The Basics and Value of **Incrementality** and **Attribution** for eCommerce

FINCH™
Advertising Management

Sales happen. Even if your company did nothing to market its products, chances are you would make at least one sale a year.

But, as paid marketers, it's the efforts we contribute to revenue that matter to us and our company's growth. Those sales are add-ons to non-marketing efforts. They're the lift our efforts deliver in the form of conversions, awareness, growth, and/or revenue.

We measure the sales that happen because of our marketing efforts using **incrementality.**

We also use **attribution** to measure the touchpoints customers make to convert and that contribute to the success of our marketing efforts.

Incrementality and attribution are the ultimate keys to optimizing and proving the value of our paid marketing efforts. They also help us make the right decisions about where to spend, where to advertise, and what makes our customers convert. And they give us a way to show our company what we're contributing.

This guide digs into both topics to bring clarity to what they are and why they matter.

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Incrementality — What Is It and Why Does It Matter?

When your boss — whether the eComm director, VP of marketing, the CMO, or CEO — asks if what you're doing is working or if what you're spending is worth it, you need to have an answer. That's where understanding the basics of incrementality comes in.

What Is Incrementality?

Incrementality is a measure of the results from a marketing tactic or set of marketing tactics that wouldn't have happened otherwise. In other words, what marketing contributes to new customers, sales, revenue, or other goals.[1]

If 10 sales happen without marketing and 20 more sales happen because of marketing, you have the incrementality of your marketing efforts — 20 sales. Marketing has a 67% incrementality (or lift) and non-marketing has 33% incrementality. (Calculated as 20 divided by 30 and 10 divided by 30 respectively.)

True incrementality includes all marketing efforts — digital and nondigital — and touchpoints. It also includes earned, owned, and paid efforts, such as word-of-mouth and public relations and physical presence.

For example, a retailer that has a brick-and-mortar store will make sales solely from people wandering in off the street who had never heard of the store.

Incrementality is a measure of the results from a marketing tactic or set of marketing tactics and that wouldn't have happened otherwise.

Why Incrementality Matters

Incrementality lets us understand the value of our work. It also lets us prove its value. It tells us how to optimize our work to make it more valuable. It lets us see which channels, audiences, and/or campaign elements give us the most lift for our budget and make better decisions.

If your boss asks, "Do we need marketing?" or "Do we need to spend that much on paid advertising?" Incrementality lets you give him/her a definitive answer of "Yes! And here's why."

You can show him/her that while without marketing, the company brought in $500,000 in revenue, and with perhaps $400,000 in spend, **marketing added $1,000,000 more in revenue.**

In this example, the $400,000 spend may include all marketing efforts for your company, which may be more than just paid media spend. To measure true incrementality, you want to look at the

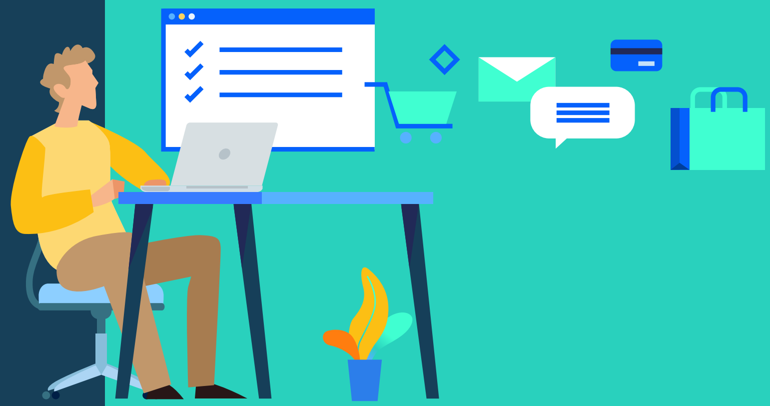
30 TOTAL SALES

10 SALES WITHOUT MARKETING

20 SALES WITH MARKETING

=

67% INCREMENTALITY



"Is marketing driving any revenue?"
— Your boss

"**Yes!** And here's how."
— You

"Did our Google Shopping ads make any difference to revenue?"
— Your boss

"**Yes!** Let me show you how."
— You

"Do we need to spend that much on Google Ads?"
— Your boss

"**Yes! And here's why.**"
— You

impact of all marketing efforts. That can be difficult if not almost impossible, and it's not necessarily your job.

Understanding incrementality is still useful. And there are ways you can measure incrementality for paid media.

Types of Incrementality

Digital marketing expert Avinash Kaushik uses three types of incrementality — from basic to broad — to help explain what it is and how to look at it.

