



POINT OF VIEW

Influence Offline CPG Purchase Behavior With Digital Media: It Can Be Done

SEPTEMBER 2018



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Executive Summary

In CPG and other industries, digital media spending has been experiencing impressive growth during the past several years. Across many of these industries, marketers have been able to measure and monitor online movement and actions to understand where shoppers are going and what they are buying, and to strategically deploy digital media strategies that will effectively influence purchase behavior—at least in the online realm. Some offline industries have also had the technology and expertise to craft effective digital media strategies that move the needle for their businesses. Unfortunately, though, this has not been the case for CPG manufacturers and retailers. Until now.

There is no question that the explosive growth of e-commerce throughout the past decade has indelibly changed consumers' shopping behaviors, purchases and trends, as well as the way retailers and CPG brands do business. Notably, an estimated half of CPG market growth is occurring online. Still, despite day-of delivery options and consumers being able to get essentially anything they've ever dreamed of online, the fact remains that 95 percent of CPG purchases are still made in brick-and-mortar outlets.

While CPG purchases are likely to remain predominantly offline in the near future, digital is influencing 77 percent of retail decisions, even in the largely offline CPG world.

Data, technology and analytic horsepower have grown and evolved, and now they have come together to give CPG manufacturers and retailers the insights they need to change the game. Deterministic data—actual purchase data from FSP databases—can now be integrated with demographic and modeled solutions to paint an incredibly accurate picture of imminent buyers—even offline CPG buyers. This knowledge allows marketers to develop programs that will deliver the right message to the right shoppers at the right time and in the right location. These purchase-based audiences generate three-to-four-times sales lift potential.

Yes, these digital media strategies that have “grown up” in other industries dominated by online sales are now available to CPG companies and retailers. The future is here.

**It is absolutely critical that CPG brands and retailers
wring maximum efficiency and impact
from their digital advertising expenditures.**

Optimizing Digital Media: Building a Playbook to Drive Offline Sales with Online Strategies

eMarketer shows CPG digital ad spend growing from \$9.51 billion in 2018 to \$15.85 billion in 2022, an average annual growth rate of 10.9 percent. While digital media growth overall in the United States outpaces CPG media spend growth, CPG advertisers are expected to grow their digital media spend faster than total digital ad spending. Ultimately, CPG advertisers will make up a larger portion of digital media spend. Given this increased marketing spend, margin pressure from the growth of e-commerce and private label, and the prevalence of zero-based budgeting, it is absolutely critical that CPG brands and retailers wring maximum efficiency and impact from their digital advertising expenditures.

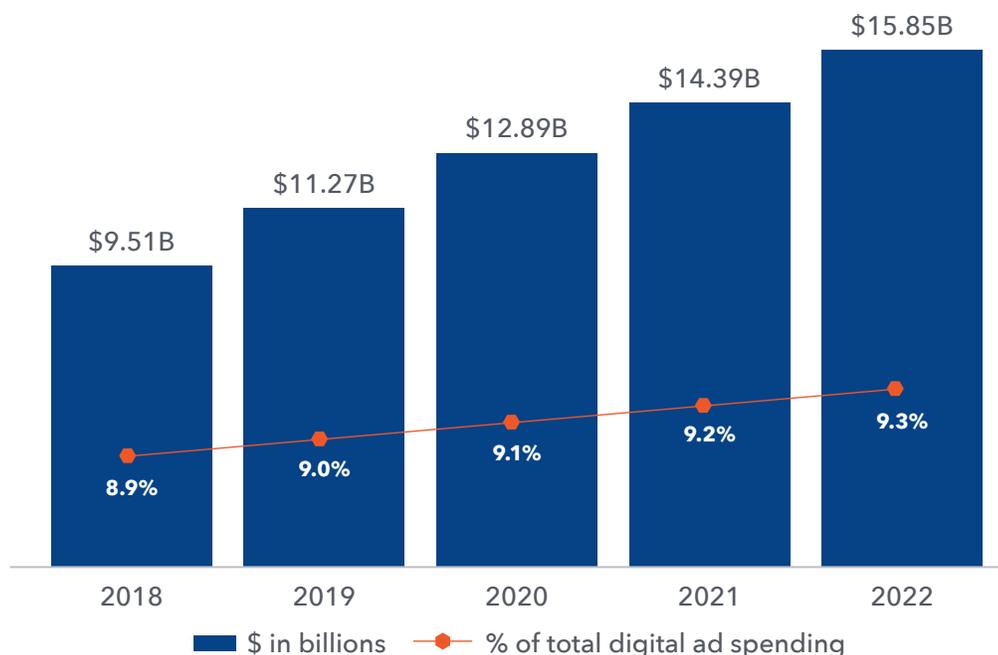
While consumers frequently shop for CPG items in a store, they also spend a lot of time online researching products, often on social media, where their impressions of brands form easily. The time consumers spend

