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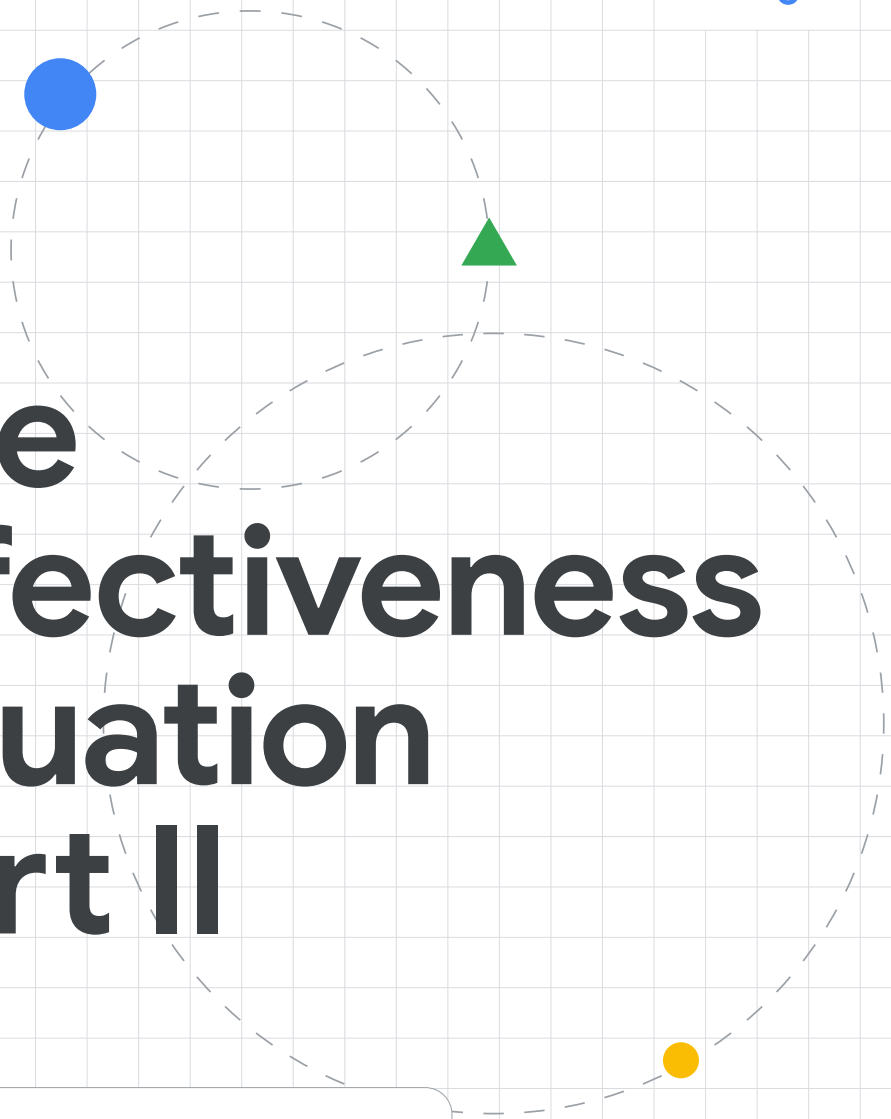


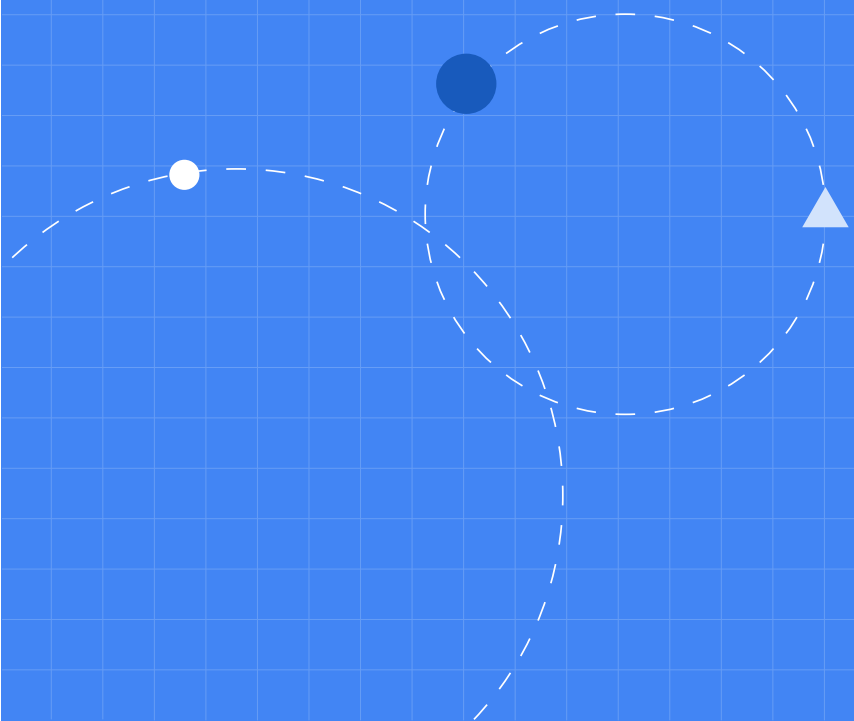
The Effectiveness Equation Part II

A practical framework for measuring, maximising and demonstrating the full value of marketing

Contents

Chapter 01

Introduction: Expanding the Equation



If you measure marketing on short-term returns alone, you miss around half of what it delivers. In the first Effectiveness Equation, analysis of more than 200 effectiveness studies across four European markets showed that the long-term sales impact of media investment on YouTube during months 5-24 typically equals that of the first four months. The true longer-term contribution builds quietly and usually goes uncounted.

That report also traced marketing's less visible effects: the pricing power that lets strong brands command premiums that weaker competitors can't match; the use of first-party data to transform generic marketing into specific messaging; and the cumulative effect of sustained investment, where brands that hold firm during economic downturns tend to emerge stronger, while those that make cuts ultimately pay more to recover lost ground.

This sequel builds on that framework with new research and practical methods to boost performance across the entire life-cycle of marketing investment. But performance is only half the task; the other half is making marketing's true value legible to the rest of the business. Finance often sees marketing as a cost to be contained rather than an investment in future cash flows. This report sets out to bridge that gap by pairing the mechanics of better performance with the language and metrics of corporate finance, allowing marketers to translate their work into terms the boardroom recognises.

Revenue vs. ROAS

First, the good news. New analysis for this report by Ekimetrics across hundreds of MMMs finds that media spend among companies typically scales almost linearly with output up to the point of diminishing returns. In other words, in aggregate, brands that invest more in media generate a larger number of sales or similar outcomes. At a time when marketers report that they expect their budgets to shrink over the course of 2026,[1] this is a strong data point to support ongoing investment.

1 WARC, Voice of Marketers survey, December 2025.

Figure 01

Spend vs. contribution (%)

Source: Ekimetrics MMM meta-analysis, 2024-2025, UK, DE, FR, ES, IT, Base: 668 studies.

Ekimetrics also mapped spend against ROAS, and unfortunately here the picture is a little less straightforward. In this analysis, higher spend tends to correlate with lower ROAS: consistent with diminishing returns. But at lower or mid-tier spend levels, there is significant variation, suggesting that plenty of opportunity remains to make that spend more efficient.

Figure 02

Spend (%) vs. ROAS

Source: Ekimetrics MMM meta-analysis, 2024-2025, UK, DE, FR, ES, IT, Base: 668 studies.

Even more strikingly, the ROAS spread at each spend level is wide – often very wide. Brands in the same industry, investing exactly the same proportion of revenue in media, can generate vastly different returns on their ad spend. And with media inflation meaning that CMOs already get less for every dollar they spend,[2] this kind of efficiency squeeze is putting marketing departments under more pressure than ever to optimise and demonstrate their effectiveness.

2 Gartner, 2025 CMO Spend Survey, March 2025.

With spend and output scaling predictably, the difference between an average performer and a category leader becomes largely a matter of how efficiently each dollar of marketing spend can be made to work. So over the rest of this report, we'll look at some of the key factors behind this variance: the importance of channel selection and synergy, drawing on research by Circana; the outsized power of creative to elevate brands above their peers; and new insights into the brand equity and pricing power that build – often invisibly – as marketers sustain media investment over the long term.

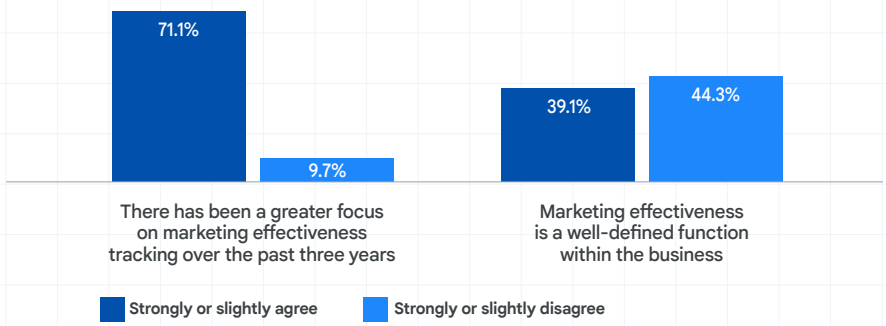
What measurement still misses

The ROAS gap will be hard to close while businesses still disagree on how to define marketing effectiveness. Despite growing awareness that marketing effectiveness matters – 71% of surveyed marketers agreed that "there has been a greater focus on marketing effectiveness tracking over the past three years" – uncertainty persists about what effectiveness actually means.[3]

Kantar and Google's 2025 Language of Effectiveness research found that more marketers disagree (44.3%) than agree (39.1%) that marketing effectiveness is a well-defined function in their business.

Figure 03

To what extend do you agree with the following statements?



Source: Marketing Week, "The Language of Effectiveness 2025"/ Excludes 'Neither agree nor disagree' and 'Don't know'.

3 Google/Kantar/Marketing Week, UK, The Language of Effectiveness, n=1,091 online survey, 2025.

Part of this uncertainty stems from the tools currently being used to measure effectiveness, with the majority of measurement approaches still limited to short-term impact. Traditional attribution models only track the path to conversion, but even Marketing Mix Models (MMMs) typically only measure incremental sales for a limited window; often just the campaign period itself, or perhaps extending a few months beyond.

These approaches capture the immediate sales lift, but they leave three other significant value components unmeasured.

Long-term carryover effects continue to drive sales well beyond the initial campaign period, as we saw in our first report. Brand-building activity in particular creates lasting shifts in consumer preference that compound over time. These extended effects can match or exceed short-term impact, but standard measurement often treats them as part of an unchanging baseline rather than marketing's ongoing contribution.

Brand equity represents another under-counted contribution to baseline sales. Strong brands assume a certain level of sales each quarter. This "natural" demand is often assumed to exist entirely independent of marketing, but in reality the baseline is enhanced by the accumulated effect of previous campaigns. Marketing creates mental availability, forges emotional connections and improves quality perceptions. Not accounting for this means dramatically understating the total value that marketing creates.

Pricing power and elasticity effects add a third dimension. As we explored in the first Effectiveness Equation, marketing investment influences both how many units a brand sells and the price of those units. Brands with a strong presence are less sensitive to price rises, which enables them to increase or protect revenue through margin rather than growth alone. But this effect is invisible to measurement systems that focus only on unit sales.

Without these three components, marketing's contribution can be easily undervalued. So in this report we'll explore how to measure them accurately, identify where spend can work even harder, and optimise campaigns to maximise returns.

And that all begins with the response curve: a deceptively simple pattern that governs how media spend translates into sales, and reveals how much headroom marketers have left for profitable growth.

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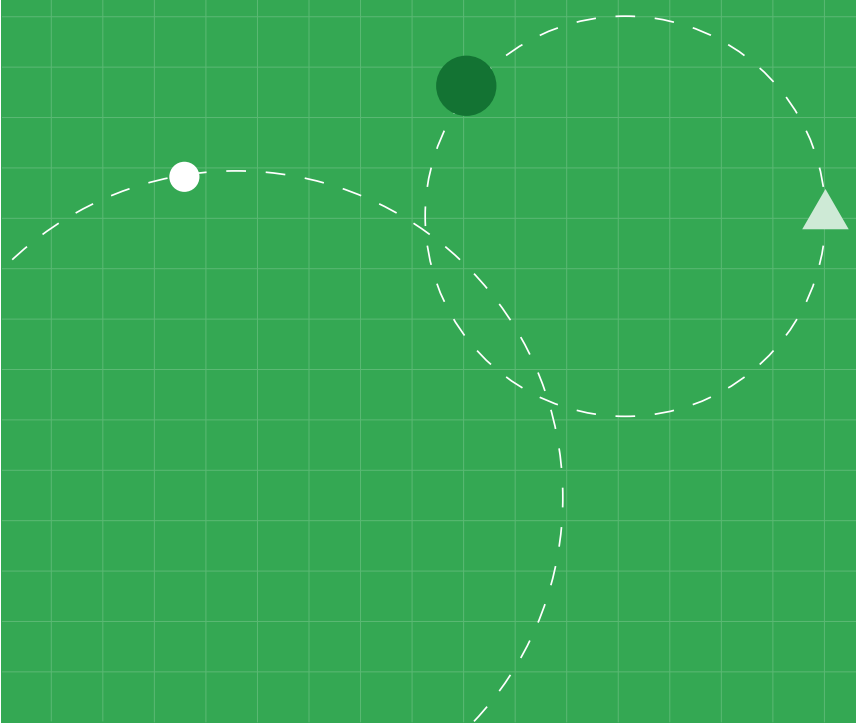
Chapter 02

Understanding the Response Curves



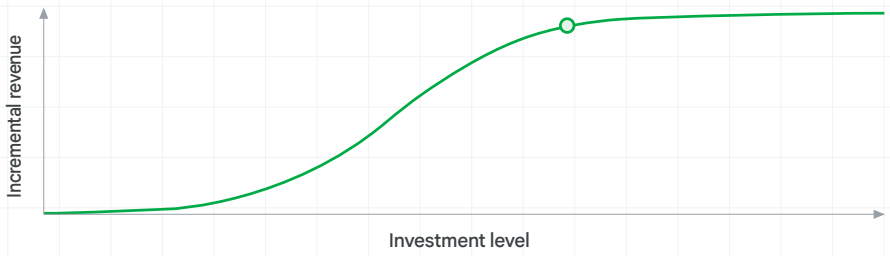
The relationship between marketing investment and sales impact follows predictable patterns. Spend a little and you might not see any sales at all. Spend more and the results start compounding. But if you keep spending, eventually the returns flatten.

This S-curve shape – a slow start, followed by rapid growth and eventual flattening – governs how most marketing channels perform.

A saturation curve has two axes. On the horizontal side is effort: advertising spend and media activity. On the vertical side is gain: the outcome you're trying to drive. Most commonly this means incremental sales or revenue, but it could also be brand awareness, website visits or lead generation.