1 Channel Silo Incrementality

Channel silo incrementality looks at the number of conversions you get without any advertising compared to what you get from a single channel. For example the number of organic search conversions you'd have had without a Google Ads campaign. And those you get as a result of the campaign.

Because it's limited to one channel, channel silo incrementality is not full incrementality across your company's marketing or even digital channel mix. It does, though, give you a good basic way to optimize and prove your spend on that one channel and see the impact of your efforts there.

Few paid marketing platforms offer channel silo incrementality data or reports. That is, they don't readily show you how your paid efforts compare to your organic results.

The exceptions are Facebook's Conversion Lift, YouTube Brand Lift, and YouTube Attribution reports, which is in beta in Google Ads. There are also ways to test channel silo incrementality yourself outside of these platforms.

2 xStack Incrementality

xStack incrementality looks at incrementality across digital channels with shared or overlapping audiences, such as Facebook and Instagram or Google display ads, YouTube video ads, and Google paid search ads. The lift from any one of these channels is reduced because, by default, the same audience sees the same ads. That makes it important to know which channel or channels gives you the best return on your spend and focus your spend and efforts there.

No solution lets you track xStack incrementality. To measure it, you need at least one, probably several, data scientists.

3 xChannel Incrementality

xChannel incrementality (or marketing portfolio incrementality) looks across your entire marketing mix — online, TV, billboards, you name it — rather than at one channel or platform.

Like xStack incrementality, there are few tools or platforms that can measure xChannel incrementality for you. You need a team of data scientists to do so. Your scientists can use geo experiments (AKA matched market tests), mixed media models (AKA marketing mix models), or multiple machine learning-based algorithms to test your xChannel incrementality.

"Wait," you say, "I don't have a team of data scientists." Never fear, there are ways you can do useful incrementality testing on your paid media campaigns without a team of data scientists.

You can do incrementality testing on paid media campaigns.

How to Test Incrementality on Paid Media Campaigns

It is possible to do useful incrementality testing on your own and with Facebook and Google Ads. No, you probably can’t test xStack or xChannel incrementality without some data scientists, but you can do channel silo incrementality testing.

Per Avinash, “Channel silo incrementality should be a specific and central part of your analytics strategy. Even a medium-sized business can use tools already built into advertising channels to compute incremental conversion lift or incremental brand lift. All you need to do is use the solution your ad platform provides.”[2]

The Facebook Conversion Lift Model

If your channel includes one or more of Facebook, Instagram, and Facebook Audience network ads, you can use the Facebook Conversion Lift directly or with Facebook measurement.

Facebook Conversion Lift randomizes your chosen audience into test and control groups.

The test group sees your ad. Facebook uses a pixel to compare conversions from your test and control groups. You see the lift, if any, for the group that sees the ad in Facebook Ads Manager.

The basic steps of doing conversion lift testing on paid media advertising.

1
DEFINE AUDIENCE

2
DEFINE TEST & CONTROL GROUPS

3
RUN AD/CAMPAIGN

4
COMPARE DATA

Apply a Conversion Lift Test to Other Channels

You can apply the Facebook Conversion Lift model to other channels. To do this:

1. Determine your audience.

2. Separate your audience into test and control groups. The test group will see your ad or campaign, the control group will see no ad or a holdout ad.

3. Run your ad or campaign and measure your conversions.

4. Compare the conversions on your two groups to determine the lift — or incrementality — of your ad or campaign.

Note, you need at least 2,000 conversions for your ad or campaign for a conversion lift test to be meaningful.

Run a Geographic Split Variation of a Conversion Lift Test

In geographic split testing, you use audiences in specific geographies, such as countries, states, cities, postal codes, etc., as your control and test groups. Your test geographies have similar characteristics to a control geography where no ads run. You then compare the conversions from your test and control groups to calculate your lift.

While not a perfect science because no two geographies are identical, this test is easy to do. It is critical to keep any marketing efforts outside of your test ad or campaign consistent during the test period to avoid skewing your results.

Incrementality

If organic search delivers 200 conversions while a paid shopping campaign delivers 500, our incrementality is 200 conversions or 28.5% while the incrementality of marketing is 500 conversions or 71.5%.

Attribution

If a shopper sees a display ad and later converts by clicking on a shopping campaign ad, a portion of the conversion belongs to — should be credited to — the display ad. Together both touchpoints contribute to our 500 conversions.

Other Test Options

You can do a variation of the geographic split test using any audience groups. This is called a holdout test. In this test, you test a campaign ad against a random ad, say for a nonprofit or something unrelated to your product.

