

WHAT ABOUT ZERO-BASED MARKETING?

WHY ZBM IS A VIABLE APPROACH WORTH CONSIDERING



©OYO.Digital - Global Zero-Based Marketing Specialists

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INTRODUCTION

Dear Reader,

Thank you for downloading our ZBM summary guide and taking the time to familiarize yourself with the concept.

During times of great change and uncertainty, traditional budgeting has become increasingly less “fit for purpose.” When the COVID-19 outbreak closed international borders and economies in March 2020, established budgets became unusable, forecasts unrealistic. It is clear now that planning and forecasting must be much more adaptable and agile than ever before.

The events of 2020 have provided an opportunity for marketing/media leadership and their teams to step back and ask themselves which aspects of their spending are actually working and what measures they should put in place to track impact. Marketing impact has always been notoriously difficult to measure, but new tools and technologies are making that easier than ever before.

Budgeting and forecasting is one of the biggest skills gaps in digital marketing. Many businesses therefore rely on the simplicity of traditional methods to budget for the future - increasing or decreasing budgets incrementally quarter over quarter (QoQ)/year over year (YoY) or basing them on a percentage of revenue. This process certainly caused challenges during the pandemic. Many of the challenges seen in 2020 have persisted into 2021 because traditional budgeting methodology lacks the mechanisms to adjust gracefully post-pandemic. The reality we currently face is that old budgets/expenses and traditional forecasting are too simplistic and have become irrelevant. Further contributing to challenges is the use-it-or-lose-it mentality that marketing teams have traditionally embraced. As a result, we often find over-inflated marketing budgets as teams focus on maintaining, consuming, and growing their budgets.

A ZBM approach simply requires marketers to re-examine their current practices and processes and to “zero out” those practices and processes that are not working. ZBM offers an enormous opportunity to provide a more intelligent framework to find, message, and engage new business prospects and to more effectively enable growth (arguably the most important aspect).

By adopting Zero-Based Budgeting (ZBB) principles, you can develop/create/adjust more accurate budgets that better address your company’s upcoming challenges, activities, and aspirations. It’s a flexible approach to budgeting that can be applied across all your internal departments and digital media channels, enabling you to look more closely at what has worked in the past while helping to frame current priorities and identify how you can grow your marketing capabilities today and into the future.

This OYO ZBM summary guide shares our experiences, opinions, and thoughts on how ZBM drives additional value, increases opportunity for growth, and reduces cost.

Kind regards,



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The question we receive the most is what is ZERO-BASED MARKETING (ZBM)?

ZBM?

You may be familiar with the concept of ZBB. While ZBM borrows elements from ZBB, however, ZBM is much more than a budgeting exercise. ZBM is a comprehensive approach to both cost and performance management. ZBM allows companies to quickly identify and remove significant, underperforming marketing costs. More importantly, ZBM enables companies to reallocate those savings to marketing activities that better align with sustainable impact (most commonly defined as growth).

**WHY...
'ZERO-BASED MARKETING'
IS A VIABLE APPROACH
WORTH CONSIDERING?**

WHAT IS ZERO-BASED MARKETING?
Zero-Based Marketing is a comprehensive approach that extends Zero-Based Budgeting principles to marketing categories across the enterprise – it can uncover opportunities for savings worth 10 to 25% of spending in certain categories, and these funds can be reallocated to higher-value areas.”

WHAT IS THE IMPACT OF ZERO-BASED MARKETING?
ZBM is ultimately a framework to setup operations within, to benefit and identify profitability and re-invest in higher ROI opportunities.

FOR WHOM IS ZERO-BASED MARKETING RELEVANT?
ZBM is a framework to setup operations within, to benefit and identify profitability and re-invest in higher ROI opportunities.

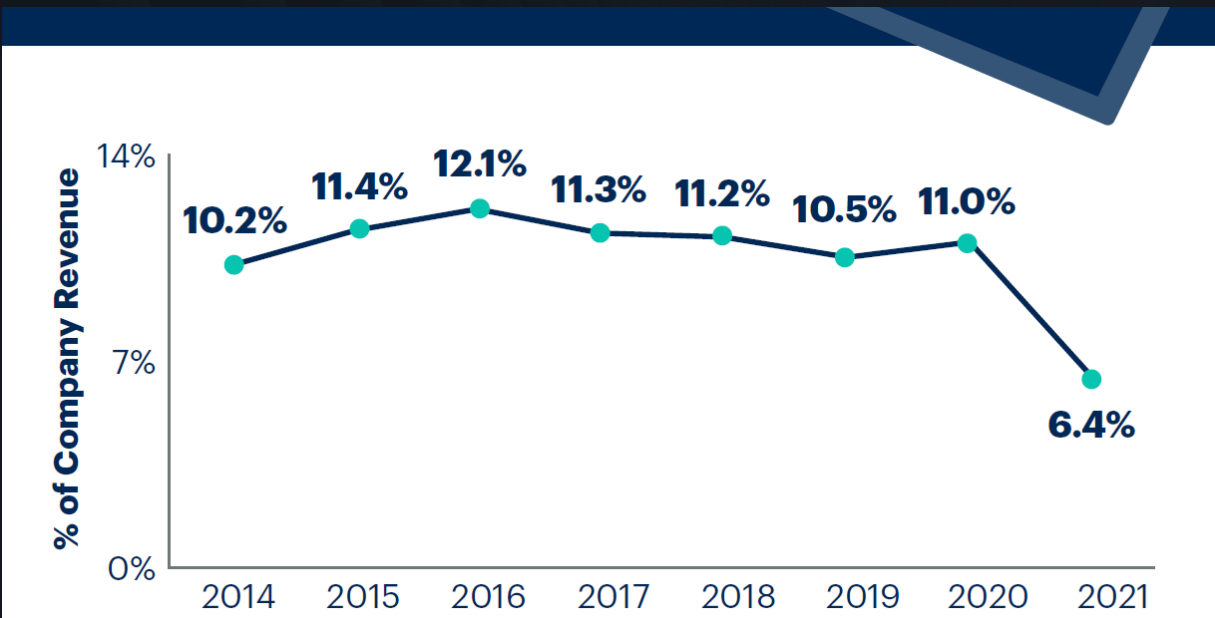
While there is no single formula for delivering growth, there is a common theme shared among successful, high-growth companies - a growth mindset. And these companies pursue it with vigor. Executives with a track record of growth consistently, relentlessly, and even obsessively focus on efforts that push their teams to enhance their organization’s growth trajectory. This growth mindset must become ingrained in the corporate culture, especially among every member of the marketing team, to ensure success.

Why you need to consider ZERO-BASED MARKETING (ZBM) as a viable post-pandemic option?

