Guide to Measuring the Impact of Digital Marketing on Offline Sales
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The New Era of Closed-Loop Measurement

For years, digital marketing has promised the ability to tie campaigns to sales. While marketers have long been able to connect at least some digital advertising to online sales, a far bigger prize has proved elusive:

How can marketers measure the impact of digital marketing on sales that take place in brick-and-mortar stores or over the phone?

This has been a critical blind spot, since sales via these ‘offline’ channels still account for more than 90% of US commerce.

The tools to address this gap are now readily accessible. This white paper contains best practices from technology innovators who help brands achieve new levels of efficiency through closed-loop offline sales measurement.

“Tying offline activity and purchase data to online marketing efforts is paramount for brands to have a complete picture of campaign effectiveness and identify new opportunities.”

CASEY CAREY, HEAD OF MARKETING, ADOMETRY BY GOOGLE
Why is it so important to analyze the connection between online marketing and offline sales? The insights gained can improve marketing efficiency at multiple levels. Here is what we heard:

1. Keep (and grow) your budget

With a clear understanding of which programs impact sales, marketers can make smarter decisions about where to allocate resources. Initiatives that didn't seem to effective for online sales may prove to be some of the best investments going forward. The following examples illustrate the point:

“One of our clients learned that for every $1 earned in the e-commerce online store, $5 was earned in-store from the same media,” says Jeff Zwelling, CEO of Convertro. “The company, which was more focused on offline sales, had been considering cutting back the digital advertising budget. With the new information, the e-commerce manager was able to keep his budget intact.”

“When we first started working with a major big box retailer, they were investing in digital marketing, but had trouble justifying the spend,” says Brandon Bethea, CEO of Adaptive Audience. “Now that the offline sales measurement data is available, the digital budget has been increased by 20 percent.”

2. Tie Campaigns to Sales, Not Proxy Metrics

While most digital marketers seek to optimize their campaigns based on sales impact, many resort to a focus on proxy metrics, such as cost-per-acquisition (CPA) or cost-per-click (CPC) targets. By understanding what truly impacts offline sales, marketers can improve campaign performance and generate a higher return for each dollar of investment.
Consider the following example:

“A large global retailer found a statistically significant **10% lift** in offline sales from their online media buying. In addition, they discovered a set of keywords that didn’t seem to result in online sales, but that actually had an impact on offline sales. With new visibility the advertiser was able to double down on media spend that previously didn’t seem as valuable.”

JASON YOUNG, SENIOR DIRECTOR OF PRODUCT MARKETING AND PARTNERSHIPS AT MARIN SOFTWARE

### 3. Find the Most Effective Levers to Pull

When the right data set is available for closed-loop analysis, marketers can often identify opportunities for increasing sales lift by looking at the data from multiple dimensions:

- **Channels**
  - how do search, display, video, and mobile compare?

- **Publishers**
  - which publisher sites perform best?

- **Geography**
  - which regions responded best to the campaign?

- **Media**
  - what is the incremental lift coming from better viewability?

- **Content**
  - which creative elements and messages perform best?

- **Bidding**
  - what is the optimal amount to bid on media?

- **Data Sources**
  - which first and third party data sources perform the best?

- **Frequency**
  - how many impressions are needed to drive an action?

- **Time**
  - over what time period does the campaign yield the best results?
4. Build the Case for Smarter Media Buys

When marketers place a focus on optimizing campaigns for offline sales impact, a clear business case can be made for investing in better data, media viewability, and verified human traffic. Although these elements have higher up-front costs, the impact on sales can be significant, leading to higher campaign ROI.

“Viewability and non-human traffic are very big topics right now,” says Kelly Barrett. “You want to make sure real people saw your advertising. We did a test for a major CPG firm and saw that 40 percent improvement in the viewability rate generated a 75 percent lift in offline sales.”

Insights can be used for a mid-campaign adjustment, or they can be used to inform strategies for future campaigns run by the brand.
Tools for Closed-Loop Analysis

Marketers now have access to advanced tools and experienced subject matter experts that can perform closed-loop analysis on digital marketing campaigns. Here are a few capabilities to look for:

1. Attribution Analysis

Attribution analysis is the process of assigning credit for a sale to a campaign. For years, marketers have relied on a ‘last touch’ approach to attribution, where full credit is given to the last channel that a consumer used before making a purchase. However, this approach tends to disproportionately favor late funnel campaign elements like search and ignores the fact that the path to purchase is often complex and spans multiple channels.

Measurement platforms now offer ‘multi-touch’ attribution methodologies that take into consideration the full range of marketing touch points that lead to a conversion. These tools give the proper amount of fractional credit to every element of the media mix by using a combination of probabilistic algorithms and predictive modeling.

“Multi-touch attribution offers a more complete accurate analysis, and is considered to be the best practice,” says Brandon Bethea. “However, last touch attribution can be useful as a simple, immediate way to analyze incremental lift between a test group and a control group.”

