MSI Webinar:

Part 1 – MSI Webinar: Meta's "Incrementality Ladder"

December 6, 2022 | Virtual | 12:00 PM – 12:30 PM EST

Speakers:

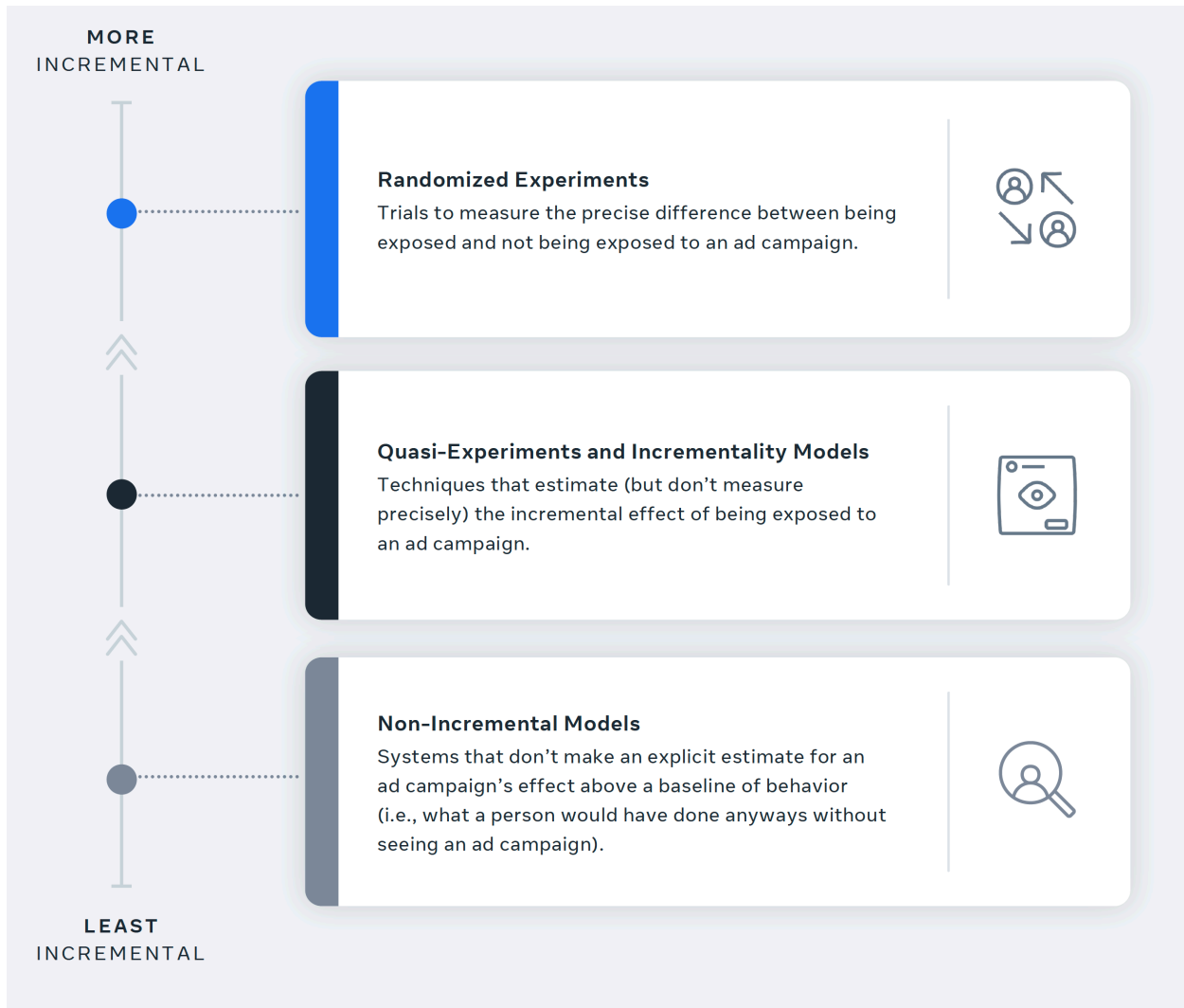Robert Moakler - *Quantitative Researcher, Meta*

Overview:

In part 1 of the MSI Series on Causal Measurement of Advertising Effects, Rob Moakler examined Meta's Ladder of Incrementality, a concept that provides advertisers with a way to navigate the "large, complicated world of ad measurement." This is a five-part series of three MSI webinars and two discussions taking place at the MSI Summit & Roundtable Forum at UCLA on February 15th.

