



Through marketing mix modeling, L'Oreal uncovers YouTube's ability to deliver sales

Goals

- Measure different media channels' ROI and impact on sales
- Understand how to optimise media across online and offline

Approach

- Collected over three years' worth of sales, media spend data and macro data on haircare category to reflect calendar effects, price levels, competitor media, competitor store openings and more
- Used data to build a marketing mix model that separated different media channels' impact on sales

Results

- YouTube delivered better ROI than any other online or offline video platform, with Google Preferred driving particularly strong results
- Always-on campaigns provided greater sales impact than short bursts
- Search drove by far the highest ROI compared to all other platforms

"Digital, especially YouTube, has become a big part of our business drivers. We are happy to see that we are not only pushing awareness but also driving sales, which is key for every brand."

— Marwan Moubarak, Marketing Manager Middle East, L'Oreal

Investing in measurable and efficient platforms is top of mind for all FMCG players, and L'Oreal is no exception. With regards to media, their main objective is to be able to optimise media buys across online and offline. With this in mind, they needed to understand which marketing levers were playing the greatest role in generating sales, so they partnered with Ekimetrics to conduct a media mix modeling study on Elvive, one of their key brands in the hair care category.

"We decided to do marketing mix modeling to better understand the ROI on each touchpoint and see where we can optimize," explains Marwan Moubarak, L'Oreal's Marketing Manager for the Middle East. "It is important to evaluate the strategy we have put in place and make the necessary adjustments when needed. ROI is a very important factor that we are focusing on more and more, marketing mix modeling is a great tool for an optimized, sustained way of working."

Getting it right: The model's output is only as good as the input

As the foundation of the methodology, it was necessary to first identify all of the variables that could impact sales, including both internal data (such as marketing spend, price, launches) and external data (such as competition action, seasonality, market evolution). Next, Ekimetrics cleaned and prepared all of the variables to make them fit to use in collecting data to contribute to the build of an econometric model. In this way, it became possible to statistically measure and isolate the impact of each variable on sales.

YouTube: From brand driver to sales driver

Like many brands, L'Oreal had primarily used YouTube for driving brand metrics throughout the consumer journey – from awareness to purchase intent. However, the Elvive research demonstrated that YouTube has also been a driver of sales. In fact, YouTube registered the highest ROI compared to other video platforms. YouTube TrueView ROI was 6.1X in 2017 vs. 2.5X in previous years. This growth is driven by several factors including better made-for-digital creatives, improved targeting strategies, optimized formats and media distribution among others. Within all YouTube activity, Google Preferred showed an ROI 40% higher than TrueView. On top of that, since 2015, the total sales contribution of YouTube grew nine times faster than the investment in the platform. Finally, the study showed that having an always-on presence was more effective in driving sales than short campaign bursts.

Search: The optimum platform in terms of ROI

Through the course of the research, search drove by far the highest ROI compared to all other platforms, with an ROI of up to 10x. L'Oreal's work in this area demonstrates that search is a vital pillar in brand marketing strategy. Search ROI is a simple formula based on three pillars: coverage (what keywords do you want your brand to be associated with), content (what message and online experience you want your brand to convey) and conversion (measure the metrics that matter).

Thanks to the insights generated by the Elvive media mix model, L'Oreal is now fine-tuning the optimal media allocation across all of their marketing channels with the objective of actually boosting sales.