



How travel brands can optimize their marketing with lift measurement

Measurement strategies built on data and designed to drive better decisions are key to helping travel brands navigate the challenges created by the COVID-19 pandemic.



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Introduction

The travel industry has been heavily impacted by the COVID-19 pandemic, with US and UK digital travel sales each falling by nearly 50% in 2020 compared to the year earlier. Moreover, some predict that the industry may not fully return to pre-pandemic levels until 2022.¹ In order to navigate this challenging environment travel brands can do the following:

1

Have a clearly articulated marketing strategy

2

Effectively allocate budget to the appropriate tactics and channels

3

Continue to find ways to grow their business profitably

The key to achieving all these goals is having the right measurement framework in place. In particular, properly incorporating lift tests into a measurement strategy enables brands to truly understand relative channel performance and identify valuable opportunities for investment, ultimately allowing travel businesses to make better strategic decisions. In this paper, we explore why travel marketers need lift and some of the challenges with using lift results in budget allocation decisions.

What is lift and how is it measured?

Lift tests allow marketers to measure incrementality—the value caused by a marketing channel or tactic. Lift tests are an experimental approach where ads are served (or attempted to be served) to a subset of the population, with a comparable subset held out (i.e., not served the ad impression). For example, if the goal is to measure ads on a high-intent audience, the hold-out group must also be similarly high intent. In most cases, the only way to guarantee comparability is to use a Randomized Control Trial (RCT).

Source: Travel in Times of COVID-19. (n.d.). Retrieved October 01, 2020, from <https://www.emarketer.com/content/travel-times-of-Covid-19>

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What do lift results represent?

