



OUTCOME-BASED MARKETING V2.0 (OBM2)

IMPLEMENTATION PLAYBOOK

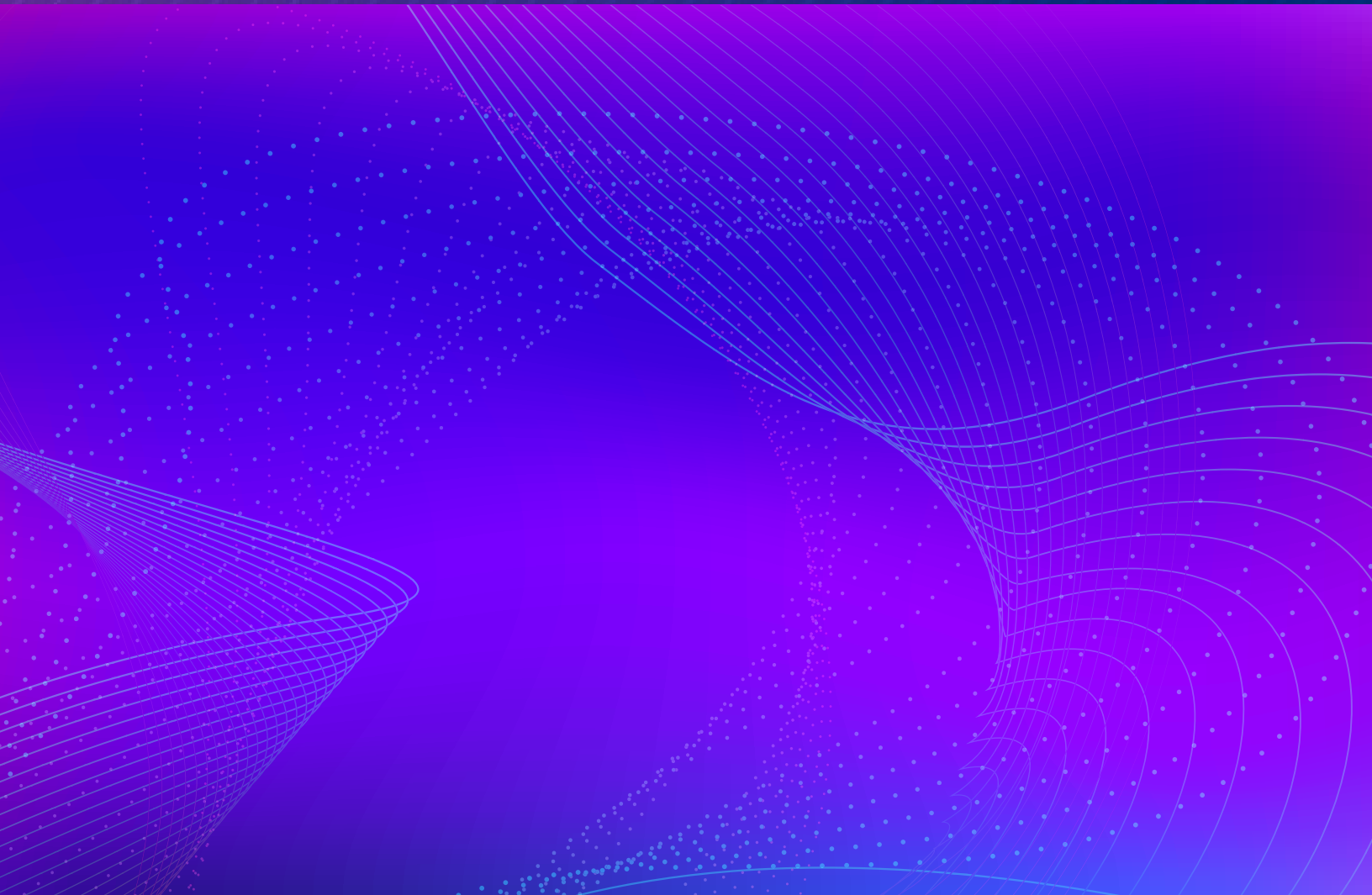


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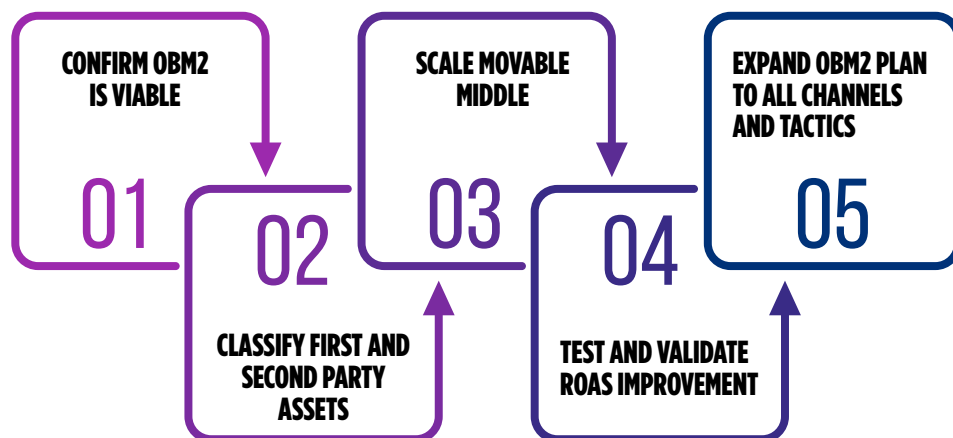
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INTRODUCTION

MMA Global has worked to develop a superior brand growth framework called Outcome-Based Marketing 2.0 (OBM2 for short), demonstrating 50% increases in ROAS and superior performance at converting non-buyers into buyers.

The Premise of OBM2. You are trying to shift ad delivery to the “Movable Middle” (the targeted segment), defined as category buyers who have a 20-80% probability of choosing your brand on a category purchase. OBM2 is the planning process where you want to shift funds to deliver more media weight to the Movable Middle for each and every channel of spending (there IS a strategy for each). While some marketers can allocate funds to this segment directly (e.g. via frequent shopper data), most will need to find this segment at higher concentration levels than average