online provides valuable opportunities to engage and influence even those actions they take offline. These are impressions that can ultimately drive loyalty in addition to catalyzing online and offline sales.

Marketers in other industries have embraced digital marketing, complete with the ability to frequently optimize based on real-time purchase activity to engage and influence shoppers. But until recently, CPG brands and retailers have struggled against innate challenges, such as the largely offline nature of CPG purchases and the fact that such purchases are often made days or weeks after ad exposure, which makes it quite difficult to measure the impact of that exposure. Historically, brands and retailers have not had the ability to make vital connections at scale because of the anonymity of buyers in the offline world. Today, e-commerce vendors know who is buying, what, when and how often.

EXHIBIT 1

CPG + Consumer Products Industry Digital Ad Spending



Source: eMarketer; March 2018

E-commerce Spurs Better Use of Offline Sales Data

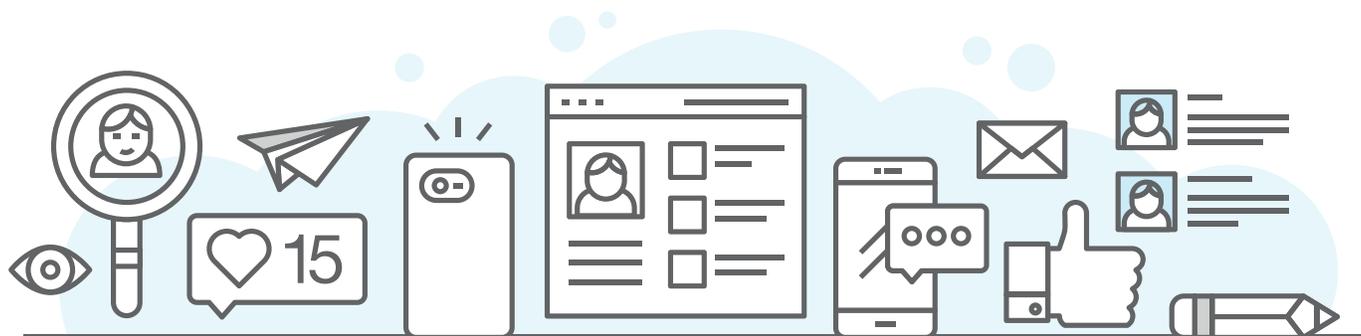
Retailers have collected frequent shopper program (FSP), or loyalty card, data for years but have historically tread lightly on mining or activating on the data because there have long been privacy concerns surrounding it. Times have changed. Consumers have developed expectations that brands communicate with them based on prior interactions. In fact, in her 2018 internet trends report, Kleiner Perkins Caufield & Byers partner Mary Meeker reveals that 79 percent of consumers are comfortable sharing their personal data in exchange for receiving clear personal benefit—in this case, more relevant discounts and communications.

Due to this shift in sentiment, along with advancing technology and analytic know-how, brands and retailers have improved access to FSP and other data, honed the ability to generate near-real-time insights that have

the potential to drastically raise the bar on marketing programs, and can more precisely communicate with customers. Using these data, CPG and retail advertisers can dig deeper and influence consumers and their behaviors, and, ultimately, their purchases—even offline purchases.

The growth of e-commerce has served to heighten competition for share of CPG spending. Online retailers have a significant amount of insight into how their customers shop and what they buy. The need for brick-and-mortar retailers to fight back against growing—and insight-driven—competition has pushed many of these traditional retailers to take a look at ways to take greater advantage of data to better reach, communicate with and influence shoppers.

Even though 95 percent of CPG purchases are made at brick-and-mortar outlets, three-quarters of shopping trips begin online.



