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OMNICHANNEL
MEASUREMENT
HOW TO

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INTRODUCTION

Most marketers already strongly believe in data-driven decisions.[1]

They try to gather more and more data to get even more insights into customers shopping behaviors. But are data-driven decisions defined by the amount of data? What helps us make informed decisions is the whole measurement system. The system that covers 360° of the business activity and allows the decision-makers to look at the business from various angles.

Building the measurement system is as important as complex, especially for omnichannel businesses – defined as a business offering multiple sales channels, with a mix of offline (e.g. stores) and online (e.g. website, mobile app) channels. The variety of data sources and availability of various types of measurement for different sales channels often make it extremely difficult to compare the results, not to mention – optimize across all channels.

[1]Forrester: A 2023 report by Forrester found that 71% of marketers believed that data-driven decision-making was essential to their job function.Forrester. (2023). The State Of Marketing Analytics 2023

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OMNICHANNEL PERSPECTIVE AND ITS UNIQUE CHALLENGES

In today's competitive retail landscape, omnichannel strategies are essential for success. Consumers expect a seamless shopping experience across all channels, whether they are browsing online, visiting a store, or interacting via social media and there are several technologies that support businesses in providing a complete omnichannel experience for their consumers. This creates a completely new level of measurement complexity versus a single channel ecommerce store.

SALES CHANNELS SYNERGIES VERSUS CANNIBALIZATION.

If a new sales channel is introduced most probably it will take over part of sales from other channels, but the rest of the sales is a net new revenue generated. On the other hand, if there are synergies between the channels, like similar price promotion mechanisms that encourage customers to switch from one sales channel to another, the business benefits from increased availability.

CONSUMER TRACKING.

E-commerce stores may rely purely on digital campaigns and be very successful. It gives a great benefit of being able to tag and measure each transaction and where it came from. On the other hand, omnichannel businesses will find it very difficult to even correctly track consumer paths, not to mention linking the online and offline purchases of the same customer (while based on Sellforte analysis up to 67% of offline sales can be influenced by digital marketing). *When measuring overall performance using consumer tracking based measurement, omnichannel advertisers need to be highly aware of their disparity between online and in-store tracking, and account for it through extrapolation.*

HEAVY PERFORMANCE CAMPAIGNS VERSUS BRAND BUILDING.

Performance campaigns play an important role in driving online sales. However, offline sales channels often require intensified brand building communication to drive traffic. This is where direct digital measurement is no longer enough, and the long-term brand building perspective needs to be accounted for.

Due to all the difficulties with unified measurement across all channels, omnichannel businesses often stop optimizing for omnichannel sales. They have separate budgets to support online conversions, and a different one to build brand and hopefully drive offline sales. 'Hopefully', because very often efficiency of brand budget isn't measured at all. If this is the case, then omnichannel isn't any more omnichannel, but in fact it's multichannel, so a business with multiple separate sales channels totally ignoring interactions between them.

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INCREMENTALITY

There is though an analytics perspective that addresses the problems with cross-channel measurement. It is incrementality measurement.

