



# The 2022 ROI Report

For marketers



## **The ROI Report**

Four factors that impact returns—  
and what they mean for marketers

Brands invest trillions in marketing every year, hoping to see a return. The entire media ecosystem depends on that investment. But hoping isn't enough. Marketers must prove the impact of their work, even if it feels like a harder ask each year as channels fragment and walled gardens grow.

The ROI Report looks at what's impacting investment returns today and how brands can secure more tomorrow.

Through the insights and recommendations outlined, marketers will have a better understanding of what influences a brand's ROI, how to measure these metrics with precision, and tactics for improving them so that campaigns are set up to maximize and secure as much value as possible.

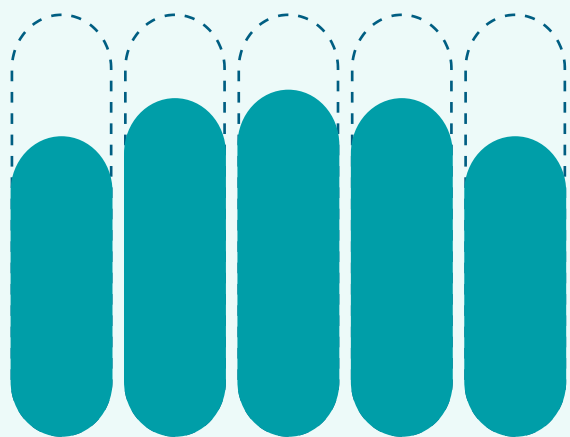
# Content

## Optimizing budgets



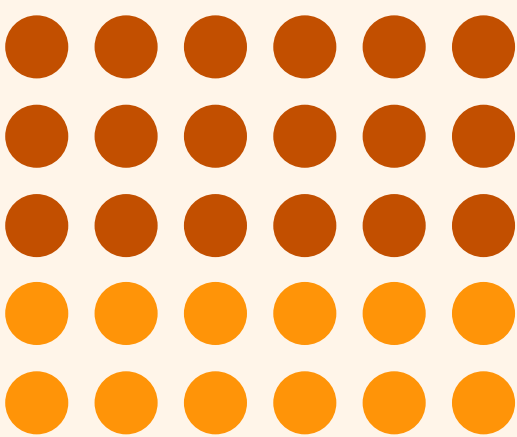
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## Evaluating new media



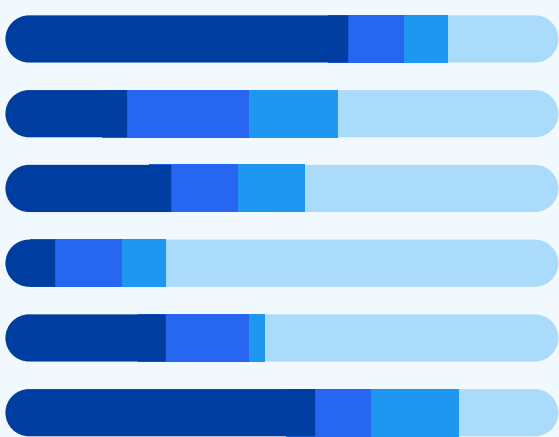
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## Understanding audience reach



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# Optimizing budgets

# Scared money doesn't make money:

## Growing budgets can grow ROI

Here's a hypothetical: The ROI for your latest marketing spend is low. Should you raise or lower the budget?

This seems like a no-brainer. Slash the budget, right? If you operate under a diminishing returns model—and assume that ROI won't go up as spending goes up—you're especially likely to say that.

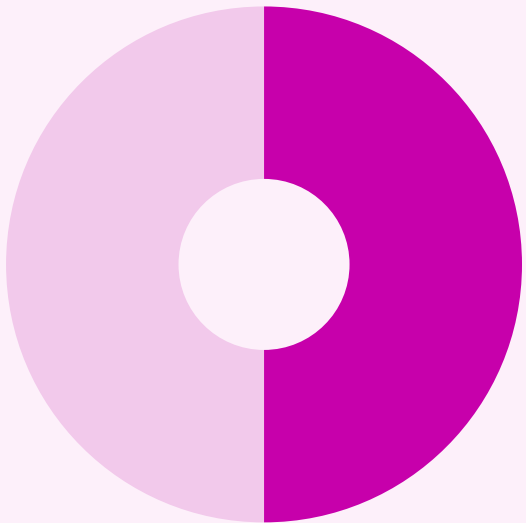
However intuitive that answer seems, it's wrong most of the time. In fact, it's so wrong that we've discovered **the 50-50-50 gap**.

ROI can be low because a brand hasn't spent enough in a channel to break through. When armed with ROI models that can properly detect underinvestment, brands can budget for maximum ROI.

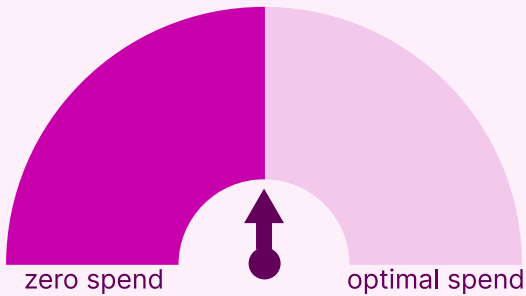
What if a brand doesn't have an ROI model?  
Or what if it has one, but it isn't able to  
determine if the spend is too low?

Nielsen helps you understand how much you  
should spend on media and how you should  
allocate it.

### The 50-50-50 gap



50% of planned media\*  
channel investments  
are too low for maximum payback



planned spend is about  
50% lower than optimal  
spend levels



If marketing teams committed  
the ideal amount of resources,  
their ROI could jump 50%

\* Media includes digital video, display, social and linear television, which had sufficient observations for inclusion

To understand how to allocate budgets, we analyzed our database of nearly 150,000 observations of marketing ROI and our database of client-supplied media plans.

We asked ourselves three questions:

- How much spending does it take to be competitive?
- How does this vary by geography?
- How do brands' planned spend levels compare to the optimal spend levels for the media channel?

Based on the findings, we identified **three** important lessons:

- 1 Media spend needs to be between 1% and 9% of revenue to stay competitive**
- 2 Overspending isn't as problematic as underspending**
- 3 Underspending is rampant**

## 1 Media spend needs to be between 1% and 9% of revenue to stay competitive

Globally, the average brand reinvests 3.8% of its revenues into advertising. But if an underdog wants to compete with the established players for share, it requires proportionally more resources to match their media spend in absolute terms. Conversely, if you're a larger brand, you should skew to the lower end of the range.

*Most brands reinvest between 1.4%\* and 9.2%\*\* of their revenues into media.*

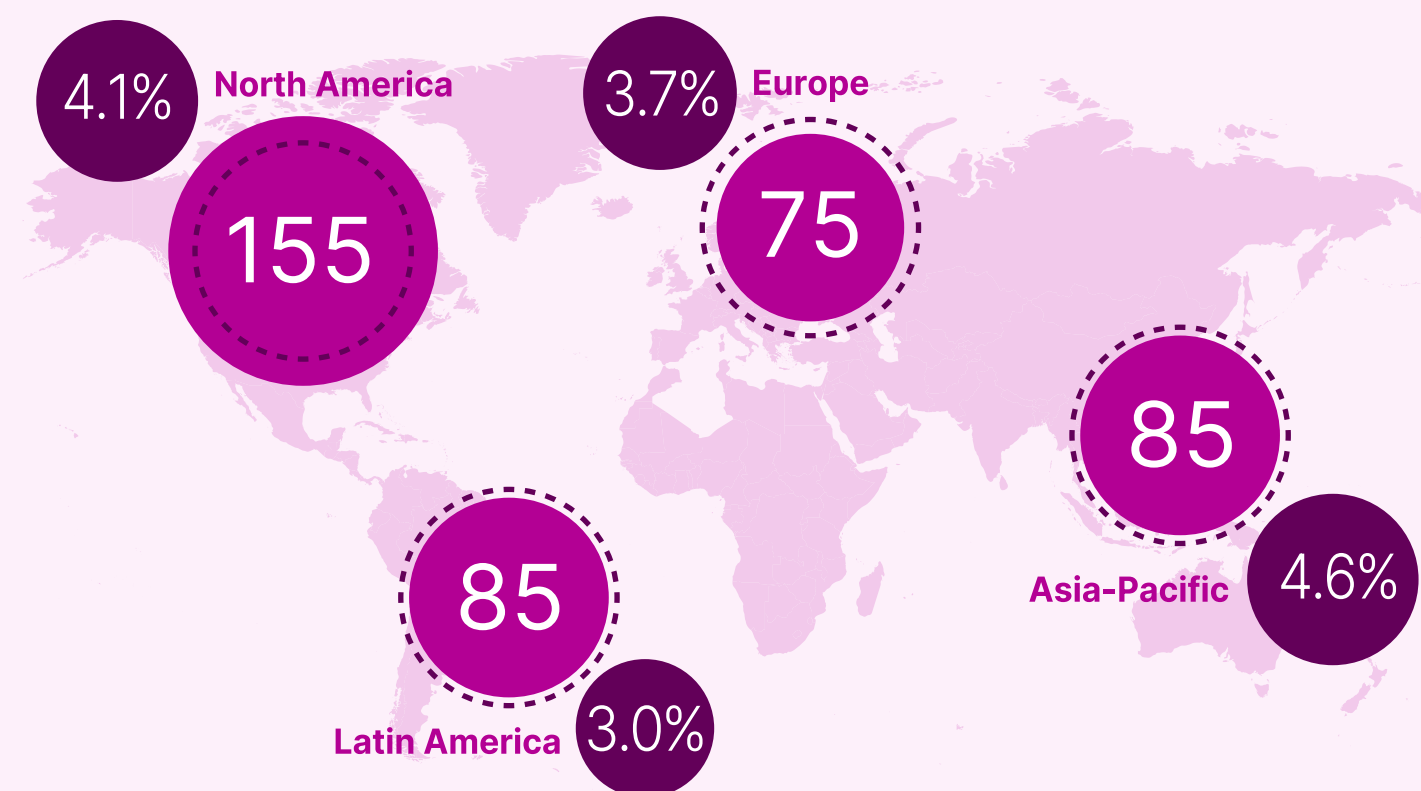
Source: Nielsen Compass Database 2020-2021  
\*25th percentile [i.e., 25% of brands spend below this amount]  
\*\* 75th percentile

