TECHNICAL PAPER

Cookies versus Context: How Contextually Relevant Advertising Drives Consumer Impact; May Improve ROI up to 30%

DECEMBER 2017

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Executive Summary: Context Matters

JPMorgan Chase recently slashed its programmatic ads from 400,000 to just 5,000, and saw "little change in the cost of impression or the visibility of those ads," according to Kristin Lemkau, the bank's chief marketing officer.[1]

P&G cut up to $140 million from its digital ad budget earlier this year in a move to steer clear of objectionable content alongside its ads. Once again there was little downside to this significant decrease in ads. For the quarter, P&G brand revenue grew 2 percent on 4 percent unit growth.[2]

Both of these instances, and others like them, underscored the fact that many of these programmatically placed ads were highly ineffective. These recent events bring needed scrutiny to ungoverned programmatic technology, but also illustrate the importance of contextually relevant advertising. The obvious assumption in these two cases (and several others that reduced automated ad buying) is that the online viewers on websites with content that had little or no relevancy to digital ads that appeared there weren't good prospects anyway, rendering those ads largely ineffective.

The lessons learned here beg the question… can more purposeful and disciplined advertising that is explicitly designed to be more contextually relevant have an impact on sales and ROI?

IRI and the Advertising Research Foundation (ARF) partnered on an industry study to find that answer. The objective was to test a central hypothesis: An ad placed on a site with 1) higher thematic alignment with the brand and 2) high consumer attention, will have higher ROI than less-aligned ad buys. This research generated **four key takeaways.**

- **Programmatic ad buying is affordable but not as effective as other options,** and it can sacrifice topline growth for profitability.
- **There is no need to sacrifice that topline growth.** The study suggests that marketers need not be forced to make a trade-off between effectiveness and efficiency. Simply mixing in relevant context strategies can make for greater effectiveness, while still benefiting from the efficiencies of automation.
- **Context, attention, and alignment can increase sales lift and ROI.** When we drilled down on research findings to sales lift and ROI, the overall evidence suggested that context does matter.
- **The fundamentals are still vital.** The right target, message, frequency, and creative remain the foundational pillars of any successful digital advertising campaign.

[1] http://www.marketingdive.com/news/chase-experience-calls-into-question-effectiveness-of-programmatic/439383/
[2] http://www.adweek.com/digital/procter-gamble-cut-140-million-in-digital-ad-spending-because-of-brand-safety-concerns/

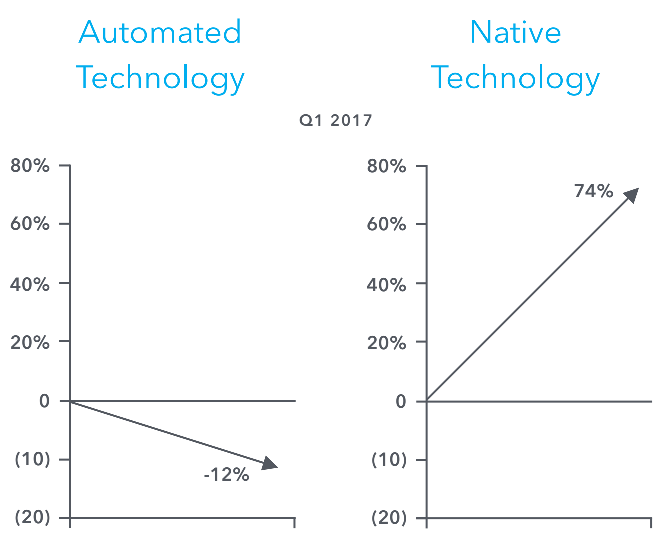
Merging Programming, Context Effects, and Relevance

Instead of concentrating on where an ad is placed or what the consumer may be thinking/feeling at the time it is viewed, programmatic ad buying is focused on who sees the ad. Advertisers can buy a consumer target, such as "sports fans," across sites, and impressions are auctioned off within milliseconds. Ad buyers can target by demographics, psychographics, behavioral attributes, or other variables. This innovation in automated advertising has allowed advertisers greater precision in reaching target audiences, and at greatly reduced ad buying costs.

