

## Role of Digital in Media Mix: Understanding Digital Marketing and Getting it Right



# Why digital media matters?

## Digital media is taking the world by storm

Digital media is fast becoming a favorite with marketers. By 2017, digital advertising is estimated to be worth \$171 Billion, accounting for more than a quarter of global advertising spend. This represents a 70% increase from current levels<sup>1</sup>. In the US, ad spend on the Internet overtook all media except broadcast television in 2011 (see Figure 1).

It is not without reason that digital advertising is growing so rapidly. Superior targeting and tracking allow it to achieve a higher ROI than traditional media. For example, when Havas Media<sup>1</sup> launched a Web/TV campaign for a food sector client, the Web-based campaign generated a ROI of 170 against 100 for TV (see Figure 2). This was despite the campaign's heavy reliance on TV which accounted for 87% of the budget, while the remaining budget was invested in the Web.

The TV campaign accounted for an increase of 8% (33 tons) in sales. The Web campaign led to a 2% (8 tons) increase in sales, despite an investment of little over one-tenth of the TV budget, leading to much higher ROI compared to TV.

## Adoption of digital media however is still in its early stages

Marketers are starting to get convinced of the benefits of digital. However, many are unsure about the level of importance to give to the medium. This has prompted a cautious approach towards digital media wherein marketers test the waters by investing a small proportion of campaign budget in digital media. For instance, 70% of campaigns carried out in 2011-2012 by Havas Media invested less than 10% of their budget in digital media (see Figure 3).

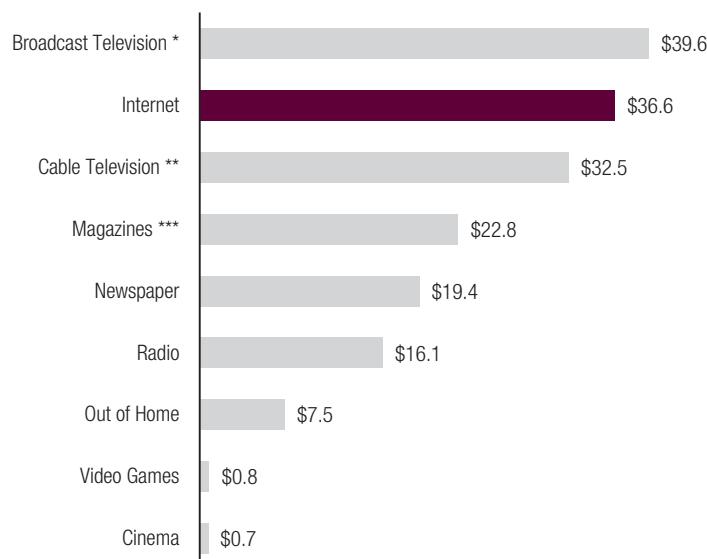
Amongst the biggest concerns for marketers is the lack of proper metrics that will help them determine the right mix between traditional and digital media. For instance, a survey conducted by the Association of National Advertisers in the US indicated that over 62% of marketers feel that the inability to prove ROI is a top concern<sup>2</sup>. The next biggest challenge most marketers face is in integrating marketing communications across channels, given the proliferation of digital channels, e.g. social media, mobile and online video, websites, email marketing and online advertising.

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**Figure 1: Advertising Revenue Market Share by Media — 2011, \$ billions**



\* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

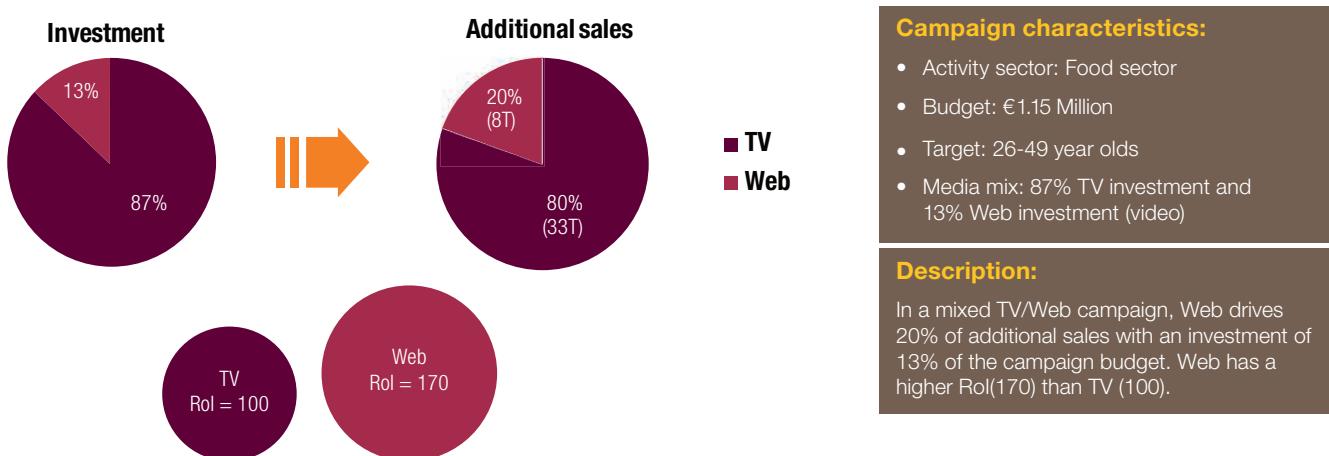
\*\* Cable Television includes National Cable Networks and Local Cable television advertising revenue.

\*\*\* Magazine includes Consumer and Trade magazines.

Source: IAB Internet Advertising Revenue Report

<sup>1</sup> Havas Media, the media strategy division of the Havas Group, is the largest media group in France.

**Figure 2: Digital media delivers higher ROI than traditional media**



Source: Havas Media/2MV, impact of multi-media campaigns on individual buying behaviors

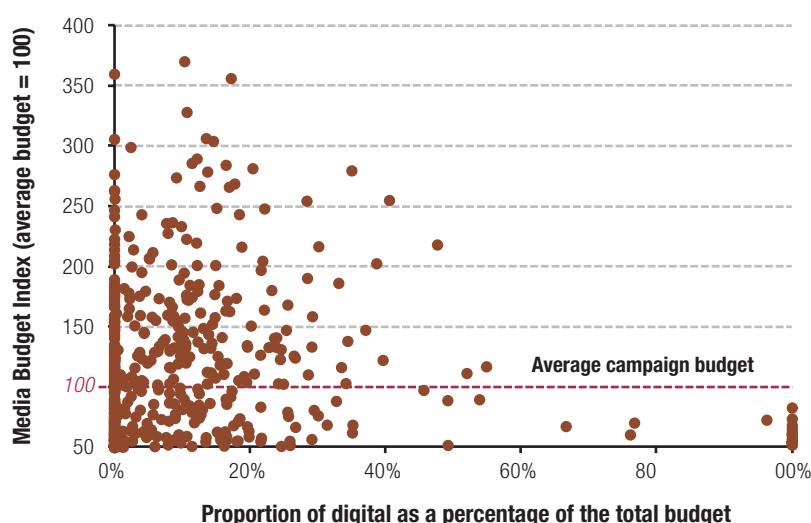
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**70% of campaigns carried out in 2011-2012 invested less than 10% of their budget in digital media.**  
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The growing popularity of digital channels is creating challenges for marketers in allocating budgets. Key among these challenges is the need to assess where they must put their advertising budgets—traditional or digital, the mix in which they should do so.

Capgemini Consulting conducted a joint study with Havas Media seeking to highlight some of the proven results of

digital media, as well as its contribution to a multimedia plan. In this paper, we highlight why marketers must pay close attention to digital media and how it can help them achieve higher ROI by complementing traditional advertising. We conclude with a set of actionable recommendations on getting digital marketing right.

