



THE CUSTOMER INTELLIGENCE GAP IN CPG ADVERTISING

THE FIGHT FOR MIND AND MARKET SHARE

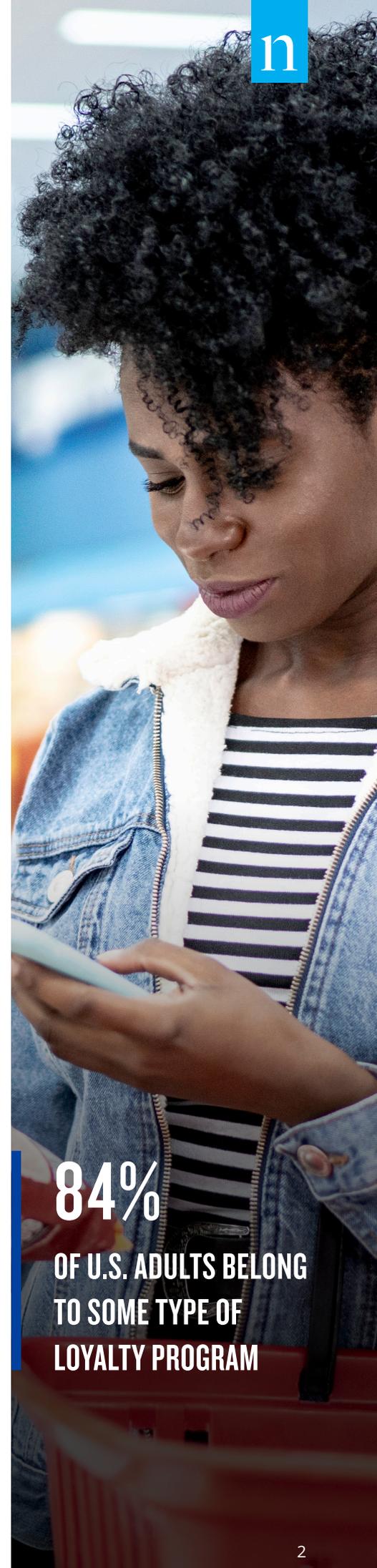
While consumers will always need household and pantry essentials, they're **less loyal** than they used to be with only 8% of global consumers saying they're committed to the brands they purchase. As a result, they're more open to trying new brands and new products from new channels. That's just one reason why the battle at shelf has become even more challenging for consumer packaged goods (CPG) brands. From an epidemic of disloyalty to shrinking shelf space, changing demographics and direct-to-consumer competitors, companies now need to work harder to connect with consumers at the right time with the right message.

So, what's holding CPG brands back from connecting with consumers? **Customer Intelligence.** It's becoming table stakes in today's digital economy to have quality first- and third-party data. The upside of using larger, quality datasets is more accurate targeting, which enables stronger marketing performance. Data-confident marketers can fuel a variety of impactful tactics like strategic targeting, email marketing and ROI measurement.

But because of the retailer intermediary, CPG brands often do not have direct access to the consumer they want to reach or insight into how their advertising affects sales. Advertisers with the least data about their customers are most at risk of wasted spend, and that's a situation many CPG marketers know all too well.

Nielsen research shows that **84% of U.S. adults** belong to some type of loyalty program, which provides a wealth of customer information for other industries. **Grocery stores, airlines, restaurants and more are able to form a fuller picture of their customer, but how can CPG advertisers do the same?** **Nearly one-third** of marketers put personalization as their top focus for 2020, but only 13% of marketers say their organization is fully optimized to measure personalization efforts well. This disconnect lies with their data since it's such a critical component of personalization, but nearly half of marketers feel their data isn't actionable.

The novel coronavirus (COVID-19) pandemic has disrupted many typical retail patterns, and with the holiday season fast approaching, now is the time for brands to design strategic campaigns using quality targeting data to navigate the new normal. **Nearly half of U.S. adults** said they were more interested in shopping online for the holidays compared with last year. With retail sales expected to decline overall this year as a result of social distancing, capitalizing on the growing e-commerce segments and curbside pick-up options during the holiday season will be critical.



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It's not an easy time to be a CPG advertiser, especially when you're making important advertising decisions with only a slice of the information. It's critical to understand the trends that are dramatically changing the landscape and forcing the need for more personalization at the point of consumer interaction.

