TARGETING CPG BUYERS IN THE NEW NORMAL

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CONTENTS

In the first part of this study, we looked at the substantial changes the pandemic has brought to the way CPG shoppers interact both online and offline. Consumers have altered the way they behave in response to the pandemic and adopted new habits that are now influencing the way they shop for CPG goods.

In response, marketers have to change their plans to make sure they're reaching the right audience. But that's only part of the puzzle. With the changes in media consumption behaviors and emergence of new channels, it is equally important for marketers to reconsider the way they're reaching their audience, a challenge that only becomes more significant considering the imminent demise of third party cookies and traditional behavioural targeting.

In this ebook, we'll explore the different targeting strategies CPG marketers can adopt to reach their desired audiences effectively and in a connected way. While doing so we will also lay down a framework for how marketers can look to reduce the dependence on the third-party cookie solutions and future-proof their solutions without compromising their campaign goals.

A NOTE ON OUR METHODOLOGY

Using a mix of data from digital devices such as PCs and laptops, as well as viewing data from connected TVs and location data from mobile devices, we identified patterns in user activities over the course of the last year pertaining to CPG purchases and research. We further connected the online and offline purchase journey of consumers through our always-on location based services to map the purchase journey across the platforms. By merging this intelligence with past campaign results and unique transactional datasets we came up with a list of targeting capabilities that marketers could consider to reach the right audiences.
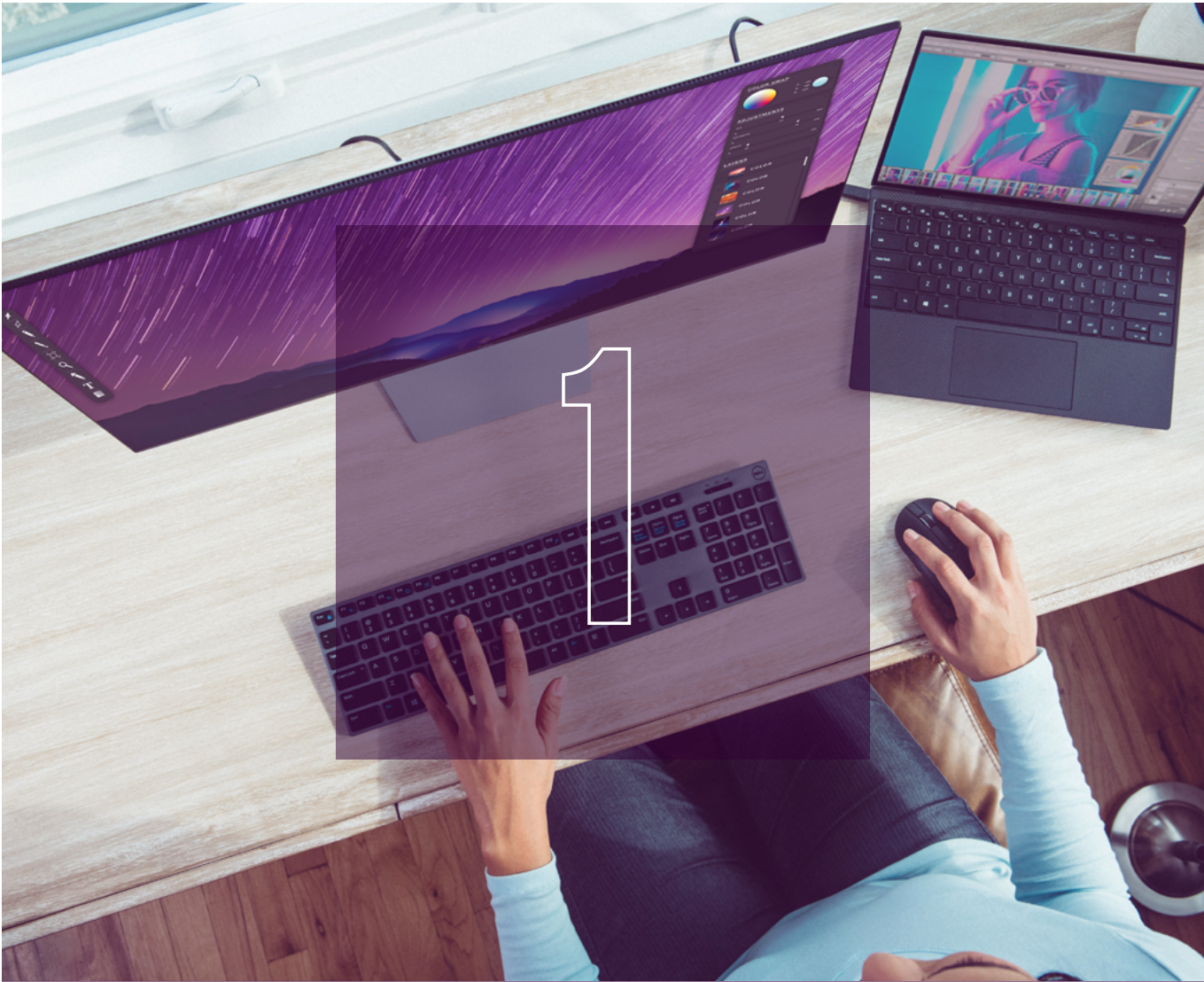
Building reach through contextual targeting

With most popular browsers phasing out third-party cookies, traditional behavioral targeting methods are on the way out, while contextual targeting strategies that move away from user level tracking are on the way up. Though they can't match cookies for user-level accuracy, contextual targeting strategies are going to become an increasingly important way for marketers to expand their reach.

While analyzing the online activity of audiences displaying a high intent for CPG purchases online, news, arts and entertainment are popular contextual categories for sites often visited by CPG audiences. For instance, 32% of CPG consumers are active on news domains in the US and over half (54%) of German CPG consumers were active across arts and entertainment domains. But where people are looking isn't necessarily where they're clicking. In terms of interacting with digital ads, CPG consumers displayed a higher propensity for clicks on domains under health and wellness, beauty/ personal care, and food and drinks categories.

And, when digging deeper into the content themes across these domains, we saw that content with fitness/nutrition related keywords performs well in generating ad responses among audiences showing interest in CPG products. Those interested in pet supplies are 1.37 times more likely to interact with ads on lifestyle domains (compared to the average user). And, among consumers browsing for groceries online, weekday evenings (6-9pm) seems to be the time they like to shop, whereas they tend to be on arts and entertainment domains during the day.

Further, when reviewing campaigns over the past year, we found CPG audiences are considerably more likely to interact with CPG ads on relevant domains when browsing through their phones compared to when an ad is served over a desktop.

