

How To Beat A Paid Media Forecast That's Always Wrong

By: Tom Hammel, Vice President of Paid Media, Wpromote

“We’re behind target, what can we do?”

Regardless of industry or business model, being behind on goals is one of the biggest concerns I hear in digital today. In fact, you’re probably behind on your target for one channel or KPI right now. Because even when the results are good, they don’t match up to targets in the exact way we designed, leaving us in a never-ending game of catch-up.



A combination of flawed forecasts and risk-aversion are to blame. Only when you embrace uncertainty and take practical steps to future-proofing your paid media plan, will you reach the promised land of getting ahead of target.

Your Forecast's Inherent Limitations Are Sabotaging Your Success

First off, targets are built from forecasts, and forecasts suck.

When we forecast, we assume constants. But things like conversion rate, click rate, auction costs, demand, ad fatigue, competitor set, and countless other factors are anything but constant. Add in changes like the departure of a key team member or an unanticipated new competitor, and over the course of a year, I guarantee something will clock you.

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Forecasts ignore these complexities of business and the adaptive nature of the marketing plan.

THE PLAN ENDS UP BECOMING A JOKE

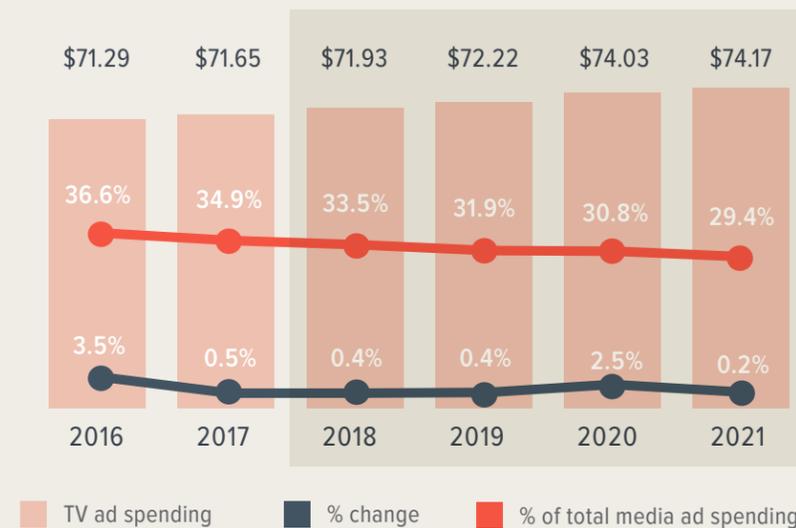
The reality is that if any single variable changes (and it will), every aspect of your marketing funnel will change with it. You can see the interconnected relationships, but you can't build a model to reflect them. And much like every home remodel, we assume the best-case scenario. We build timelines as if every subcontractor and project will be on schedule, but that's rarely the case. Instead, when one project falls behind, you have to work outside of the original plan, and the plan ends up becoming a joke.

Finally, we tend to overestimate what we're capable of accomplishing with the same strategies and tactics. When we look at what worked this year, we assume it will work at the same rate next year. But what was once novel is no longer, and you can't plan for the rate at which novelty fades. Marketing is a bunch of little wins, and with wide-ranging factors affecting success, forecasting is an impossible mission.

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US TV Ad Spending 2016-2021

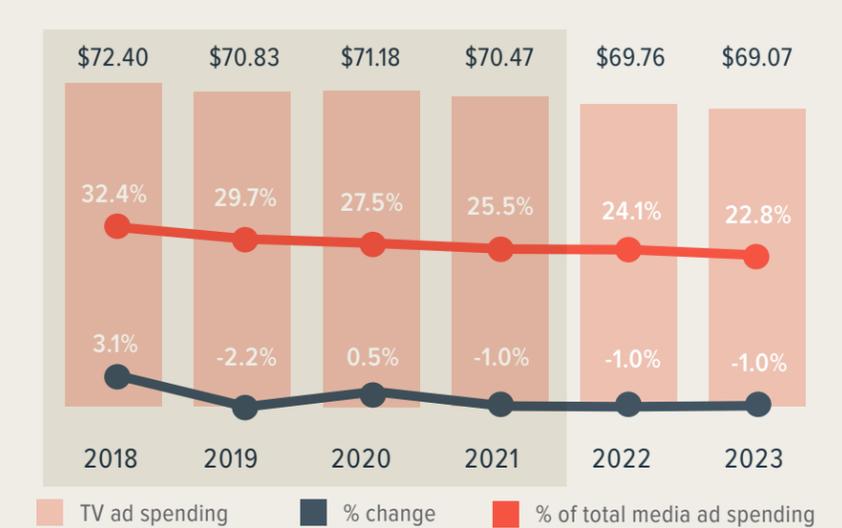
billions, % change and % of total media ad spending



eMarketer:230455, September 2017

US TV Ad Spending 2018-2023

billions, % change and % of total media ad spending



eMarketer:245759, February 2019

Even The Best Forecasts Can't Be Perfect

Change hits us all—the only thing we can count on is that something will affect us.

