The Waste in Advertising:

Stats and Solutions of Misattribution

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Introduction

an estimated

60%

of digital marketing spend is wasted »

The recent global health pandemic has undeniably altered life as we know it. Not only are consumers settling into new purchasing behaviors and shifting their media consumption, but marketers are also forced to reassess the marketing strategy that has worked in the past. Failure to do so could place marketing budgets at risk. New consumer behavior must mean new marketing behavior.

Past behaviors are no longer the best indicator for forward-thinking strategy. For marketers to adjust to this new normal, we must be able to fully embrace the new understanding of our consumers and how their habits have changed. In doing so, marketers can maximize the potential of their media investments and significantly reduce their waste in advertising.

As consumer behavior has shifted to an emphasis on online buying power, the waste in advertising is a profit killer that has become more prominent than ever.

Marketing teams are being forced to address the online marketing strategies that haven't returned profit or impact. On the flip side, budget-conscious marketing execs despair as their brands foot mounting bills with no return on investment.

How big is the ad waste problem? In a joint study, TrafficGuard and Juniper Research estimated that, within the next 5 years, digital advertisers will waste up to $100 million a day[1] due to ad fraud. Such massive loss is unsustainable for omnichannel marketers and requires a good, hard look at not just spend and strategy, but also the way marketing is measured. Despite the economic turmoil triggered by COVID-19, the global economy is expected to recover in 2021 which will

fuel greater marketing and media investments. When you consider that global advertising is expected to grow 6.1% to $573 billion in 2021[2], just imagine what solving the ad waste problem can do for ROI and budget efficiency.

This ebook details the evolution of advertising waste, identifying the shortcomings of current marketing measurement and attribution models, and details how inaccurate, incomplete data and misattribution lead to marketing dollars wasted. The final chapter delivers an analysis of person-level unified marketing measurement and its growing role in enabling marketers to understand every touchpoint in the consumer journey better than ever before, in order to make every advertising dollar count.

The right data and insights can help savvy marketers eliminate wasteful ad spending and create enjoyable, relevant shopper experiences that drive loyalty and capture greater value (in some cases, decreasing spending as well) while improving sales. Now more than ever, marketers need the right marketing tech stack to analyze shifting consumer behaviors and media consumption patterns. The tech-advanced pioneers who have a true understanding of their consumer base are empowering marketing measurement solutions to organize big data into a defined consumer journey as visibly and detailed as possible. The key is to put the consumer first, even in uncertain times.

Ad Waste: What It Is & Why It Happens

When an ad campaign fails to meet its objectives, it is considered waste. And it's nothing new. More than a century ago, marketing pioneer John Wanamaker famously declared, *"Half the money I spend on advertising is wasted; the trouble is, I don't know which half."*

Global ad spending by medium

$280B	Internet
$260B	
$240B	
$220B	
$200B	
$180B	Television
$160B	
$140B	
$120B	
$100B	
$80B	
$60B	Newspapers
$40B	Outdoor
$20B	Radio
	Magazines
2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020	Cinema
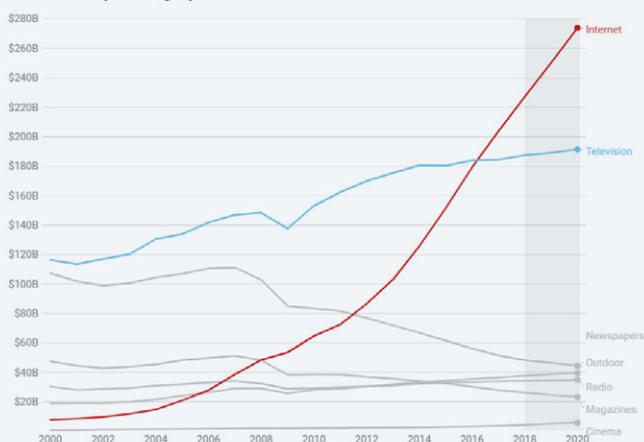
2018 and beyond are projections
Source: Zenith · Get the data · Created with Datawrapper

Today, the stakes are much higher. The growth of digital and the rapidly evolving path to purchase have compounded the waste problem exponentially. In the past decade alone, traditional media spending decreased while digital ad spending skyrocketed, surpassing TV ad spending (see Figure 1). Despite the implications of COVID-19, these trends remain largely unchanged this year. Although traditional media spending saw an uptick during quarantine, MAGNA expects that traditional ad spend will fall[2] in the wake of COVID-19 as consumers return to normalcy. Digital ad spending figures remain unchanged[2], as the Q3 and Q4 recovery periods are projected to offset the decline in Q1 and Q2. Instead of boosting ROI, this increased digital spending cluttered the marketing space, resulting in prolific waste. At the same time, the complex new online and offline path to purchase posed significant challenges in ad performance measurement. In a nutshell, traditional marketing measurement models became far less effective, leading to further inefficiencies.