While the concept of reaching audiences through contextual means is simple and pre-dates digital advertising, the recent developments in AI have allowed marketers to model complex non-linear user-to-user and website-to-website interactions that are much more effective.

A basic logistic regression model created using contextual features with minimal optimization can offer up to 83% precision and a 60% recall. Playing with the prediction thresholds can afford higher scale at the expense of accuracy. Tree-based methods offer interpretable models with reasonably high performance. Ensemble techniques like bagging, boosting and stacking can be used to improve predictive power of the models, offering the ability to capture and predict non-linear behaviors. While there is no perfect model suitable for each case, basic adaptations to setting features are enough to optimize model performance towards the required KPIs.

Deep neural networks and knowledge graphs are the next stage in the evolution of contextual modeling and are being used to train models on feature level embedding that can be used to predict the likelihood of a user response in different contextual settings. Using adaptive networks, marketers can look to continuously modify targeting models not only to model their target audiences more accurately but also optimize bid strategies resulting in increased ROI. The use of vertical specific models can be further used to shorten the training period by avoiding the cold-start problems.
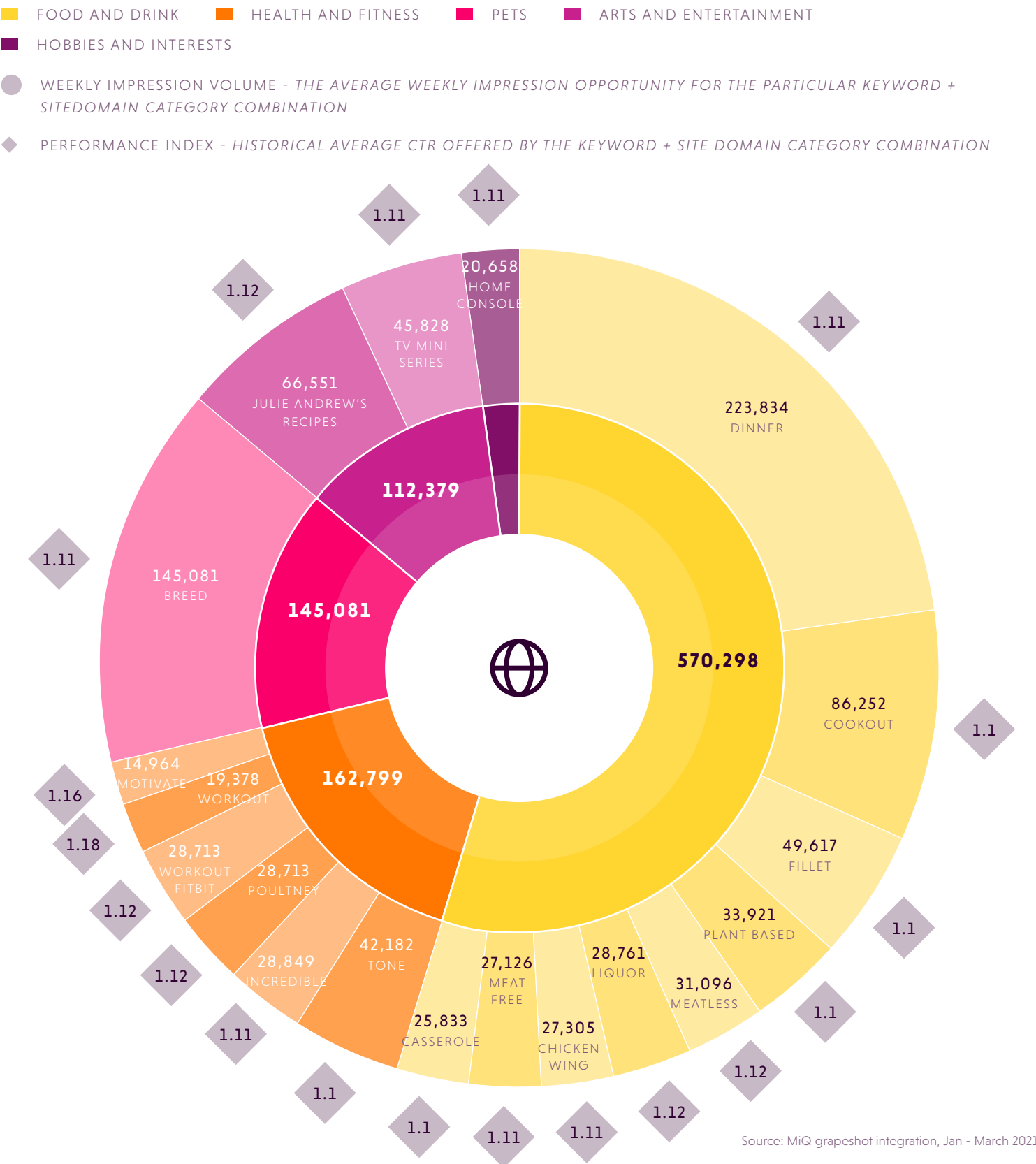
These processes can further be adapted to identify similarities between different contextual environments using feature-to-feature interaction, offering the chance of creating contextual lookalikes.

The concept of contextual lookalikes becomes even more important considering most CPG marketers don't have pixel-based outcomes to optimize towards, and so are overly dependent on cookie-based targeting. But with the demise of cookies imminent, brands might need to focus on the creation of contextual lookalikes without sacrificing the reach or observed outcome.

TIPS FOR MARKETERS

Marketers need to remain cognizant of evolving user preferences and the adoption of new consumer habits which may end up driving changes in research/ buying behavior. Further keeping up with the advancement in AI can help audiences experiment with future ready strategies to find the right fit. In the absence of pixel based capabilities identifying an optimal optimization metric is equally important.

KEYWORD AND SITEDOMAIN CATEGORY - SCALE VS PERFORMANCE

- FOOD AND DRINK
- HEALTH AND FITNESS
- PETS
- ARTS AND ENTERTAINMENT
- HOBBIES AND INTERESTS

⬤ WEEKLY IMPRESSION VOLUME - *THE AVERAGE WEEKLY IMPRESSION OPPORTUNITY FOR THE PARTICULAR KEYWORD + SITEDOMAIN CATEGORY COMBINATION*

◆ PERFORMANCE INDEX - *HISTORICAL AVERAGE CTR OFFERED BY THE KEYWORD + SITE DOMAIN CATEGORY COMBINATION*

Source: MiQ grapeshot integration, Jan - March 2021

Using hyperlocal intelligence to drive targeting

While online shopping for CPG products did witness a boom last year, two-thirds of shoppers are likely to go back to offline once normalcy is restored. This is a clear indication that offline shopping will continue to account for a significant proportion of CPG spend going forward.