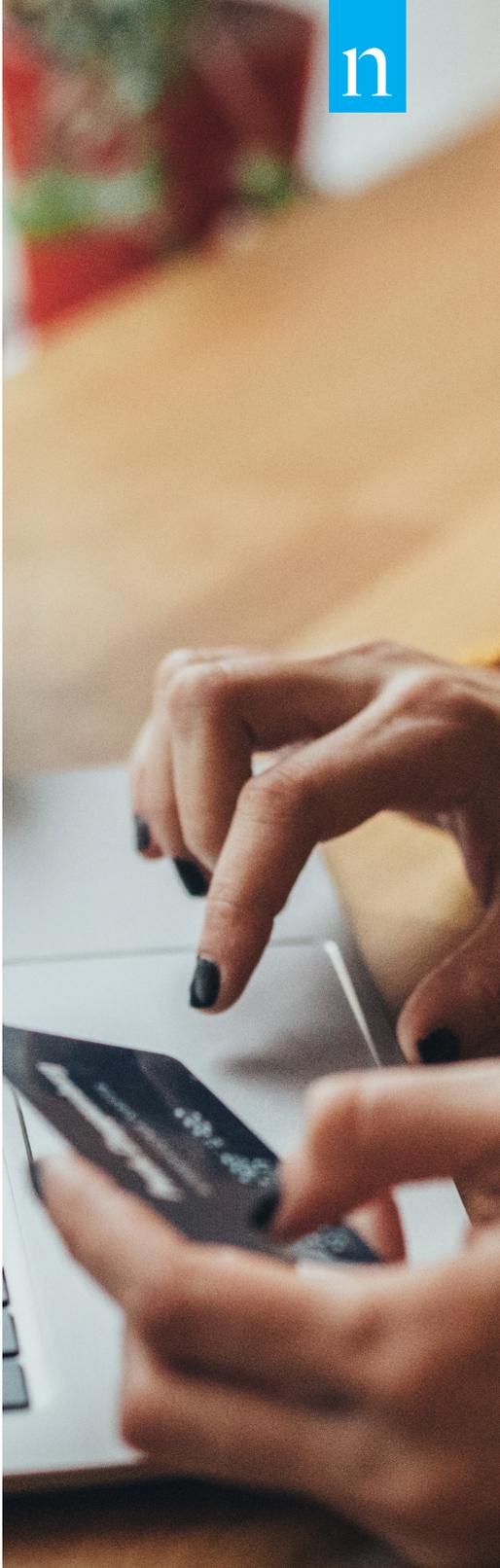
TIDAL WAVE OF TRENDS DISRUPTING ADVERTISERS

DIGITALLY-DRIVEN ECONOMY

The consumer landscape has transformed into a digitally driven economy, with people ordering everything from prescription refills to dog food from their mobile devices, and that trend is likely to continue through the 2020 holiday shopping season. The COVID-19 pandemic has only accelerated this trend with online purchases of **everyday items up 53%**. Daily-use products that people once picked up at a grocery store or drugstore (e.g., razors and cosmetics) are now offered online and even on a subscription basis. Consumers' habits are changing rapidly, and CPG brands and advertisers risk being left behind unless they adjust.

The tsunami of changes hitting the market is big. Shopping is becoming increasingly omnichannel for CPG with consumers ordering online without stepping foot into a store or shopping in stores armed with the technology to check prices, compare products and user reviews. New e-commerce channels are pulling sales from traditional brick-and-mortar stores and local retailers, as shoppers order instantly from retailers halfway around the globe. Demographic changes—from an aging consumer base to growing Hispanic market segments—are also impacting how CPG companies need to market, position and sell products. More private-label competition is increasing price pressure on brands, with only **26% of Americans** feeling that name brands are worth the extra price. And these are just the tip of the iceberg of changes affecting the industry.

Without access to the data needed to identify shopper trends, advertisers are left to approximate their ideal shopper or generalize promotions to broader sets of consumers, making their efforts less effective and campaigns more costly.



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MOVING BEYOND TRADITIONAL PROMOTIONS

The retail landscape is changing as well, for many of the same reasons. **In order to compete with greater pressures from digital stores like Amazon, retailers need to first convince customers to step foot in their stores, pull up their apps or order online.** Sales can't happen without customers, whether you're a pet store, drugstore or grocery store.

In the past, retailers often focused on providing promotions and discounts once shoppers were in the store or offering weekly coupons in the Sunday circulars. But today's fast-moving, digital natives are more fickle. As a result, retailers are focusing more on their own branding and shopper experiences. They need to get potential customers excited about the store—not just excited about coupons they can use once they're in the store.

Part of the increased focus on brand means that retailers want more control over promotions and what offers are being made to their customers. In order to compete with Amazon Fresh, for example, it's not enough for a grocery store to offer 20% off frozen dinners so that shoppers save some money. Instead, stores need to put together a compelling package of promotions that will attract customers who will want to both shop at the store and save money. By exerting more control over what promotions are run and when, retailers hope they can drive consumer interest and synergies.