Incrementality measurement is a method used to determine the true impact of a factor (a media campaign, price promotion, etc.) influencing sales. So it aims to isolate the effect of the marketing activity by accounting for what would have happened in its absence.
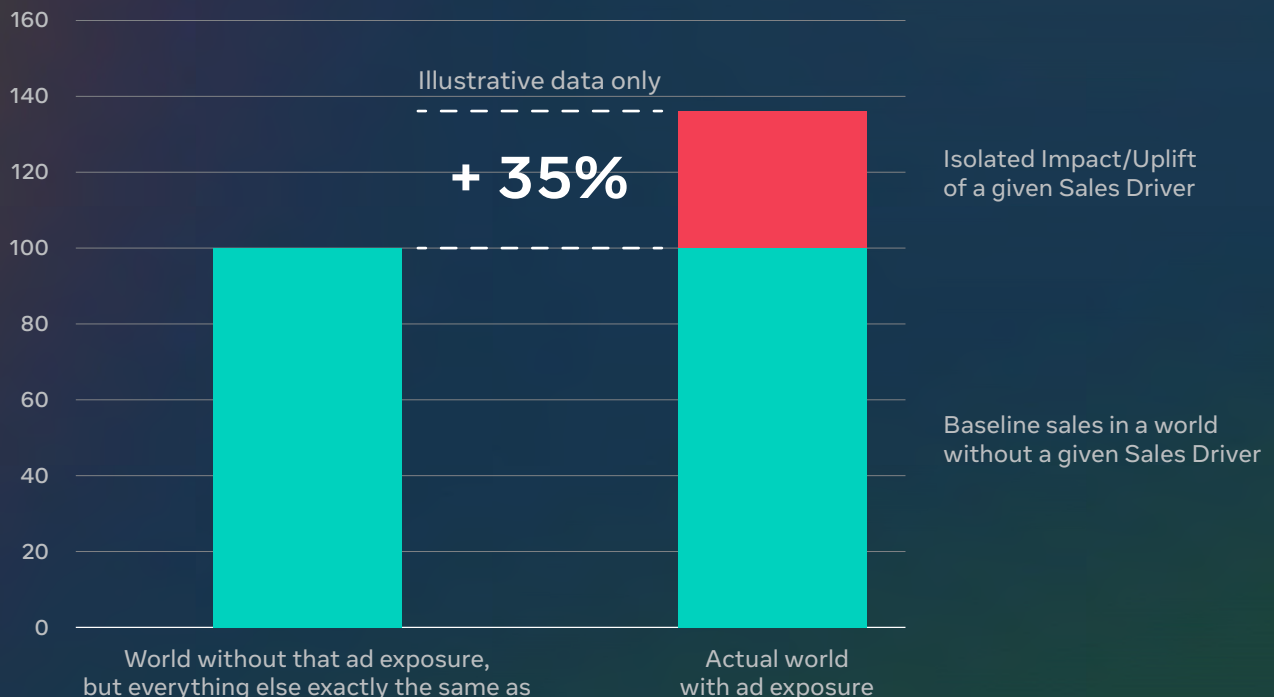
Why does this approach help? Incrementality is intuitive and very straightforward - especially for management - if some spend creates additional sales that would not have happened without the spend (so it's incremental) than it's easy to evaluate it. We can relate the incremental sales value generated by each factor to its cost, hence compare the ROI (efficiency approach). Or even more precisely incremental ROI.

So, relating this to the measurement problems presented in a previous section:
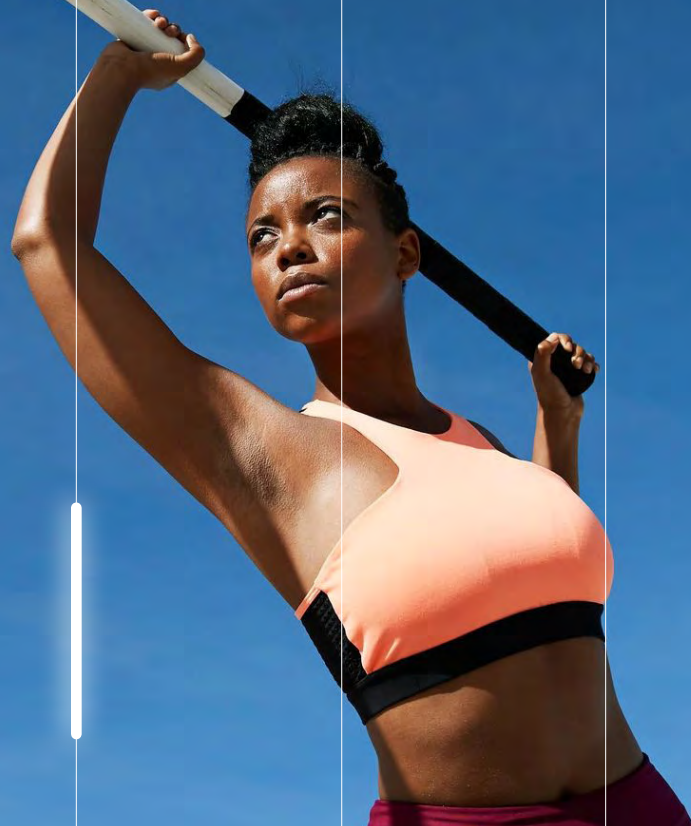
- what we need to know for each sales channel is its incremental impact on sales

- we don't need to track complete consumer paths to measure incrementality, so precisely tracking the offline paths is not an issue in this approach

- incrementality measurement can be performed for all types of campaigns – online and offline

MMM delivers measurement of incremental sales

Sales index

Illustrative data only

+ 35%

Isolated Impact/Uplift of a given Sales Driver

Baseline sales in a world without a given Sales Driver

World without that ad exposure, but everything else exactly the same as

Actual world with ad exposure

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HOW TO MEASURE INCREMENTALITY

There are two leading methods to measure incremental impact of marketing activities:

METHOD 1

Lift Studies

Lift studies are A/B tests for which we divide the audience into a test and control group.

