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**8-10 June 2011, Lisbon**  
**3rd European Summit on Measurement**

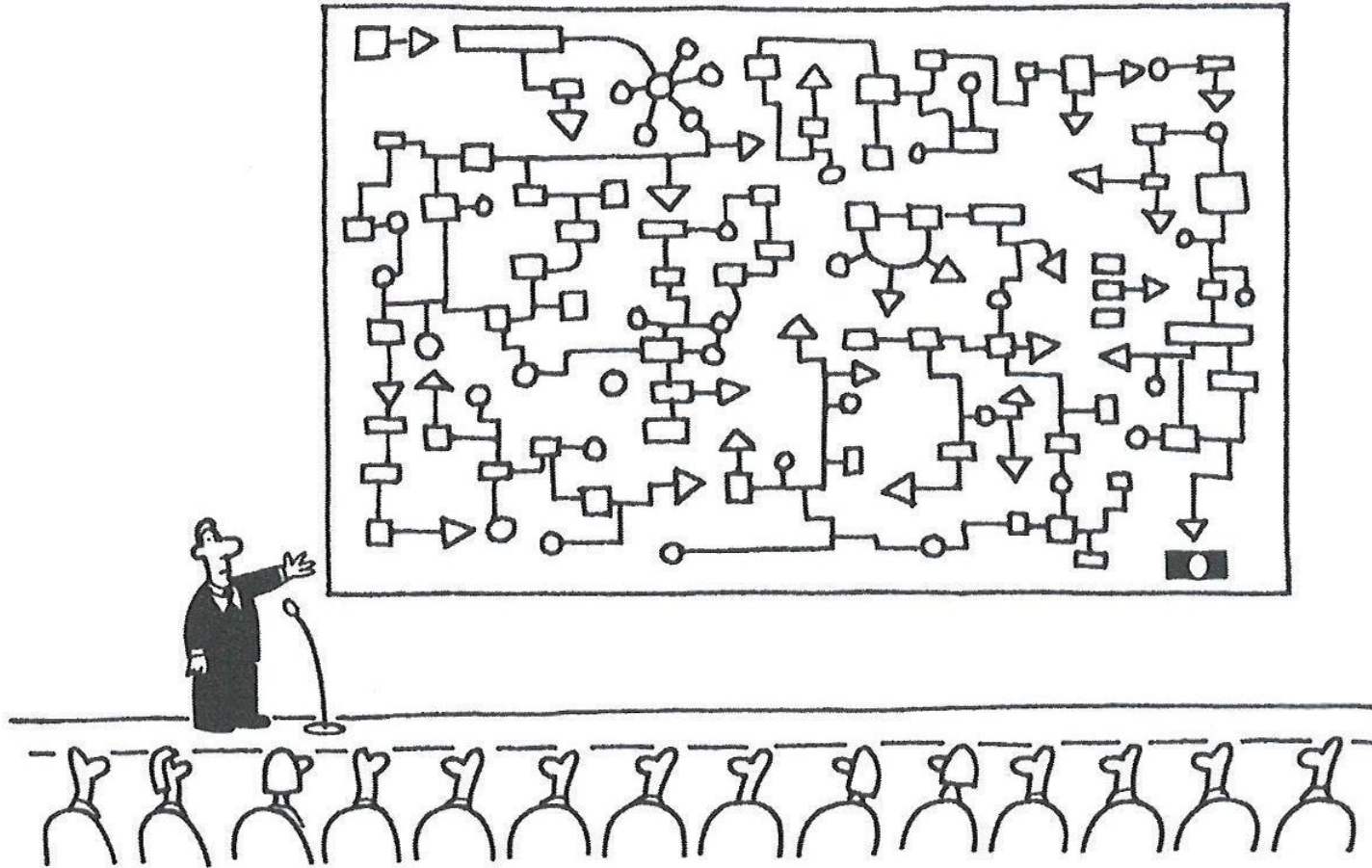
# Market Mix Modeling – Analytical approaches for assessing the impact of communication

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# A much discussed question: How effective is PR?



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Goff

„And this is how we turn communication into money“

# Why modelling?

**Objective: To analyze influences on the trend in business results, taking into account all tools for communication**

Which share/impact have particular communication measures with regard to company performance?

What is the optimum communication budget (ROI) in order to achieve the company's target?

What media mix has the biggest effect on brand awareness?

Which products out of the portfolio are the best drivers?

Shall communication activities be planned parallel to competition or alternate?

Which communication strategy is most successful?



# Modelling – influencing factors

Analysing directly **controllable influences** e.g. communication (PR, advertising) and **external factors** e.g. seasonality, competition

## Market conditions

- Economic situation
- Seasonal effects
- Legal provisions
- External effects
- ...

## Competition

- Advertising campaigns
- Product launches
- Pricing
- ...