DEMANDS FOR MORE PERSONALIZED EXPERIENCES

Prior to COVID-19, almost all retailers lived by the same two ideals: get as many people as possible to visit your store and encourage them to stay in your store as long as possible. However, as retailers cautiously reopen, it's simply not safe to have as many customers in their store. Retailers need to be more creative as customers are less comfortable shopping and consolidating more purchases into fewer trips.

Today's consumers expect a high level of personalization from both online and in-person retail experiences. The power dynamic has shifted from retailers and brands to digitally-armed consumers who look for speed, price, convenience, safety and personalization above location or loyalty.

Most online retailers today provide consumers with product suggestions based on exactly what's in their shopping basket or their specific online shopping and browsing history. They send digital coupons tailored to previous purchases or recent searches. They may even provide offers for items based on websites they've visited. Consumers not only expect a much higher level of personalization from their shopping experience but are also getting it from online retailers.



RETAILERS NEED TO GET POTENTIAL CUSTOMERS EXCITED ABOUT THE STORE—NOT JUST EXCITED ABOUT COUPONS THEY CAN USE ONCE THEY'RE IN THE STORE



AS STORES CAUTIOUSLY REOPEN, RETAILERS NEED TO BE MORE CREATIVE AS CUSTOMERS ARE LESS COMFORTABLE SHOPPING AND CONSOLIDATING MORE PURCHASES INTO FEWER TRIPS

These changes in consumer behavior and demands for more personalized experiences are driving the need for more tailored offers and promotions from advertisers and traditional retailers. Now, consumers expect ads and promotions that are tailored to them. The demand for personalization has extended beyond clothing, electronics and other types of retail stores and has now reached grocery, convenience and drugstore shopping.

For retailers, the days of paper coupons are waning, with some experts predicting they'll be a thing of the past in the next 18 months. Just as most receipts are going digital, shoppers are leaving paper behind, including coupons. Whether they're shopping online or in a store, the future of coupons and promotions is digital. As a result, retailers and advertisers need to leverage digital shopping apps, digital coupons and online offers to connect with digital consumers.

HOW TO COMBAT THESE TRENDS

ENABLE 1:1 CUSTOMER INTELLIGENCE

In today's information-rich environment, making consumers feel less like an anonymous buyer and more like a person with specific wants and needs has become essential. Leading CPG companies are building a foundational business model based on improved data that powers:



Media targeting



Customer insights



Marketing content



Campaign measurement

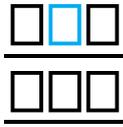
In addition, **the sources and quality of the data are increasingly important, as is the coverage—advertisers need shopper data that encompasses both breadth and depth.** The more probabilistic the data is, the less value it has. In a recent study, a CPG brand that used high-quality Nielsen audience segments measured 1.5x more effective than any other type of targeting tactics or data sources.

Consumers of all types of products and services have rapidly shifted their expectations and behaviors as new digital technologies have changed the retail landscape. Those expectations mean that CPG brands can't just keep doing the same old thing if they want to remain competitive. **Below are some examples of brands in other industries using innovative tactics to capture quality data and then activate on it.**



A CPG BRAND THAT USED HIGH-QUALITY NIELSEN AUDIENCE SEGMENTS WAS 1.5X MORE EFFECTIVE THAN ANY OTHER TYPE OF TARGETING TACTICS

OTHER INDUSTRIES ARE WORKING WITH A WEALTH OF CUSTOMER INTELLIGENCE



RETAILERS USING ADVANCED RECOMMENDATIONS

- This online retailer collects purchase history of customers in addition to online behavior like clicks, searches, views and other in-cart items to give advanced suggestions.
- These accurate recommendations drive sales to slower moving products and offerings.

35%

OF SALES BASED ON RECOMMENDATIONS



PERSONALIZED PROMOTIONS IN FAST-CASUAL DINING

- This restaurant uses location, demographics, buying behavior, customer trends and more to generate promotions and services to continuously engage with customers after their dining experience.
- These personalized offerings achieve a higher level of customer satisfaction.

+26%

REVENUE IN THE PAST 3 YEARS

With global disloyalty growing, brands need to adjust their marketing tactics and investments to boost retention and personalization. For marketers, that means segmenting high-value customers and developing addressable media planning and messaging strategies for the best, not the rest.

CURATE THE CONSUMER EXPERIENCE

While disruptions are altering the traditional CPG retail landscape, CPG advertisers can get ahead of the changes by shifting marketing strategies to focus more on digital promotions. Specifically, digital promotions personalized to consumers are a win-win for both CPG retailers and advertisers. New solutions for personalized digital promotions enable retailers to curate their consumers' shopping experience while opening up high-value opportunities for CPG advertisers to reach ideal shoppers.