In the US, young consumers (18-24) and those in the age group of 55-64 show a higher tendency to shop offline. But in Canada, the UK and Germany the younger audience displayed a higher propensity to shop online. The high vaccination rates in the US among consumers in the 18-44 group may be driving the increased offline interest. Furthermore, Canadians with kids are more likely to shop in-store while American parents still remain hesitant.

In the US, suburban audiences are more likely to shop offline compared to their urban counterparts whereas rural and urban consumers have displayed a higher propensity to shop in-store.
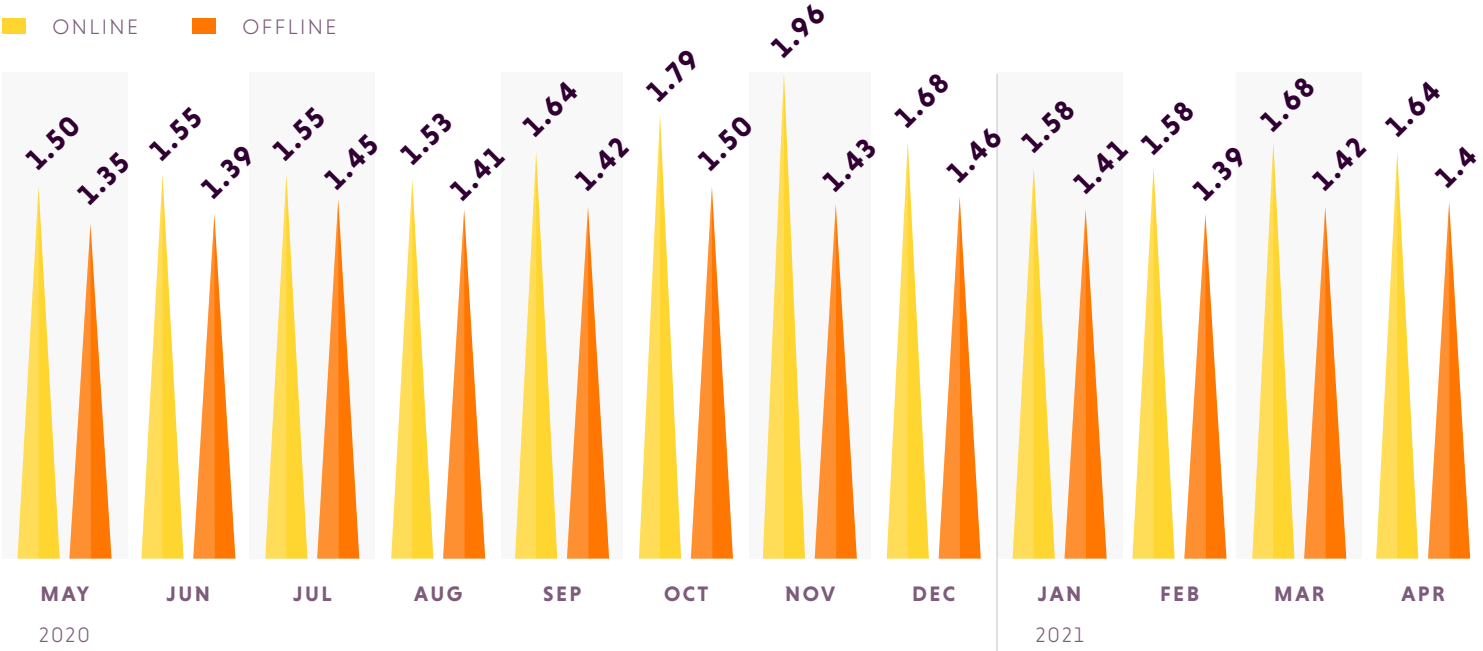
Tracking footfall across a range of brick-and-mortar stores selling CPG products across the US over the last year, we observed visits going down to once a month compared to the two per month or even weekly routine followed in the pre-pandemic world for a majority of the offline shoppers. People tried to stock more supplies in a single visit, with the exception of the holiday season when users were willing to make more than a single trip offline. As the situation improves, offline shopping among consumers is becoming more frequent, while the transaction value per visit is normalizing to pre-pandemic levels.

AVERAGE SHOPPING FREQUENCY, BY MEDIUM

AVERAGE MONTHLY SHOPPING FREQUENCY

Source: CPG Transactional data feed, Q1 2021

ONLINE   OFFLINE

|	MAY 2020	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2021	FEB	MAR	APR
ONLINE	1.50	1.55	1.55	1.53	1.64	1.79	1.96	1.68	1.58	1.58	1.68	1.64
OFFLINE	1.35	1.39	1.45	1.41	1.42	1.50	1.43	1.46	1.41	1.39	1.42	1.4

Distance from stores and the availability of supplies became important factors in influencing the offline purchase journey of consumers last year. 32% of US shoppers drove less than five miles for their CPG needs in November 2020 compared to 24% in May 2021. Local

mom-and-pop stores saw increased traffic with people looking to avoid the rush and long lines of supermarkets and big box stores. Even with normal shopping habits being restored, consumers are spending the same time per visit at the local convenience stores as they

are when shopping at the bigger big-box stores (around 35 minutes). The proportion of people spending less than five minutes in store is the highest amongst popular big box retailers, something that can be attributed to the click-and-collect models.