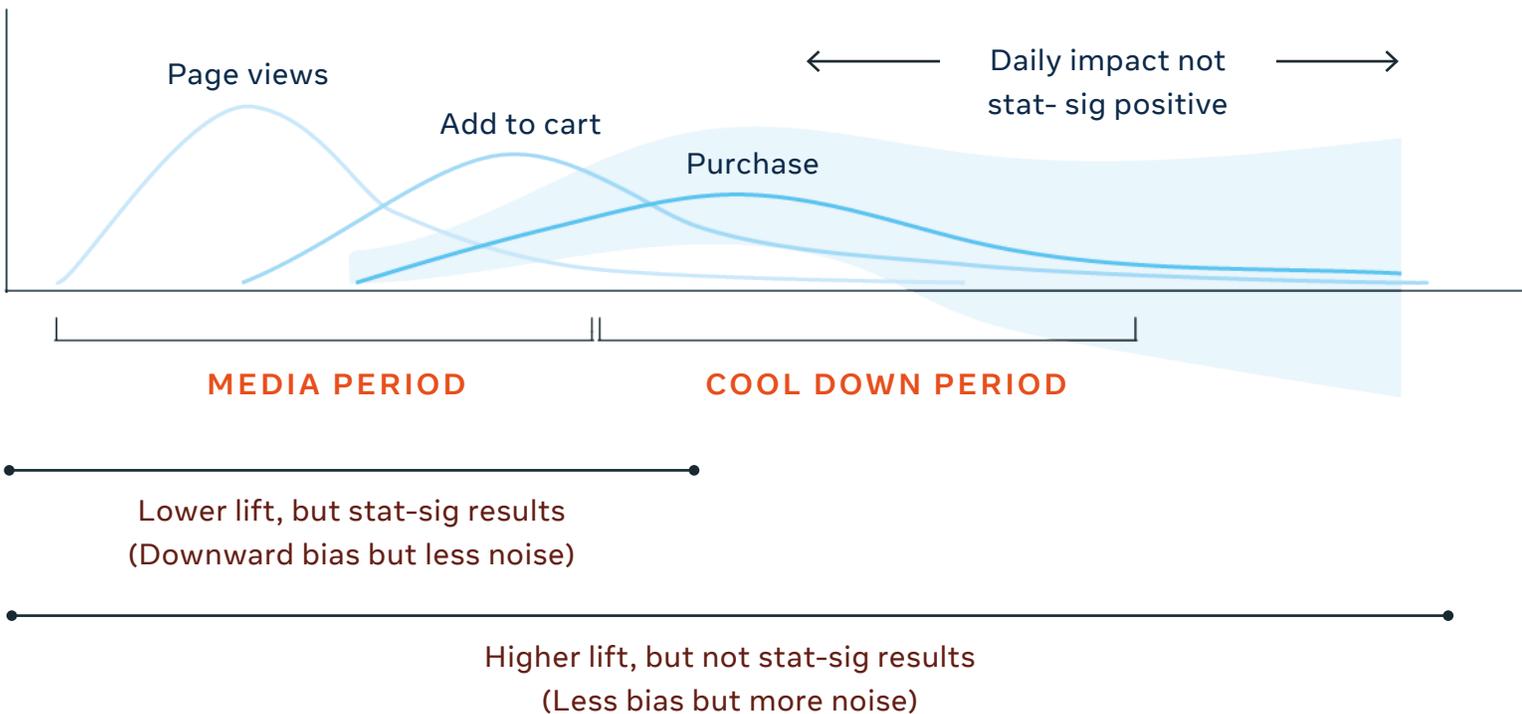
THE NEAR-TERM IMPACT OF ADS

In industries with long consideration cycles, like travel, the actual purchase can often lie outside the lift-study period. Having short study periods (2-4 weeks) provides more precise estimates of lift but may not capture all the incrementality driven by the campaign. This can create a downward bias in lift estimates.

On the other hand, extending the study duration to combat downward bias adds variance to the data as the baseline now captures more organic conversions as well as additional impact from other media. Increase in variance makes it harder to detect lift even if the

campaign is truly incremental. Variance tends to be higher when the campaign being measured is a very small portion of the overall marketing budget. For travel advertisers, whose budgets go largely to search, this can be an especially key issue.

For travel advertisers, this bias-variance trade-off poses a challenge: It is difficult to take action on lift results, either because true impact may be underestimated or because there is less confidence in the accuracy of results. This trade-off also makes cross-channel comparison of lift results challenging.



Marginal impact caused by a given set of ads

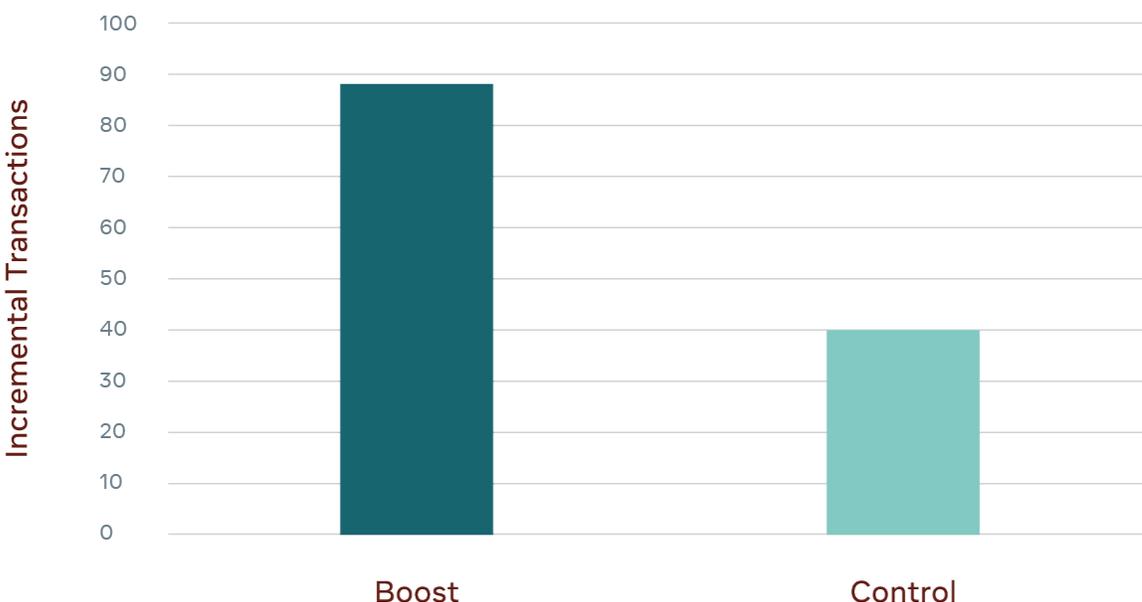
Lift measures the incremental value of a given publisher or tactic over and above all other marketing spend. It answers the question: If we add another publisher or tactic to our existing marketing mix, what is the “incremental” benefit of this additional spend? In other words, lift measures the efficiency of the publisher or tactic in driving the last conversions using the last dollar (i.e., the marginal value).

