



How Finding Your Value Gap Can Maximize Marketing ROI

Marketers at multi-unit regional and national brands are constantly competing for budget and resources within their organizations. Over time, resources flow to those marketers who can prove that their strategies and programs yield the highest return on investment (ROI). The problem is that most marketers are already spread too thin from the daily grind of program details, urgent demands from management, competitive pressures, and countless other issues. As a result, simple opportunities to improve their marketing ROI can be overlooked. This paper outlines one of those simple opportunities to improve ROI.

What is Value Gap?

While geospatial analytics has typically been used for real estate site selection, it can also be used to optimize marketing programs and grow marketing ROI. If marketing professionals understand the geographical differences between one part of the country and another, or between one part of a city to another, they've got the basis to recognize, understand, and tap the varying potential revenue opportunities that exist across those different areas.

Intalytics uses a technique called Value Gap to allocate marketing budgets and resources from a clear assessment of demand. Think of it as "fishing where the fish are" – focus marketing resources on those areas most likely to yield favorable results, rather than simply allocating equally across the entire existing store network. Savvy marketers can apply geospatial analytics to identify where their brand's current value is measurably less than its potential value, and then direct resources to trade areas, locations, media markets, or regions to help close the opportunity (value) gap.

Five Steps to Determining Your Value Gap:

1. Stack rank each of your locations based on their upside potential for customer growth. Think of this as the location's potential performance.
2. Stack rank your locations based on their current performance. This can be defined in any number of ways (e.g. foot traffic, revenue versus plan, comp sales, etc.)
3. Assign each location, region, market, etc., to its respective quadrant (see Chart 1.)
4. Where the Value Gap is high (current performance is poor, but potential is high), over-allocate resources. Where it is low (current performance is high, but potential is limited), under-allocate resources.
5. Monitor your blended marketing ROI over time to validate this approach, and adjust going forward based on key learnings.

Chart 1. Marketing Investment Level

Potential Performance	H	over	over	average
	M	over	average	under
	L	under	under	under(study)
		L	M	H
Current Performance				

Value Gap in Action – Restaurants

A national restaurant operator wanted to improve customer acquisition across their network. As a part of this project, they shared their marketing investment mix with us, which was primarily focused on TV and radio. We delivered a customer profile and household-level predictive acquisition model; scored all high-value prospect households; ranked each location on its comp sales performance; and then rolled all those data points up to the media market level to calculate the Value Gap.

The key finding—which was a substantial surprise to the brand—was that they were over-investing media budgets in markets where penetration was high, and under-investing it where it was low. Instead of “fishing where the fish are”, they were inadvertently fishing where the fish weren’t. We accompanied our analysis with a recommendation to test a shift in the marketing investment mix.

A side bonus in the media shift was a substantial gain in Target Rating Point (TRP) efficiencies. In a twelve-month period, the brand realized a 1.5% increase in comp sales growth compared to the control markets.

In the case of using comp sales growth as the key performance indicator (KPI), marketers need a longer period in order to be able to have confidence in the results they're seeing. If you are engaged in narrow tactical programs like direct mail or a digital campaign, properly structured with a test and control group, the results could come in much more quickly, sometimes in a matter of weeks.

Conclusion

In order to conduct this kind of analysis, marketers need access to specialized data sets aggregated at the individual household level, and an experienced predictive analytics team well versed in modeling, geospatial analytics, and drivetime trade area analysis—all underpinned with a practical P&L orientation to avoid analysis paralysis.

The ability to bring massive data sets to bear on business problems and opportunities, and to field an expert analytics team experienced in using those data sets, can be a significant financial investment.

Many brands simply cannot afford to make those kinds of investments on their own. Intalytics provides clients with access to these data insights in a cost-effective way, because we can spread our database investment across many clients. This outsourcing approach enables brands of all sizes to reap the benefits of access to big data and a team of predictive analytics experts.

It's About Big Insights, Not Big Data.

All that said—“Big Data” is an overblown term. Many companies have invested in data acquisition, and many of those investments have not realized their potential. At Intalytics, we help our clients get beyond Big Data and help them focus on the Big Insights that the data can provide.

“Our goal is to generate the spark that will light the fire under our clients' business results.”

- Jim Sellers, Senior Director of Marketing Services

IN SUMMARY

Intalytics' real estate and marketing planning solutions help our client make smart and informed capital investment decisions as they expand and optimize their physical network. Intalytics' marketing solutions helps clients leverage the capital investments they've made, to realize the full potential of each location. We help restaurants, retailers, healthcare operators, and others optimize their customer life cycles, whether through new customer acquisition, existing customer growth, retaining the most valuable customers, or winning back lost customers.

At Intalytics, we'd be more than happy to learn about your brand's situation, what's going on with your customers, and to discuss how our advanced analytics-- geospatial and predictive-- can help improve your business results.

HAVE QUESTIONS ABOUT DETERMINING YOUR VALUE GAP?

Talk to the experts!

CONTACT US

We look forward to helping you any way possible!

Intalytics