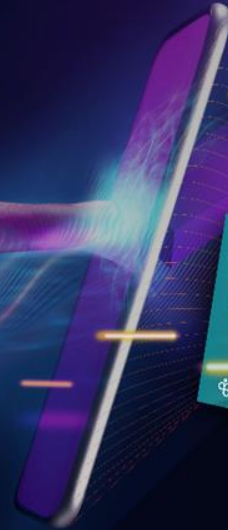


Marketing Mix Analytics for Millennials

Measuring the
Short- and Long-
Term Impact of
Advertising for a
Major Department
Store



Situation

- This department store chain will be referred to as **“Fashion Stores”** in this study for confidentiality.
- For 2021, Fashion Stores’ strategy was to increase its sales and market share among Millennials and away from older age groups.
- New marketing management changed its merchandise mix, store structure and advertising toward Millennials, but overall sales were not meeting expectations.
- The Marketing & Research Team sought to understand how marketing and advertising measurement can be leveraged to grow this target audience and regain others.

Executive Summary

Fashion Stores show a -5.6% sales decline in 2020. In depth analysis reveals that:

- The Covid Lockdown cost the retailer about -3.4% % in sales. Even without Covid, Fashion Stores' overall sales still under-performed. While strong sales growth followed the Lockdown, it is questionable this growth will be sustainable.
- Like other retailers, Fashion Stores focuses much of its marketing toward Millennials 25-34. While sales improved year-over-year at 6% among this group, it was insufficient to overcome the sales declines in older age segments.
- Fashion Stores is thus faced with the difficult task of accelerating growth among Millennials while also returning the other age groups to positive sales increases.

Executive Summary Continued

- While Fashion Stores' advertising improved overall in the current year and has worked especially well in driving growth among Millennials.
- However, it has yet to recharge growth across all groups. The Boomer age segment, which is the largest by volume, does not respond well to Fashion Stores' ad messaging.
- This must be resolved if Fashion Stores' business is to sustain future growth.

Model, Architecture and Data Sources

Bottom-Line Analytics (BLA)™ looks at and measures advertising in three distinct stages:

- **The Short-Term Effect** - When marketers advertise, there is an immediate increase in sales due to the acquisition of a new customer or an incentive to buy more from an existing customer.
- **The Long-Term Effect** - However, advertising also involves building loyalty over time, resulting in repeat sales from every acquired customer. Good advertising will build a longer-term sales momentum for brands.
- **The Impact of Ad Creative** - Finally, every ad that is run has a commercial message, and different messages affect sales differently. Measuring the impact of ad creative is an additional effect from advertising.

Sources of Modeling and Data

Three important sources were used for this modeling exercise:

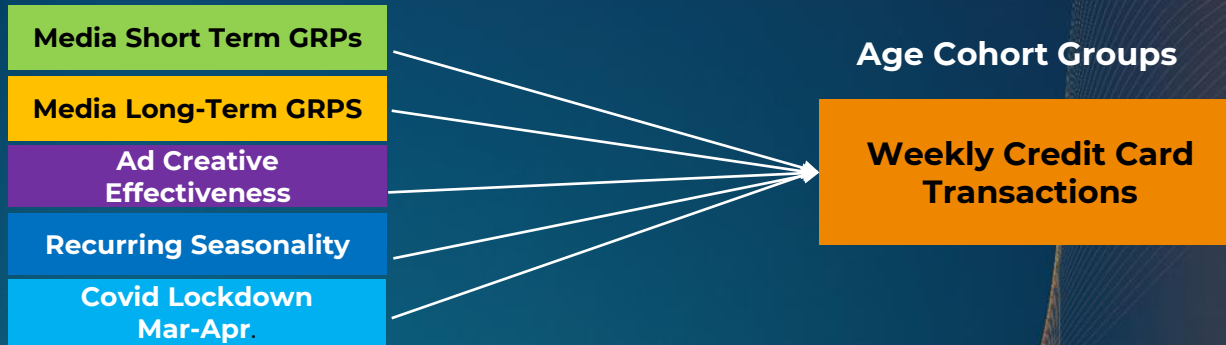
include:

- **Bottom-Line Analytics** designed and executed the Marketing Mix Model for this study. BLA is an advanced analytics firm that provides ABX and its clients with objective, fact-based assessments and validations of their copy testing metrics.
- **Affinity Solutions** and its partner company, **Iridescent Data**, provided credit-card purchase transactions over a three-year period Big Box Stores.
- **Advertising Benchmark Index (ABX)™** data was used for ad creative effectiveness evaluation for every ad in this study. This Index is comprised of the five most important of 14 KPIs measured across all media types and variables globally. To date, 400,000+ ads have been measured.

Model & Architecture

Bottom-Line Analytics (BLA) constructed a predictive marketing model which will measure the impact of both short-and long-term effects of the Fashion Stores' advertising and the additional impact from the creative advertising message on consumer sales among Millennial shoppers.