Therefore, the result critically depends on what the existing composition of the media mix is and the size of the test campaign. This problem is exacerbated by the fact that travel advertisers tend to spend several million dollars on same or similar channels and tactics.

Using such “last dollar” incrementality, travel advertisers are optimizing for campaign ROI rather than maximizing the ROI of their overall marketing spend, missing the opportunity to get better advertising results more efficiently across channels.

To illustrate this point, let’s say a travel company wants to invest in a new social media marketing channel called “Boost.” To test Boost’s effectiveness, they run a randomized, controlled trial. What they expect to see is something like the chart below:

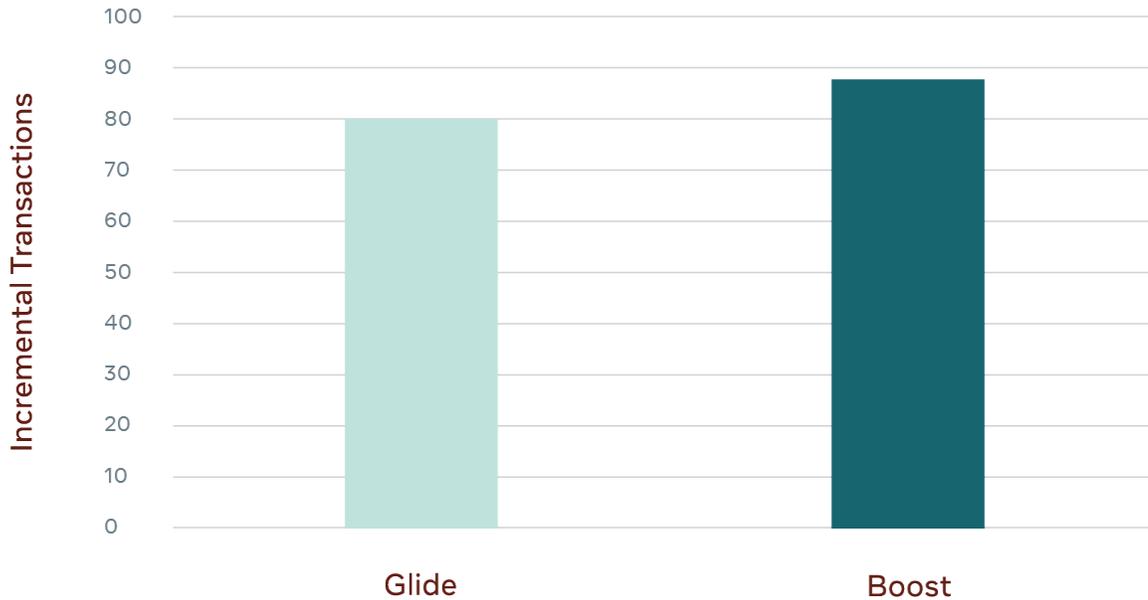
EXAMPLE OF EVALUATING MEDIA: COMPARING BOOST VS. CONTROL (NO ADS)



For illustrative purposes only.