Programmatic ad buying has evolved from search and display ads to many more mediums, such as video, with the capability to span across channels, and be viewed on desktops and mobile devices. Today, over half of all display ads are being purchased this way in the United States, with an estimated $32.56 billion—roughly four out of five ad dollars—being spent programmatically on display advertising this year.[3,4]

Although it's evident that programmatic ad buying has seen tremendous growth, recent concerns about brand safety and efficacy slowed things down in the first quarter of 2017—the number of advertisers using this automated technology for their ad campaigns fell by 12 percent year-over-year (see Exhibit 1). Not coincidentally, native advertising spiked that same quarter by 74 percent, which was the largest increase of any ad format measured.[5] Clearly, many advertisers are paying closer attention, not only to the online ad itself, but the content and platform surrounding it as well.

EXHIBIT 1



Another common ad buying practice is contextually relevant advertising. This approach has long been practiced in the television industry, but not carried over into the digital universe as definitively. During our comprehensive literature review, it was evident that "context effects" enhance advertising effectiveness. (We define context effects as the content prior to the ad, or the medium or platform on which the ad is served.)

Context effects are useful in directing the consumer's attention from the content to the ad. In the process, there is a strong potential to influence the emotional state of the viewer. Bringing that potential to reality depends on the degree of alignment between the content and the ad creative. Unlike programmatic buying that focuses on who the target is, this approach puts the emphasis on where the ad is placed and the likely mindset of the consumer at the time the ad is viewed.

So, as we look at the dangers of sacrificing topline growth with cheap programmatic buying, and the rise of more content-relevant approaches, it may be that the merging of both approaches can offer ad buyers both efficiency and effectiveness.

> "What people see before your ad could be as important in influencing their decision as the ad itself."

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[3] https://martechtoday.com/martech-landscape-what-is-programmatic-ad-buying-157453
[4] https://marketingland.com/80-percent-us-display-ad-spend-programmatic-212780
[5] http://www.businessinsider.com/programmatic-ad-buying-declining-native-advertising-increases-2017-7

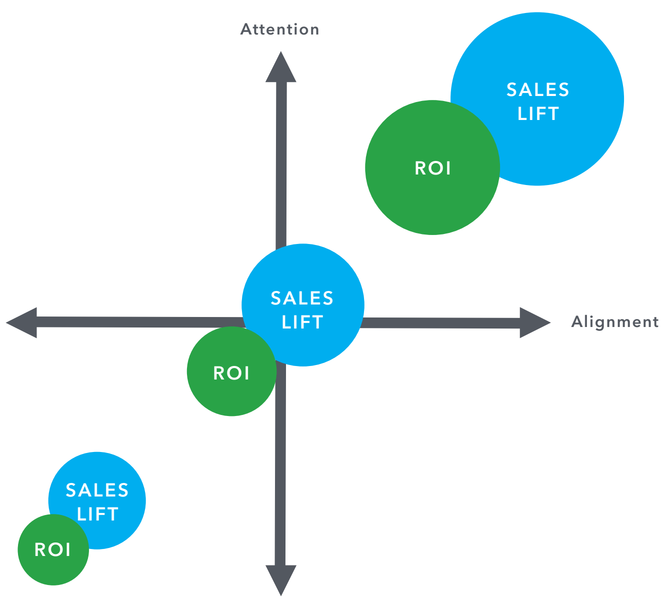
The ROI of Contextually Relevant Advertising

The IRI/ARF study included three major CPG brands across food and non-food categories and analyzed 20 breaks across individual campaigns. To determine the context of advertising, campaign breaks were grouped as high (H), medium (M) and low (L), based on alignment and attention, using alignment of publisher to brand, and average time spent on publisher site, respectively. The scope was desktop and mobile ad placements, both display and video ads, running from the third quarter of 2016 through the first quarter of 2017.

Dubbed "Cookies vs. Context: Maximizing Media ROI," it also included a pre-research comprehensive review of the existing literature, as well as never-before-published studies—more than 75 articles, papers, and proprietary presentations on the topic of context effects. We refined our hypothesis from that review, and then commissioned original research based on that hypothesis.