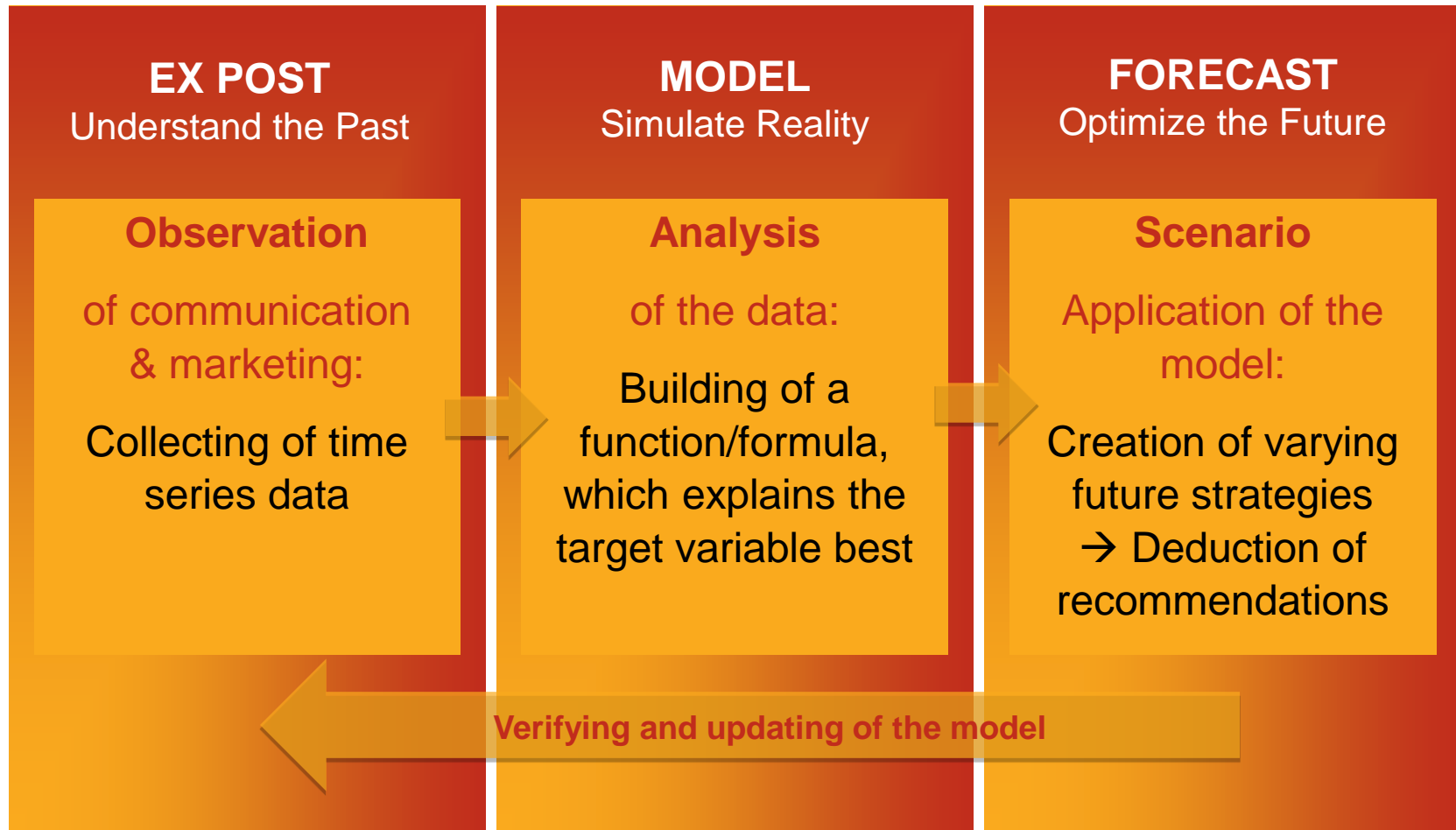
## Communication

- Advertising (TV, radio, print)
- PR (online/offline)
- Promotions
- Special offers
- ...