But, in reality, there is already a channel called “Glide” they currently use for marketing that drives efficient ROI. So, the advertiser would like to compare Boost’s performance vis-a-vis Glide’s performance, which they’d expect to look like this:

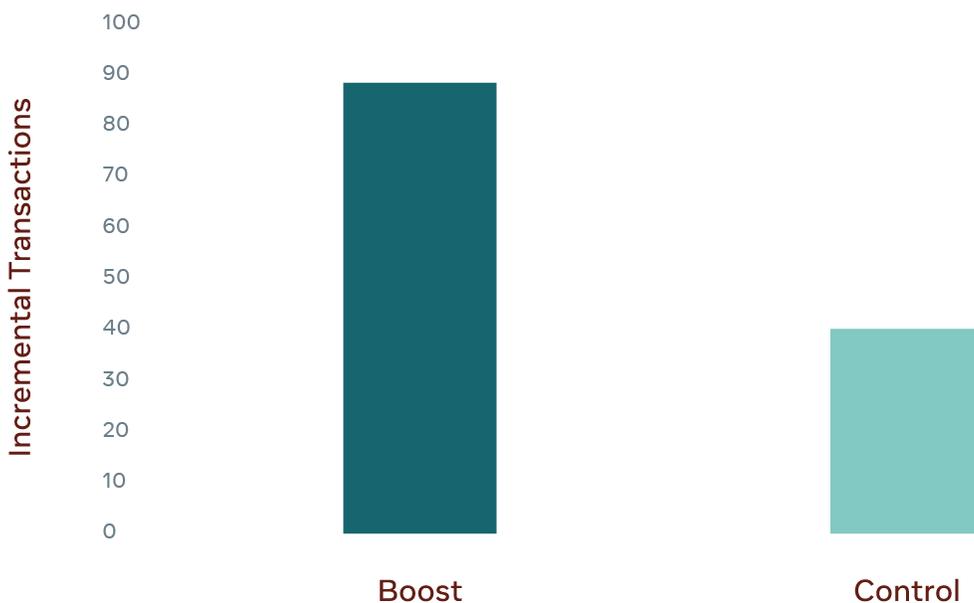
COMPARING BOOST VS. GLIDE



For illustrative purposes only.

In reality, however, what lift studies measure is the impact of using Boost over and above Glide:

COMPARING GLIDE'S PERFORMANCE VS. GLIDE AND BOOST



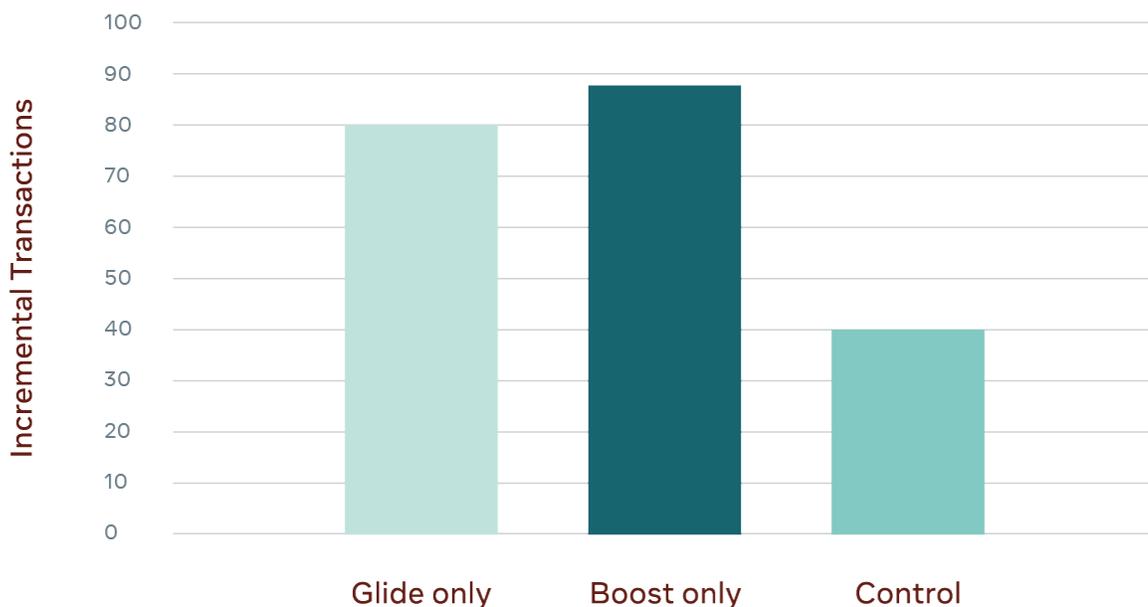
For illustrative purposes only.

