 x 50%

Non-Branded

62% incremental
.82 x 75%

Competitive

96% incremental

Low Market Share - roughly 15% of total market share

Branded

42.5% incremental
.5 x 85%

Non-Branded

75% incremental
.82 x 92%

Competitive

96% incremental

For those brands serving multiple markets, an additional step you may take is to integrate market share, market by market, into this calculation. This allows for a model to be created to help drive investment decisions between markets.

Finally, don't limit this approach just to search even though the framework is rooted in search insight. The same combination of baseline incrementality and market share can be applied across Paid Social and Programmatic to remarketing, prospecting, and competitive conquesting campaigns alike.

Now, we also know that not all brands are alike and the industry you're in can create nuances for how to tackle this. Below we breakdown how you should think about this depending on if your company is eCommerce or CPG specifically.

eCommerce

For eCommerce marketers, a significant opportunity exists in moving from a revenue-based model to a model based on margin, cost to acquire a customer, and lifetime value—the incrementality model may be applied to any of those metrics. No matter how you look at it, it is critically important to remain focused on evolving your KPIs to more closely align with business goals while continuing to make improvements to your investment decisions across the various categories of spend. The proof is in the pudding when you can demonstrate the impact to your top-line results even if your CPAs or ROAS seem to worsen under the traditional view. Just be prepared to set the expectation upfront that your traditional view of blended ROAS may worsen in favor of driving a more incremental result since you are re-evaluating the value of branded search, which in many cases can be the top performing category of spend.

CPG

The holy grail of CPG marketing remains linking the totality of your marketing efforts to revenue where the vast majority of sales still occur—brick and mortar. Whether you are using a media mix model or a proxy KPI like store locator views, email sign-ups, or coupon downloads, the opportunity to apply an incrementality model remains. The most important step is having a granular campaign structure that allows you to report on the distinct performance of each category of campaigns.
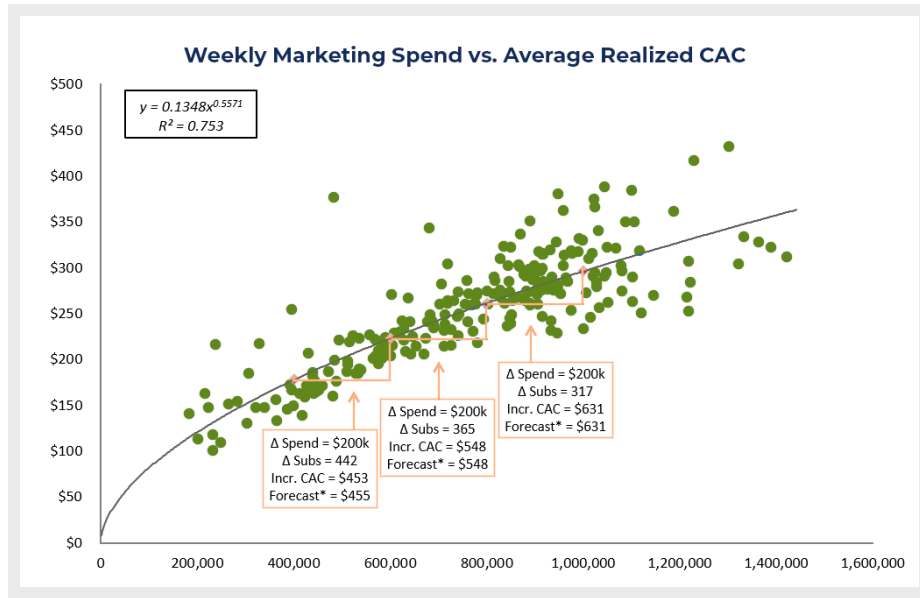
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Regression Analysis

Once you have the model in place, the next piece is to take a more mathematically robust step: understanding diminishing returns to allow for even better budget allocation decisions. We can leverage an incrementality model in conjunction with a regression model to understand how our last dollars invested are performing.

"Regression analysis is the hydrogen bomb of the statistics arsenal." - Charles Wheelan

The mere mention of regression analysis usually sends a large portion of the population running for the hills, but it is a powerful tool in our toolkit. To make this analysis more digestible, below are some useful tips:

→ Run a regression for each tactic separately: Branded search, Non-branded search, Competitive campaigns in search, Facebook/Instagram Prospecting, Facebook/Instagram Remarketing, Programmatic Prospecting, Programmatic Remarketing, Affiliate, etc.