**Business results**

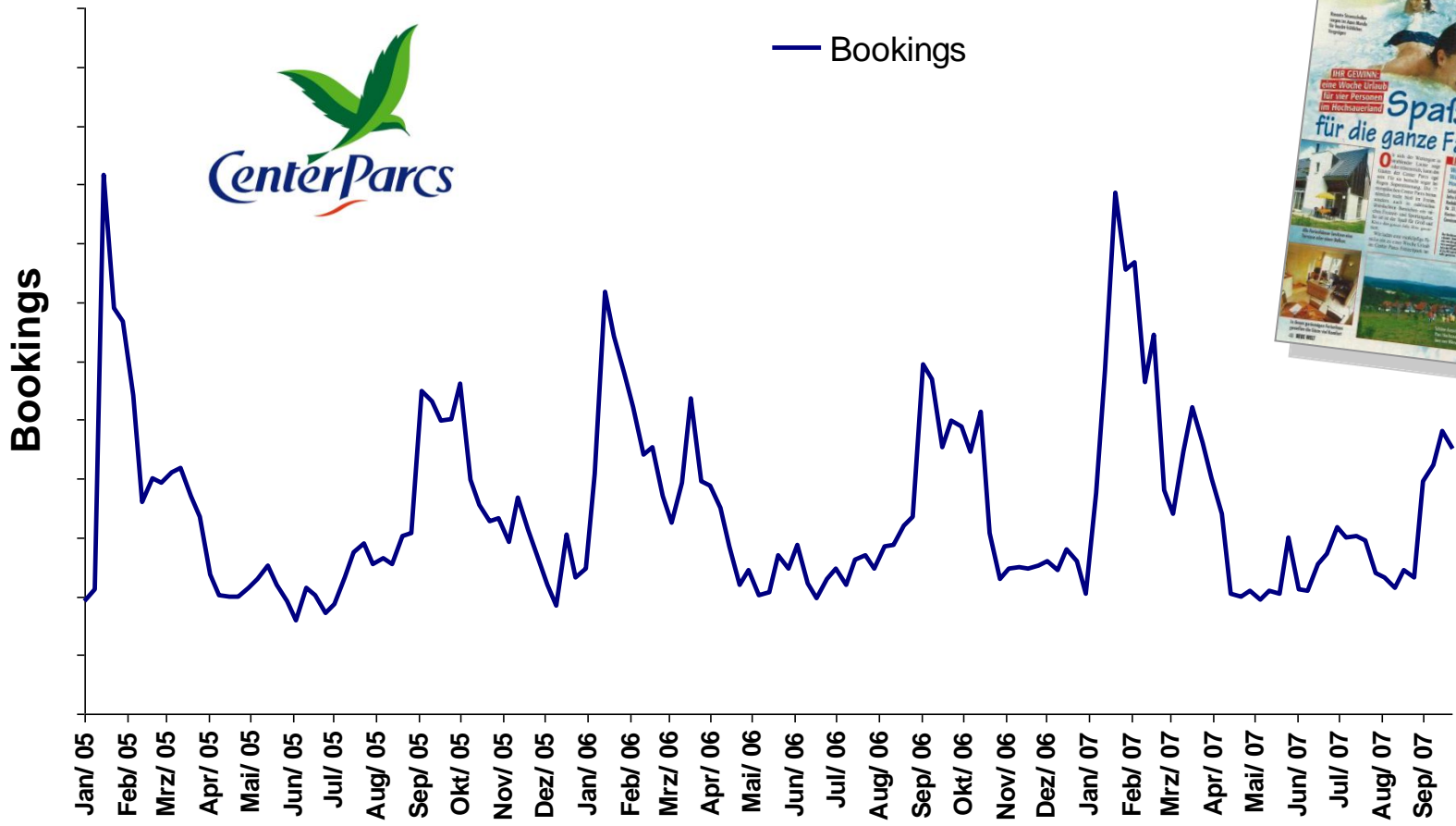


# Modelling – implementation



# Pilot study – modelling for Center Parcs

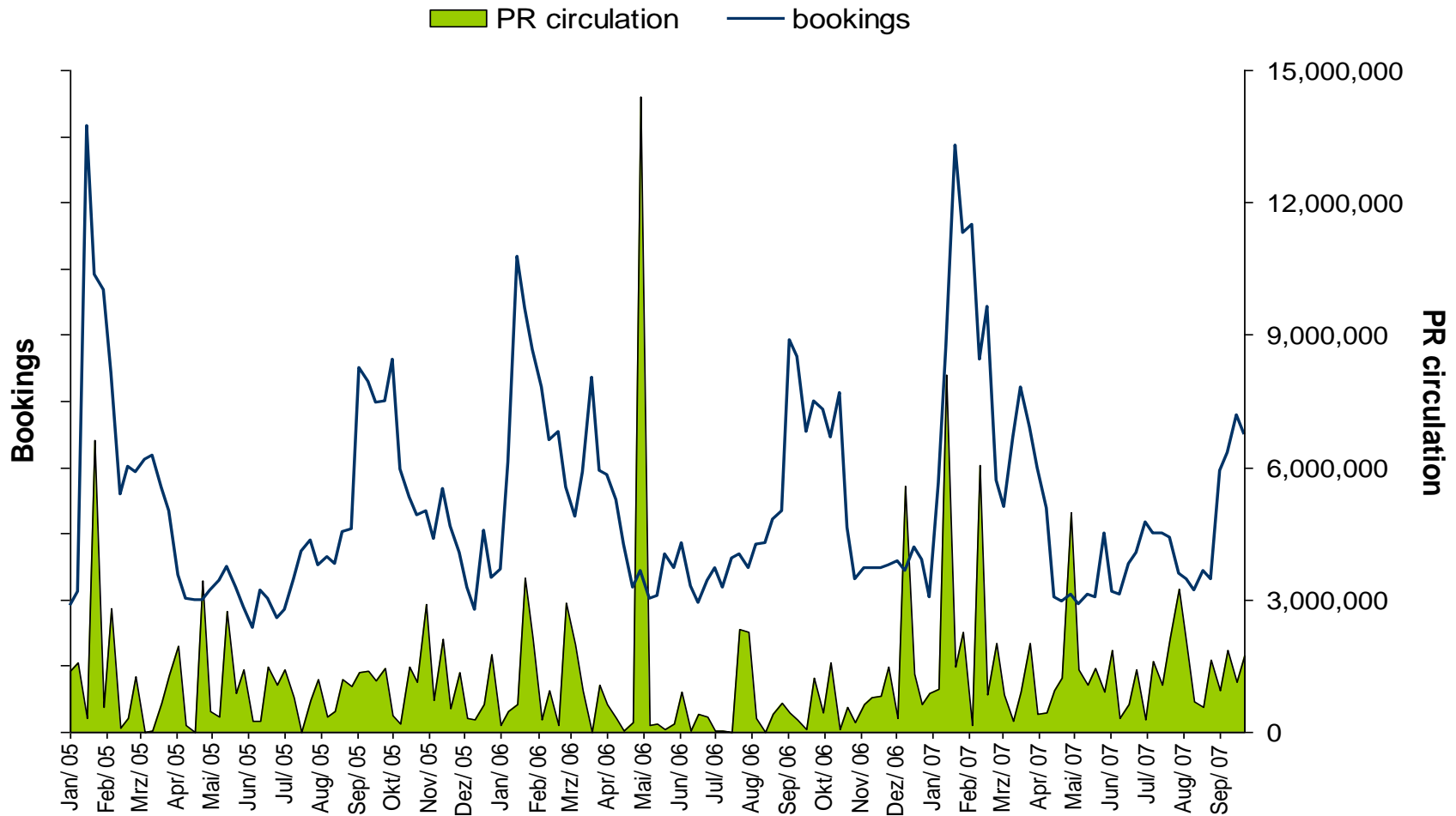
sales/bookings in the course of time, seasonal peaks