The central hypothesis for our study was simple: **Ads placed on sites with 1) higher thematic alignment with the brand and 2) high consumer attention, will have higher ROI than less aligned ad buys (see Exhibit 2).**

EXHIBIT 2



In addition, the study sought to answer several relevant questions. **How much do these context effects enhance ROI, particularly in the digital ad space?** And, given the research evidence on the importance of targeting, **do the benefits of more precise targeting outweigh those of serving an ad in the best context, and what is the right balance?**

Alignment

To determine ROI at the publisher level—including the smaller publishers in the study group—the campaigns were measured using IRI Lift™, a real-time advertising solution that measures offline sales lift at a granular level to enable such analyses. By linking ad exposure to offline sales at the household level, IRI Lift identifies opportunities for brands to reallocate spend and/or tweak other campaign elements mid-flight to increase impact and boost ROI.

For each brand and publisher, sales lift impact and ROI were indexed to the average for each campaign. A cross-brand campaign index was determined across H-M-L groups. Premium video ads and retailer websites where consumers came close to a purchase decision were considered highly aligned. Where programmatic buying occurred, alignment was considered to be low.

Attention

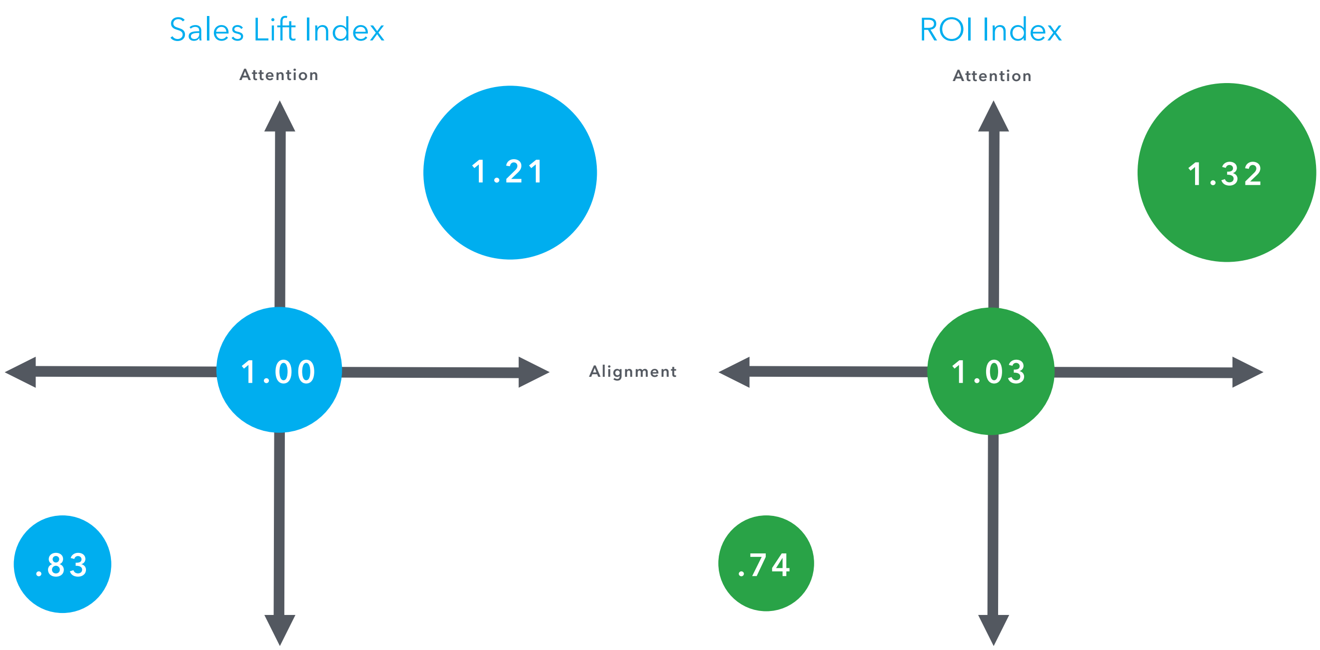
Average time spent, unique visits and number of unique visitors to that publisher were examined to determine the level of attention.

Key Research Findings and Insights

The protocol described above gave us an accurate gauge of alignment and attention. Naturally, publishers that recorded high alignment and high attention were considered to have high overall context. And those with low alignment and low attention had the opposite designation.