within audiences available for advertising. By shifting funds to those audiences, marketers should be able to increase ad delivery to the Movable Middle by 50%, leading to a 50% increase in ROAS and a higher conversion rate of non-buyers.



Marketer Due Diligence & The Implementation Process. Marketers should have questions about OBM2, since it is so new, that need to be addressed before they can adopt the new growth framework for their own brands. Questions include:

- Can I implement this? Do I have (or can I acquire) the needed data assets?
- How can I confirm if I should be targeting my own customers, even my best customers?
- How can I scale the approach beyond my first party lists, even including linear TV?
- Will it really deliver 50% improvement in ROAS for my business?
- How does this relate to other growth frameworks?

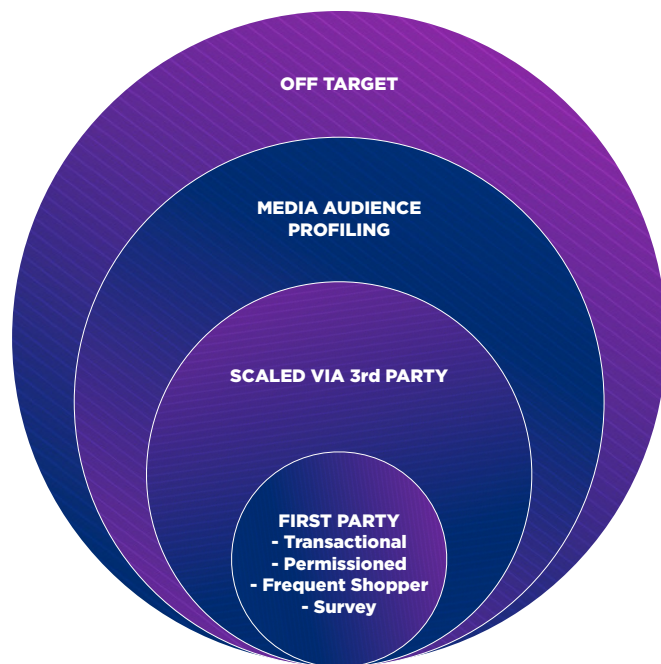
The MMA has developed this implementation guide designed to address these questions and accelerate marketer’s journey through the process. High-level steps to adoption include:

1. **Confirm OBM2 is Viable.** Develop a preliminary OBM2 activation plan.
2. **Classify First- and Second-Party Assets.** Verify which customer transactor groups (and other customer groups) from first party data contain higher than average concentrations of Movable Middle consumers. If CPG, classification of frequent shopper data and activation are straight-forward.
3. **Scale Movable Middle Segment.** Provide seed sample to AdTech partner for lookalike modeling. Find audiences for Linear TV etc. that are rich in Movable Middles.
4. **Test and Validate ROAS Improvement.** Conduct an in-market experiment to prove that targeting audiences rich in Movable Middle consumers delivers significantly higher ROAS.
5. **Deploy.**
 - a. **Implement OBM2** across all tactics, channels, and media partners
 - b. **Refine and improve.** As marketers consistently implement OBM2, they may refine by using the most effective tactics and channels to target the most responsive audiences

STEP ONE: CONFIRM OBM2 IS VIABLE FOR YOUR BRAND

Before we get started, let's clarify how the Movable Middle is defined. It is a share of wallet type of framework, not heaviness of buying framework. Having said that, we typically find that heavy and moderate buyers of a brand are not as loyal as marketers think; they DO tend to be in the Movable Middle, buying competitors as well as your brand. But this is something a marketer must confirm for their own business. So, think of heavy or moderate buyers as an AUDIENCE and confirm that the SEGMENT of Movable Middles is found at high concentration levels within that audience. This will run counter to traditional wisdom of putting current customers on suppression lists, but our evidence suggests conventional wisdom is wrong about this.

Using the figure on the right as a framework, traditional reach-based planning works from the outside in while OBM2 works from the inside out. The practical difference is most pronounced at the outer blue circle. Reach-based planning tries to maximize reach among the outer concentric circle of consumers (the largest segment), while OBM2 treats them as largely unresponsive to your advertising and should be down-weighted. The OBM2 framework believes the outer circle is a losing bet; OBM2 seeks to maximize reach and frequency via the inner circle, then scaled, and then applied for profiling traditional media to determine which placements to buy. Note that while it is impossible to completely eliminate wasted impressions against those who are off target, even by shifting 20-25% of ad budget from low un-respondives to the Movable Middle via an OBM2 approach, marketers should see ROAS improve by 50%.



First Party Data. The marketer is well served by first- or second-party data (including frequent shopper data for CPG) to begin the process. Although these assets are not absolutely necessary to benefit from OBM2 (more on this in the next section).

Scaling via Third-Party Data. Leading media agencies and AdTech companies offer large databases of IDs that can be reached via addressable marketing and contain hundreds or thousands of profiling variables on these IDs. These variables are used to create a lookalike audience for Movable Middles beyond the literal first-party data scope. Most marketers will want to scale the Movable Middles via lookalike modeling for programmatic activation. The seed sample might come from marketer's first-party data, receipt scanning data, location data, or surveys conducted to measure the Movable Middle. The best path likely depends on the type of business you are in.

Media Audience Profiling. A marketer can also onboard IDs for Movable Middle consumers to smart TV data or use a large sample of consumers where media habits are measured via surveys, such as MRI, or conduct their own media habits study. This will allow a marketer to identify which program content attracts audiences that are rich in Movable Middle consumers. This logic extends to specific retailers (e.g. Publix vs. Winn-Dixie), music preferences on Spotify or Pandora, etc. The marketer can then buy audiences that deliver differentially more ad impressions to Movable Middle customers. By this stage, a marketer will have a preliminary OBM2 activation plan that proves activation is possible across:

- Direct customer relationships
- Scaled audiences that are high in concentration of Movable Middle
- Linear TV and other traditional media channels that are high in concentration of Movable Middle

When ready to activate, audiences should be prioritized based on their concentration levels of Movable Middle consumers - the higher the concentration, the higher the ROAS that audience will deliver.

