Country-level MMM for IKEA in France

MMM with intuitive dashboard & what-if scenarios

Country-level model

THE CHALLENGE

IKEA, the world's largest furniture retailer, wanted to have a better understanding of its marketing and advertising spend impact across stores and markets. Our client wanted to evaluate effectiveness of advertising & promotional spending as their past efforts in this area had produced models which were too focused on the short term and ignored long-term brand equity effects as well as campaign synergies. Their ultimate goal was to be able to optimally allocate their budget in order to maximise conversion.

IKEA also wanted to have a country level model, with in-store food sales, offline and online retail sales and traffic modelled independently, for better understanding of channel impact on specific metrics, allowing them to have spend scenarios depending on what metric they want to see an increase in.

OUR SOLUTION

We built a non-linear algorithmic approximation marketing mix model, which factors in diminishing returns on channel spend and is robust to spend irregularities, like seasonality spikes. Furthermore, we added Adstock effects in order to include advertising build and decay effects, which greatly improves model accuracy.

We built a country-level model as well as category and site-specific models for particular store/region spend effect evaluation, which also included brand level halo effects, factoring in spend in a particular site to the overarching brand level impact. The input variables for the model included data gathered on weekly, monthly and quarterly basis. Because we did the modelling on weekly basis, we interpolated all variables in order to have weekly inputs.

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Marketing Mix Modelling for IKEA
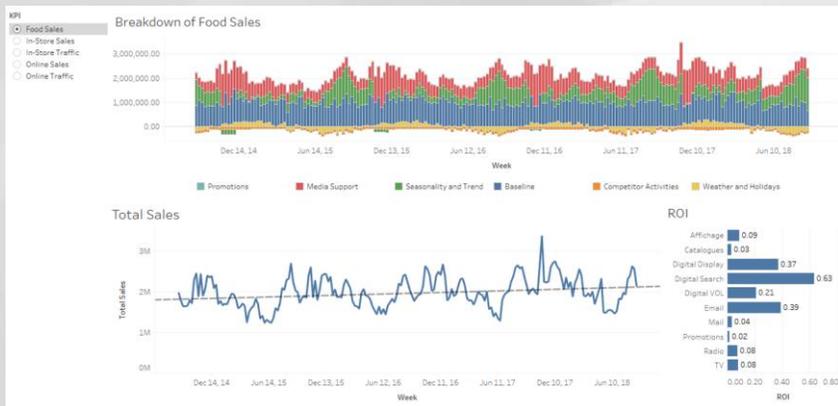## *MMM with intuitive dashboard & what-if scenarios*

Country-level model

THE RESULTS

Our model was fully integrated into the marketing workflow of IKEA France, replacing the incumbent MMM and is used to strategically and tactically allocate spend in order to meet short-term and long-term business objectives.

We customised our proprietary MMM Dashboard specifically for IKEA - to be used by the relevant stakeholders, set up on client infrastructure. This equipped the business with the right tools to make informed decisions on which channels to prioritise spending on, depending on current business targets.

By following a marketing strategy based recommendations from the MMM exercise, IKEA managed to increase their marketing ROI by 17% by allocating spending more effectively.

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