NUMBER OF DISTINCT STORES VISITED BY CONSUMERS

PERCENTAGE OF CONSUMERS

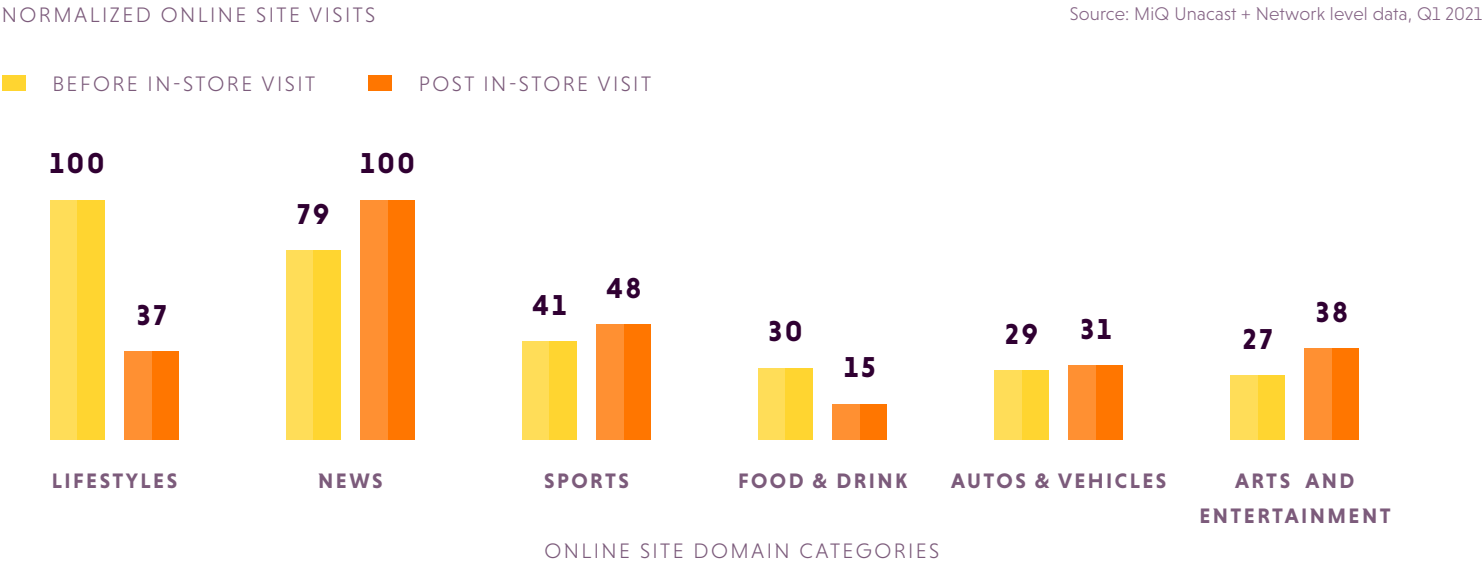Source: MiQ Unacast data, Q1 2021
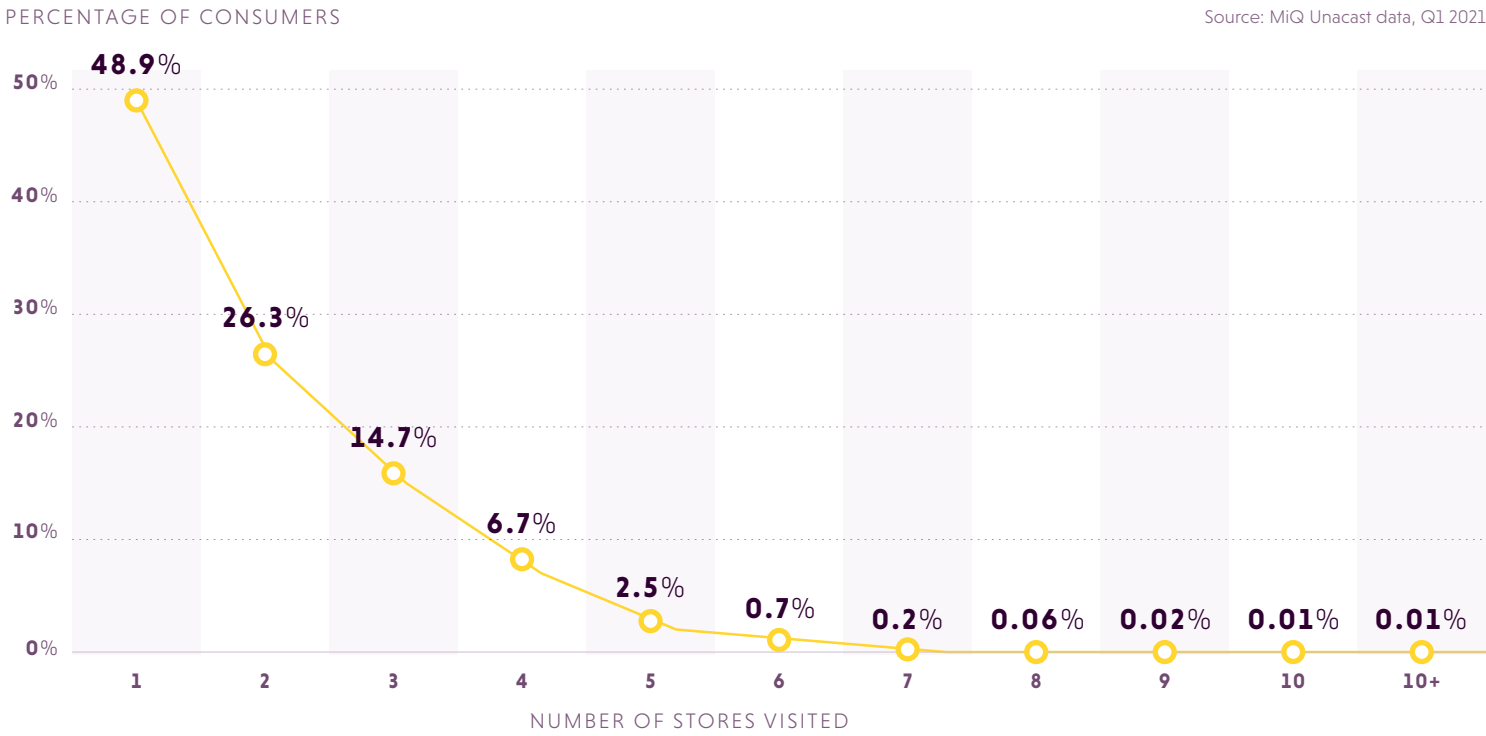
The lack of stock at certain places, as well as the competitive pricing of products, put retailer loyalty to the test during the pandemic. Half of consumers were willing to travel to an alternate

location or store to save money. Cross visitation was most prevalent among the price sensitive big box and club-store consumers. Half of consumers we tracked visited at least two different stores

during Q1, 2021 indicating that most CPG consumers are likely to be open to visiting more than one store. So, excluding Walmart shoppers for a Costco campaign might not be the smartest approach.

CPG IN-STORE SHOPPERS ARE ACTIVE ON LIFESTYLE SITES PRIOR A STORE VISIT

NORMALIZED ONLINE SITE VISITS

Source: MiQ Unacast + Network level data, Q1 2021

■ BEFORE IN-STORE VISIT   ■ POST IN-STORE VISIT

ONLINE SITE DOMAIN CATEGORIES

We also observed that while only 3% of all CPG shoppers went online while in the store, 37% shoppers were online an hour before or after their visit to the store.

While lifestyle domains were popular before the visit, consumers were active on news domains after the visit. This provides an opportunity for retailers to 'conquest' competitor audiences through lucrative deals or by suggesting added value in the form of lower drive times, shorter wait, availability of stock or even by pointing consumers to the nearest store.