Brands can't afford waste, and they know it. The first step to solving the problem is to understand what leads to ad waste beyond a simple lack of planning or resources, because even the best-planned campaigns backed by healthy budgets lead to waste. Here's a quick rundown of why it happens:[3]

Targeting or relevancy mistakes — Who is your customer, really? Where are they shopping and what exactly do they want? Incorrect assumptions about targeting, relevance and media can translate into ad dollars down the drain. Casting a wide net—one message to a broad audience—is never a good idea. If the message is going to the wrong target audience and/or the wrong location or medium, the ad will be ignored or worse yet, blocked. As consumer behaviors continue to shift post-COVID, this is a major concern for marketers who are left with grave uncertainty and largely irrelevant historical data.

Poor-quality content — Even if the targeting is right, knowing what message resonates with your audience is crucial. Savvy advertisers need to focus on defining creative rotations for different advertisements in specific channels. Unappealing copy or an offer that feels inauthentic results in ad waste.

Placement errors — In-store candy signage will likely be ineffective if placed near a poster promoting diabetes screenings. Whether it's a billboard, magazine or trade journal, poor placement can cost you.

Wrong medium — Defining the right media mix is an essential component of an efficient, effective marketing campaign. Killer copy won't deliver ROI if you're advertising men's suits in a young adult adventure magazine.

Scheduling/timing issues — When it comes to waste, timing can make all the difference. Running a holiday TV ad well before or well after said holiday is a common way that improper timing can lead to wasted ad dollars.

Oversaturation — Even if everything else is in place, too much advertising frequency not only annoys your target audience, it diminishes ROI and brand loyalty.

Focusing on the wrong KPIs — With consumer attitudes in constant flux and geographic areas handling the crisis differently, it's difficult to determine when the volatility will settle and sales will begin to flourish again. Consequently, marketers should consider sales-based KPIs in combination with the brand and awareness-based indicators instead. Failure to do so can become a costly mistake.

Gaining a single view of marketing effectiveness down to the person level is no easy task, but it CAN solve many of these ad waste drivers.

Ad fraud is also a major contributor to ad waste. This happens when a service provider fraudulently represents impressions, clicks, conversion or data events in order to generate revenue and does so without human intervention. In other words, ads are not shown to humans.

The amount of marketing dollars wasted by ad fraud is a topic of debate, but industry experts universally agree that fraud—particularly ad bots[4] that contribute to click fraud, viruses and fake ad impressions—waste significant dollars.

In a 2015 study[5] conducted by the Association of National Advertisers (ANA) in conjunction with online ad fraud detection company White Ops, "The annual financial impact of bot fraud ranged between $250,000 and $42 million for the 49 participating advertisers and averaged about $10 million per participant."

While ad fraud is a serious problem requiring industry-wide collaboration, other more controllable factors that cause ad waste can be effectively addressed by using better marketing measurement models.

56%
of ad impressions are never seen by consumers

60%
of digital marketing spend is wasted

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Optimize your marketing impact through person-level data

Measurement: Not All Models Address Waste

Today's brands use several models to optimize marketing and media planning, including traditional Marketing Mix Modeling and Attribution Models—along with the sophisticated new generation model known as Unified Measurement. Some methods are far more effective at identifying and eliminating advertising waste.

Marketing Mix Modeling (MMM)

MMM leverages regression analysis to determine the relationship between marketing mixes and their overall impact on sales performance. This top-down approach collects aggregate historical data from internal and external sources to analyze the performance of offline sources, such as TV, radio and print. The analysis includes internal factors—such as promotions and other marketing, pricing and sales data—and external factors such as competitors, seasonality, weather and news events.