Test group is exposed to some factor (for example a specific type of campaign), while the control group isn't. Thanks to this setup, we can compare the sales results for both groups and estimate the incremental impact of the factor that the test group was exposed to. It's worth mentioning that lift studies are sensitive to experimental setup. It is crucial to isolate only one difference between test and control groups so experiment measures only impact of this one thing - eg. new sales campaign, which makes this technique relatively complex to apply across all media channels

When measuring omnichannel performance using lift measurement it is essential to understand the volume and quality of information collected at the point of sale in store. To fairly compare in-store and online performance, or to get a true understanding of omnichannel performance, the in-store data typically required extrapolation to achieve parity with the quality of online data matching quality.

METHOD 2

Marketing Mix Modelling

Marketing Mix Modelling (MMM) is an econometric modeling of sales value / volume or other important KPI.

Econometric modeling is a statistical approach that, to put it very simply, looks for the multi-correlations between the factors that influence sales over a period (e.g. three years). Building an MMM model requires a 360° approach, as the model needs to cover all the factors that influence sales at once. However, thanks to this approach one model will allow us to determine the incremental impact of all key factors influencing sales.

There is also another measurement type that is very popular among digital marketers – attribution measurement. Though the attribution models have improved a lot it's worth mentioning that it is not an incrementality based approach. Additional perspective is that tracking based attribution is strongly affected by privacy regulations so regardless logic applies this solution can only provide limited understanding of cross media purchase journey. Attribution measurement is a useful perspective on how customers "consume" the marketing campaigns (frequency and sequence of different online touchpoints), but no matter the complexity of an attribution model, it can't tell us how much of sales (or other KPI) would not be made it if wasn't for the given touchpoint. Attribution model assumes that all observed conversions are influenced by the touchpoints tracked, without distinguishing between conversions that would have occurred anyway (e.g. because of the seasonality) and those driven by other marketing activities (e.g. price promotions).

As a result more and more marketers look for opportunities to connect attribution for it's agility with other tools like MMM for its holistic and complete perspective.

In the omnichannel area attribution faces additional challenges with respect to the ability to track offline sales. Some of this can be included in used tools by connecting the fact of purchase with customer identification by app or email but still it will rarely cover all or even majority of purchases that happen offline.

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MEASUREMENT HOW-TO

This section will answer the most important questions on how to set up the whole marketing measurement system in a complex omnichannel environment:

QUESTION 1

Which measurement methods to use?

QUESTION 2

How to improve cost per conversion when each channel is already optimized?

QUESTION 3

How to approach measurement of new sales channels?

QUESTION 1

Which measurement methods to use?

First, the good news is that there is no need to choose only one. Different measurement methods present different perspectives, and they work even better if they supplement each other.

If two measurement methods give different results, it doesn't mean that one is right, and the other is wrong. In such case, it's worth doing a deep dive and understand the exact perspectives that those two measurement methods have, e.g.:

- What historical time frame they use – is it last month, last year, or longer?

- What is the measurement window – only during the campaign, or also some time after the campaign finishes

- Is it the efficiency or the effectiveness perspective?

- Does the result include the effects of creative / communicated promo / etc.?

- Is the data captured by each technique comparable, or is extrapolation required to fairly judge them against each other?

Common design of marketing measurement system consists of three tools: lift studies, Marketing Mix Modelling and attribution models. Marketing Mix Modelling presents a big picture and strategic media split.

Preparation of the model may require effort (very much depending on the overall hygiene of the data environment), and usually the model is prepared relatively rarely (eg once per year) with more frequent refreshes (eg quarterly). In fact with the latest developments in this field (API based automated data ingestion, SaaS or Open Source tools like Robyn) this process can be much much faster.

Lift studies measure incremental and causal impact of media and can be used to quickly test a new campaign or optimize the budget within specific medium as they usually are done per medium - that is why they need to be complemented with other tools for holistic view.

Attribution models can be linked with MMM results in a way that allows to estimate offline sales that should be attributed to media but MMM can also help complement attribution with an understanding of the non-media related factors (i.e: seasonality or factors connected to product, promos, supply chain - out of stocks).

Thanks to this approach, advertisers can benefit from the biggest value each technique brings and leverage a combination of all of those.

QUESTION 2

How to improve cost per conversion when each channel is already optimized?