Figure 04

A response curve



Understanding where your current spend sits on the curve matters more than almost any other question in media measurement. This is because the same dollar applied at different points will generate radically different returns. Early in the curve, each additional dollar might generate five dollars in sales. Later, that same dollar might only generate 50 cents. The marketing mechanics are the same, but your position on the curve results in a completely different economic output.

Zones and inflection points

The shape of the S-curve depicts how these campaigns work in practice. It starts flat because the first tranche of budget goes towards building awareness, overcoming consumer indecision and pushing through purchase cycles. Then it steepens as the marketing activity builds momentum. Finally it flattens once most of the addressable market has been reached, causing additional investment to yield less and less.

To understand these dynamics, we can break the curve into five distinct zones:

Zone 1: wear-in

This is the lag phase. Revenue grows slower than spend initially as your campaign works to build baseline awareness, secure share of voice against competitors and align with consumer purchase cycles. To achieve scale, you have to establish momentum by investing through all of this early inefficiency.

Zone 2: acceleration

You've crossed the break-even threshold, and every extra dollar now generates profit with efficiency improving at each step. This is the steepest growth phase.

Zone 3: efficiency

You've passed the inflection point where marginal ROAS peaked. Returns are starting to slow, but they're still high enough to keep pulling total ROAS upwards.

Zone 4: contribution

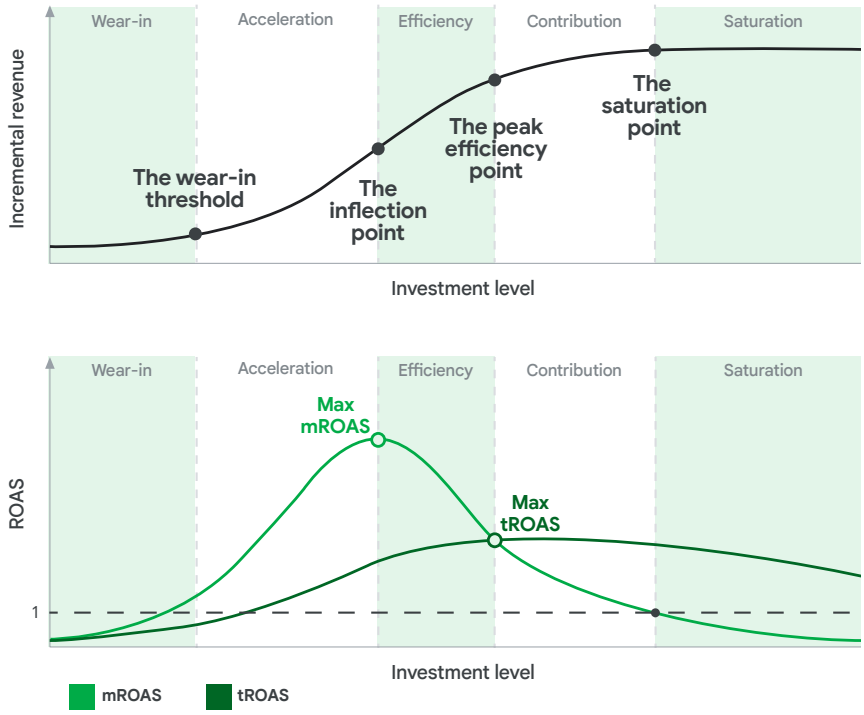
Total ROAS has peaked and is now declining, but every next dollar is still profitable. You accept lower efficiency to capture maximum market share and total profit.

Zone 5: saturation

Diminishing returns have fully set in and the curve has flattened. The cost of the next sale is higher than the revenue it generates. Further spend beyond this point just destroys value.

Figure 05

Identifying activity across four critical points



Marginal ROAS (mROAS)

The return generated by each additional unit of marketing spend. Marginal ROAS answers the question: “If I increase my budget right now, how much revenue will that incremental investment generate?” It reveals the efficiency of the next unit of spend at your current investment level.

Total ROAS (tROAS)

The overall efficiency of your marketing investment. Total ROAS is calculated by dividing all the revenue generated by a campaign against all the spend on that campaign. It tells you the average return across your entire budget, but doesn’t reveal whether additional spend will perform better or worse than that average.

Most marketers have an intuitive feel for how these zones work. But to optimise investment you need more than intuition. First you have to know the shape of your specific curve, how steeply it rises and where it peaks. Then you need to be able to situate your current spending on that curve. Only then can you identify when your marketing activity has passed one of four critical points within the zones, each representing a threshold beyond which your campaign strategy needs to shift.

Point 1: wear-in threshold. This marks the end of the lag phase at the bottom of the curve. The curve is flat because you haven't yet generated enough pressure to break through the noise. As a result, the first tranche of budget often yields zero visible return because it is being spent overcoming cognitive resistance and clutter.

Point 2: inflection (maximum marginal ROAS). Geometrically, this is where the curve shifts from convex (accelerating) to concave (decelerating). It is the steepest section, meaning your marginal ROAS is at its absolute maximum. For every dollar you put in here, you get the highest possible return.

Point 3: peak efficiency (maximum total ROAS). The sweet spot, where total sales divided by total spend is maximised. This is where your campaign achieves its highest overall efficiency.

Point 4: saturation. At this stage, the curve flattens completely. You've reached the majority of your addressable audience and frequency is becoming excessive. While your total sales are at their highest, your ROAS is declining rapidly. Beyond this point, marginal ROAS falls below 1, with each additional dollar costing more than the revenue it generates.

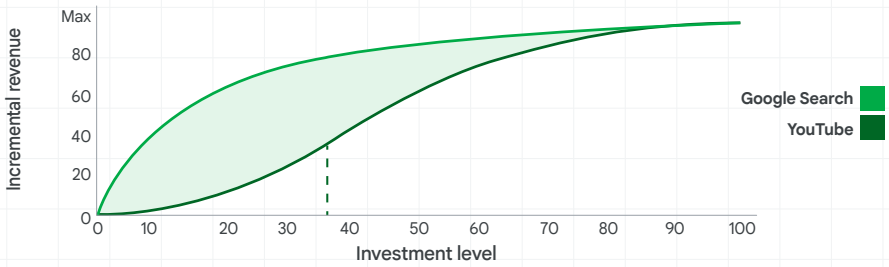
A note on Search curves

S-shaped curves are typical for media activity with broad reach or brand-building as the goal, or which seek to overcome consumer hesitation and indecision. But for Search and other performance channels, the curve shape will generally be concave rather than an S.

Concave curves are typically observed in intent-based or direct-response media. They also emerge in campaigns where brands know their customers well enough that they can target them with extreme precision, hitting their best prospects immediately. The reason for this is that when consumers are already primed and nearing the decision point for a product or service, the first tranche of budget is typically the most efficient. From this starting point, the curve rises steeply before rapidly flattening out, with each subsequent dollar then generating slightly less incremental return than the one before.

Figure 06

Saturation shapes: concave vs. S-curve



But crucially, unlike brand-building, where the ceiling is set by the size of the addressable audience, Search campaigns are bounded only by consumer intent. Each query is a discrete event – an opportunity to provide a product or service at the exact moment someone is looking.

With Paid Search algorithms optimising initial spend towards the highest-converting prospects, the result is a curve that hits diminishing returns quickly, but where marginal return on ad spend (ROAS) remains positive for much longer than most marketers assume.

Flooding the “contribution zone”

It is a mistake to stop investing at inflection or peak efficiency on the assumption that you’ve maximised returns. Inflection gives you the best marginal return on each additional dollar; peak efficiency gives you the best overall efficiency across your total spend. Both sound like a job well done. But if your goal is to maximise total revenue, stopping at either point means leaving money on the table.

The “contribution zone” – defined as the region between those two points – is where you capture the largest amount of revenue. Efficiency metrics are declining in this zone, but every dollar you spend still generates more than a dollar in return. You’re trading efficiency for volume, accepting lower percentage returns to capture more total revenue and profit.

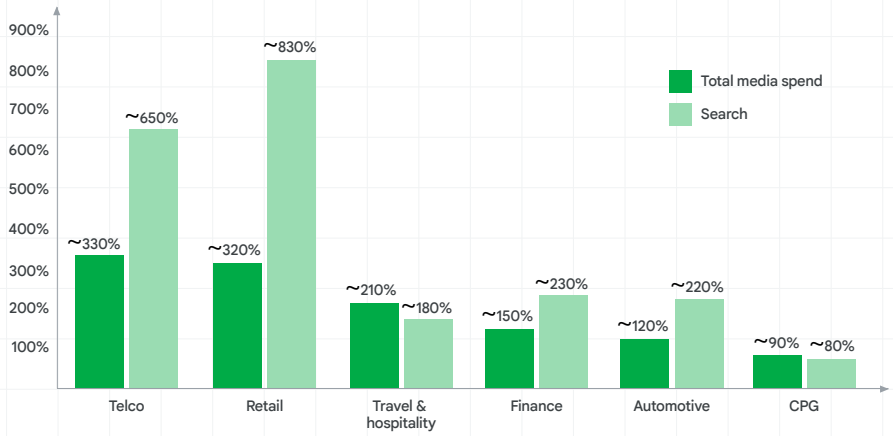
As mentioned earlier in the chapter, marketers tend to underestimate just how much headroom remains for capturing profitable growth. And now our research with Ekimetrics has allowed us to measure the size of this gap.

According to a meta-analysis of retail Marketing Mix Modelling (MMM) studies in Europe:

- The average retail brand had capacity to increase media investment by up to 320% before reaching the saturation point (where marginal ROAS on revenue falls below 1).
- In Search specifically, the average retail brand showed capacity to increase investment by 830% before reaching the saturation point.

Figure 07

Headroom for growth before hitting the saturation point



Source: Google-commissioned Ekimetrics MMM meta-analysis, H2 2023 - H1 2025, FR, UK, DE, IT, ES.
Base: 83 MMMs studies from the Retail category, 29 MMMs studies from the Finance category, 87 MMMs studies from the Travel & Hospitality category, 115 MMMs studies from the Automotive category, 69 MMMs studies from the CPG category, Base: 21 MMMs studies from the Telco category.

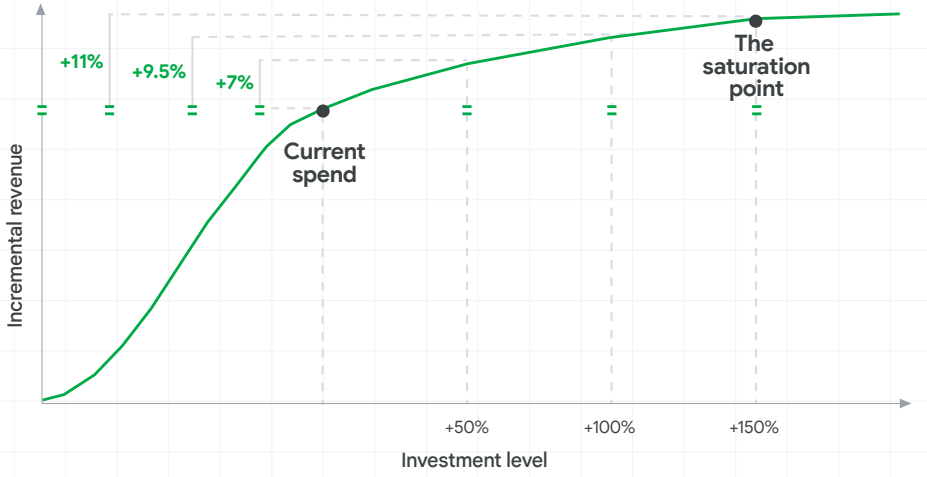
These are obviously very large numbers, and they represent a theoretical ceiling that cautious marketers aren't going to crash through overnight. So to explore what diminishing returns in this zone look like in practice, we can turn to the finance vertical, where the remaining ceiling is a little less cavernous. Our meta-analysis showed average headroom of 150% before finance advertisers reached saturation. If we split this 150% into three equal parts, the first 50% provides a 7% increase in revenue, the second 50% delivers 2.5%, and the third delivers 1.5%.

All three percentages are measured against the same starting revenue, meaning revenue has the potential to grow by 11% before saturation. Incremental returns decrease as the budget rises, but marginal ROAS doesn't drop below 1 until total spend scales beyond 250% of current levels.

Figure 08

Measuring revenue potential at scale

An example of growth potential in the Finance category.



Source: Google-commissioned Ekimetrics MMM meta-analysis, H2 2023 - H1 2025, FR, UK, DE, IT, ES.
Base: 29 MMMs studies from the Finance category.

This is why switching from a budget-led to a demand-led strategy can be so transformative. Consumer demand exists independently of budgets: if your Search campaigns hit their cap by 6pm every night, but your potential customers are shopping after work, then you are handing your uncapped competitors an easy win.

Optimising across multiple channels

Of course, in reality most marketing campaigns operate across multiple channels simultaneously. So the goal isn't to optimise any single channel in isolation, but to maximise total return across all channels together.

This introduces a strategic question: when should you shift investment from one channel to another? The answer depends on understanding where each channel sits on its own response curve and what return the next dollar would generate in each.

Consider two marketing channels: **Channel A** and **Channel B**. If Channel A currently delivers higher ROAS than Channel B, conventional thinking suggests shifting budget from B to A. This seems logical, but it ignores a critical variable – position on the response curve.

If Channel B is early on its curve – still in the acceleration or efficiency zones – while Channel A is already deep into the contribution zone, then the next dollar might actually generate better returns in Channel B despite its lower current ROAS. Channel A's higher overall efficiency reflects past performance, not marginal opportunity.