Deterministic Solutions Target the Right Buyers at the Right Time

Deterministic data is changing the playbook by enabling highly accurate digital marketing programs. Deterministic data is collected with consumers' knowledge and permission in exchange for value provided to the consumer, and, especially when combined with other available data, including panel and point-of-sale (POS) data, is helping CPG manufacturers and retailers better collaborate to provide meaningful experiences for their existing and potential consumers.

At any given time, deterministic marketing programs can use data to accurately identify who is in the market to purchase—as online commerce advertisers have been able to do for some time—allowing brands to target buyers with the right message about the right product at the right time and on the right channel.

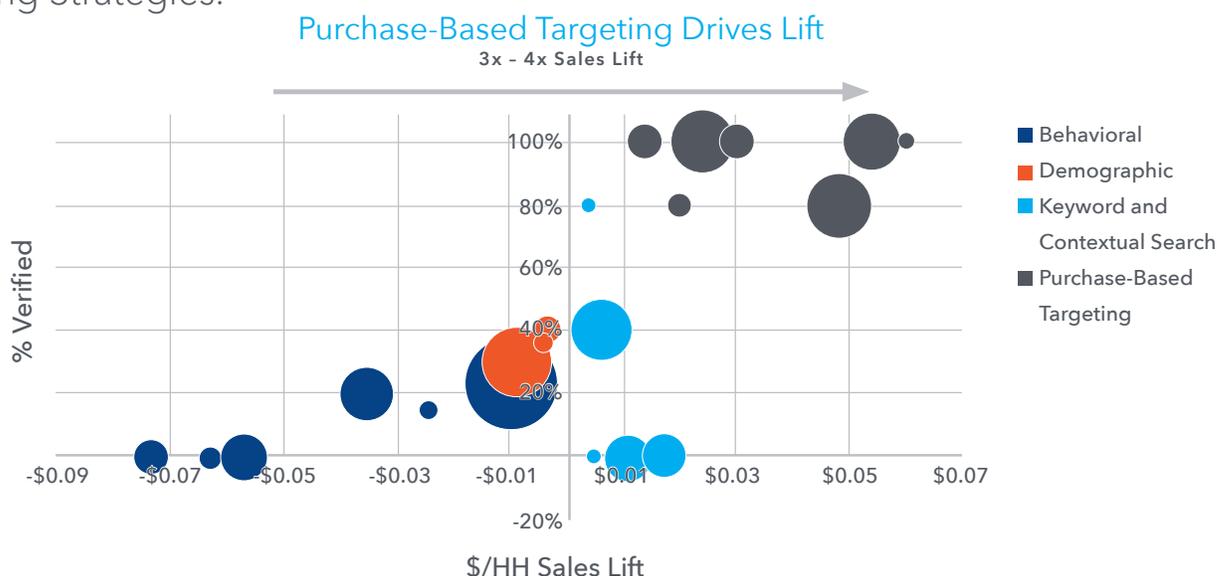
In measurement, the combination of panel, POS and FSP data brings the best of all worlds together. Advertisers receive granularity based on the scale of the FSP data while feeling confident in the accuracy of the results, based on proper use of other data sources to adjust for any inherent loyalty-card bias.

Purchase-based targeting is critical to most digital marketing efforts. For instance, an online travel site sees its highest performance when targeting individuals who have previously purchased on that site or recently shopped the site. Yet most CPG campaign targeting leverages proxies, such as demographic variables or content, likely because offline transactions have previously been hard to bring into the digital marketing ecosystem.

Even though 95 percent of CPG purchases are made at brick-and-mortar outlets, targeted online advertising can be extremely powerful in making impressions and inspiring purchases and repurchases. Retailers' willingness to allow brands to better leverage accurate deterministic FSP data is bringing an important capability to the CPG community, and to no one's surprise, brands see better marketing return as a result. At-scale data and analytics on known buyers create a strong foundation for effective and measurable digital marketing programs. Benchmarks show that purchase-based audiences in CPG outperform the sales lift of other forms of targeting (e.g., demographic) by three to

EXHIBIT 2

Purchase-Based Audiences Deliver 3-to-4 Times Lift vs. Demographic Targeting Strategies.



Source: IRI Media Center of Excellence analysis

four times, proving that purchase-based audiences work and that prior purchase is a great predictor of future intent.

