Pecan

PLAYBOOKMEDIA

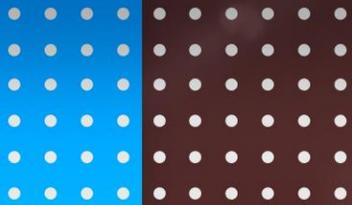AI-Driven Performance Marketing:

The Ultimate Guide to Making Real Impact

Introduction

The business landscape is transforming. Marketing strategies need to evolve and change, too.

For companies to stay competitive in this turbulent environment, developing marketing strategies must be a top priority. That's the job of not only the C-suite, but also the entire organization. Everyone must align and coordinate efforts to deliver tangible business outcomes.

A recent article in the Wall Street Journal highlights the growing trend of companies seeking out Chief Marketing Officers (CMOs) and other high-level marketing executives with a strong background in performance marketing. This shift towards performance-focused marketing professionals reflects the importance companies place on driving business results and maximizing return on investment (ROI).

As a result, many businesses are reevaluating their marketing strategies to find new ways to use their limited resources to make the most impact. That's where performance marketing comes in.

Performance marketing is a data-driven approach to marketing that focuses on delivering measurable results, such as increased sales, leads, or website traffic, in exchange for a fee. This model has become increasingly popular as businesses seek to optimize their marketing spend and ensure a positive ROI.

Moreover, performance marketing offers transparency and accountability that other forms of marketing can't always offer. That's because the results of performance marketing campaigns are easily measurable. Marketers can see the impact of their efforts in real-time. This data can guide informed decisions about future marketing campaigns, leading to even better results.

We created the Ultimate Guide to Performance Marketing to help businesses make the most of their marketing budget and maximize results. With the increasing need to do more with less, performance marketing offers a data-driven process designed to deliver measurable impact.

Our guide delves into the latest tools and measurement techniques that let you anticipate the results of your marketing campaigns. You can be more proactive and concentrate on strategies that deliver results, rather than wasting budget on ineffective initiatives. With the best practices outlined in this guide, businesses can effectively take their strategies to the next level, optimizing their budgets and driving real results.

Drive More Return with Fewer Ad Dollars

Advertisers are faced with mounting pressure to maximize their ad dollars within a set of difficult circumstances.

First, the cost of advertising continues to escalate, particularly in highly competitive markets. The recent research report from SimplicityDX highlights this trend, revealing that customer acquisition costs (CAC) have risen by a staggering 222% over the past eight years, with a 60% increase in the last year alone driven by privacy changes such as Apple's SKAN. This elevated cost makes it more challenging for brands to effectively reach their target audience with their advertising messages.

The uncertain economy is also posing challenges for advertisers, as many companies are facing reduced ad budgets. Major research companies and advertising holding companies indicate that 2023 ad budgets are likely to show less growth compared to previous years.

% Change Ad Spend YoY

9.0%	5.9%
2022	2023
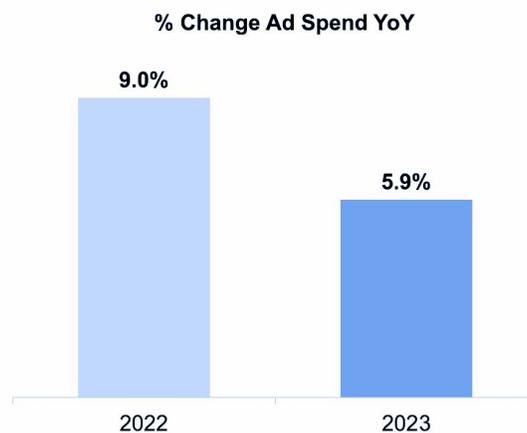
Source: IAB 2023 Outlook Survey: Ad Spend, Opportunities, and Strategies for Growth

With limited funds available for marketing and advertising, advertisers must find creative and efficient ways to reach their target audience and achieve results, without simply throwing money at the problem. That brings us right to a critical question: how do we get started?

Getting started: How to drive more results with fewer ad dollars

It all starts with customer loyalty. In today's environment, it's crucial for advertisers to understand that golden rule in driving business outcomes. For the typical business, roughly 80% of revenue comes from 20% of your customers.

> " "A downturn is when customer loyalty is either earned or lost. It's a moment of increased churn, with customers more aggressively scrutinizing spending and looking for the best value alternatives. That's why winning companies will invest in superior customer engagement to help them maintain existing customers and earn new ones, building growth and market share."
>
> "The New Recession Playbook," Bain & Company, Jason Heinrich, Simon Henderson, and Melissa Lee, July 15, 2022
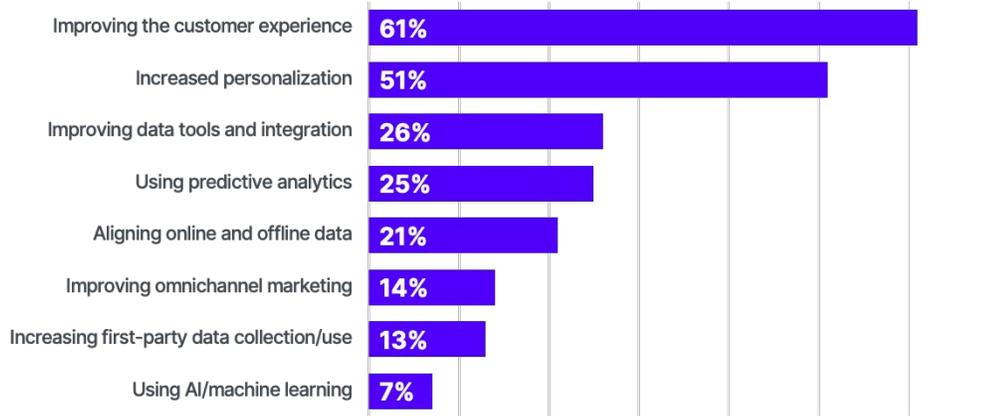
If "superior customer engagement" is the critical element to maintaining customer loyalty and growing your customer base, what does that look like?

It's all about ensuring your customer has positive feelings toward your brand — that their expectations for quality, service, availability, and value are fulfilled, or even exceeded. Ideally, you could anticipate customers' future behavior with regard to your business and products, and identify areas of the business that represent opportunities to earn and enhance customer loyalty. You can take action to ensure an excellent customer experience well before customers reach the point of considering alternatives.
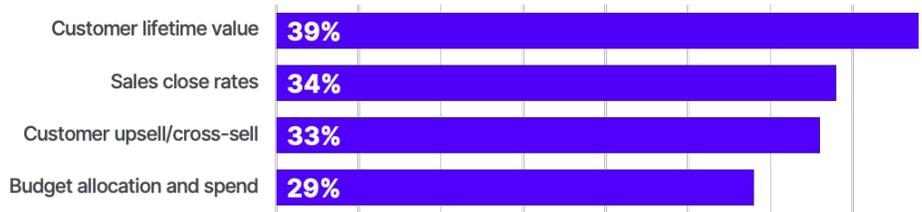
Proactively addressing potential customer concerns and deepening customer relationships will ensure the health and well-being of your business, even when marketing resources are scarce and customer behavior feels unpredictable. Therefore, brand managers and revenue teams should make this effort a top priority.