Spend varies by region, with brands in Asia-Pacific reinvesting a higher percentage than other regions. Brands in North America reinvest slightly less, but they enjoy a much stronger payback than the rest of the world.

The median brand reinvests 3.8% of its revenues into media. Get insights on how much your brand should spend and how it should vary by region and by channel.

## The median brand reinvests 3.8% of revenues into media

- Percent of brand revenue reinvested in media\*
- ROI for ad spend index\*\*
- Global average ROI index 100



Source: Nielsen Compass Database 2020-2021

\* Top five media channels (digital display, search, digital video, social, TV)

\*\* ROI based on total of display, digital video, social and linear TV

Read as: Asia-Pacific receives 15% less ROI for its ad spending than the global average

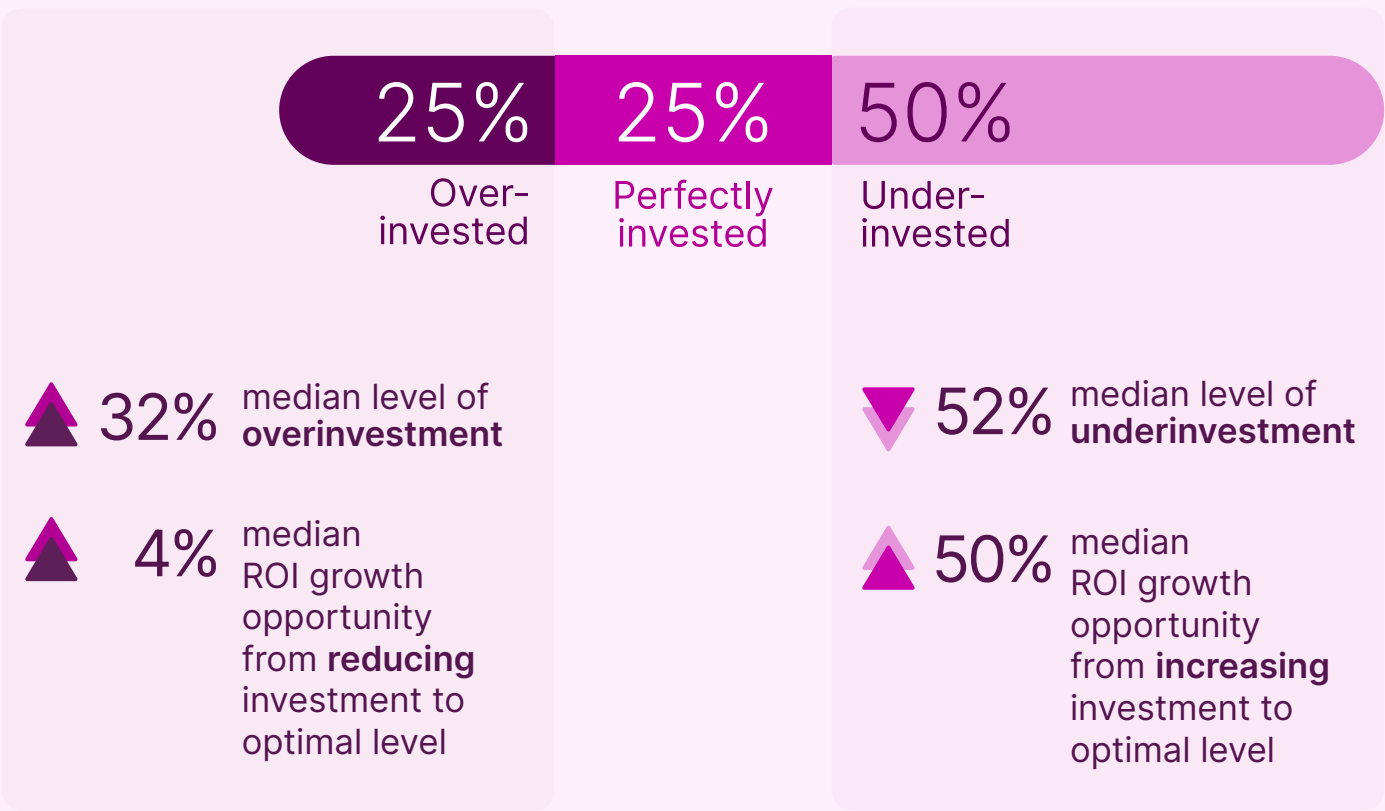
## 2 Overspending isn't as problematic as underspending

In a study of media plans provided by clients of all sizes, about 25% of the channel-level investments were too high to maximize ROI—by a median amount of 32% extra spend. Cutting back the extra spend would certainly improve channel ROI—but only by a modest 4%. And in the process, brands would lose significant sales volume.

Underspending, on the other hand, is a significant challenge. As described in the 50-50-50 gap, we found that 50% of planned media channel investments were too low to achieve maximum ROI. The median under-investment level was 52%—a large gap that most brands won't be able to close in a single planning cycle. But brands that close the gap can improve ROI by a median of 50.3%.

In cases of overspending, brands should optimize their channel mix instead of slashing the budget. Brands might find that they're overinvested in one channel and underinvested in another. Brands should focus on finding the right balance versus cutting spend because they may not actually be spending enough in the right channels to cut through the noise and drive real impact in the first place.

## Brands that hit the right media investment levels can improve ROI by a median of 50%



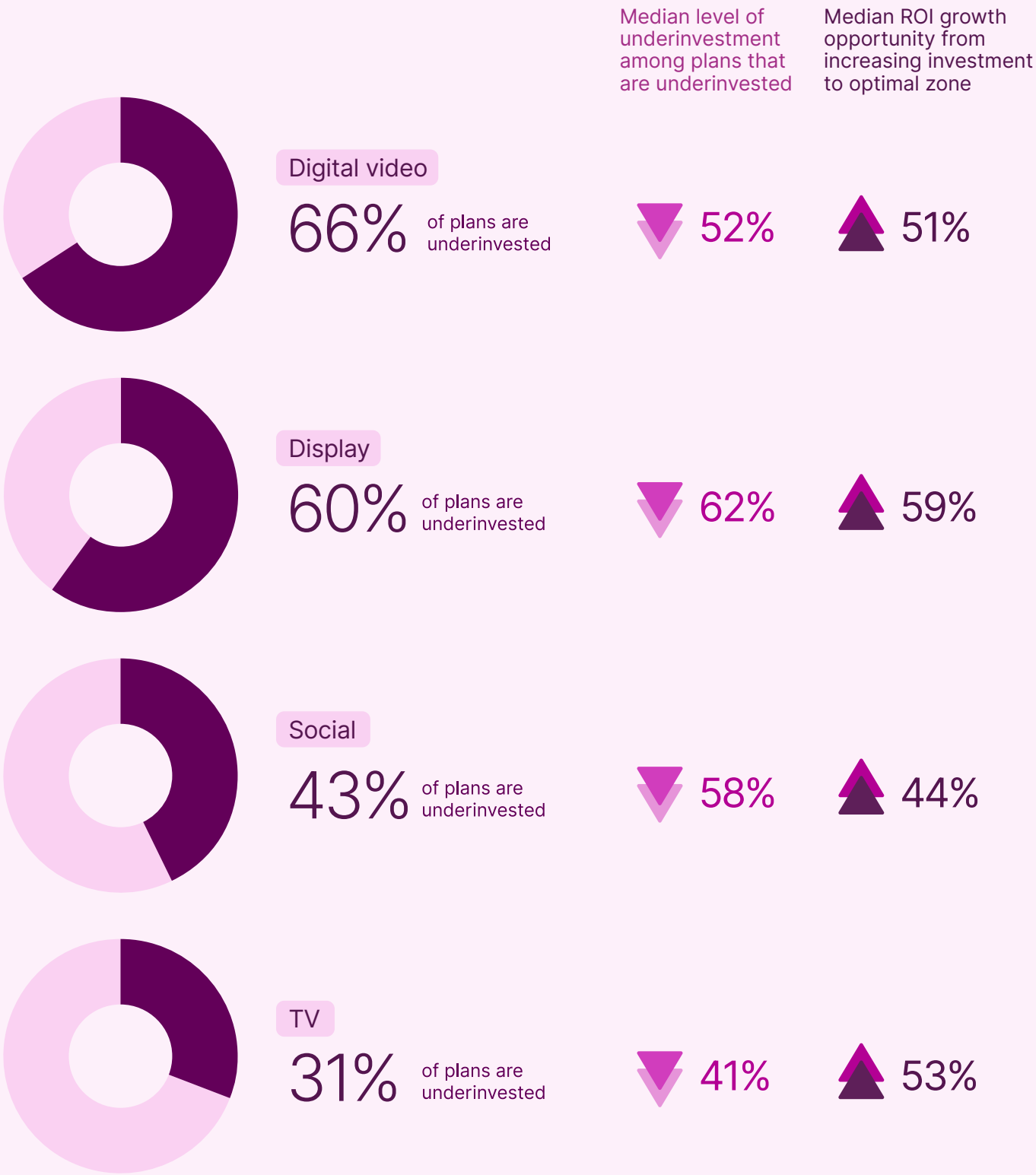
Source: Nielsen Predictive ROI Database May 2022