→ We have found that, in most cases, forcing a best fit line through 0 at the Y intercept is optimal (see more in the charts below).

→ Build and test multiple models for each channel and tactic. Select the models with the best fit to the data.

→ Don't forget to take into account seasonality, trend, and differing spend levels across all channels, or other factors that impacted performance. Remove seasonality, normalize data, or adjust the time period analyzed if needed.

→ Identify and remove outliers or noise (e.g., periods of testing).

→ Last click attribution, while not ideal, is ok as a starting point! You won't have a deduplicated total cost to acquire an incremental conversion, but the insights will still allow you to make better cross-channel investment decisions in short order.

For those of you a little further along on your journey, you can work to incorporate a data-driven attribution model as your source of truth for a more unified view of the value of each channel. There are still limitations, especially when dealing with the lack of view-through data from Facebook/Instagram, but a data-driven attribution model will give you a baseline to measure success against as you test and scale.

Weekly Marketing Spend vs. Average Realized CAC

$$y = 0.1348x^{0.5571}$$
$$R^2 = 0.753$$

Δ Spend = $200k
Δ Subs = 442
Incr. CAC = $453
Forecast* = $455

Δ Spend = $200k
Δ Subs = 365
Incr. CAC = $548
Forecast* = $548

Δ Spend = $200k
Δ Subs = 317
Incr. CAC = $631
Forecast* = $631

Modeled results

Cost of Last Connect

| Market	Direct Mail	Digital				
	Incremental DM Connects Over Control	All Digital	Branded	Non-branded	Programmatic	Social
Boston	$611	$165	$228	$6,418	$866	$252
Chicago	$269	$164	$278	$1,570	$2,967	$322
Metro DC	$290	$582	$332	$4,266	$1,668	$489
Lehigh Valley	$253	$175	$234	$5,489	$518	$197
New York	$1,446	$618	$274	$4,512	$2,780	$938
Philadelphia	$303	$778	$401	$6,350	$1,269	$893
Texas	$407	$651	$611	$905	$274	$72

The Right Technology

Pulling all of the data together to manage a custom model and do consistent regression analysis can be a herculean effort. What was once a hefty project of compiling data from many different disparate sources is now available in a one-stop shop on demand using Connex® and Saved Reports.

The Connex Account Dashboard shows marketers every action Rise technology is taking within their accounts to improve performance at scale, from lists of new keywords that were automatically added into campaigns, to a detailed activity log displaying individual ad optimizations.

Our proprietary technology, Connex, allows us to move the starting point of our work from data aggregation to consistent and ongoing advanced analysis. We build saved reports with the views we frequently need in a consistent format on an ongoing basis. These reports save hours of collecting and reformatting, and allow our team to make strategic decisions based on the results, as opposed to spending time building the report.