Declining Marketing Budgets

According to Gartner's latest report (CMO spend survey 2021), there are strong indicators that 2021 marketing budgets are experiencing the strongest decline in recent history (-4.9%) and are being reduced across all industries. Additionally, indicators show that digital channels are dominating, with ~72% of many companies' overall marketing budget spent on pure digital channels. Because companies and CMOs are moving toward a hybrid channel mix, this estimate most likely does not represent the actual total digital spend, as budgets are often dispersed across multiple channels, business units, and programs.

One other notable observation is that the in-sourcing trend continues as CMOs focus on reducing high agency spend. It has been reported (source: Gartner) that 29% of agency work has been shifted to internal corporate teams. This shift is very relevant to ZBM programs since ZBM should always be managed in-house. Citing an AdAge post and based on a GroupM survey - "Advertising revenue in the US is expected to increase by 22% to \$279 billion in 2021, a sign that the industry has turned a corner following uncertainty during the COVID-19 pandemic, according to GroupM's mid-year forecast.



Source: Gartner CM Spend Survey 2021

Digital advertising revenue will grow even faster, by 33%, in 2021 - building on last year's 10% rate of expansion - and account for 57% of all advertising in the United States. Total ad revenue will increase to \$388 billion by 2026."

Assuming reports, surveys, and forecasts are accurate, the numbers seem to indicate that CMOs and their leadership teams are reprioritizing their marketing channels, programs, and resources toward digital media and paid display. Although effort effectiveness is questionable, the redistribution was essential during COVID-19 quarantines; these shifts continue to be important in 2021 to ensure that companies remain competitive and efficient.

Why you need to consider ZERO-BASED MARKETING (ZBM) as a viable post-pandemic option? (Continued)

Declining Marketing Budgets

With the required marketing shifts, reprioritization, and challenges of 2020, traditional YoY budgeting and reallocation approaches have become obsolete. Continuous improvement and traditional marketing methods focus primarily on fixed costs (how do I reduce by X%, or what do I do with X% incremental budget?) and fixed marketing impact (how do I increase my impressions or clicks?); once the action has been completed, the next continuous improvement actions are taken. These traditional approaches were not designed to address the number of variables that 2020 and 2021 have introduced. Companies who continue to rely on arbitrary traditional continuous improvement processes for program optimization will struggle.

When traditional approaches fail to produce results, ZBM becomes a viable option. During times of struggle or crisis, you'll often hear people say that they need to "get back to the basics." Typically, this has meant falling back on proven approaches. ZBM aligns with this thought but adheres to a more structured way of arriving at the basics - one in which new concepts can be safely introduced. Before any changes are made, ZBM benchmarks, or re-benchmarks, marketing results. ZBM relies heavily on what we call "factual data" - the more comprehensive, targeted, and highly relevant data that is necessary to drive decision-making for improved results and greater, sustainable ROI. These new benchmarks then drive the highly informed factual discovery that determines your new "back to the basics." Additionally, while benchmarking, ZBM identifies marketing activities that truly contribute to strategic plans, which efforts should be prioritized, and new efforts that should be introduced. During benchmarking and discovery, ZBM also identifies which activities provide the greatest ROI and when and where valuable insights are lost because of over/under analyzing, fragmentation, or lack transparency.

ZBB has returned to popularity over the past several years, but it is often abandoned because of its complexities. However, as an extension of ZBB, ZBM's elegance lies in its focus on a single objective - optimize cost management to stimulate growth. ZBM isn't a cost-cutting method or exercise. Instead, it's a transformative and foundational mindset. ZBM enables and drives optimal budget decision-making to inform marketing cost optimization and media mix/budget reallocation. ZBM provides the information required to determine where to reinvest in high(er) ROI opportunities that drive growth. ZBM will also intelligently inform budget reduction decisions if and when your organization faces the forecasted 4.9% reduction.



-4.9%
YoY budget
decline



~72%
Spend on pure
digital channels



+33%
Digital ads growth
forecast (2021)



29%
of agency work
shifted in-house

How ZBM compares to continuous improvement and traditional budgeting?

OYO's 3 Key Considerations:

1. What are you working to solve? Are you focused on marketing budget reduction alone, or are you also trying to enhance results and spend allocation or reduce potential overspend on your digital advertising?
2. What level of executive support do you have or need? Do you want to make cost optimization foundational to your marketing?
3. How do you define impact? What impact do you want to achieve, and what is the purpose and value of that impact?

We have observed that most of today's issues and challenges relate to transparency - [data transparency](#), [budget transparency](#), and [results transparency](#) - all of which are required to better inform budget decisioning (and the speed at which these decisions can be made). Each informs how spend can be better allocated (where/how) and which analytics can inform decisions about goals, budgets, and KPIs.



ZBM is perfectly suited to correct these issues, but companies must be committed to [implementing a sustainable approach](#), [thought process](#), and [cost-performance management procedure](#). Companies must emphasize ZBM's importance to their marketing teams and may benefit from creating a center of excellence to maximize ROI.

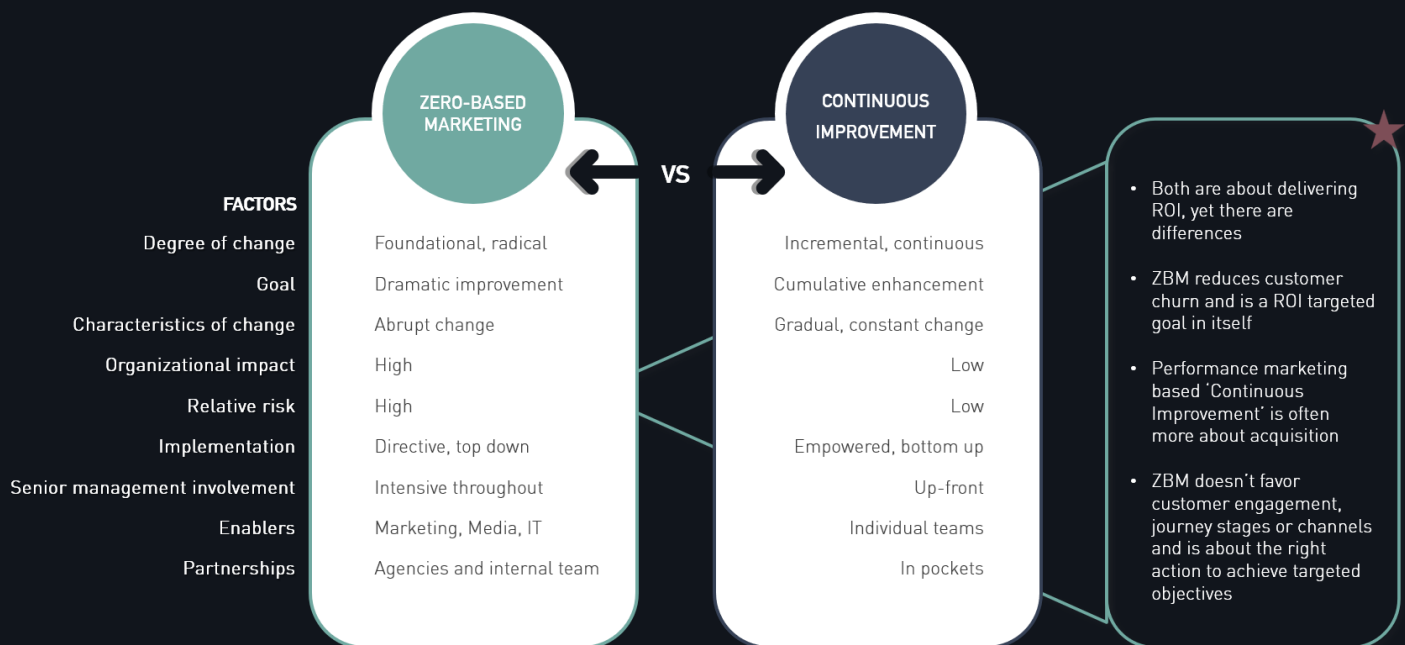
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How ZBM compares to continuous improvement and traditional budgeting? (Continued)