If you're running ads on YouTube, you can use YouTube Conversion Lift (currently in beta) to measure the incrementality of YouTube ads on purchases, web visits, sign up, and other conversions. Google announced that it will roll out Conversion Lift testing for the Google Display Network (GDN) in the future as well.

Last Thoughts on Incrementality

Incrementality is important to show the value of your marketing efforts. But, paid media is complex in and of itself.

"Are our display ads working or are they a waste?"
— Your boss

"**They're working!** And here's how."
— You

"Should we stop doing paid search ads and just do shopping ads?"
— Your boss

"**No!** And let me show you why."
— You

"Do we need to invest ad spend on all of those channels?"
— Your boss

"**Yes! And here's why.**"
— You

So how do you better understand how your paid media efforts — especially for a single campaign, audience, or keyword — contribute to a conversion beyond just overall revenue?

The answer is attribution. Attribution is not incrementality. Where incrementality shows the conversions your marketing efforts result in. Attribution shows the touchpoints your customer makes before — and when — converting from a single marketing effort, such as one ad or campaign.

You could say that attribution shows all the touchpoints that lead to your contribution to incrementality. It's the ingredients that make up your contribution to company revenue or other goal.

Attribution: The Touchpoints that Drive Marketing's Incrementality

Where incrementality shows you what marketing is adding to company revenue or other goal, attribution shows you how your marketing efforts work together and how to achieve that goal. It looks at the touchpoints your customer makes leading up to — and when — converting.

When you know what makes your customer convert, you know where to invest more (or less) of your ad spend and what campaign elements are most successful. You see how to maximize marketing's incrementality. You know which channels are most effective and which channels combine to drive higher conversions. You can also tell your boss which channels are adding to your company's business goals.

Single-Click Versus Multi-Click Attribution

That all sounds simple enough. In reality, it can be complex.

There's rarely a single touchpoint for conversion. For example, the shopper sees a single ad and purchases.

Your true customer journey likely has multiple touchpoints that include online, offline, paid, earned, and owned channels. For example, your customer sees a TV ad, does an organic search, then sees a display ad, then a shopping ad, and clicks and purchases.

Multi-Click Attribution Shows the Touchpoints that Assist Your Final Conversion

Proper attribution includes touchpoints in all, or a good number of, those channels. That's the challenge. To explain multi-click, let's use the soccer analogy commonly used to explain attribution. If we look at all of the potential touchpoints with online and offline for a single goal, it might look like Figure 1.

In this example, every player touches the ball before the goal is made. Player 1 could be a TV ad. Player 2 an organic search. Player 3 a print ad. Player 4 a display ad. Player 5 a Google Shopping ad on which the shopper clicks and makes a purchase. Every touchpoint contributes to the eventual conversion.

To track all of that is difficult. You have to do marketing portfolio attribution analysis, which is not too different from marketing portfolio incrementality testing.

Figure 1. An example of attribution across multiple online and offline touchpoints.

That requires someone who can do advanced statistical modeling, like a data scientist or a team of them.

It's similarly difficult to track all online touchpoints. When one customer has touchpoints with your product or brand on his/her phone and his/her desktop across multiple channels it's almost impossible to track that.

Because of the difficulty of true multi-click attribution, as a digital marketer, you want to focus on what you can measure and control — your multiple paid digital channels and what you can track with the platforms you use.

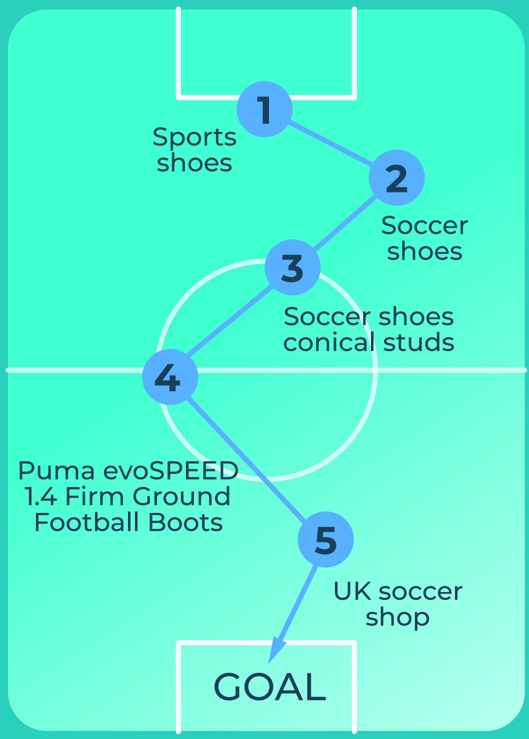
For a long time, last-click attribution, which gives full credit for a conversion to the last click the customer makes before converting, and last non-direct interaction were the only attribution models available to digital marketers. They're still the default models in Google Ads and Google Analytics, with last non-direct interaction the default model for multi-channel funnels reports.

