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McDonald's uses YouTube to deliver both short-term sales and long-term brand affection

Analysing nearly 4.5 years of sales and media data has given McDonald's unique insight into the efficiency of YouTube to deliver short-term sales and long-term brand affection. The analysis reveals that in the short term, YouTube is 37% more efficient at delivering sales compared to TV and 9% more efficient compared to web TV, and in the long term YouTube has a positive brand impact which translates to higher sales.

Staying competitive in the Swedish fast food market requires advertisers to constantly measure and re-evaluate their media strategies and tactics. With rapidly changing media habits, there will always be new opportunities for advertisers. The challenge is to identify and know how to take advantage of them.

Online video has experienced tremendous growth in the last couple of years. Today, 65% of Swedes watch online videos every week.¹ YouTube specifically offers both reach and viewing time on par with some of Sweden's largest TV channels in certain demographics.² As a result, many successful brands have made YouTube a key component in their media mix.

YouTube has traditionally been used for branding campaigns aimed at building KPIs like awareness, consideration and preference. However, brands have lately started to understand that YouTube can also play a role in delivering sales. By taking YouTube's impact on bottom line results into account, marketers are now able to make better media investment decisions that result in higher return on investments.

But how effective is YouTube at delivering sales? To understand this, McDonald's partnered with the analytical experts at Annalect Denmark and Google to build a Media Mix Model that could provide insights. When built correctly, a Media Mix Model is able to estimate the impact of marketing tactics on sales and can therefore be used to optimise a brand's marketing mix. To build a robust model, Annalect collected nearly 4.5 years' worth of sales and media spend data, as well as macro data that reflected calendar effects, weather, price levels, competitor media, competitor store openings and so on.

The short-term profitability of YouTube

The results from the analysis reveal that in the short term, YouTube is 37% more efficient at delivering sales compared to TV and 9% more efficient compared to web TV. This means that with the current media allocation, budget can be moved from TV to YouTube in order to increase overall revenue return on investment, delivering more sales in McDonald's restaurants for the same media budget.

Goals

- Understand YouTube's ability to deliver short-term sales
- Understand YouTube's impact on long-term brand equity

Approach

- Collected nearly 4.5 years' worth of sales and media spend data and macro data to reflect calendar effects, weather, price levels, competitor media, competitor store openings and more
- Data included 18 campaigns and 67 million impressions for YouTube and web TV
- Used data to build a Media Mix Model

Results

- In the short term, YouTube is 37% more efficient at delivering sales compared to TV and 9% more efficient compared to web TV
- In the long term, an average YouTube campaign has a positive long-term brand impact of 138% of the short-term sales impact

"YouTube plays an important part of our media planning with it's ability to reach key customers in a cost-effective way."

– Jeff Jackett, Marketing Director, McDonald's Sverige

¹ Google Consumer Barometer

² See for example: "Q1: Youtube - Sveriges största "kanal" bland unga" (2015), Mediavision (<http://www.mediavision.se/wp-content/uploads/2015/05/Pressrelease-Maj-2015.pdf>)

and "The Swedish video landscape - A look into YouTube, TV and other ways of watching video" (2015) by Google & TNS

About Annalect Denmark (formerly known as BrandScience)

- Global team of analytical and tech experts dedicated to data-driven marketing strategy, powered by a connected system of technology, tools and consultants
- www.annalect.com

About McDonald's

- Sweden's largest restaurant chain with approximately 220 restaurants serving about 435,000 guests every day
- www.mcdonalds.se

About OMD

- Integrated communications agency delivering media and marketing solutions in Sweden and globally
- www.omb.com

"The results clearly show that YouTube has great ability to generate short-term incremental sales as well as considerable positive brand impact. Not only did YouTube outperform other web TV platforms in this case, but it also proved more efficient than linear TV in terms of driving both short-term sales and medium-term sales through improved brand metrics."

— David Simon Rindelöv, Director of Data Science, Annalect

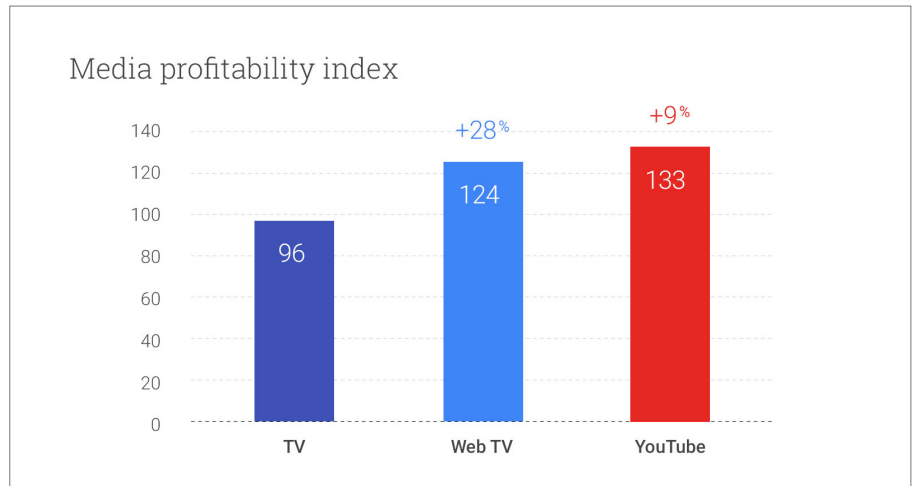


Figure 1: Media Revenue Return on Investment. Index 100 = Average ROI for TV, Web TV and YouTube.

The long-term profitability of YouTube

By also analysing (a) the impact of different media on brand equity and (b) the impact of brand equity on long-term sales, Annalect has been able to provide a more complete view of the full value YouTube provides for McDonald's. The analysis reveals that an average YouTube campaign has a positive long-term brand impact of 138% of the short-term sales impact, which means there is an additional upside for McDonald's and other advertisers that incorporate YouTube in their media mix.

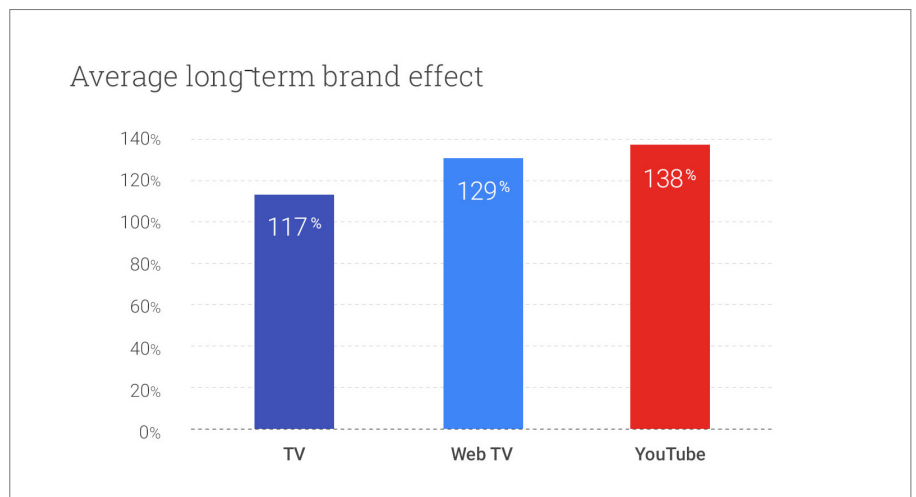


Figure 2: Long-term Brand Effect on Sales

Conclusion

The results of this research indicate that advertisers that incorporate YouTube in their media mix are able to deliver short-term sales and influence long-term brand affection, which will translate to increased long-term sales.