OYO's 3 Key Considerations:

ZBB has experienced a renaissance over the past five years and is now evolving into a zero-based everything (ZBX) approach that systematically addresses all of the challenges that businesses encounter. Although based on ZBB principles, ZBM is clearly more than a short-term cost-savings exercise; it enables marketing teams to be more agile, cost-efficient, results-oriented, and growth-focused. ZBM has evolved to perfectly manage all of the challenges that marketing departments encounter, effectively replacing traditional, continuous improvement efforts that result in ad-hoc improvements with ZBM's more systematic and holistic approaches.

ZBM is focused on driving transformative improvements - longer-term improvements where marketing cost management becomes a natural byproduct of optimized campaign processes and employees' collective involvement as budget owners (from the CMO through day-to-day execution teams). The global pandemic and now post-pandemic realities make ZBM particularly germane to companies; there has never been a better time to rethink planning and budgeting practices, starting with their core principles.



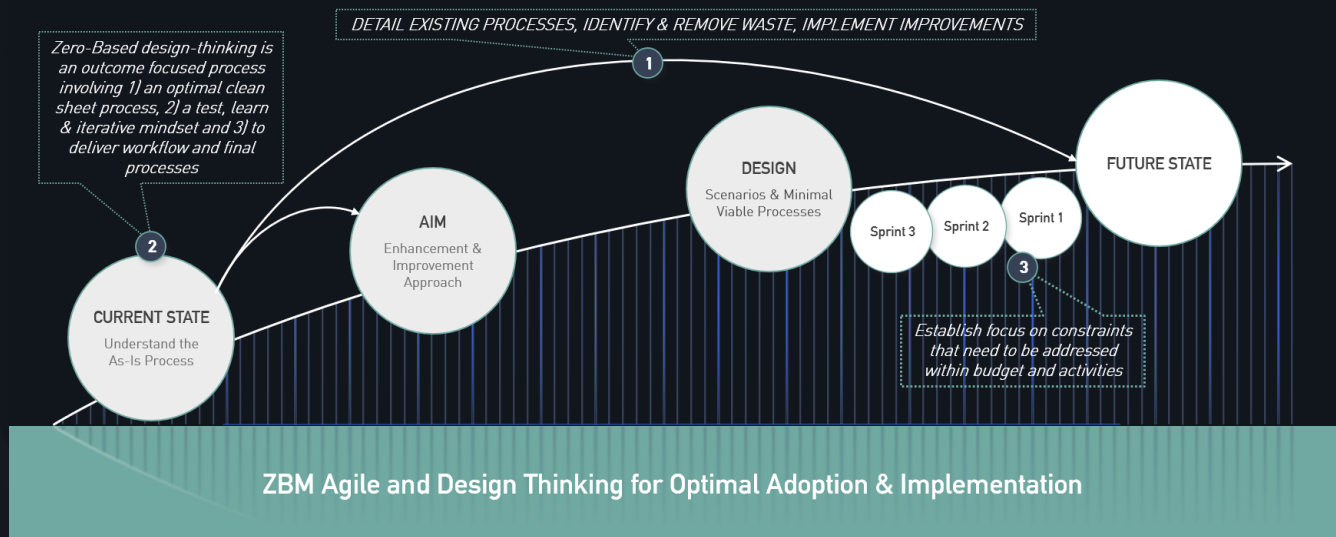
How to adopt and implement ZBM into your marketing organization?

Stages of adoption and implementation

Following a well-designed methodology by McKinsey, the initial phase always begins with a review of current processes, otherwise known as a current state assessment. You then build new ZBM-based approaches that align with your marketing priorities and integrate them with select viable elements from your existing approach.

After completing a current state assessment and re-benchmarking, a company must develop a Zero-Based Design (ZBD) plan. ZBD plays a key role in ZBM implementation. ZBD lays out the architectural framework that will achieve your ZBM objectives; it is entirely unique for each individual marketing organization. ZBD aligns teams, provides roadmaps and processes, and determines required sprints to implement ZBM. Some organizations require a fast, radical change. Others require fewer, less dramatic adjustments to implement ZBM.

In either case, ZBD is used to deliver sustainable and impactful ZBM performance improvements in marketing/media operations, in any industry.



As the exhibit above outlines, the speed and extent to which ZBM will impact your organization is directly related to how rapidly existing constraints can be eliminated, old assumptions can be challenged, and new opportunities and concepts can be identified and implemented. Ultimately, ZBM will remove waste and irrelevant legacy process.

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How to adopt and implement ZBM into your marketing organization? (Continued)

There are defined stages of adoption and implementation

By first defining your ideal future state and then applying design thinking to create your ZBD for ZBM implementation, you establish a very agile foundation for achievement. Future-state ZBM efforts must incorporate existing goals, future goal setting by senior leadership and budget owners, and corporate governance requirements. It must also effectively incorporate both new measurement systems and existing measurements/KPIs, effectively and efficiently analyze and measure impact, and publish achievements.

A particularly valuable benefit of ZBM is its capacity to identify redundancies in technology, process, roles, and even outsourced agency activities. Removing these redundancies allows you to implement new, more efficient methods, realign resource for efficiency, and reevaluate technical requirements. By doing so, you may also potentially be able to in-source for improved ZBD, ZBM, and ROI.

Cross-team alignment is critical for ZBM adoption and implementation. Every marketing team must first have a baseline understanding of what ZBM is and what it is not. The current state assessment and the future-state design plan can put ZBM into context both within your organization and within individual teams. The current state assessment and future-state design should be discussed broadly among stakeholders to help further define dependencies and codify functions cost/budget responsibilities. Building collaborative teams with aligned mindsets and goals will accelerate implementation, execution, and ZBM goal attainment.