TIPS FOR MARKETERS

Marketers need to be aware of the blend of online and offline choices consumers are making in the post-pandemic world. It might help to diversify supply path strategies to stay on top of cross-brand in-store visitation trends. For smart marketing strategies, marketers should stay up to date with the sites that a CPG consumer is likely to visit before and after they shop at a big box store. For instance, placing programmatic ad-serves on lifestyle sites before a consumer visits a store or on news, entertainment, and sports sites afterwards is a good way to engage them in the places they're most likely to be.

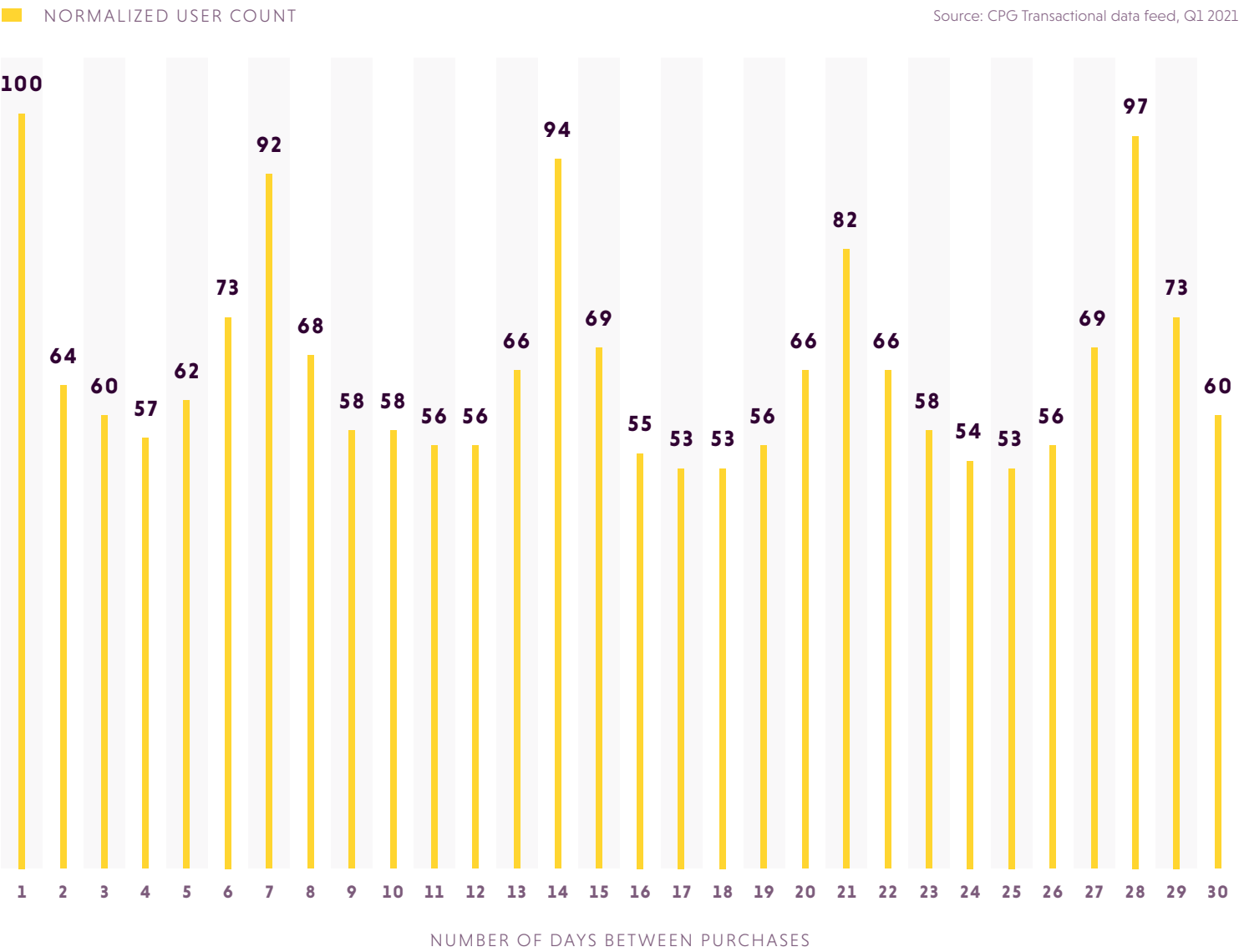# Customizing your targeting strategies to different audiences

As we saw in the first report, all customers are not equal, and treating them as such is unlikely to work.

For a marketer looking to activate a campaign for CPG essentials, knowing the frequency at which consumer segments are likely to replenish their supplies is a good starting point. Our data partnerships enable us to dive deeper into user purchase behaviors. Analyzing the normalized repeat purchase rate over a duration of 30 days, we found segments of consumers shopping in monthly, biweekly or weekly cadences. Creating targeting strategies in accordance with the propensity of offline visitation of each of these consumer segments may help marketers drive offline footfalls.

TIME LAG BETWEEN SUBSEQUENT PURCHASES AMONG REPEAT SHOPPERS

NORMALIZED USER COUNT

Source: CPG Transactional data feed, Q1 2021

Days	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Count	100	64	60	57	62	73	92	68	58	58	56	56	66	94	69	55	53	53	56	66	82	66	58	54	53	56	69	97	73	60

NUMBER OF DAYS BETWEEN PURCHASES

While this is a good start, this approach itself doesn't enable us to include the monetary proposition associated with different consumer segments. Using transactional data to perform RFM, (Recency - Frequency - Monetary) analysis and consumer lifetime value segmentation help us to identify and suggest targeting optimizations among consumer segments based on their overall spending potential and brand preference.

RFM segmentation uses past user-level transactional data and ranks the audience based

THE RECENCY OF A USER'S TRANSACTION

THE FREQUENCY OF A USER TRANSACTING

AND THE LIFETIME MONETARY VALUE OF A USER.

User interactions are ranked over these three characteristics and segmented into different segments and combined to generate distinct consumer segments, each with a different intrinsic value.

CONSUMER DISTRIBUTION ACROSS THE DIFFERENT RFM QUARTILES

FREQUENCY QUARTILE	RECENCY QUARTILE	MONETARY QUARTILE			
		1	2	3	4
1	1	4.09%	3.06%	2.84%	3.21%
	2	0.75%	0.58%	0.52%	0.55%
	3	1.46%	1.16%	1.02%	1.05%
	4	1.48%	1.18%	1.00%	1.05%
2	1	1.77%	1.48%	1.43%	1.68%
	2	3.52%	2.97%	2.79%	3.04%
	3	1.70%	1.61%	1.51%	1.50%
3	1	1.00%	0.96%	1.01%	1.14%
	2	1.47%	1.62%	1.66%	1.66%
	3	1.37%	1.95%	1.95%	1.72%
	4	1.57%	2.08%	2.05%	1.77%
4	1	0.45%	0.30%	0.28%	0.32%
	2	1.08%	0.87%	0.94%	0.98%
	3	1.24%	1.82%	2.06%	1.86%
	4	2.05%	3.37%	3.94%	3.45%

Source: CPG Transactional data feed, Q1 2021

While performing the said analysis for popular CPG brands, we managed to segment the brand audiences into 6 distinct segments:

DROPOUTS
A consumer who has not engaged in a long time is classified as a dropout. Reinvigorating the interest for brands through awareness campaigns and special offers could be one way to drive back into the consideration set of the consumer.