### 3 Underspending is rampant

Though many brands are already spending most of their budgets on TV, there are still many cases where brands are underinvested in the channel. And for display and video, over half of plans show an underinvestment, so marketers should pay close attention here.

## Over half of global display and digital video campaigns are underspending



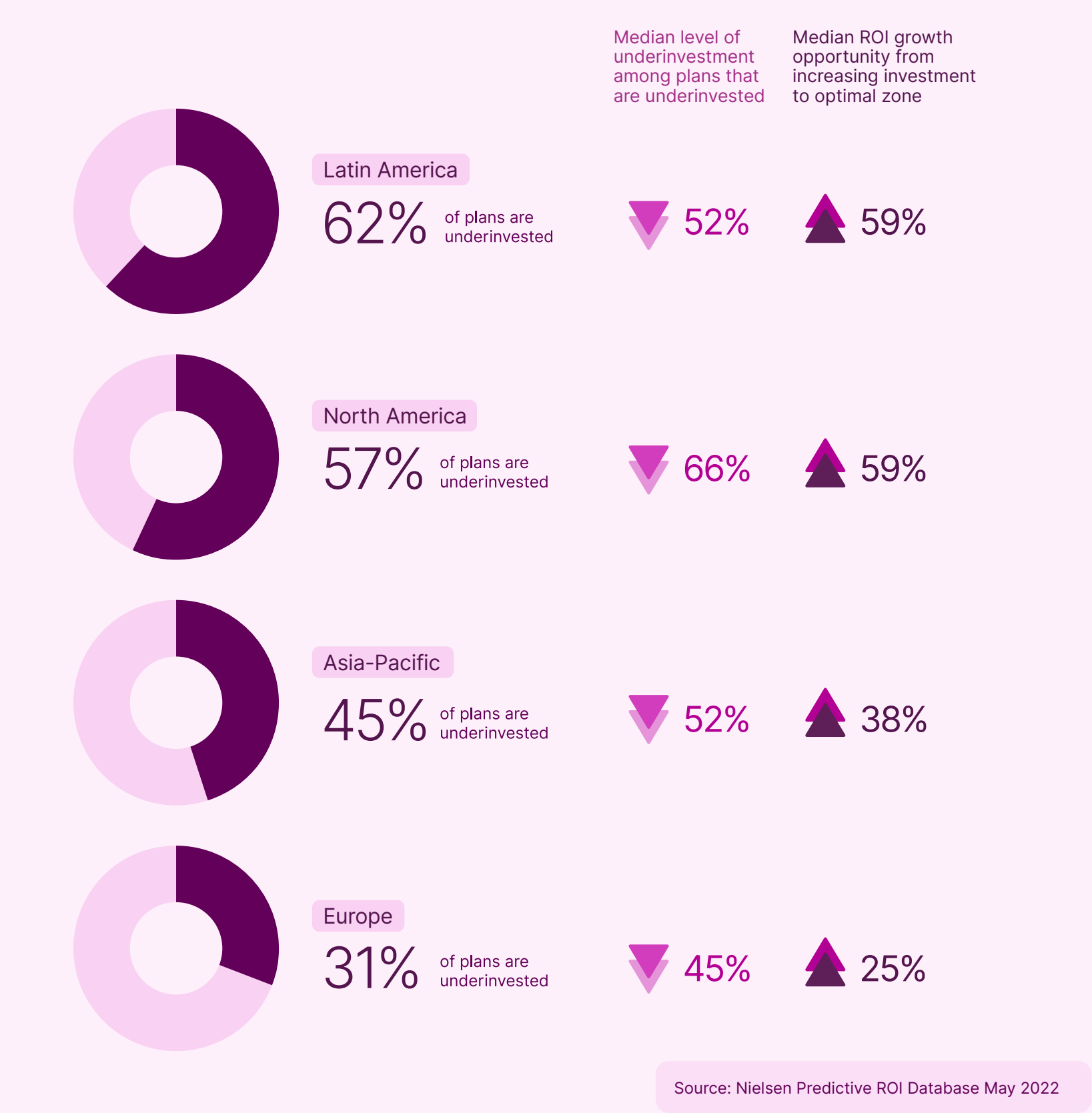
Source: Nielsen Predictive ROI Database May 2022

**There are even more distinctions when you break performance down by region.**

North America has the highest ROI levels of any of the regions we studied—despite 57% of plans showing underinvestment—making it one of the strongest opportunity zones for most brands. Latin America also has tremendous opportunity, with more than half of plans showing underinvestment and significant ROI upside from closing the gap. Meanwhile, brands in Europe are least likely to be underinvesting in media, but are posting the lowest ROIs of all the regions. These brands should invest in granular analytics that help them spot opportunities to grow ROI so that they more closely resemble levels in the rest of the world.

Media budgets are influenced by a hundred different factors, including ROI. But remember, a campaign’s effectiveness is also driven by the budget. Fifty percent of media investments are leaving up to 50% of ROI on the table. That’s why Nielsen helps guide brands on how much it takes to be both competitive and effective, no matter where you are or what channel you choose.

**North America and Latin America are two of the strongest ROI opportunity zones**



# Evaluating new media

# Trendy, but worth it?

## Understanding the impact of new media

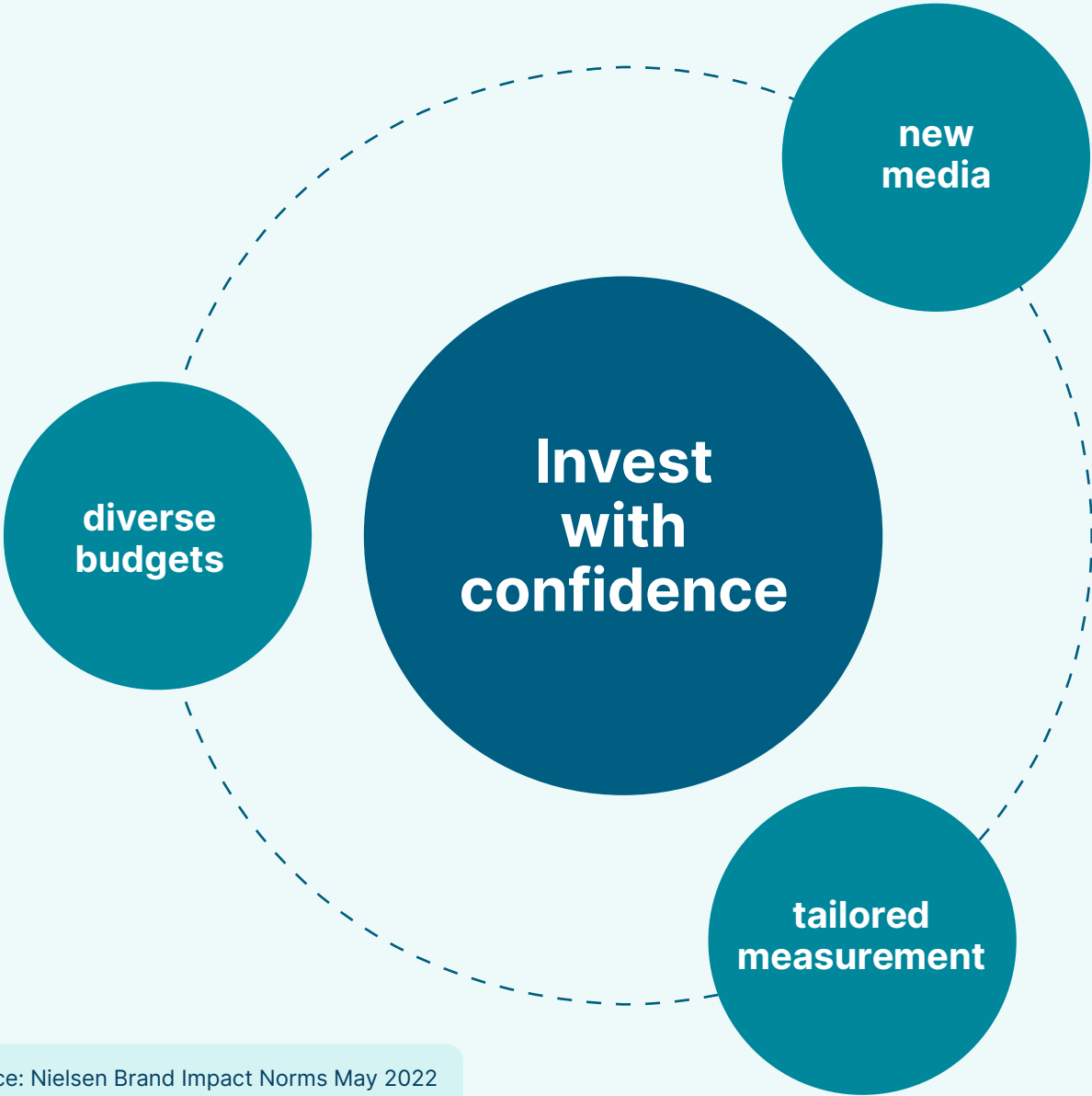
Evolving your marketing strategy is critical to a sustainable business plan, but, of course, there's risk involved. What happens when you tap a channel you haven't used before? Testing and learning is great, but poorly designed tests can leave you guessing about the results.