And according to a recent study by Pecan AI commissioned with Ascend2, improving the customer experience is the most critical data-driven marketing decision, and being able to predict customer loyalty ranks as a top data-driven measurement approach.

Which data-driven marketing trends will be most critical to the decision-making process in the year ahead?

Trend	Percentage
Improving the customer experience	61%
Increased personalization	51%
Improving data tools and integration	26%
Using predictive analytics	25%
Aligning online and offline data	21%
Improving omnichannel marketing	14%
Increasing first-party data collection/use	13%
Using AI/machine learning	7%

Which part of your data-driven measurement approach would you like to predict?

Measurement	Percentage
Customer lifetime value	39%
Sales close rates	34%
Customer upsell/cross-sell	33%
Budget allocation and spend	29%

Advertisers who can identify their most loyal customers have a significant advantage in their marketing efforts. By using predictive modeling techniques, they can find other audiences similar to their loyal, high-value customers and target them more effectively. This approach leads to improved marketing efficiencies across all types of campaigns.

For example, by understanding where high-value customers come from, advertisers can optimize their marketing channels to reach these kinds of most-wanted customers effectively. They can focus their resources on the most appealing channels for their target audience, such as social media, email marketing, or targeted ads. This focus helps marketers double down on the channels that drive the most results and see an even greater marketing ROI.

Another vital element: Advertisers can use this information to cut initiatives producing little value. By identifying which channels or campaigns aren't working, advertisers can determine when to cut or kill a campaign because it isn't performing.

Once you can understand your most loyal customers, you have a powerful tool in hand. You can use that information to build new campaigns and find similar audiences. By optimizing the marketing mix, getting proactive with initiatives that are or aren't working, and focusing resources on efforts that are realizing meaningful customer LTV, advertisers can improve their marketing efficiencies and maximize campaign performance.

Get Familiar with Marketing According to LTV

Direct-response marketing engagement and acquisition costs are higher than ever, whether your company is in high-growth stage or fighting off competition in the Fortune 500. This makes incorporating customer lifetime value into your marketing a necessity.

Before we get into AI's ability to supercharge LTV-fueled marketing, let's break down how to find your LTV and how to use it – no matter what tools you have at your disposal.

Identify your LTV

Establishing your LTV baseline boils down to understanding your LTV and the target customer acquisition cost (CAC) that goes with it.

The first step to calculating your target CAC is to know your LTV, and the simplest way to calculate LTV is to assess your average customer value over time using CRM data. This gives you a starting point, but it's important to understand that you'll need to get much more nuanced to design strategic marketing campaigns using the LTV metric (more on that in a bit).

You'll often hear an LTV/CAC ratio of 3:1 cited as a benchmark, but that lacks nuance and shouldn't ever be adopted without more thought.

Each company's ideal ratio is highly dependent on a few factors:

1. Costs outside of marketing spend, including COGS, cost of service, cost of fulfillment, cost of average returns, etc. If those costs are relatively high, you'll need a lower CAC (and higher LTV/CAC ratio) to ensure profitability.
2. Whether you're using revenue-based LTV or profit-based LTV. In today's macroeconomic landscape, where profit is at a premium, we recommend using the latter, which will naturally generate a smaller ideal ratio.
3. Your business goals. If your goal is fast growth, you can aim for a lower ratio; if your main goal is profitability, the ratio should be higher.
4. Your channel goals and tactics. If you're testing a new channel with little previous scale, aim for a higher ratio than your historical ratios on known, competitive channels.
5. Your channel history and scale. It's important to keep in mind that scale tends to increase CAC and decrease LTV, especially within a single channel. Make sure to analyze customer cohorts on a channel level to assess actual CAC and LTV, and don't rely solely on predictive data here.

A quick note before we dive into the topic of LTV-based segmentation: a little knowledge of LTV can be dangerous. We recommend reading Bill Gurley's renowned post on **the risks of over-reliance on LTV** before undertaking significant shifts in your strategy.
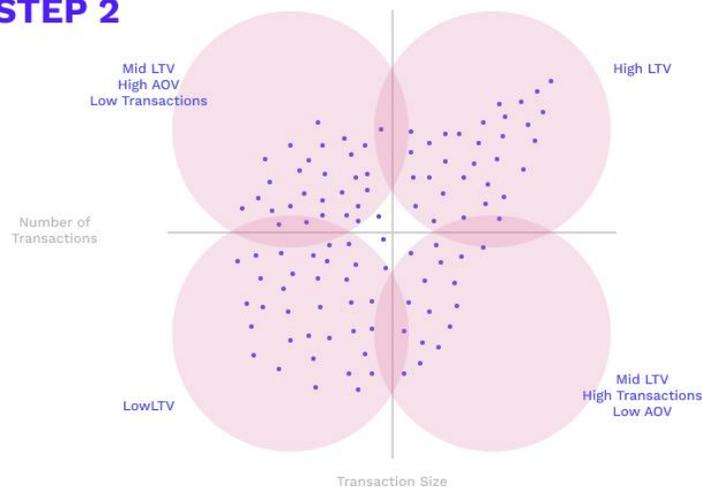
Develop LTV segmentation – and customized goals

Once you've established your baseline LTV, you can segment your customer base into quadrants delineated by transaction volume and size:
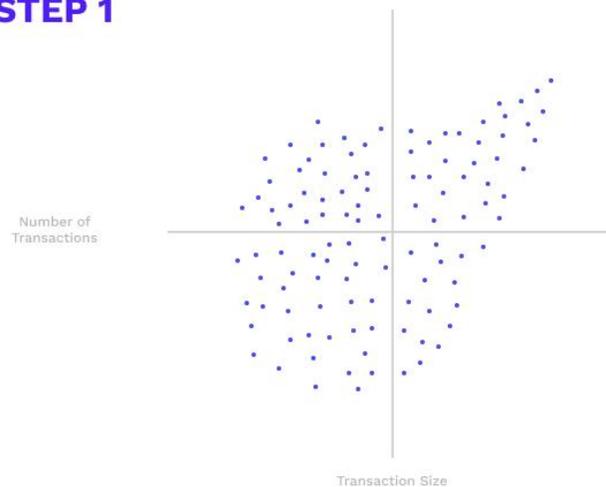
Now you have four distinct audiences, and your next step should be to identify, for each, an average LTV and target CAC for acquisition and a set of strategies to monetize existing customers.