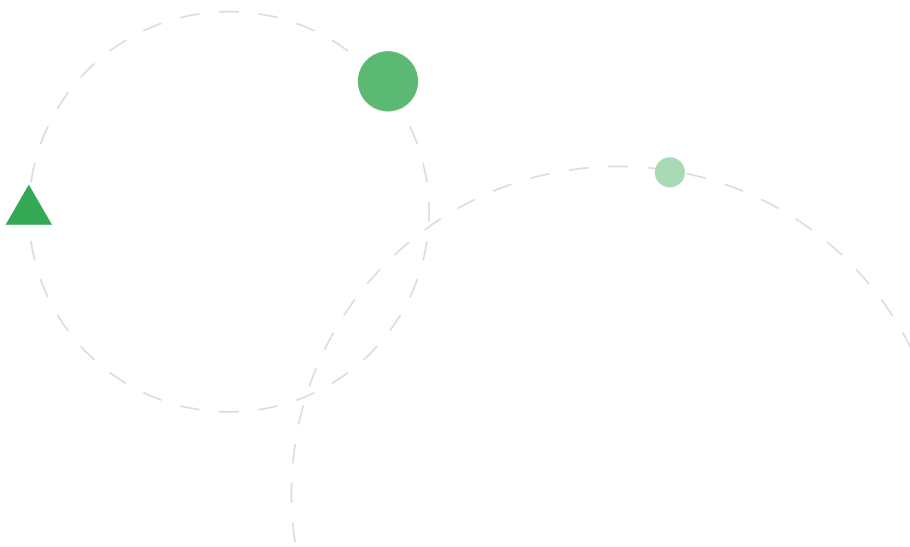
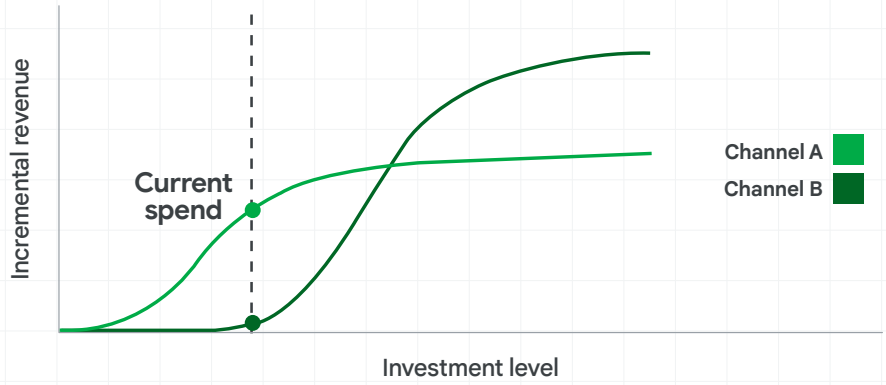


Figure 09

Visualising the trajectory



Adding more budget to a channel doesn't just change its ROAS, it moves you along its curve, potentially into zones of sharply diminishing returns. Without knowing the shape and position of each channel's curve, you can't predict what that next dollar will actually generate.

Effective portfolio optimisation means understanding not just current ROAS, but the shape and position of each channel's curve. Where is the wear-in threshold? How steep is the acceleration? When does saturation set in? These curve characteristics determine which channels can absorb more investment productively and which have already exhausted their potential.

It's also important to know that these curves aren't fixed. Strategic choices – media mix, creative quality, targeting, flighting – can reshape them, shifting thresholds left, steepening slopes and raising ceilings. And in the next chapter we'll look at how marketers can change their campaign destiny by elevating their response curves.

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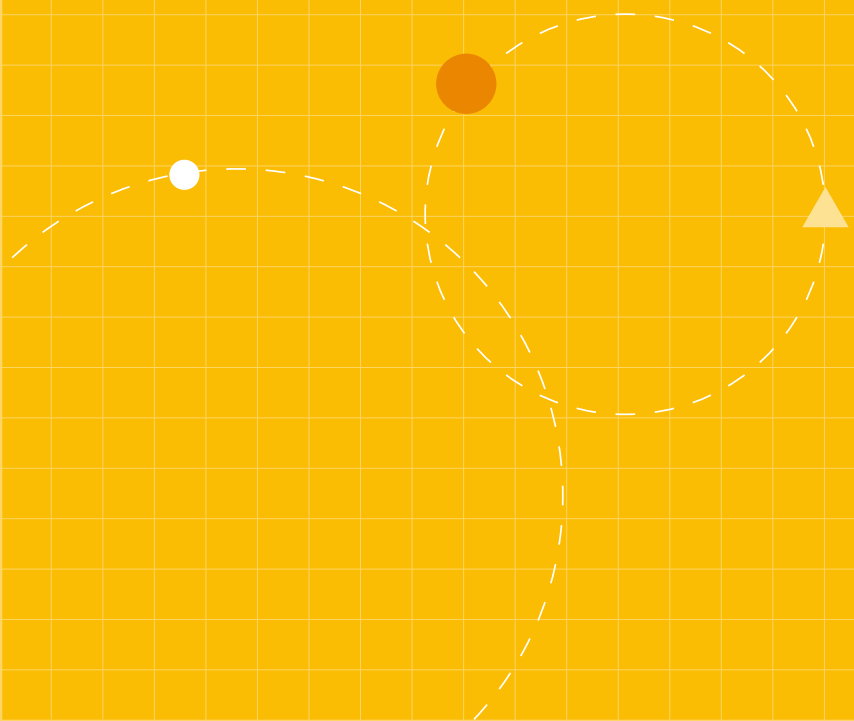
Chapter 03

Elevating the Curve: Media Optimisation

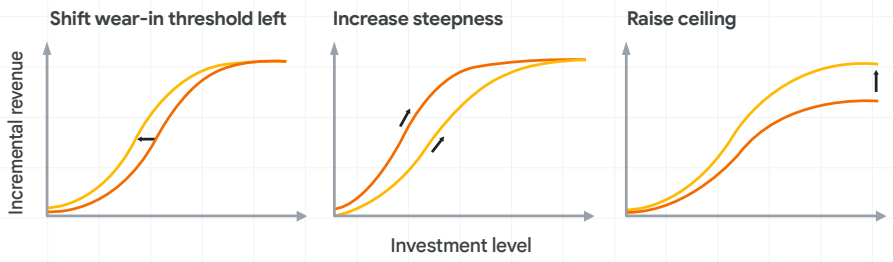


Figuring out how to move along a response curve by optimising the balance between efficiency and volume is necessary work. But stopping there means accepting that the current limitations of your brand's performance are fixed constraints.

Fortunately, marketers don't have to settle for the status quo, because the curve itself can be elevated. And simply put: when you elevate a curve, the same dollar generates more sales than it did before.

Figure 10

Three ways to elevate a curve



Shifting the wear-in threshold left means you start seeing exponential growth at a lower spend level. The barrier to entry drops, so you need less investment to reach critical mass and trigger the acceleration zone.

Increasing the steepness means that for every additional dollar spent during the growth phase, the rate of sales acquisition becomes faster. You get more impact per dollar during the crucial acceleration and efficiency zones.

Raising the ceiling means the saturation point moves higher, increasing the total addressable sales volume. This shifts the upper limit of the revenue you can achieve.

These three mechanisms often work simultaneously. Media choices, such as how channels are combined, the balance between reach and frequency, and how audiences are targeted, all shape the relationship between investment and return.

But to begin, we're going to look at a powerful approach that can shift the threshold, steepen the slope and raise the ceiling in one integrated movement: media synergy.

What is media synergy?

When multiple marketing channels are used together, the combined effect often exceeds what each channel is able to deliver independently. Rather than just being cumulative, two channels working together can generate returns greater than the sum of their separate contributions. We call this effect media synergy, and it represents one of the biggest levers for elevating response curves.

In an examination of more than 1,000 campaigns across 500+ global brands, Oxford's Saïd Business School discovered channels are neither fungible nor interchangeable, meaning that an impression on one platform creates fundamentally different value than an impression on another.[4]

This diversity is what makes multi-channel approaches so effective. Recent research by WARC bears this out: their analysis of thousands of campaigns found that each additional media channel added to a campaign drives an 11% improvement in ROI.[5]

How media synergy elevates the curve

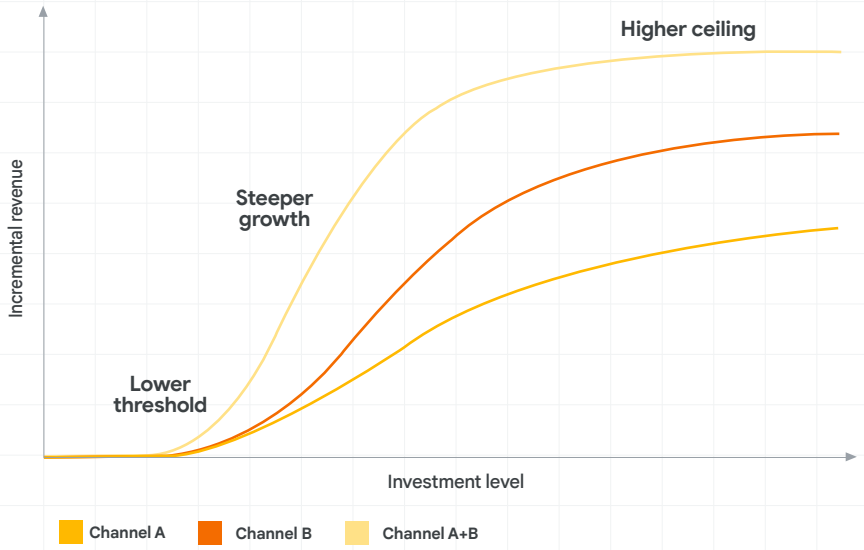
Media synergy works by affecting all three forms of curve elevation simultaneously, both through the mechanics of how audiences are reached and the psychology of how consumers process brand messages across different contexts.

4 University of Oxford - Saïd Business School, "The Effects of Advertising Media Channel Combinations on Brand Performance", J. Jason Bell, Felipe Thomaz, Andrew T. Stephen, 2021.

5 WARC, Analytics Partners, BERA.ai, System1, Prophet, "The Multiplayer Effect", 2025.

Figure 11

Visualising media synergy: the elevated response curve



Shifting the wear-in threshold left: accelerating reach

In a single-channel campaign, reach builds slowly after the initial burst. This is because you typically start hitting the same heavy viewers repeatedly before finding new ones. But by adding a second channel, you immediately tap into a different audience segment. This incremental reach means you're not paying to hit the same people for the tenth time, you're paying to hit new people for the first time. And the earlier you hit a critical mass of reach, the faster your curve starts to lift.

Increasing the steepness: cognitive efficiency

Our brains are wired to ignore redundancy and pay attention to variety. If a consumer sees the same TV spot three times, the brain processes it with successively less attention each time. But if they see one spot on TV and another on YouTube, the change in placement prompts the brain to process the information in two distinct ways, even if the creative is unchanged. Research suggests that

information is better remembered when it's encoded in varied contexts rather than repeated in the same context, resulting in a richer, more durable memory structure than repetition alone.[6]

There's also a priming effect at work. Exposure to the brand in one channel creates a mental scaffold that the brain can then reuse. When the consumer encounters the brand in a second channel, this prior knowledge facilitates faster mental processing. The second ad doesn't have to work as hard to persuade; it simply activates the structure built by the first. This reduces cognitive load and accelerates the decision to buy, resulting in a higher conversion rate.

Raising the ceiling: total audience expansion

By combining channels, your messaging can find users who are only accessible via each specific medium. This raises the absolute sales volume that's mathematically possible to achieve. The ceiling rises not through budget, but because you've expanded the pool of potential buyers.

Media mix synergy in practice

To understand how media synergy plays out across different channel combinations, Google commissioned Circana to perform a meta-analysis of 349 MMM studies for CPG brands across Europe, representing over €730 million in media spend with a median annual spend per brand of €1 million. By examining the share of spend across six media categories – TV, YouTube, Search, social media, other digital and other offline – the study identified five distinct "archetypes", each characterised by a different media mix approach.

The TV Traditionalist puts nearly all spend into TV, with minimal investment elsewhere.

The Multimedia Hybrid balances TV with significant digital investment across YouTube, social media and other digital channels.

The TV Anchor relies heavily on TV with modest digital support across YouTube, Search, social media and other digital channels.

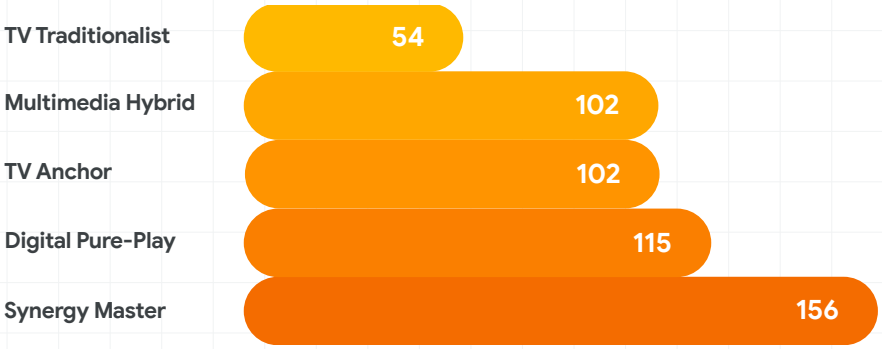
The Digital Pure-Play uses almost no TV, focusing heavily on social media and other digital channels, with small allocations to YouTube and other offline media.

The Synergy Master uses a diverse mix across all channels, with substantial investment in both TV and YouTube, meaningful Search allocation, and balanced spending across social media and other digital.

6 Y. Chang, E. Thorson, Journal of Advertising Vol. 33, No. 2, "Television and Web Advertising Synergies", 2004.

Figure 12

ROAS index per archetypes



Source: Google-commissioned Circana meta-analysis, Base: 349 MMM studies, 2023-2024, AT, BE, CH, CZ, DE, DK, ES, FR, GB, GR, HU, IE, IT, NO, PL, PT, RO, SE, the CPG vertical.

Performance differs substantially between these archetypes. The TV Traditionalist approach, which concentrates nearly all spend on television advertising, achieves ROAS significantly below the average. But even modest diversification helps: the TV Anchor archetype, which adds some digital channels to a TV-heavy base, performs considerably better.

The highest-performing archetype is the Synergy Master, achieving ROAS well above average. This archetype is characterised by channel diversity and a balance between TV, YouTube and Search. WARC's report offers a possible explanation; they found that brands with high awareness generate more than twice as much sales growth from performance activity compared to low-awareness brands.

Maximising ROAS through channel synergy

An interesting contrast emerges when we compare the Multimedia Hybrid and the Synergy Master archetypes. Their media mixes are nearly identical across most channels, but the Synergy Master allocates substantially more to Search – a shift that results in higher returns, suggesting strong synergy effects between Search and other channels in the mix, such as YouTube. Results from MMMs run by TransUnion in the US support this, finding that Google Search and YouTube campaigns together drove 37% higher ROAS compared to all other media.[7]

For brands considering YouTube investment specifically, the data offers encouraging signals. The Synergy Master archetype has the highest YouTube share of spend while also achieving both the highest overall ROAS and the highest YouTube-specific ROAS. Analysis also shows that YouTube ROAS is 54% higher when paired with a strong Search strategy, which is another characteristic of the Synergy Master approach.[8]

Finally, for brands that can't afford to buy TV efficiently at scale, the Digital Pure-Play archetype, which uses almost no TV, still achieves above-average ROAS. This suggests that a well-diversified digital mix can still be a viable path to effectiveness for smaller budgets.

7 Google-commissioned TransUnion MMM Meta-Analysis & Synergy Simulations of YT + Search vs. All Other Media in aggregate, US, all verticals n=40 and 800 + Models Q1 2024 – Q4 2025.

8 Google-commissioned Circana meta-analysis, Base: 349 MMM studies, 2023-2024, AT, BE, CH, CZ, DE, DK, ES, FR, GB, GR, HU, IE, IT, NO, PL, PT, RO, SE, the CPG vertical. Share of Spend in "The Full Funnel Performer" cluster: YouTube 12.5%, Google Search 7.3%. Share of Spend in"The Multimedia Hybrid" cluster: YouTube 13.7%, Google Search 0.7%.