> The "one-message-to-all-consumers" approach is obsolete; the innovative marketer's goal is to get the right information to the right person via the right channel at the right time.

The Pros

Prior to the digital revolution, MMM provided usable high-level insights into marketing impact on sales volume, broad media impact on sales and overall ROI. Even ten years ago, marketers could generate effective ROI without considering person-level messaging and audience targeting.

The Cons

MMM worked fine in the past, when one broad message to all consumers was standard procedure. In today's rapidly evolving landscape, MMM is far less effective, especially when it comes to measuring segmenting, coverage, granularity, content impact, brand impact and in-campaign adjustments—all crucial for identifying waste across the customer journey.

The Limitations of Marketing Mixed Model

Coverage - limited online-offline coverage; low-spend media channels neglected

Granularity - limited to high-level media allocation analysis

Content Impact - measures media-level ROI with no visibility into content effectiveness

Brand Impact - does not measure brand influence on customer decisions

In-campaign Adjustments - not capable, slow to produce campaign results

Segmentation - limited to high-level segmentation

MMM focuses on recommending media mixes without considering audiences and messaging—elements that have a tremendous impact on marketing ROI. Furthermore, MMM is limited to high-level segmentation. Online-offline coverage is also limited to determining ROI from each "high-spend" media channel without any insight into content effectiveness.[7]

Results from traditional MMMs are often only available when the model is complete—weeks or months after campaign execution. Today's marketers need to know how consumers react and interact with media NOW to make adjustments in-campaign. By the time a marketing mix model is available, the variables used in the model can change, making the model obsolete and unusable for long-term planning. Solving ad waste requires a more holistic, real-time approach.

Attribution Models

Attribution models focus on digital marketing such as email, display ads and paid search. There are two types of attribution models: single-touch and multi-touch (MTA). A single-touch attribution model allows the marketer to credit either the first or last touchpoint in the customer journey with an outcome, with no opportunity to credit any

other touchpoint. MTA takes a bottom-up, more granular, user-centric approach to marketing measurement by evaluating the touchpoints a consumer encounters on their journey to purchase and determining which touchpoints, channels and messages have the greatest impact to influence a desired outcome.

Pros

MTA has reporting speed on its side; marketers can adjust tactics in-campaign to better target and improve ROI. A linear MTA model[6] credits all interactions equally whereas time decay, u-shaped, and w-shaped models give more weight to the first and last touchpoints.

Attribution models give marketers insight into how marketing dollars are best spent by highlighting touchpoints that earn the most engagements and allowing marketers to adjust budgets accordingly. MTAs also provides insight on the messaging and channels individual consumers prefer. This can drive advertising efficiency to a small degree.

Cons

While it is effective in evaluating attribution for online digital campaigns, MTA does not consider the impact offline marketing activity has on sales. Many marketers use both MMM and MTA models to address traditional and digital activities, but it is near-impossible to reconcile results between the two in order to make holistic decisions about overall marketing spend.

Correlation-based biases also influence MTA results. For example, an in-market bias occurs when a consumer intends to buy a product whether they have seen the ad or not. In this case, the ad gets the attribution for converting this consumer when in fact it didn't. A cheap inventory bias occurs when you compare cheap and expensive inventory ad performance. Most brands target a broader audience for lower-cost ads for lower-cost inventory but take a more segmented approach for expensive inventory ads. This makes performance for lower-cost inventory look better simply because it was seen by a higher number of consumers, not because the ad was effective. The report, *Flaws in Attribution Are Costing the Industry Billions in Profit*[7] examines this problem in greater detail.

Most attribution models do not consider the impact brand-building initiatives have on consumer behavior, or they only do so on a trend regression level. This results in undervaluing the influence of brand building on consumer behavior.
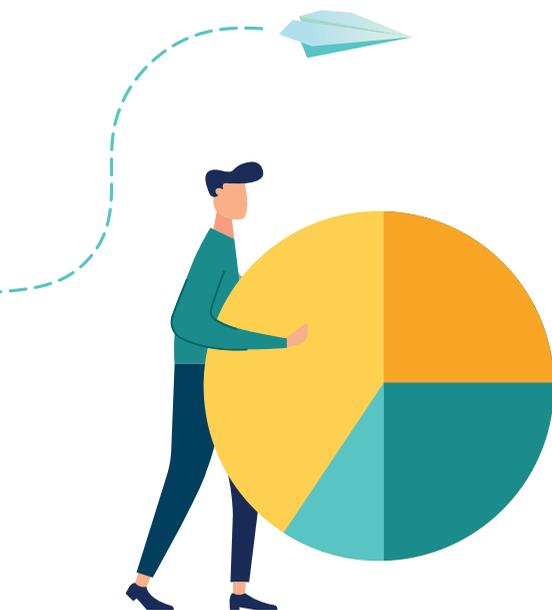
The Limitations of Multi-Touch Attribution Model