Source: Center Parcs Germany, own calculations

# Modelling for Center Parcs

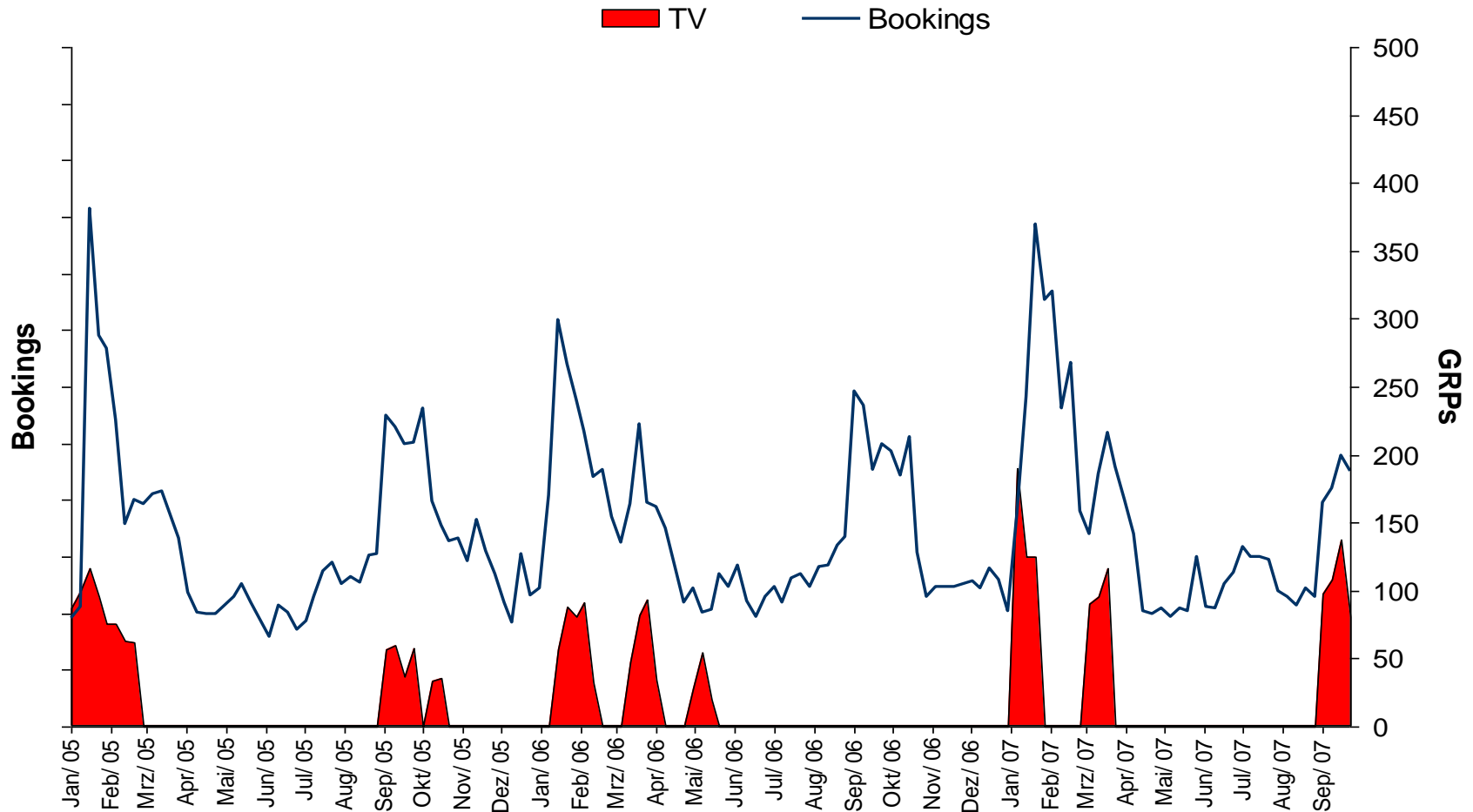
## bookings vs. PR circulation



Source: Center Parcs Germany, own calculations

# Modelling for Center Parcs

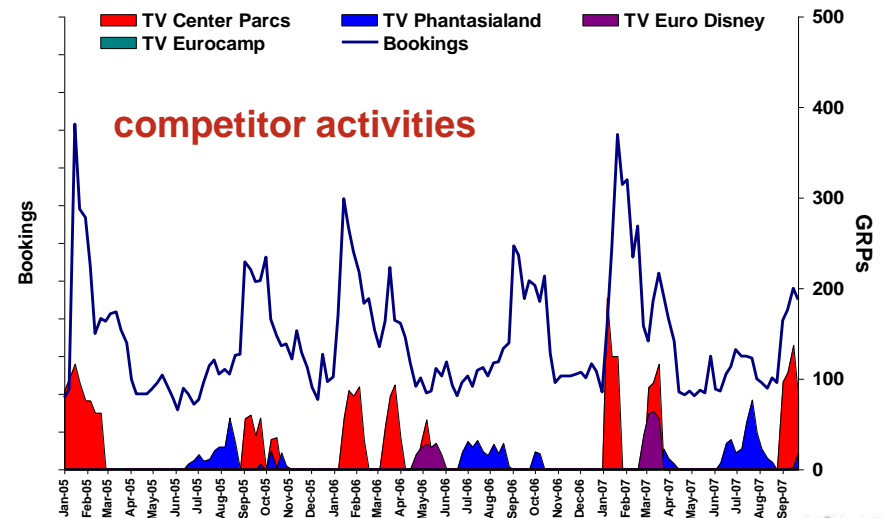
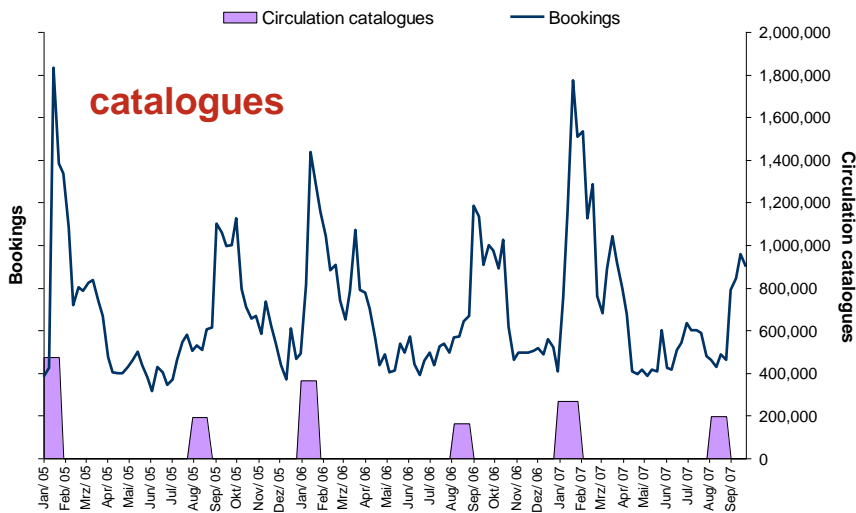
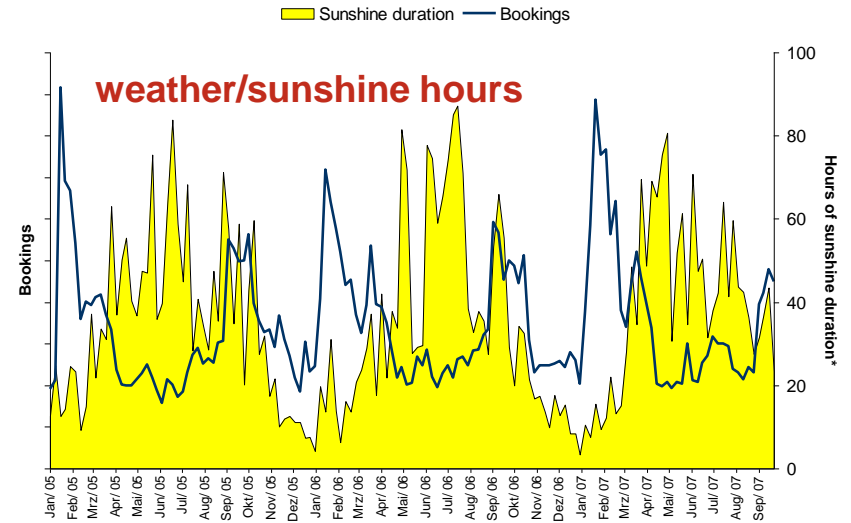
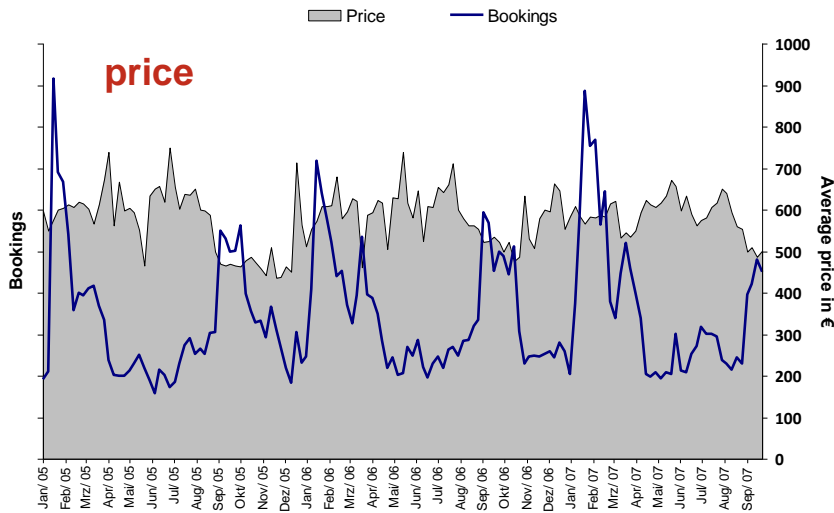
## bookings vs. TV advertising