My Forecast Is Off, So What?

You might agree that forecasts are flawed, but why does it really matter? Besides the terrible feeling of always chasing a fading horizon, being behind target leads smart, well-intentioned marketers to leave their data-driven strategies at the door in hopes of getting back on top.

As marketers, we want to tell stories, especially when we're down 10% YoY.

Like any stockbroker, we can provide solid reasoning and supporting data to show why we're underperforming.

But really, this is just conjecture, and behind the scenes, your team will likely freak out and get hyper-conservative with budget. They'll try to drive efficiency to make up for whatever unforeseen event has impacted you.

But you can't claw your way out of a hole through efficient strategies. You might be able to cover for the short term, but this approach will never get you ahead of volume-driven goals.

Building Your Future-Proof Paid Media Plan

In practical application, you must balance risk, reward, and uncertainty in your paid media plan. Between 80-90% of your budget should be dedicated to conservative stability. Campaigns in this category must hit baseline efficiency requirements and provide stable performance that you can yes, forecast. ROAS, CPA, and profit are the driving KPIs and these campaigns prioritize results.

With the remaining 10-20% of your budget, you must deploy a high rigor testing strategy fueled by an endless stream of hypotheses. These campaigns act as an investment in future-proofing your forecast and should fund only to statistical significance. As you find new positive ROI tactics, add them to your proven conservative campaigns.

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More specifically within this testing budget, I'd recommend dedicating 5-10% for media buying testing, i.e. new products from ad platforms like Google's Discovery ads. The other 5-10% should go towards tech/creative investments that improve conversion rates, i.e. CRO enablement tools like Instapage, a customer data platform (CDP) like Lexer, or higher-performing UGC-style video assets for social, programmatic, and YouTube.

Important note: this is not an old school testing plan. This isn't the time for copy tweaks and color changes. To make this path work, you must reward learning over outright results.

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Instead of looking at whether or not tests "worked," you should judge them based on how interesting and different they are compared to your other campaigns.

Setting Up Your New Budget

CONSERVATIVE STABILITY

80-90% Of Budget

These Campaigns Should:

- Prioritize Metrics Like ROAS, ROI, CPA, And Profit
- Be Projected With More Accuracy
- Protect Performance With Known Possible Downside
- Hit Baseline Efficiency Requirements
- Fund Fully Against Profitable Demand
- Provide Stable Performance To Forecast
- Reward Results

TESTING

10-20% Of Spend

These Campaigns Should:

- Prioritize Campaign Uniqueness
- Be Judged Across Channels
- Fuel With Constant Set Of Hypotheses
- Create Exposure To Upside
- Find New Efficiencies At A Lower Cost
- Fund Only To Statistical Significance
- Invest To Outperform Future Forecast
- Reward Learning

You also need to consider results across channels in accordance with the funnel. Your paid search prospecting tests should never be compared to your branded search campaigns—they'll never stack up and I sincerely hope they'll never outperform. Instead, compare prospecting efforts across paid search and social and see what you find, and again, always prioritize tests that help you learn the most.

Through this approach, you're systematically creating exposure to the upside. This future focus is not a luxury, it's table stakes. Even so, most brands still find a 10% testing budget to be sizeable, let alone pushing to the higher end of the range.

How Do We Change The Mindset—And Get Out of This Mess?

Now, I recognize you can't dump forecasts altogether, so we'll look at the positives. At best, forecasting is a tool we can use as marketers to get the money we need to have a chance to be successful. Even though it will be flawed, you can at least view your forecast as a guide and justification for your budget.

Along with that forecast, however, you need to build a data-first culture grounded in skepticism and intellectual humility.

You must openly acknowledge that you don't know what you don't know, and reject the egotistical notion that you can plan every detail for the coming year. It's your only chance to go beyond your targets. Remember that to exceed goals, you have to continually hunt for answers. This worked, this didn't, let's keep going. You'll never find outstanding results with a safe bet.