IS NOT	IS
<ul style="list-style-type: none"> ZBM means building your budget from zero 	<ul style="list-style-type: none"> ZBM is a repeatable process to build a sustainable culture of cost management throughout the organization by using a structured approach to facilitate cost visibility, cost governance, cost accountability, and aligned incentives.
<ul style="list-style-type: none"> Implementing ZBM requires marketing to cut it 'to the bone' 	<ul style="list-style-type: none"> The degree of cost reduction is based on our clients top-down target. Each client's cost cutting reflects the size of its top-down savings target. In the most aggressive situations, it can be 30% reduction targets in year one vs. other situations that aim for 10% reduction targets to reinvest half of that into more high-ROI areas, therefore only taking 5% to the bottom line.
<ul style="list-style-type: none"> ZBM will overwhelm your business and prevent it from doing anything else 	<ul style="list-style-type: none"> Rollout of a new ZBM program is led by a central team and completed in 1 to 3 quarters; it takes time to embed a new cost-management culture into any marketing organization, the setup and rollout of ZBM has much more limited requirements. When unsure about ZBM's upside, pilots are designed, each of which can be customized to meet the client's objectives.
<ul style="list-style-type: none"> ZBM is not designed or irrelevant for fast growth-oriented companies 	<ul style="list-style-type: none"> ZBM is successfully used by growing companies to redirect unproductive costs to more productive areas that drive growth; ZBM is not a slash-and-burn exercise that cuts costs without regard for the expense. With visibility build into costs and change, it can be made to specific optimization and help the build up of marketing activity management.



How to adopt and implement ZBM into your marketing organization? (Continued)

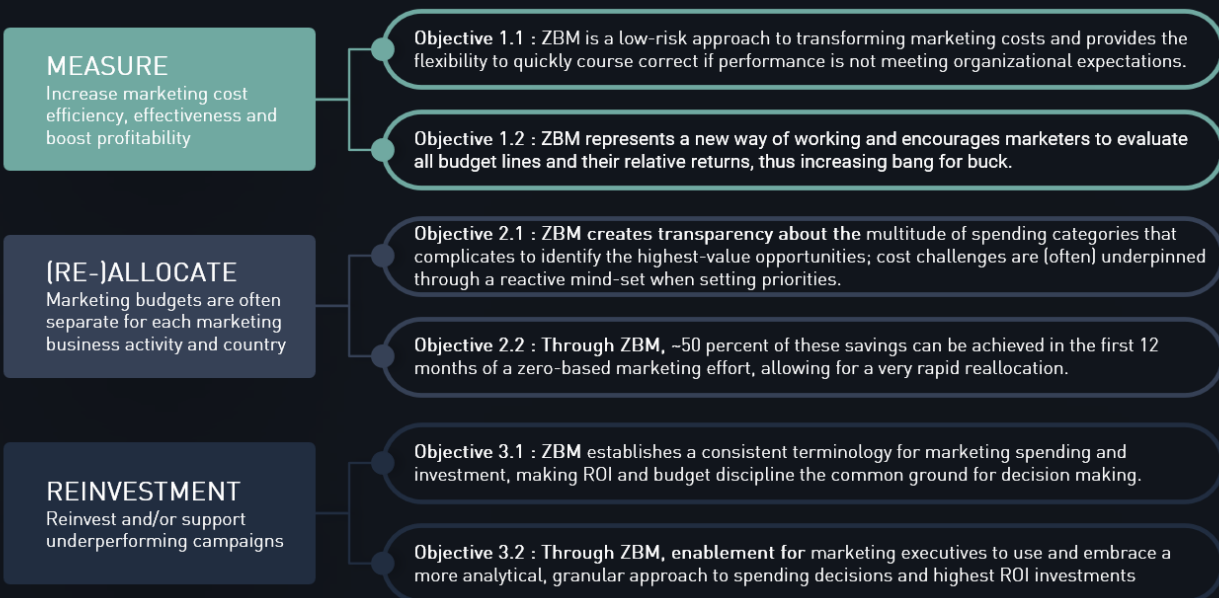
There are defined stages of adoption and implementation

ZBM, by design, is a highly disciplined methodology and approach. ZBM increases transparency to help companies recognize and understand which activities truly drive efficiencies and how best to adjust.

ZBM also applies the combined strength of newly identified tactics with accurate, factual data to enable better decision-making. With cross-team alignment and new benchmarked data, marketers can better determine how budget is best applied.

The transparency that ZBM generates reveals which investments are or are not contributing to the targeted ROI. As mentioned, identifying and removing low-impact, low-ROI activities will create budget surpluses that can be reinvested. ZBM will inform any reinvestment decisions by pinpointing new and latent high-ROI opportunities (such as uncovering new targets or accelerating customer journeys).

Ultimately, ZBM methodologies create a reliable, sustainable, and resilient system that is flexible enough to address today's requirements and tomorrow's challenges.



How to setup a holistic ZBM operations model?

Setup of ZBM Operations

With the complexities of today, optimization cannot be achieved in corporate silos. We cannot rely on yesterday's results to guide today's or tomorrow's actions. Keeping these principles in mind, OYO has built 3 distinct but connected services to support our client's ZBM efforts:

1. STRATEGIC & OPERATIONAL SERVICES

Our teams have been helping clients succeed in ZBM implementation for years. Our account teams work directly with you to organize, implement, and provide strategic direction. They coordinate with our data, technical, analytic, and production (media and marketing delivery) teams to ensure that they address everything required for your ZBM implementation. Additionally, they work with you to carefully plan each activity with limited disruption.

2. DATA SERVICES

Data sits at the core of all that we do. When available data is insufficient, we augment it with our own. We actively maintain and manage one of the largest B2B account databases currently available. We can build your total addressable market (TAM) or provide you with a list of start-ups to accelerate growth. All of this contributes to your holistic ZBM approach.

3. TECHNOLOGY

Our proprietary technology enables advanced analytics that bring transparency to cross-channel and media spend allocation. Our technology establishes benchmarks, enables identification of next-best audiences, and highlights growth targets - all of which are and contribute to higher ROI activities (such as our surge marketing approach).

Why are these 3 elements critical to ZBM?

These 3 elements enable OYO to design a holistic approach to how ZBM programs are set up, executed, managed, and evaluated.

Our methodologies enable structured operations; our data enable us to create the right level of insights; and our technology enables us to effectively deploy programs, make agile shifts mid-program, and govern throughout ZBM deployment and implementation.

Our approach improves upon traditional budgeting and/or continuous improvement efforts because ZBD is an outcome-focused process:

1. Leverage what works and introduce new ZBM processes through a clean-sheet methodology
2. Test, learn, and iterate, and
3. Deliver workflow and operational processes for superior execution.