Source: Center Parcs Germany, own calculations

# Modelling for Center Parcs

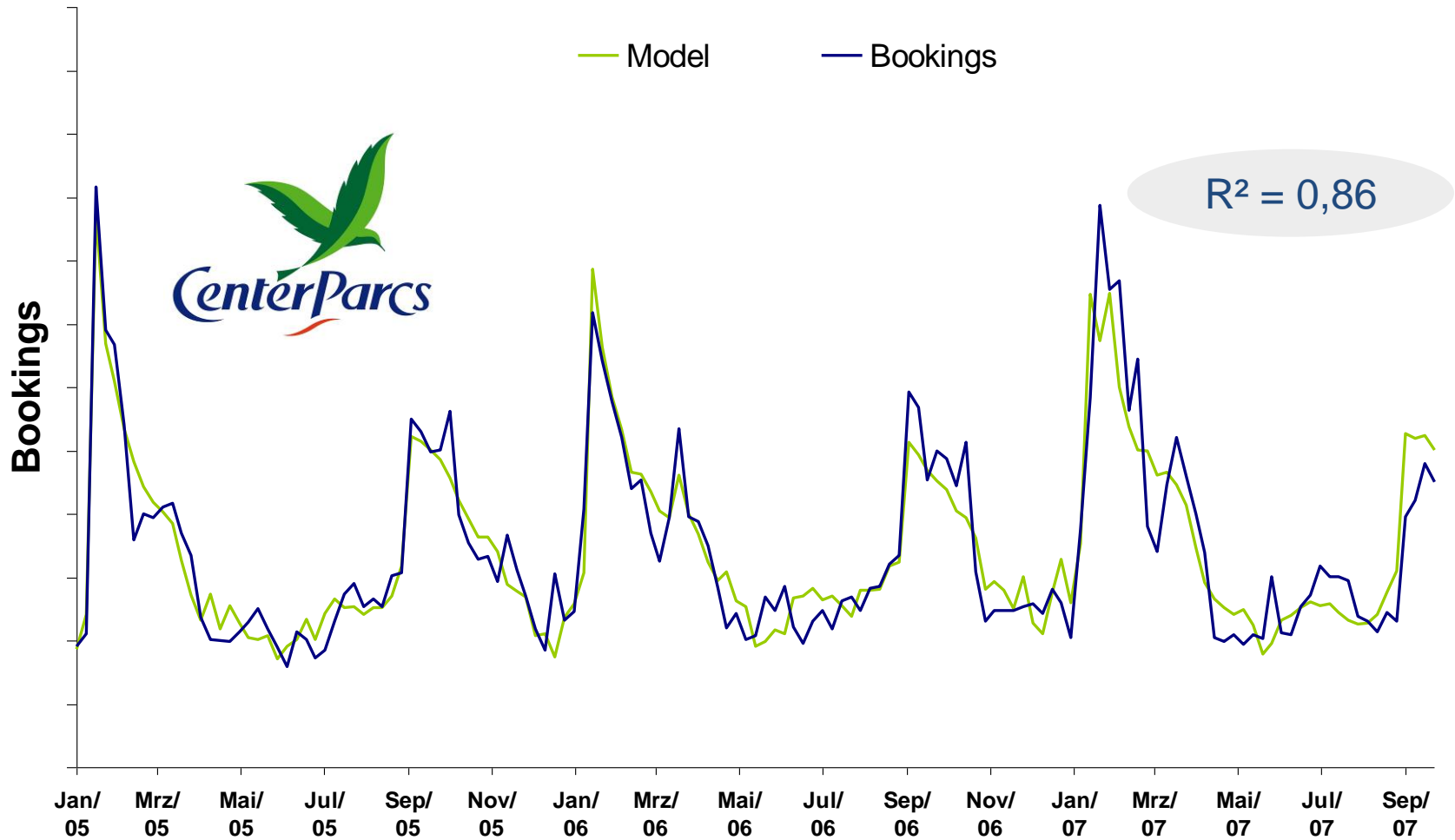
## Consideration of further influencing variables