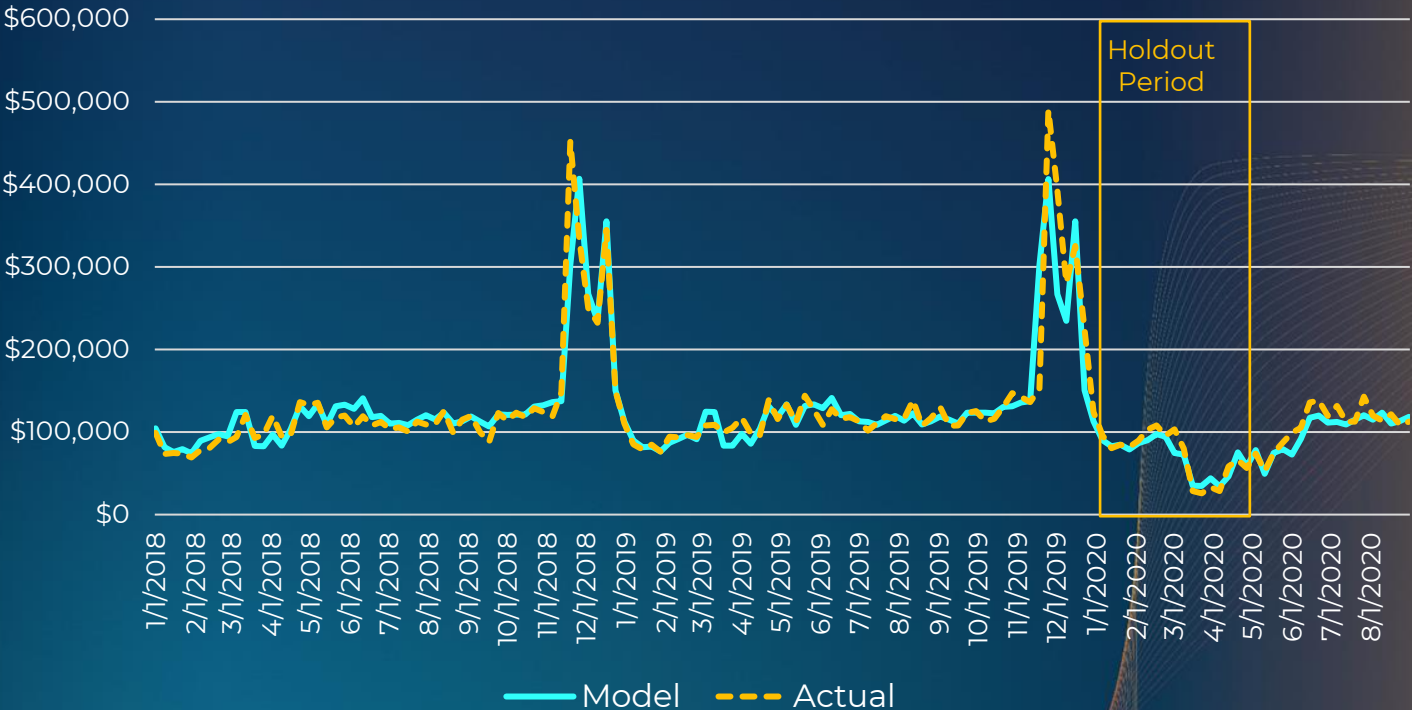
BLA believes this is breakthrough analytics because most marketing-mix models only measure the short-term effect of advertising and make no effort to measure the impact of ad creative or the long-term effect of media.



Validating the Model

This Model explains sales well and has a good ability to predict.