Coverage - effective with digital media; limited offline coverage

Granularity - provides aggregated consumer analysis without sufficient offline media coverage

Content Impact - provides limited understanding of content effectiveness

Brand Impact - lacks connection between brand and consumer decisions

In-campaign Adjustments - possible but limited to digital media

Segmentation - limited to segmentation at an aggregated level

Creative and messaging play as important a role in advertising as the media. MTA can misinform marketers and cause crucial mistakes, such as valuing creative at an aggregate level and determining a message ineffective when it can actually be effective for a smaller, more targeted audience. MTA alone does not effectively help marketers cut advertising waste.

Unified Measurement

Attribution Models

Marketing Mix Modeling
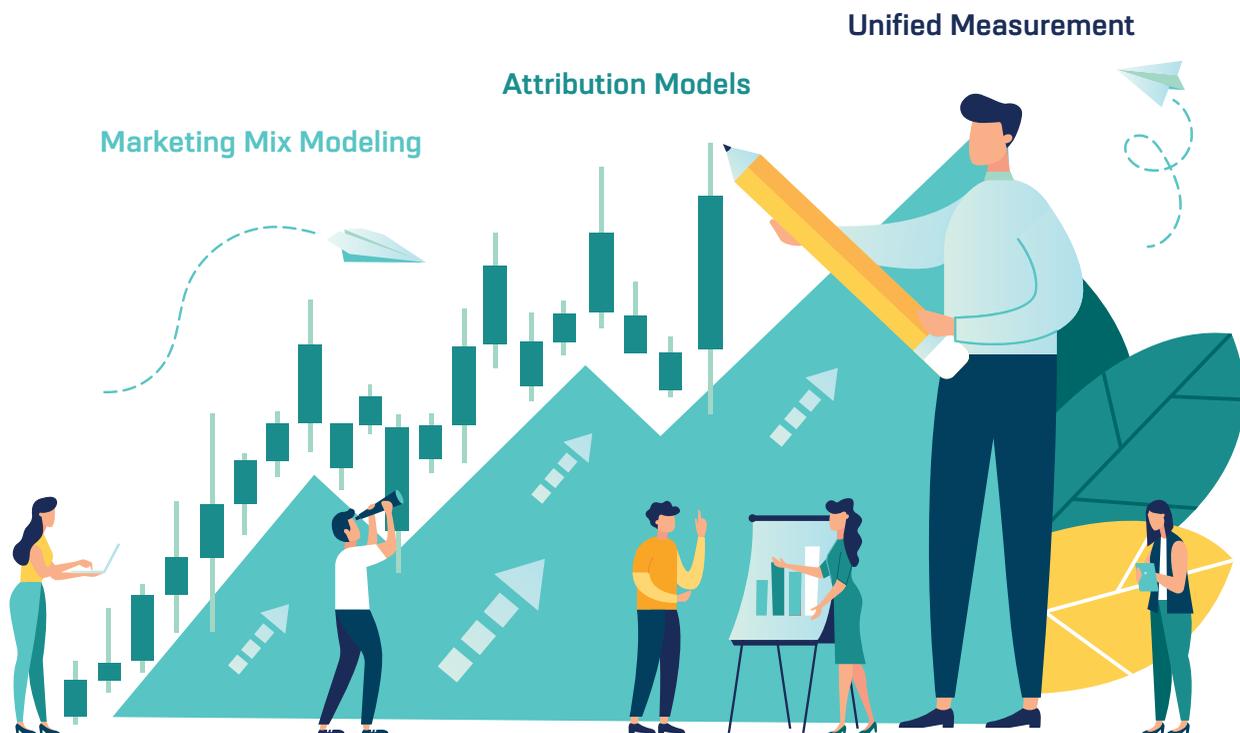
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The Limitations of Measurement

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The Benefits of Unified Measurement

Coverage - 360° online-offline coverage; media campaign is optimized for each consumer

Granularity - delivers person-level data, enabling deeper, more accurate analysis of consumer behavior at the individual level

Content Impact - measures effectiveness of a specific ad or creative content; provides message or content-level ROI

Brand Impact - measures brand awareness and consumer's long-term value

In-Campaign Adjustments - highly capable

Segmentation - built for segmentation by person, content, media, etc.