When it comes to newer marketing opportunities like podcast advertising, branded content and influencer marketing, marketers want quantitative guidance. On one hand, marketers might be attracted to channels like podcasts because they often have less competitive advertising and ad clutter, allowing brands to stand out. On the other, marketers can be wary of investing their budget into new areas, even if the investments are smaller than those in traditional channels. Either way, marketers need to understand how these new channels perform on their own merit and when contrasted against traditional media placements.

To take out the guesswork, Nielsen conducted over 1,000 studies on podcast advertising, branded content and influencer marketing to help marketers in two ways:

- 1. Reveal the impact of new media on the brands we've followed
- 2. Propose ways to measure impact that will work for a range of budgets

Combined, these insights will help you invest with confidence.



Source: Nielsen Brand Impact Norms May 2022

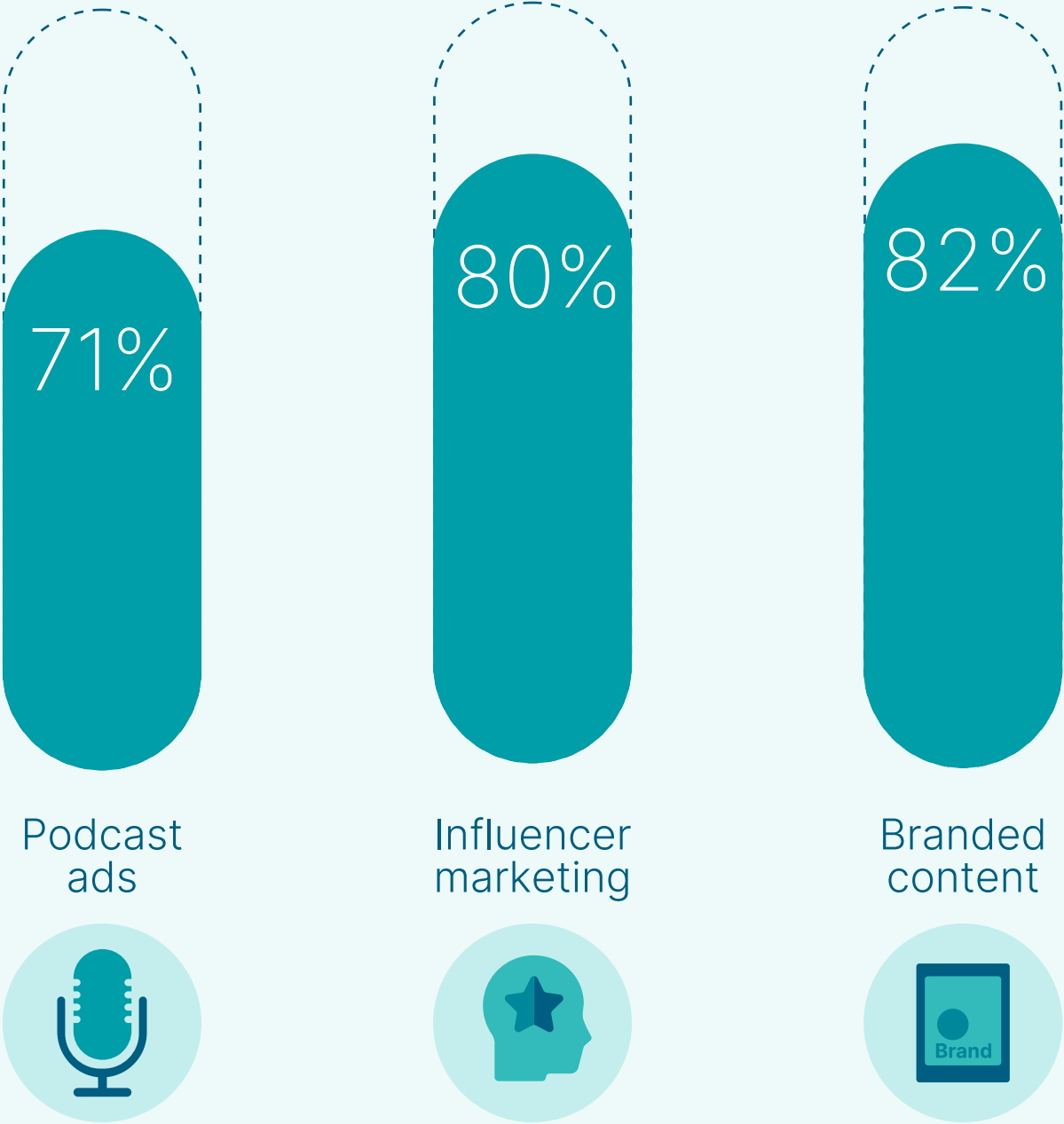
**The studies show:  
New media delivers**

For each of the three channels, the average aided brand recall is over 70%, and the average advertiser brand sees gains in familiarity and affinity through the exposure:

Moreover, Nielsen has researched what makes each of these channels effective so marketers can lean in.

**New media can drive 70%+ aided brand recall after ad exposure**

● Aided brand recall



Source: Nielsen Brand Impact Norms May 2022

# Podcast ads

Many of the normal ad rules still apply for podcasts. For example, ads with more brand mentions and ads with early brand mentions drive more impact.

And while [shorter TV spots](#) are starting to edge out their lengthier counterparts, longer podcasts ads are currently driving more impact. However, even shorter plugs can be effective because podcast listeners are especially likely to research advertised brands. In fact, ads of 30 seconds and fewer drive a six-point increase in consumer intent to seek out information about the sponsor. And that intent can be bumped by two points if there's a call to action and another point if the podcast host is the one reading the ad.

When listeners go looking for information about your brand, you're able to extend the conversation well beyond the short podcast ad, making this channel a great potential investment.