Source: Center Parcs Germany, own calculations

# Model Center Parcs

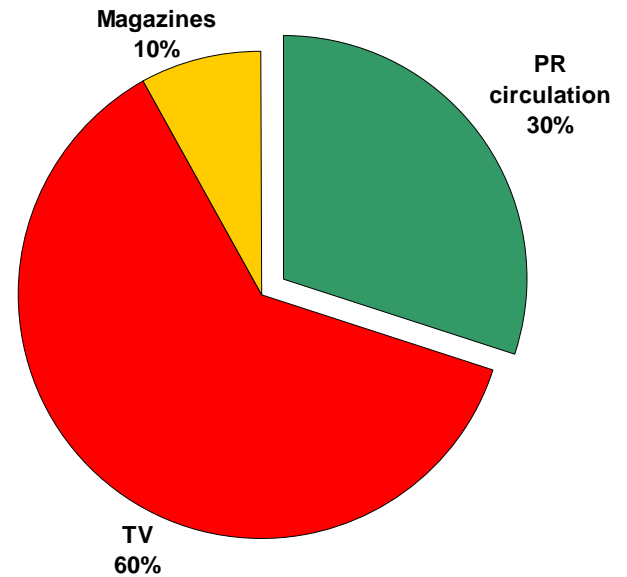
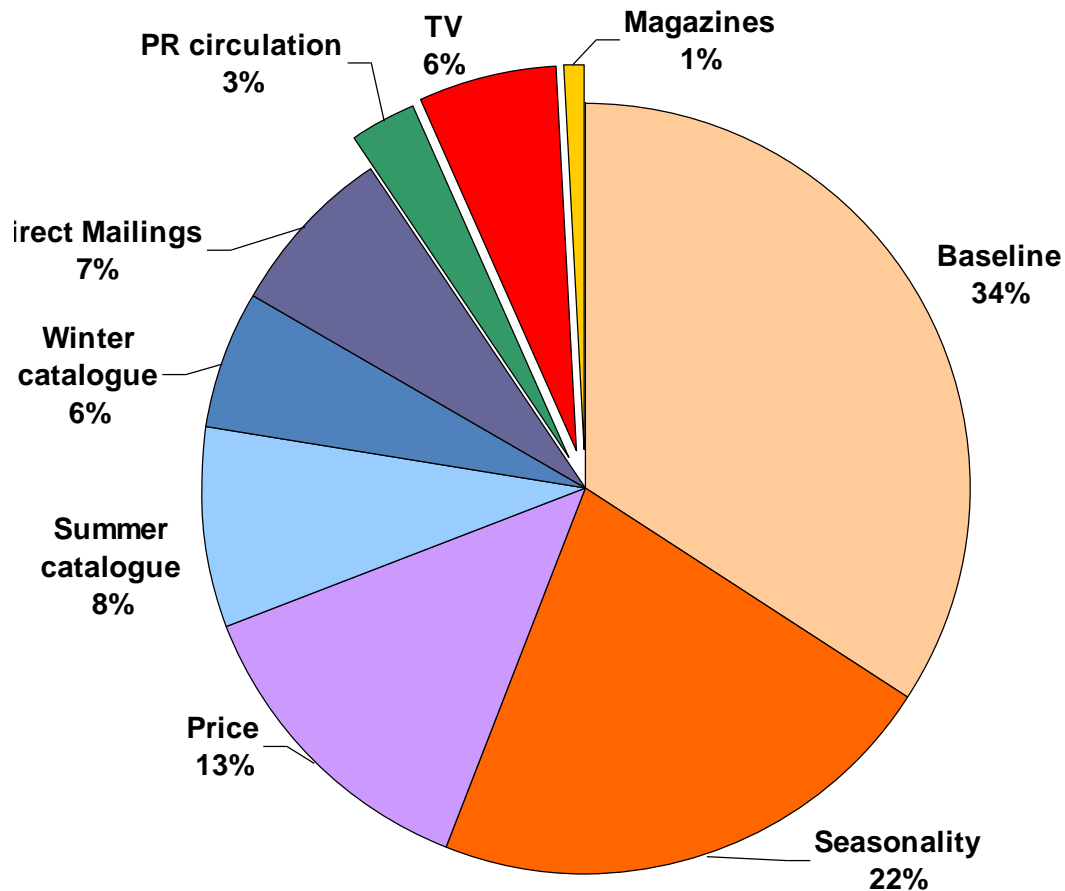
high adjustment of the bookings



Source: Center Parcs Germany, own calculations

# Modelling results

## Effects on sales (bookings)



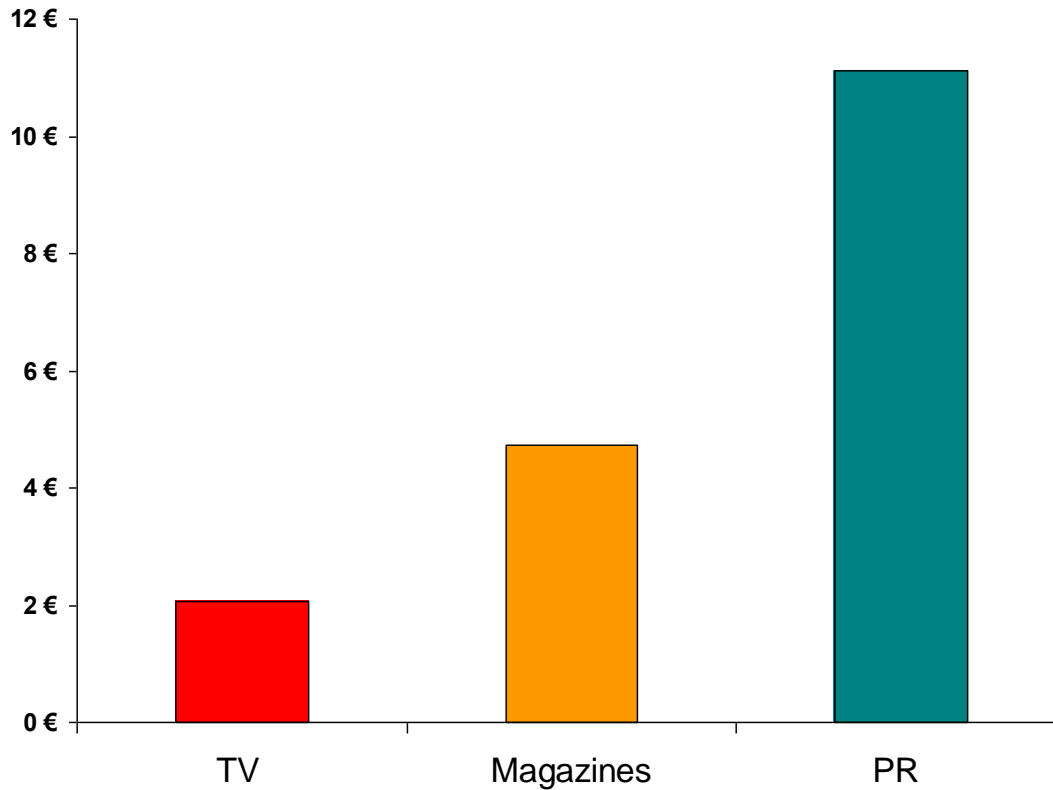
**basic sales: 56%**  
(baseline + seasonality)