Fashion Stores' Millennial Sales & Models

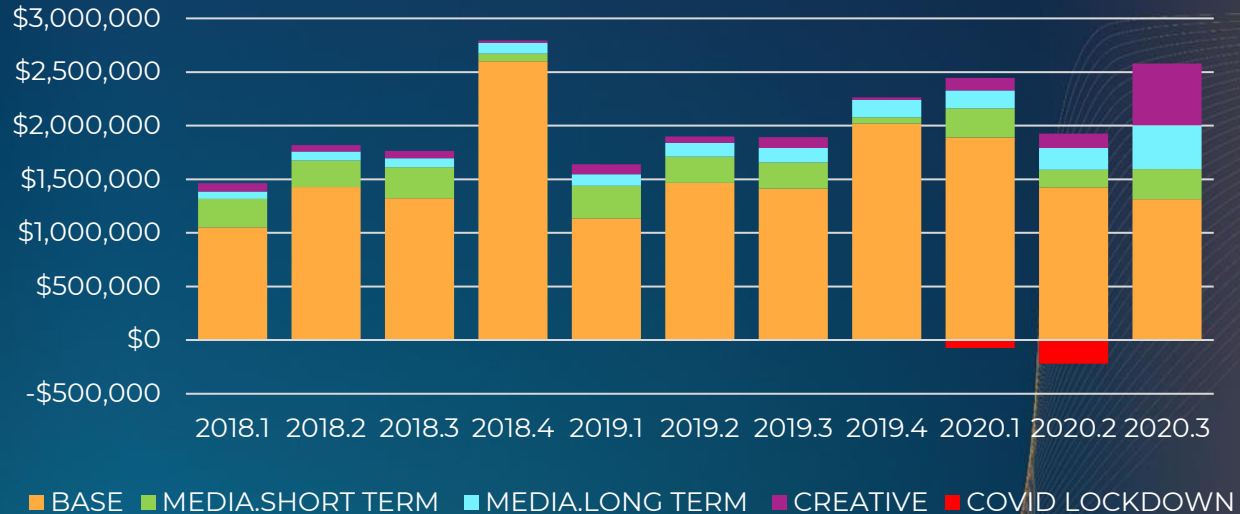


Existing Situation

Quarterly Sales Drivers

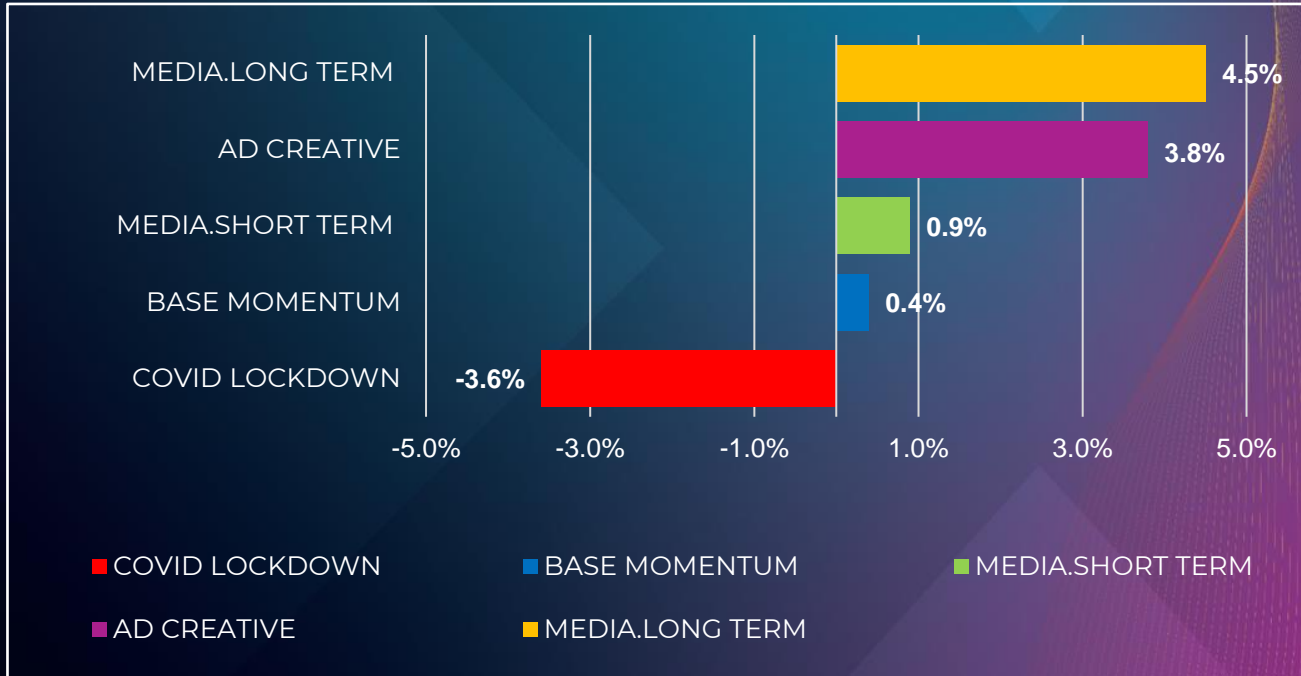
After a -10% Millennial sales decline in Q2 and a large negative impact from the Covid Lockdown, Fashion Stores' Millennial sales recovered to +25% gain in Q3. Much of this gain was driven by media.