## Podcast ads drive familiarity and affinity gains



Source: Nielsen Brand Impact Norms May 2022

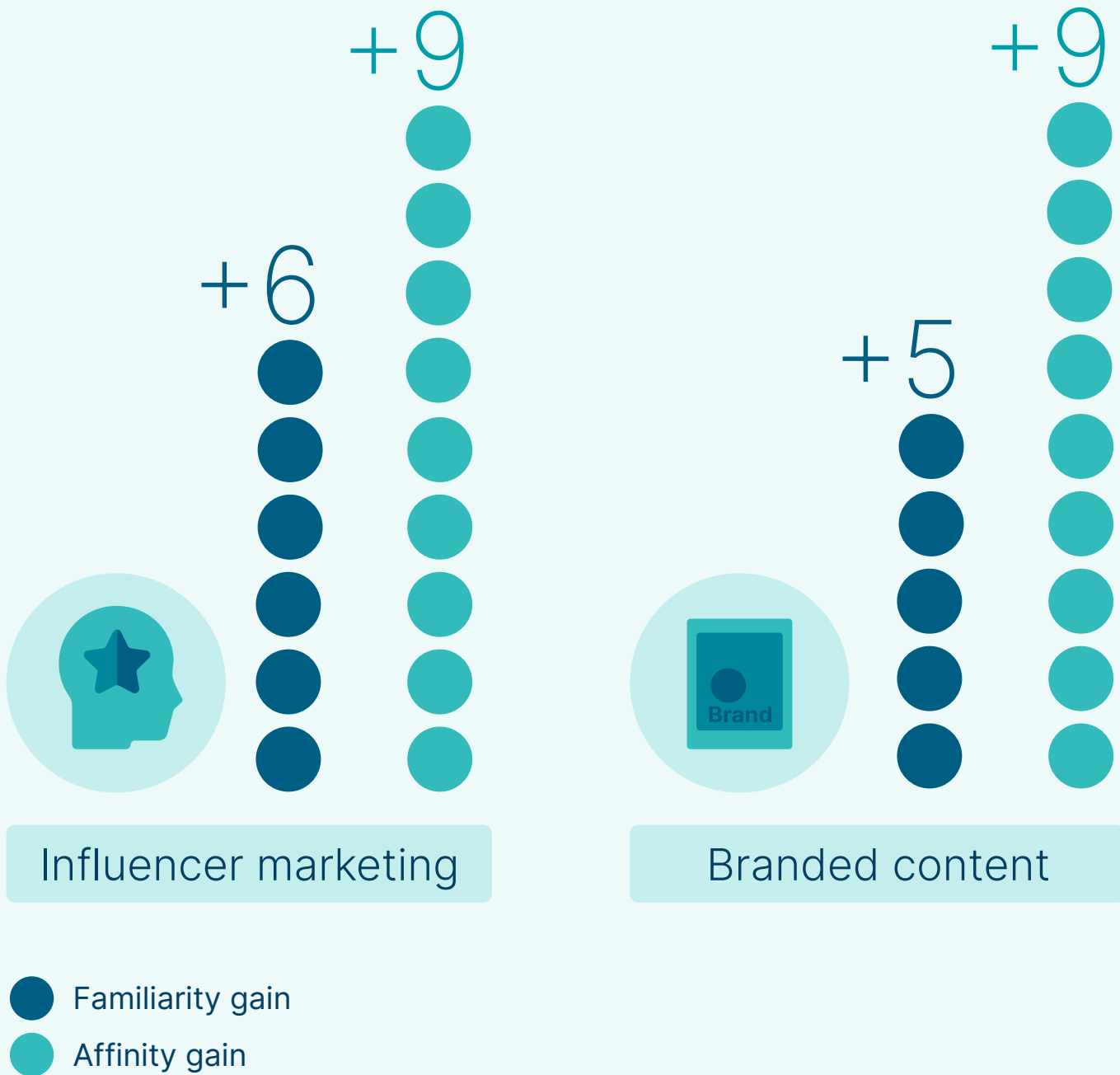
# Influencer marketing and branded content

Podcast ads appear *in* content. But for influencer marketing and branded content, the ad *is* the content. Influencer marketing and branded content are similar in this way, but are different in the vehicle used to promote the brand. Influencer marketing is essentially the modern extension of celebrity endorsements, while branded content might be thought of as the modern extension of in-program product placement. If you watched and enjoyed *The LEGO Movie*, you were enjoying extremely high-budget branded content.

When the content is the ad, you have to evaluate the content in addition to the impact it has on brand metrics. By measuring consumers' liking of the content, Nielsen has found that high-scoring content can drive big gains in purchase intent and deliver ROI that is comparable to more mainstream media. So what makes for good content?

For starters, it needs to be engaging. That factor alone accounts for approximately half of the variation in how the content was received. And the importance of being interesting isn't limited to "entertaining" content. It's just as true for informational work. But being interesting doesn't require being outrageous. In fact, staying on-brand to produce a good "brand fit" and appear "natural" is also critical to boosting purchase intent.

## Influencer and brand marketing also drive big familiarity and affinity gains

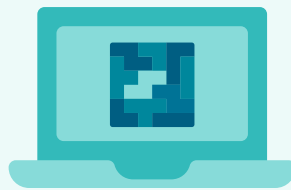


Source: Nielsen Brand Impact Norms May 2022

# New channels, new measurement

Many brands prefer to test new media with smaller media investments. But the impact of smaller media investments can be difficult to detect. That's why Nielsen has three approaches that, when taken together, cover the full range of investment sizes. With thoughtful preparation and the right solutions, just about any new media investment can be measured to show impact upfront or while campaigns are inflight to inform smarter spending.

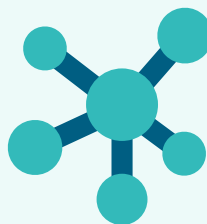
While newer media can seem daunting from a marketing perspective, they're channels with proven outcomes. And by using different measuring techniques, you can dip your toe into new waters with the confidence that you'll be able to measure their positive returns.



**Simulated exposure:** Two groups of people are exposed to a simulated piece of content, like a podcast. One group hears or sees the ad, and the other doesn't. Afterward, both are asked questions about the brand, and the responses from both groups are compared to measure the impact of the ad. This approach is viable with any level of media investment, compatible with a wide range of emerging media, and produces data that can be compared to prior studies and statistically analyzed to validate whether it produced a significant impact.



**Live exposure:** Survey panelists opt into a tracker that measures if they're exposed to an ad. Consumers that are exposed to the ad are grouped together, and those who aren't exposed are grouped together. Then, both complete a survey about the brand. This approach uses real-world exposures to measure the media's impact, can be validated using statistical testing and is viable with only a modest level of media investment. Typically, 15 million ad impressions are enough to support measurement in a very large country, though this may vary based on nuances of a brand and the campaign.



**Marketing mix modeling:** Statisticians evaluate the change in media over time relative to the change in sales (or conversions, equity, etc.) over time. This produces a precise ROI that links media investments directly to outcomes and allows marketers to compare the impact of new and conventional media. However, MMM has more requirements than the other two approaches. It typically requires the new media channel to achieve at least 15% reach and requires variations in spending across all the channels over time.



# **Understanding audience reach**

# Metrics that matter:

## How audience measurement can unlock ROI

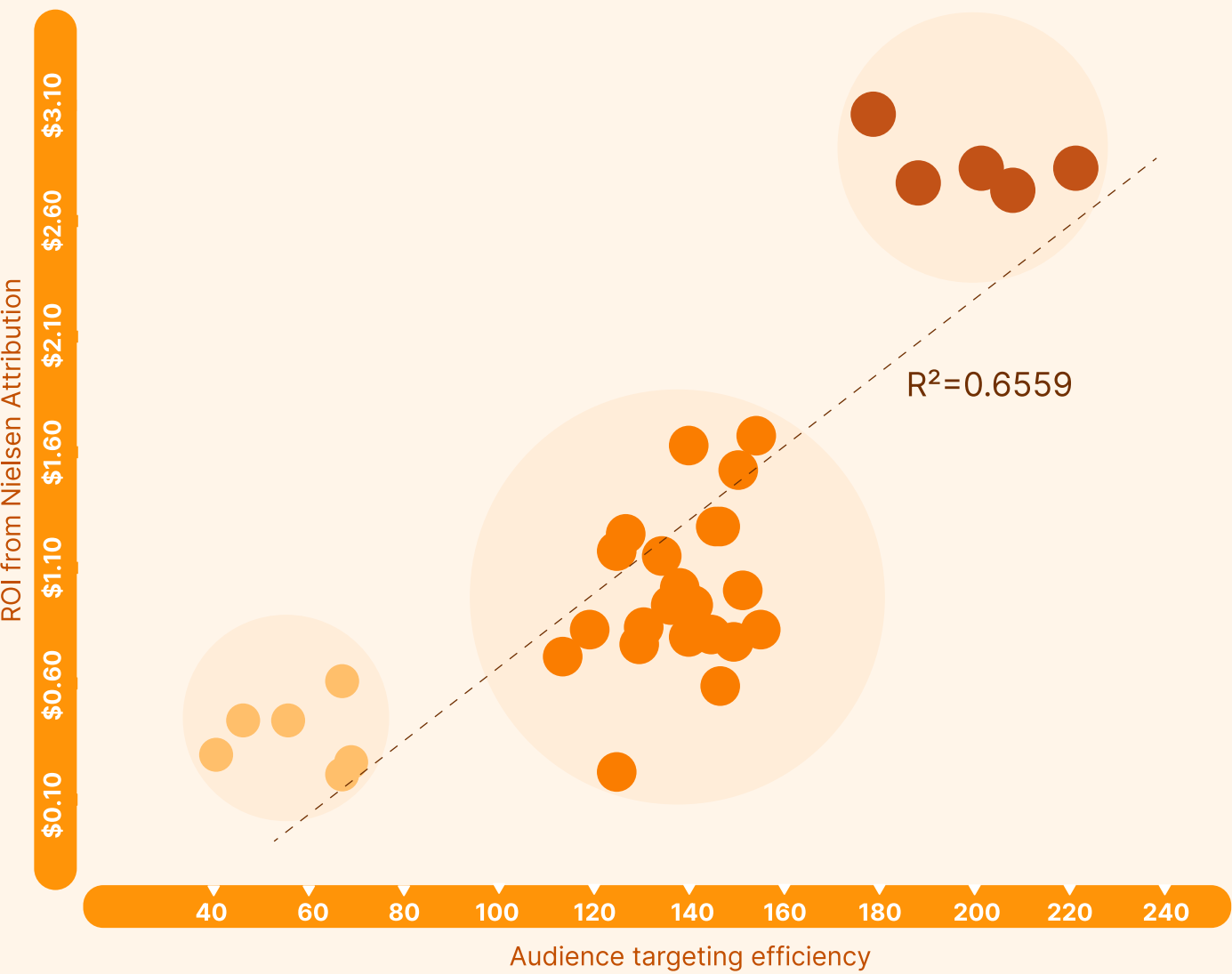
They say the beginning is a good place to start. We agree.