STEP TWO: CLASSIFY FIRST AND SECOND-PARTY ASSETS

Once OBM2 targeting is confirmed feasible, the approach now moves to resolving the question of which customer segments should be targeted. Some marketers with transaction-based customer data think that they should not target their best customers (i.e. place them on a suppression list), but the truth is more likely to be the opposite...place them on a list for ad targeting. The key is to determine which customer segments are in the Movable Middle. If your best customers only deliver a share of wallet that is between 20-80%, then you are leaking business that advertising can help you to retain.

To measure the Movable Middle, marketers need to overcome the typical situation that they do not have a complete view of what their customers are buying. They can use surveys or other data, including receipt scanning, location data for place-based businesses, household scanner data, etc., to obtain a complete view.

This will identify which customer segments from first-party data have high concentrations of Movable Middles. It is also likely to be highly enlightening as marketers often think they have a higher share of business from their own (good or best) customers than they really have.

In CPG, marketers usually do not have their own first-party transaction-based data at scale, but they have the advantage of targeting based on frequent shopper data. Shopper IDs can be directly translated in a targetable Movable Middle segment by asking the provider to simply calculate which shoppers give the brand 20-80% share of their category purchases.

STEP THREE: SCALE VIA THIRD-PARTY DATA

When a marketer can translate customer segments based on transactions into Movable Middle segments, they now have a solid basis for providing a seed sample to scale to a larger audience via third-party data platforms.

If the marketer does not have first-party data, they still have options for generating a seed sample:

1. Surveys from respondents who are onboarded
2. Receipt scanning or household scanning data that are onboarded
3. Location-based data that are on-boarded (for location-based businesses)

The seed sample can be refined by other considerations if the marketer chooses. For example, the marketer may wish to remove ultra-light buyers, especially if they are scored as being in low tier in terms of estimated lifetime value.

Lookalike modeling adds scale to the Movable Middle. It also allows a marketer to go after current non-buyers more affordably because lookalikes' response to advertising is greater than the larger pool of non-buyers who have little or no interest in your brand based on needs and attributes they weigh more heavily.

Some AdTech partners, such as Neustar, have predefined segments with targetable IDs so lookalike modeling is simplified by finding predefined audiences with the highest concentration of Movable Middles from a seed sample distributed across their audience segments. The high priority audience for targeting becomes the top quartile of predefined segments in terms of concentration of the Movable Middle.

Profiling Media Audiences. Another form of scaling from a seed sample is to profile the audiences that are accumulated through traditional media content or social media interest groups.

There are a number of options for profiling media audiences, including:

- On-board seed samples to smart TV data or to streaming audio providers
- Profile the Movable Middle against media choices via media habits surveys
- Use syndicated data (e.g. MRI) that contains a measure of brand preference against a granular enumeration of media choices
- Conduct primary research on media habits to measure the density of the Movable Middle among available audiences from a publisher. For example, research can be used to measure the density of Movable Middles among those who follow your brand on Facebook, Twitter, Instagram, etc.
- Ask the publisher to provide an analysis of how well their audiences can be segmented to deliver advertising to your Movable Middle.

STEP FOUR: TEST AND VALIDATE...HIGHER ROAS VIA OBM2

With first-party Movable Middle audiences, third-party scaled audiences, and profiled linear TV programs, the Marketer is ready to execute analysis of the ROAS of these different segments and audiences vs. non-Movable Middle consumers.

The key questions are:

1. Does the Movable Middle really deliver multiples higher ROAS?
2. Do audiences that are estimated to be rich in the Movable Middle, either constructed or pre-existing, really deliver significantly higher ROAS?
3. Does an OBM2 plan based on targeting the Movable Middle really deliver overall on higher ROAS and an increase in the rate of converting non-buyers into buyers?