SLIP-OUTS
Slip-outs are consumers the brands are on the verge of losing. It is imperative for marketers to re-engage with these audiences to avoid them translating into lost opportunities. Identifying opportunities across both online and offline user journeys can provide the marketer to get these consumers back into the fold.

ROOKIE
Rookie are generally first-time/ occasional shoppers who might be looking to switch brand or store preferences. Running conquesting ad campaigns to reach these consumers seeing incremental purchase propensities can help these translate into revenue opportunities.

PROMISING
Promising consumers are loyalists but with moderate purchase interactions. Brands must find a way to increase engagement among this segment by keeping them informed of new and relevant offerings and try moving them to more premium offerings in order to get more out of these consumers and move them into the core group.

LOYALS
Loyal consumers have been associated with a brand for a significant amount of time and are frequent shoppers making them the cash cows for a CPG brand. It is crucial for marketers to keep these audiences engaged in a consistent manner re-emphasising on the value offering and rewarding them for their continued engagement with the brand. Keeping in touch with these audiences is more important now than ever given the extreme stress on brand loyalties and consumer preference for cheaper alternatives.
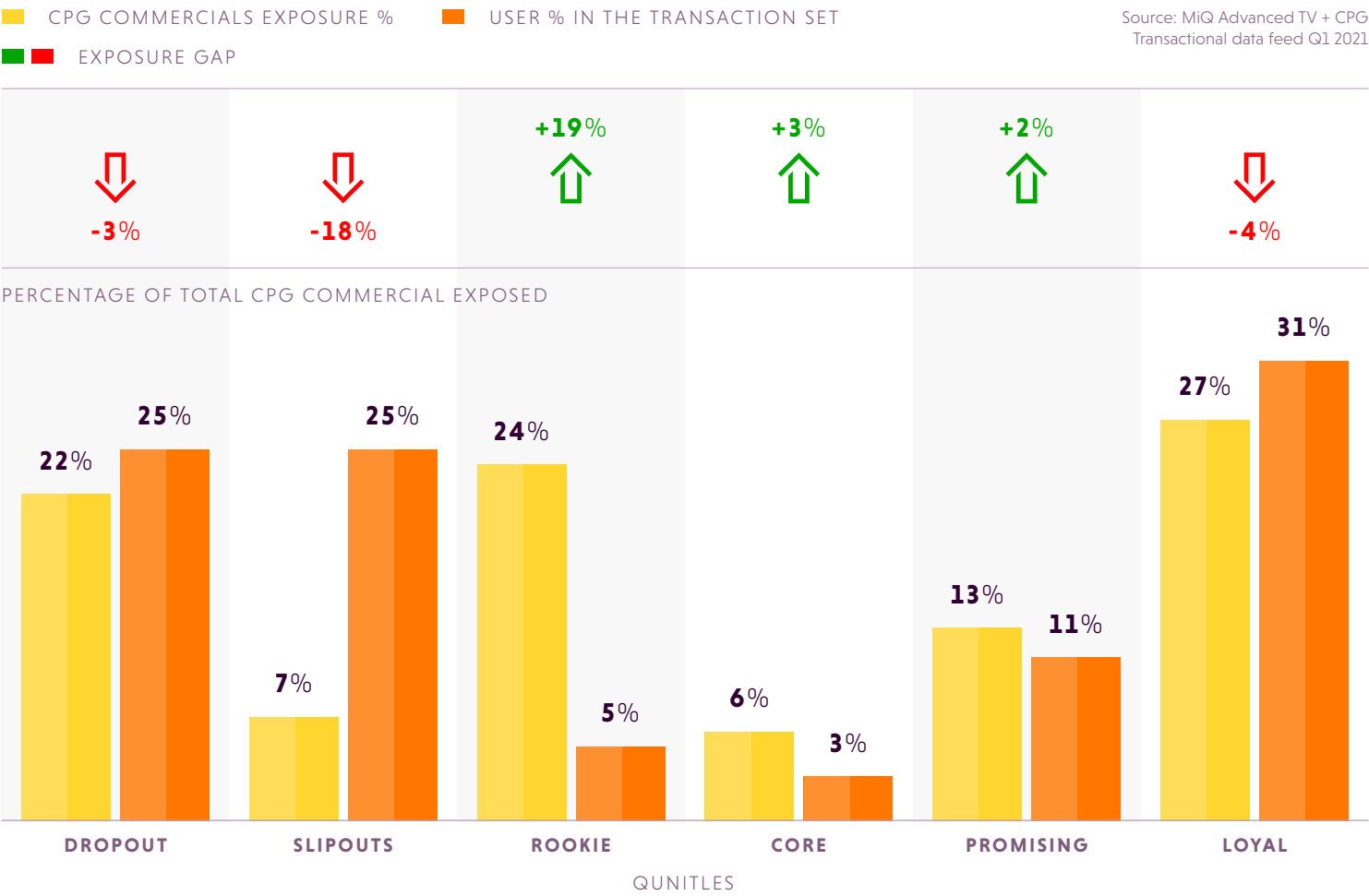
CORE
The dream segment of consumers, whom every CPG brand wants to attract. Consumers with extremely high spending potential at a regular cadence. While they form a small proportion of all shoppers, there is a reasonable chance of drawing cross category spending among these shoppers. Hence it's important to keep a track of their general preferences and drive interest across different CPG categories.

While 31% consumers in our analysis set continue to remain loyal to their preferred CPG brand, almost half of the consumers were either slipping or had already dropped out from the brands consumer base. This presents a case for CPG marketers being proactive in their approach to stay engaged with existing consumers to avoid them being translated into lost opportunities.

Omnichannel targeting presents a great opportunity to connect activations across different channels to ensure marketers are reaching most if not all their audiences. During our analysis we found that while slip-outs and drop-outs cumulatively account for 50% of the total population for the brand they were only accounting for 29% of all TV commercials. The under-exposure in this segment can be countered by using the power of incremental reach through programmatic campaigns. TV planning could also play an important role in distributing budgets across networks in order to reach a larger set of distinct audiences and not over-saturate a small section of consumers with a bulk of these commercials.