As consumers shift to digital devices for everything from grocery shopping to movie streaming, CPG advertisers shouldn't be limited to only paper coupons and end cap displays. Less and less consumers are still carrying around paper coupons. Instead, they're switching to digital shopping apps, digital coupons and acting on personalized offers which is key for the upcoming holiday season. In fact, **71% of U.S. adults** said they planned to do more than half of their holiday shopping digitally this year.



One way marketers are providing more thoughtful digital promotional executions has been to allow a consumer to add a recommended item directly to their cart. This removes several of the steps in, traditional .com executions, which drive consumers to a retailer's product description page where they're required to then add the item to their cart. **Simpler "Add to Your Cart" executions have driven 40% conversion versus only 10% with traditional .com executions.**

INCREASE .COM SALES BY OPTIMIZING THE CONSUMER EXPERIENCE

<p>Your Baby's Best Fit, Guaranteed.</p>  <p>Walmart  ADD TO YOUR CART</p>	<p>Now Available in More Sizes.</p>  <p>ADD TO YOUR CART</p>	<p>Leak Protection for a Restful Night.</p>  <p>amazon ADD TO YOUR CART</p>
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In today's digital marketing world, trade promotions are ripe for disruption. Now's the time for forward-thinking organizations to re-evaluate the role of trade promotions for their brands. Prepare for tech-enabled promotions and use them to learn about your customers, including their motivations and shopping behaviors. With the right data and approach, CPG advertisers can target consumers, track digital promotions and measure outcomes more effectively than ever before.

MAKE PERSONALIZATION AT RETAIL MORE ACCESSIBLE

Recent research has found that **67% of trade promotions** (amounting to more than \$400 billion) are actually wasted or barely break even. This proves that while many manufacturers are still relying on internal teams or their own gut decisions to guide promotional planning, there is a breakdown in the ability to deliver and optimize outcomes.

New avenues for digital promotions provide a lot of opportunities for both CPG advertisers and retailers to increase sales and build stronger relationships with consumers through personalization. **Specifically, CPG advertisers need to look for new approaches to work with retailers. If retailers don't correctly anticipate what customers want and then provide those things, their establishments will likely fall behind.**

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Some retailers and CPG advertisers are using a new approach for digital promotions: retailers can specify what customer data they're willing to share and automatically negotiate with CPG advertisers to identify mutually beneficial opportunities. To enable this model, both parties are turning to companies like Nielsen for new technology and infrastructure to power this exchange of data and personalized digital ad content. This cooperative model benefits both the retailers and CPG advertisers.

Retailers get to control and manage what customer data they share and identify promotional opportunities that help them build their brand and customer loyalty. It also makes it easier for the retailer to identify the right promotions for their store. For example, a retailer could build a promotion that includes cola, ketchup and hot dogs if a consumer has put potato chips in their basket. CPG advertisers, meanwhile, gain access to the precise data they need for audience targeting and marketing strategies, so they can ensure they're communicating with the right customers at scale.

One other area of growing interest between manufacturers and retailers is "click and collect" shopping. **The popularity of click and collect shopping has surged as a result of COVID-19—specifically curbside pickup—which allows shoppers to make immediate purchases while minimizing human contact.** This shopping method is also likely to increase during the 2020 holiday season by **60%**. As manufacturers prepare for what's ahead with their retail partners, they'll need to account for these new digital shopping methods.

THRIVE IN CHANGING TIMES WITH NIELSEN

When it comes to understanding consumers' purchase intentions and how advertising drives desired behaviors, don't settle for educated guesses. With accurate audience targeting and outcome measurement and optimization, marketers can get the actionable intelligence they need to increase the effectiveness and efficiency of their campaigns and inform strategies that generate more sales.

Nielsen is helping CPG companies and retailers thrive in a fast-paced digital future driven by addressability. By coupling omnichannel purchase intelligence with Nielsen's audience and performance measurement and optimization solutions, brands and retailers get the data and insights they need to personalize.



Want to learn how the application of shopper and performance data can help you target consumers, track digital promotions, and measure outcomes more effectively than ever before?

Visit www.nielsen.com or contact marketingsolutions@nielsen.com for more details.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Nielsen is divided into two business units. Nielsen Global Media, the arbiter of truth for media markets, provides media and advertising industries with unbiased and reliable metrics that create a shared understanding of the industry required for markets to function. Nielsen Global Connect provides consumer packaged goods manufacturers and retailers with accurate, actionable information and insights and a complete picture of the complex and changing marketplace that companies need to innovate and grow.

Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what's happening now, what's happening next, and how to best act on this knowledge.

An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com.





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