A fairly typical approach might be to identify IDs that are exposed to media as advertising naturally runs, then construct a “twinned” control cell of those not exposed, then evaluate the lift in conversion. Each audience thought to have a high concentration of Movable Middles could have an exposed vs. control lift reading which can be compared to the lift in sales/conversions from consumers who were not thought to be in the Movable Middle.

Since each audience is already profiled in terms of its density of Movable Middles, the relationship of density of Movable Middles to ROAS can be plotted. If the segments with the highest proportion of Movable Middles exhibit the highest ROAS, the validity of OBM2 principles will have been clearly established.

STEP FIVE: DEPLOY OBM2

At the deployment stage, the marketer needs to extend and fully flesh out an OBM2 media plan. This involves adding media weight to audiences that give an edge by having a “higher than average” density of Movable Middles. This is possible across most media channels and classes of tactics. Below is an OBM2 “Planning Guide” to facilitate your media planning process.

MEDIA TYPE	TACTIC / CHANNEL	ENABLER
DIGITAL AND ADDRESSABLE	Programmatic/addressable	ID-based lists, first-party, third-party scaled Movable Middles How: ID matching
	Direct publisher and ad network deals	ID-based lists, first-party, third-party scaled PLUS scoring of publisher pre-defined audiences. Includes addressable TV. How: ID matching. Primary research conducted by publisher.
	Social media	ID-based lists, first-party, third-party scaled PLUS fans and followers (assuming higher density of MM). Other audiences to be evaluated via research. How: Uploaded, matched lists and use of survey research
TRADITIONAL MEDIA, INCLUDING LOCAL AND GEO; SHOPPER MARKETING	Linear TV, terrestrial radio, magazines	Profile the audience of media content, cable channels, etc. Place more media with those that have high density of Movable Middle. How: Profiling can be executed in the following ways: Match a list of Movable Middle IDs to a smart TV service; OR use primary research to profile Movable Middles vs. content and networks; OR use a syndicated service, such as MRI, using a brand preference question as a proxy.
	Local newspapers, out of home, location based mobile	Calculate Movable Middle of different DMAs, placing extra weight on high Movable Middle markets How: Use primary research or syndicated data to measure share and estimated Movable Middle by market
	Retailers/shopper marketing	For those who carry your product, place additional shopper funds with retailers who deliver higher Movable Middles.
MEDIA WEIGHT ALLOCATION	<ol style="list-style-type: none"> 1. Take ad budget and calculate an average spend level per thousand 2. Allocate 2-3 times the average spending level to those audiences that deliver a high concentration of Movable Middles. --prioritize segments by their density of Movable Middles giving the highest density segments the largest media weight multiplier 3. Allocate any remaining budget to media that is proven most effective, regardless of audience. <p><i>The goal is to approximately double the spending weight on movable middles, funding by a reduction of approximately 20% against non-Movable Middles</i></p>	

Q1. You use two terms OBM2 and Movable Middle. What is the difference?

“The Movable Middle” is the segment of category-buying consumers, defined with respect to a brand of interest, who have a 20-80% probability of choosing that brand on a given category purchase.

Outcome-Based Marketing v2.0 (or OBM2 for short) is an approach to marketing strategy and planning that is focused on the business impact driven by marketing activities, as opposed to a focus on audience reach and frequency, and marketing efficiency. The centerpiece of OBM2 is finding audiences that deliver higher than average concentrations of the “Movable Middle.”

The Movable Middle is proven through math and experimentation to deliver FIVE TIMES the ROAS. Other segments are High Loyals (they buy your brand more than 80% of the time) and Low Unresponsives (they buy your brand less than 20% of the time and the great majority of this group really have a ZERO probability of purchase.) High Loyals are attentive to your advertising but have already met over 80% of their needs with your brand so they are capped on how much they can respond to your advertising. Low Unresponsives have an unprofitable ROAS because they simply don't buy your brand or pay attention to your advertising.

The goal of OBM2 is to redeploy a portion of ad impressions to the Movable Middle that would have otherwise gone to Low Unresponsives, leveraging both addressable marketing and better traditional media choices, resulting in a 50% improvement in campaign ROAS.

