



The role of search in IKEA's sales

Analysing the ROI from marketing for IKEA in Italy

OCTOBER – DECEMBER 2011

OBJECTIVES

To understand the effect of marketing on IKEA's sales, with a particular focus on the synergy between online & offline media activity and the effectiveness of paid search

METHODOLOGY

Econometrics modelling techniques to explain the relationship between different variables and their impact upon sales

Executive summary



Using econometrics, **IKEA's sales drivers can be successfully isolated and quantified**



9.7% of total value sales are influenced by controllable marketing factors



Television advertising has the greatest impact (it accounts for 4.6% of sales) and **paid search is the second highest marketing driver of sales** (in FY 2010 it accounted for 2.6% of total value sales)

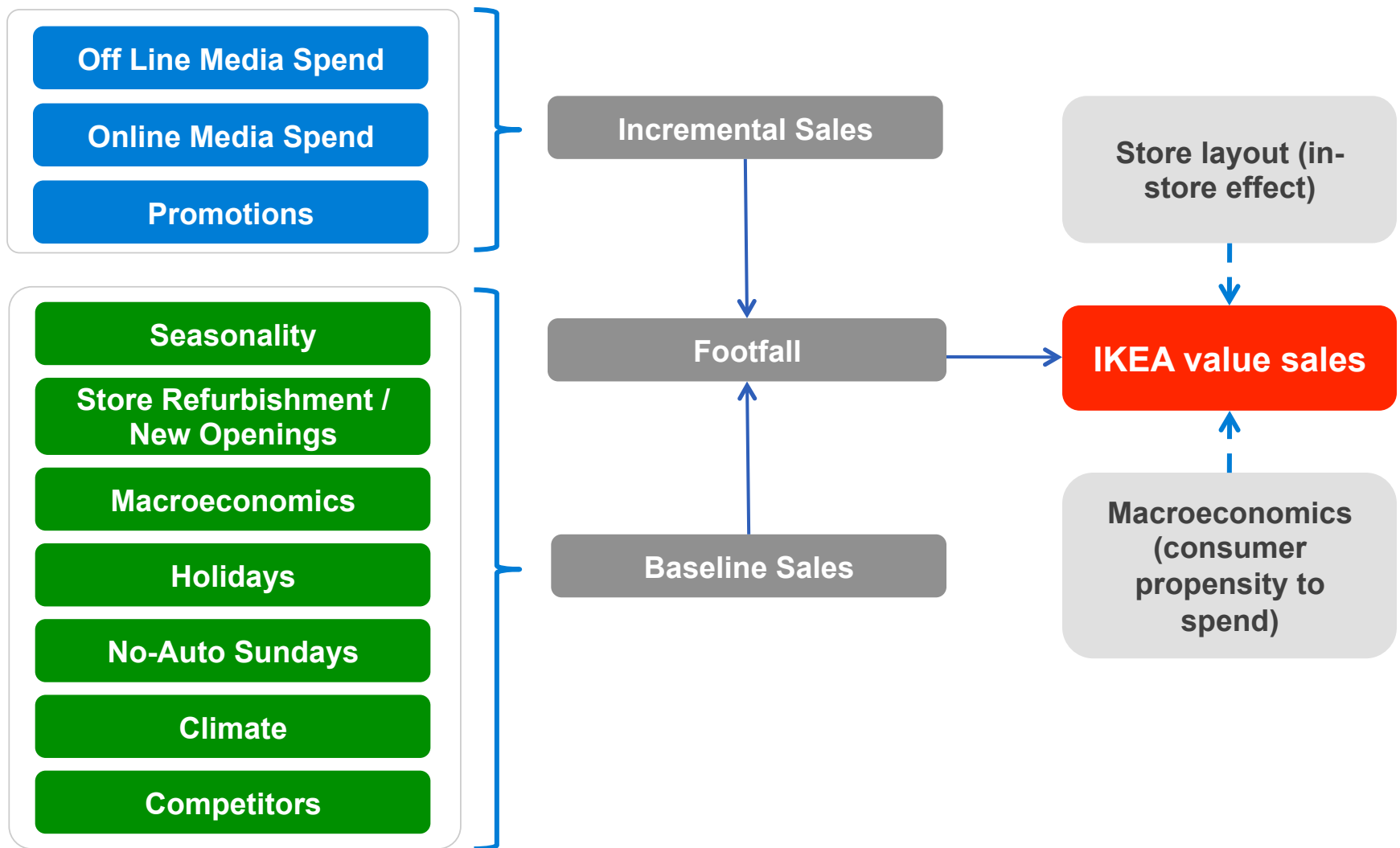


Paid search (keywords) are more effective at driving sales than banners



Television and paid search work in conjunction to boost sales, the two of them together boost each other's impact by 0.9% of total value sales

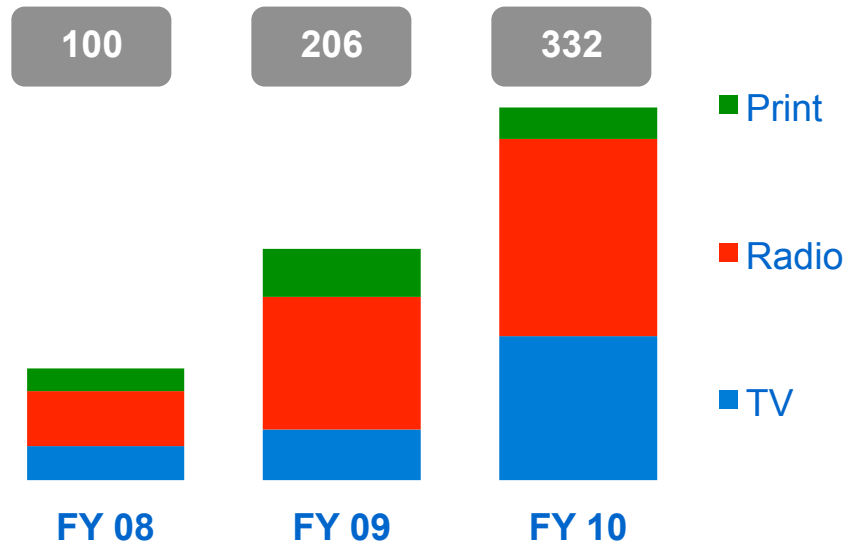
Inputs into the IKEA econometric model



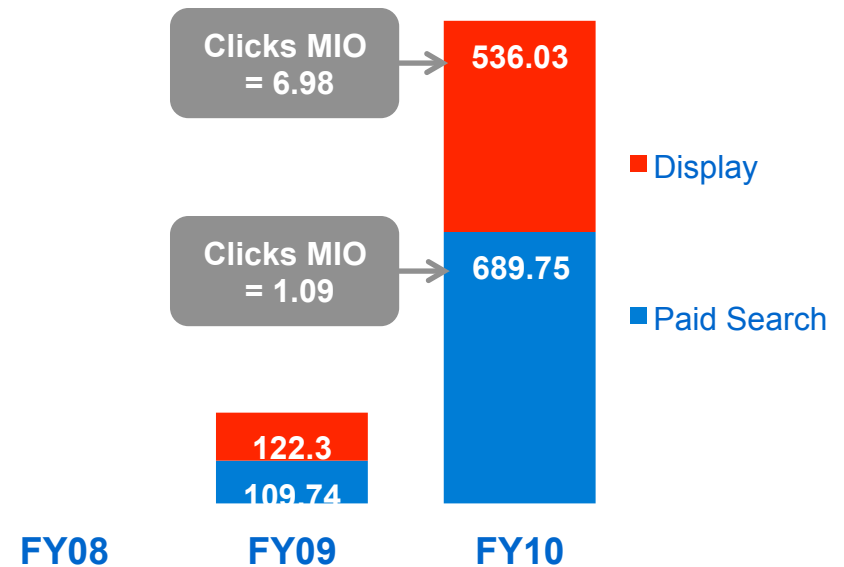
Both off & online media expenditure has grown

Significant growth in both online and offline media since 2008. Interesting to note comparable volume of impressions for banners & keywords but the clicks for keywords are 6.5 times higher than for display.