For your highest-LTV customers, your goals are to retain existing customers and find ways to scale the acquisition of new customers. Focus on moving customers in other quadrants up and to the right (or both), and make sure you're not over-extending on CACs to acquire new customers in those quadrants.
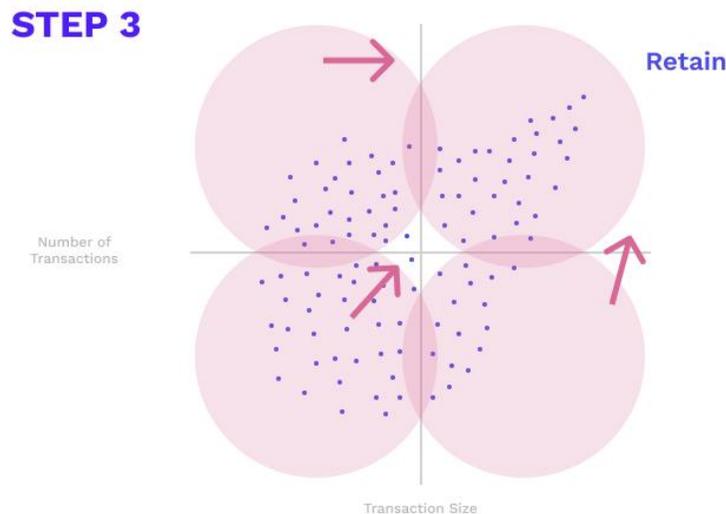
Many brands make the mistake of neglecting the existing customers in their lower-left segment. A smarter, higher-value strategy is to identify common characteristics in that segment and work to engage those customers with customized upsell offers. Brands that ignore this segment and derive relatively little revenue from sunk acquisition costs are leaving performance on the table.

Strengthen your customer loyalty

Customer loyalty can take a number of forms: retention, upsells, value-driven offers, repeat purchases, referrals, lower pricing tiers, etc.

At a high level, effective tactics to retain and upsell **B2C** customers include loyalty programs, special offers, email and SMS nurtures, membership programs that include exclusive offers, and referral programs.

For higher-LTV customers with an extensive purchase history, offers of exclusive access to early product releases may prove effective. Lower-LTV customers may respond to clearance sales and BOGO or "free with purchase" offers.

B2B customer loyalty is strengthened by initiatives including loyalty programs, special offers (get two months free with a year's subscription), email and text nurtures, and strategic account check-ins to ensure that customers understand how to maximize the benefits of the product or service. For one of our B2B accounts, we doubled the average LTV of its customers simply by helping the account management team implement a monthly check-in with its end users.

There are ways to beef up your understanding of what will move the LTV needle without putting AI's potential into play. Those include customer research, market research, software models, and frequent analysis of product and pricing model behavior.

Use your Customer Success team to improve retention upstream

In 2023, customers have all manner of ways to communicate about their pleasure (or displeasure) with your product or service. Online reviews, social media comments, online help portals, live chat conversations (with humans or bots), returns information, and Customer Success phone calls are all valuable sources of information about why customers either love your products or services and can't wait to buy more – or why they're part of your churn rate.

Your Customer Success team very likely has access to some or all of this information, and good teams will be running analyses to find commonalities and trends. Often, the issues will originate with the products or services themselves, but even then, it's worth doing an audit of your marketing campaigns to make sure you're aligned with what the product can actually do. Make sure you're up to speed on actual usage challenges, especially trends you can help mitigate in your marketing to help boost retention.

Widen your research lens to frame data by customer segments

Assuming you're taking a slightly different marketing approach for each LTV segment you've defined (ranging from low-volume, small-transaction to high-volume, large-transaction), you may also find that analyzing churn and retention by segment leads to very different actions in your marketing campaigns.

Do some segment-focused analysis with the data mentioned above, including conversations with your CS team. Run focus groups composed of discrete subsets of your LTV segments to understand what's important to them that you can roll out in your marketing – or even as a pricing model or product adjustment.

Let's say, for example, that you're addressing a high-volume, medium-sized-transaction focus group of customers, and you sell running shoes. You may hear that while this segment loves your shoes, there's a common sentiment that the cushioning breaks down quickly, and many of those customers are considering more durable brand alternatives. Something as simple as offering a 10% coupon for your higher-priced, more rugged shoes may help mitigate churn immediately while you relay their complaints to the product team.

It's important to note that you can use the insights of your research to go on the offensive, not simply mitigate churn. At Playbook Media, we ran an analysis for the quadrants for Omaze, a client offering online sweepstakes events to benefit non-profit organizations, and found that high-value users were particularly interested in specific types of sweepstakes rewards. We worked with the client's product team to develop similar contests for this quadrant to successfully promote repeat engagement, with double-digit incremental revenue gains.

Track the effects of everything on LTV – and lean into what's working

Amazon Prime is one of the greatest LTV triumphs on record. You can find any number of articles quantifying the LTV of Prime customers compared with non-Prime customers; even conservative estimates show that Prime customers carry LTVs more than double their non-Prime counterparts. This data led Amazon to bid more to acquire Prime customers and to lean into the effort to convert non-Prime customers into Prime members.

Chances are you'll never release a pricing or subscription model that has such clear implications for LTV and ripple effects on your marketing strategy – but you need to track to make sure. Any incremental LTV gains that lift your CAC ceiling and point to potentially huge upsell wins should be recognized and addressed as soon as possible.

Let software do the work

Yotpo, Inveterate, Loyalty Lion – all are major players in a burgeoning industry of customer loyalty SaaS companies that help automate your approach to monetizing new and existing customers. They leave room for predictive analytics to help identify which users to engage and when, but they're highly effective at turning the dial once you bring users to your owned properties.

Understand – and scale – your high-LTV base

Understanding your high-LTV customers goes beyond where they engage (which is where media mix modeling is so powerful).

Native tools in Facebook, Google, and LinkedIn provide powerful lookalike modeling that can help you reach potential new customers at scale. To make the most of these tools for both B2B and B2C verticals, make sure you're fully integrating CRM data, including offline conversions, to incorporate user behavior that happens outside of the platforms themselves.

To round out the data picture, assign values to different conversion events along the purchase funnel. For B2C customers, this could be email signups, add-to-cart events, and sales. For B2B customers, events can include form submissions, content downloads, audit requests, demo requests, conversations with a sales rep, free trials, and subscriptions. Combining CRM data and conversion-event data will allow you to identify and optimize different purchase stages to scale your highest-value audience.

No matter the LTV segment you're targeting, make sure you have open lines of communication with your product and sales teams to stay on top of developing audience trends: pain points, challenges, needs, and demographic information.

With a holistic understanding of your high-LTV audience's behaviors, needs, commonalities, and favorite media channels, and predictive analytics to help you take your next steps, you'll need to plan to validate your results.

Track your cohort to confirm that the new users are proving equally as valuable as your best customers. If the data is telling you otherwise, for better or worse, react accordingly in your budgeting and optimization strategies.

Reflect your audience insights in your creative

No matter the quadrant, vertical, or conversion goal, make sure you're using the insights you've gained about each audience segment in your creative. Your messaging should call out specific benefits, use cases, and pain points addressed, and your imagery should reflect any common demographic and/or psychographic qualities of the audience segment in focus.