Now let's say Glide's campaigns drive 80 incremental purchases. Boost's campaigns add an incremental eight purchases. This appears to imply that Boost is only a tenth as effective as Glide. And assuming the cost of each incremental transaction is the same, the cost per incremental purchase is 10X. This interpretation of lift results prevents the advertiser from scaling their efforts on Boost because they do not know Boost's true ROI. They only know what value Boost drives over and above Glide.

Thus, what needs to be truly measured is the impact of Boost alone and Glide alone compared to a control group that gets no media, like the next chart. This comparison will help identify which of the two channels drives more efficient ROI.



COMPARING GLIDE ONLY VS. BOOST ONLY VS. CONTROL (NO ADS)



For illustrative purposes only.

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For many mature businesses, marketing spend often shows diminishing returns (i.e., marketing spend scales but outcomes do not scale linearly). After all the “lowest hanging fruit” is taken, each subsequent conversion is that much harder and more expensive to get. As such, what is not reflected but what may be likely, is that a new channel in an existing media mix could have driven these early, low-hanging-fruit outcomes at an even cheaper rate. In order to address this issue, marketers should use lift tests to identify which media mix best maximizes portfolio ROI rather than channel ROI. This is especially true when an advertiser’s media mix is heavily skewed toward one channel or tactic. Lopsided investment in one channel may prevent advertisers from unlocking value in other channels/tactics, as illustrated in the example above.

Using lift to inform budget allocation decisions

In the last section, we explored the interpretation of lift results:



Lift measures short-term impact of a campaign causing bias-variance trade-off



Lift measures the “last dollar” incrementality of a campaign

The next question is: How can travel advertisers overcome the challenges above and maximize portfolio ROI rather than channel ROI? We recommend using geo-based lift tests.

In this section, we’ll look at how geo-based lift studies can be used to inform budget allocation decisions. Because advertisers use mixed media modeling (MMM) and multi-touch attribution (MTA) models to make budget allocation decisions, we will also briefly discuss how these models can be calibrated using geo-based studies to reflect true channel impact.

CONDUCTING GEO-BASED LIFT STUDIES

Geo-based lift tests can be used to measure the combined effect of various marketing strategies. In such tests, geographical boundaries like ZIP codes or Designated Marketing Areas (DMAs) are assigned to test and control groups either randomly or through matched-market tests. These geo-based tests allow advertisers the flexibility to define and apply combinations of treatments to the test group.



LET'S LOOK AT AN EXAMPLE

Hypothetical advertiser Zoomture currently has only two channels in their marketing mix: Search (80% of total spend) and display (20% of total spend). The brand would like to introduce paid social media to this mix. Upon conducting a conversion lift test on Facebook, it identified that Facebook ads drive incremental revenue at smaller spend levels but do not scale well. Zoomture hypothesizes that due to a higher baseline conversion rate (the rate at which the control group converts), Facebook ads are subject to last-dollar incrementality—i.e., Facebook ads are expected to drive value over and above existing media. In other words, the true impact of Facebook ads is not being measured because the media mix is skewed toward one channel (in this case, search).

To validate this hypothesis, Zoomture conducts a two-cell geo-based test using Facebook's XPCL tool, which allows for a geo-based test to be combined with a conversion lift test in order to better measure a combination of publishers or tactics. Such simultaneous randomization is effectively orthogonal, allowing advertisers to measure the impact of individual publishers as well as their interaction effects. The ability to parse out channel-specific and cross-channel (interaction) effects can be used to inform revenue-maximizing media mix.

