Mutinex Marketing ROI Index

Q1 2025

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Marketers are walking the tightrope between effectiveness and efficiency

As we kick off 2025, marketers face tough choices around media investment. With budget allocations more uncertain than ever, do they scramble for efficiencies or stretch for effectiveness? And can they do both?

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Our latest analysis of over $2 billion in Australian marketing spend, using our aggregate marketing index, uncovers how these questions are being answered, with the emergence of new investment strategies that are seeing a large percentage of budgets reallocated YoY. But marketers seeking greater efficiencies must also beware of dwindling effectiveness.

What's driving change? Budget uncertainty is the new normal

Underneath changes to channel allocation, marketing investment data is telling a deeper story: the one constant is change. So this year, we have a clear mandate for marketers: to recalibrate their strategies to align with a landscape defined by complexity and uneven growth. Many marketers are already responding to the urgent need for change, shifting an average of 18% of marketing investment in the last two years, and as much as 45%, in an effort to navigate economic uncertainty while capitalizing on new opportunities.

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In 2024, Mutinex launched the inaugural Marketing ROI Index Report, with the ambition of providing the first fully data driven look at marketing investment and ROI trends. We revisit this data on a regular basis with up to date analysis and recommendations on how marketers can make the most of trends and troughs. This benchmarking report* will examine:

- Headline ROI Index numbers and their relationship to marketing budgets in the current environment
- The evolving relationship between media budgets and channel prioritisation
- Key opportunities to unlock incremental ROI in a tightening cycle

**For this benchmarking report, we have leveraged a pool of anonymized Mutinex customer data across a range of major categories. All marketing investment figures are baselined to 2021 numbers due to the greater stability of ROI across all channels in this time period. This approach allows us to provide an accurate view of investment levels and ROI trends both over time and across marketing channels. Critically, this view preserves the relative changes in investment levels during the pandemic and post-pandemic periods.

Part 1: The Cash Rate vs Marketing Budgets

With marketers continuing to operate in one of the most challenging environments in recent memory, it turns out that confidence is key.

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The January 2025 NAB Business Confidence Index which, which recently fell to -3, highlights pervasive challenges such as rising costs, supply chain disruptions, and diminished consumer demand. For many CFOs, media budgets are among the first areas scrutinised, leaving marketers being tasked to find growth while resources are pulled out from under their feet. “More with less” is a mantra many will be becoming sick of hearing as they navigate an industry that is seeing:

- Media channels evolving in their delivery capabilities
- Audiences migrating across platforms
- Opportunities to leverage AI

There’s no doubt these pressures are forcing marketers to be agile in their approach to investment. Before zooming in on how investment patterns might be impacting performance, let's take a look at Rolling ROI Growth (figure 1, below) and Rolling Growth of Media Budgets (figure 2, over page). In January 2022, indexed ROI was up c.38% YoY — but this improvement started to erode over the next year and a half, reaching its lowest point in August 2023, with growth up just 4%.

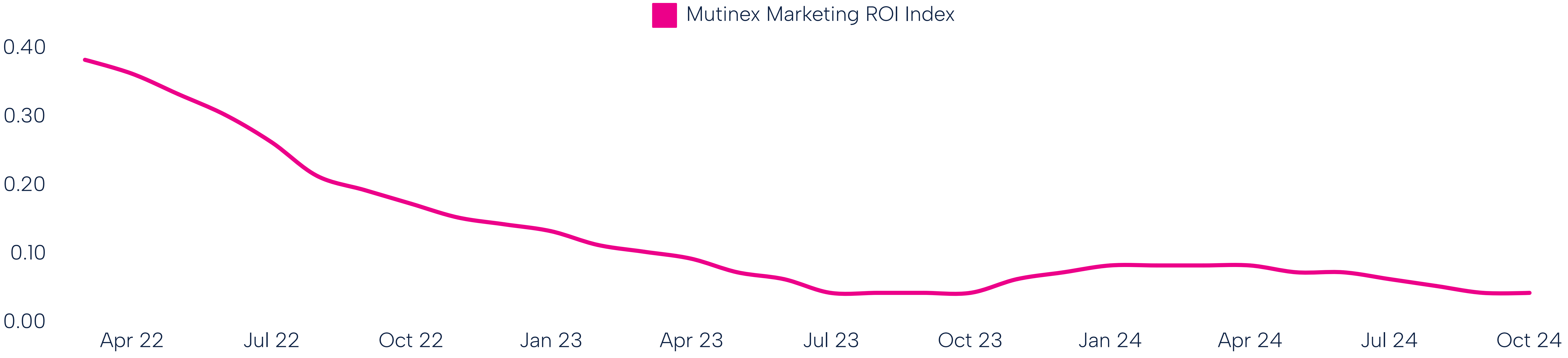

Figure 1.