Overall, the research showed that the **hypothesis appears to hold** – greater ad-content alignment and attention can bolster sales lift and ROI in aggregate – and confirmed that context can impact advertising perceptions and effects. Aggregating across 20 different digital campaign breaks on multiple desktop and mobile publishers, the more highly aligned executions did show a higher sales lift and ROI than lesser aligned executions. In fact, the results showed that **ROI can be improved by up to 30 percent when attention and alignment are part of the advertising strategy** (see Exhibit 3).

EXHIBIT 3



High Variability Mixed in With Results

Although the hypothesis appears solid, as we drilled down into the individual campaigns, the data showed variability of lift and ROI results. There are many factors that may have contributed to this variability, including:

Understanding differences in brand or category is particularly noteworthy, especially when establishing ROI goals. Brands that have low penetration are often those that are in highly competitive categories, so the media must work harder to have an impact. If a brand doesn't achieve a certain frequency level, it cannot create resonance, recall, and conversion. Brands that are competing for the same audience are simply harder to convert, therefore lift and ROI won't be as high.

Ascertaining the quality of digital ad buys and inventory is another critical factor, and a continuing challenge for marketers. As the recent controversy around brands' ads showing up near offensive content illustrates, there is a lot about the digital media supply chain that needs improvement. Lack of transparency and third-party validation is all too common. Marketers need to assess the quality of buys and inventory as best they can, which requires greater accountability from the supply chain—a continuing issue in the digital ad marketplace.

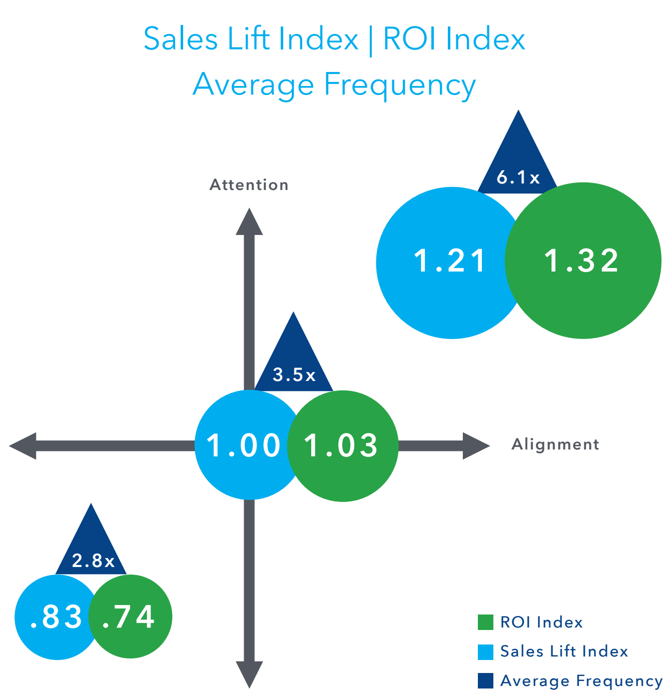
Each of these instances of variability underscores the need to set realistic expectations when planning campaigns, including considering the details and circumstances surrounding digital ads. All campaigns should be planned with the understanding that context is important, but other factors must also be accounted for in the final calculations.

It should also be noted that high alignment and attention brands and partners in this study saw higher frequency than medium and low classifications. The higher aligned executions, in total, did benefit from 1.5-2 times greater frequency of exposure than lesser aligned executions. This potentially correlates to their stronger ROI and lift—IRI and industry research suggests that lifting sales or purchase intent often requires that users have multiple exposures to the advertising before they purchase (see Exhibit 4).

While these instances of variability need further exploration, making real-time adjustments to ad campaigns will overcome many of these challenges. Technology like IRI Lift allows real-time visibility into which digital media is most effective with target audiences, and ties media exposures to actual offline purchases, down to the specific product and household level. It can also determine where context is boosting lift, and where it isn't.

This visibility allows marketers to learn more about their campaigns in early stages and, using predictive campaigns, correct their courses where needed. New ad-performance technologies also solve the challenge of disparate TV and digital siloes, allowing marketers to combine metrics from media channels on both sides for a merged, holistic view of how consumers actually consume content and establish contextual relevance across screens.

