

In pursuit of:

Optimal investment allocation

Executive summary

For every brand with a fragmented sales model, knowing how to allocate digital ad investment on a local level is a challenge at best. Unfortunately, the cost of not knowing is high. Invest too little, and the advertising won't drive enough prospects to your regional outlets, affiliates or partners; invest too much and you face saturation.

Team One, a fully integrated advertising agency headquartered in Los Angeles, California and the agency of record for Lexus, approached dataxu, a software provider for marketing professionals, with this very challenge: Help us invest appropriately across channels to maximize KPIs.

Team One wanted to understand the optimal way to invest across the 110 markers where Lexus had a presence. This question impacted multiple audience segments, including those in-market for new vehicles, as well as CPO—exponentially increasing the scale and complexity of the challenge.

Team One leaned on dataxu to solve Lexus' unique challenge using their proprietary ClearSight™ Market Pulse software. dataxu created investment “pulses” in 12 markets that are representative of the 110 where Lexus has a presence. Then, dataxu's proprietary ClearSight™ software generated investment demand curves for different investment levels, providing insight into how different markets react to marketing investment. From this analysis, Team One could build a set of investment recommendations for each market to drive media efficiency and meet campaign goals.

Not long after, the Lexus Dealer Association began implementing the investment recommendations, and Lexus saw stunning results, including 63% better conversion volume, as well as 28% global improvement across primary KPIs.

The Market Pulse Framework can serve as a blueprint for any brand facing a fragmented sales channel and a highly competitive market.



Executive summary

Lexus is a luxury auto manufacturer operating in a highly competitive market. The company launched in 1989 with two luxury sedans, and has since expanded its line up to meet the demand of global luxury customers.

Lexus vehicles are sold through more than 200 dealers, in 110 markets in the United States. Advertising is divided into two tiers:

Tier 1 is driven by Lexus Marketing on a national scale. Objectives include brand awareness, recall and favorability amongst the affluent target audience.

Tier 2 is driven by the Lexus Dealer Association, which represents the local dealers in their region. The goals are to increase purchase consideration and intent amongst the in-market luxury buyer and to drive qualified traffic to both dealer sites and dealerships.

Tier 1 and 2 clients work directly with Team One to launch campaigns; Team One, in turn, communicates campaign information to its dataxu Solutions team, who launches them programmatically.

The tier 2 marketing opportunity

Tier 2 marketing is a critically important source of high value traffic. Historically, it has been difficult to ensure that the budget for each market, tactic, and KPI goal is at its most efficient level, especially given hundreds of dealers and multiple KPIs.

Prior methodologies relied on traditional marketing metrics, such as reach and frequency for a target population. But Team One observed that there were opportunities for scaling investment. They had a thesis that saturation was a factor. However, they were unable to test these hypotheses without additional software tools.

With each dealer group acting as a unique entity, the agency answered to hundreds of clients and contacts, each with their own set of line items, investment levels and campaign requirements. Results tracking and efficiency goals across all 110 marketers added further complexity to the budget allocation process.

Team One and dataxu worked together to design a new experimental framework that “pulsed” investment in 12 selected markets specifically to identify the incremental value of investing in each target market.



The Market Pulse solution

Team One and dataxu selected a set of prototypical markets, representative of different geographic regions and market sizes. For example, the framework relied on Washington D. C., Baltimore, and Rochester to represent the Northeastern region.

Campaign details

Target: Adults 25–54 with high household income (\$100K) and in-market for luxury auto

Creative: Showcase current models and seasonal sales event

Action: Users click through to dealer sites in order to locate a dealer, request a quote, etc.

Goals: Achieve strong cost per action and action rate

Investment patterns

Prior to launching in each tested market, the dataxu Advanced Analytics team defined an investment pattern, which varied week over week. While investment in some markets was at highest levels, in others it was at its lowest; this was done in order to neutralize noise effects, while keeping the overall budget balanced.

The software calibrated the investment curves to identify markets with under-investment, and the ones that were saturated. Moving investment from saturated to unsaturated markets offered additional opportunities to achieve business goals.

The recommendations also helped Team One set expectations for those occasions when individual Regional Association Dealers wanted to increase investment in response to a competitive event.

The budgeting recommendations were distributed to the Lexus Association of Dealers in all 110 markets for implementation throughout 2014.

Results: improvement across all metrics

Overall, Lexus realized a 63% improvement in conversion across all 110 markets, as well as a 28% global improvement across primary KPIs.

As a result of these tests, Lexus, Team One and dataxu implemented this investment pulsing framework across all digital channels. Lexus' specific results speak to the larger ability of programmatic platforms and test & learn methodologies to drive stronger performance even in the face of complex sales organizations, customer segments and routes to market.



Investment reallocations

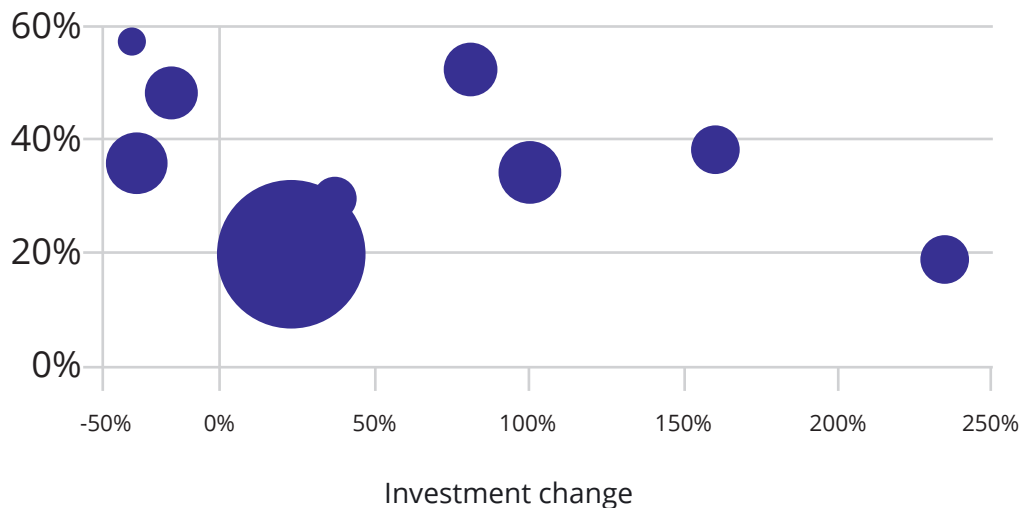
| Market | Inv Change | Market | Inv Change |
|---------------|------------|------------------|------------|
| Washington DC | ↓ -24% | Dallas | ↓ -37% |
| Baltimore | ↓ -23% | San Antonio | ↑ 208% |
| Rochester | ↓ -40% | Ft. Myers/Naples | ↑ 40% |
| Milwaukee | ↑ 157% | Los Angeles | ↑ 31% |
| Lexington | ↑ 95% | Denver | ↑ 95% |
| Evansville | → 0% | Las Vegas | ↑ 80% |

dataxu made specific recommendations for changes in current investment levels for nearly every market.

For markets not tested, dataxu used the model to extrapolate an appropriate recommendation.

ClearSight™ Market Pulse test results

High value on site actions (eg. purchase inquiry, find a dealer, build your model)



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