



# Clicks to Bricks

## AN **OPTIMINE** WHITEPAPER

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How to Measure Digital Marketing  
Impacts on Physical Retail Sales



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# MEASURING DIGITAL MARKETING CONTRIBUTIONS TO IN-STORE SALES

Are you getting full credit for your digital campaigns?

Digital advertising spend continues to grow, in part because marketers can more easily measure its impacts. Web analytics tools allow marketers to track an ad's click through to e-commerce sales- all to prove ROI based on "last click" attribution. But when it comes to understanding how that same ad contributes to sales in physical retail stores, the measurement picture is unclear.

Yet, for most retailers the vast majority of their revenue still comes from in-store sales. Because of this, it isn't enough to measure a digital ad's

contribution to e-commerce sales nor make a spend cutoff decision for the ad based on e-commerce sales alone.

In the ultra-competitive retail environment, marketers with an information advantage- the power to know the full value of each marketing investment- will succeed over less-informed competitors. With every penny of the marketing budget under intense scrutiny, this power to know the full value of every campaign is critical to a retail marketer's success.





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## Measuring Digital Contributions to In-Store Sales

Measuring digital campaigns' impacts on in-store sales can be difficult and extremely expensive, which is why many retailers don't do it, and if they do, don't do it very well. Many of the most common approaches are explored here with an overview of their methods, considerations, risks and relative benefits.



### Is closing this digital to in-store gap important and valuable?

There is plenty of research that suggests that consumers' trips to physical stores start with digital engagement. According to a 2018 PwC research study,<sup>1</sup> social media ranks as the most important digital source for purchase inspiration, with 37% of consumers ranking it most important.

Nearly 80% of consumers will go to the store to buy when they have an item they want immediately, and in many cases, these decisions begin on mobile devices.<sup>2</sup>

They're also looking for guidance and recommendations on what to buy- searches for reviews on mobile have increased by more than 35% over the past two years<sup>3</sup>

And as the growth in digital marketing's share of the budget continues to increase, it is critical for the marketer to understand how- and how much- these campaigns are contributing to in-store traffic and sales.

<sup>1</sup> From mall to mobile: Adjusting to new consumer habits, PwC.com, 2018

<sup>2</sup> Want to upgrade your in-store experience?, Think with Google, November 2018

<sup>3</sup> How mobile search is driving today's in-store shopping experience, Think with Google, October 2018



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## Common Approaches to In-Store Measurement

There are a handful of commonly used approaches to measure advertising's impacts on in-store traffic and sales. We'll profile each approach, how the measurement is conducted, and the risks and considerations that every retailer should examine as they evaluate their own marketing measurement strategies.

### Tracking Consumers / Identities

Many retailers assume that the only way to measure the effectiveness of a digital ad on in-store sales is to attempt to identify the consumers that saw the ad across their various digital devices, and match their identities with the shoppers making a purchase in the retail store. In this approach, the retailer must acquire consumer and cross-device identity data from a 3rd party vendor or use a multi-touch attribution vendor that collects this data via cookies, tags or other tracking mechanisms. The retailer must then provide their own customer transaction database to the measurement vendor to "match" the identities of the consumers seeing the ads. The goal is to understand which customers were exposed to the ad and purchased in-store to measure the ads' contribution or lift in sales.

This method is helpful to understand what types of consumer audiences and segments respond to advertising for future targeting objectives. But, in reality this approach has several significant downfalls. Simply because a consumer saw an ad and made a purchase in-store does not mean the ad drove the sale. In today's consumer environment, a prospective consumer might see many ads from a brand (or none at all) and this may have nothing to do with their purchase activity. There may be many, many more logical explanations for the purchase: a sale or promotion, seasonality (holiday), geographic proximity, and many more. Secondly, the consumer data matching process is expensive, time consuming, and carries



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a data security risk. Furthermore, even very small gaps or errors in the matching process can yield significant measurement inaccuracies. Finally, there are emerging consumer data privacy regulations- beginning with the California Consumer Privacy Act, which goes live in 2020- that will make this approach much more difficult or even illegal.

## **A/ B Testing**

Considered the gold standard for understanding the lift associated with marketing campaigns, A/B testing, when conducted properly, yields a clear picture on marketing impacts at a specific point in time. The retailer typically defines control and test groups- many times using geographic regions- and then exposes the groups to the different ad treatments. Comparing the in-store sales for the groups provides a measure of incremental value of the ad test. This is considered a "gold standard" because this approach controls for all other elements that might influence sales and provides a more accurate measure of the incremental contribution of the ad itself.

However, the A/B testing process is slow, expensive, and carries risks to the business performance- especially for groups that might not receive advertising, thereby potentially reducing sales. Also, with this approach, a brand may not be able to run many tests concurrently and as a result, the measurement is only applicable for a point in time. Finally, because these tests are complex and require solid, sound design, they can be a distraction for a marketing team that has other high priorities.