Make sure you're developing a steady stream of creative options to test and iterate, and remember that even your best-performing creative versions will eventually be limited by ad fatigue.

Achieving all of the above without AI is doable but manual and resource-heavy. Adding AI to the mix, from creative production to predicting the future from first-party data, will enable even tiny marketing teams to access new dimensions of growth potential.

Accelerating with the help of AI

Once just a nerdy topic for sci-fi authors, AI has now become fully adopted by marketers who are recognizing its massive potential across the profession.

As we write this, ChatGPT is just in its infancy, but already we're witnessing an explosion in opportunities to incorporate it and other forms of AI into the marketing process. From creating ad copy to conducting keyword research to supporting blog writing, AI has only just begun to find its place in the marketing landscape.

Four factors contributing to the growth of AI in marketing

1. **Availability of data:** Today, humans collectively have about 80M zettabytes of data at our disposal to guide decisions. We can now leverage that data to shape decisions about the future instead of solely using that data to analyze what happened in the past.

2. **Marketplace limitations and restrictions:** Over the last few years, many regulatory and platform changes have affected how marketers and advertisers can use and leverage data.

   Apple's implementation of SKAdNetwork (SKAN) and App Tracking Transparency (ATT) significantly affected advertisers and platforms alike. For example, Meta declared that ATT caused a $10 billion hit to its 2022 revenues. Among app marketers, 64% saw a negative impact on their user acquisition campaigns as a result of ATT. And the verdict is still out on how Google's deprecation of online cookies will affect desktop ad tracking and measurement.

   Regardless, the writing is on the wall for many advertisers: It's time to seek an in-house, first-party data solution. Leaving their data future in the tech giants' hands is not a safe bet.

3. **Limited resources and scaling needs:** As marketing teams continue to operate with less — while still tasked with driving the same or higher return — the use of AI will only intensify. Marketing AI can support all aspects of the marketing organization, from creative development to campaign management and measurement.

4. **Potential boost to revenue and ROI:** With greater team efficiencies comes greater marketing ROI. But marketers can also boost their companies' revenue and ROI more broadly through AI-powered audience creation and targeting, message refinement, campaign optimization, and other applications that directly affect the results of marketing spend.

AI is useful for more than building creative and campaigns. Marketing measurement teams have embraced AI to bring their measurement, analytics, and data to the next level.

Changing how AI integrates into marketing

Predictive analytics isn't new to many companies, and many marketing teams may already have tried to use predictive models. However, the typical approach to building those models has required the involvement of data scientists and MLOps engineers who handle data infrastructure and hand-coding of models. Marketing teams usually have to partner with in-house data science teams or external consultants to build predictive models.

Unfortunately, that relationship hasn't always been straightforward. In recent industry research commissioned by Pecan AI, "The State of Predictive Analytics in Marketing 2022," 40% of our survey respondents said that the individuals who build predictive models for them didn't understand marketing goals. Data scientists also didn't typically ask the right questions about customer behavior, and the finished models received by marketing teams were often built on incomplete or incorrectly selected data.

In short, taking data science outside the marketing team has too often led to misalignment and poor results — not to mention the time and opportunity cost often involved in waiting for these long-term projects.

AI is perfectly positioned to help with this challenge. With the help of AI, marketing analysts who know the marketing team's data best and understand the team's goals can use their existing data expertise to build predictive models. Rather than competing for in-house resources, they can bring AI into their own teams and manage the entire data science process end to end. Automated machine learning can transform their questions into predictions in days, not months, eliminating the communication and data challenges involved in using external data science resources.

With predictive models at their fingertips, marketing analysts can provide the future perspective needed to inform conversations and optimizations. Better decisions about those matters mean marketing goals can be reached on time and within budget.

Creating an AI Framework

Creating a framework for AI is crucial when incorporating AI into your performance marketing initiatives. AI shouldn't be viewed as a standalone feature or function of your team but as an integral part of your entire marketing process.

From the initial ideation of a campaign to measurement and reporting, AI can streamline the workflow and automate repetitive tasks, freeing up time for marketers to focus on more strategic initiatives.

One effective framework for integrating AI into the marketing workflow is the Ask. Predict. Act. method developed by Pecan AI. This framework is designed to keep teams focused on the desired outcomes of AI and ensure that AI is being used to its full potential.

By defining the goals of AI, measuring results, and automating workflows, teams can use AI to make data-driven decisions and execute campaigns with just a click of a button — all informed by knowledge of the future gained through predictive modeling. By following this framework, teams can reap the full benefits of AI and achieve marketing success.

Ask. Predict. Act.
The winning paradigm to boost marketing efficiencies
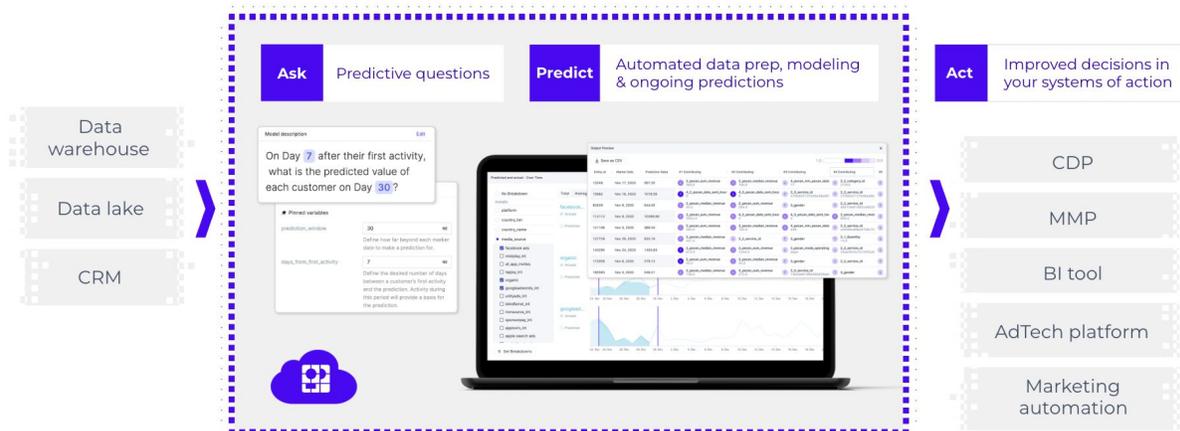
The Ask. Predict. Act. framework is a three-step process designed to help teams effectively integrate AI into their marketing workflow:

Ask: In this phase, teams define their goals and objectives for using AI in their marketing efforts. This task could involve identifying the problems they want AI to solve or the outcomes they want to achieve. Teams should also determine the data and information they need to achieve their goals.

Predict: In this phase, teams use predictive analytics to analyze the data gathered in the Ask phase. With an automated platform like Pecan, cleaning and preparing the data, choosing the right AI algorithms, and training the AI model are all handled behind the scenes. This phase aims to generate meaningful insights and predictions that can inform marketing decisions.