**Figure 3: Dispersion of Havas Media campaigns by digital budget, 2012**



Source: Havas Media

# How Can Digital Complement Traditional Media?

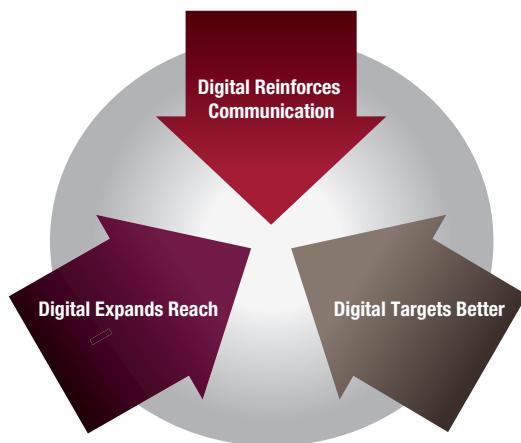
Digital media helps marketers to expand reach, target audience better, and reinforce brand communication (see Figure 4).

## Digital expands reach of brand communication

Digital media helps marketers increase their target coverage. It achieves this by reaching out to the online population in addition to those tuned in to traditional media, including 'Zero TV' households which are estimated at 5 million in the US.

*“Our research indicated that when 20% of budget is invested in online videos, coverage increases by an average of 5 percentage points.”*

**Figure 4: Advantages of digital over traditional**

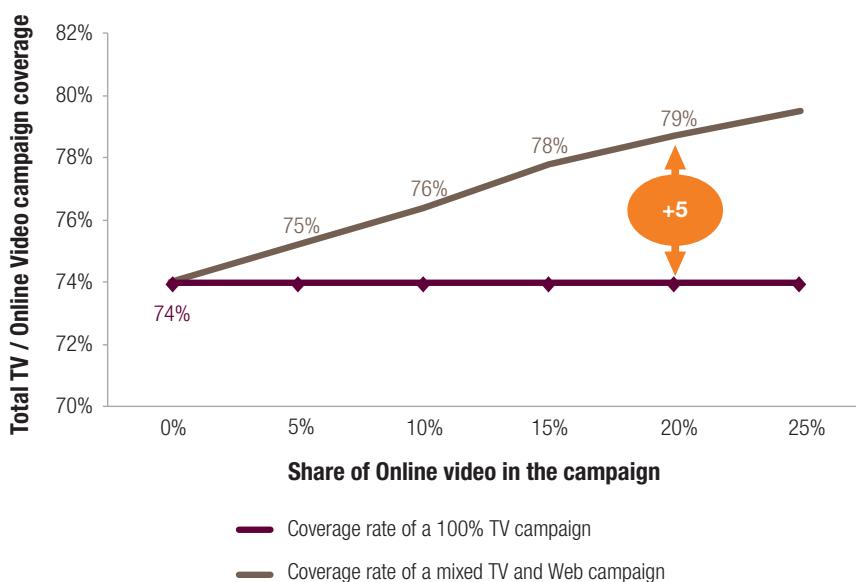


Source: Capgemini Consulting Analysis

Our research has shown that in cases where 20% of the campaign budget is invested in online videos, the coverage of the campaign increases by 5 percentage points as compared to a campaign with 100% budget allocation to traditional media (see Figure 5).

Including digital media in a multi-channel marketing plan increases the number of exposures to the brand. Consumers communicating through traditional media feel more engaged with the brand with the addition of digital media. This helps drive overall brand salience and provokes engagement.

**Figure 5: Investment in digital drives coverage**



### Campaign characteristics:

- Activity sector: Fast Moving Consumer Goods
- Target: Housewives with children under 15
- Budget: € 700,000
- Media mix: TV/Video

Source: Havas Media

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*62% of smartphone owners have researched on their device after seeing an offline advertisement.*

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**Digital media is strong in demographic targeting, particularly for young adults and upper socio-professionals**

Recent research shows that nearly all (>98%) affluent Americans use the Internet, with the time spent online averaging more than 30 hours per week. Within this category, those aged 18 to 29 years averaged more than 40 hours a week online<sup>3</sup>. The propensity of people in these demographic profiles to spend

more time online makes them easier to reach via digital media.