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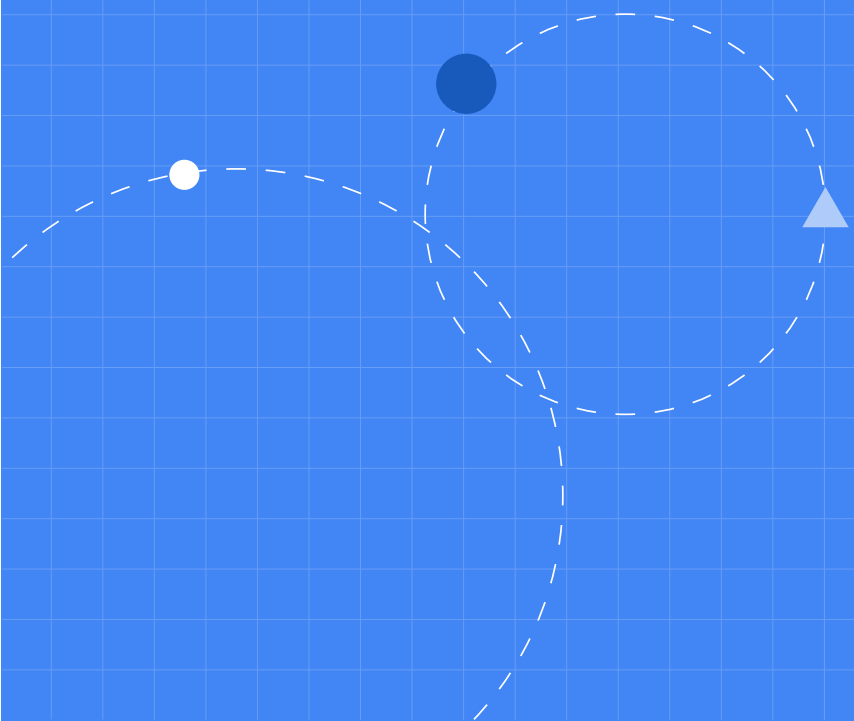
Chapter 04

Elevating the Curve: Creative Quality



So far we've focused on the practical factors that influence the shape and elevation of saturation curves: which channels, which audiences, which markets. But some of the biggest potential gains available to marketers deal more with aesthetics than logistics.

According to a meta-analysis by Circana, advertising creative drives 49% of incremental sales,[9] making creative execution by far the biggest lever marketers can pull to boost performance. And as it amplifies the impact of budget that has already been committed, there is no need for reallocation between channels or additional investment to expand reach.

But despite these clear signals, creative execution is often lacking. 85% of ad campaigns analysed in the study were suboptimal, with average utilisation of the most potent creative features sitting at just 32%. Which means that the vast majority of brands are tracking their spend against curves that are already significantly deflated by creative underperformance. For most brands, better ads would lead to better outcomes.

The creative quality gap

Evidence for the importance of creative execution comes from a joint research project by Ekimetrics and Google that analysed 778 video ads across nine brands in automotive, beauty and hospitality. The results suggest that creative quality – as defined across 73 attributes drawn from our ABCD framework for effective storytelling on YouTube – is the primary performance lever for brands, offering up to a 70% increase in campaign ROAS.

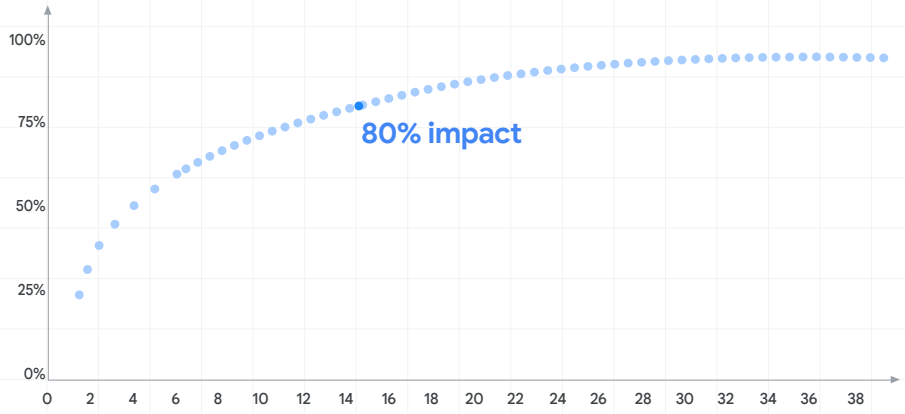
9 NCSolutions, Five Keys to Advertising Effectiveness, 2023.

Of these 73 attributes, just 13 account for 80% of observed performance improvement, giving marketers a simple but powerful playbook for boosting their video ads.

And yet most advertisers are failing to take advantage, with more than 50% of campaigns using just two of the thirteen attributes.[10]

Figure 13

All attributes are not equal



Source: Ekimetrics creative MMM meta analysis commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024 in Europe.

What drives creative effectiveness?

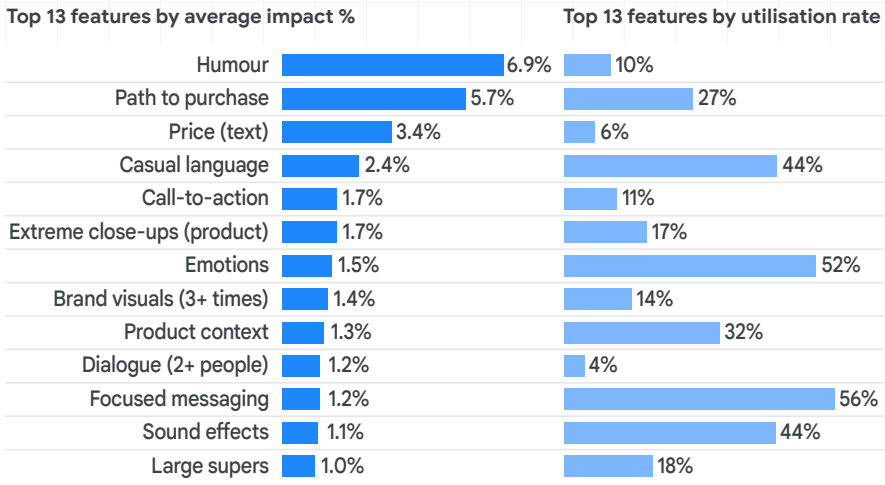
The 13 high-impact features span all four components of our ABCD framework: **Attention** (attracting attention), **Branding** (increasing brand equity), **Connection** (building relationships), and **Direction** (encouraging action).

10 Ekimetrics creative MMM meta analysis commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024 in Europe.

Figure 14

The features delivering the biggest results

Humour and price have the the most impact but are under-utilised. Emotions, focused messaging and sound effects have lower impact but are over-utilised.



Source: Ekimetrics creative MMM meta analysis commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024 in Europe.

The three most powerful attributes are:

- **Humour** contributes an average 6.9 percentage point impact on ROAS. When people find content funny, it cuts through mental clutter and increases memorability. This in turn creates positive associations with the brand and increases the likelihood that viewers will watch the entire video, rather than skipping.
- **Path to purchase** contributes 5.7 percentage points. This refers to any messaging or design element that directs viewers to a physical store or point of sale, such as an app or website. Clear direction reduces friction between interest and action.
- **Price** contributes 3.4 percentage points. Displaying price information in the ad – whether through text or voice-over – has a measurable impact on performance. Price transparency helps qualify intent: viewers who see pricing and continue engaging are more likely to convert, with the attribute's impact disproportionately favouring short-term promotional messaging.

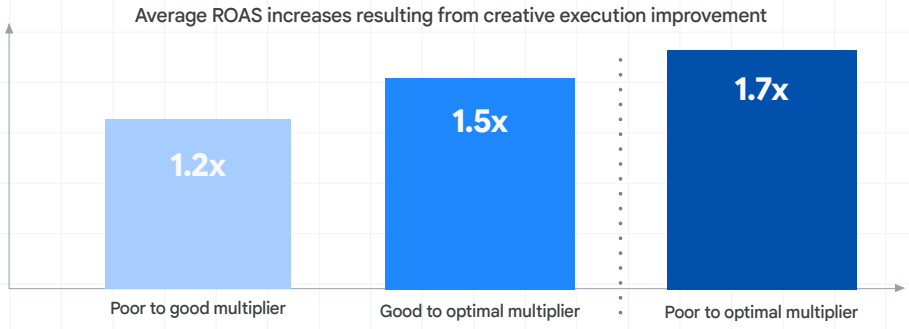
What is good creative worth?

According to Ekimetrics, pushing creative execution from “poor” to “optimal”[11] can improve ROAS by 1.7x, transforming a campaign that barely covers its costs into one that delivers strong returns. But even moving from “poor” to merely “good” yields a meaningful improvement, with short-term video efficiency increasing 1.2x, while “good” to “optimal” delivers a further 1.5x boost. Each step shifts the response curve vertically, extracting substantially more revenue from the same fixed investment.

Figure 15

Creative impact on ROAS

Up to **1.7x ROAS** driven by creative effectiveness



Source: Ekimetrics creative MMM meta analysis including 9 Europe brands commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024.

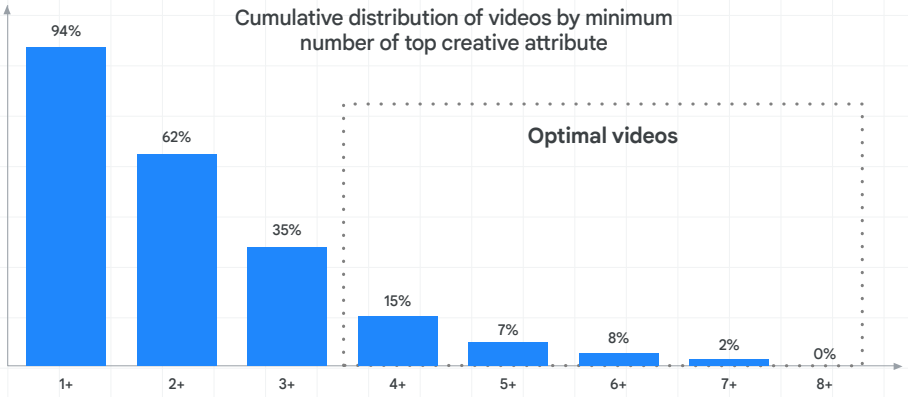
But despite this, our research shows that there is a significant execution gap in Europe. Analysis of video campaigns across the continent shows that only 15% meet the bar for “optimal” creative quality. More concerning is the lack of depth in execution: over half of all campaigns deploy fewer than three of the 13 high-impact creative features. As a result, average utilisation across the full spectrum sits at just 32%.

11 Ekimetrics creative MMM meta analysis including 9 Europe brands commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024. “Poor” creative follows 1 or none of the top 13 creative best practices identified in this study. “Good” creative follows 2 or 3 of the top 13 creative best practices. “Optimal” follows 4 or more.

Figure 16

Opportunity to improve

15% of videos in Europe are qualified as “optimal”



Source: Ekimetrics creative MMM meta analysis including 9 Europe brands commissioned by Google in 2024; Research spans 24 models and 462 campaigns from Automotive, Beauty and Hospitality verticals between 2019 and 2024.

Our analysis identifies creative quality as the potentially biggest performance lever for brands – outweighing channel selection, targeting or timing. So fixing creative execution represents the single largest accessible opportunity for brands to make gains. And the good news is that the gap between “poor” and “optimal” typically exists because of the choices brands make, rather than limitations in skills or technology.

Brands aren’t underperforming because they lack bigger budgets or sophisticated targeting; they’re underperforming because their creative execution is often lacking. And the features that elevate the curve – humour, clear calls to action, price transparency – aren’t a secret.

Historically, scaling these high-impact features demanded immense production muscle. Today, generative AI tools have rewritten those requirements, making it easier and more cost-effective than ever to rapidly iterate, test and adapt creative elements. Creative made with care, consideration and an awareness of what good looks like – and supercharged by AI-powered tools, such as Asset Studio – can lift your brand above the crowd. In the Appendix, you can find a dedicated section on how to guarantee creative quality in MMMs.

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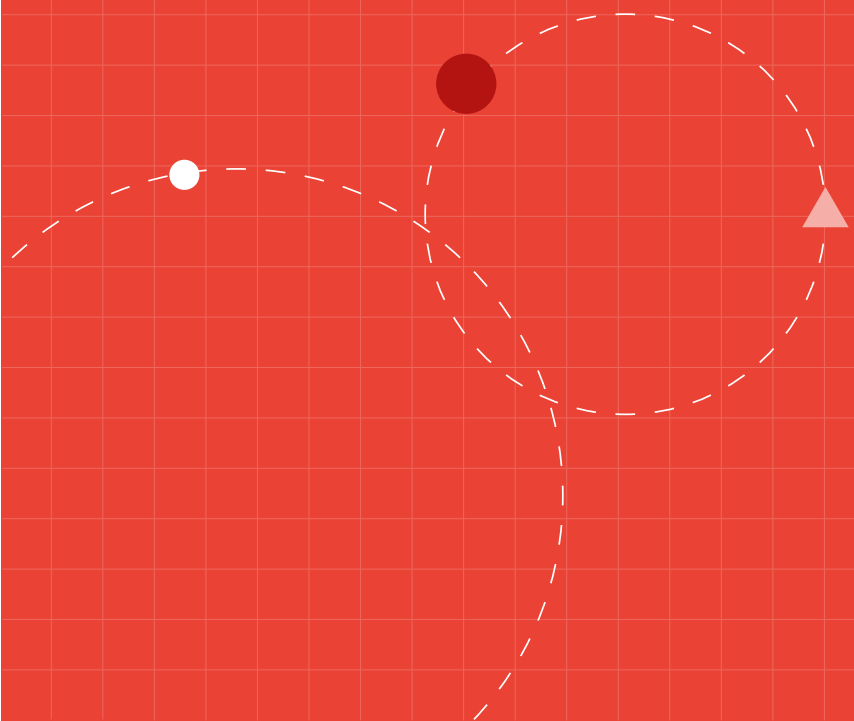
Chapter 05

Capturing Marketing's Full Value



As we discussed in our opening chapters (and in the original Effectiveness Equation report), marketing's impact on sales can generally be measured with reasonable precision. But marketers often default to the simplest timeframe, capturing short-term lift while missing much of what follows.

This chapter explores three forms of value that conventional sales measurement tends to overlook: marketing's full contribution to incremental sales, its protection of margin through reduced price sensitivity, and its effect on brand equity and shareholder value.

The incremental sales you don't see

We've already noted that measuring only short-term sales means missing around half of marketing's full value. The chart below shows where the rest is hidden. It decomposes marketing's full contribution to incremental sales into its individual components: short-term impact sitting alongside the longer-term effects of sustained investment, captured here through both media carryover and improved brand metrics.