Act: In this phase, teams use the insights and predictions generated by AI to make data-driven decisions and take action. This process may involve modifying existing campaigns, creating new campaigns, or adjusting the data and algorithms used by AI. Teams should also continuously monitor and evaluate the performance of AI, making adjustments as needed to ensure they are achieving their desired outcomes. (Again, an automated platform like Pecan can deal with these ongoing monitoring and adjustment steps so humans can focus on taking meaningful, creative action in their marketing efforts.)

The Ask. Predict. Act framework provides a structured approach to integrating AI into the marketing workflow, helping teams to use AI to achieve their marketing goals effectively.

Driving performance with these four uses of AI

Using this framework and an automated predictive analytics platform, you can incorporate AI into day-to-day performance marketing decision-making and high-level strategy within a month.

Four predictive modeling applications are especially beneficial as marketing, sales, and support teams seek to get started with predictive analytics. These uses can quickly demonstrate value and guide the team's shift from reactive execution to proactive planning.

1. Predicting campaign ROAS with customer LTV
2. Optimizing campaigns with predictive events
3. Developing a predictive marketing mix model
4. Predicting customer churn and retention

Let's dive deeper into each of these to see how they can support business success.

From Reactive to Proactive: Fast-Track Predictive Capabilities for Your Team

☐ Predicting campaign ROAS with customer LTV

☐ Optimizing campaigns with predictive events

☐ Developing a predictive marketing mix model

☐ Predicting customer churn and retention

Driving Higher Campaign ROAS with Predictive LTV

Marketers are more scrutinized than ever before and need to better understand customers in order to drive campaign strategy. In a recent Gartner survey, 90% of marketing leaders agreed that the marketing function needs to be more adaptive to shifts in customer needs. And, as we've discussed, customer acquisition costs are rising.
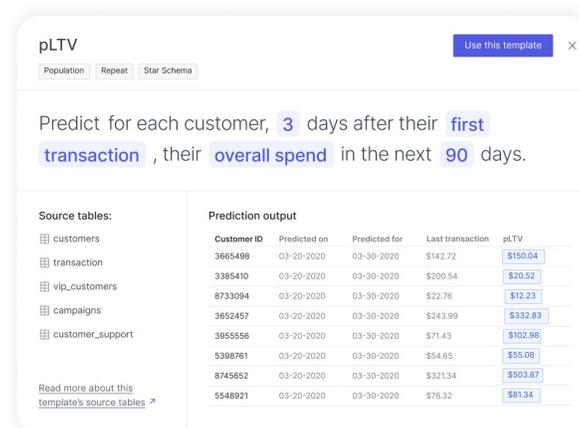
Predictive analytics can empower marketers to respond to these shifts and align better with customer needs and demands. One way marketers can apply this approach is by predicting campaigns' return on ad spend (ROAS).

The reality is that precious resources are often wasted as marketers wait for enough data to feel at least somewhat well-informed about these critical decisions. Part of the challenge is that truly understanding a campaign's ROAS lies in calculating its actual return over an extended period. But marketers usually can't anticipate that longer-term result due to the limitations of the data most often used for this decision.

For example, Google Ads and Facebook can provide data on the value of customers acquired by a campaign for 7 days after the campaign begins. But what if a campaign takes more than 7 days to gain momentum before it shows its true value? You might kill what appears to be an underperforming campaign that just needed a bit more time to mature.

Similarly, you might see fantastic revenue generated within the first 7 days of a campaign and dump more resources into it, only to see it fade fast and generate a disappointingly low long-term return.

With predictive modeling, the very early results of a new campaign can be used to predict each customer's lifetime value. By aggregating those values, it's then possible to determine the future ROAS of a campaign to guide optimization decisions. Your team can make confident campaign decisions by predicting campaign customer lifetime value early, removing guesswork from the optimization decisions later down the road.

An example of using predictive campaign ROAS

If you are a brand spending $10 million a year on advertising campaigns, your daily budget is around $27,000. Generally speaking, depending on the industry, optimizing a campaign takes around 7-14 days, depending on the optimization strategies, campaign learning phase, and other considerations. By the time you can make your first significant optimization, the campaign will have spent roughly $200,000.

But with the predictive campaign ROAS approach, teams can optimize earlier in a campaign. Instead of a day 7 or 14 optimization, they can optimize on day 2. With a day 2 optimization, the campaign could save around $150,000 in spending — not to mention the lift generated by better results by focusing resources on higher-performing campaigns.

Which campaign would you choose?
While Campaign A doesn't look as promising as Campaign B in the short term, it offers far greater value in the long run. Predictive analytics can help marketers foresee these differences over time and put more money into their more rewarding campaigns. Just as importantly, they can avoid wasting resources on underperforming campaigns.
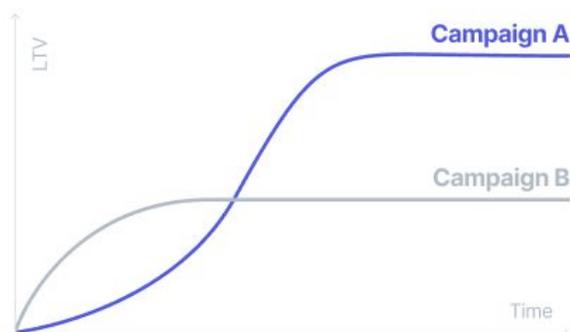
Google and Meta are also making a number of changes that embed advanced AI within their platforms. While those tools may be useful, marketing teams should consider their risks when choosing to use them for a campaign. Two of the biggest risks with the platforms' AI solutions are the lack of campaign transparency and the loss of control for campaign managers.

However, with AI tools that offer the same level of performance, campaign managers no longer have to choose between achieving ROAS and maintaining campaign transparency and control. They can leverage the same bid strategies and campaign structure they've been using. The only difference is that they can now obtain sophisticated in-house AI capabilities and drive the performance that will help them exceed their target ROAS goals.

What predicting LTV can do for your campaigns

Predicting campaign ROAS gives you foresight about a campaign's long-term potential. These predictions give your team invaluable knowledge of the future and insight into how your campaigns will reach marketing goals and organizational KPIs.

Driving higher ROAS is vital to helping your business reach new customers and retain and exceed growth targets. Identifying which campaigns will help you do this earlier in the campaign lifecycle will help you better use your budget for maximum results.

