An OptiMine Case Study

What Happens When Brands Go Dark:

Evaluating the Short & Long-Term Impacts of Advertising Spend Reductions

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Background: About the Brands

Case Study Background and Analysis Approach

OptiMine's work with two brands presented a unique opportunity: assessing the impact of a significant marketing reduction over a similar two-year period. The brands were under financial pressure, and they each made the decision to cut back on advertising. As OptiMine continued to deliver its measurement guidance to both brands, we updated models and measures to capture the before/during/after impacts of this decision quantified in this case study. Below is the profile of each brand.

	BRAND A	BRAND B
Business Profile	Retail	Financial Services
Analysis Time Period	8 Consecutive Quarters: July 2022 – June 2024	8 Consecutive Quarters: April 2022 - March 2024
Primary KPIs Measured	Sales, New Customers	Profit, New Funded Loans
Factors in Model Other than Media and Conversions	Seasonality, Economic Conditions (Unemployment, Consumer Price Index, Gas Price Index, Interest Rates, etc.), Brand Baseline, Other Consumer Trend Data	
Advertising Spend Reduction	↓ -27%	↓ -65%

Evaluating the Impacts of Going Dark

OptiMine's analyses were aimed at understanding and quantifying the total impacts of the decisions to reduce advertising spend.

Revenue Impacts

What is the total short-term and long-term financial impact of reduced advertising?

Media Efficiency & Effectiveness

How do budget reductions impact media efficiency and effectiveness short-term and long-term?

Competitive & Market Position

What are the brand and market position impacts when brands go dark?

OptiMine's Analytic Approach

OptiMine's models and measures focus entirely on the incremental lift driven by advertising. Using this approach, OptiMine was able to evaluate spend reduction decisions across both the short-term and long-term. The immediate (12-week) effects of the spend reductions were measured,while also examining the long-term effects on various marketing efficiency and effectiveness KPIs over the two-year period. Finally, OptiMine's measures also show how these reductions impacted the brands' abilities to re-grow their businesses, and how much harder media has to work to overcome the effects on the advertising reduction.

Evaluating the immediate business performance impacts upon significant advertising reductions:

Key question: what happens to the business in the 12 weeks following significant advertising budget cuts?

Assessing the post-reduction marketing and KPI performance shifts over a longer period:

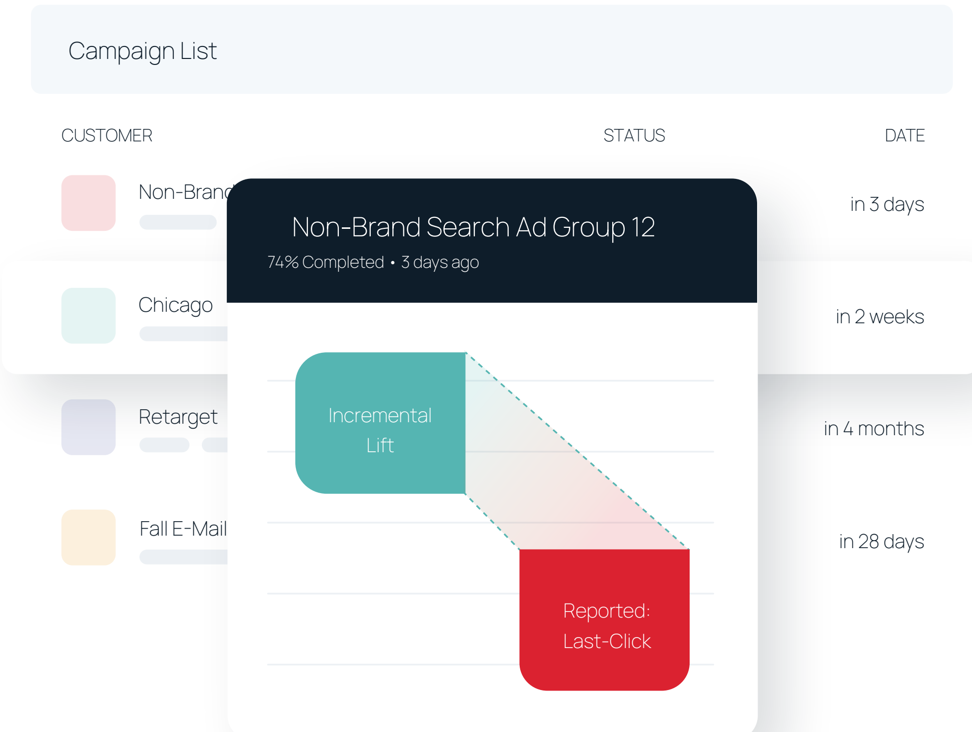
Key question: what happens to marketing efficiency and effectiveness over a longer period following budget cuts?