One way to consider marketing ROI changes is through the lens of the broader economy, and how budgets might be impacted by overall economic conditions By looking at marketing budget growth against interest rates and comparing that to the ROI Index, we can see that the low point in budget growth (and ROI) aligns broadly to the beginning of a stabilisation of the previously increasing cash rate at 4.35% at the conclusion of 2023.

This stabilisation seems to have created a sense of optimism. Media budgets started to return to growth, driving an improvement in efficiencies, and peaking at an almost 10% improvement in ROI in February 2024. This improvement in efficiencies alongside growing budgets indicates that marketers may have been spreading themselves too thin across activities during the period of decline, making each investment less efficient in isolation and causing a flow on effect to overall ROI.

While the cash rate stabilised, it did continue to sit stubbornly high, and the optimism felt in early 2024 fell over the second half of the year as pressure on households remained. Growth in budgets started to falter, as did efficiencies and ROI growth, falling back to 5% in September 2024.

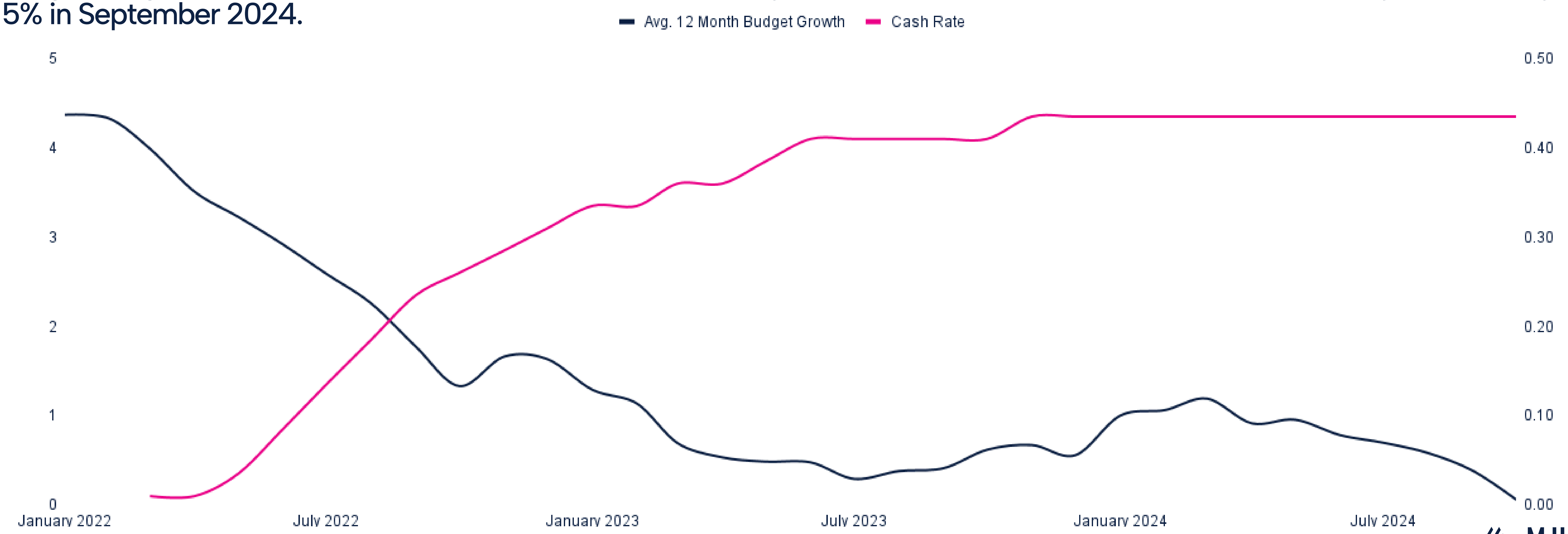

Figure 2.

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Part 2: Effectiveness versus efficiency

What does shifting budget mean for share of revenue? It's a mix of positives and 'proceed with caution'.

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Our analysis reveals that significant number of marketers are showing initiative by reallocating their channel investment and trying different things on a fairly large scale. This is a good sign — of an industry navigating new conditions instead of falling victim to them. On average, 18% of marketing budgets have been reallocated in the last year. At the higher end of the scale, up to 45% of marketing budgets are on the move year on year.

Overall we are seeing a pattern of investment shifting towards digital and programmatic offerings, which, reading between the lines, allows marketers to drive reach with more specific audiences at a lower cost.

This approach implies an agile mindset when it comes to shifting budget scenarios and may provide cost efficiencies on a channel basis that allow marketers to say “we are doing more with less”. However, a closer look revenue drivers reveals some orange flags to this approach.