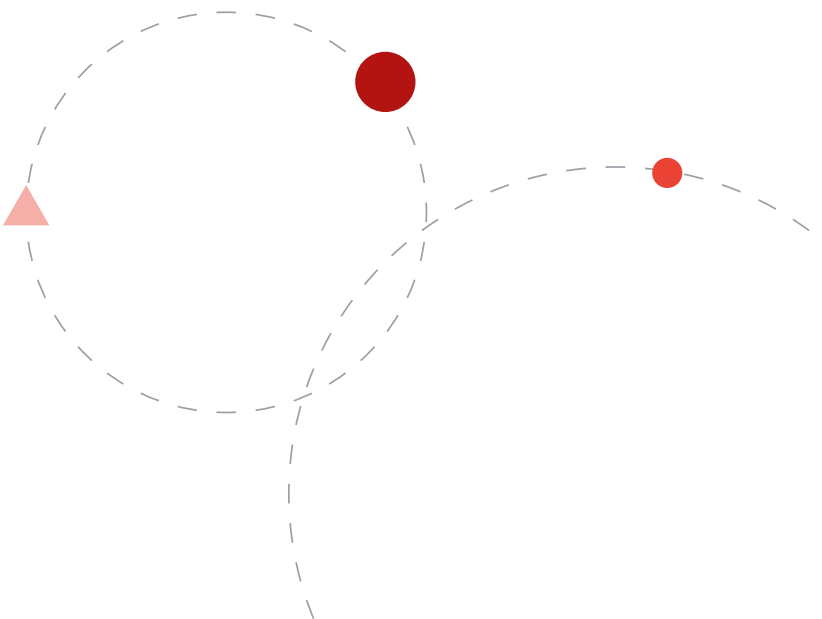
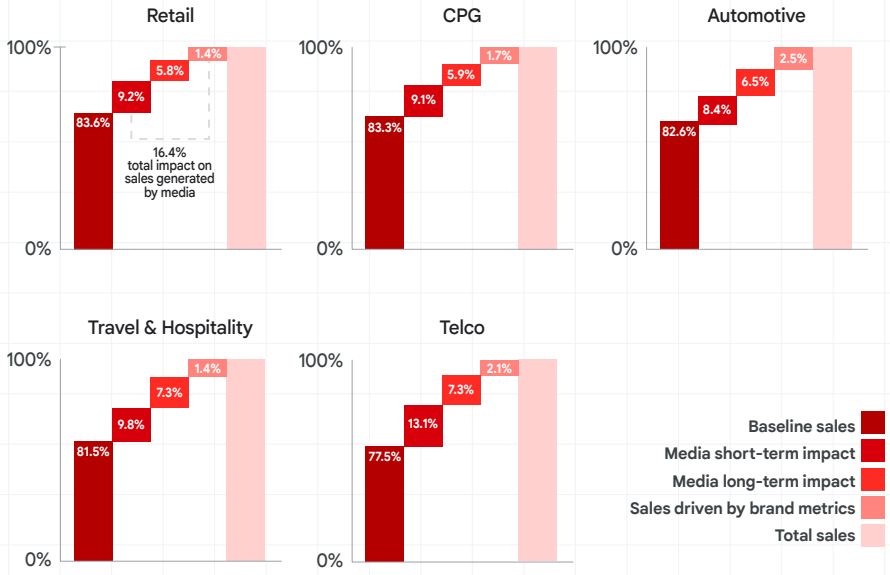


Figure 17

Marketing contribution to revenue

Showing short-term impact, long-term impact and impact driven by brand metrics.



Source: Google-commissioned Ekimetrics MMM meta-analysis, H2 2023 - H1 2025, France, UK, Germany, Italy, Spain. Base: 83 MMMs studies from the Retail category, 69 MMMs studies from the CPG category, 115 MMMs studies from the Automotive category, 87 MMMs studies from the Travel & Hospitality category, 21 MMMs studies from the Telco category.

Taken together, these components represent the total incremental sales that short-term measurement leaves out. In our first report, we showed these long-term effects for YouTube at an aggregate level; here we can show them across total media and by vertical. The technical detail of the method for decomposing the individual effects is set out in the Practical Appendix at the end of the report.

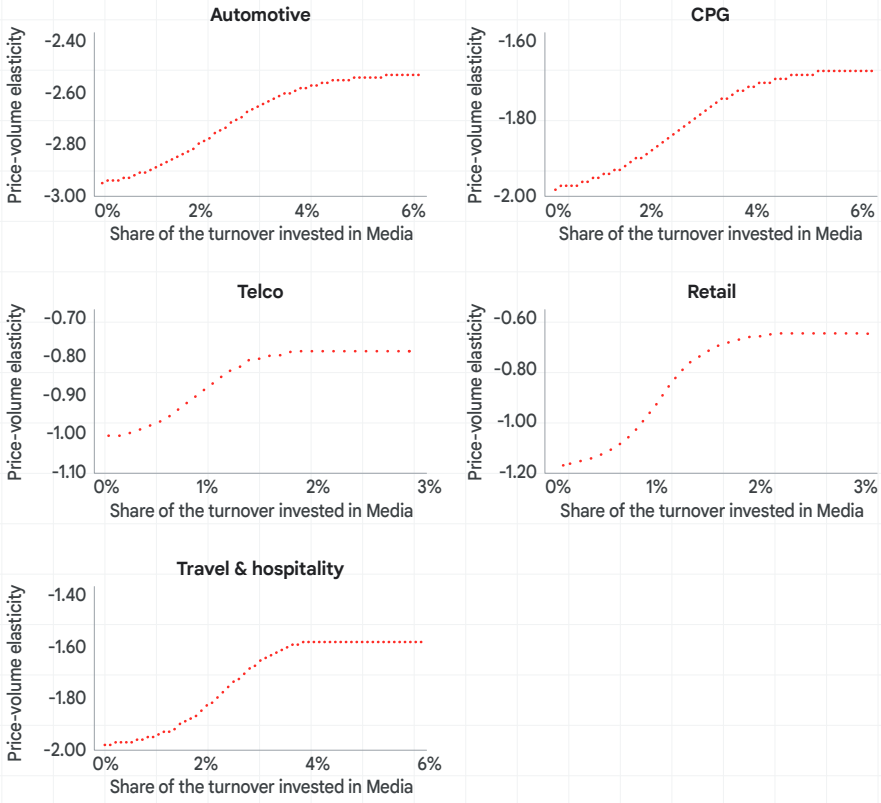
The price elasticity shield

The second effect doesn't appear on the chart above, because its nature is fundamentally different. It doesn't drive incremental sales; instead it protects existing revenue and margin when prices rise, offsetting the sales a brand would otherwise lose. Think of it as a shield created by sustained marketing investment; one that only becomes visible when the business needs it.

Ekimetrics' meta-analysis of MMM studies across Europe lets us quantify the relationship between media investment and price elasticity. The relationship is non-linear, but the pattern is consistent: sustained media investment reduces price sensitivity.

Figure 18

How media investment influences price elasticity

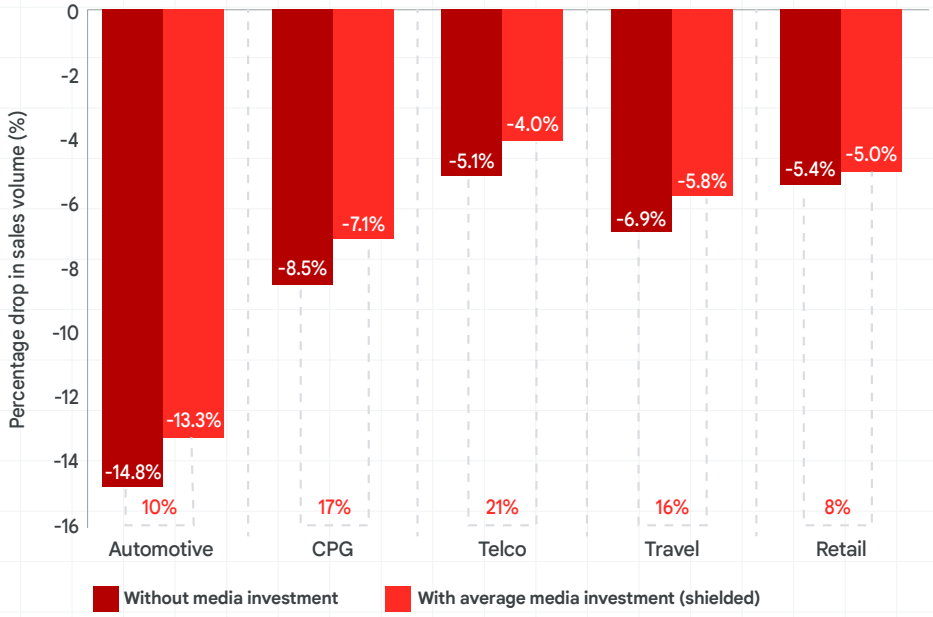


Source: Google-commissioned Ekimetrics MMM meta-analysis, H2 2023 - H1 2025, France, UK, Germany, Italy, Spain. Base: 115 MMMs studies from the Automotive category, 69 MMMs studies from the CPG category, 21 MMMs studies from the Telco category, 83 MMMs studies from the Retail category, 87 MMMs studies from the Travel & Hospitality category.

Analysis across five countries (France, UK, Germany, Italy and Spain) shows that the effect holds consistently, protecting revenue during price changes. Taking the automotive vertical as an example, a 5% price increase would typically cause sales volume to fall by 14.8%. At average media investment levels, that decline is reduced to 13.3% – a 10% improvement in the size of the drop. Offset percentages for other verticals covered in the analysis are displayed below.

Figure 19

The price elasticity shield: volume loss from a 5% price increase



Percentages below each bar show how much of sales is offset thanks to the price elasticity shield.

Source: Google-commissioned Ekimetrics MMM meta-analysis, H2 2023 - H1 2025, France, UK, Germany, Italy, Spain. Base: 115 MMMs studies from the Automotive category, 69 MMMs studies from the CPG category, 21 MMMs studies from the Telco category, 83 MMMs studies from the Retail category, 87 MMMs studies from the Travel & Hospitality category.

But until prices actually rise, the value of price elasticity remains hypothetical. A brand building equity today is creating pricing flexibility it might not exercise for several years. The value is real, but it only materialises when pricing decisions are made. This makes price elasticity protection particularly difficult to capture in conventional

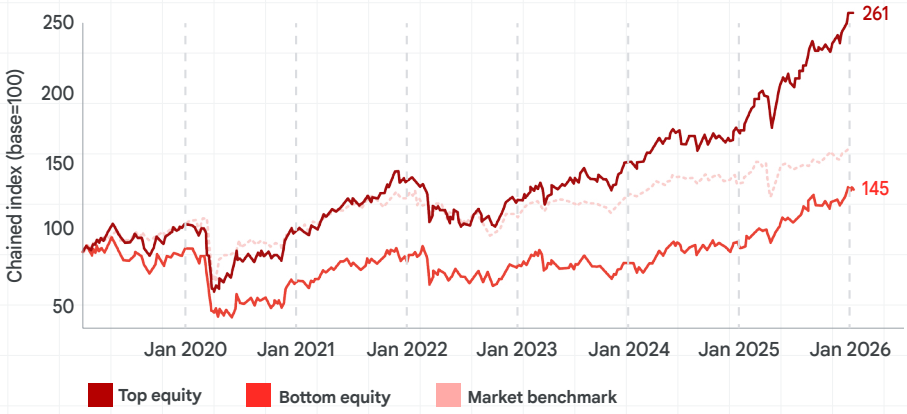
measurement. MMMs can isolate it, but it requires specific modelling approaches that account for the interaction between marketing investment, brand equity and price sensitivity over extended periods. For more details on those approaches, see the Practical Appendix at the end of the report.

Brand equity and shareholder value

The third effect goes beyond sales altogether. Sustained marketing builds brand equity: the specific thoughts, feelings and perceptions consumers hold about a business. Brands with strong brand equity start with a positional advantage, sitting closer to the purchase decision than brands that need to attract, persuade and convert from first impressions. They don't have to build awareness from zero or overcome initial scepticism: the mental scaffolding already exists, making every subsequent marketing exposure more efficient. But brand equity does more than just generate demand; it also helps determine enterprise value.

Figure 20

Stock price index



Source: Kantar BrandZ analysis of 80+ European brands (2019–2025). "Top-tier" is defined by Future Power - a predictive metric that estimates a brand's potential to grow market share based on three consumer perception factors: Meaningful, Different, and Salient. The market benchmark is defined by the STOXX Index representing 600 companies among 17 European countries, covering approximately 90% of the market capitalization of the European stock market.

Analysis by Kantar of BrandZ data across European companies shows that businesses with stronger brand equity deliver stronger returns for shareholders. Between January 2019 and January 2026, companies with top-tier brand equity saw their stock prices grow 3.8 times more than companies with the lowest equity, and 2.3 times more than the market benchmark.[12] During economic downturns, high-equity brands recovered 4.5x faster than low-equity competitors.

Further analysis of company financials by Kantar offers a potential mechanism. Drawing on BrandZ data for more than 100 global businesses alongside company financials from S&P Capital IQ, the study sorted brands by equity and examined how both their pricing power – a measure, rooted in consumer perception, of how much of a premium a brand can command – and their net income margins varied across tiers. Brands in the highest equity tier recorded margins 50% higher than those in the lowest, and the gap widened further under pressure.

During the inflationary window of 2021-2023 it reached 78%, against the 27% observed in more stable periods. This evidence suggests that brand equity does its clearest work precisely when conditions are hardest: when costs rise, businesses with stronger pricing power appear better able to protect margins, rather than relying as heavily on discounting or volume chasing.

Why these effects deserve the spotlight

When investment is consistent, these effects are self-reinforcing: brand equity increases future marketing efficiency, which in turn creates more brand equity that further reduces price sensitivity.

This cumulative effect is a major reason why brands that maintain investment through downturns are able to emerge stronger than competitors who sacrifice their brand presence for short-term cost savings.

Despite this, all three remain largely invisible in conventional reporting. Marketing's long-term contribution to sales is real and measurable, but standard approaches tend to fold it into the baseline. The accounting standards that govern how businesses report their assets treat internally-generated brand equity as if it has no value. And price elasticity protection, being hypothetical until prices actually change, doesn't fit neatly into the metrics that finance departments use to evaluate investments. So in the next chapter, we're going to go beyond measurement challenges to discuss something just as important: how to translate marketing value into language and frameworks that finance will recognise as legitimate.

12 The market benchmark is defined by the STOXX Index representing 600 companies among 17 European countries, covering approximately 90% of the market capitalisation of the European stock market.