Last-Click Attribution Misses Critical Data

The last-click model is flawed. To help make attribution and the flaws of last-click attribution easier to understand, let's use the soccer analogy to look at an online-only attribution path.

Figure 2 turns our soccer example into an online-only path. In this example, every player still touches the ball before the goal is made. Player 1 is a shopper clicking on a paid search ad when doing a search for "sport shoes." Player 2 is the same shopper

Figure 2. An example of attribution within Google's channel.



clicking a paid search ad for “soccer shoes.” Player 3 is the same shopper clicking on a shopping ad for “soccer shoes conical studs.” Player 4 is the same shopper clicking a shopping ad for “Puma evoSPEED 1.4 Firm Ground Football Boots.” Player 5 is the same shopper who searches for “uk soccer shop,” goes to your website, and buys those shoes.

To get a good understanding of your paid digital customer touchpoints, you want to set up a multi-click attribution model that accounts for multiple touchpoints rather than only one. There are limitations on tracking touchpoints across devices and platforms, but individual platforms are set up to give you a good look at attribution across touchpoints without a team of data scientists.

Common Attribution Models

Some of the most common attribution models are shown here. These models can be used for any channel — online or offline. For this paper, we talk about them for paid media.

Last-Click Attribution

Last-click attribution is a single-click attribution model. It gives full credit for a conversion to the last click the customer makes before converting. While easy to track, last-click fails to show the value of all touchpoints made through the customer’s journey. A broader mix of touchpoints drives most sales. Ignoring that mix can lead to reduced revenue. Last-click only looks at player 5 in the example in Figure 2.

First Click Attribution

First-click attribution is a single-click attribution model. It gives full credit for a conversion to the first click the customer makes. Like last-click, it fails to show the value of all touchpoints made through the customer’s journey. Worse, it ignores the final touchpoint that led to conversion. First-click only looks at player 1 in the example in Figure 2.

Multi-Click Attribution

Multi-click attribution (or multi-touch attribution) gives credit to two or more of the touchpoints that contribute to a conversion. Multiple sub-models include:

- **Linear** gives equal credit to all touchpoints (players 1, 2, 3, 4, and 5 in Figure 2).
- **Time decay** gives more credit to the most recent touchpoints — those closest to actual conversion and less to those farther away. The highest percent of credit goes to player 5 in Figure 2.
- **Position-based** (also U-shaped attribution) gives 40% of the credit to the first and the last touchpoints and divides the remaining 20%) evenly across the touchpoints in between. In Figure 2, 20% goes to players 1 and 5 and 6.67% to players 2, 3, and 4.
- **Data-driven** uses algorithms run on your data to show you which touchpoints (every player in Figure 2) should get credit and how much.

Attribution informs you about the channels or platforms to invest your budget in and where to pull it back.

The Benefits of Multi-Click Attribution

There's no one "right" attribution model. Last-click or first-click attribution work well if you want immediate information, have a short, simple customer journey, or are looking to test a specific part of your funnel.

But they don't tell the full story, particularly when you're advertising on multiple channels and when your customers make more than one touchpoint on their journeys to conversion.

Multi-click attribution gives you visibility into which touchpoints along the customer journey to conversion assist the conversion and matter most. That visibility lets you make smarter decisions about where to advertise and what to spend.

A multi-click attribution model also supports optimized bidding, whether using Google Smart Bidding or Finch™ bidding technology in the Finch Advertising Management Platform with Campaign Optimization.

Both platform's algorithms work best with access to conversion data across multiple touchpoints. More data points lead to better bidding decisions — the more data points the better the decisions. More data points also aid in device bidding, audience selection and segmentation, and search term/ keyword selection.

Whichever attribution model you choose, it's important to stick with the same model or models unless testing warrants something different. Why? So that you have consistent insight into what's working and what's not — so that you're comparing apples to apples and not apples to oranges.

For example, if you run brand ads and you use last-click attribution for a time and then switch to first-click, you'll see a decline in performance on your brand terms. That's because brand terms are used primarily at the end of a click journey. You may also see better performance on shopping campaigns because they're often used at the beginning of a click journey.

You want to be aware of how your chosen attribution model affects your data and interpret your data correctly. Understand that your brand isn't performing worse now and your shopping campaigns aren't performing better. You're simply not comparing your data equally.