Fashion Stores: Decomposing Millennial Sales by Quarter



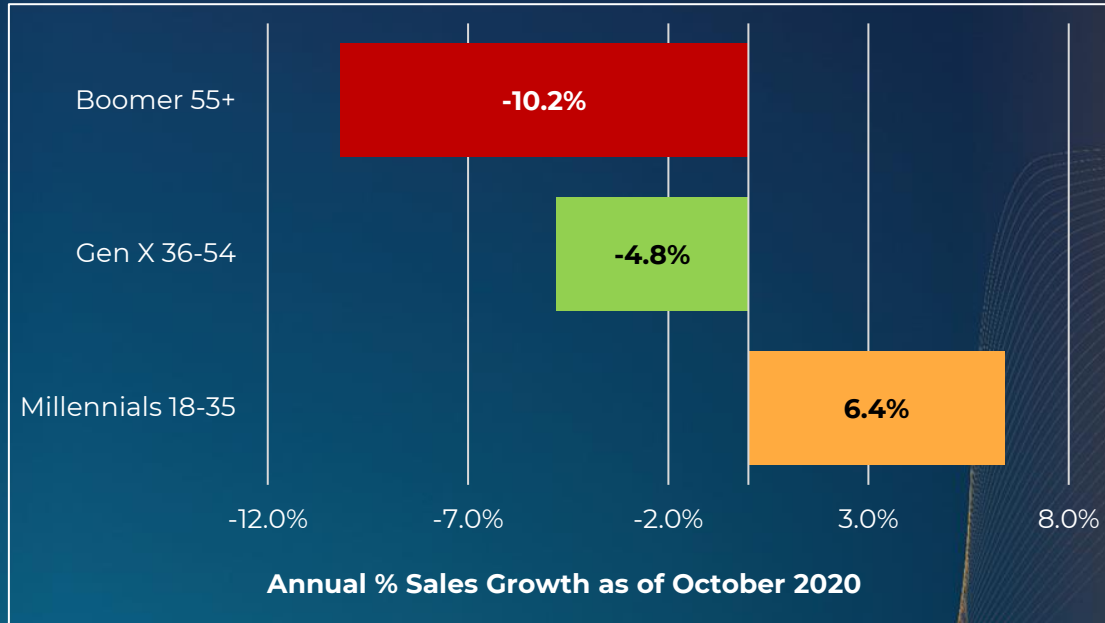
Millennials Annual Marketing Variance:

Ad Creative & Long-Term Media were the predominant drivers of Fashion Stores' six percent annual sales gain among Millennials.



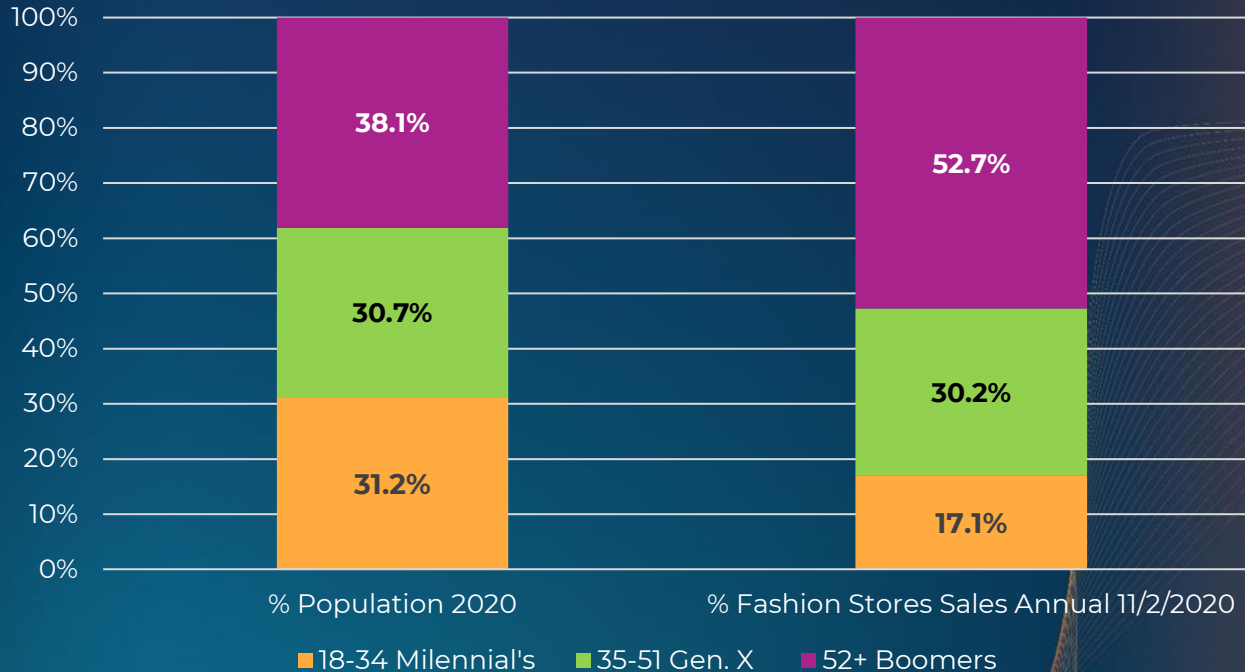
Fashion Stores: Annual Sales Growth by Age Group

Millennials show sales strength while other groups are declining. This Millennial growth was good, but insufficient to compensate for declines in other age groups.