GRP MEDIA OFFLINE INDEX

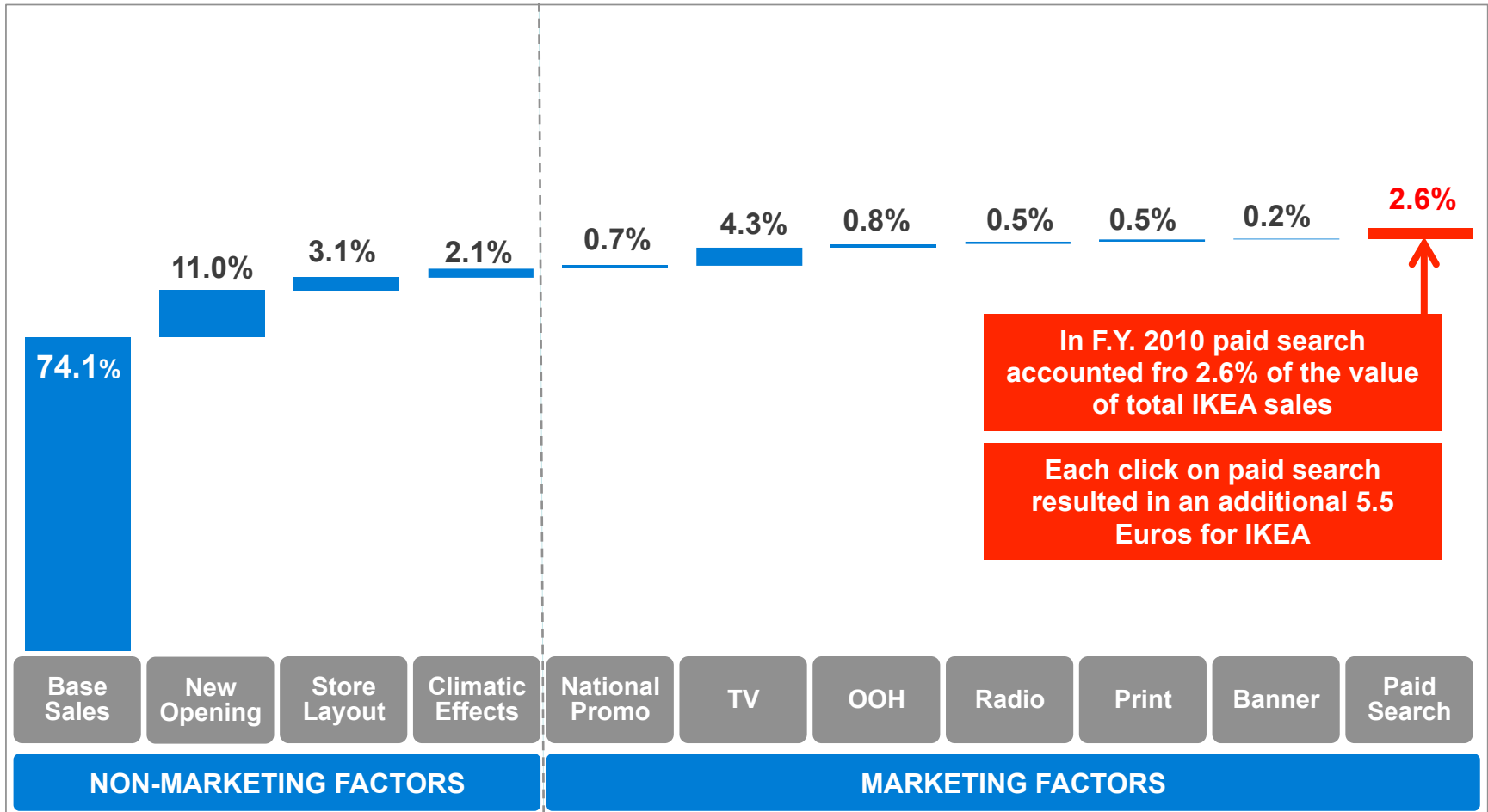


ONLINE MEDIA INVESTMENT: IMPRESSIONS



TV & Online are the biggest drivers of sales

90.3% of the total value sales in FY 2010 are not marketing driven however 9.7% of value sales are influenced by marketing activities (2.6% are driven by paid search).

