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MEASURE

measuring macro-economic impact to consumer businesses

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MUTINEX
Marketing Investment Analytics

Modelling the macro-economy at Mutinex

1. What is going on?
2. Our methodology
3. What we're looking at
   a. Spend trends
   b. Macro factors
   c. Media performance

Why are macro-economic factors so important to us in our modelling efforts?

Budget defence

Marketers should be modelling the macro-economy to begin to make the case for **marketing defending revenue from accelerated declines.**

Economic factor investment

In highly unique cases, certain product lines may be benefiting from synergy with the market (e.g cheaper products in strong demand categories). Makes a case for **how to adjust product marketing.**

Important info is lost in aggregate

Some products got big boosts during COVID, inflation and deteriorating economy is also helping some products (particularly price driven ones)

We have a really nice, large data pool to play with

- Large, market mix pooled data with factors across external effects, internal effects, seasonality, pricing, advertising and events built in to reflect dynamics of the business.
- Over 50+ large datasets modelling macro-economic impacts and factors across the market for us, large spend pool of significance.
- 4+ years samples with COVID + non-COVID coverage to normalise the data.
- Targeting key signals around inflation, the economy, housing markets and movement indicators.
- Normalised for anonymity and size scales - basically we're trying to understand the pattern rather than pure-play aggregates.
- Generalised Model (we use one with strong automated features) with event build up, delays, peaks.

But... we must work in R&D to close the gap to real-time through smarter signal selection

- **We use unconventional indicators - some government data is too slow, and lags too much, to be of real usage.**
- Market indicators and indices in commodities, electricity, fuel far more interesting to generate real-time data.
- Examples:
    - Electricity, wheat indices faster than standard inflation indicators and track neatly
    - Real-estate price averages are a good proxy for economic and market growth

So what are we measuring in terms of the economy + consumer businesses?

Is there a relationship between economy and consumer ad spend?

Are certain factors more influential?

Is COVID still important?

Is the market changing marketing effectiveness?

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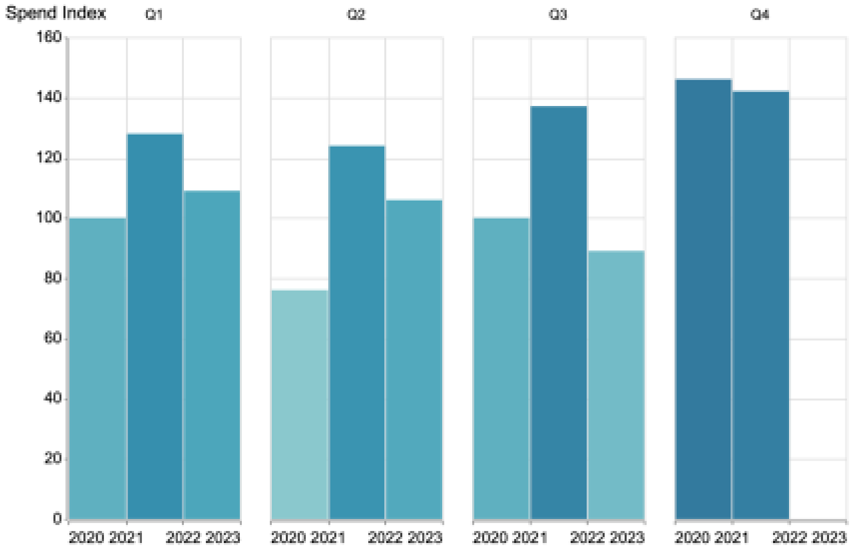
We’re seeing some spend pullback in 2022 quarter by quarter against ‘21