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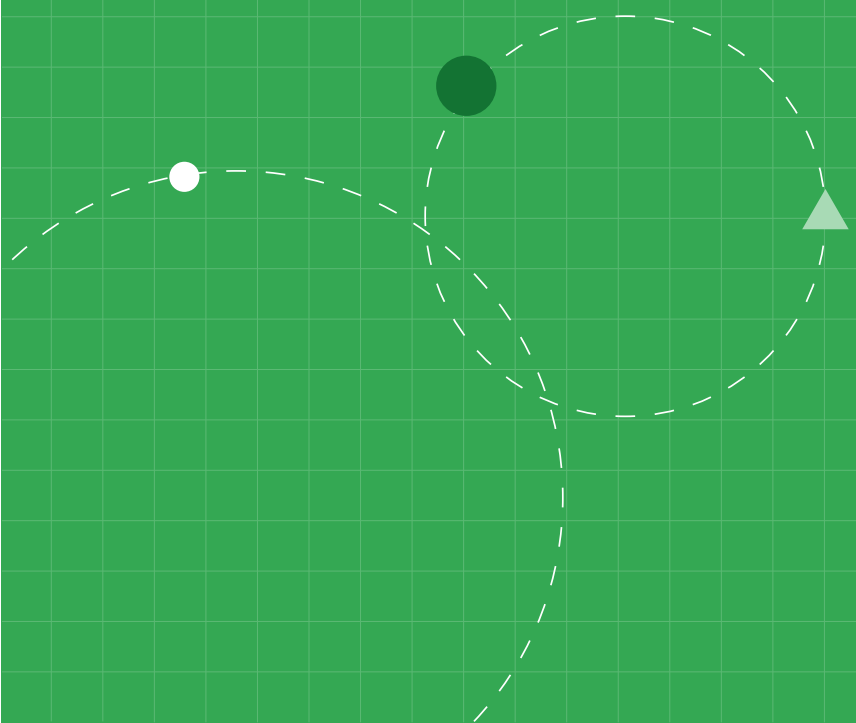
Chapter 06

Communicating Marketing's Value to Finance



The world's most valuable companies are worth trillions of dollars and many are household names.[1] But because all of that recognition, mindshare and reputation was built from scratch by internal teams, the value of the brand itself is marked as zero on the balance sheet. At least according to International Accounting Standards.

And yet, if you ask the many marketers whose work built those companies into household names if their contributions amount to zero, you'll get a very different answer. So what's the reason for the disconnect? Accounting is a discipline that relies on historical data, verifiable costs and conservative projections. Marketing, on the other hand, sits awkwardly within such frameworks, with brand equity and consumer perceptions building over multiple years of sustained work and only short-term performance activity converting directly into cash flows. The work marketers do is valuable and measurable, but until it is translated into the language of finance, it often remains underappreciated.

The balance sheet gap

Accounting standards treat internally developed brand equity as an intangible asset, inseparable from the general cost of running a business. Because of this, it's considered an operating expense rather than a capitalised asset: a cost rather than an investment. But there is one scenario where that value is accounted for. When one company acquires another, the value of the acquired company's brand is recognised on the balance sheet as an intangible asset at fair market value. So if acquired brand equity is valued in that situation, why aren't finance departments able to treat built brand equity the same way?

The answer is uncertainty. The future value of a marketing campaign is inherently uncertain, influenced by external factors such as the wider economy, competitor activity and consumer trends. Allowing companies to capitalise these variable future benefits would introduce a high degree of subjectivity into financial statements that could lead to overstatement and even misrepresentation of the company's financial health.

[1] Based on Kantar BrandZ 2026, the world's top 10 most valuable brands have a combined valuation of $7.2 trillion.

So the communication constraints that marketers are operating under are both structural and deeply embedded. They exist to protect investors and to ensure the reliability and comparability of financial reports, and they aren't going to change just because marketing departments find them inconvenient. But acknowledging their prudence and intractability doesn't mean accepting that marketing's contribution must remain invisible. With the right vocabulary and metrics, businesses can evaluate marketing campaigns as investments in future cash flows, even if they can't be logged as such on the balance sheet.

From cost to investment

The vocabulary that marketers typically use to describe their work – awareness, consideration, mindshare, engagement – has become so widely applied that we sometimes assume everyone is happy to use it. But while finance departments may be familiar with this language, the tools and terminology they use to evaluate investments operate differently.

Most marketing metrics are inherently backward-looking, including many of those we've mentioned in this report. ROAS, click-through rate, conversion rate, brand affinity and even MMM all exist to answer a version of the same question: did the money we spent do what we said it would? In other words, for most of its existence, marketing measurement has been more concerned with providing accountability for what happened in the past, rather than trying to predict or project what will happen in the future.

Of course, this accountability remains a vital function, and many of the approaches we've discussed in this report will make retrospective performance reporting more accurate. But when it comes to capital deployment and future investment, finance departments have their eyes fixed on the future, not the past. If marketing wants to be discussed as an investment rather than a cost, marketers need to get comfortable presenting their work in forward-looking terms.

The profit curve

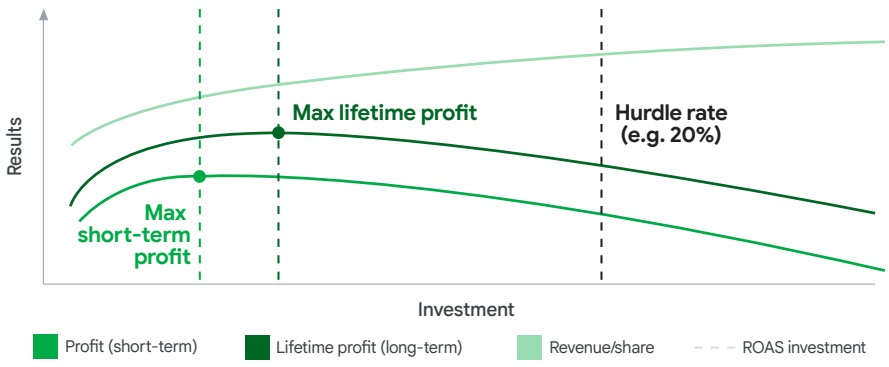
Most of the response curves we've used throughout this report measure revenue, which is the metric marketing teams typically evaluate against. But as CFOs will attest, revenue without profit is mostly a vanity metric. Capital allocation discussions at boardroom level are assessed against future profits, not future revenue, and a curve that only describes the latter is unlikely to persuade.

Fortunately, translating a revenue curve into a profit curve is straightforward in principle. By applying the relevant financial and performance metrics – for example, gross margin to account for the cost of goods sold, cancellation or return rates to discount conversions that don't materialise – and deducting the marketing spend itself, the result is a close proxy for net profit at each level of investment.

Plotted alongside the revenue curve, the profit curve gives marketing and finance a shared view of the same underlying reality, seen from each function's vantage point. Marketing typically reads the revenue curve, working to maximise top-line contribution within an acceptable profitability range. Finance reads the profit curve, working to maximise return on capital across the business. The two curves let both sides reason about the same investment using metrics each recognises.

Figure 21

Two curves, one shared reality



This shared view is important because it shapes how marketing gets valued internally, and therefore how it gets budgeted. With both curves visible, conversations about spend can be calibrated to whichever objective the business is pursuing: maximum total profit at one end, maximum revenue within an acceptable profitability threshold at the other, or anything in between.

The core tool that finance uses to evaluate any long-term commitment is Discounted Cash Flow analysis. Whether the investment under consideration is a factory expansion, a market entry or an acquisition, the process is the same: project the future cash flows generated by the investment, discount them to present value to reflect both the time value of money and the risk involved, and compare the result against the company's cost of capital. And there is no reason why marketing campaigns can't be subjected to exactly the same discipline.

Forecasting future value

The analysis has three components: forecasting the cash flows a campaign will generate over time; applying a discount rate that reflects the real cost of deploying that money (typically the company's Weighted Average Cost of Capital); and calculating the present value of those future returns.

The measurement framework we've been building across the Effectiveness Equation series is what makes the first of these steps meaningful. A forecast limited to short-term sales lift will understate the investment's true return in the same way that valuing a new factory on a single year of output would make the capital outlay look like a waste of money. Long-term carryover, brand equity's contribution to baseline sales, and the pricing power that strong brands confer all need to feed into the projection.

Two metrics emerge from this process:

- **Net Present Value (NPV)** tells you how much value the investment creates in today's terms.
- **Internal Rate of Return (IRR)** expresses the expected annualised return as a percentage. When the IRR exceeds the company's hurdle rate – the minimum return required to justify investment – the proposal shifts from being a budget request to an investment opportunity.

The credibility of any DCF analysis depends on the forecasting behind it, and the most common challenge from finance is that marketing's future returns are too unpredictable to project with confidence. This is a reasonable concern, but it applies to every capital investment a business evaluates. CFOs don't expect certainty; they expect a transparent process grounded in data, with explicit assumptions and acknowledgement that a range of outcomes are possible.

Even where internal data is limited, third-party MMM benchmarks, with response curves calibrated against the company's own performance and adjusted for differences in creative quality, media mix and market conditions, can provide a sound starting point for these forecasts.

How this benefits marketing

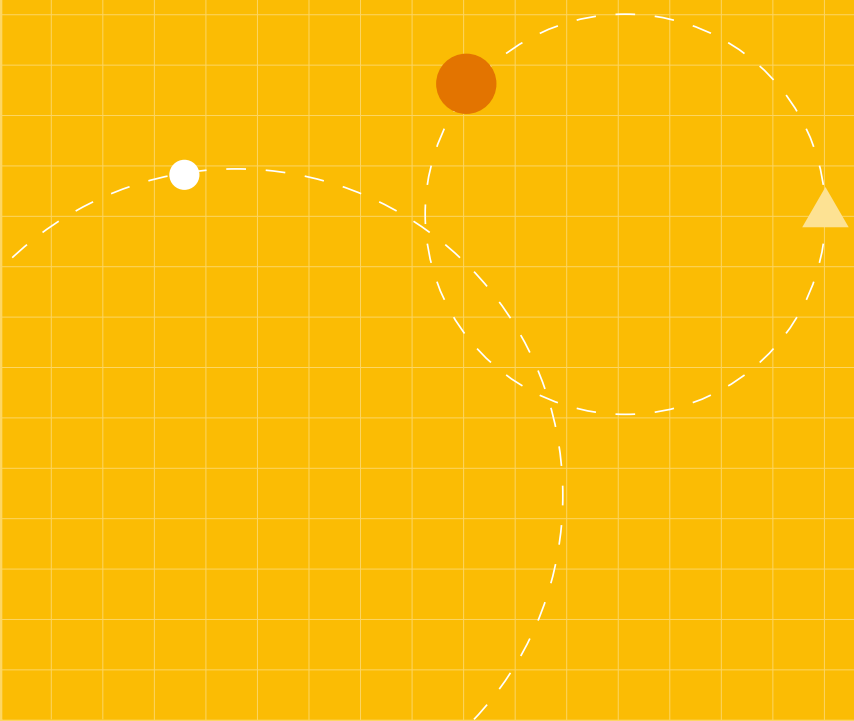
By adopting the language and protocols of finance, marketers can actively reframe the conversations that determine if budgets are approved, protected or cut. When the CFO asks if marketing is working, the answer doesn't have to be expressed in terms of conversion rates or click-through rates, but with concrete cash-flow analysis delivering positive NPV.

The same applies to budget requests. Rather than asking for additional money to raise brand awareness, the same proposal can be articulated as a capital investment with projected NPV and IRR that clear the company's hurdle rate, just like any other investment. And if economic circumstances shift and that budget comes under pressure, it can be defended in terms of preserving future cash flows rather than the potential loss of intangibles such as sentiment or favourability.

None of this changes what marketing actually delivers. But it does change whether that delivery is legible to the people who control the budget. The measurement frameworks described throughout this report can quantify marketing's full contribution across short-term sales, long-term carryover, brand equity and price elasticity. And DCF gives marketers a way to express that contribution in the same terms finance uses to evaluate every other investment the business makes.

Chapter 07

Conclusion



The first Effectiveness Equation report made the case that conventional measurement captures only a fraction of marketing's true value. This sequel has moved beyond diagnosis and into practice, providing frameworks for quantifying the full contribution, optimising it and communicating it in terms the rest of the business understands.

The steps involved are sequential and additive:

1. **Understand the precise response curves** that govern how your investment translates into return, and how incremental spend becomes incremental value.

2. **Elevate those curves** through better media strategy and creative execution so that existing budgets work even harder.

3. **Measure the full scope** of marketing's impact: not just short-term sales lift, but long-term carryover, brand contributions to baseline demand, and the pricing power advantage created by sustained investment.

4. **Adopt the right language and tools** to make marketing's contribution clearly legible to finance.

None of these steps demand capabilities that don't already exist. What they require is a willingness to move beyond the metrics and conventions that have historically kept marketing's full value out of sight. Marketers who do this can stop defending their budgets as costs to be managed, and start presenting them as an investment whose returns compound over years.

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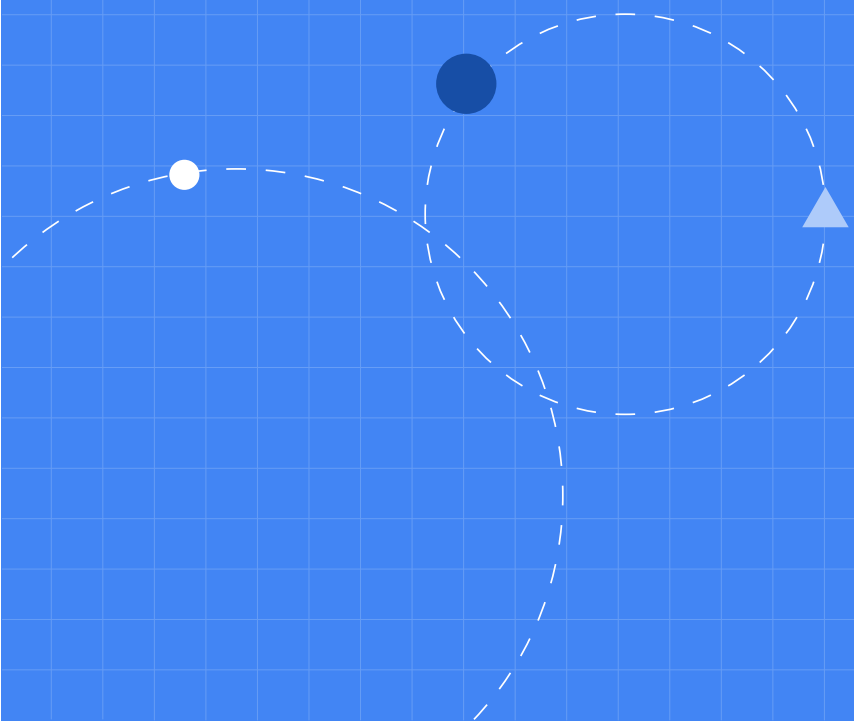
Practical Appendix



Measuring long-term and brand impact

Standard MMMs often fall short because they only measure the direct, short-term impact of media on sales. As a result, they miss how upper-funnel brand investments drive intermediate metrics, such as awareness and consideration, which contribute to sales down the line.

To overcome this limitation of MMMs, we can consider two complementary approaches:

Approach 1: the moving baseline (UCM) Strongly recommended

One way that traditional measurement frameworks fail to accurately reflect reality is by assuming the underlying sales baseline remains static. This is an oversimplification that ignores the reality of a shifting marketplace where consumer expectations and habits are in constant flux.