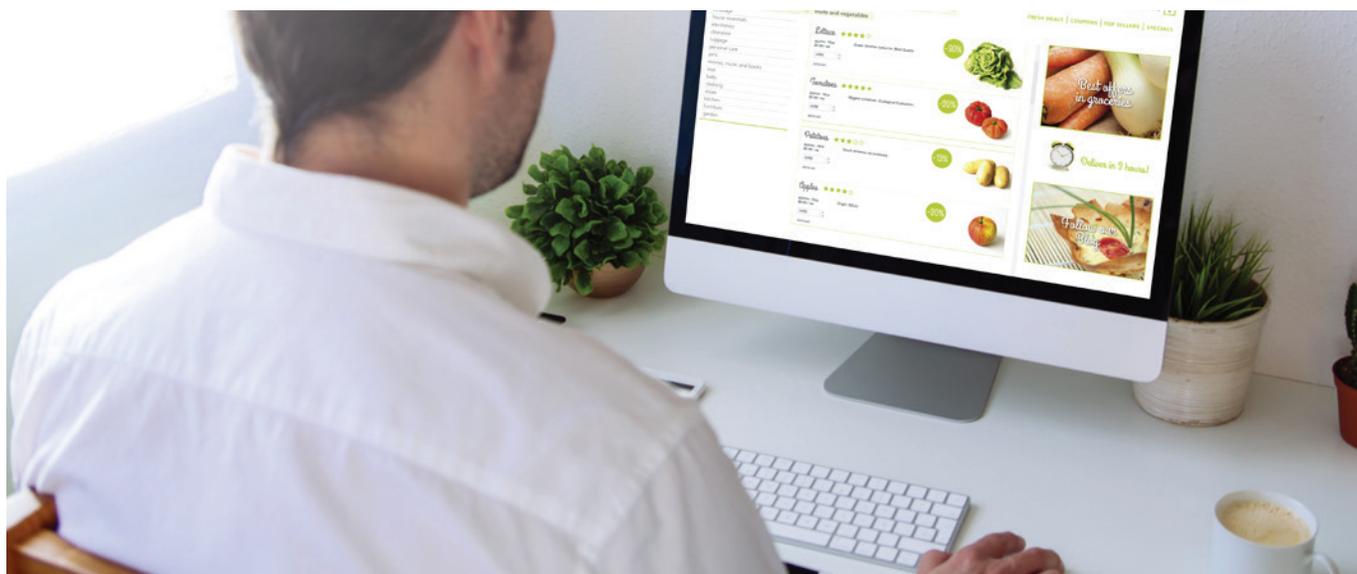
In CPG, intent is best signaled after a purchase is made, because insights and analytics can very accurately predict when that item will need to be replenished. IRI's Consumer & Shopper Marketing teams have spent decades studying the frequency with which people

buy for every category. Combined with deterministic purchase data at scale, this expertise creates a CPG-specific twist on remarketing. A brand can leverage IRI Purchase Cycle Verified Audiences to deliver the right message (e.g., confirmation, reminder, win-back, etc.) based on when the target consumer will need to shop again for a particular consumable item. This knowledge gives CPG marketers and their retail partners an advantage over marketers in other industries.

Some Retailers Are Turning Their Own FSP Data Into Insights and Media Programs; Plenty of Upward Potential Remains

Several of today's leading retailers have programs in place that harness the power of their own FSP data. These programs give their retailers a broad understanding of what's happening under the roofs of their own retail outlets. The hurdle here is recognizing that because these programs only take into consideration the retailer's own FSP data, the picture being created is limited to such retailers' own stores. In today's world, winning requires a 360-degree view of purchase behavior. In other words, high-performing retailers and their suppliers must understand not only what shoppers are buying in those retailers' own stores, but also what they are buying outside those retailers' walls and where they are making those purchases.

To get a holistic picture of the market and opportunities that lie within, brick-and-mortar retailers and CPG brands are leveraging companies like IRI that have huge pools of FSP data (IRI has data from more than 350 million loyalty cards in the United States) and powerful technology platforms, such as IRI Liquid Data™, that can quickly integrate data to extrapolate valuable insights. And because IRI looks across retail outlets to get a full picture of consumer behavior, retailers gain insights at the national brand-campaign level—not just from a single retail banner—and the 360-degree picture is complete. A retailer with this view has a strong, competitive edge in the marketplace.



In-Flight Optimization: Achieve 80 Percent Increases

Quickly and consistently honing marketing programs is essential to maximizing return on ad spending (ROAS). In the digital world, most brands have gotten used to optimizing their digital campaigns daily or even more often. The ability to optimize CPG campaigns midflight—as frequently as weekly—has typically been out of reach for CPG brands and their digital media investments, largely due to the delay between serving an impression and learning a purchase was made.