Marketing mix models can also highlight when additional investment is no longer beneficial for a specific campaign. “Optimization recommendations based on saturation points based on incremental return,” says Casey Carey, “gives marketers a way to assess where additional spending may result in diminishing returns and identify under-invested opportunities.”
2. Marketing Mix Modeling and Optimization

More advanced measurement tools now allow marketers to run ‘what if’ scenarios to model how future campaigns might perform if specific optimization recommendations are implemented. These models can be used to justify a budget increase for a specific campaign, since they show the incremental return that can come from additional spend.

Marketing mix models can also highlight when additional investment is no longer beneficial for a specific campaign.

“Optimization recommendations based on saturation points give marketers a way to assess where additional spending may result in diminishing returns,” says Casey Carey, Head of Marketing for Adometry by Google, “and highlight under-invested opportunities.”

Brands facing declining investment can also use predictive models to determine how to get the highest yield from a smaller campaign budget.

3. Cross-Device Measurement

The average U.S. consumer now owns four digital devices and spends 60 hours a week consuming content across devices. Many consumers start a shopping experience on one device and then continue the process on another. Sophisticated closed-loop analysis techniques are required to navigate the complexity caused by this fragmentation for both online and offline sales measurement.

“To understand a consumer across devices requires big data, modeling, and large amounts of census viewing data from set-top-boxes,” says Anne Hunter, SVP Global Marketing Strategy at comScore. “Techniques from digital are now being applied to traditional television, and that’s allowing for the measurement of consumers across platforms.”
Data Requirements for Offline Sales Measurement

In order to analyze the impact of digital marketing campaigns on offline sales, marketers must put the right data elements together. The following data needs to be combined in a manner that adheres to privacy regulations and best practices:

- **Offline sales transaction data** - product codes, purchase amount, and purchase date
- **Campaign exposure data** - devices exposed to ads, ad campaign served, and exposure date

Most brands with offline sales have ready access to transaction data from point-of-sale (POS) or CRM systems. Some CPG firms and retailers selling through supermarkets, distributors, dealers, or big box chains like Walmart need to procure transaction data either from their sales partners or from a third-party data provider.

Campaign exposure data often comes from the marketing application or media platform that was used to run the campaign. For example, if a marketer uses a Demand-Side Platform (DSP) to execute a programmatic buy of display ad inventory, the DSP should be able to export the necessary exposure data as log files. Alternatively, campaign exposure data can be tracked at the impression level across all publishers on the media plan by deploying a pixel provided by a measurement company.

Many marketers work directly with media platforms like Facebook and Twitter to run campaigns. These platforms can generate campaign exposure data, but they do not supply this information directly to marketers. Instead, marketers are required to work with designated partners to perform a closed-loop analysis.
Data Onboarding

A Data Onboarding service provider is needed to connect offline sales transaction data to campaign exposure data on behalf of a brand. This is done in a privacy compliant manner that ensures no online behavioral data is connected to personally identifiable information (PII) like an email or a postal address.

Marketers securely upload sales transaction data to the Data Onboarding service provider, where the records are first anonymized and then matched to online devices. Next, campaign exposure data for those same online devices is matched either by the Data Onboarding service provider or by a measurement platform that is integrated with the onboarder.

DATA ONBOARDING FOR OFFLINE SALES MEASUREMENT
“We’ve all known that online drives offline, but without data onboarding, we were never sure how much. Now we can do that analysis,” says Marco Botticelli, Senior Product Manager at Kenshoo. “In the past it was impossible for one of our retail clients to translate their in-store purchase data back into a language that online marketing tools could use. Now they can analyze transactions every day and find out which in store purchasers have spent time on the website, who has come through Paid Search or Paid Social. This totally changes the strategy.”

Since Data Onboarding involves matching sales transaction data to online devices, a Data Onboarding service provider can improve both online and offline sales measurement by providing insight into cross-device purchase pathways. Data Onboarding can also be used to connect customer databases to marketing applications to improve campaign targeting and content personalization.

“Make sure you’re working with an onboarding partner who knows how to syndicate data everywhere,” says Marco Botticelli. “You don’t want to find out that it’s a really good idea to use this offline conversion data, but it’s going to take another 5 months for your internal team to get that data to a different marketing application because there’s another test file and more back and forth, etc.”
Managing a Successful Measurement Program

Adopting a few key best practices can help marketers get maximum value from an investment in offline sales measurement.

Start Simple, Start Now

Many brands come to recognize the benefits of closed-loop measurement in stages. Rather than waiting to begin until the full organization is aligned, many marketers find success by starting with a pilot.

“The advertisers that we’ve seen who run pilots have found it easy to tell that there’s value in bringing online and offline together, because they see material financial lift,” says Jason Young, Senior Director of Product Marketing and Partnerships at Marin.

Starting small also allows you to choose which team and data source you work with first.