How to Cut the Waste

30%

improvement in budget efficiency when leveraging person-level unified measurement

Person-Level Unified Measurement

To recap: MMM delivers a macro-level view of your offline marketing efforts, while MTA provides a bottom-up, granular view of your digital approach, but neither can address the challenges of measuring multi-channel interactions. Nor can either method evaluate all ad media and cross-channel activities or tie top of the funnel (brand to behavior) and lower funnel (sales transactions) KPIs together.

This is precisely what's needed in order to cut ad waste and exactly what forward-thinking brands are getting with Unified Measurement.

Unified Measurement brings it all together, combining multiple data sets, techniques and approaches that assign business value to each factor affecting marketing performance across all touchpoints, both digitally and offline. This holistic view enables marketers to pinpoint impact and customer interactions across print, broadcast and digital ads and digital marketing efforts, all through person-level data.

Forrester released a report[8] that highlights the value of this sophisticated methodology: "Unified measurement begins with the goal of capturing a holistic view of touchpoints—paid, owned and earned—bringing relevant data together at a strategic and tactical level. The result? A 360° view into the online and offline channels driving engagement, no more misattribution and less waste in advertising. Further, unified measurement leverages different measurement methodologies in orchestration to better understand cross-channel effects, such as the impact of digital advertising to offline sales."

As showcased in the 2018 Forrester Wave Report,[9] "These tools support this evolution by moving from a backward-looking reporting tool to a planning and optimization suite, helping marketers simulate alternate marketing strategies, pick the optimal one to deliver based on objectives and activate recommendations."

Person-level unified measurement models connect data at the individual shopper level—including branding and attitudinal insights—to uncover purchase drivers, behaviors and attitudes for each individual, allowing the marketer to optimize creative and media for every customer interaction at the person level in real time.

By analyzing at the most granular level, marketers have deeper insights, by leveraging more accurate and relevant data.

Forrester estimates[10] that unified measurement can help improve the efficiency of marketing budgets by 15 to 20 percent. Person-level unified measurement boosts the budget efficiency improvement to an **astounding 30 percent**.

Media exposure is linked down to the placement level with creative to optimize the right message to the right person through the right channel at the right time.

Research from Forrester reveals that marketers are eager to examine ad campaigns at the person level. Eighty-four percent of respondents[11] agree that rising customer expectations will make person-level data a critical capability within five years. Furthermore, what differentiates organizations today will become a business requirement in the near future.

" "Building a unified measurement solution ensures alignment for long-term planning and near-term optimization. It also supports more accurate forecasting for budgeting purposes." -- Smart Insights, November, 2018[12]

Now, marketers can make smarter decisions about how to allocate ad dollars across all media, because with unified measurement, you're marketing not just to groups of individuals but the right individual. The cross-channel fog is lifted, enabling marketing teams to make agile decisions from granular insights, such as how running a TV ad or renting a billboard impacts search engine activity or online sales, or how an online banner ad or email campaign impacts in-store sales.

Campaign results are available real-time so that the marketer can make in-flight adjustments. In a multichannel, consumer-centric world where everything happens in the moment, marketers need to refine campaigns quickly and with greater precision—resulting in less ad waste.