In-flight optimization can boost
campaign lift by up to 80 percent.

The good news is that CPG brands have many more ways to optimize their media in flight today than ever before. Audiences, for instance, can be updated weekly to suppress recent buyers. Similarly, due to the scale of IRI's deterministic data, campaigns can be optimized within the first few weeks to enhance performance. Results can be broken out by campaign, creative, publisher, ad placement, execution and other factors.

That scale also enables IRI Lift™ to be used to effectively measure shorter and smaller campaigns from lower-penetration brands as well as large digital multichannel campaigns.

Through in-flight optimization, IRI has seen as much as 80 percent increase in the uplift of a campaign.

Integrating Deterministic Data with Modeled Insights Irons Out the Rough Spots and Brings Clarity, Efficiency and Impact to Digital Marketing Programs

As detailed in IRI's point-of-view paper, **Media Measurement: Dynamic Campaign Measurement Leads to Outsized Sales Uplift**, tying ad exposure to CPG purchase behavior has, until recently, been complicated by a variety of factors:

- Multiscreen viewing by consumers fragments exposure and complicates the creation of "common currency" measurement that is consistent across all screens.
- The sheer volume of advertising exposure is huge, leading consumers to tune out ads that don't resonate; advertising waste is pervasive.
- Point-of-sale fragmentation makes it more difficult to accurately assess which ads have driven purchase behavior and where.

- Lack of scalability of analytic and visualization applications that link ad campaigns to sales uplift has driven a surge in one-off efforts, driving up cost and compromising analytic consistency.
- Data integration is not streamlined or automated, so some processes remain manual and prone to mistakes and overspending.

But through IRI's Liquid Data platform and IRI Lift, which together enable the integration and analysis of data from more than 350 million frequent shopper program cards, retailers can quickly and easily integrate and harmonize disparate data. By determining which digital media is most effective with target audiences and tying media exposures to actual offline purchases down to the specific product and household level, retailers can swiftly identify digital media optimization opportunities.

Act Quickly and Confidently to Get One Step Ahead

Digital media provides incredible opportunity for CPG brands and retailers to message consumers, reaching them at the right time to drive brand awareness and purchase behavior. Bridging the gap from the online world into offline CPG is the next great frontier.

Technology has already enabled great advancements. Though traditional brick-and-mortar CPG manufacturers and retailers have historically struggled with making digital marketing programs efficiently work in their favor, today there are ways to get ahead of those offline purchasing moments. By connecting traditional modeled consumer and market insights with deterministic solutions—FSP data, specifically—brands and retailers have the ability to not only catch up to what the rest of the industry is doing but also go one step further: getting ahead of consumers' needs and wants, then delivering messages and products that lead them along the path to purchase. Impactful digital media programs:

- Offer true personalization.
- Effectively connect the dots between consumers' multiscreen viewing and omnichannel shopping habits.
- Are accurately targeted (for time and place).
- Capture shopper attention with high-relevance, high-value messaging.
- Deliver comprehensive and prescriptive results quickly, allowing for in-flight adjustments to messaging, media and other campaign elements.

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Case Study

Focused Targeting Techniques

A large alcoholic beverage company recently put digital media strategies in play in a digital campaign focused on driving sales by leveraging IRI In-Flight Conversion (IFC) Verified Audiences, targeting specific buyer segments based on recent deterministic behavior and executing weekly in-flight optimization of the target segment.

Results were strong and productive!

Key Data Points: What happened?

The campaign delivered a robust \$/HH uplift of 12.5% (\$0.08) and a ROAS of \$0.91 (Interim: \$1.03). The strong uplift was driven by increasing penetration (8.1%).

Sales uplift across both IFC (\$0.09) and non-IFC (\$0.08) was comparable. IFC had a higher ROAS (\$1.18) compared to non-IFC.

98.4% of the households targeted were not previous brand buyers. The competitive segment's performance was stronger than other segments.

Insights: So what?

The campaign generated total incremental sales of \$1.25 MM by driving new buyers to the brand.

The campaign performed exceptionally well, surpassing benchmark performance across the CPG category.

Although both performed well, the optimization strategy helped the IFC campaign drive 80% more ROAS versus non-IFC.