The first step of any successful marketing campaign is figuring out who your audience is. Reach and targeting are bedrock metrics for brand awareness. But recent Nielsen research found that these measurement metrics don't just help marketers understand who they're reaching, they can also help them drive better sales outcomes.

A 2022 Nielsen study of 15 brands and 82 digital campaigns in the U.S. revealed that there is a very strong relationship between target reach and campaign ROI. For the analysis, in-flight target reach metrics were sourced from Nielsen Digital Ad Ratings (DAR), and outcome metrics were sourced from Nielsen Attribution, which determines ROI at the impression level. When combining these measurements on a consistent set of campaigns, we found one clear truth: Campaigns with strong target reach delivered better sales outcomes.

*Ads that best reached their audience had significantly better ROI than those that didn't.*

# Tracking the relationship between targeted ads and ROI



- The cluster in the lower left, which represents an under-delivered audience, generated an average ROI of \$0.25 for every \$1 spent
- The middle cluster, which better targeted its audience, generated an average ROI of \$1
- And the cluster that best reached its audience, in the upper right, also had the highest ROI: \$2.60 on average

Source: Nielsen Digital Ad Ratings and Nielsen Attribution

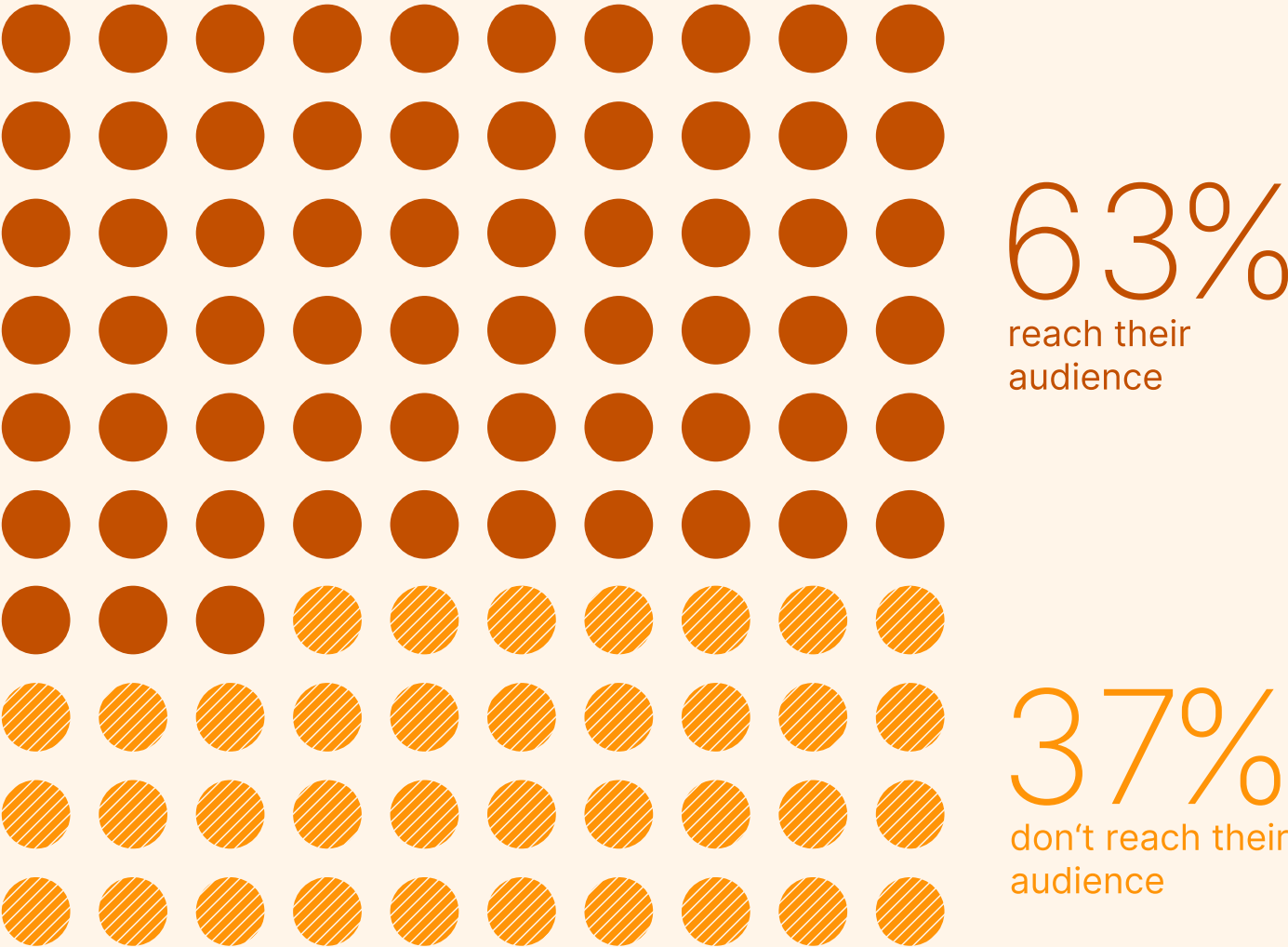
**The right ads to the right audience at the right time.  
Sounds simple enough ... right? Wrong.**

Our research shows that only [63%](#) of ads across desktop and mobile are on-target for age and gender in the U.S. This means that in the channels with the most exhaustive data coverage and quality, almost 40% of ad spend doesn't hit the mark.

And the more specific your target audience is, the harder it is to reach them. If you want to target 18- to 34-year-olds, you're going to reach them about six times in 10. If you're only interested in the males in that demographic, that number drops to a third.

Optimizing a campaign's reach is an important lever for improving ROI. But it's an increasingly hard ask, with data flung across dashboards and dribbling in at different rates. Advertisers need to prioritize measurement solutions that cover all platforms and devices, with near-real-time insights, so they can capitalize on opportunities and drive impact from the very beginning.

**Nearly 40% of U.S. desktop and mobile ads don't reach their audience**



Source: Nielsen Digital Ad Ratings, U.S. Benchmarks Report – Q2 2019-Q1 2020

# Proving effectiveness

# Is your funnel full?

## Optimizing short- and long-term strategies

Advertisers are constantly pressed to prove impact. Your ad spend depends on it. While short-term gains are exciting, concrete and a stakeholder expectation, a strategy that blends the immediate impact with opportunity creation is what really drives sustained success. That means you must meet two occasionally conflicting objectives with a mix of channels and tactics that drive sales today and build demand for tomorrow.