Unified Measurement: A High-Level View
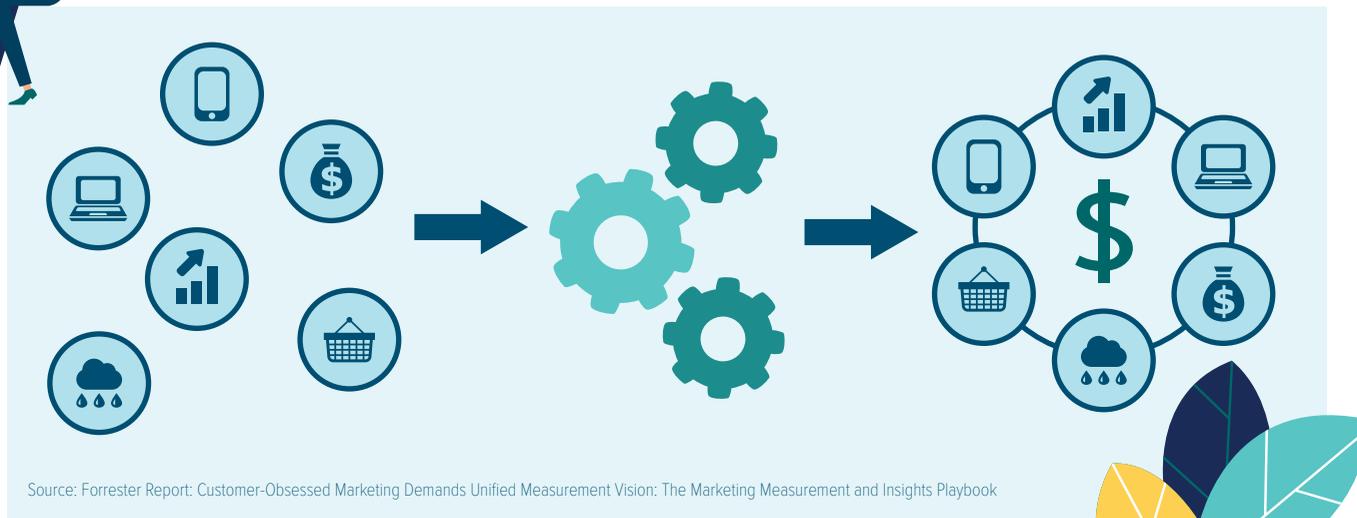
Unified measurement connects data across different platforms at different levels of granularity.

It synchronizes multiple marketing analytics methodologies.

It uses platforms to provide faster, scalable insights.

Unified measurement also considers baseline sales volumes and appropriates incremental sales volume to each contributing marketing element. But that's not all. This model considers the halo effect of branding activities that influence other media channels and purchase decisions. With unified measurement, smart marketers are no longer in the dark about branding ROI. Instead, they are able to determine with ease the best mix of product and brand marketing and analyze how branding impacts sales. In essence, unified measurement delivers the holy grail with data that marries performance and brand marketing.

The Benefits of Unified Measurement

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Paired with Bayesian learning and forgetting, unified measurement can completely transform your marketing performance. Today's rapidly evolving marketplace is heavily driven by universal changes in consumer purchasing behaviors that substantially deviate from past behaviors. These fundamental differences in market conditions render some historical insights obsolete. By leveraging an advanced marketing analytics platform that utilizes Bayesian learning and forgetting, marketers can unlock marketing performance with a unified measurement solution. This framework is best suited to today's volatile environment as it forgets irrelevant historical data, retains relevant data and exposes the emerging patterns of the future.

Know Your Customer. Shrink Ad Waste. Boost ROI.

None of the challenges posed by COVID-19 and the "new normal" are insurmountable. At a time when advertising waste has reached epic proportions due to a universal change in consumer purchasing behavior, marketing execs are looking for ways to make the most of their budget and deliver the ROI and growth numbers that the CEOs and boards expect and demand. At the same time, many marketers are still using measurement methodology and attribution models that are not detailed or accurate enough, resulting in a lot of misattribution and money wasted. Enter person-centric unified measurement—a solution that puts the consumer at the heart of it all by leveraging higher-quality data that increase the precision and efficiency of targeting and accurately measure how ads at each touchpoint influence the individual shopper. Knowing what consumers are looking for at every interaction across the journey, both online and offline, is a powerful way to advertise much more efficiently, boost marketing return on investment, and renew brand loyalty in this new era of omnichannel consumer engagement.

Intrigued? We'd love to show you more.

Marketing Evolution provides the most comprehensive closed-loop marketing performance solution that increases campaign performance, sales, and engagement. Our privacy-preserving solution combines retrospective performance reporting, forward-looking optimization, and closed-loop activation of learning and earning in a single platform to maximize Marketing ROI and brand impact.

To learn more, please visit www.marketingevolution.com.

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