**mass media: 10%**  
(Benchmark: 5 – 20%)

Source: Center Parcs Germany, own calculations

# Modelling results

## Calculation of the ROI

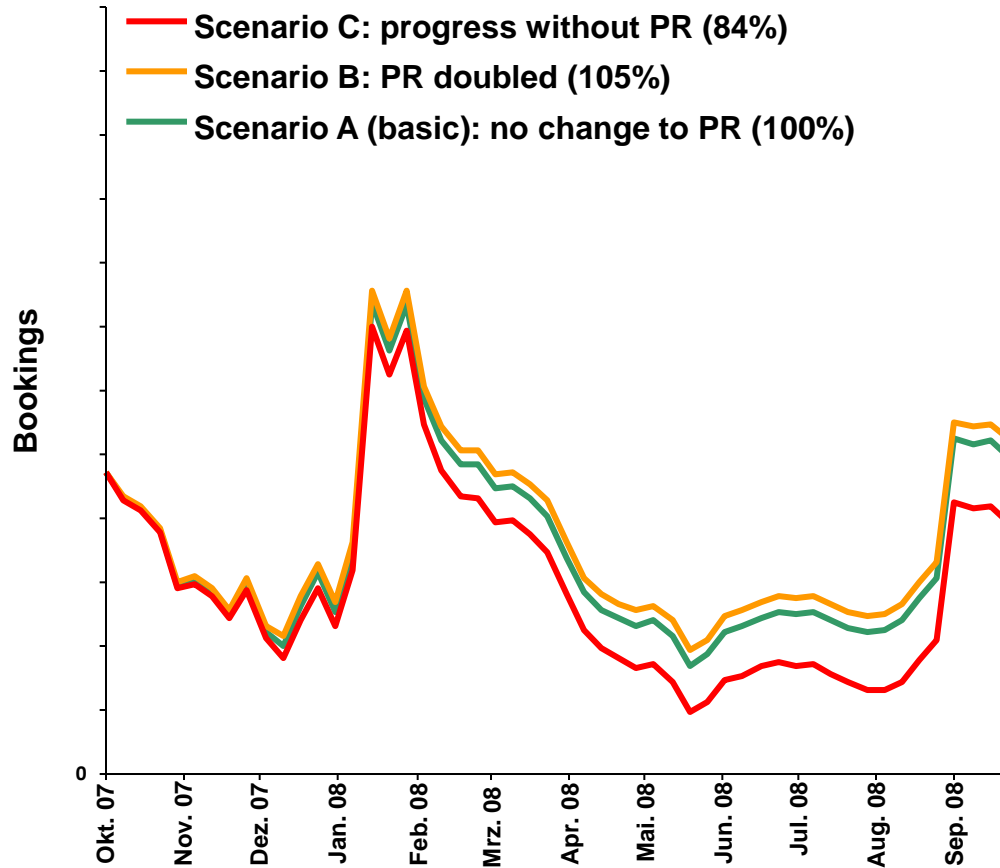


- Highest ROI for PR
- Long term effects (development of the baseline, brand awareness etc.) are not included in the calculation of the ROI

Source: Center Parcs Germany, own calculations

# Modelling results

## Simulation of individual PR scenarios



Source: Center Parcs Germany, own calculations

- Doubling of PR circulation increases number of bookings about 5% (realising marginal utility effects)
- Without PR activities the number of bookings decreases in the medium term: Decrease accounts for nearly 16% in the first year!
- This proves, that PR plays a significant part of the communication mix.

# Modelling – fields of application

## Budget planning

Optimum allocation of the marketing budget on different media/channels

## Portfolio management

Measuring reciprocal impacts of all products of an umbrella brand

## Sales funnel

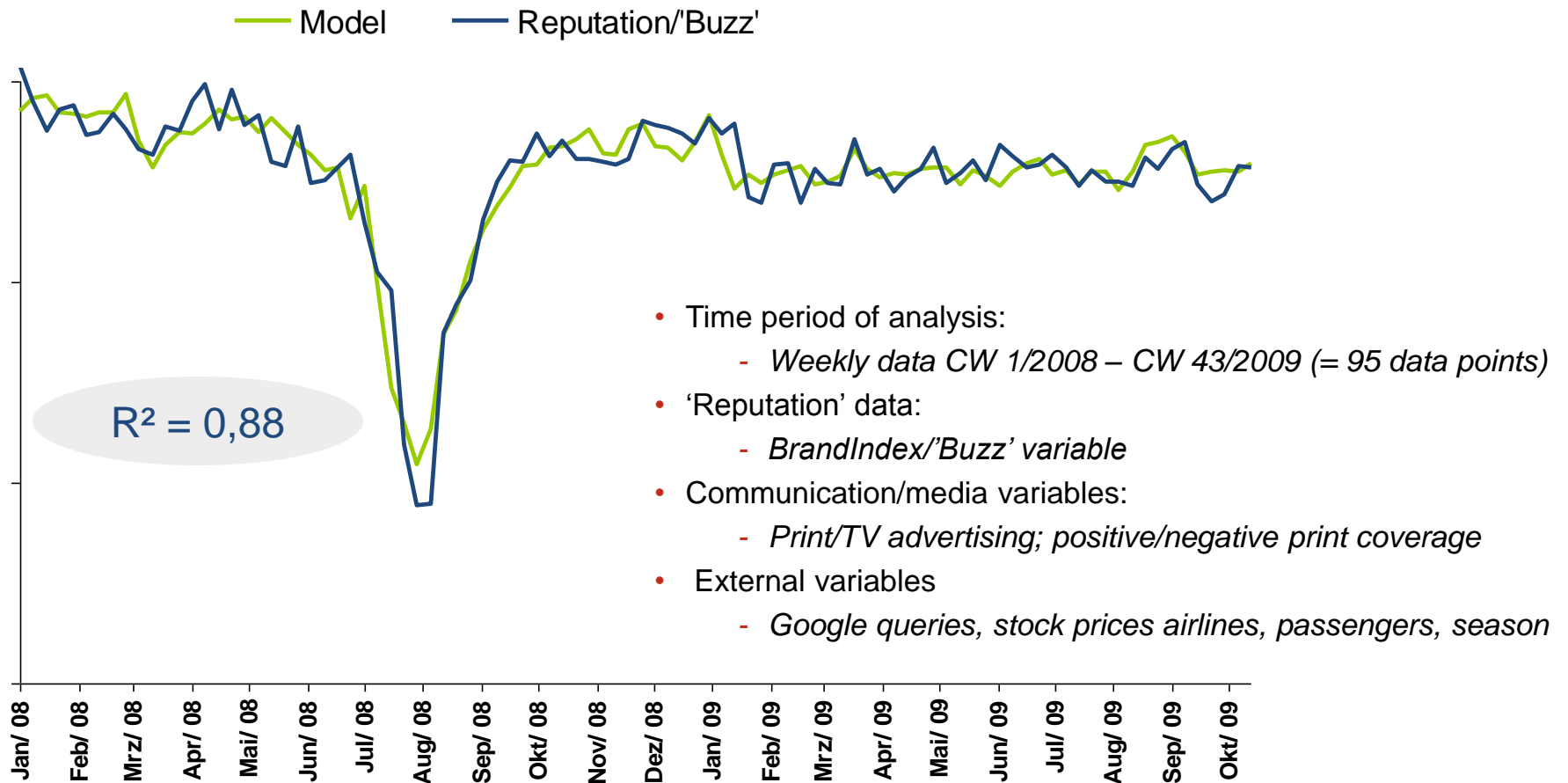
Analyzing the impact of various marketing and communication measures on buying processes