Our research with Havas Media clearly proved it. For the AB+ population, a campaign that had a mix of 70% TV and 30% digital investments saw the digital ROI higher by 20% than that of TV (see Figure 6).

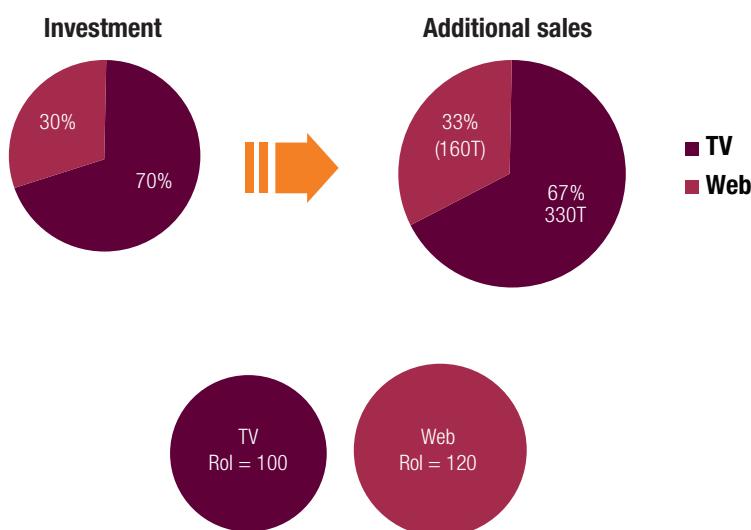
times<sup>4</sup>. Using location targeting with past behavior data can effectively drive footfalls. For instance, Uncle Bob's self storage used location targeting in the US to reduce acquisition cost of customers and increase business. The campaign reduced customer acquisition cost by one-third and trebled reservation volumes (see Figure 7).

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**Figure 6: Digital is significantly better than traditional media at targeting select demographics**



#### Campaign characteristics:

- Activity sector: Fast Moving Consumer Goods
- Target: AB+ population
- Budget: € 1 Million
- Media mix: 70% of TV investments and 30% of digital investments (catch up TV, streaming video, banners)

#### Description

In a campaign targeted at the AB+ population, 70% investment was made in TV and 30% in Web. The TV campaign led to 6% increase in sales compared to 3% for Web. This implies that Web yielded a significantly higher ROI than TV, yielding higher sales per unit of investment (Web yielded additional sales of 5.3 tons for an investment of 1000 Euros vs. 4.7 tons for TV).

**Figure 7: Location targeting helps reduce cost of customer acquisition**

	
• One of the leading self-storage companies in the US with over 400 facilities in 25 States	
• Buffalo, New York	
<b>Goals</b>	<b>Approach</b>
• Decrease cost per acquisition	• Two-tier desktop and mobile campaigns structure
• Grow reservation volume (online or phone)	• Location targeted campaigns at the state, city, or radius level
• Grow move-in volume	• National campaigns with geo-modified keywords
<b>Results</b>	• Location targeted headlines, display URLs, and landing pages
• Increased reservation volume by 361%	• Optimizing via geographic reports
• Increased move-in volume by 345%	
• Decreased cost per action by 34%	