Attribution is the identification of a set of user actions that contribute in some manner to a desired outcome and the assignment of a value to each of these events.[3]

Platform Attribution — The Basics

When looking at attribution across platforms, keep in mind that different platforms have different attribution models. They also have different attribution (also look-back or cookie) windows.

The attribution window is the time between someone interacting with your ad and taking action or converting, typically a purchase for eCommerce. As seen in Figures 1 and 2, multiple other touchpoints contribute to that final action or conversion. The time between those other touchpoints and your conversion is the attribution window. The attribution window available for platforms is generally from one to 30 days (See Table 1 below). That means that if your customer clicks on a shopping ad and doesn't buy for 40 days, the click won't be counted toward the final conversion in an ad platform that uses an attribution window of 30 days or less.

Table 1 shows the attribution models, the default attribution model, and the attribution windows available in the leading paid media platforms.

	Attribution Modeling Options	Default Setting	Attribution Window	Other
Amazon Advertising Last click	• Last click	• Last click	• 14-day	• Last click applies to any ad for Sponsored Brand ads, not a specific campaign • Amazon Attribution, a separate offer, measures non-Amazon Advertising, including search ads, social ads, display ads, video ads, and email.
Google Ads (Shopping, paid search, and YouTube)	• Last click • First click • Linear • Time decay • Position-based • Data-driven	• Last click • Last non-direct click for multi-channel funnels	• Customizable from 1 to 90 days for Search and Display • 30-day default for Search and Display • Unlimited for Smart Bidding	
Microsoft Advertising (formerly Bing)	• Last click	• Last click	• Customizable from 1 minute to 90 days • 30-day default	
Facebook (also Instagram)	• Data-driven • Even-credit • First-click or visit • First-touch • Last-click or visit • Last-touch • Positional • Time decay	• 1-day click • 7-day click • 1-day click and 1-day view • 7-day click and 1-day view	• 7-day click	• Limited to tracking 8 conversions — based on priority — per domain
The Trade Desk	• Last click • Last impression	• Last click or last impression	• 30 days for clicks ad impressions	

Bottom Line on Incrementality and Attribution

Both incrementality and attribution can be hard — if not impossible — to measure perfectly across your entire marketing mix of offline and online efforts. Understanding them and where your efforts fit in are important.

Incrementality and attribution for your paid marketing campaigns are relatively easy to measure at a basic level. When you do measure them and use a consistent model, you can use what you learn to optimize your efforts and prove the value of your efforts to your boss and your company.

About Finch and the Finch Advertising Management Platform

Finch empowers eCommerce companies to grow revenue and reach — **simply, powerfully, and scalably.**

With Finch Strategic Services and the Finch Advertising Management Platform, eCommerce companies are empowered to:

- Access actionable cross-platform reports for faster, smarter decision-making.
- Automate optimal spend across channels and platforms to meet business and growth goals.
- Continuously and automatically optimize campaigns at a granular level in ways that can't be done manually.
- Define business goals and the tasks needed to make them a reality and to track and communicate on progress toward those tasks and goals.

With Finch, driving revenue growth on Google, Microsoft, Amazon, DSPs, and Facebook is efficient, effective, and scalable. And Finch clients always have full control over and visibility and insight into what's working and what needs to happen next.

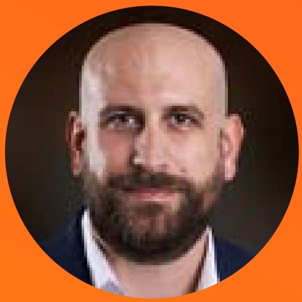
Contact us to see how Finch can help you with eCommerce revenue growth.

CONTACT FINCH

About the Author

Timo Bernsmann is the vice president of marketing at Finch. Timo joined Finch in 2014 as an independent reseller. He was instrumental in helping establish Finch in Germany. He has since joined Finch full time and been a key contributor in multiple roles. As the head of global marketing, Timo is passionate about the success Finch enables for clients and in helping Finch show eCommerce companies what Finch can do for their businesses.

Timo has more than a decade of experience in eCommerce and all aspects of digital marketing. He is a passionate speaker at webinars and regularly gives keynotes on digital topics at events and conferences in Europe. He and his family live in Munich, Germany.



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[1] Adapted from The Common Language Marketing Dictionary, https://marketing-dictionary.org/i/incrementality/.

[2] The Marketing Analytics Intersect newsletter, Avanish Kaushik

[3] Adapted from Attribution (marketing), Wikipedia, https://en.wikipedia.org/wiki/Attribution_(marketing)