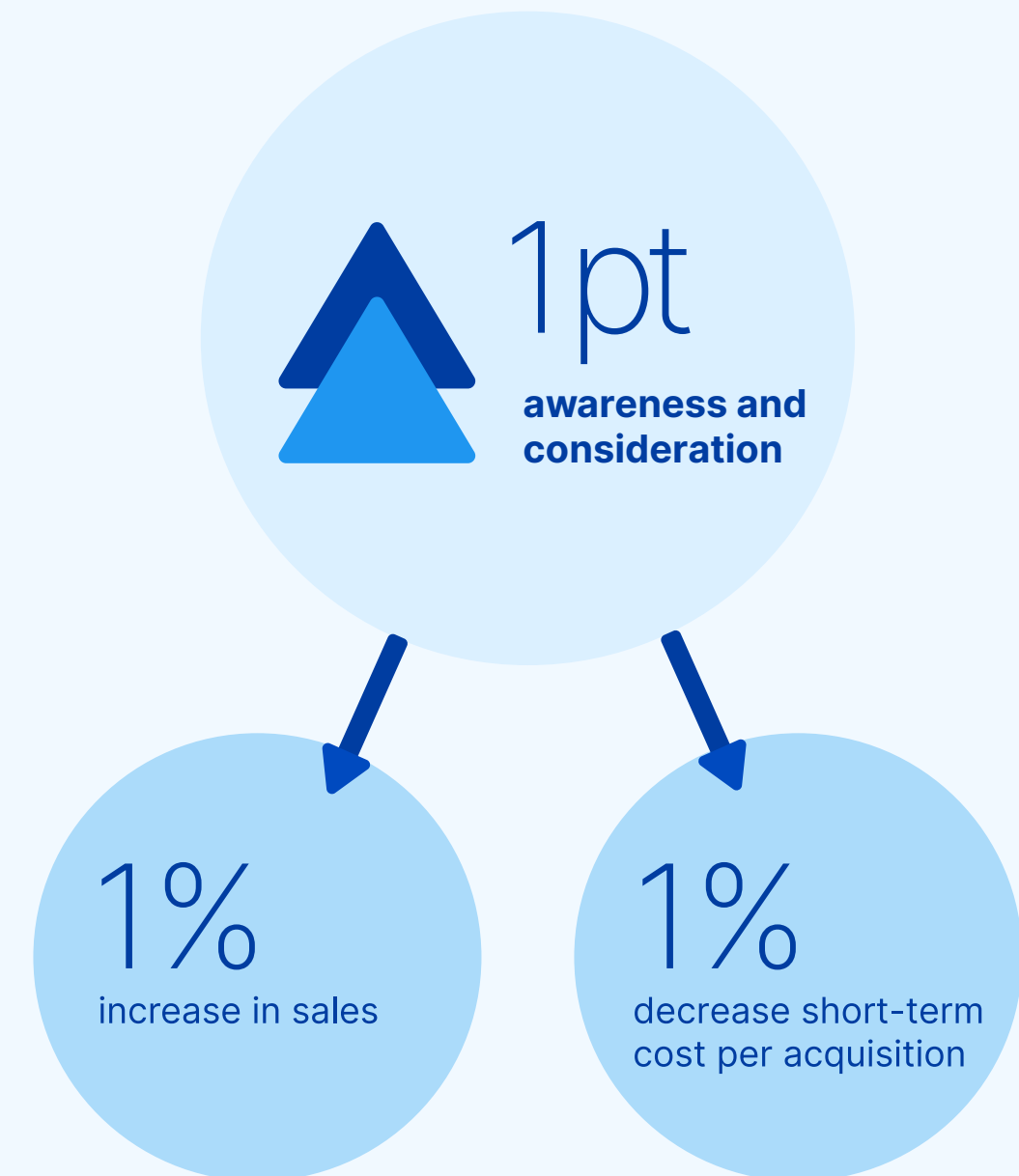
In Nielsen's [prior reporting](#), brands learned about the perils of being too focused on short-term results:

- Awareness and consideration often erode when brands overly focus on conversion
- It's harder to convert consumers in the short term when you scale back brand building
- Reduced awareness and consideration limit future sales prospects

Now that we've reviewed the risks of a lopsided approach, let's examine the benefits of balance.

[The 2021 Nielsen Brand Resonance Report](#) found that increasing awareness and consideration by one point drives a 1% increase in future sales. Add to that our latest discovery: Increasing awareness and consideration by 1% can also decrease short-term cost per acquisition by 1%. Taken together, you have both near- and long-term reasons to focus on upper-funnel campaigns.

**Increasing awareness and consideration by one point drives a 1% increase in sales and a 1% decrease short-term cost per acquisition**



Source: 2021 Nielsen Brand Resonance Report

Another 2021 Nielsen study, a custom project commissioned by Google, showed that brands that added upper-funnel marketing efforts to existing mid-funnel campaigns were able to boost ROI by 70%. And those that added upper-funnel tactics to campaigns that covered the mid and lower funnel were able to boost ROI by 13%.

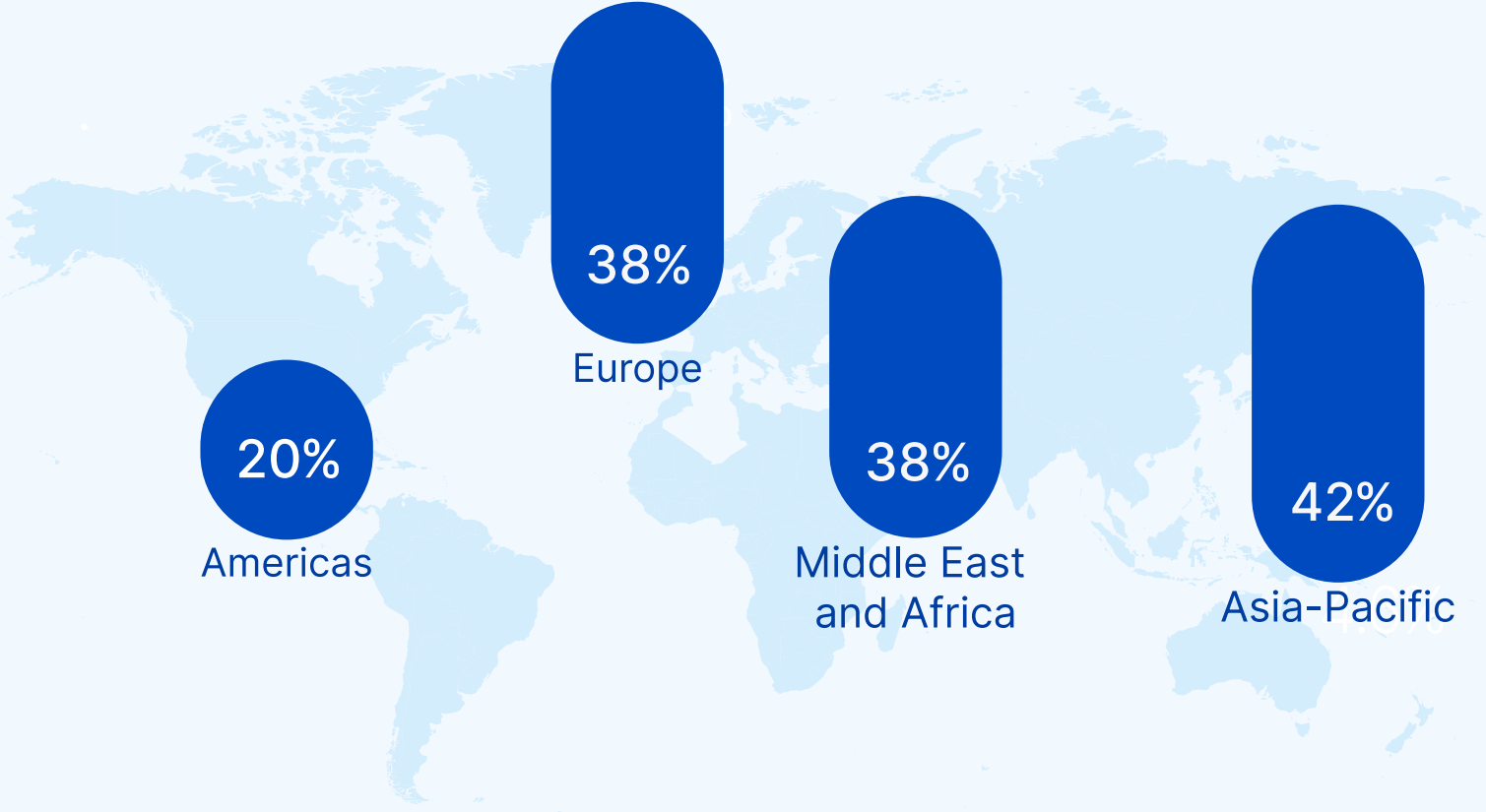
The data is clear, however, creating a full (and functioning) funnel isn't always straightforward. Media channels that drive short-term sales might not fare as well in driving brand impacts. In fact, those that do both well are rare: Globally, only 36% of channels perform above average for sales and brand building.

*Only 36% of channels deliver for both revenue and brand metrics* (Source: Nielsen Marketing Mix studies)

The likelihood that a channel will work well for both objectives varies by region. Based on our examination of over 2,000 channel performance points across 150 Nielsen Marketing Mix studies, brands in Asia-Pacific are more likely (42%) to be able to find channels that work for both objectives, but in the Americas, the likelihood sinks to just 20%.