The right technology is an essential piece to your incrementality approach. Connex has the infrastructure to power your analysis by enabling quick manipulation of data.
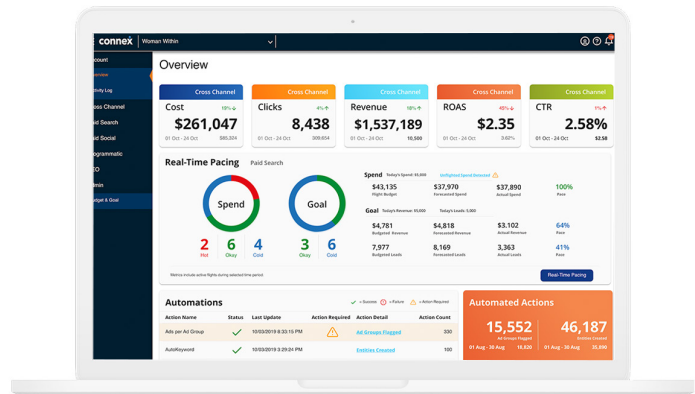
Applying the Insights for Business Impact
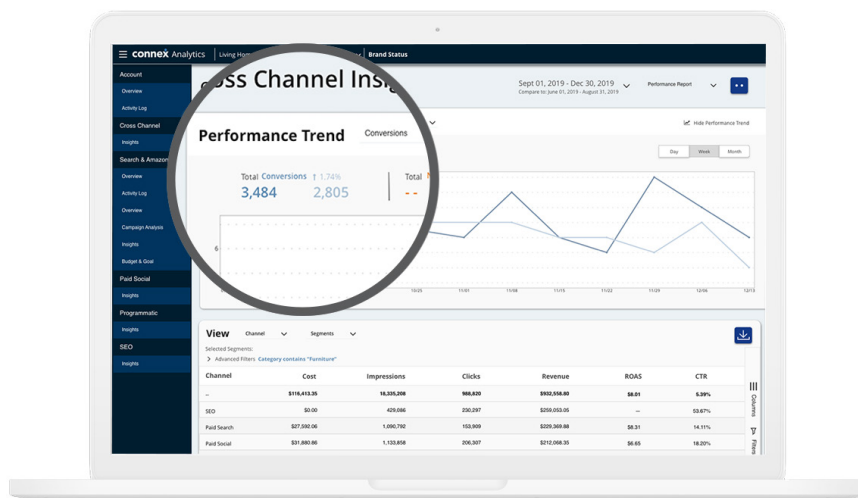
In Connex, marketers can aggregate millions of data points from dozens of advertising sources into one rolled-up view, while retaining the ability to drill down to a granular level of detail to understand the 'why' behind overall performance. By enabling granular views of performance data, marketers can feel empowered to measure incremental lift and justify media spend.

Measure incremental lift based on seasonality, geo, and more.

Maximize performance during seasonal peaks by exploring incremental lift PoP.

For every brand, seasonal peaks and valleys represent new opportunities to either capture new audiences or activate against audiences with messaging to drive conversions. Justifying media spend on upper-funnel tactics, such as using back-to-school season to bloat the office supplies prospecting pool, is an increasingly challenging task for digital marketers. Even more so than the number of data points needed to aggregate, conversion-based ad units like Google Shopping, Instagram Storefronts, and more make budget allocation decisions harder than ever.

With Connex, digital marketers can measure the impact of upper-funnel tactics on lower-funnel business metrics by tracking YoY data following seasonal promotions.
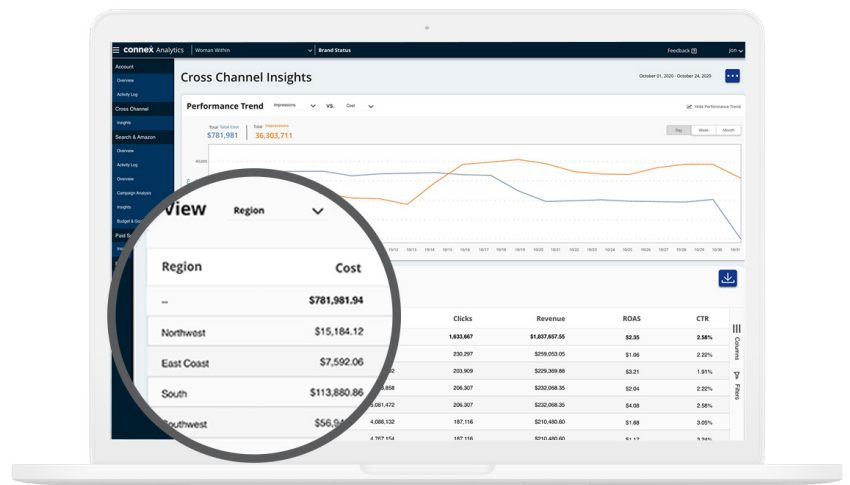
Measure lift over time by each of your target geographic areas.

For franchise models or brands with priority locations, granular performance data by region can illuminate major opportunities for media improvements. In Connex, marketers can break out performance by region without losing cross-channel data views, enabling budget re-allocation to the areas driving the highest return. Upon these re-allocations, marketers can track performance overtime and measure lift based on spend.

Does your agency partner understand the nuances of your business?

Pushing yourself beyond measuring performance solely on digital KPIs can have a tremendous impact on not only your marketing efforts but to the company's bottom line overall. It comes down to being smarter about making sure your marketing dollars are going to where your customers are and proving that your efforts truly were additional to what you would have gotten otherwise.

If you're interested in learning more about how Rise builds incrementality models for our clients, contact us.