A holistic ZBM operating model must also include:

- Established, consistent, and disciplined sets of terminology, processes, and approaches for spending and investment that govern effective decision-making
- Mechanisms that track ZBM growth targets, progress against these targets, and progress by owners

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How to setup a holistic ZBM operations model? (Continued)

Benefits of a holistic ZBM Operating Model

- The scope to enable and establish a consistent terminology for spending and investment, making ROI and budget discipline the common ground for decision making.
- Establishing a governance mechanism to track progress of the different owners against their commitments is a fundamental step to ensuring that growth targets are met because of the adoption of zero-based marketing.



ZBM can provide marketing executives with precise answers to their questions regarding efficiency and marketing cost management:

1. Do I have the detail and granular data views necessary for better decision-making?
2. What viable but realistically ambitious targets can I set?
3. What is driving marketing cost, and are there ways to control it?
4. How do I identify any marketing and media cost optimization opportunities?
5. How can budgets be reallocated to high(er) ROI opportunities without disruption or results degradation?
6. How do I track growth measures?
7. How do I govern process while understanding progress and impact?
8. How do I ensure that my end-state goals are top of mind?

ZBM's contribution to your bottom-line and ROI growth is our core objective. Our holistic approach brings the following disciplines to drive results:

- Access to tools built around a methodology that enables the ability to track operations and the progress it makes
- Always-on features that maintain focus on marketing, business, and ZBM priorities
- A holistic, transparent approach that baselines total marketing cost, including working and non-working costs
- Analysis to determine true customer engagement and velocity, as a path toward optimization

Digital Media & Advertising – offers the biggest cost savings opportunity through ZBM

High-growth organizations actively reallocate budget and invest based on facts and factual data, after which they adopt and implement ZBM

Companies use media agencies to manage a significant share of their marketing spend. Under increasing pressure to reduce marketing spend, companies are looking for ways to optimize. Meaningful optimization is often difficult because agency teams are more interested in, even incented to, maintain and increase historical YoY client budgets. This causes significant challenges due to competing company and agency priorities.

Exacerbating these challenges, marketing budgets and results are fractured. Companies frequently work with several agencies, a multitude of divisions and budget categories, and siloed results. This makes identifying high-value opportunities difficult. However, ZBM aligns agency and client goals and centralizes results as a fundamental part of the planning process.

To assist with the planning process and simplify ZBM, OYO has created several frameworks that support your transformation into a ZBM-based organization. These frameworks provide a systematic and structured way to sensibly focus ZBM's opportunities without disrupting results. For example, often expenditures are classified according to type (such as working or non-working) rather than point of origin (such as Marketing or IT) or, even more importantly, impact (customer acquisition, operational efficiency, etc.). Our ZBM frameworks bring once-hidden costs to the surface and expose waste created by agencies and partners. This added transparency, together with clear cost management and accountability measures, facilitates the much-needed focus on improving ROI. With this approach, companies can better identify high- and low-value digital advertising and marketing costs and make deliberate strategic marketing and budget allocation decisions.



Digital Media & Advertising – offers the biggest cost savings opportunity through ZBM (Continued)

Any company that spends \$10M+ annually on media needs a team dedicated to operations, structure, and execution. Whether managing media with a 100% in-house team or a combination of in-house and agency teams, these companies must rethink cost through a bottom-up approach across multiple areas of responsibility.

The four largest and most important areas of consideration are content (non-working), marketing campaigns (working), ad buys (working), and technology (non-working).



Improving the allocation process is about speed as well. Annual budget cycles aren't good enough anymore

Content... (Non-working Cost)

Content is one of the biggest marketing investments that any company makes. By carefully examining your working cost and your non-working cost, a great deal can be learned and even more can be optimized.

With ZBM, content investments and costs are budgeted bottom up. In this approach, the content budget owners should always consider their ultimate outcome: acquiring and retaining consumers across various segments. Retaining customers, especially new customers, is especially important. Therefore, companies must plan and budget for content acquisition or creation according to the audiences they are trying to attract and retain. Companies must also consider several other aspects:

1. Who are the target viewers per segment?
2. What content do customers want or need to stay engaged?
3. How much new customer acquisition and retention content is needed every week or month to achieve audience retention, engagement, and customer journey velocity?
4. What quantity of various types of content is required? On which channels will it be displayed? In what sequence will it be presented to audiences? How will you—or can you—identify diminishing returns?
5. How much new and reusable content is needed for each segment and channel at any given time?

ZBM enables organizations to determine total gross content needs across all channels. ZBM also helps to determine how much of this content can serve more than one distribution channel. As a result, companies can reduce the total number of unique assets they need to build or buy, thereby significantly reducing costs.

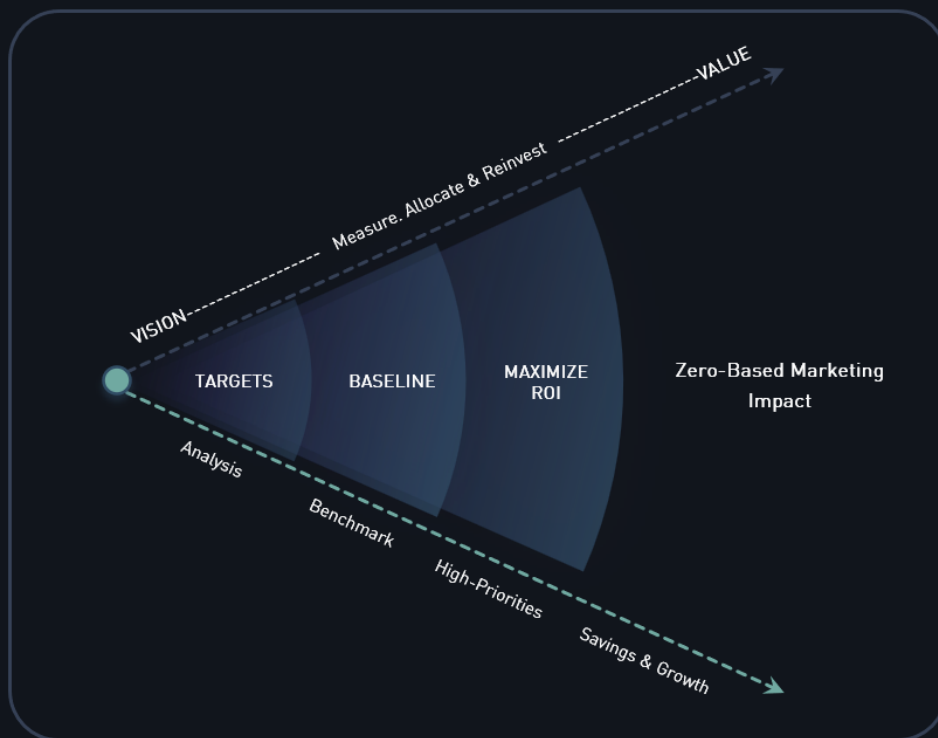


Digital Media & Advertising – offers the biggest cost savings opportunity through ZBM (Continued)

Some companies have balanced content costs, increased content cost predictability, and better understood output volume by assigning dedicated teams/employees to manage operations. Other companies entered the pandemic with multi-year, multimillion-dollar agency engagements, which have become increasingly common. Despite major market (and marketing) changes during the pandemic, companies still need these deals to demonstrate value. Post pandemic circumstances have set a high bar for profitable financial returns, especially now that marketing budgets are declining and digital ad spend is consuming most of the marketing budget.

