For marketers and C-suite stakeholders looking to understand today’s key marketing analytics tools and where they intersect, Neustar offers this simple primer on marketing mix modeling, multi-touch attribution—and how the two work together to help brands make effective marketing decisions across the marketing org.
CMOs and their lieutenants use marketing mix modeling (MMM) for two main purposes:

1. To understand how the current mix of marketing investments will impact sales over mid- to long-term horizons, in the context of the full range of factors that influence marketing effectiveness; and

2. To see how changes to their marketing portfolio could impact efficiency and growth.

Specifically, MMM asks if the brand’s committed marketing investment levels will drive annual targets; and how to allocate marketing resources to maximize sales or returns over a mid- to long-term horizon.

To achieve that insight, marketing mix modeling might answer such questions as:

- What is the 6-24 month impact of the current marketing investment mix?

- How would changes to the mix change the overall impact of marketing?

- How would a given marketing plan influence brand health?

- How does advertising for one brand impact sales on other brands in the marketer’s product/brand portfolio?

- How do non-media marketing vehicles—like sponsorships, events, and pricing—influence sales?

- What is the influence of factors outside the brand’s control—like the state of the economy, gas prices, the weather, and competitors’ marketing and pricing?

Marketing mix modeling works by looking at the statistical relationships between the factors that influence sales, and the actual outcomes they drive. At its best, MMM is also able to use those insights to predict what should happen if a marketer changes any of the investments in the marketing portfolio.

To help ensure the validity of these insights, it’s critical that marketers “test” the accuracy of the predictions by applying MMM models to past marketing outcomes. If the model can take inputs from prior years’ data and accurately “predict” what would have happened in prior years, it’s more likely that it can accurately predict future outcomes as well. It’s also crucial to conduct “sanity checks” against known business truths and existing knowledge.
Of course, strategy alone won’t drive sales: the right execution is critical. To implement strategies effectively—across campaigns, placements and creative—brands need tactical insight on how to best put strategies into effect. For this, marketers look to multi-touch attribution, which examines how specific consumer engagements impact sales—to help marketers optimize interactions along the customer journey.

Questions that attribution can help answer include:

- How does ROI vary by campaign, ad placement, or type of addressable media?
- Which are the brand’s most effective marketing placements, at any given time?
- What is the incremental value of additional online impressions or clicks?
- How does an anonymous customer’s purchase history or target segment affect the impact of marketing?
- How effective is a given ad creative?
- What is the optimal network, spot length, daypart or pod level for a TV ad?

Based on the answer to these and related questions, attribution helps marketing teams guide shorter-term media buying, as well as certain creative decisions. It can also guide automated, programmatically-purchased advertising as well.

Providing answers to such granular questions, attribution analyzes equally granular data from directly observable sources—such as CRM data, anonymous cookie data, or first-party site metrics. Much of that data focuses on addressable touch points—including digital, direct mail, catalog, and, increasingly TV as well.
While both marketing mix modeling and multi-touch attribution are highly powerful tools, neither can answer the full range of marketers’ critical questions alone.

- Multi-touch attribution uses granular data to deliver powerful, specific insights into the effectiveness of marketing tactics. However, it is not designed to guide decisions around areas such as long-range planning, much of offline marketing, and the influence of non-marketing factors—all of which lack a clear “dotted line” of data connecting marketing influences with outcomes. These areas call for marketing mix modeling, which relies heavily on analyzing correlations between multiple factors.

- At the same time, marketing mix modeling works at a 10,000-foot level that’s far removed from the granular analysis needed to guide effective marketing execution. Only attribution will provide marketers with the “deep dive” to guide specific tactics.

To both guide long-range strategies and execute them to best effect, brands need to use marketing mix modeling and attribution in tandem.
The Value of a Single Solution

Through shared insights, reporting, and workflow across analytics applications, the entire marketing program—from strategic decision makers to functional teams to automated buying platforms—can plan and execute in lock step.

Different organizations take a wide array of approaches to syncing their marketing mix modeling and attribution programs. Much of that difference in approach comes down to the way marketers build their marketing analytics “stack.” Some brands employ completely unlinked marketing mix and attribution platforms, and manually connect insights where relevant. At the other end of the spectrum, marketers utilize a single platform that brings marketing mix modeling and attribution into one system. Which approach is more effective?

To answer this question, brands need to consider the fundamental interconnectedness of marketing investments.

In marketing, no decision or insight takes place in isolation. Allocating more budget to TV may have huge implications for online performance. A highly effective social media program may justify shifting budget to social outlets, and away from radio or print (for instance). To make the right decisions, marketers need to understand the ripple effects any one set of marketing investments will have on all marketing for the brand. In a world of real-time decision-making and ongoing optimization, this means brands need to maintain a wide view of marketing effectiveness, across strategy and tactics, at all times.

The more interconnected strategic insights are with tactical ones, and offline analytics is with digital insights, the better brands can orchestrate their decisions in complementary ways. Conversely, it’s extremely difficult to make decisions with an eye to the entire marketing program if marketing insights are scattered in silos across functions and teams.

This, in a nutshell, is why Neustar believes firmly in the need to integrate marketing mix and attribution applications. Through shared insights, reporting, and workflow across the applications, the entire marketing program—from strategic decision makers to functional teams to automated buying platforms—can plan and execute in lock step.
About Neustar.

Neustar, Inc. (NYSE: NSR) is a global information services provider offering marketing, risk, security and communications solutions. As the leader in Connection Science, our mission is to help clients grow and guard their business with the most complete understanding of how to connect people, places and things using authoritative identity. With our commitment to privacy, security and neutrality, Neustar Marketing Solutions helps clients make better decisions about their customers, understand their customers better, activate their customer experiences and manage all of their customer data. Powered by Neustar’s OneID system for authoritative identity, our Marketing Solutions include Data Onboarding, Customer Scoring and Segmentation, Audience Activation, Identity Data Management Platform and MarketShare Advanced Analytics.

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