## **Walled Garden Measurement**

Many of the “Walled Garden” ad networks, as well as ad agencies with a fee structure based on ad spend volumes, now offer the ability to measure campaigns run on their platforms, or campaigns they execute on behalf of the brand.

Most have built these measurement capabilities to prove the value of advertising on their networks as they have a vested interest in demonstrating this value to their advertisers. The Walled Gardens typically offer these measurement tools and projects free of charge, and most use methods like multi-touch attribution, consumer identity matching and A/B testing.

Not surprisingly, the measures of value look quite promising, which gets to the inherent “fox in the henhouse” risks of such approaches and offerings. While these offerings can be useful as part of an overall measurement strategy, a retailer should not rely on these measures alone given the significant conflicts of interest that arise.

## **Traditional Marketing Mix Modeling**

Marketing mix modeling, an approach that has been used successfully by large brands for decades, can offer the retailer a good measure of the incremental contributions of marketing channels. In this method, a predictive model is built that examines advertising and sales over time, controls for non-marketing factors, and correlates advertising's impacts on sales. The resulting measures provide high level channel guidance on the ROI of advertising and also indicates an optimal mix to lift overall performance.



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That said, marketing mix modeling is very expensive, in part because the models are usually built by hand by specialized consultants. And the byproduct of this is that the models are extremely slow to build, update and refresh over time. Finally, these models don't provide detailed ad or campaign level measures and often times only give guidance at highly summarized levels. This lack of detail doesn't provide guidance to the teams managing each channel, and the summarized approach misses many rich signals – especially in digital campaigns- that can make the difference of winning or losing for a specific approach or ad.

## | Why OptiMine

OptiMine's focus is to provide marketing measurement that allows the retailer to see the total impacts of their campaigns on both e-commerce and in-store sales, and to gain this insight with speed and flexibility. OptiMine uses marketing mix modeling and has developed incredibly sophisticated software and AI that automatically builds thousands of predictive models to deliver deep, detailed measurement across both digital and traditional marketing channels, in a fraction of the time compare to traditional, manual marketing mix modeling.

OptiMine's innovative methodology avoids the risks of using PII (regulatory, data security), and dramatically increases the speed and flexibility of measurement. While traditional marketing mix modeling methods use highly summarized views and data, they miss ROI and value buried deeply within channels- especially in digital channels such as search, social, video and display. OptiMine measures in detail- at ad and campaign levels- to provide actionable guidance to the marketing teams managing each channel.



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## Summary of Commonly Used Digital Retail Marketing Measurement Approaches

APPROACH	RISKS, CONSIDERATIONS, LIMITATIONS
Multi-touch Attribution – with Consumer Data / Identity Matching	<ul style="list-style-type: none"><li>— Seeing an ad does not mean it drove a sale</li><li>— Expensive</li><li>— High error rates due to consumer data mis-matches</li><li>— Future risks due to consumer data privacy regulations</li></ul>
A/B Testing	<ul style="list-style-type: none"><li>— Slow</li><li>— Expensive</li><li>— Single point in time</li><li>— Improperly controlled tests can be “contaminated”</li></ul>
Walled Garden Measurement	<ul style="list-style-type: none"><li>— Inherent risks and limitations of the methods outlined above</li><li>— Measures in a silo, and may not account for other factors driving sales</li><li>— Significant conflicts of interest create risks for the brand- “Fox in the Henhouse” issue</li></ul>
Traditional Marketing Mix Modeling	<ul style="list-style-type: none"><li>— Good measure of incremental impacts of marketing</li><li>— Slow</li><li>— Expensive</li><li>— Too summarized, difficult to act on</li><li>— Difficult to update</li></ul>
 OptiMine	<ul style="list-style-type: none"><li>✓ Measures incremental impacts of marketing- including in-store sales</li><li>✓ Extremely fast</li><li>✓ Highly detailed, actionable insights</li><li>✓ Rapid updates</li><li>✓ Flexible- can measure many different outcomes</li></ul>



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Measuring marketing contributions to both e-commerce and brick and mortar sales can be difficult, time consuming and expensive but is essential for success. The right retail marketing measurement approach will bridge the digital to in-store gap, and provide marketers the total value of their investments. OptiMine recommends retailers follow these principles to achieve measurement success:

## OptiMine's Measurement Principles- the Clicks to Bricks Checklist for Measurement Success:



Ensure measurement controls for external factors that drive sales. This is the key to understanding incremental contributions of marketing.



Measure everything together – measuring in silos increases the risks of getting it wrong.



Persistent pulse- the market and competition are always on the move. Ongoing measurement updates are essential to stay apace.



Detail matters- highly summarized measurement miss ROI and performance opportunities. There is money to be found in detailed, ad and campaign-level measurement.



Beware the Walled Gardens, Foxes in Hen Houses. Independent, objective measurement provides the best guidance.



Future-proof your measurement- emerging consumer data privacy regulations may create problems for consumer tracking-based measurement. Consider safer alternatives.



## Contact **US**

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Contact us today to schedule a demo or meet with OptiMine to learn how you can leverage our advanced analytics to lift your marketing performance.



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