Campaign Management

install date: 6/13/2021 — 9/22/2021 platform: All source: All campaign: All

Aggregated by platform and source for the selected date range

platform	source	cost	installs	payers	CPI	D7 pROAS	D30 pROAS	D365 pROAS
ios	applovin_int	$840,683	204,671	64,921	4.11	69.74%	93.0%	132.7%
ios	Facebook Ads	$255,200	9,860	2,526	25.88	11.45%	15.2%	23.1%
android	applovin_int	$247,911	100,890	15,977	2.46	54.85%	70.1%	106.8%
android	Facebook Ads	$115,985	52,561	7,890	2.21	61.82%	82.7%	118.6%
android	googleadwords_int	$65,668	18,590	3,923	3.53	54.28%	72.5%	109.9%
ios	liftoff_int	$32,744	7,801	1,440	4.20	22.48%	29.5%	52.1%
ios	googleadwords_int	$11,144	853	221	13.06	17.20%	22.3%	43.6%
android	snapchat_int	$7,583	878	272	8.64	32.63%	43.7%	53.4%
ios	vungle_int	$4,970	1,475	216	3.37	17.84%	24.7%	57.2%
ios	Apple Search Ads	$4,803	1,469	501	3.27	78.43%	113.9%	198.5%

Color Range

| Over 130% |
| 100% - 130% |
| Below 100% |

Best performing source

source	D365 pROAS
Apple Search Ads	198.5%

Worst performing source

source	D365 pROAS
liftoff_int	52.1%

Aggregated by week

install_date - week	cost	installs	payers	CPI	D7 pROAS	D30 pROAS	D365 pROAS
2021-08-29	$49,723	12,147	2,169	4.09	65.25%	83.6%	118.2%
2021-08-22	$117,471	27,584	11,959	4.26	62.64%	81.8%	116.8%
2021-08-15	$143,396	38,016	8,665	3.77	60.03%	80.3%	113.4%
2021-08-08	$168,940	42,184	9,002	4.00	63.77%	86.1%	124.0%
2021-08-01	$243,778	51,260	16,692	4.76	58.29%	76.8%	111.3%
2021-07-25	$228,498	60,269	20,396	3.79	64.27%	84.6%	122.9%
2021-07-18	$136,780	44,877	14,475	3.05	61.35%	81.2%	117.4%
2021-07-11	$126,719	30,926	3,436	4.10	33.64%	43.7%	67.4%
2021-07-04	$174,099	25,000	3,743	6.96	30.41%	40.3%	58.7%
Total	**$1,586,691**	**399,048**	**97,887**	**3.98**	**55.16%**	**73.1%**	**106.3%**

Source Performance | CMO | Campaign Management

Pecan

Optimizing campaigns with predictive events

If you advertise on Google, Facebook, or any other demand-side platform, you've likely seen your cost per thousand impression rates increase 20-25% since 2019. Furthermore, as these platforms constantly change their data usage policies, ad tracking, and measurement capabilities, it's becoming harder to find the right audiences and attribute success. Advertisers are left with few insights to use in optimizing a campaign, but the pressure to achieve optimal results is still intense.

That's especially true for marketers looking to reach Apple iOS users. iOS privacy settings now restrict granular data on user behavior, making it challenging for advertisers to track individual users. Apple's SKAdNetwork provides limited attribution information, which means that advertisers need to rely on general data, such as campaign ID and source app ID, to make optimization decisions. This leads to longer optimization cycles, requiring a larger budget and a longer time horizon than traditional attribution models.

Moreover, SKAN isn't easy to work with. It uses a complex technical mechanism that changes considerably between versions. Optimizing campaigns is tricky when your tools are modified all the time, and campaigns are unstable in this environment of constant change and limited data.

Marketing channels themselves have also reduced their optimization capabilities, and may not even support SKAN in some cases. For example, Meta has also changed how it offers information to advertisers, specifically by limiting attribution windows to only 7-day or 1-day click views. These platform changes make it even harder for marketers to get the granular, timely data they need to optimize campaigns.

Despite these challenges, your marketing team should still perform campaign optimization on a weekly, if not daily, basis. Frequent optimization allows you to make the best use of these platforms and efficiently reach their users by adjusting bids properly and refining your audiences. This approach ensures cost-effectiveness in performance marketing initiatives.
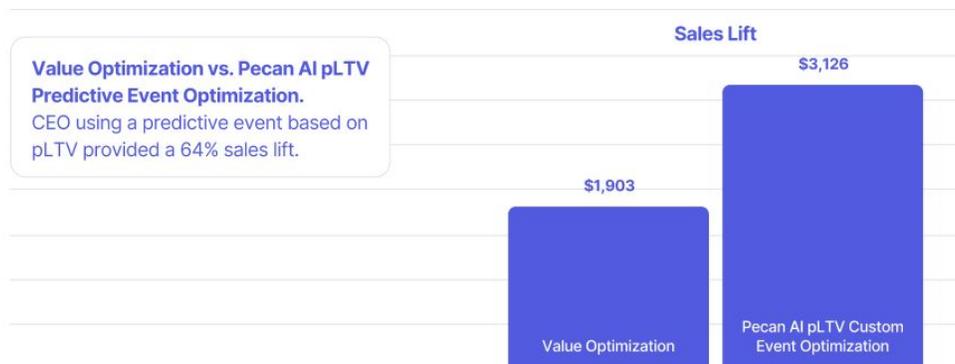
And despite lacking granular, individual-level data, it's still possible for marketers to optimize campaigns to maximize their data's value. Predictive models can extract more information from even these limited data sets, restoring much of the visibility into channel and campaign ROI that was lost with SKAdNetwork's implementation and other privacy changes. Marketers using a predictive approach can unlock up to 85% more information, enabling them to predict ROAS on the campaign level and optimize campaigns after Day 1.

Fortunately, once again, a predictive analytics approach offers a vital glimpse of the future that can guide these optimization decisions. This strategy can work in various industries, including direct-to-consumer and e-commerce, apps and gaming, insurance, and financial services — anyone who takes advantage of programmatic advertising.

Looking at your customer base from a future-value perspective gives you a clearer picture of the lifetime value of your customers or users. With this foresight, you can create longer-term revenue and profitability, and also shape a stickier customer experience. Leveraging predictive analytics to optimize your ad campaigns is no longer just "nice to have."

The results of campaign optimization with predictive events

Using predictive events to optimize campaigns has outperformed value optimization in Pecan AI's rigorous tests with numerous customers. Specifically, a mobile app customer achieved a 279% lift in conversion and a 64% lift in sales when using custom event optimization with predictive events on Facebook instead of value optimization.

Value Optimization vs. Pecan AI pLTV Predictive Event Optimization.
CEO using a predictive event based on pLTV provided a 64% sales lift.

Sales Lift

$3,126 — Pecan AI pLTV Custom Event Optimization
$1,903 — Value Optimization

Where do these predictive events come from? They're generated by predictive models built on your customer data. Those models offer detailed, nuanced signals that you can share with the ad platforms for use in optimization. Those signals can include greater depth about customer behaviors you hope to see — beyond what the ad platforms already know. That critical information boosts ad platforms' ability to deliver your ads to the right audience, finding you more high-quality leads that will convert into high-quality customers.