“Fast growers actively track the performance of spend to rebalance allocations monthly or even weekly”

Working Spend (cost of advertising/content marketing)



When you consider advertising and content marketing costs as part of your working costs, you quickly realize that your working costs need to be far more transparent, your evaluation broader (to include agency contracts), your results more measurable, and your tracking more accurate.

Although assessing and measuring the value of content marketing spend and effectiveness is a challenge, every dollar you spend on non-working spend prevents you from delivering disrupting content that drives valuable impressions to higher ROI audiences.

“A recent McKinsey survey revealed that businesses are (or are becoming) more methodical about reinvesting funds found/unlocked through Zero-Based principles. These funds are, most frequently, applied to activities that drive growth. And these investments and practices outperform the market benchmarks. Notably, it is reported that more than 50% of these savings can be achieved and funds redistributed within the first 12 months of applying ZBM efforts. This allows for a rapid reallocation of funds to high(er) ROI marketing.”

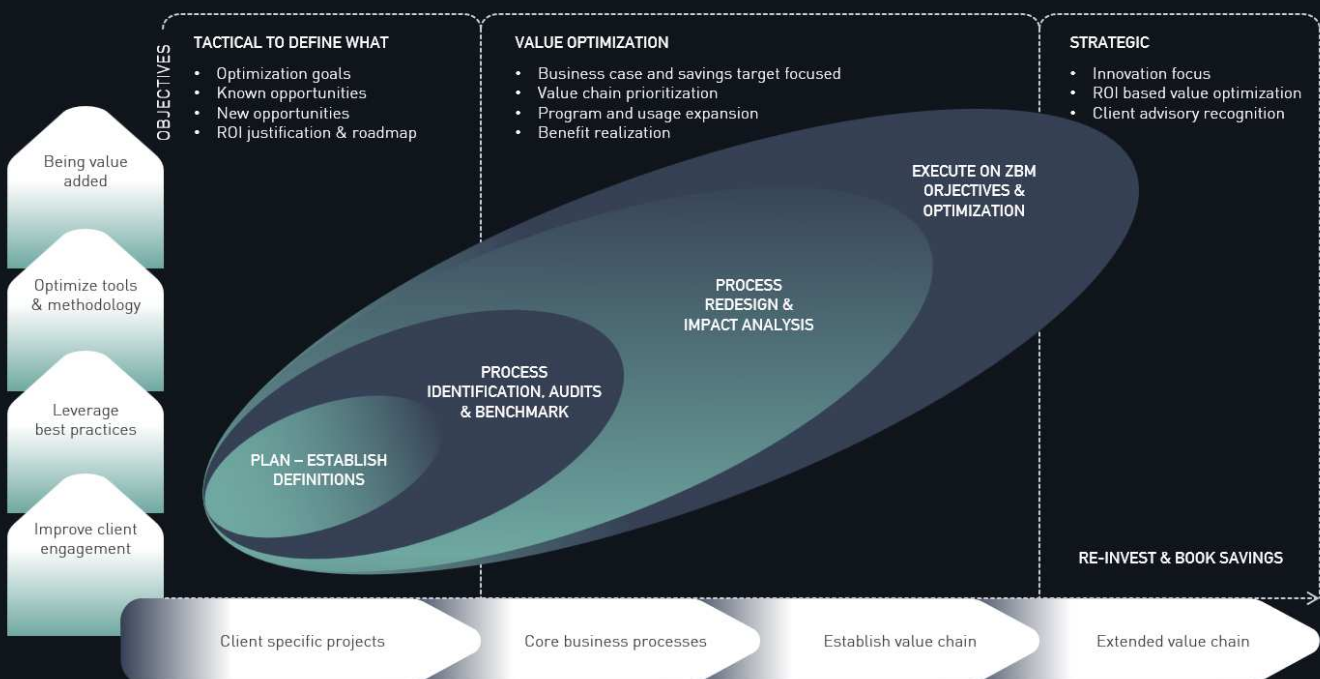
OYO's ZBM Value Proposition at work

ZBM as a Bottom-Up Growth Engine

To capitalize on ZBM's benefits as a transformational bottom-up growth engine, marketing organizations must approach ZBM with a growth mindset and must be receptive to ZBM's iterative processes in the drive toward future-state goals. They must *abandon traditional standards and behaviors* that often only drive short-term gains and focus on longer-term objectives that provide more sustainable improvements. Doing so does not preclude short-term gains; it provides the structure to better drive growth both now and in the future.

Do not confuse ZBM with growth and performance marketing. Growth and performance marketing focus on top-down growth that is often restricted to historical data that may not apply to the circumstances of today. In contrast, ZBM's flexible bottom-up methodology focuses on sustainable growth through dynamic budget reallocation, improved productivity, and increased ROI. Every step in the ZBM process is founded upon iterative processes that elicit and apply more and better-defined fact(s).

Since successful ZBM depends on fact, attaining these facts depends on an organization's willingness to integrate applicable frameworks, the zero-based designed, and the tools and technology that enables ZBM and growth. In the structured ZBM approach, we always start with ZBM planning and established definitions. Once complete, we focus on optimizing value or benefit within the system (higher ROI). Once benefit is realized, we explore additional innovations that can contribute to the value ZBM brings.



OYO's ZBM Value Proposition at work (Continued)

ZBM as a Bottom-Up Growth Engine

Our primary objective while working with our clients in the early phases of ZBM implementation is to ensure marketing team engagement in the process. During this phase we work with our clients to promote ZBM learning, including ZBM best practices, principles, and methodologies as we apply them to our client's specific marketing and process requirements.

Equally as important during these early phases, OYO works to define the tactics that will identify the WHAT that will drive results:

OPTIMIZATION GOALS

- We work with each of our client teams to understand their unique current-state marketing and individual future-state goals. OYO then applies ZBM principles to make necessary adjustments to the current state that will ensure future-state success.

KNOWN OPPORTUNITIES

- We always start with a benchmark exercise to provide an objective review of existing performance, efficiency, and allocation.