Q2. Practically speaking, how is OBM2 different from trying to get the most reach for your media dollars?

OBM2 is focused on getting the most lift and return for your media dollars. We know that the way to do this is by delivering 2-3 TIMES the media weight to audiences that are rich in Movable Middles, funded by a modest reduction in spending against Low Unresponsives (who typically represent 80% of category buyers). With OBM2 you are not trying to buy the most reach you can afford; you have a targeting strategy in mind. This leads to somewhat lower campaign reach but a 50% improvement in ROAS.

Q3. Some brand growth frameworks suggest making sure the media goes to light buyers. Are Movable Middles and light buyers the same thing?

No. In fact, they are almost opposite ideas in practice! Light brand buyers and light category buyers are not nearly as likely to be in the Movable Middle as a brand's heavy and moderate buyers or heavier category buyers in general. Hence, OBM2 vs. frameworks that propose addressing media to lighter buyers are opposing strategies.

Please remember that the Movable Middle is a probability of choice segment, not one based on buying frequency. It is a framework focused on reaching those consumers who will generate the greatest (incremental) return on marketing investments.

Q4. What is the relationship of Movable Middle to heavy, medium, or light buyers of our brand?

The Movable Middle is defined by probability of choice, not by how many purchases they make of your brand. This segment definition and ONLY this definition allows for a mathematical relationship between a targetable segment and marketing ROAS.

However, empirically, there IS a relationship. For example, a marketer with first- or second-party data (i.e., a retailer) will be able to classify customers as heavy, medium, light, or lapsed. Through analysis of household purchasing or scanner data, they are most likely to find that their heavy and medium buyers offer high concentrations of the Movable Middle segment. This is because your best customers are not as loyal as you think they are! They buy as much or more from competitive brands.

In the case of the frozen pizza brand we analyzed, the relationships between Movable Middle concentration levels and heaviness of brand buying are shown in the following table.

	% of Group that is in Movable Middle
Heavy buyers	75%
Moderate buyers	52%
Light buyers	28%
Brand average	16%
Non-buyers	2%

Q5. Are Movable Middles essentially our current customers? If so, how can targeting them bring in new users and generate long term growth?

No. The Movable Middle framework is designed to leverage audiences of consumers that include both your customers and prospects. While these audiences include your current customers, they also include consumers who look like your existing customers. As a result, targeting the Movable Middle is PROVEN to also outperform reach planning at bringing in new customers! This is also the case for media that is not addressable but for which the audience composition is known. For example, when you choose a linear TV show to advertise on attracting a high concentration of Movable Middles, other consumers who share the same interest and a similar likelihood to buy are also there.

Q6. Other brand growth frameworks suggest that buying the most reach is the best strategy. Are you saying the same thing but in different words?

OBM2 and reach-based planning are not at all the same. OBM2 is a bottom-up process of applying the most media weight to the audiences expected to have the highest response to your advertising because of their purchase likelihood (which is reflected in the concentration of Movable Middles). This will not maximize reach, the goal of reach-based planning. In our analysis, OBM2 generated about 10 points less of reach vs. a reach plan but delivered 50% more ROAS and 13% more conversion of non-buyers for the same budget.

Q7. I already send emails to my customers, so I suppress advertising to them to conserve my ad budget. Are you saying that is wrong?

Marketing tactics work synergistically, with consumers constantly absorbing advertising messages from multiple media outlets. Each of these messages and platforms complement one another, reinforcing the overall message. The result is that advertising can be more effective if these channels are used in tandem. Since all customers have a differing underlying likelihood to purchase, it is unlikely that email alone would convert every customer to make a subsequent purchase. The key is to identify those customers for who a combination of email and other marketing channels is the most efficient and effective combination of media. Leveraging a combination of experimentation and a customer-level measurement approach like multi-touch attribution would help you quantify the lift from email plus paid advertising and hone in on the audiences for which it delivers incremental ROI.

Q8. There is no frequent shopper data for my business. Can I still use OBM2?