Apart from optimization strategy, the campaign's targeting strategy seems to have worked well for it.

Allocating high impression share (17.5%) for competitive segments was a good strategy.

Source: IRI Media Center of Excellence analysis

The strong sales lift was primarily driven by increasing penetration during the campaign.

% Lift by Key Consumer Metrics Brand Holiday Campaign



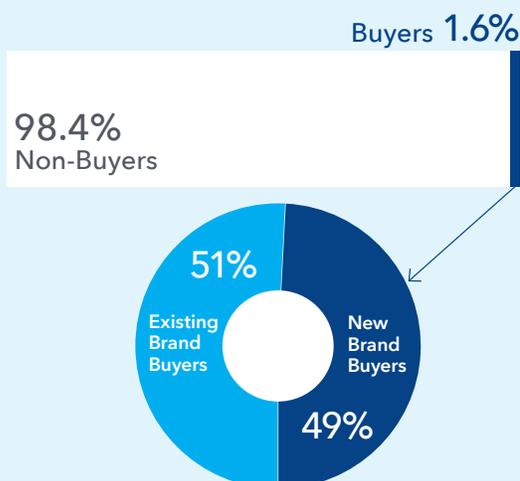
All listed results are statistically significant at 80% confidence. Change in dollars per purchase occasion is not significant (below 80% confidence).

Source: IRI multi-outlet retailer loyalty card panel,

11/8/2017 - 1/31/2018, lag period 2/1/2018 - 2/25/2018

While bringing in new buyers, the campaign also appealed to existing buyers in equal measure, thereby prompting repeat purchases.

% Brand Buyers (among exposed HHs)



Case Study (Continued)

In-flight audience optimization worked well for the campaign. Optimized audiences outperformed non-optimized audiences, delivering 80 percent more return on ad spend.

\$/HH Lift by Tactics

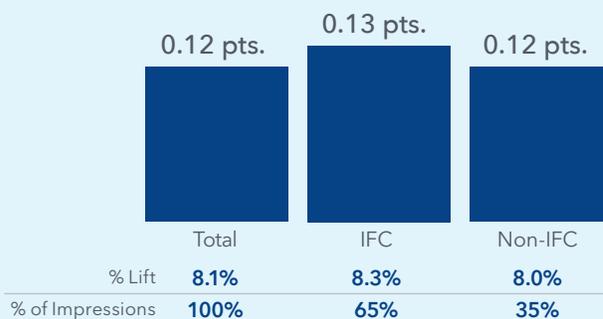
Brand Holiday Campaign



Source: IRI multi-outlet retailer loyalty card panel, 11/8/2017 - 1/31/2018, lag period 2/1/2018 - 2/25/2018

HH Penetration Lift by Tactics

Brand Holiday Campaign



Source: IRI multi-outlet retailer loyalty card panel, 11/8/2017 - 1/31/2018, lag period 2/1/2018 - 2/25/2018

How It Works

IRI Lift assesses media performance by linking ad exposure to offline sales at the household level.

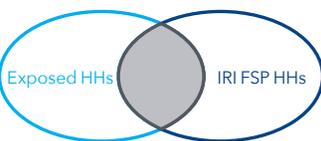
1: Collect exposure data

Collect media exposure data at the household level via an IRI partner.



2: Match HH databases

Send exposure data to IRI matching partner to create a common HH ID and load into IRI frequent shopper program sales database.



3: Create test/control groups

Identify non-exposed households to comprise the control group matched to the exposed group on IRI ProScores™ and category spend.



4: Calculate diagnostics

Calculate descriptive statistics on media delivery and consumer behavior.



5: Run Generalized Linear Mix models

Analyze uplift due to media exposure across key metrics such as sales, penetration and occasions via GLMM/ANCOVA methodology.



6: Project lift to total U.S./ROAS

Extrapolate uplift to the total United States from the sample population via statistical adjustments, and calculate ROAS.



ABOUT THE AUTHORS

Nishat Mehta is the president, IRI Media Center of Excellence. He can be reached at Nishat.Mehta@IRIworldwide.com.

Justin Petty is a senior vice president, media solutions and product management, IRI Media Center of Excellence. He can be reached at Justin.Petty@IRIworldwide.com.



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.

Corporate Headquarters: 150 North Clinton St., Chicago, IL 60661, USA, (312) 726-1221

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