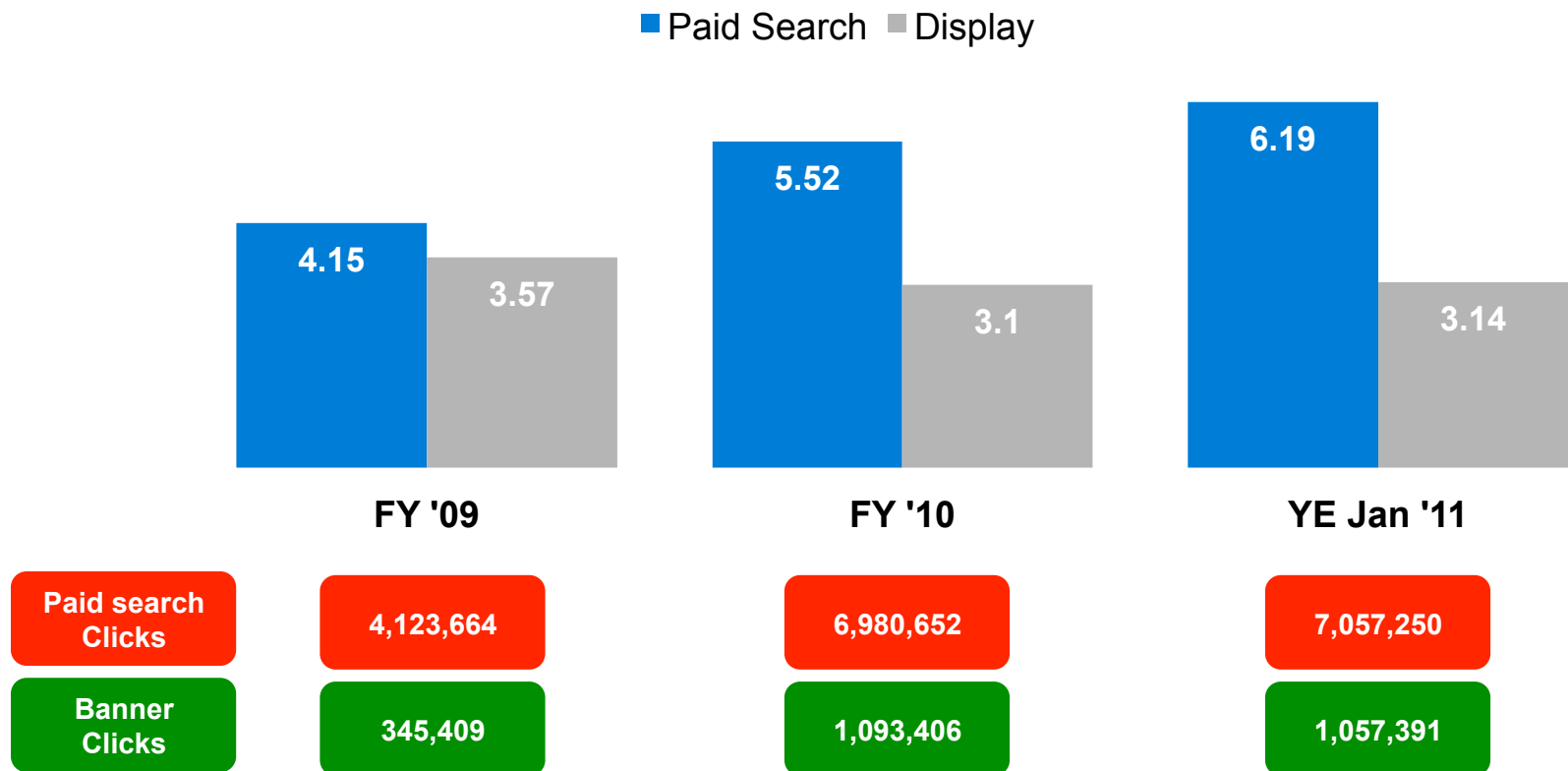


Paid Search proves more effective than banners

Paid Search shows a higher, and increasing, effectiveness per click vs banners. In FY'10, paid search clicks returned 5.52 Euros of gross sales per click vs 3.10 Euros for banners

PAID SEARCH / BANNER EFFECTIVENESS INDEX