Cost per conversion optimization is a siloed approach. It assumes that each touchpoint acts independently, and all conversions are generated only by the fact of a campaign being active in that channel.

The reality is more complex, even heavy performance-focused media mix creates a net of touchpoints that customers come across during their journeys. This network effect creates synergies between them and allows some of the touchpoints to achieve a very low cost of conversion, though without other touchpoints they wouldn't be that efficient. The great example here is search - where often users need to know what they are looking for (already have a purchase intent) and then they convert well after finding it in the search engine.
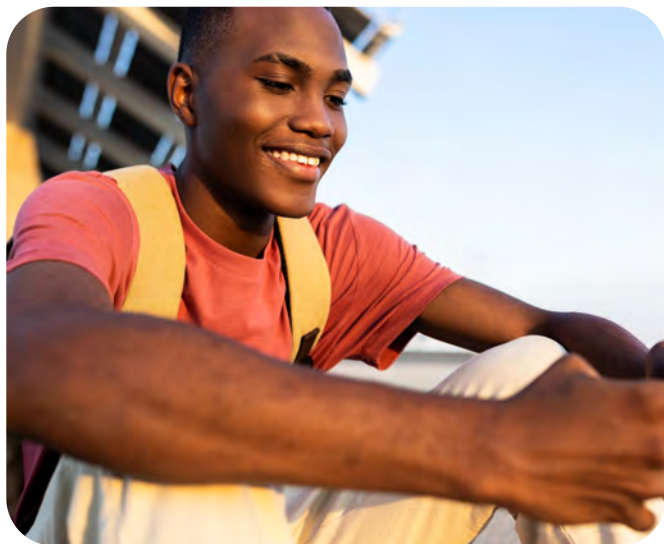
This picture gets even more complicated when we include brand communication (that focuses on building awareness/brand equity, not directly conversions) in the media mix. First, optimizing brand communication with a cost per conversion KPI doesn't make sense, as direct conversions aren't the goal for this type of communication. Secondly, brand communication impacts conversions in two perspectives – short-term and long-term. While short-term impact is one to three months after the campaign finishes, the long-term can be many months after the campaign, as it's the effect of a strong brand and its presence in customers preferences.

The solution here is escaping the siloed approach and optimizing the media mix as a complete media system. MMM is a perfect tool to approach this, as it provides recommendations on the strategic media mix optimization. Changing the approach from cost per conversion optimization to media mix optimization may cause an increase in some of the individual channel's monitored cost per conversion, but it should generate an increase in the overall media generated sales value.

QUESTION 3

How to approach measurement of new sales channels?

If a new sales channel is introduced to a market (like launch of an app), usually there is also strong support to popularize it, e.g. dedicated price promotions, advertising. On the one hand the channel grows and generates more and more sales value, on the other usually other channels get partially cannibalized. In this situation it isn't easy to evaluate how much sales a new channel generated, as we should consider not only the sales directly generated by a channel, but also the sales lost in other channels.

Marketing Mix Modelling is a proper tool to evaluate incremental impact of a channel (especially when calibrated by lift studies). If a new sales channel enters the market (e.g. an app is introduced as a sales channel), there is a unique opportunity to measure the incremental impact in relation to the state of the world where the channel didn't exist.

When a new channel is introduced to a market, there is also another question asked frequently – how to strengthen the channel? How to make more customers use it? Econometric modeling can also help here and by building a dedicated model for a channel KPI, we can identify main drivers of the channel's growth. There are two things worth keeping in mind when measuring new channels:

• To select the channel KPI, analyze which step of using the new channel is causing most dropouts and model it. For example, if an app is the new channel, then the steps are download, login, first purchase, repeat purchase, if a lot of customers downloads the app, but there is very little first purchases – it's essential to understand what blocks customers from making the first purchase

• Once a channel is already strong in the market, there is no need for dedicated media optimization to support one channel. The whole media mix should support all the channels and optimize for highest revenue generated on total sales.

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OMNICHANNEL MEASUREMENT IN PRACTICE – SINSAY

Sinsay, brand of LPP group, a Polish fashion company is a perfect example of omnichannel business. Recently Sinsay introduced holistic measurement set up to capture interactions between their sales channels and also interactions between mediums and marketing channels they use. For this they have vcombined existing attribution based BI system with lift studies and Marketing Mix Modelling joining the perspective of online and offline.