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This approach also demands that you change your perception of success for your testing plan. Alignment here is especially critical, as your entire team—from top to bottom—must accept that tests will fail. That can be hard to swallow, especially when faced with what feels like “wasted” ad spend.

Some brands struggle to know what to test and where. You may have gotten poor results from previous tests, making it more difficult to justify more experimentation. But this spend is just as important, if not more so, to your long-term success even when it doesn't generate ROI-positive results.

The payoff will come when your forecast is wrong and you have this history of experimentation to fuel growth and act as your back-up plan.

A woman with glasses and a man in a plaid shirt are standing in an office, looking at a laptop screen. The background shows office desks and windows. The entire image has a red overlay.

Any agency that tries to sell you on a hard forecast is engaging in BS artistry. Yet, many rely on forecasts and offer them as a service, using them to convey confidence and precision where none is possible.

Google: Experts In Future-Proofing

Innovators from the start, Google and parent company Alphabet have always had an eye towards the future. Though Google Ads revenue was more than \$33 billion in Q3 2019, they've expanded continuously and consistently outside of this revenue source.

GoogleX, or the "moonshot factory," is a division dedicated to solving the world's most pressing and complex problems. Google Ventures is now an independent, return-driven fund with Alphabet as its only limited partner and more than \$4.5 billion under management. Alphabet includes companies like Waymo, a stand-alone subsidiary pioneering self-driving cars, that are purposefully different than what initially brought them success.

If Google recognizes that Google Ads and today's backbone products won't always be the future, so should you.

Beating The Flawed System

I'll keep this part short, but here's the truth: partnering with an agency that pushes you to take this growth mindset and has the expertise to develop a strategic testing plan is key. At Wpromote, we have a library of tests that we've conducted across accounts and industries. This enables us to test and learn much more nimbly, and in turn, implement quickly where useful.

I'm also proud to say we're a bunch of skeptics. We take every forecast with a grain of salt and rely on data first and foremost. Implementing, recording, and sharing this level of data requires a lot of time. Candidly, it kind of sucks for us, but we know the value of the insights we get in return. Where other agencies don't have the discipline to do it, we see it as an extraordinary opportunity for us to improve our strategy for clients.

I understand that you might not be able to get 20% or even 10% overnight. But I want to challenge you to have the guts to acknowledge that you don't know what will happen next year.

The best Challengers are scientists. They have impeccable standards for what's real and never take the dysfunction of the world as truth. You must also refuse to settle for "best practices" or what worked in the past.

With a paid media plan that balances risk and reward, you'll be able to better compensate for the unforeseen and take changes in stride. It will be much, much easier to hit your goals if you're constantly filling your campaign pipeline with new tests and always have another option in your back pocket. Plus, you'll rest easier at night knowing you're ready. Maybe you'll even be able to embrace the uncertainty.

And yes, outperform that forecast.

Are You Thinking Like A Challenger? Questions To Ask Yourself

|? What percentage of your current paid media spend is dedicated to testing new ad platform products? More specifically, how much goes to enablement efforts that can improve paid media conversion rates at a positive ROI, such as video creative, customer data platforms, or landing page optimization services?

|? How do you ultimately evaluate your testing efforts? Is it based on the quality of your testing and scope of what you've learned or ROI?

CHALLENGERS ALWAYS ASK THEMSELVES THE DIFFICULT QUESTIONS

|? How do you plan to outperform next year's forecast without a testing budget when you have no idea which tactics will win you incremental growth? (Okay, okay, leading the witness...)



About Tom Hammel

Vice President of Paid Media

Tom first worked with the Wpromote team during his time at Google, leading their partner initiative focused on profit-driven marketing. After spending six years building partnerships and sales revenue in Silicon Valley, he joined Wpromote to head up the paid media teams. Tom is responsible for delivering fully-integrated, profit-driven advertising services across paid channels to accelerate bottom-line growth for clients. When he's not geeking out about customer lifetime value modeling, you'll find him posted up with a cup of coffee finding the way how just about any humanities topic can be (loosely) tied back to advertising.

READY TO BE A CHALLENGER?

Wpromote is an award-winning digital marketing agency with seven offices across the United States. Named the Leader in the Forrester Performance Marketing Wave, Q3 2019, Wpromote helps brands Think Like A Challenger to drive transformational growth. Challenger clients include leading brands such as Marriott, Whirlpool, Zenni, Adobe, TransUnion, Frontier Airlines, and more.

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