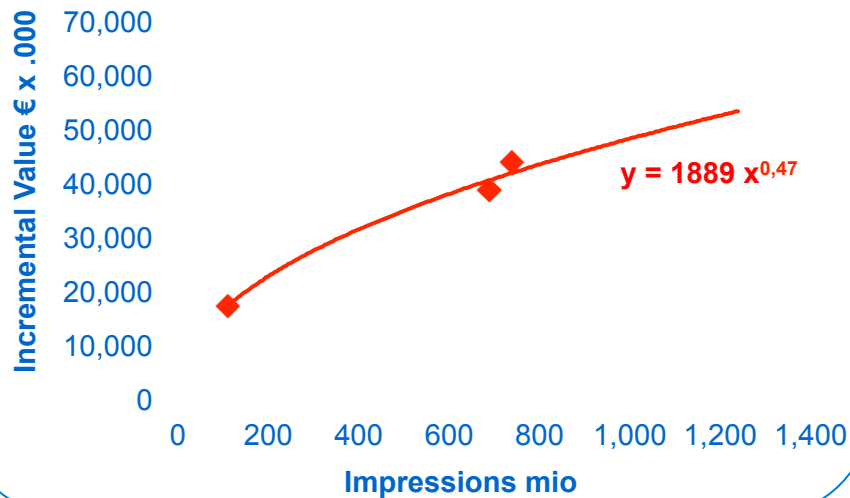
Ad sales investment x Clicks



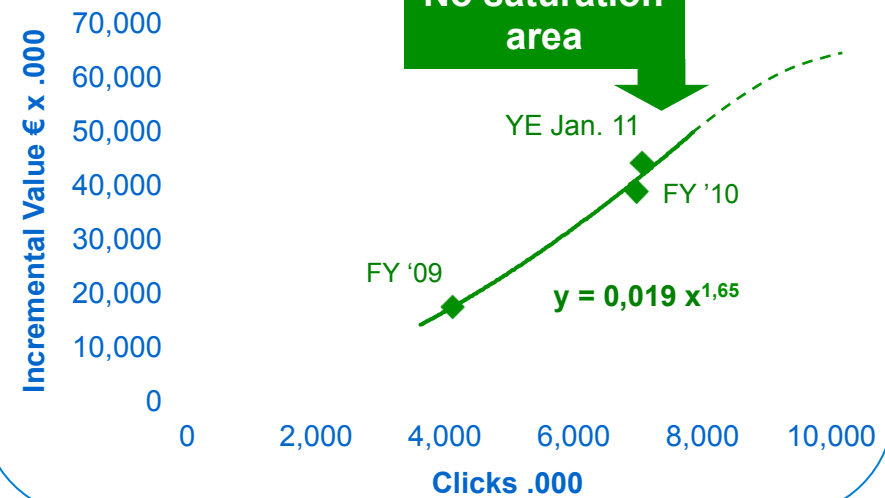
Paid search has yet to hit saturation

The point of diminishing returns has not been reached during YE Jan '11 for paid search (unlike television). Slight saturation has been reached by banners.