“Choose an internal team who can move the data quickly and can operate at the same speed as the very tech-forward vendors and partners that you’re probably working with. Staying agile is key. Learn from a controlled implementation plan, keeping it as simple as possible. Test, learn, adjust, and repeat – it’s a much safer practice than making decisions based on gut feelings.”

MARCO BOTTICELLI, SENIOR PRODUCT MANAGER AT KENSCHOO

Align Internal Stakeholders and External Experts

Successful marketers build momentum by working closely with their technology partners to ensure evidence points are shared early and often.

“In the beginning you want to establish that these new attribution models with offline data are helping you drive an overall incremental uplift, so that everyone agrees that this is better for the business,” says Marco Botticelli. “You can do that using A/B tests or a variety of different methods depending on channel, but you need to prove that using all
of this data together means that you can optimize your Search, Social, Display, and Email campaigns so that they’re all more effective and contribute to the bottom line.”

It’s equally important to ensure digital and traditional database marketing teams are actively engaged with one another.

“Brands need to partner with digital experts who understand how to do models, work with big data and granularity, and get the digital marketing team into the same room with the traditional media people. They need to make sure that those two groups are completely fluent and talking, and have a really strong flow of information and collaboration,”

- ANNE HUNTER, SVP GLOBAL MARKETING STRATEGY AT COMSCORE.

**Align Goals and Compensation for New Metrics**

Many marketing teams are used to setting goals and performing analysis at the level of each channel. For example, email, search, and display are managed independently from one another. When a brand starts investing in offline sales measurement and multi-touch attribution, it’s important to ensure goals and compensation are properly aligned, so budgets can quickly be reallocated based on what’s best for the business.

“There is a natural conflict in who gets credit for conversions. Brands are changing the attribution game when they bring in offline conversion data, and it is critical to leverage partners who are familiar with solving such mathematical problems via a holistic, research-based practice. Brands need to align the way they compensate and speak about performance so that it’s not a zero sum game – so that it’s not Search or Social getting credit, but everyone getting credit on the overall incremental uplift,”

- MARCO BOTTICELLI, SENIOR PRODUCT MANAGER AT KENSHOO.
Measure online and offline sales impact independently and together

While it’s beneficial and often simpler to look at the impact of digital marketing on e-commerce sales separately from in-store sales, some of the most important insights can emerge when sales data is analyzed holistically.

“When retailers see online shopping cart abandons, they want to know if a consumer came into a store or went to a competitor,” says Kelly Barrett. “They can see part of the path to purchase with their own data sets, and the right tagging and onboarding strategy can help them fill in the gap.”

“One of our clients had their budget set according to an e-commerce return-on-ad-spend (ROAS) target,” says Brandon Bethea. “By looking at the total online and offline sales influenced by digital marketing, they were able to increase their budget while maintaining the set ROAS goal.”

Ensure Data is Properly Prepared and Reviewed in Context

Marketers are increasingly called upon to make decisions based on hard facts and data. Numbers don’t lie, but data can be difficult to interpret. It’s a good best practice to ensure key stakeholders understand how data will be collected, analyzed, and reviewed before results are presented.

“Have a kick-off to explain the match process, where drop offs occur in the data onboarding process, and how the data is extrapolated,” says Brandon Bethea. “This will save time and enable the team to focus discussion on insights and action when the first report arrives.”

“Smart companies make sure that stakeholders understand channel costs and media spend up front, before discussing insights from modeling and attribution,”

- KELLY BARRETT, VP OF PARTNERSHIPS AT COMSCORE
It's also a good practice to use a rigorous measurement approach that includes the use of a control or holdout group. By investing time up front to measure the incremental lift between a test and a control group marketers can reduce debate when sharing results.

Create Space for Experimentation

Marketers are under constant budget pressure, and need clearly defined goals for every campaign that move the business forward. However, the marketing tactics that produce the best results today may not be the most effective means to reach consumers tomorrow. Through experimentation, marketers can identify future sources of competitive advantage.

“The best marketers build campaigns that have some experimentation in them,” says Kelly Barrett. “Test different approaches against each other in preparation for your next big campaign. Find what works and then roll it out to the rest of the teams that work alongside you.”
Conclusion

It is now possible to measure the impact digital marketing has on offline sales. The insights from this analysis can lead to significant opportunities for increasing efficiency and generating ROI.

Engage your technology and services providers to help you identify how to get started. To learn more about our partners and how they can help you understand and take action on your data in innovative ways, visit their websites:

AdaptiveAudience.com
Adometry.com
Convertro.com
comScore.com
Kenshoo.com
MarinSoftware.com

2. US Department of Commerce, Quarterly Retail E-Commerce Sales, February 2014
About LiveRamp
LiveRamp connects data across more than 120 digital marketing applications. By onboarding customer data into the applications developed by our partners, we help leading brands eliminate data silos and run more efficient marketing programs.