A two-cell geo-based test would look something like this:

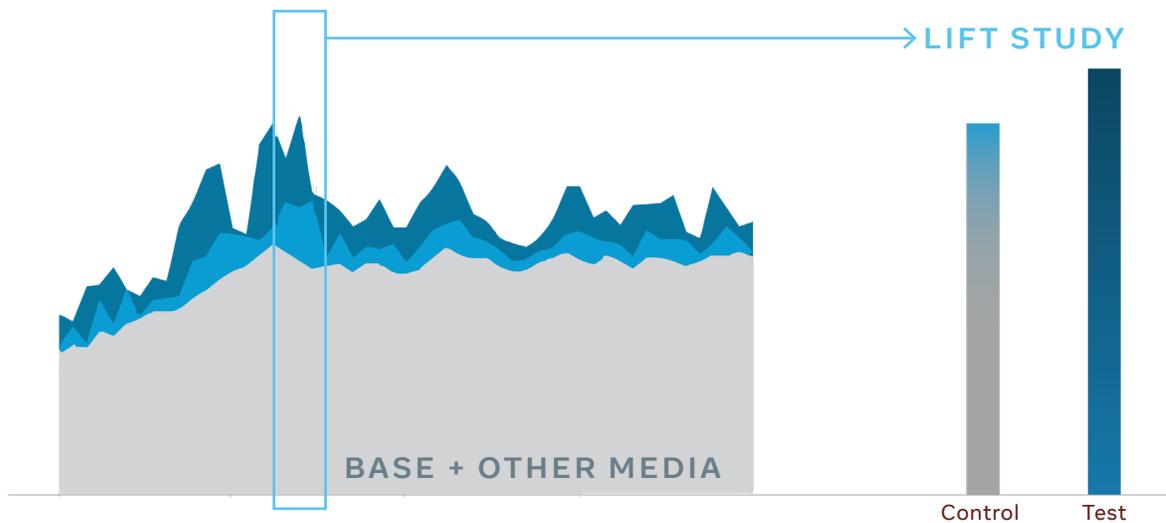
		FACEBOOK	
		Off	On
PAID SEARCH	Off	A	B
	On	C	D

INCREMENTAL CONVERSIONS
Facebook Only = B-A
Paid Search Only = C-A
Facebook over Paid Search = D-C
Paid Search over Facebook = D-B

For illustrative purposes only.

CALIBRATE EXISTING TOOLS LIKE MMM/MTA OUTPUTS WITH LIFT

Most travel advertisers use a mix of analytical tools and techniques like MMM and MTA alongside lift for day-to-day decision making. MMM is often used for budget allocation across the marketing portfolio, and MTA is typically used for daily reporting and to monitor the health of a channel on an ongoing basis. Analytics teams can help marketers calibrate these MMM and MTA models with lift results. In doing such calibration, analysts must ensure:



■ Impact of Previous Period Facebook Ads ■ Impact of Current Period Facebook Ads

For illustrative purposes only.

The lift results being used across channels are highly comparable—i.e., study duration, composition of the control group, seasonality, etc., are as uniform as possible. The best way to ensure this is to use results from cross-publisher geo tests.

For MMM, given that the output is typically a set of parametric equations, marketers should first exclude the impact of the ad stock from the previous period and compare the results of lift experiments only to the MMM sales impact from the current period.

Conclusion

For travel advertisers, rethinking their measurement strategy is especially timely given current conditions. As marketers reset their programs, there is an opportunity to try new media mixes in a low-risk manner. Periodically conducting geo-based lift studies can help marketers as they seek to run media across several publishers while ensuring that the results are comparable. By evaluating their strategy and building in lift testing that gives a more comprehensive understanding of the marketing that drives better ROI, marketers can clearly articulate a marketing strategy tailored to the new challenges of the post-pandemic world.



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