Source: Webmetro Website

## Digital media reinforces brand communication

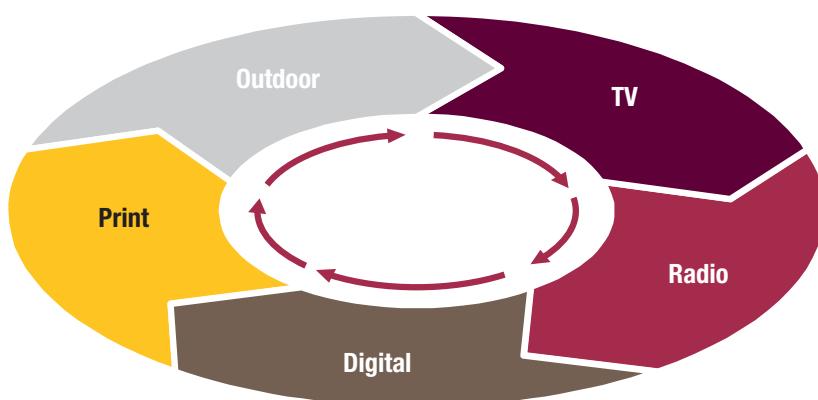
Brand communication is reinforced when sent across multiple channels, as consumers interact with print, online, mobile and broadcast outlets (see Figure 8). For instance, a TV ad may direct consumers to the company's website,

where display ads and dedicated product pages on the site provide additional information. Here, the digital channel reinforces the TV communication and further builds upon it. A research conducted in Finland showed that 62% of smartphone owners have researched products on their device after seeing an offline advertisement<sup>5</sup>. Research shows

that combining TV and online channels in advertising campaigns has a significantly higher impact on brand image and purchase intention as compared to using either in isolation<sup>6</sup>.

In the next section, we take a look at some steps that can help marketers achieve the most from digital media.

**Figure 8: Digital reinforces brand messaging**



Source: Capgemini Consulting Analysis

# How to Get Digital Marketing Right?

## Identify saturation point in traditional advertising

In any media, incremental advertising beyond a threshold becomes progressively less effective in achieving campaign objectives. Beyond this threshold or 'saturation point', the responses produced (sales, recruitment) do not justify the cost involved. This is also known as 'advertising wear out'.

One of the ways to avoid 'advertising wear out' is to determine the 'saturation point' in traditional media and shift further marketing spend to digital media. The 'saturation point' in traditional media can be measured through conventional models such as Adstock, which measures how response to advertising builds and decays in consumer markets (see Figure 9).

'Saturation point' can also be measured by determining the 'maximum effective frequency', or the number of exposures to an advertisement beyond which any exposure will not generate a positive response. This can be determined by creating a model that considers factors such as category clutter<sup>2</sup>, brand credibility and product features. A highly cluttered category implies the need for more exposures due to the multiplicity of available choices. On the contrary, high brand credibility and innovative product features will reduce the number of exposures required due to high recall value.

## Use digital in campaigns where traditional media hits saturation point

Advertising beyond the saturation point leads to poor or negative response. Digital can help improve ROI of the overall campaign in such cases.

Let's take the case of advertising in the consumer packaged goods industry. TV begins to have an effect after 2-3 contacts, but the saturation point is reached after 8-10 contacts. The ROI of TV could be improved by slightly decreasing its intensity once the saturation level has been reached. The freed-up budget can be invested in digital media, and can therefore, improve the ROI of the overall campaign (see Figure 10). The significant difference between the TV and Web ROIs can be explained by the fact that TV is often pushed past its saturation threshold, which significantly lowers its ROI (the ROI is more than halved vs. the optimal intensity zone), while the modest Web intensity places the media in its maximum effectiveness zone.

## Determine the correct allocation of digital in media mix

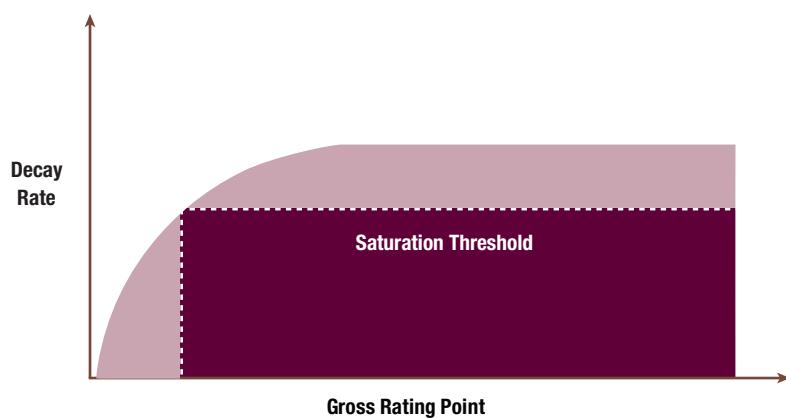
'Saturation point' in traditional media is a trigger for using digital media. However, marketers need to consider

multiple factors to determine the correct allocation of digital in the media mix (see Figure 11). Some of these are as follows:

- Target audience profile, i.e., their comfort with and time they spend on digital media.
- Effectiveness of digital media in reaching the target audience over traditional media.
- Campaign budget and cost of reaching the audience
- Response window, i.e., whether the response is required in the short/long term

Coca-Cola recently adopted the '70-20-10' approach to investing in creative content wherein 70% investment would be in low-risk "bread-and butter" content, 20% would be in innovating around 'what works' and 10% would be in high-risk content including untested ideas<sup>7</sup>. This represents the adaptation of a business resource management model to communications management. However, this model can also be used for deciding the media mix of a campaign.

**Figure 9: Measuring saturation point in advertising: Adstock**



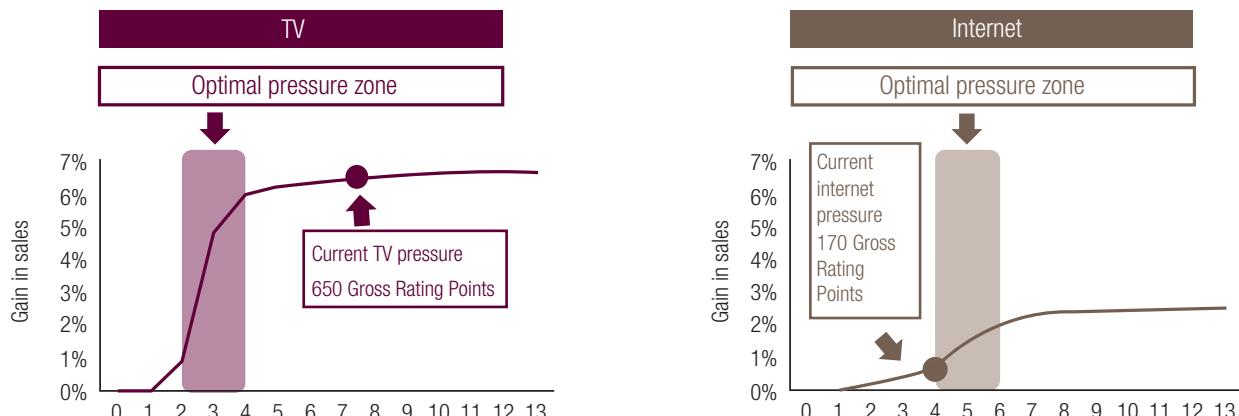
Decay Rate: The rate at which the impact of an advertisement exposure on the consumer reduces over time.  
Gross Rating Point: The sum of individual telecast ratings of a program or advertiser commercial schedule.

Source: Simon Broadbent - Journal of the Market Research Society, "One Way TV Advertisements Work", 1979

<sup>2</sup> Category clutter refers to the number of products available within the category.

**Figure 10: Impact of advertising on sales**

**Impact of advertising on sales, by number of contacts with the target consumer (Campaign characteristics identical to previous case)**



Source: Havas Media

70% of the campaign budget can be invested in ‘tried and tested’ channels, 20% in social media and search engine marketing, and another 10% in viral videos. The choice of digital media can vary from company to company. For instance, a traditional manufacturing company may consider TV and print to be ‘tried and tested’, while for an e-commerce or online gaming company, social media could fall in the same category.