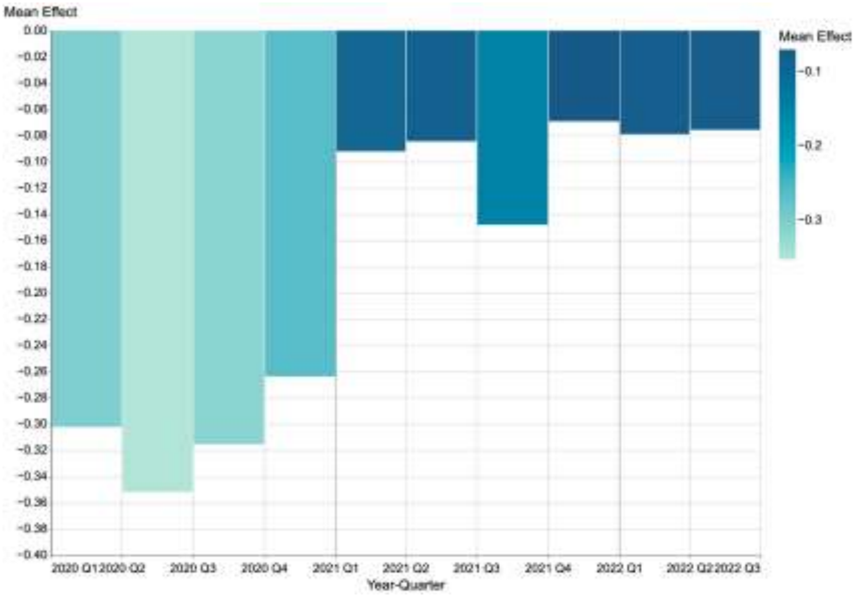
- Data is indicating a normalised pullback in spend (spend is normalised across datasets to account for the mean here)
- Instead we’re seeing a cautious pullback in spend across the market, accelerating into Q3 based on what we can see in market
- We are currently expecting this to bottom out in Q3, and it’s worth noting that smaller budgets for large brands often lead to deterioration in budget

Aggregate Quarterly Spend over time, mean normalised



COVID had a generally massive impact in 2020 that has begun to ease off in 2022 as lockdowns phase out, with inflation replacing it as the key impactful factor.

Environmental Factors:
Average COVID-19 effect size over time



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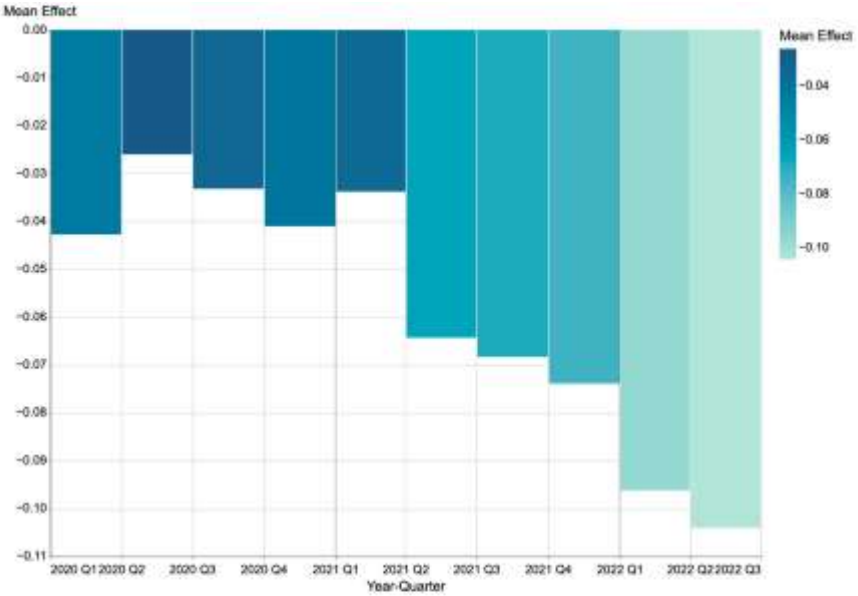
Inflation is increasingly placing pressure on sales, with the effect size beginning to approach 2021 COVID levels in size and scale across the market.