Yes. The concept of the probability of purchase exists across all industries and sectors. Each category consumer has a probability of buying a make of car, taking out a mortgage at a certain bank, and buying a brand of eyeliner. Just because it is not measurable directly (with sales data) does not mean it does not exist!

While first- and second-party sales data makes it easy to identify audiences indexing high as Movable Middle consumers, the key is to be able to identify audiences with the optimal likelihood to purchase. Survey data can also be leveraged to estimate a probability of purchase, identify high indexing audiences, and then conduct tests to confirm the performance of those audiences. So, frequent shopper data is handy, but not a deal-breaker if not available in your category or market.

APPENDIX B: HOW DOES OBM2 COMPARE AND CONTRAST TO OTHER ADVERTISING PLANNING APPROACHES?

Appendix B: How does OBM2 compare and contrast to other advertising planning approaches?

We see four main approaches as we talk to marketers. Comparisons are as follows.

Alternative model 1: Reach and non-buyer plans. Marketers will often try to generate the most reach they can afford and those with first party customer data will often put their own customers on suppression lists which means they are directing HIGHER media weight to non-customers. OBM2 is based on math and evidence that this is exactly the wrong thing to do. In a reach/non-buyer strategy, you are directing disproportionately more advertising to those with ONE-FIFTH of the ad responsiveness as the Movable Middle, producing unprofitable deployment of those ad dollars. The OBM2 strategy leads to much greater incremental sales AND results in HIGHER conversion of non-buyers as well. There are two fundamental flaws in thinking about where incrementality comes from that would lead someone to a reach strategy:

1. All consumers are equally likely to respond to advertising for products and features they need or want, so more reach is always better. Not true. Consumers are not equally likely to respond to advertising for your brand as ad response is a function of the probability of buying the brand, and that is at its maximum for the Movable Middle. It is at its lowest for those with little or no probability of buying your brand.
2. already have my customers' business so why should I advertise to them? While there could be exceptions, the general rule is that the large majority of your customers are buying more from your competitors than they buy from you. This means they pay attention to your advertising and respond to it, and could potentially buy twice as much from you...a lot of upside potential among your own customer base. Secondly, customer loyalty does shift. Advertising to your own customers is proven to increase retention.

Alternative model 2: targeting those with greater lifetime value. The idea is that customer value can vary widely so why not go after the heavy and more valuable buyers? We are not averse to adding this concept into OBM2 but we will point out some issues to watch out for. First, a high lifetime value consumer who has a nearly 0 probability of purchase will be unresponsive to your advertising regardless of value. This means the great majority of high value customers are really fool's gold. Secondly, lifetime value models seem to assume the value is inherent in the customer. This is not true. The value to YOUR BRAND of a customer can be enhanced greatly based on your marketer to them once they are a customer. Putting them on a suppression list reduces their value. Extra advertising weight increases their value (substantially).

Mathematically, the fallacy in lifetime value model targeting is that it does not differentiate the cost to acquire. OBM2 research proves that this important component of the equation varies substantially in predictable ways.

We would accept a modification in profiling an audience's attractiveness to you with a light touch of customer lifetime value but the main determinant still must be Movable Middle concentration levels.

APPENDIX B: HOW DOES OBM2 COMPARE AND CONTRAST TO OTHER ADVERTISING PLANNING APPROACHES?

Alternative models 3 and 4: Propensity scoring and using machine learning of early converters in a campaign. We are not against propensity scoring (e.g. who is more interested in joining a gym) but we want marketers to realize that the probability of buying a brand is the main determinant of ad responsiveness so propensity scoring needs to be augmented with this consideration.

Machine learning of early converters. Again, we are not against building a lookalike audience for these early converters but there are some issues. This learning lags the start of the campaign by about one month so you lose a fair amount of benefit by not being able to include this into the media planning phase.

Both approaches suffer from not having a north star. There is no theory only data fitting and this makes machine learning idiosyncratic. Certain variables are predictive for one campaign but you need a new model for another campaign. OBM2 DOES provide a north star that will work every time. You should always deploy heavier media weight to those audiences with higher Movable Middle concentration levels.