Evaluating the impact of lower- or no- ad spend long-term, and brand value reduction impacts on the difficulty to re-grow the business:

Key question: how difficult is it to rebuild business performance after a sustained period of advertising reduction?

The Short-Term Impacts of Going Dark

OptiMine evaluated two distinctly different impact areas for each business: the short-term incremental reductions resulting from the drop in advertising; the overall business performance change long-term resulting from the reduced advertising. Both are defined in more detail below.



Incremental Business Impact

- Short-term loss in business performance due to reductions in advertising
- Since not all business is driven by advertising, we would expect approximately a 1:1 reduction based on media's measured impacts.
- For example, if the models show that media drives 30% incremental lift in revenues, we'd expect about a 30% drop in business performance in the near-term (0-12 weeks), following the shut down of advertising.

Reported Business Impact

- Overall business performance change due to all factors, marketing and non-marketing
- Since not all business is driven by advertising, we would expect a portion of sales loss to hit in the short term, but other reductions in business performance could take longer.
- For example, a reduction in brand equity may lag a reduction in advertising, and the effect of lower brand equity will take longer to appear.

The Short-Term Impacts of Going Dark

Brand A (Retailer) had two objectives for their paid media: new customer acquisition and revenue. Brand B (Financial Services) media was focused on new customer acquisition and profits. And while interest rates increased during this analysis period, OptiMine's models included economic variables to account and control for the impacts of this, thereby providing a more accurate view of the incremental impacts of media.

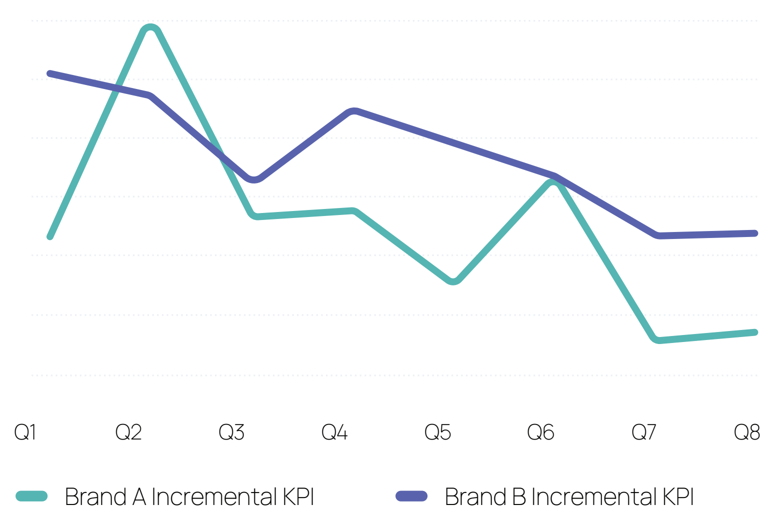
Brand A's spend during the analysis period dropped by **27%**. The brand also split its budget by two objectives: new customer acquisition and revenue.

Note that while holiday period spend spiked, it was still down nearly **30%** YoY.

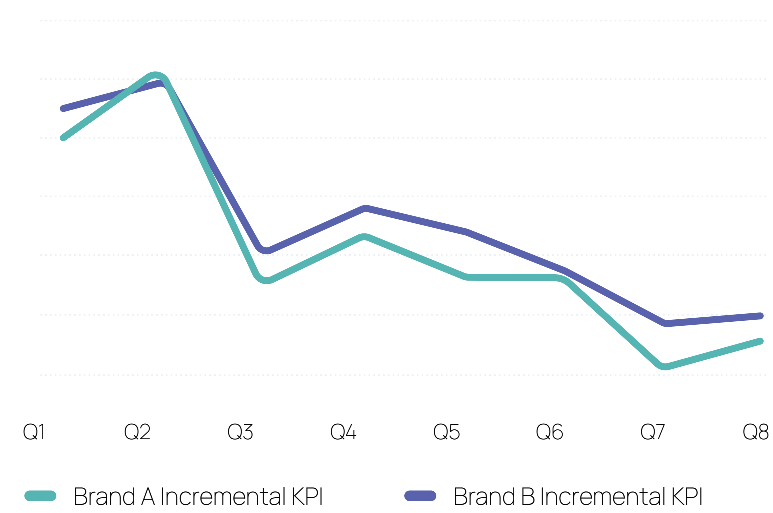
Brand B's spend during the analysis period dropped by **65%**. The brand invested to drive new customer acquisition and profit using a common budget.