Environmental Factors:
Average Inflation effect size over time



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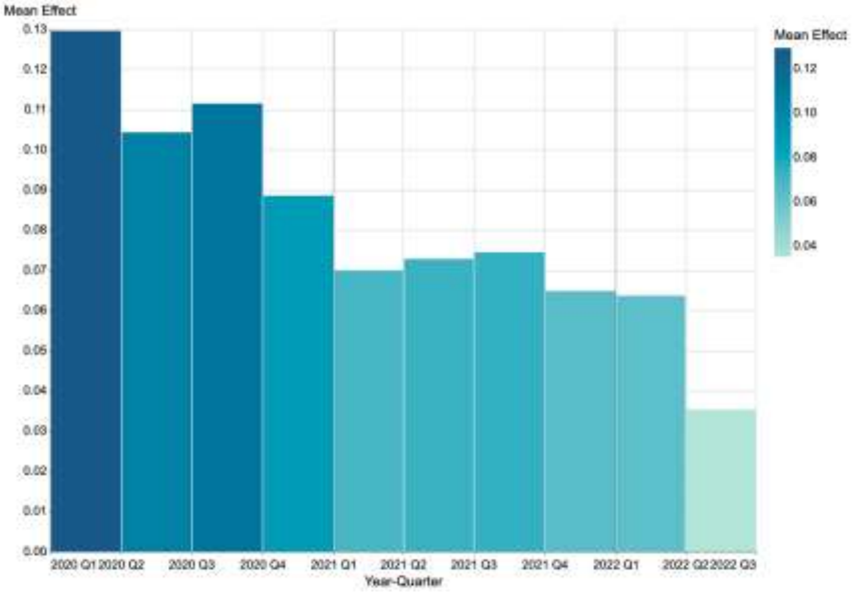
Cash rate is lessening in effect (extremely beneficial during COVID) and our long-models are indicating that at around 4% it creates negative pressure.

Environmental Factors:
Average Cash Rate effect size over time



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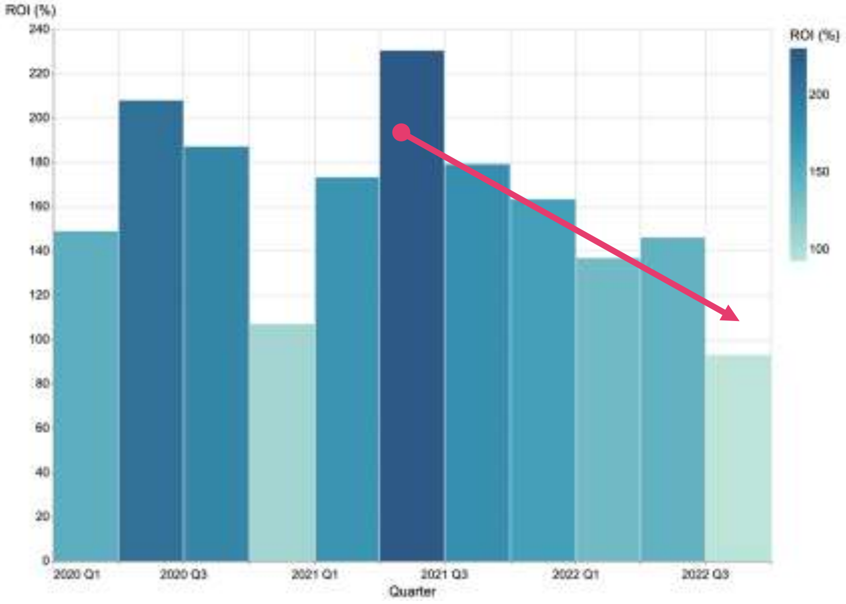
ROI has early indicators of <u>correlated downturns</u> across channels, meaning finance and marketing should re-adjust expectations in ‘22.

Unsure if this is due to budget reductions or macro-environment (more testing required).

Please note correlation is not necessarily causative.

ROI Changes:
Quarterly ROI (all channels combined)



Example:
CPG category business

- **CPG category business** with a trend down in sales. Historically budget cuts are instinctive within this world.

- Business has a sales decline in place and needs to address that. **Instinctively the business looks to cut marketing spend** as finance has done historically.

- Finance has **verified econometrics** in the past and reviews the model itself. They can see **negative economic pressure** causing the sales decline with marketing still contributing **upward sales within the model.**

- Finance and marketing **continued to maintain marketing budgets** to protect against the downward cyclical pressure the market was causing on sales.

IAB Presentation

Q&A