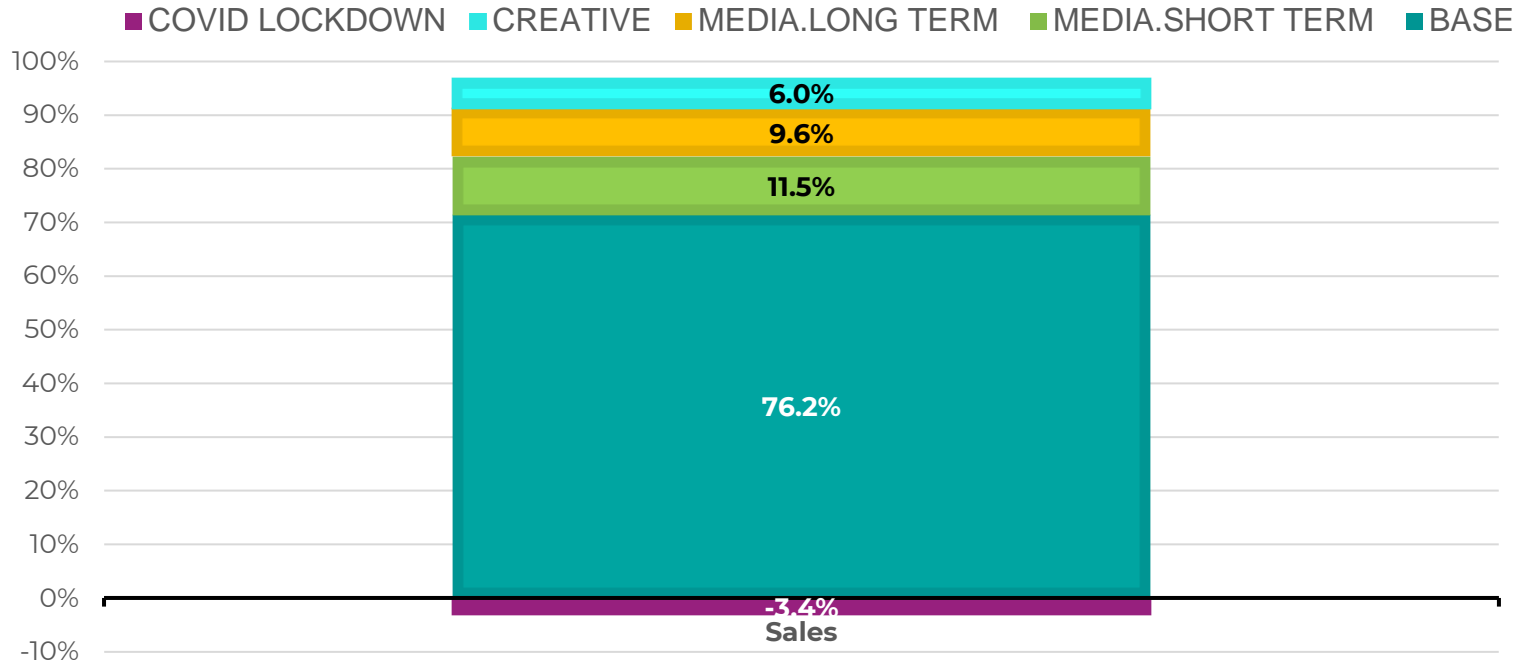
Population and Fashion Stores Sales by Age Cohort

Fashion Stores, and department stores in general, are seriously under-developed with respect to sales to the Millennial Age-Group. This poses a big challenge. It makes strategic sense to go after this large segment of customers while not losing other age cohorts.



Value of Media: Decomposing Sales for Millennials

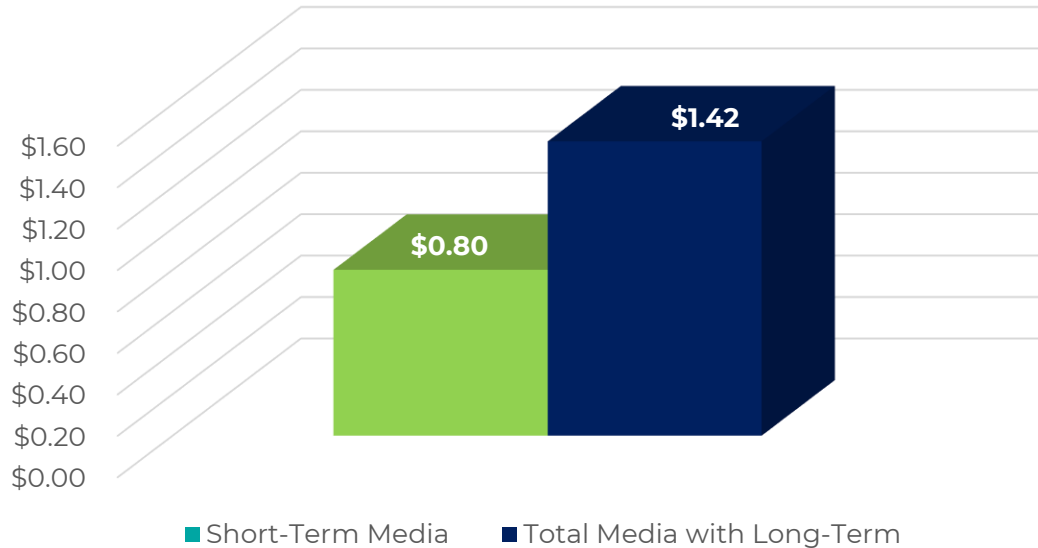
Advertising accounts for 27% in incremental Sales to Millennials: Short-Term Media contributes 11.5%, Long-Term Media 9.6%, and Creative Effectiveness 6%. The Covid Lockdown had a -3.5% impact.