Using predictive modeling to improve campaign optimization is a proven strategy to increase your marketing ROI, which is critical when budgets are tight during difficult economic circumstances. Predictions can be fed directly into the software you use to manage ad spend and bidding with demand-side platforms (DSPs).

Adopting a future-driven approach to campaign optimization doesn't have to involve a massive digital transformation project. It can be a fast, seamless process that will transform your business outcomes, but not your familiar workflows. You'll see the impact on the quality and confidence of your campaign optimization decisions — and you'll appreciate the significant boost to your campaign results.

> Your campaigns can get the most bang for your buck if they're designed with knowledge of the future, not just based on the past.

Developing a predictive marketing mix model

A recent Gartner report indicates that adding four or more channels to an integrated campaign could increase campaign performance by 300%. Marketers today use a variety of media channels to drive branding and revenue KPIs. Marketing mix modeling (MMM), also known as media mix modeling, is an analytic technique that allows marketers to measure the impact of multi-channel marketing and advertising campaigns. MMM also powers simulations to aid planning for future campaigns.

Marketing teams struggle to determine accurately whether current media channels have met saturation points, or to recognize when adding a channel would produce incremental results.

MMM has been available for these tasks at only the largest advertisers because of the mathematical and computational complexity of traditional MMM methods. But today, with the power of AI and machine learning, MMM has become much more accessible to a far wider array of advertisers.

New software options (including SaaS solutions like Pecan AI), access to computing power, and improved data capabilities among marketing teams have made MMM available to practically any company. It's now possible to build new models every week or every month for more frequent budget optimization. And MMM is especially relevant in a world with less readily available consumer-level data, since this method works at the level of the marketing channels, not at the individual consumer level.

Additionally, MMM has other valuable aspects. For example, in allocating marketing budgets, MMM considers seasonality — an important factor for many products and services — and can incorporate other external data, like economic variables, industry-wide sales data, and competitor activity. MMM also adjusts for and provides insight into some difficult-to-assess aspects of marketing, such as channel saturation (i.e., the amount of spending at which ROI plateaus) and momentum (aka carryover, or for ads, ad stock — the lasting effects of marketing efforts that persist, even without further activity).

With MMM, marketers can achieve a unified measurement approach for both offline and online channels, with a better understanding of channels' characteristics. MMM also supports strategic budget management and long-term allocation. With MMM, teams can model their marketing channels and determine which channels are driving the most business impact and how adding additional channels could add incremental revenue gains.

The advantages of an MMM SaaS solution

There are five immediate advantages of a SaaS-based MMM solution:

1. **Affordable:** SaaS likely costs less than working with traditional consulting companies
2. **Fast:** After data is shared, completing the first MMM model can take between 1-3 weeks, not months as is typical in traditional data science.
3. **Agile and flexible:** The modeling process is more accessible and adjustable, so advertisers can add, remove or change model inputs or targets on the fly according to their goals, without restarting the data preparation process.
4. **Transparency and explainability:** MMM SaaS solutions can be transparent and explainable, displaying how models considered different factors (including exogenous ones like seasonality) and the model's accuracy.
5. **Actionable and easy-to-understand interface:** Results can be viewed at different levels of aggregation or granularity, broken down for specific platforms or geographic areas. Simulation tools make it easy to test "what if" scenarios and view the impact of different allocations.

Done right, MMM offers a powerful marketing planning tool that avoids many of the challenges in today's digital ecosystem. With its channel-focused, top-down approach, MMM provides reliable and accurate guidance for allocating marketing budgets.

> " In a very short time, Pecan's MMM solution granted our team a new way of analyzing our marketing spend and its revenue contribution, while exposing opportunities for budget allocation and channel ROI optimization. We can now leverage both attribution data and MMM's contribution to have a more holistic understanding of our marketing investments.
>
> Evyatar Livny, Sr. Director of Ad Tech, SciPlay

For one major U.S. company, using **Pecan's MMM solution identified millions in potential** overspending and savings opportunities.

$1B+
Marketing budget managed
with Pecan's MMM

$100M+
Overspending identified in
national channels, such as linear
broadcasting and radio

$200M+
Potential savings through reduction
or reallocation to more efficient
state channels - with improved
inbound marketing results

$200M+
In linear broadcast ad spending
better attributed and allocated

Anticipating and intervening in potential customer churn

Preventing customers from churning is a crucial business function. It's especially vital when resources are limited, and every customer counts even more. You want to keep your hard-won customers and maintain revenue — and, ideally, continue to grow.

Pondering historical data isn't sufficient to fight churn

It's challenging to predict the warning signs of customer churn. Dashboards, spreadsheets, and historical data don't always suffice to surface the patterns that precede churn – and even more rarely, to reveal those patterns in time to stop customers from leaving. Many potential factors affect customers' purchasing decisions. That's where predictive analytics holds great power for recognizing churn that's about to happen.

Predictive models can parse the complex structures of variables in your customer data and identify what contributes to churn. These advanced models rapidly determine which customers are more likely to churn, when that might happen, and reveal the reasons why. These predictions enable you to take action before they leave — perhaps even before the customer has realized they want to do so.
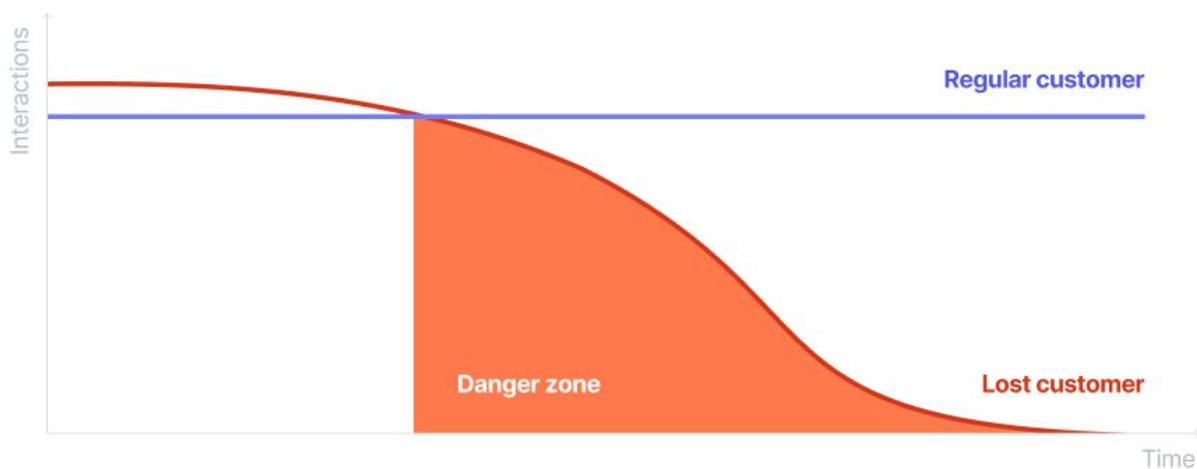
Declining customer interaction can be one warning sign of impending churn, but many more behaviors and trends may happen simultaneously and be harder to detect. Machine learning models can find those patterns of behavior that connect with customer churn and let you take action before it happens.