Moreover, brands don't just observe these transitions; they actively shape and accelerate them. To accurately quantify long-term media impact, the model must allow the baseline to evolve dynamically over time.

Uncovering this hidden aspect of ROAS means isolating the long-term trend and explaining how much of it can be attributed to media activity. You can do this with an advanced modelling technique called UCM (Unobserved Component Model).

The technique involves a three-step process:

Step 1: extracting the "moving baseline"
In a standard model, the baseline is often treated as static or a simple straight line. But in reality, your base business fluctuates because of macro trends, competition and brand health. UCM is a statistical technique that separates out the short-term noise, such as seasonality, holidays, price drops and short-term clicks, leaving a flexible, "moving" baseline. It isolates the underlying momentum of your business – the "Unobserved Component".

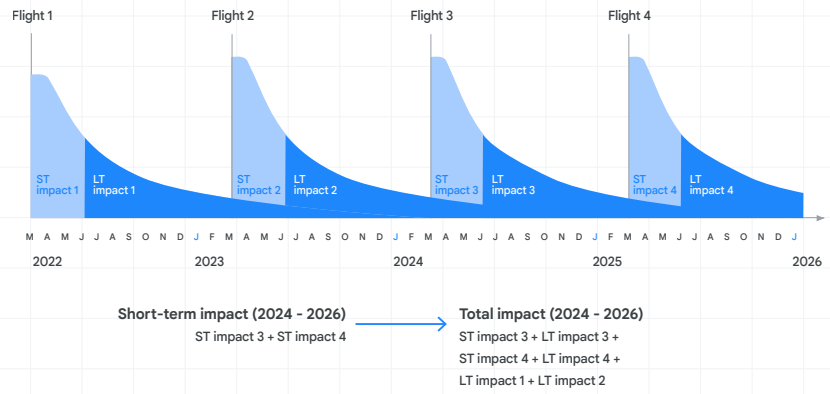
Step 2: creating "long-term" media variables
Next, take your media investments and transform them. Instead of assuming the ad's memory fades after a few weeks, calculate the cumulative build-up of your advertising over a rolling two-year window.

Step 3: attributing media variables to the "Unobserved Component"
Finally, run a second regression. Take the moving baseline from step 1 and match it against the two-year cumulative media variables from step 2. This asks the model: "as our sustained media investment grew over a 24-month period, how much did it pull our underlying base sales up with it?"

To make use of this technique, we have to change the rules of the data we collect. A standard MMM usually looks at two years of weekly data. However, if we are trying to prove that media has a two-year carry-over effect, a two-year dataset is simply too short – the maths runs out of runway before the impact finishes playing out. To accurately model a two-year long-term effect, we need at least four years of historical sales and media data.

Figure 22

More data, longer runway



As the example above shows, an MMM based solely on data from 2024-2025 wouldn't give the full picture. Sales in April 2024 are not only impacted by media spend from March 2024 (as would be included in a standard MMM), but also by media spend from March 2023.

Approach 2: the brand equity impact (nested modelling) Optional

You can isolate the hidden brand equity impact on baseline sales by following this three-step framework:

Step 1: the sales model

First, build a model where the ultimate goal is explaining sales. But instead of just looking at media, use a brand equity metric like Consideration or similar as a primary driver. This model isolates the business value of your brand health, answering the question: "When our Consideration score goes up by one point, how much revenue does that generate?".

Step 2: the brand model

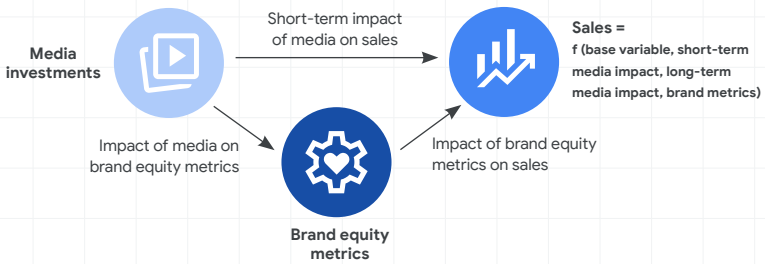
Next, step back and build an entirely new model. This time, the goal is not explaining sales; the goal is explaining Consideration (or other brand metrics). The model analyses upper-funnel media to answer the question: "How much spend does it take to lift our Consideration score by one point?"

Step 3: the "nest"

Finally, "nest" the second model inside the first. Because we know mathematically how media drives Consideration (step 2), and we know how Consideration drives sales (step 1), linking the equations together reveals the hidden ROAS.

Figure 23

Analysing brand equity impact on sales



Since standard MMM methodologies typically function on a weekly cadence, ensuring the availability of high-fidelity, weekly brand tracking data is crucial for following this analytical path.

If you only have monthly survey data, you can use mathematical smoothing and interpolation to create a reliable weekly trendline. Because brand equity shifts gradually rather than overnight, consumer sentiment can be safely estimated in the weeks between actual surveys. As long as monthly survey sample sizes are robust enough to eliminate random noise, this technique allows 12 monthly data points to stretch into the 52 weekly inputs required for a nested model, preserving the underlying brand signal.

If you don't have in-house brand tracking data, there are a few alternatives:

- Investigate if high-quality weekly brand data already exists externally for your vertical. Many third-party research companies run continuous, syndicated brand tracking studies across major industries. Because these vendors pool resources to survey massive, nationally representative sample sizes, you may be able to simply purchase off-the-shelf, weekly brand health data specifically tailored to your brand and category.
- Use proxy metrics like Google branded search volume and social listening as digital behavioural signals. Google branded search acts as a high-intent proxy for Consideration by quantifying how many people are actively seeking out your brand online, while social listening captures the volume of organic mentions and consumer sentiment across digital platforms.

Approaches 1 and 2 are not mutually exclusive. They are highly complementary and can be deployed together to provide a holistic view of your marketing's long-term impact. By combining both approaches, you can confidently demonstrate to your CFO both the total revenue generated by long-term base growth and the precise brand-building mechanics that made it possible.

Creative quality in MMMs

Incorporating a "creative score" into existing MMMs is highly recommended for two main reasons:

- Better model fit and explanation of sales performance.
- Ability to quantify and monitor the impact over time of creative execution on YouTube performance.

However, despite its importance, creative effectiveness is rarely, if ever, included in MMM for the following reasons:

- **Data complexity:** creative execution is multi-dimensional and, unlike inputs such as impressions, does not exist in a simple numerical format.
- **Data availability:** very few advertisers currently know how to access creative data. MMM relies on historical data to model the relationship between YouTube activations and performance, but previous "creatives" or ad contents may not be available on the platform.
- **Subjectivity and lack of standards:** creative execution is often still perceived as subjective and too nuanced to quantify. There is no industry norm for how advertisers should establish "quality" of creative execution.
- **Lack of knowledge:** due to the absence of research in this area, there is no established methodology to integrate creative execution into MMMs for creative measurement at scale.

Our recommended methodology for YouTube encompasses the following steps:

Step 1: collect video-level data
Gather your YouTube data so that weekly spend and impressions are isolated at the individual video level. This ensures a 1:1 relationship between the specific creative asset and its performance data.

Step 2: assess the creatives
Review each video against the top thirteen creative best practices (shown in the white paper on page 29). If you have a small number of creatives you can do this manually. If you deal with a lot of ads you can consider using a machine learning algorithm to automatically detect and label creative features.

Step 3: calculate a creative score

Compute a single creative index score for each video. This score is calculated as a straight number of top creative features (out of the list of 13 creative best practices) used in the video.

Step 4: segment YouTube impressions into three tiers

Instead of treating all YouTube impressions as a single data point, split impressions into three distinct groups based on each video's creative score:

- Poor creative: videos with 0-1 attributes present
- Good creative: videos with 2-3 attributes present
- Optimal creative: videos with 4+ attributes present

Step 5: create three separate media variables

Instead of having one variable for "YouTube Spend," split it into three variables based on your creative tiers:

- Spend_YT_Poor
- Spend_YT_Good
- Spend_YT_Optimal

Step 6: integrate media variables into your MMM

Integrate these three tiered segments into your MMM using a Bayesian regression, which is recommended to reduce overfitting and handle sparse data. Bayesian regression allows you to give the model a "starting guess" (called a prior) based on your intuition or past experiments. This is your defence mechanism against bad and sparse data. If your "poor" creatives only ran for one week, but that week happened to coincide with a massive seasonal sales spike, a standard model will incorrectly conclude that the "poor" ads drove all those sales. By setting a hard ceiling (an upper bound),

you say: “I don’t care what the sparse data suggests, ROAS of a poor ad cannot mathematically be higher than X.”

In this step you configure the minimum and maximum allowed ROAS for each creative group. Use historical data to set lower and upper bounds for each group. You can use the results from our meta-analysis that suggest:

- Ads from the “good” group have average ROAS 20% higher compared to ads from the “poor” group.
- Ads from the “optimal” group have average ROAS 70% higher compared to ads from the “poor” group.

If you don’t have any historical data, you can use our MMM benchmarks (see the “Discounted Cash Flows and MMM Benchmarks section”).

Step 7: run the model and let it learn

Now run the MMM. The model will look at your actual sales data and find the most accurate number within the bounds you provided.

Step 8: iteratively test

If the model struggles to fit the actual sales data (e.g. the error rate is high), you might need to slightly widen or shift boundaries and run it again until it fits well while still maintaining the logic that optimal > good > poor.

Traditionally, MMMs treat all impressions equally, meaning a brilliant ad on a mediocre channel can look mathematically identical to a terrible ad on a great channel. By isolating creative tiers, advertisers prevent the model from misattributing a campaign’s success or failure to the media platform itself.

This added granularity also directly improves the model’s overall statistical accuracy. By capturing the variance driven by the creative itself, the model achieves a higher R-squared and a lower Mean Absolute Percentage Error (MAPE). Ultimately, marketers can confidently justify the production costs to build “optimal” assets and scale their most resonant messaging to drive ROAS.

Discounted Cash Flows (DCF) and effectiveness benchmarks

While ROAS is a familiar and useful metric for taking a quick pulse of tactical efficiency, it is fundamentally backward-looking and best suited for measuring short-term performance. Because ROAS treats a dollar earned next year the same as a dollar spent today, it lacks the depth required for long-term financial planning.

In contrast, metrics derived from Discounted Cash Flow (DCF) such as Net Present Value (NPV) and Internal Rate of Return (IRR) are inherently forward-looking and explicitly account for the time value of money and project risk. When marketers need to justify future budgets and evaluate major, strategic investments, DCF-based metrics should be used to align marketing with the core financial goals of the business. Ultimately, while ROAS is excellent for evaluating historical tactical efficiency, DCF is essential for framing future marketing initiatives as value-creating capital investments.

A DCF analysis involves three main steps:

Step 1: forecast future cash flows

Estimate the total cash a marketing campaign will generate (inflows) and cost (outflows) for each period over its lifetime (e.g. quarterly for two years).

Step 2: determine a discount rate

Select a “discount rate” to apply to the future cash flows. This rate reflects the investment’s risk and the company’s cost of capital. For most projects, the company’s Weighted Average Cost of Capital (WACC) is the appropriate rate to use. Asking the CFO for the correct discount rate is a helpful collaborative move.

Step 3: calculate the present value

Each period’s forecasted cash flow is “discounted” using the chosen rate to find its present-day equivalent. The sum of all these discounted future cash flows gives you a total present value for the investment.

There are two DCF metrics you can use:

Metric 1: Net Present Value (NPV)

Net Present Value (NPV) is the cornerstone of corporate finance and is a direct output of a DCF analysis. It is the difference between the present value of all future cash inflows and the present value of all cash outflows, including the initial investment.

$$NPV = \sum_{t=0}^{n} \frac{R_t}{(1+i)^t} - C_0$$

Where:

- R_t = the net cash flow for a given time period t
- i = the discount rate (or WACC) per period
- t = the time period
- C_0 = the initial investment cost at time period 0

Essentially, NPV tells you the total dollar value your marketing project will add to the company. The decision rule is simple and unambiguous:

- If NPV > 0: The project will create value. Accept it.
- If NPV < 0: The project will destroy value. Reject it.
- If NPV = 0: The project's return equals the cost of capital, adding no value.

When evaluating multiple projects, the one with the higher positive NPV should be chosen, as the firm's goal is to maximise absolute shareholder value.

Metric 2: Internal Rate of Return (IRR)

The Internal Rate of Return (IRR) is the other major metric used in capital budgeting. While NPV tells you how much value a project creates in dollars, IRR tells you the project's expected annualised rate of return as a percentage.

$$0=\sum_{t=0}^{n} \frac{C_t}{(1+IRR)^t}$$

Where:

- Ct = Cash flow at time t
- t = the time period

Technically, the IRR is the specific discount rate at which the NPV of a project equals zero.

The decision rule for IRR is also straightforward:

- If IRR > Hurdle Rate (WACC): The project is profitable. Accept it.
- If IRR < Hurdle Rate (WACC): The project is not profitable enough. Reject it.

One of the key benefits of DCF-based calculations is that they allow direct comparison of very different types of investments. Because DCF translates the expected cash flows of a project into a single, annualised percentage rate, a CFO can use the exact same financial logic to evaluate whether to fund a new marketing campaign or build a new assembly line.

This standardises decision-making across the entire company, allowing leadership to confidently allocate capital to the projects that yield the highest return, regardless of department. In contrast, a purely tactical metric like ROAS would be ineffective for such a purpose; not only does it ignore the time value of money and the cost of capital, but it is also completely inapplicable to non-marketing investments like manufacturing infrastructure.

How to apply DCF-based metrics in practice

While applying DCF-based metrics appears straightforward, some challenges remain. Given their forward-looking nature, these metrics require a prior knowledge of the future sales a campaign will generate. CMOs know that forecasting sales from a brand campaign will never be 100% accurate. Instead, the goal is to shift the conversation with CFOs from, "I think this campaign is a good idea" to, "Here is a rigorous, data-informed model of how this investment can generate shareholder value, along with the key assumptions we're making and the potential range of outcomes."

The CFO doesn't expect the CMO to have a crystal ball. What they value is a defensible and transparent forecasting process. The objective is to demonstrate that marketing has thought through the variables and used the best available data, and understand the potential risks and rewards. To build credibility and effectively manage expectations, the CMO should avoid presenting a singular forecast for marketing's future sales impact. Instead, a scenario planning approach, embracing the inherent uncertainties of campaign performance, is crucial:

- **Base case scenario:** the most realistic and likely forecast, based on the core assumptions.
- **Upside case (best case):** a more optimistic scenario. What if the campaign over-performs? What if ROAS improves more than expected? This shows the potential reward.
- **Downside case (worst case):** a conservative scenario. What if the campaign takes longer to gain traction? What if a competitor reacts strongly? This shows you have considered the risks.