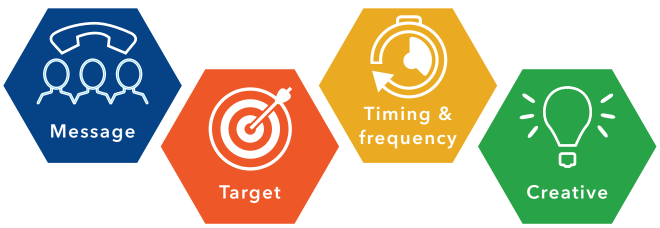
EXHIBIT 4



Stick with the Fundamentals, But Top It With a "Cherry"

Overall, this research confirms that context impacts advertising perceptions and results. It's clear that ad context, ranging from media brands to the content or advertisement next to the ad, can impact the ad's effectiveness—either positively or negatively—as illustrated by recent events. However, it also shows that context effects are specific, and that there are no one-size-fits-all rules.

Getting the fundamentals right is still key. These include the right:



Targeting, in particular, is a vital ingredient. Personalized, purchase-based targeting—ensuring that the right message reaches the right consumer at the right time and place—has shown to **increase ROI by 20 percent and enhance lift threefold**. And, based on historic benchmarks, we know that leveraging robust targeting alone can boost performance by three or four times. In addition, selecting verified, purchase-based audience targets at scale against your brand's objective can help you create more personalized, relevant, efficient, and cost-effective omnichannel campaigns.

Consider Context

Besides sticking with the fundamentals, a key takeaway to these findings is that **adding context as the cherry topping to this foundational mix should be considered.** Ad buyers that ignore context clearly run the risk of buying large batches of ineffective ads, or worse, inflicting reputational damage to their brands.

Based on this IRI and ARF research, the best opportunities to improve campaign performance appear to be to show ads in environments where the target consumers will be more likely to pay attention to—and like—them. That starts with understanding your target consumer's attitudes and emotions, so you can identify those contexts that provide emotional connections between the ad and the brand. This allows you to create ads that align with the target's preferred content.

Despite the variabilities observed in the research, the bottom line is that programmatic buying and contextually relevant advertising need to come closer together to increase ROI and drive efficiency and effectiveness. We know that buyer-defining algorithms are behind programmatic buying, but these same programs can be written to align with the brand and high customer attention.

Fortunately, contextually relevant advertising is moving toward automation. Targeted advertising appears on websites and other media, such as content displayed in mobile browsers, via automated systems. However, the algorithms and rules by which contextually relevant advertising are automatically executed are much more discerning and disciplined than programmatic ads focused on lower CPMs, and are based not just on the identity of the user, but on the content displayed, or context effects.

In addition, new "contextual programmatic" technologies and platforms are now available that enable native ad campaigns to be deployed at scale. At a minimum, contextually relevant advertising can be achieved by using display tactics that include contextual targeting. Marketers can choose ad buys based on criteria like specific topics, categories, keywords, or combinations of these things. Contextual data technology can use algorithms to analyze pages and categorize them by topic. Using this data, you can limit your ad spend to pages that match your parameters.

Put simply, there is no need to compromise on the efficiency of programmatic buying; content relevancy algorithms can be added to the mix so that your ads appear in front of eyeballs that are already engaged and involved with your brand, resulting in greater ROI.

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ABOUT IRI

IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care organizations, retailers and media companies to grow their businesses. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI helps to guide its more than 5,000 clients around the world in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver market-leading growth. A confluence of major external events—a revolution in consumer buying, big data coming into its own, advanced analytics and automated consumer activation—is leading to a seismic shift in drivers of success in all industries Ensure your business can leverage data at www.iriworldwide.com.

ABOUT ARF

The Advertising Research Foundation (ARF) creates and curates objective, original research through education, events, and networking for advertising practitioners. ARF has over 400 member companies, including leading marketers, agencies, media companies, and research organizations. Through this network, the organization generates relevant insights, provides a platform for sharing findings, empowers members to make impactful marketing decisions, and challenges convention.

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