Media Return on Investment:

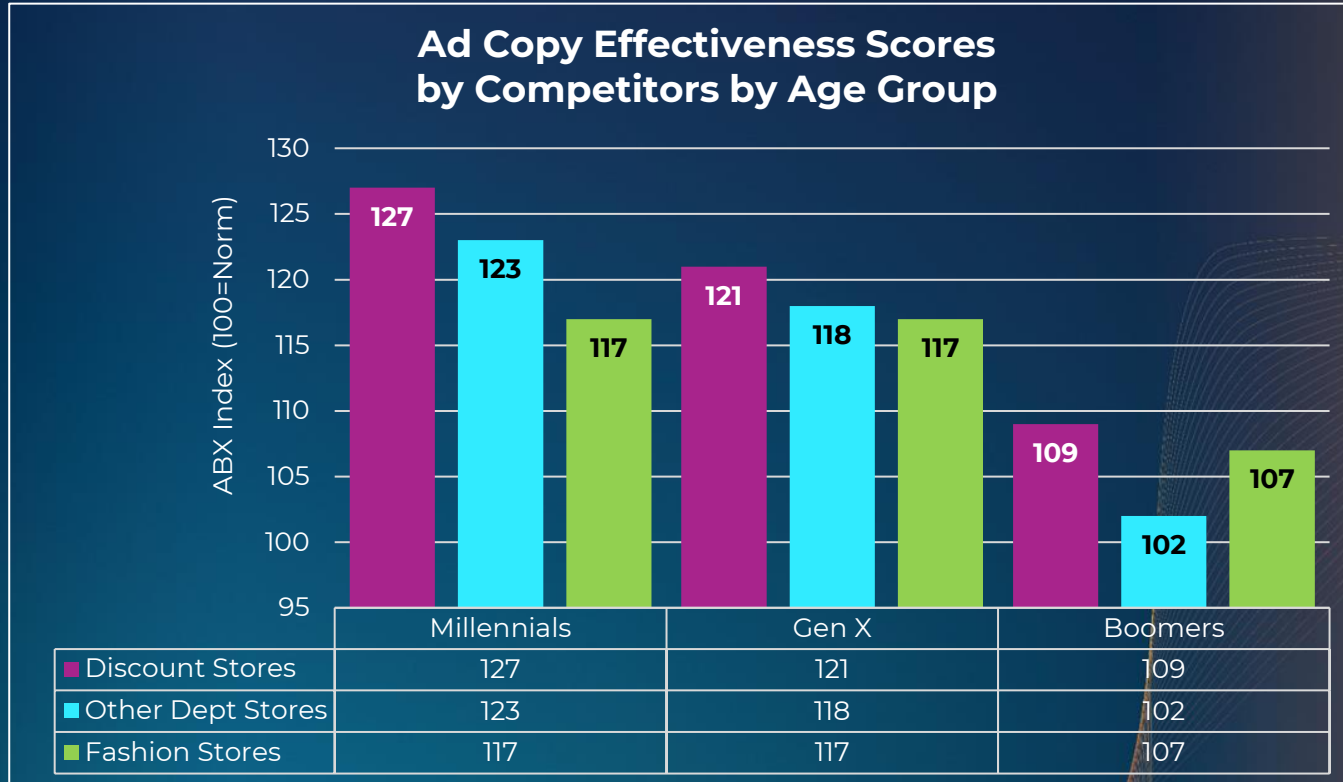
For Fashion Stores, when including Long-Term effects, the returns to Millennial advertising turn Positive & Profitable