Meta uses "incrementality" as a label for the degree to which the advertiser can:

- compare sales after advertising to some baseline estimate of what sales would have been without that advertising, and
- can claim that any estimate of lift from advertising is truly causal rather than correlational.

In his discussion, Moakler indicated "how data fuels advertising is changing" and pointed to shifting behaviors, increased usage of mobile devices by consumers and rising regulations that have effectively changed the way marketers collect and measure data.

Moakler noted that what constituted good measurement is causal in nature and able to make rigorous estimates of ROI from advertising. The figure below is their "incrementality ladder." Methods higher in the incrementality ladder can both estimate lift compared to what would have happened without advertising and can support the claim that the lift estimates a true causal effect of advertising rather than the effect of confounding correlates of who got the advertising.

MORE INCREMENTAL

Randomized Experiments
Trials to measure the precise difference between being exposed and not being exposed to an ad campaign.

Quasi-Experiments and Incrementality Models
Techniques that estimate (but don't measure precisely) the incremental effect of being exposed to an ad campaign.

Non-Incremental Models
Systems that don't make an explicit estimate for an ad campaign's effect above a baseline of behavior (i.e., what a person would have done anyways without seeing an ad campaign).

LEAST INCREMENTAL

Rob pointed to the challenge of current measurement tools advertisers depend on, which tend to be measuring correlation and not causation. He indicated that many businesses are calibrating their current measurement methods to move up the Ladder of Incrementality "without abandoning the measurements that they already use." Moakler provided several suggestions to help practitioners move their organization toward measurement techniques that are higher up the Ladder of Incrementality.

Meta conducted several studies on ad effectiveness using both non-incremental measures (correlational) and an experimental method. **Results showed that the non-incremental (last click attribution) undervalued ads by 47%** in comparison to the results from experimental lift studies. In closing Moakler provided an example using the fintech insurance company Lemonade. In this example, Moakler demonstrated how Lemonade put the "always-be-testing" measurement mindset into practice in their organization. This addressed the increased difficulty in accurately

measuring marketing. By applying ABT: Always-be-testing, observational methods, along with calibrating marketing mixed modeling to complement experiments, they achieved more effective results in ad measurement.

Takeaways:

- In the past business used to have a **"more complete picture of how people's actions drove business outcomes"** but in more recent times businesses have access to less data on their audiences to base decisions on. Policies such as GDPR, CCPA and LGPD have given people more options on the way their data is shared with businesses. People are "opting out" of receiving ads on websites using technologies such as ad blockers. Additionally, platforms are removing "identifying and grouping the data shared with businesses" making understanding and measuring ad effectiveness more challenging.

- In terms of **good measurement**, the goal is typically to understand, "did I have a good return on investment?" This question is **causal in nature**. Most of the **measurement tools advertisers depend on in optimizing their marketing investments, tend to be measuring correlation** and not causation.

- **"You can think of incrementality as a ladder of options that get closer to measuring true business value as you climb."**

  - **Randomized experiments are the most incremental method to measure ad ROI** and leverage the use of "trials to measure the precise difference between being exposed and not exposed to an ad campaign." RCTs rule out confounds that exposed and non-exposed consumers differed on average on dimensions besides advertising.

  - **Quasi-experiments and incrementality method like** MMM estimate lift relative compared to some no-advertising baseline but are less able to confidently claim that the lift was caused by the advertising rather than some confounding variables differentiating those who were and were not exposed.

  - Non-incremental methods like last touch attribution or counts of clicks or conversions lack a base-line to compare what happened in the presence of advertising to what would have happened without advertising. They cannot support claims that the advertising caused the sales or clicks.

- **Many businesses are "calibrating MTA or MMM" in conjunction with experiments to evaluate performance.** Calibrating these methods may not be as "rigorous as a randomized experiment" but **it allows advertisers to move up the Ladder of Incrementality "without abandoning the measurements that they already use."**