The Short-Term Impacts of Going Dark

Incremental Revenue, Profit Drop 51-66%



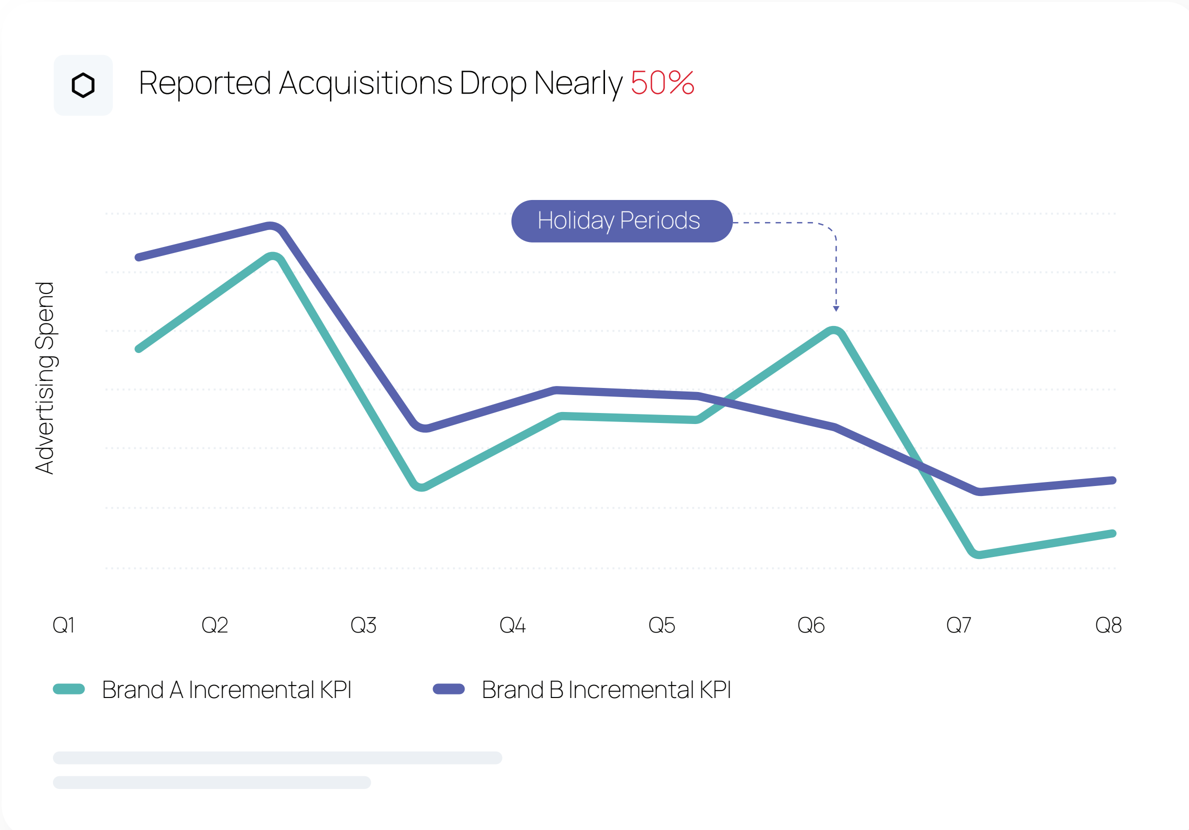
Incremental Acquisitions Drop 61-67%



- Brand A revenue drops by **66%**. Holiday sales drop **43%** YoY.
- Brand B profits drop by **51%** even with some positive effects of higher interest rates during the period.

- Brand A's acquisitions are **67%** lower with more persistent loss over the time period.
- Brand B's acquisitions drop by **61%** with the model controlling for the impacts of higher interest rates.