VALUE CURVE FOR IMPRESSIONS



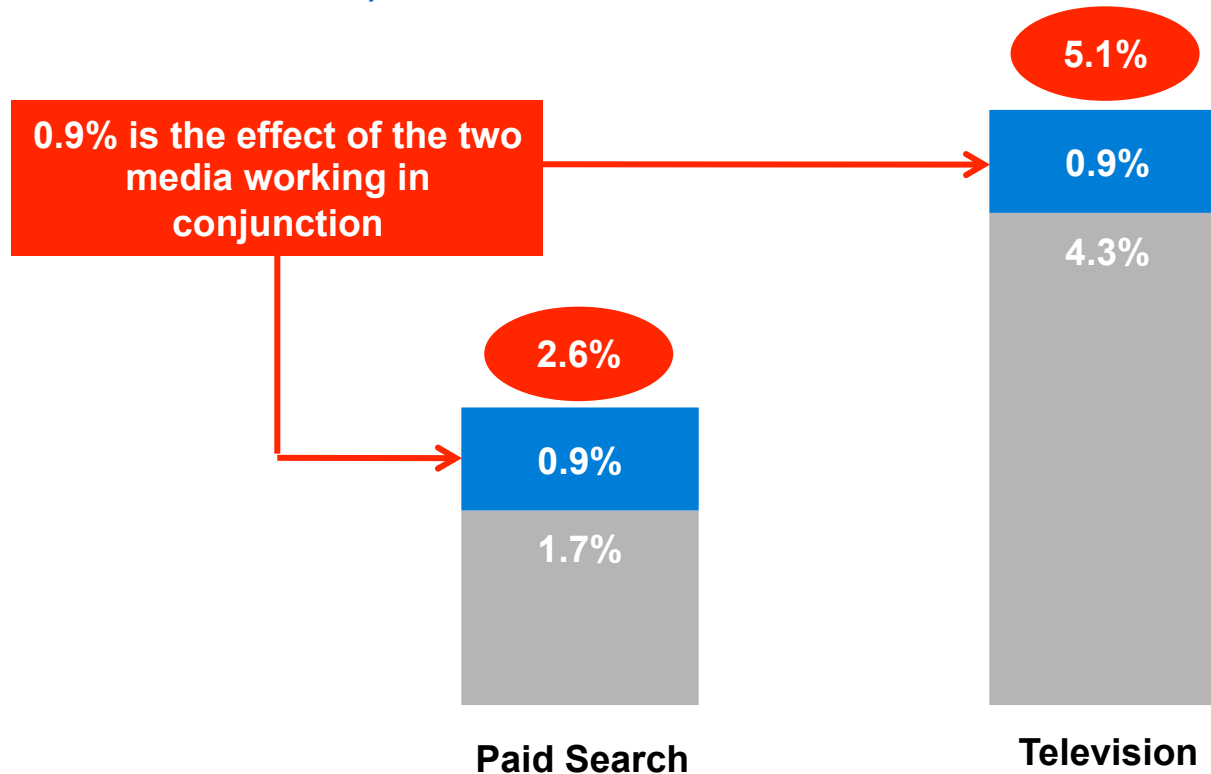
VALUE CURVE FOR CLICKS



Paid search & TV advertising work together

20% of TV's contribution to sales is driven by the synergy between it and paid search. TV also helps search to be more effective.

ADVERTISING'S CONTRIBUTION TO FY'10 VALUE SALES (100% = TOTAL VALUE SALES)



Increasing spend on search has positive impact on sales

Econometrics can model the impact of varying the balance between TV & paid search. 2 different scenarios were modelled removing GRPs from the TV plan and increasing investment in search. In both cases the prediction is greater return on investment

MODELLING ADVERTISING'S CONTRIBUTION TO VALUE SALES