SINSAY OMNICHANNEL ECOSYSTEM

Sinsay has three sales channels: physical stores, e-shop on its website and mobile app. During the period analyzed the mobile app has been introduced to the market and it grew from 0 to 70% of online sales value. Rapid store network development was also observed – the number of stores grew significantly within a three year period.

Stores

www

Mobile App

Sinsay wanted to deep dive on interactions between their sales channels:

- Stores increase brand awareness and as a result increase online sales

- Performance media, optimized for online conversions, also impact offline sales

- When mobile app was introduced on the market, it cannibalized both e-shop and offline sales

- Having said the above the mobile app still generated incremental sales value

- Mobile app installs are driven by offline sales, due to synergized cross-channel promotion mechanisms

SINSAY MARKETING MEASUREMENT SYSTEM
Sinsay built a measurement system to optimize media both on a strategic and tactical level throughout all sales channels. Below is a description of each tool and its role in the system.

	MMM	LIFTS (INCLUDING OFFLINE SALES)	ATTRIBUTION
SCOPE	Marketing Mix Modelling covers online and offline sales, founding model also covered mobile app KPI when the application was newly introduced to the market	Meta conversion lift measures causal impact of Meta ads on both online (web and app) and offline sales. This experimental based tool enables understanding of the incremental impact of all campaigns run on Meta.	Model Based attribution to measure digital channels in ongoing manner
ROLE	Media optimization on strategic level, measurement of media impact on offline sales, measurement of brand campaigns on sales	Validation of MMM for Meta assuming Lifts bring ground truth also to calibrate attribution	Detailed, ongoing measurement of digital channels
FREQUENCY	Initial setup model with refreshes (6 months)	Monthly	Ongoing

WHY DO YOU NEED AN OMNICHANNEL MEASUREMENT SYSTEM?

The Omnichannel strategy of a business can be as strong as its omnichannel measurement system.

As outlined in the beginning, omnichannel faces several significant and pretty unique challenges. Not addressing those by measurement may result in significant decline to business performance.

On the other hand solid holistic measurement enables the creation of true omnichannel strategy.

Few examples:

• Leveraging digital products that are built for omnichannel - eg. digital platforms omnichannel ads solutions

• Leveraging advanced data and analytics strategies to grow omnichannel LTV (life time value) of customers

• Improvement in users omnichannel experience by understanding interactions between marketing activities of any type with sales in any channel

Based on our X Lab benchmarks we see that switching to optimized omnichannel media strategy increases total media driven sales by 15-25% just by moving the budget towards more efficient channels - claims Mateusz Downar, CEO of X Lab.

"Having markets with 50%-75% of total revenue generated in brick-and-mortar stores it is impossible to neglect media impact on offline sales channels. Yet alone the omnichannel experience: being ready to deliver great customer experience in the channel of client's preference. Hence the exploration of measurement methods that on the one hand deliver on the promise of incrementality but on the other provide us with a 360 degree overview of our business, irrespective of the sales channel. In the spirit of triangulation, we find MMM and conversion lifts with offline sales component especially appealing in this context.

Viacheslav Poliakov, eCommerce Manager

360 omnichannel strategy does not only account for media. It also allows for validation of price and promotion mechanisms with special consideration of cross-channel effects - i.e. the impact of a promotion type in one sales channel on sales in the other sales channels. For example, a better assessment of the impact of Black Friday promotions and an insight into what role they should play in the offline retail chain vs. online sales channels.

Holistic measurement system which includes lifts studies, attribution and Marketing Mix Modelling (MMM) is in a unique position to measure and support omnichannel strategies.

Due to holistic approach and the need to gather different perspectives on marketing (e.g. media, price, distribution) in one place it is often very much needed spark to change an organization from a multi-channel business with siloed approach to each sales channel to an omnichannel organization. You can work towards KPIs only if you can measure them - omnichannel measurement system often serves as a catalyst for an organizational shift towards truly omnichannel organization.

> "Building a common view, common perspective on all sales channels is a crucial step for us to deliver our mission of omnichannel organization. Only by having ability to speak the same language we can evaluate on the same scale our efforts in stores, in digital and non digital marketing, we can validate the impact of price or promotions. By this we can better navigate our consumers across our sales channels and at the same time grow our business in all of them building on synergies rather than canibalizing each other. That was especially important for us with such a dynamic growth of our apps.
>
> At the same time we know that measurement is just a starting point - having a common view is just an enabler for robust omnichannel strategy, which will be joined to the strategy of our digital and offline departments."
>
> Michał Laskowski, Head of eCommerce