Presenting a range of potential NPVs and IRRs demonstrates strategic foresight and acknowledges uncertainty. This is precisely how the finance team analyses other major capital investments.

The optimal methodology for projecting the future sales impact of marketing campaigns is Marketing Mix Modelling (MMM). But it doesn't fully solve our main challenge because MMMs are inherently backward-looking; they tell us what drove sales in the past. So, how can we use the historical view to create a credible, forward-looking forecast for a media campaign?

The solution lies in benchmarking. This method effectively bridges the gap between historical data and future projections, employing past performance as a calibrated foundation for forecasts. There are two primary sources for these benchmarks, each with its own strengths and weaknesses:

- Internal MMM-based benchmarks (most reliable)
- External industry benchmarks (good for context and gaps)

1. Using your own internal MMM benchmarks

This is a widely considered and highly defensible approach. A company's own historical MMM data is one of the most reliable predictors of its future performance:

Step 1: extract key metrics

Marketers shouldn't just look at the overall MMM result. They should isolate the specific metrics related to past campaigns:

- ROAS: what was the final, model-validated return for every dollar spent on previous marketing initiatives?
- Incrementality/lift: what percentage lift in baseline sales was directly attributable to the campaign over a 12-month period?
- Decay rates/long-term impact: how long did the sales lift from a previous campaign last? This is crucial for forecasting cash flows over multiple years in a DCF model (as described in the "Measuring long-term and brand impact" section).

Step 2: apply to the new campaign

Marketers should use these historical metrics to build a forecast's "base case".

Example: "Our last two major brand campaigns, as analysed by our MMM, delivered an average incremental sales lift of €2.1 for every €1 spent over 12 months. Our base case forecast applies this 2.1x efficiency factor to the proposed €5m budget, projecting €10.5m in incremental sales over the next year.

Step 3: adjust for context

No campaign is a perfect replica of another. Marketers must then adjust this baseline forecast by asking key questions:

- **Creative:** is there data suggesting that the new creative is stronger or weaker than past campaigns? How many required creative features does the new campaign use (check the "Creative quality in MMMs" section)? What do the results of advertising pre-tests say about the quality of new creative assets?
- **Media mix:** is the channel mix comparable? Or do MMM results suggest that channel selection for the campaign could have a higher impact on incremental sales?
- **Media tactics:** did we introduce any changes to our media strategy? Are we targeting the same audiences? Is campaign reach expanded? Are we keeping the same frequency? Will we follow the same flighting schema?
- **Competitive landscape:** has the market changed significantly? Is a competitor launching a major campaign at the same time?

This approach is powerful because marketers start with their own proven results and then layer on strategic judgment. It's a conversation the CFO will welcome.

2. Using external industry benchmarks

What if you don't have historical MMM campaign analysis to draw upon? Or what if you are planning a completely new type of campaign? This is where external industry benchmarks become useful:

Step 1: source credible data

Marketers should look for benchmarks from reputable, independent sources like Circana, Ekimetrics, Ebiquity, Analytic Partners, or major media agencies. They often publish reports on average campaign effectiveness by industry. Alternatively, you can use the benchmarks we provide at the end of this section.

Step 2: understand the limitations

This is critical. An industry benchmark is an average of many companies' results: some good, some bad; some small, some big. It doesn't account for your specific brand strength, creative quality, or the overall ad spend size.

Step 3: use for scenarios and validation

The best way to use external benchmarks is not to build the primary forecast, but to create a scenario analysis.

Example: "Recent industry reports show that the average CPG brand campaign returns 1.3x. We will use this industry average as the basis for our downside case. The same reports show top-quartile performers achieving 1.8x, which we will use to model our upside case."

If you don't know where to start, here is a list of average ROAS benchmarks for European countries across different industries based on hundreds of MMM models conducted by Ekimetrics. You can use them as a baseline for further adjustments and building scenarios (as described above).

Median short-term revenue ROAS for total media

Country	Retail	Auto	CPG	Travel
UK	10.8	2.6	1.4	4.6
DE	9.6	2.7	1.4	N/A
FR	8.6	3.1	1.4	3.9
IT	N/A	4.1	1.3	N/A
ES	N/A	2.0	1.2	N/A

Source: Ekimetrics database. 697 MMMs from UK,DE,FR,IT and ES from Retail, Automotive, CPG and Travel categories from studies between 2023-2025

Price elasticity: measuring and demonstrating marketing contribution via MMMs

Price elasticity is a financial metric that reflects how demand shifts in response to price changes. High elasticity means customers are very price sensitive, low elasticity means they are less so.

Reducing this sensitivity gives brands the ability to increase prices without immediately impacting sales volume, shielding margin and providing an important lever for profit growth.

To make informed pricing decisions, businesses typically rely on two primary methods to measure price elasticity: consumer surveys and historical data analysis.

1. Consumer surveys

This forward-looking approach involves directly asking target consumers about their purchasing intentions at various price points. By presenting potential buyers with different scenarios, businesses can gauge price sensitivity before making actual market changes.

There are three prominent methodologies used in this approach:

- **PSM (Price Sensitivity Meter):** also known as the Van Westendorp method, this approach asks consumers four specific questions to determine at what price a product is considered a bargain, getting expensive, too cheap (raising quality concerns), or too expensive to consider. This helps identify an acceptable price range.
- **BPTO (Brand-Price Trade-Off):** this technique measures brand loyalty against price sensitivity. Consumers are repeatedly asked to choose between competing brands as the prices of their preferred brands are systematically increased, revealing the point at which they will switch to a competitor.
- **CBC (Choice-Based Conjoint):** this method simulates a real-world purchasing environment. Consumers are shown different product configurations (varying in features, brands and prices) and asked to choose which one they would buy. This helps isolate the exact value consumers place on price versus other product attributes.

The pros and cons:

The main advantage of survey-based measurement is flexibility. You can test hypothetical prices that are entirely beyond your product's current or historical price range. However, the disadvantage is that these models rely exclusively on consumer declarations. Because they are not spending real money, what consumers claim they will do in a survey does not always map precisely to their actual purchasing behaviour at the register.

2. Historical data (regression analysis)

Instead of relying on claimed intentions, the historic data approach utilises multivariate regression analysis (as implemented in MMMs) to estimate actual market response. This method isolates the historical relationship between price changes and sales volume while simultaneously controlling for all other known internal and external drivers (e.g. seasonality, promotions, competitor actions, and media activities).

In practice, this is typically executed through an individual model approach, where elasticity is estimated for the specific brand over time, such as using Dynamic Linear Models (DLMs) to estimate a brand's elasticity week-by-week. However, this individual approach is also subject to some data limitations.

The pros and cons:

While this method has the distinct advantage of being based on actual transactional data rather than hypothetical declarations, it comes with severe limitations.

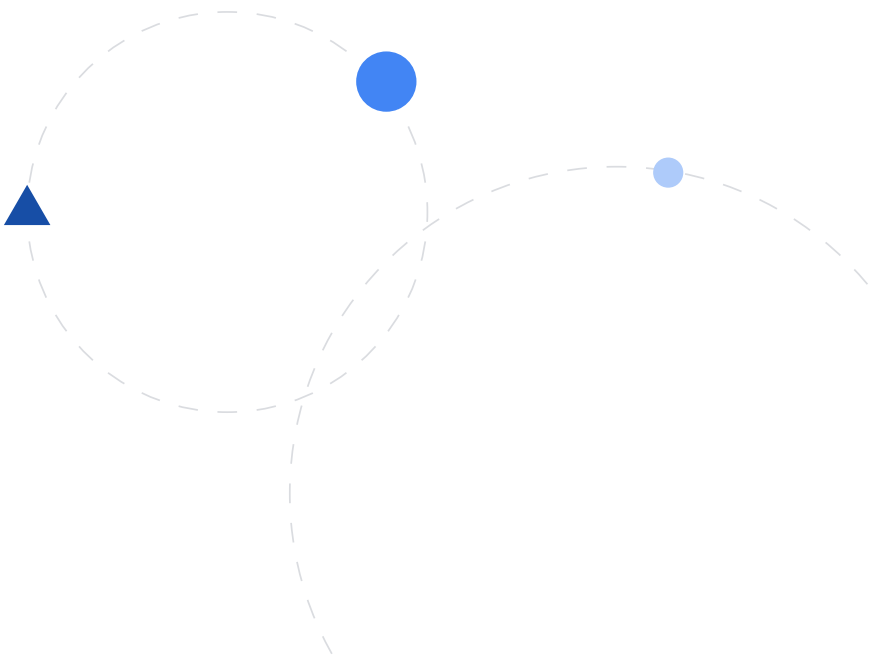
First, the analysis is entirely limited by the current and historical price range. If your product has only ever been priced between €2.50 and €3.50, historical data cannot reliably tell you what will happen if you price it at €5.00.

Furthermore, it is incredibly difficult to extrapolate future demand based on past data because the relationship between price and sales volume is rarely linear and the signal to noise ratio is low. Consumer psychology plays a massive role in purchasing decisions. For instance, demand might remain relatively stable as a price rises from €2.70 to €2.99, but sales volume could experience a sudden, precipitous drop the moment the price crosses the "psychological threshold" of €3.00. Regression models often struggle to predict these sharp, non-linear drop-offs unless the threshold has been crossed in the past.

Measuring media contribution to price elasticity via MMMs

Step 1: the base sales model (calculating price elasticity)

- **The objective:** to isolate a clean, continuous read on how price affects sales over time, controlling for all other factors. In econometrics/MMMs, this is typically achieved by "logging" the variables (e.g. a log-log model), meaning the resulting price coefficient (beta price) represents the raw price elasticity.
- **Dependent variable:** weekly sales volume.
- **Independent variables:**
  - Weekly actual price.
  - Weekly media spend.
  - Other baseline control variables (promotions, seasonality, competitor actions).
- **The mechanism:** apply a Dynamic Linear Model (DLM). Instead of calculating a single, static average, the DLM continuously updates, capturing the exact evolution of consumer price sensitivity week by week.
- **The output:** a continuous, time-series dataset of price elasticity.



Step 2: the price elasticity model (connecting media to price elasticity to demonstrate the "margin shield")

- **The objective:** to determine if your long-term marketing investments are the underlying cause of improvements in the weekly fitted price elasticity variable generated in step 1.
- **Dependent variable:** price elasticity time series output from step 1.
- **Independent variables:**
  • Cumulative historical media spend: this represents the historical buildup of your media activities. To avoid mixing incompatible units across channels (e.g. TRPs vs. impressions), aggregate brand building channels into a single 'total brand media' variable. The most straightforward method is using total weekly media spend.
  • Macro-economic factors that might have impacted price (e.g., inflation rates, consumer confidence).
- **The mechanism:** run a regression correlating the price elasticity against the independent variables. The model identifies whether periods with high accumulated media spend consistently align with periods of improved price elasticity.
- **The output:** a media-to-elasticity coefficient. This is the exact mathematical rule detailing how much your price elasticity improves for every unit of accumulated media spend.

Alternative: the 1-step integrated approach. Instead of a nested two-step process, advanced MMMs can use an "interaction term" within the primary model. In practice, this means you interact your accumulated (brand) media directly with price.

To make this concept easier to understand, think of your standard price elasticity as the natural drag on sales when prices rise. By adding this interaction term, the model tests if your media acts as a "margin shield". If the maths shows a positive interaction, it provides empirical evidence that your sustained media investment is actively reducing the blow. It analytically neutralises a portion of the expected volume loss.

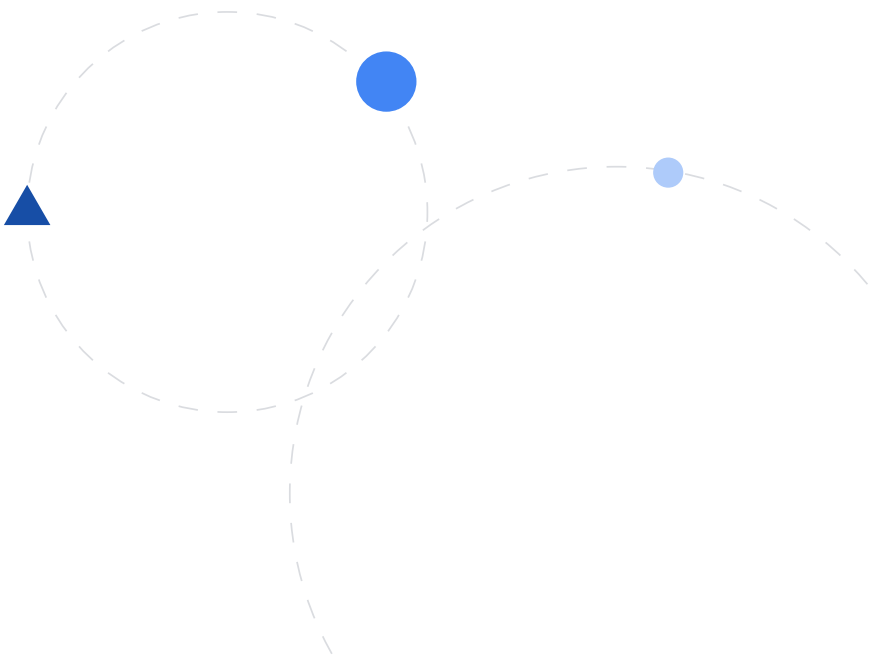
It is also important that the media variable used in this interaction is mathematically transformed (typically using a Hill function). This transformation applies an S-curve to the data, which tells the model that brand protection doesn't scale infinitely; it has a wear-in phase and an eventual saturation point.

Step 3: the counterfactual simulation (attributing media spend to price elasticity changes)

The objective: to translate the mathematical coefficient from step 2 into a concrete percentage that proves media's contribution to pricing elasticity.

Using the model created in step 2, run a counterfactual simulation. Instruct the model to recalculate your price elasticity assuming cumulative media spend during that timeframe had been exactly zero.

The final conclusion: you now have the data to make a definitive statement to your CFO: "Over the last year, our price elasticity improved by 0.5 points. By isolating price sensitivity over time, we calculate that 80% of this increased pricing power is directly attributed to the long-term equity built by our media investments."



ACKNOWLEDGEMENTS

This work was influenced by many and we thank them for their advice, support and contributions.

From Google:

Michał Protasiuk, Zsófia Cross, Selina Rennie, Jonny Protheroe, Ahmet Baş, Jonas Christensen, Pau Frau, Hamish Priest, Phil Wilson.

From outside Google:

Philip Walford, AMV BBDO, Julien Gaviard (Ekimetrics), Jonathan Bravier (Ekimetrics), Hala Rameh (Ekimetrics), Cerise Xu (Ekimetrics), Mary Kyriakidi (Kantar), Jorge Alagon (Kantar), Christian Riedl (Kantar), Graham Staplehurst (Kantar), Attila Görög (Kantar), Nikhil Banga (Kantar), Oscar Silva (Circana), Luke Oldridge (Circana), Francisco Bernabe (Circana), Naveed Awan (Circana), Luis Atristain (Circana).

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