The Short-Term Impacts of Going Dark

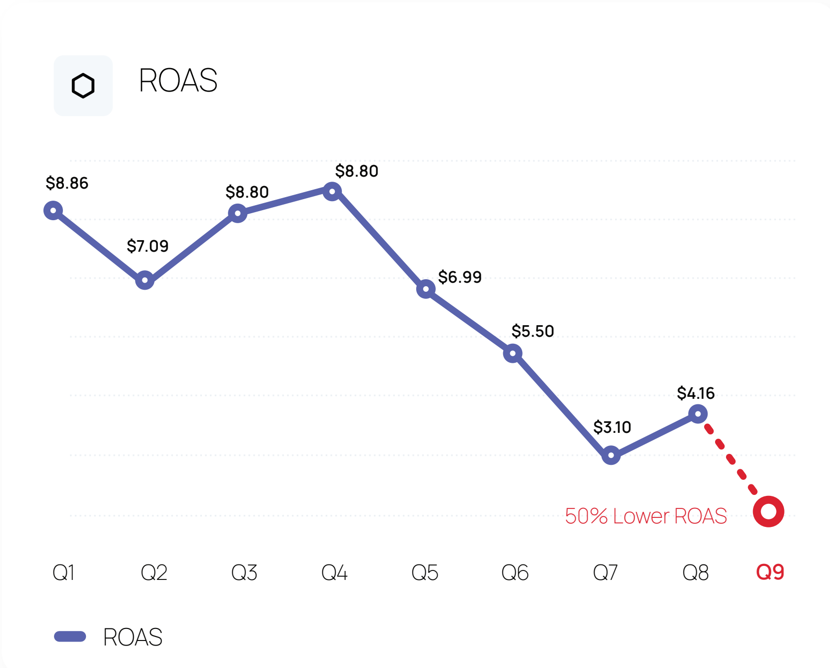


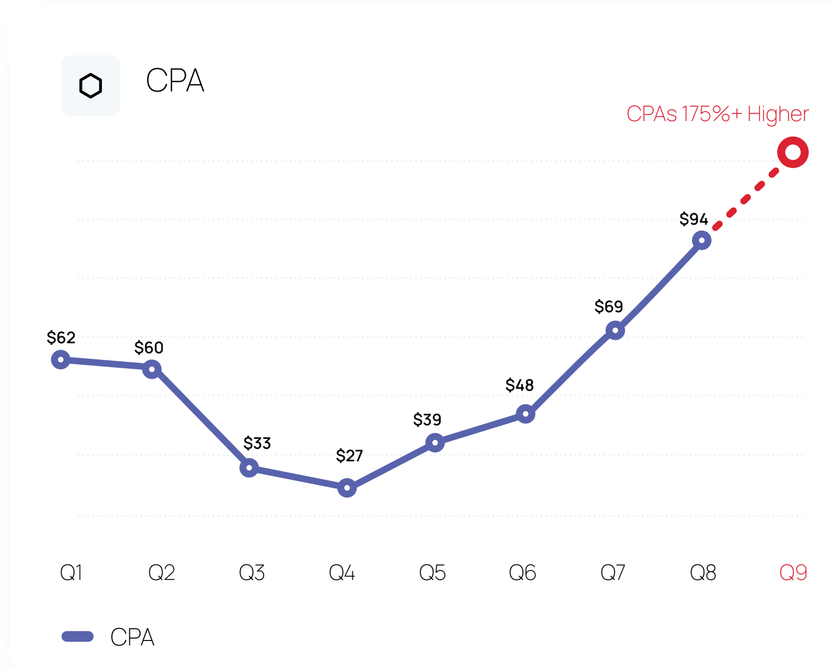
Performance Degradation is Immediate:

- New customer acquisition falloff is immediate following the reduction in advertising.
- While a holiday spike impacts Brand A, acquisition loss is persistent over the 8 quarter time period for both brands.
- The long term risk: a smaller customer base will yield lower revenues and make it more difficult for the brand to rebuild once it increases marketing again.

Long-Term Marketing Economic Impacts of Going Dark

ROAS & CPAs Worsen Significantly After Initially Improving (Moving Down the Yield Curve)





Performance Degradation is Immediate:

- If the brands were to return to Q1 investment levels, **CPAs expected to be 175-185% higher.**
- **ROAS expected to be 50% lower** with a return to Q1 investment levels, demonstrating a very difficult path back to normal performance.

Conclusion

As expected, the brands' advertising reductions were painful to their businesses immediately, but there were severe impacts felt long-term as well. Dramatic spend reductions made their advertising less efficient which now has implications for higher costs to rebuild their brands. While it is impossible to know exactly how each brand lost competitive ground, it is reasonable to conclude that competitors that didn't reduce spend took market share and won new customers away.

All-in-all, these were very expensive decisions that cost each brand significantly:

Revenue Gains Lost:

$183,000,000

OptiMine's models show that if both brands had held their budgets at Q1 levels and not reduced spend, the revenue lift would have been enormous- outpacing cost savings by 10X.

Media Savings Lost:

$16,000,000

OptiMine's models indicate that media inefficiencies driven by lower advertising investments had a significant opportunity cost in the form of media spend savings.

Competitive & Market Position Lost:

Substantial

While difficult to quantify, both brands suffered substantial losses in market position and competitor gains as a result of going dark. Each brand's cost cut was a win for their competitors.

Contact Us

Contact us today to schedule a demo or meet with OptiMine to learn how you can leverage our advanced analytics to lift your marketing performance.

Address

1400 Van Buren St. NE, Suite 200
Minneapolis, MN 55413

Web & Email

info@optimine.com
www.optimine.com