An AI-driven predictive modeling approach is a giant step forward from the outdated (but still prevalent) methods of analyzing churn that focus on seeing what happened in the past to cohorts of customers. While dashboards and graphs provide some insight, their value is limited because they only show what has already occurred to a segment of customers or the entire customer population. Once a customer has left, it's exceedingly difficult – and expensive – to get them back.

In contrast, predictions from churn models help customer success teams, customer service representatives, and loyalty managers act in advance to stop churn and retain customers.

Potential results from predicting customer churn

Using your customer and transaction data, a predictive analytics platform like Pecan can generate predictive models that can:

- Understand what influences customers' potential to churn
- Detect 85% of would-be churn
- Help you lower churn by roughly 15-20%
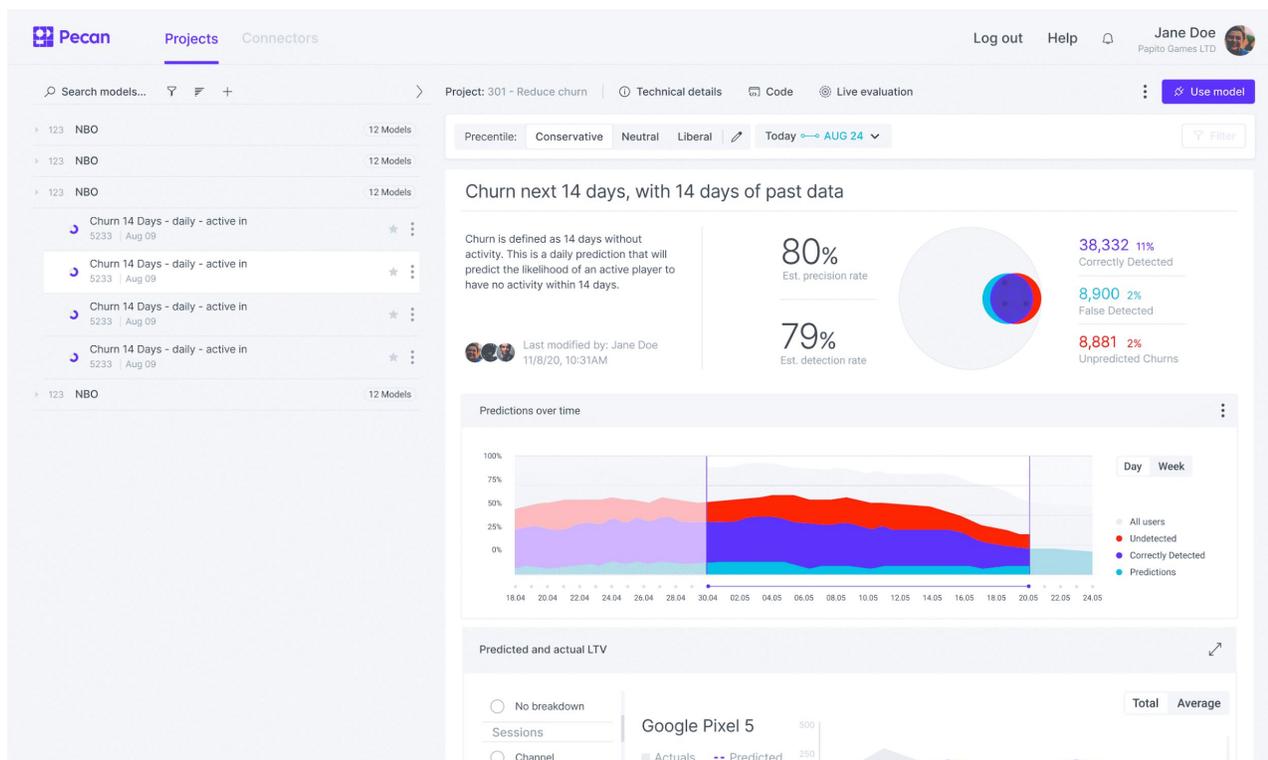
In addition to reaching out to customers at risk of churning, you can also use the information provided by these models to shape more comprehensive marketing and customer service strategies. A holistic approach to reducing churn strengthens your business for success.

Building a future-driven marketing organization with predictive analytics

As performance marketing becomes a higher priority for many organizations, integrating predictive analytics should be a key initiative. The day-to-day demands of marketing campaigns can distract marketers from adopting the tools that will truly elevate their efforts to the next level. But this is an opportunity not to be missed. By integrating predictive analytics into your data strategy, you can keep your focus on future growth and opportunities, in addition to improvements in marketing efficiency and customer experience.

While the path to becoming a future-driven organization is easier than ever, platforms like Pecan depend on rich data input and savvy marketing and analytics professionals to realize their full potential. Marketing teams should prioritize resources who can help ensure data cleanliness and glean quick and powerful insights from the platform's output to fuel marketing growth. Just as importantly, marketing teams must have resources who know how to best apply those insights, across channels and audiences (which is to say that direct-response and branding marketers will be as important as ever).

That said, new AI platforms have dramatically lowered the barrier to entry to data science and predictive modeling. Moving away from "gut intuition" and toward actionable predictive insights empowers these teams with knowledge of the future — without the burdens and delays of a traditional data science process and the expense and difficulty of securing dedicated data science resources.

Take the next steps to bring your marketing initiatives into the future with the power of AI. Right now is the moment to gain a competitive edge and use your data to its maximum potential.

Additional Resources

How Predictive Analytics Can Save Your Business – Bryan Karas, Playbook Media, *Entrepreneur*
It's Time to Reacquaint Yourself with Media Mix Modeling - Bryan Karas, Playbook Media, *MediaPost*
HelloFresh: 3x Purchase Volume Increase with Facebook Ads – Playbook Media

Whitepaper: Perfecting the Marketing Mix With Pecan's State-of-the-Art MMM
Whitepaper: The CMO's Guide to Predictive Analytics
Research Report: The State of Predictive Analytics in Marketing

About Pecan

Pecan is a low-code predictive analytics platform that makes AI's benefits accessible to business teams without requiring data science resources. With Pecan, companies can use customer and transaction data to accurately predict customer behavior and other business outcomes. Predictions can be used to boost customer lifetime value, retention, marketing efficiency, and other KPIs. Pecan automates data preparation, model building, and deployment in an easy-to-use interface, all powered by AI. Founded in 2018, Pecan's predictions impact billions of dollars in revenue for fintech, insurance, retail, consumer packaged goods, mobile apps, and consumer services companies of all sizes.

About Playbook Media

Playbook Media, led by former Facebook Disruptors team founder Bryan Karas, is a digital growth consultancy that marries channel and creative expertise across search, social, influencer, and CTV with the power of AI to drive performance at scale for high-growth D2C, B2B, and FinServ brands. For more information about how to level up your marketing, request a strategic consultation.