Net Financial Returns per Dollar Spend



Fashion Stores Ads

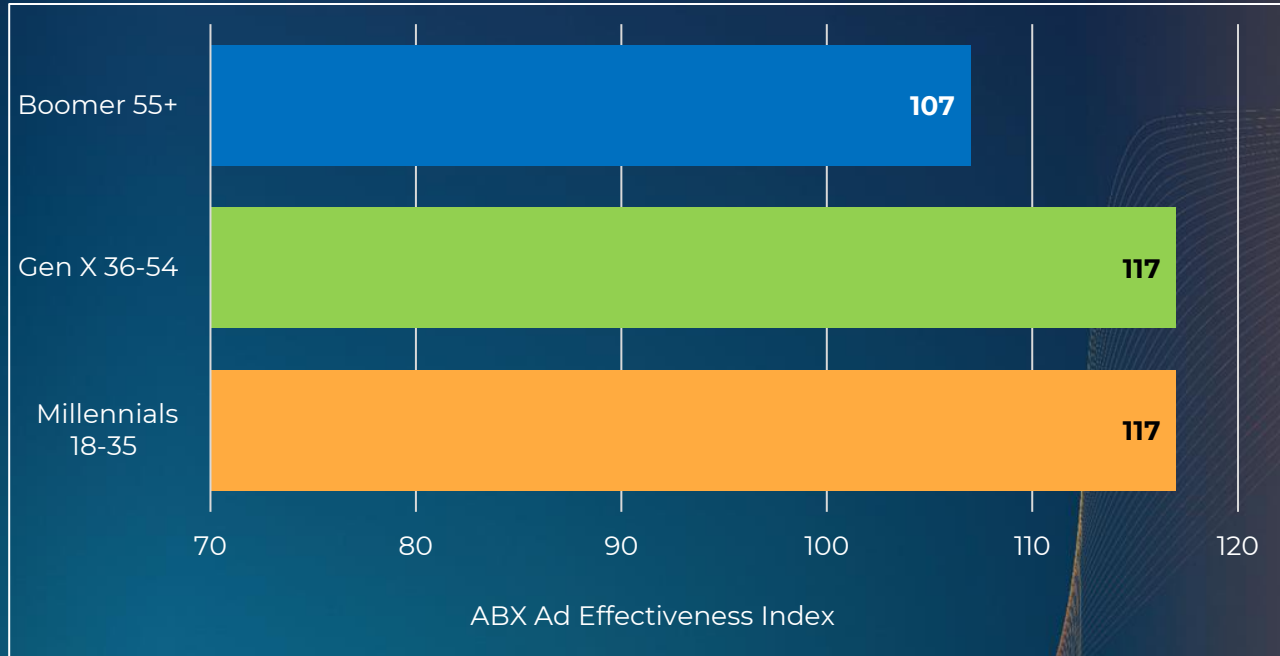
Fashion Stores Ads Lag Behind Competitors, especially among Millennials.



Moving Forward & Executive Recommendations

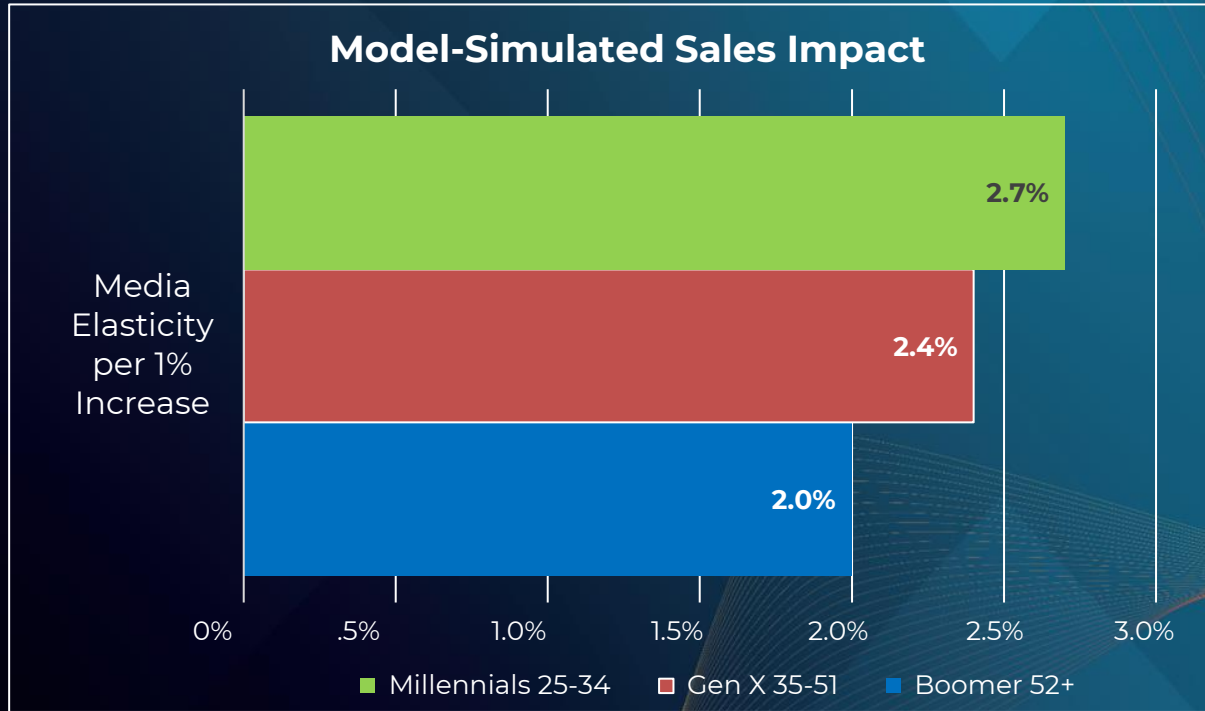
Fashion Stores' Ad Effectiveness Scores for Last 12 Months by Age Cohort