NEW OPPORTUNITIES

- The benchmark and performance audit will identify next-best audiences and potential targets that drive high(er) ROI opportunities

ROI PROCESS VERIFICATION & FORECAST

Based on the above three steps, we will work together to identify universal ROI benchmarks and ROI calculation methods. The ZBM roadmap that we then design will include several elements:

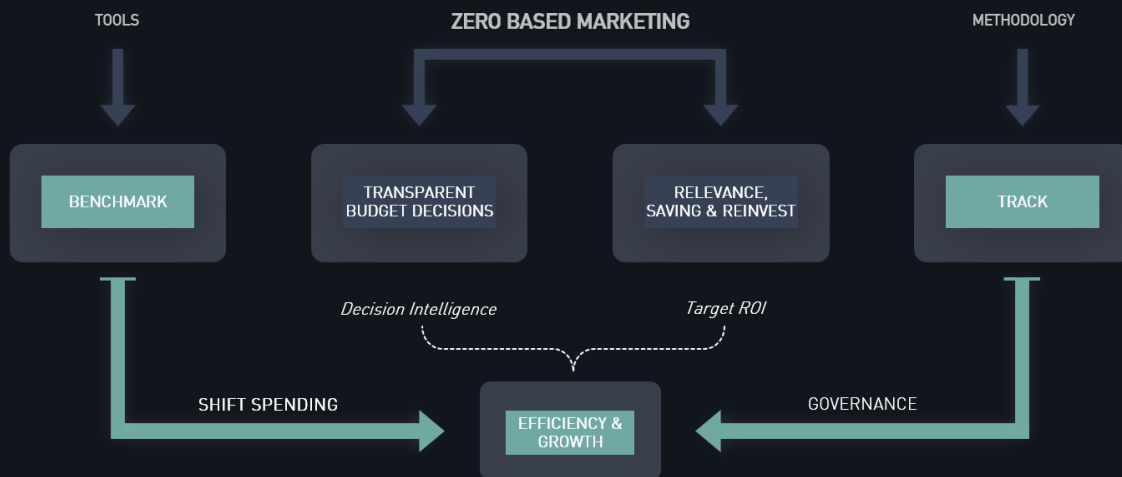
- A holistic ZBM plan that incorporates required organizational initiatives, including previously established and newly defined goals, initial processes/procedures, and internal communications plan
- A strategic plan that defines the scope of projects required to achieve established targets
- An impact forecast over four sequential quarters

Adopting and implementing ZBM can be rigorous, but it won't be (and never will be) disruptive to any of your marketing activities or results. ZBM is purely transformational, driven from within your organization, and based on an inclusive, collaborative approach.

OYO's ZBM Value Proposition at work (Continued)

Measurement = Knowing

We believe that "knowing" is critical. And "knowing" is established through measurement. Measurement leads to deeper, factual data that fosters optimal decision intelligence. This decision intelligence helps us understand what "good" looks like, where to allocate budget, and what will lead to optimal marketing cost management and efficiencies.

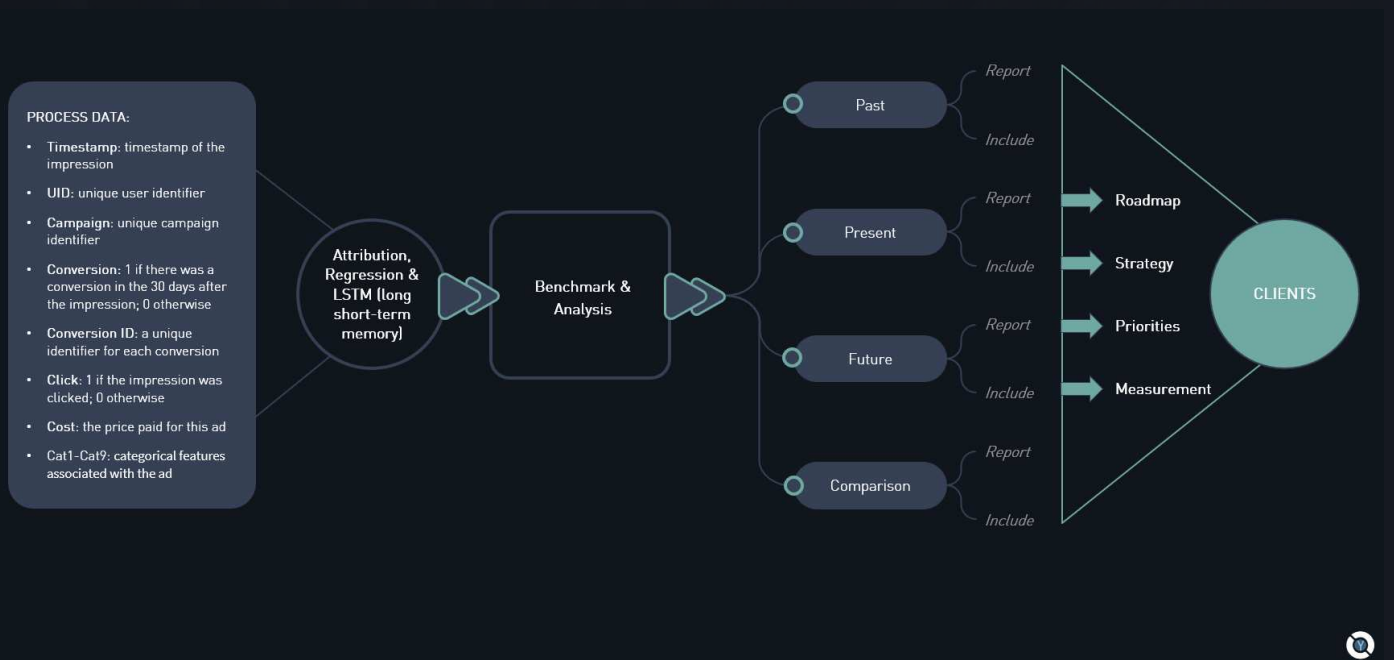


To enable and facilitate the ZBM thought process, we utilize our proprietary cross-channel media spend allocation platform to audit and establish insights. Insights use both current and future ZBM efficiencies to establish impact. When extending outcomes or impact into the next ZBM phase - *process identification, analysis, and benchmarks* - these results will function as the baseline for design through implementation. We next work with you on process re-design, impact scenario, and analysis to scope the key objectives that will drive value optimization where "knowing" includes the following:

- Focused business case and savings targets
- Value chain prioritization
- Program and usage expansion
- Benefit realization



Benchmarking as a ZBM result and direct Impact to your bottom-line



ZBM Enabled Through OYO's Tools & Technology
 OYO's technology uses four different weighting systems/models:

1. Baseline Last Touch Attribution (LTA)
2. Logistic Regression
3. Broad Long Short-Term Memory (LSTM)
4. Focused LSTM (e.g., campaign- or data point-specific, etc.)

Frequently each model is used independently to anticipate results and reallocate budgets, but we must determine which one drives the highest ROI.

We use multiple systems because each provides a different perspective or point of comparison that helps us validate which produces the best results and is fit-for-purpose.

OYO.digital's platform allows us to facilitate validation and simulate campaign execution using existing campaign data and assign new budgeting targets.