If marketers are responding to uncertainty by moving into more targeted, flexible channels, some of these changes are proving more successful than others on a revenue basis. Figure 3 (below) shows us the change in the change in revenue delivered by channel in absolute terms year on year.

The biggest standout is linear TV. On average, while the share of spend dropped 7%, the share of revenue also fell, by 5%. And considering TV's sizeable contribution to overall revenue, this move could be creating significant risk. At the same time. throwing BVOD out with the TV bathwater is also not looking like a good idea, with the loss in revenue share hitting hard at almost 2%. Advertisers opting out of this channel to save on production costs for high quality TVC assets may want to rethink.

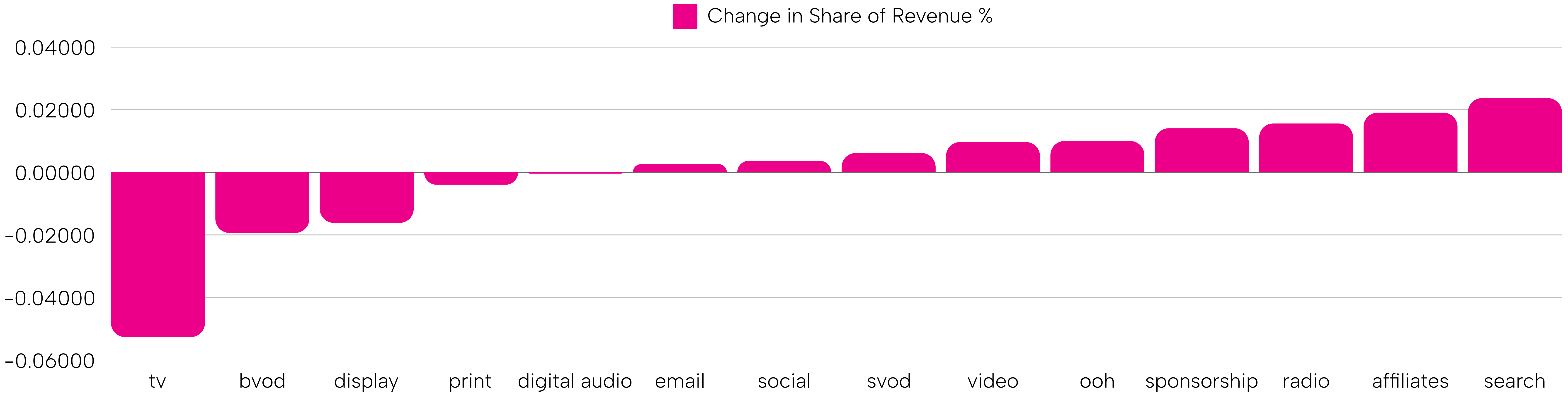

Figure 3.

Social stands out as failing to punch above its weight: average share of spend was up 1% but share of revenue increased by only 0.3%. Again, this may be because Social is no longer seen as just a performance channel, but as a high-reach, video-first brand building channel.

Radio was the best mass reach channel in terms of driving a share of revenue in excess of share of spend; while Affiliates and Search delivered the goods at the bottom of the funnel — but with limited activity filling up the top, these channels alone may not be building a sustainable future.

The upshot?
While marketers are focused on achieving media efficiencies (a worthy goal!) by reallocating budgets away from more costly formats, some changes have a bigger impact than a view of channel ROI alone would suggest. Although it's too soon to be conclusive, the shift towards digital investment is throwing up some orange flags regarding eroding revenue effectiveness. Marketers would do well to keep an eye on both. And they should continue to lead tricky conversations internally about the long term impacts of fluctuating budgets and reduced marketing investment on the bottom line.

Takeaways

As budget uncertainties persist, marketers need to consider recalibrating their media spend allocation frequently to figure out what's working and what's not. And the data shows that they're doing that. But when looking for savings, marketers must tow the line between efficiency and effectiveness if they don't want to erod long term revenue.

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1.

Uncertainty is certain

For the last 18 months, we've reported budgets in flux as the economy continues to struggle. While there's no end in sight for that general trend of uncertainty, there is optimism around media investment (and efficiency) showing some correlation with the official cash rate — which is seeing downward movement as of February 2025.

2.

Change or stagnate

Media channels are evolving in their delivery capabilities, Audiences are migrating across platforms. And there's real opportunities around implementation of AI. These pressures are forcing pivots to media plans. Encouragingly, on average 18% of media budgets have been redistributed over the last two years.

3.

Replan. But don't plan away effectiveness

Now could be the time for marketers to be bold with their changes to media investment. Budget pressures are here to stay, so replanning is the new normal. Smart marketers will see this as an opportunity rather than a hindrance, especially with the right new media mix. But they'd be mindful to keep an eye not just on changes to their ROI but also to their revenue (i.e. efficiency versus effectiveness).

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