Some companies have gone one step further and innovated using digital technology. Nokia used cutting-edge 4D projection mapping to launch Lumia 800 where Millbank Tower, London, was turned into ‘a series of startling animated sequences’. This was accompanied by a live performance by musician and producer Deadmau5. 145,000 people logged in to watch the event live from Nokia’s Facebook page and its Facebook fan-base rose by 13% within two weeks. The brand’s awareness rose significantly,

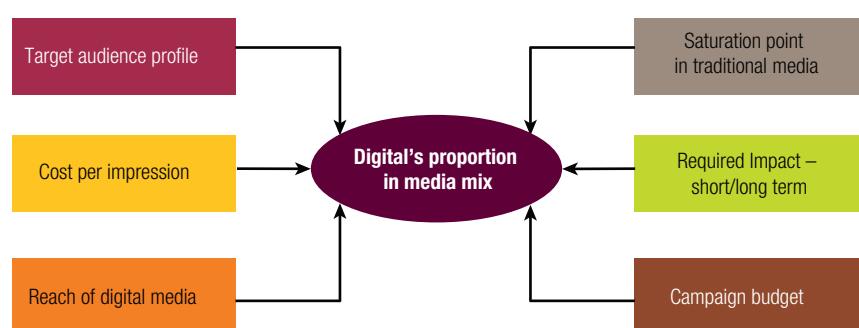
with discussions about the brand rising by two-thirds in the month immediately after this launch. The official YouTube film has had nearly 4 million hits, with over 1 million occurring within 4 days of the event<sup>8</sup>.

### Focus on content and channel

Marketers need to develop ‘memorable content’ that consumers remember and share with others, thus increasing the

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**A 70-20-10 approach based on risk and innovation was adopted by Coca-Cola for apportioning its communication spend.**  
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**Figure 11: Factors affecting digital’s proportion in media mix**



Source: Capgemini Consulting

<sup>3</sup> Paid media refers to media purchased by the marketer such as display ads, paid search, and promoted tweets. Owned media refers to media owned by the marketer such as corporate website and blogs, corporate social media profiles, permission marketing database, and mobile apps. Earned media refers to media earned by the marketer as a result of investment in paid and owned media.

impact of advertising. Content also needs to be relevant to the delivery format. For instance, an existing TV commercial may not work well on YouTube due to greater distractions and user's ability to skip ads (5 seconds). Similarly, the print copy may not be easy to reproduce on display banners due to constraints on banner size and positioning.

The choice of content should also be closely tied with choice of digital channel. Paid/viral video, display, social media, websites/micro sites and other digital media should be chosen based on the campaign objectives and budget. One of the ways to do that is to segregate these media as paid, earned and owned media<sup>3</sup>. The proportion of paid, owned and earned digital media can be determined based on time and budget constraints. Owned and paid media are suitable for short time frames, while earned media is effective over a longer duration. Similarly, paid media is unsuitable for a low budget.

### Measure ROI with enhanced conversion models

Marketers need to measure ROI for the investment they make in digital media. Current parameters for measuring ROI of digital media include click-through-rate and cost-per-thousand. Facebook 'likes' and Twitter 'follows' are also used to justify investment, much like 'impressions' and 'Web traffic'.