Over the previous 12 months, the [ABX Ad Effectiveness Index](#)™ showed that the current Messaging works well with Millennials and Gen X, but not with Boomers – which is 52.7% of the population. Messaging must be tailored for each age cohort to regain lost sales.



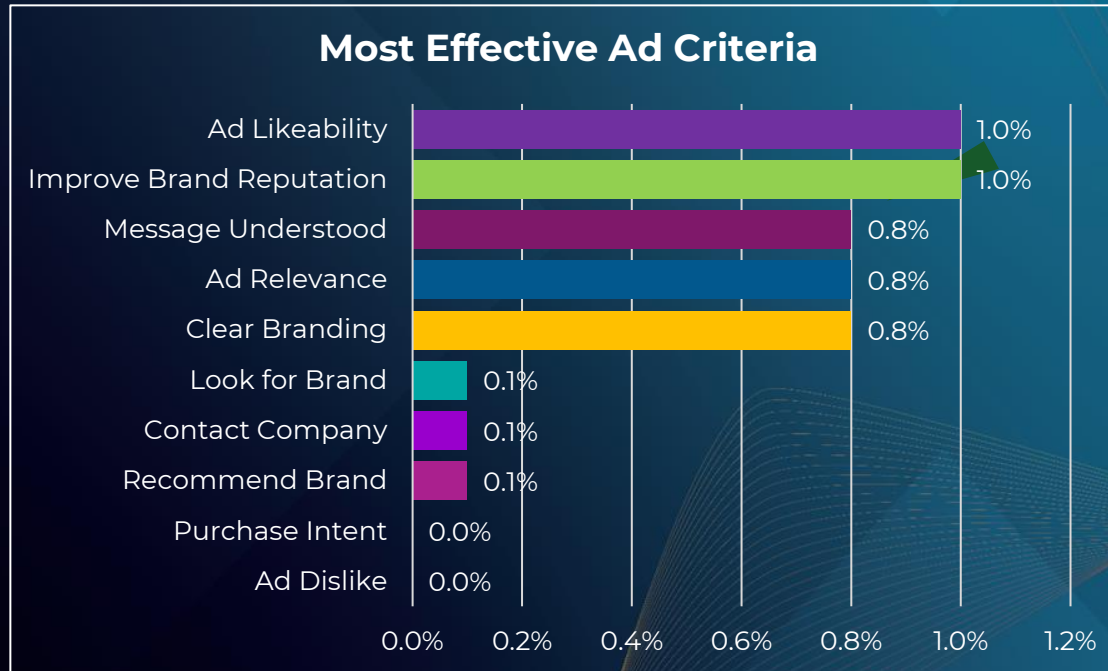
Driver Sensitivity % Sales Impact from 50% Improvement:

The Millennial Age Cohort's higher sensitivity to advertising helps explain its higher growth differential. This may be an argument for creating harder-hitting ads for the older cohorts.



Criteria for Most Effective Ads

These are the Criteria which were most aligned with highly effective ads to Millennial customers and likely work for the other groups. Ads should be pre-tested to ensure effectiveness in these KPIs.



Executive Recommendations

- Fashion Stores' advertising improved overall in the current year and helped drive Millennial sales, but it has yet to recharge growth across all age groups.
- The Boomer age segment, which is the largest by volume, does not respond well to Fashion Store's current messaging.
- ABX Ad Effectiveness scores for Millennials and Gen X averaged 117, which is well above average, but below competitor creative scores.
- Fashion Stores' advertising effectiveness among all age cohorts must be resolved if the business is to sustain future growth.
- To achieve this, Marketing should focus on Ad Likeability, Clear Branding and Messaging and Relevance, all of which should impact Reputation. Pre-testing and/or continual in-market testing through systems such as the [ABX Creative Feedback Loop](#)[™] would help ensure no missteps are made.

Let us give you
the creative
insights no one
else can deliver.

Contact us today

Gary Getto

Advertising Benchmark Index (ABX)

President

gary@adbenchmark.com | 347-443-8869

Diane Light Waight

Advertising Benchmark Index (ABX)

VP Business Development

diane@adbenchmark.com | 323-794-3891

Michael Wolfe

Bottom-Line Analytics LLC

Principal

mjw@bottomlineanalytics.com | 678-314-8446