**A channel's potential full-funnel effectiveness varies by region**

● Percent of channels **above** average at **both** objectives



Source: Nielsen Marketing Mix studies

Read as: In Europe 38% of channels are above average at both objectives

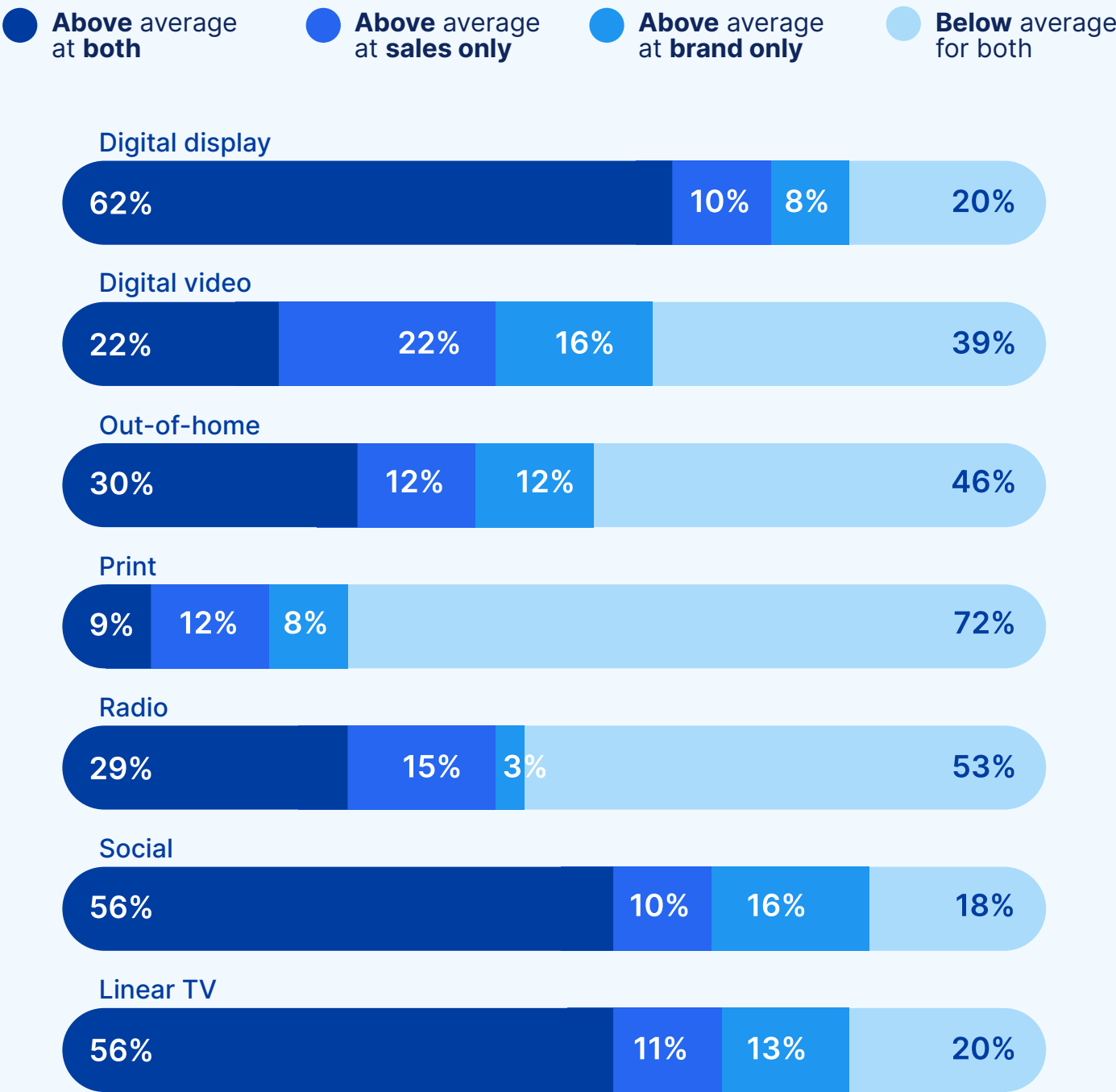
So, what’s the perfect formula for channel mix? Every brand, campaign, region and season is different, but there are a few general truths.

Generally, digital display, social and TV are strong for both sales and brand objectives about 60% of the time. Radio and out-of-home (OOH) deliver above-average results on at least one objective about half of the time.

Because channels may be strong for only one objective, advertisers should measure both brand building and sales impacts to understand how specific parts of your media plans drive value. This is especially important in the Americas, where the chance of getting positive results on only one objective is 50%.

Having multiple impact measures is important even for the strongest channels. Since TV, social and digital video are above average on only one objective in about 25% of cases—and given this is where the majority of media spend falls for many brands—you need to measure for both objectives, with comparability across channels, to manage the mix and grow spend.

Some channels, like display, social and TV, are better at full-funnel effectiveness than others

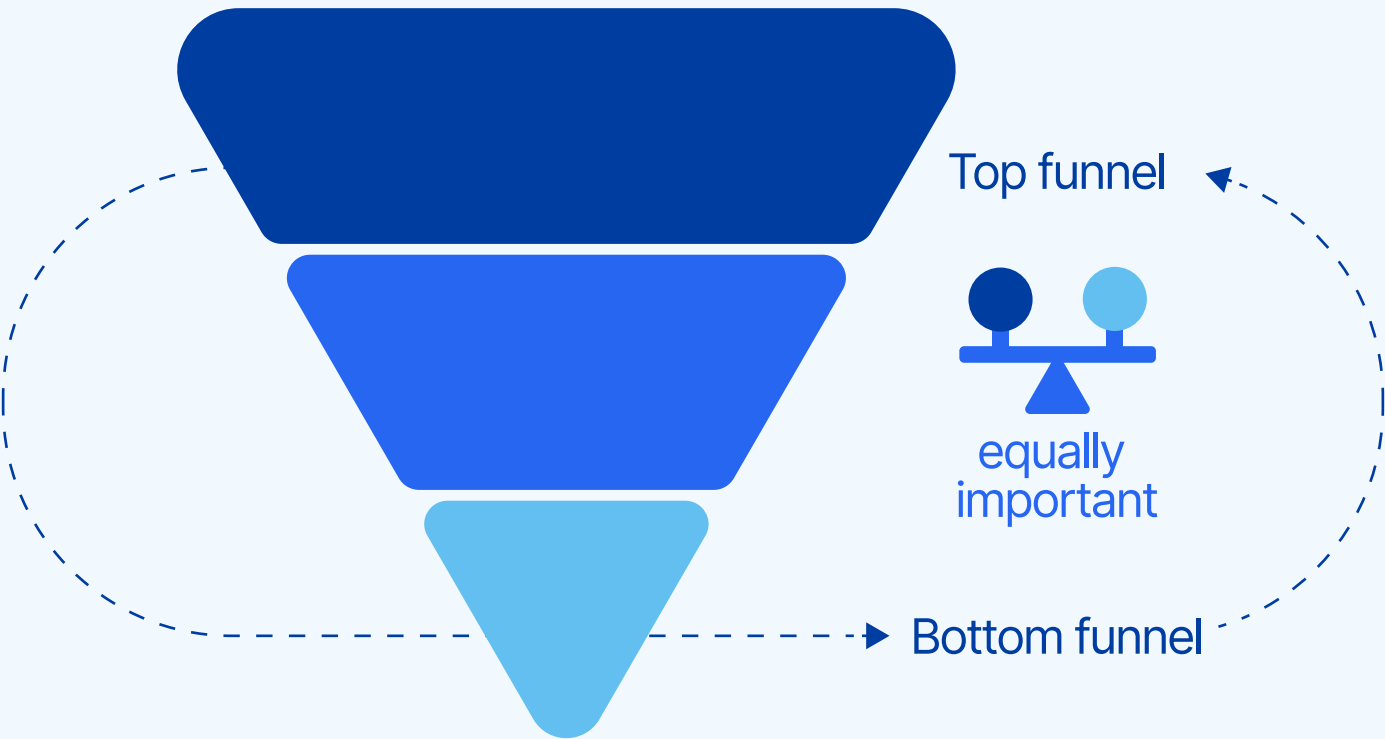


Source: Nielsen Marketing Mix studies

Read as: In digital display, in 62% of cases, it’s measured to be above average on both objectives

So how do you determine the best mix for your brand? Here are three steps to follow:

- 1 Pick the objective most relevant for you, and analyze channel performance for either brand building or short-term sales.
- 2 For channels that perform poorly on the chosen objective, determine if changes to execution could make the channels perform on par with the rest of the plan.
- 3 Before deprioritizing a poor-performing channel, measure its performance for the second objective to ensure you're not under-utilizing a channel that is critical for the other objective.



It's also important to keep in mind that your objectives may change over time and that campaigns and creatives should evolve accordingly. For example, an advertiser looking to clear out inventory of an old product model might prioritize sales while an advertiser introducing a new model or brand might prioritize brand building.

Formulating the perfect ratio of top- and bottom-funnel spending is a process of trial and error. There's considerably less error when you have the tools in place to check performance and optimize on the fly. However, just understanding that these two marketing components are equally important is half the battle.



# The bottom line for marketers

1

**Underspending is a bigger problem than overspending.** Fifty percent of media investments are leaving up to 50% of ROI on the table because marketers are underspending by 50%. So instead of slashing budgets, make sure you're investing the right amount into channels that work for your goals.

2

**New media channels deliver.** Podcast ads, influencer marketing and branded content can drive 70%+ aided brand recall after ad exposure. That makes them a great option to test, so long as you have a measurement plan in place regardless of your budget.

3

**Reach metrics are an early indicator of sales.** We found that campaigns that optimized their reach consistently delivered a higher ROI. Having the ability to optimize these metrics while your campaign is still running will set you up for higher ROI once it's done.

4

**Most channels don't work for the full funnel.** Only 36% of channels deliver for both revenue and brand metrics. You need a balanced strategy of both upper-funnel and lower-funnel initiatives if you want to drive sales today and build demand for tomorrow.

# About Nielsen

Nielsen shapes the world's media and content as a global leader in audience measurement, data and analytics. Through our understanding of people and their behaviors across all channels and platforms, we empower our clients with independent and actionable intelligence so they can connect and engage with their audiences—now and into the future.

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