CPG TV COMMERCIAL EXPOSURE AMONG THE DIFFERENT CONSUMER SEGMENTS

- 🟨 CPG COMMERCIALS EXPOSURE %
- 🟧 USER % IN THE TRANSACTION SET
- 🟩🟥 EXPOSURE GAP

Source: MiQ Advanced TV + CPG
Transactional data feed Q1 2021

DROPOUT	SLIPOUTS	ROOKIE	CORE	PROMISING	LOYAL
⬇ -3%	⬇ -18%	⬆ +19%	⬆ +3%	⬆ +2%	⬇ -4%

PERCENTAGE OF TOTAL CPG COMMERCIAL EXPOSED

	DROPOUT	SLIPOUTS	ROOKIE	CORE	PROMISING	LOYAL
CPG Commercials Exposure %	22%	7%	24%	6%	13%	27%
User % in the Transaction Set	25%	25%	5%	3%	11%	31%

QUINTILES

TIPS FOR MARKETERS

Not all CPG consumers are equal and treating them as a single set is likely to be detrimental to marketing efforts. It is imperative for marketers to be able to segment their target audiences by the underlying spending potential and general purchase propensity to devise distinct strategies and personalized messaging for each of these segments. This is likely to aid in not only enhancing loyalty amongst existing customer base but also will assist in encouraging cross-selling, thereby boosting spending capacities per consumer.

Realizing the power of omnichannel advertising

As seen in our previous research CPG purchase journeys are no longer limited to a single channel. Omnichannel marketing can help CPG marketers tap into these user journeys and help drive optimizations across overall campaigns to boost chances of a user response. Omnichannel marketing done right offers marketers not only the opportunity to enhance reach but also minimize the wastage of advertising dollars in over saturating a thrifty consumer segment while missing out on high-spending consumers.

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While analyzing the audience for the top 10 global CPG brands in the US, we observed that top 20% of the audience exposed to CPG commercials accounted for 66% of all CPG commercials being aired while the bottom 40% were severely under-exposed accounting for less than 10% of all CPG commercials being aired over linear and OTT TV platforms.

CPG TV COMMERCIAL EXPOSURE, BY QUINTILES

PERCENTAGE OF COMMERCIALS

Source: MiQ Advanced TV, Q1 2021

QUNITLES
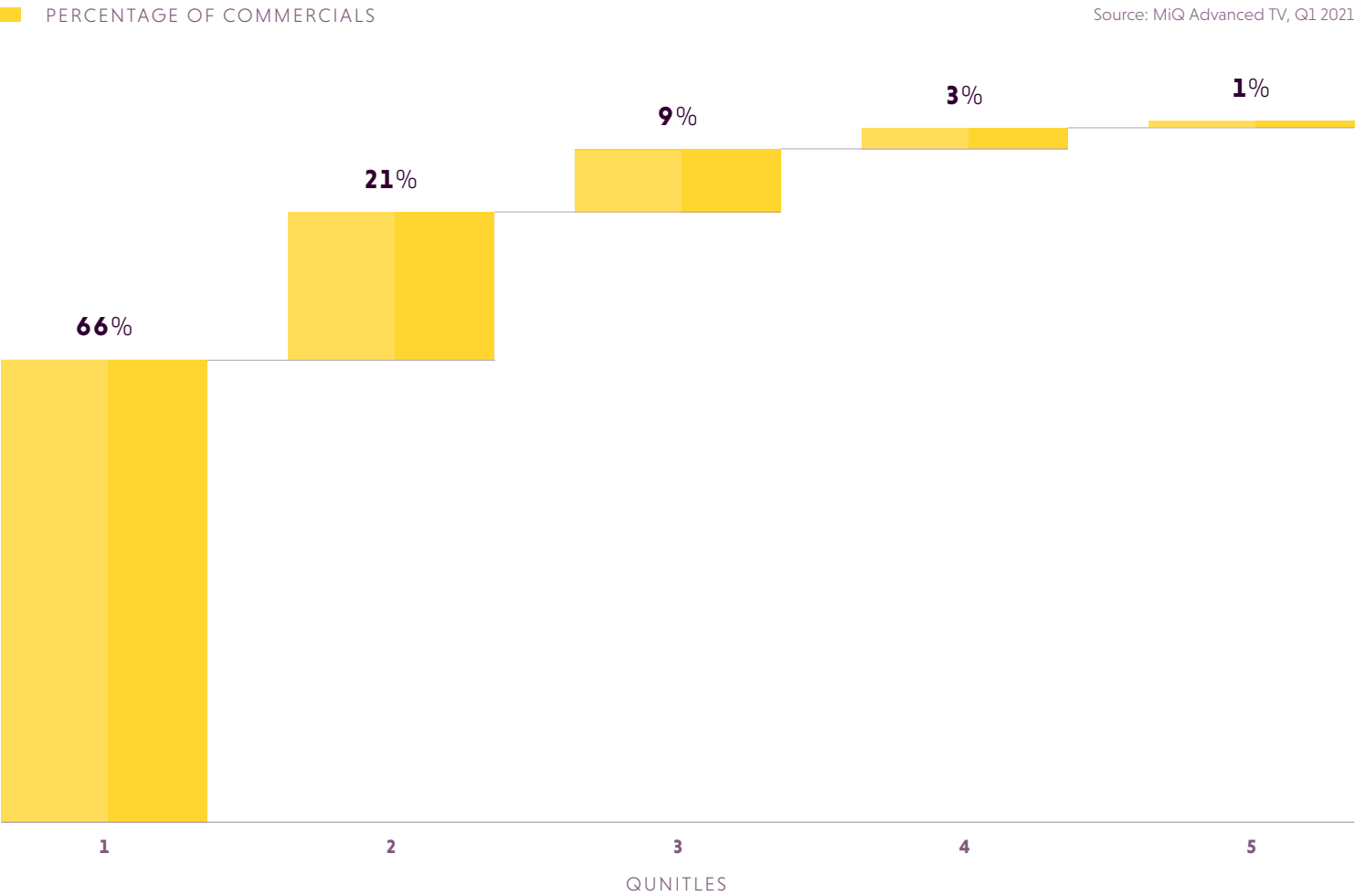
A majority of the underexposed set of audiences though were available online and could be reached through programmatic campaigns. 65% of these consumers were available on their mobile devices while 28% could be reached on the desktop computers. Running programmatic branding campaigns offer brands the ability to enhance brand consideration among these consumers. Similarly we found 71% of the over-exposed consumer segments were addressable through online advertising, offering a chance to reach them through direct response ads.