The OYO ZBM campaign simulation works as follows:

- We distribute a limited budget across all campaigns within a program using attribution weights.
- Using your historical program/ campaign data, we replay events (timestamped engagements) and decrement budgets accordingly.
- Once a campaign's budget is exhausted, all campaign activity stops. At this point, we model suppressions, diminishing returns, and probability of account conversion for all journeys to determine redistribution percentages.
- We calculate conversions and estimate ROI. If none of the campaigns in a converted journey run out of budget before the journey ends, this conversion will be counted explicitly.
- Lastly, we identify where budget is best invested by modeling a next-best-audience output to drive higher ROI

Benchmarking as a ZBM result and direct Impact to your bottom-line (Continued)

The ZBM approach is implemented using 2 simplified assumptions:

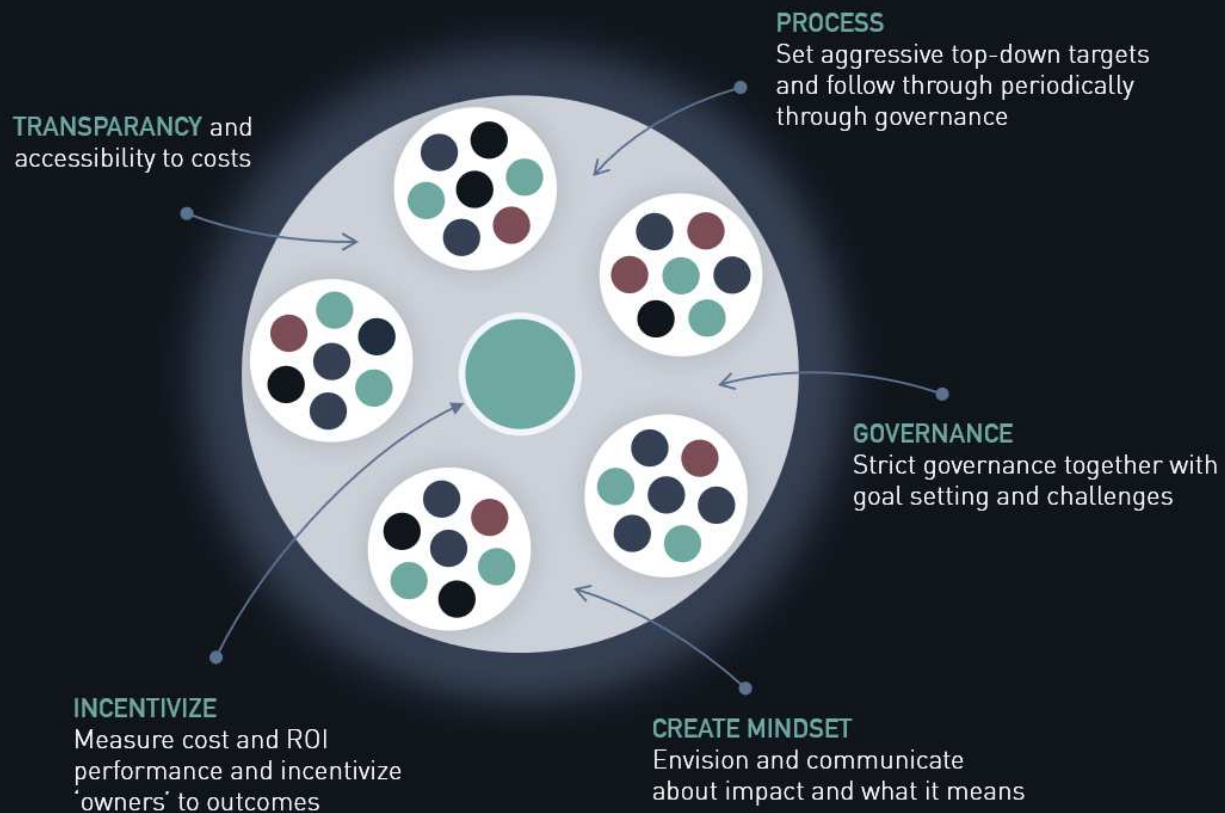
- The budget is defined as the number of events (impressions) for which you budgeted. For flexibility, impressions are used rather than actual dollar amounts.
- Once a campaign exhausts budget (or allocated impressions), any account that has not converted, no matter if additional journey events have been associated with that account in a given campaign, will not convert.

These assumptions are then included in a new lead simulation algorithm to generate new benchmarks. Results from this exercise can provide the information required to confirm if LSTM is the best model for budget (re-)allocation. It can provide the information required to understand if logistic regression performs reasonably well using the selected values. It can model LTA and help us learn whether LTA is performing well or not. And each model can be compared to the others. One possible outcome of this process might be that LTA underperforms in comparison to LSTM. We might also receive valuable information as to why a model underperforms, such as when campaigns at the beginning of a journey quickly run out of budget due to interest or over-consumption by a specific audience (creating diminishing returns). Upon completing a model assessment, the simulation algorithms will be adjusted and fine-tuned. Once campaigns/programs are launched, additional adjustments may be made in near-real-time based on the actual performance.

While the above is complex, our teams work with you and our proprietary SaMS (Software-as-a-Managed Service) technology to simplify both ZBM and AI/ML. The information received from this process will be transformed into *transparent, tangible outputs* that will be applied to your targeted ZBM goals.

A final word & considerations...

Interconnected, Critical Success Factors to ZBM



ZBM should sit at the center of all your marketing cost performance-improvement efforts. Once your organization adopts ZBM, you will be equipped to make fact-based, data-driven decisions that boost sales, reduce waste, and accelerate improvement year after year. The following elements are critical to your transformation as you implement ZBM:

- **PROCESS** – It is critical to set aggressive top-down targets and monitor these targets using governance processes
- **GOVERNANCE** – Organizations must align on and apply strict governance from initial goal-setting phases through the reporting, publishing, and sharing of final achieved outcomes
- **MINDSET** – A ZBM mindset aids in envisioning ZBM outcomes, clearly communicating ZBM's impact on marketing's efforts, and developing a true team understanding of ZBM efforts. Companies should incentivize a unified marketing team mindset when implementing ZBM.

A final word & considerations... (Continued)

Interconnected, Critical Success Factors to ZBM

- **INCENTIVIZING** – The fundamental shift from traditional marketing to ZBM may require additional effort by the organization to demonstrate its committed to ZBM; incentivized performance programs can significantly help engrain this transformative ZBM approach into teams and drive outcomes. For example, performance programs can incentivize individuals through outcome-linked cost measurement and ROI activity; goals can be as simple as a bullet-point committing to X% cost efficiency vs. X% growth as an incentivized target
- **TRANSPARENCY** – Organizational transparency in marketing costs/impacts will educate and empower employees/teams to better understand the implication and impact of ZBM on ROI and growth.

Long-term success with ZBM is only possible for those marketing leaders/teams who truly develop and approach all aspects of their work with an investor mindset. OYO.digital is uniquely designed to help you adjust to a ZBM mindset, strategy, and operations.

Kind regards,

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