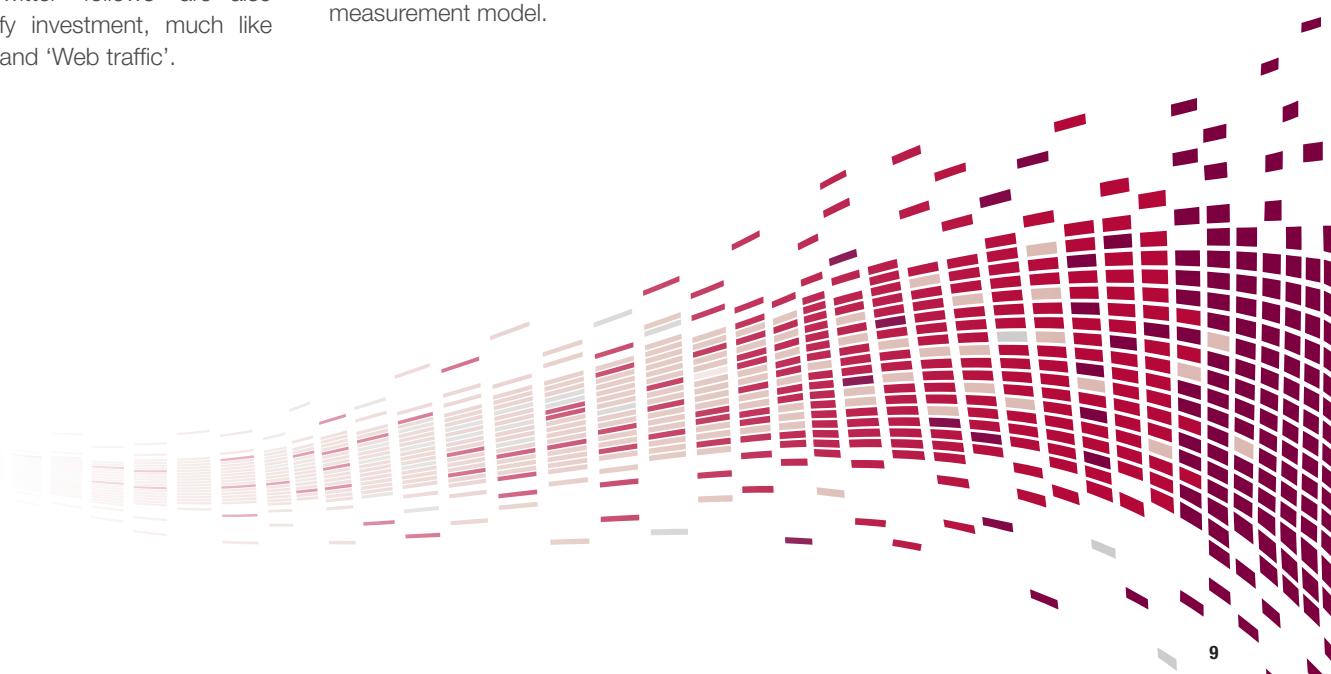
While it is relatively easy to find 'what consumers did', determining 'why they did it' remains a challenge. For instance, consumers may be exposed to a display ad ten times on different websites before they click on it. Out of every ten consumers who visit the landing page, one may consider five products offered by the company and buy one of them. Current measurement models will measure that the conversion rate for consumers who are directed to the site is 10%, and they will attribute the visit to the last display ad which was clicked by the consumers (last click attribution). However, this does not account for the cumulative effect of all the ads seen by the consumer. Also, the reasons for preferring the purchased product over the other considered products will not be determined.

Campaigns are created with a set of business objectives. These range from 'increase in sales' to 'increase in brand equity' to 'counter negative publicity' and so on. A campaign's performance should be measured on the basis of its success in meeting these objectives. Moreover, this performance should be optimally attributed to the digital media deployed. This implies moving away from traditional attribution models where conversion is attributed to the 'last click', 'first click' or 'evenly distributed across clicks (linear)', and creating a customized measurement model.

A good way to create a customized measurement model is to look at the 'conversions' or people whose responses are in line with campaign objectives. Studying their digital trail will aid the understanding of what elements of the campaign worked and what did not work. The digital trail can be found using cookies that websites often install in consumers' systems. Other factors such as social media mentions can also be considered while building such a model.

In summary, digital is a powerful medium to engage with consumers. At the same time, digital media is not a silver bullet to marketer challenges; it is a complementary platform to traditional media. Determining the right contribution of digital to the media mix will be critical to the value generated for organizations.

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## About Havas Media

Havas Media, the largest media group in France, is the media strategy division of the Havas Group. With 3200 employees in over one hundred countries, Havas Media France includes the media consulting networks MPG and Euromedia, the interactive marketing international network Havas Digital and Havas Sports & Entertainment, the agencies network dedicated to brand content (national and international production and distribution). 2MV, launched in 2009, is the Havas Media entity devoted to media and marketing sales effectiveness and ROI measurement. 2MV proposes to French companies exclusive solutions designed to quantify and improve their media and marketing ROI.

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