## Reputation analysis

Monitoring the impact of communication on the reputation of the company or brand

# Modelling potential – reputation analysis

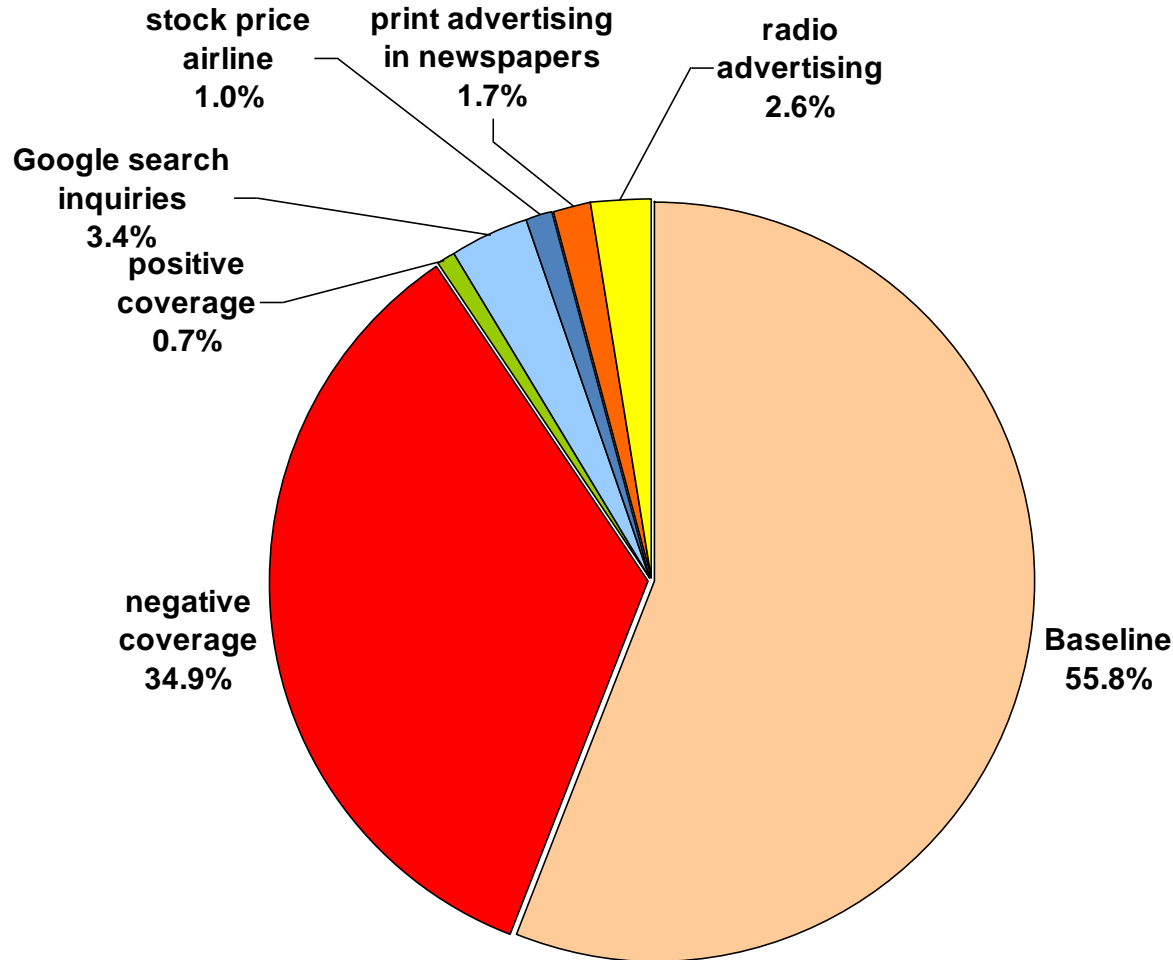
## Internal case study for a German airline



Source: YouGovPsychonomics/BrandIndex (Buzz), own calculations

# Modelling potential – reputation analysis

Strong impact of negative coverage on reputation/buzz



- Decrease of 5,4% during evaluation period
- Permanent negative coverage could cause a loss in reputation/buzz of 34,9%
- Half-life value of negative coverage lasts 4 weeks
- Half-life value of positive coverage < 1 week

Source: YouGovPsychonomics/BrandIndex, own calculations

**Thank you very much for your attention!**



# Who to contact

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