SECOND SCREEN OPPORTUNITIES AMONG THE UNDEREXPOSED TV SEGMENTS

Legend: COMPUTER PHONE TABLET TV GAME CONSOLE MEDIA PLAYER STB

65%   28%   3%   3%   1%
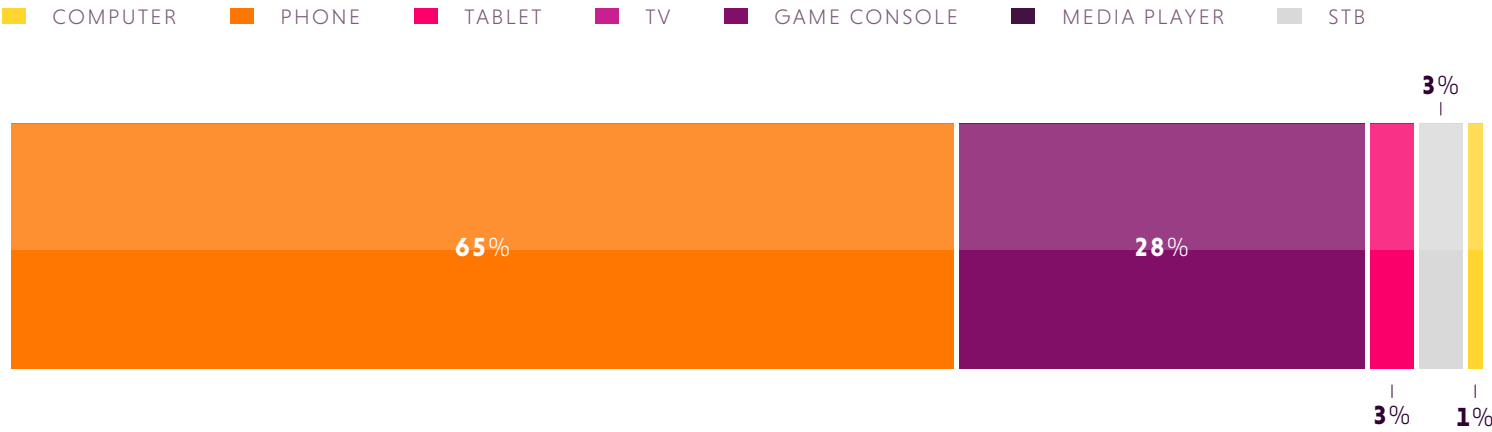
Source: MiQ Advanced TV, Q1 2021

TIPS FOR MARKETERS

With user journeys becoming more complicated, marketers need to consider ways of connecting their overall marketing efforts in order to drive towards unified objectives. Omnichannel marketing efforts not only help reach audiences across multiple channels in a seamless manner, it also offers critical optimizations and planning recommendations that can help marketers significantly boost their ROI while reducing dependence on third-party cookies.
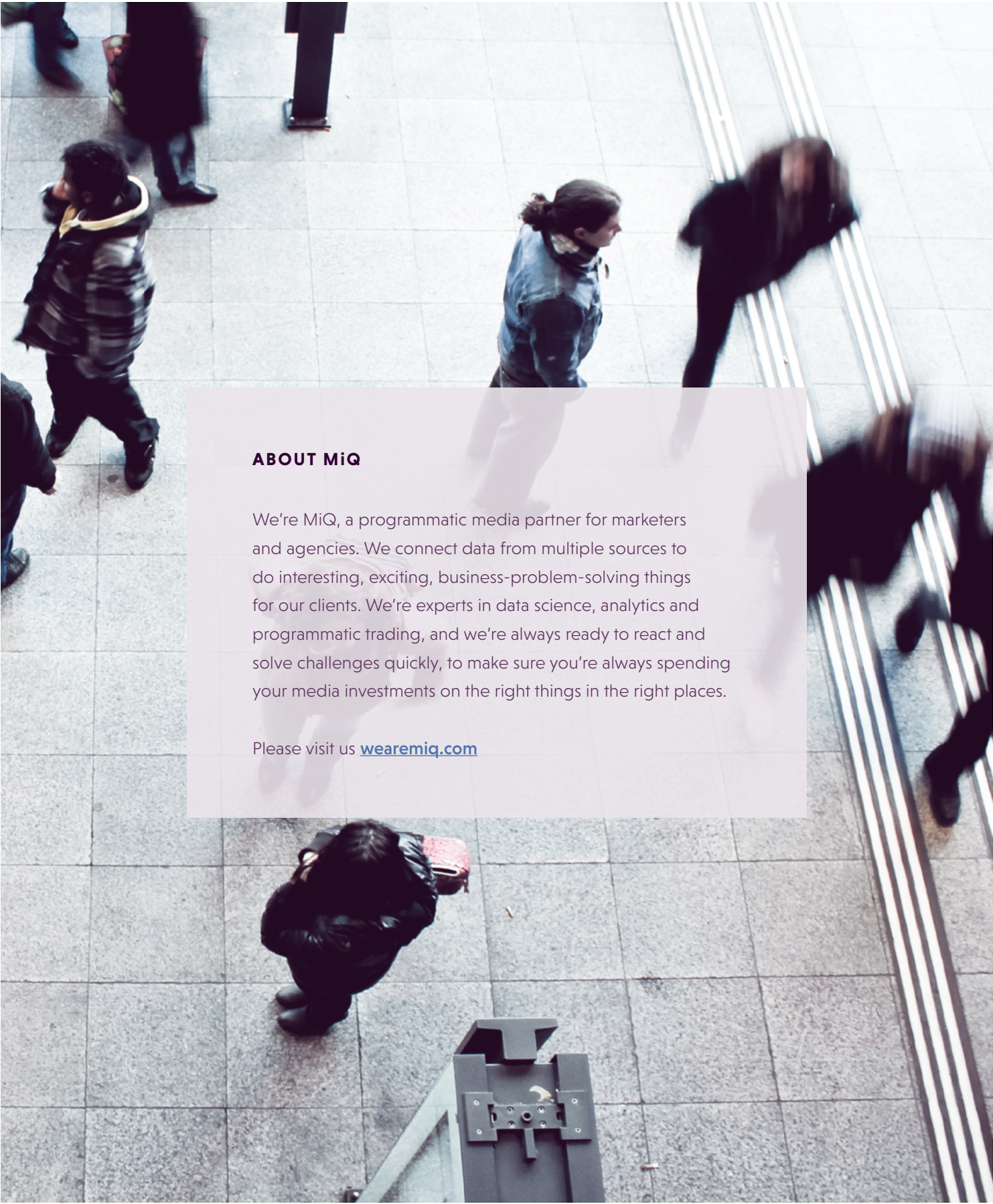
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