WHEN CPG BRANDS GET DIGITAL

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Industry Support

"Does your advertising budget reflect the significant impact of digital advertising on in store sales? And, are you capitalizing on validated findings on how to improve the effectiveness of your digital advertising? If no, this paper is a must read."

YORAM (JERRY) WIND **The Lauder Professor of Marketing and Director of the SEI Center for Advanced Studies in Management at the Wharton Business School**

"It's about time! Finally after all these years of focusing on the effect of media, comScore's initiative re-focuses attention on the impact of great creative. Better creative may be the single most important driver of exponential growth in online display advertising. The industry thanks you."

BOB BAROCCI **President & CEO, Advertising Research Foundation**

"As consumers spend more and more time online, it's critical for marketers to reach our consumers at the right time, with the right message, communicated in the right way. Tools that help drive those insights help us stay on the cutting edge."

GAYLE FUGUITT **Vice President, Consumer Insights, General Mills**

"Every good marketer knows that attitude precedes action: You can't get consumers to buy your product unless they like, admire, respect and trust your brand. As vital as interactive media are in reshaping consumer attitudes, this comScore whitepaper underscores the channel is meaningless without great creative strategy and execution. This study will contribute to the IAB's call for a creative revolution in interactive advertising."

**RANDALL ROTHENBERG** **President & CEO, Interactive Advertising Bureau**

"All advertising is a combination of art and science, logic and emotion, conviction and motivation. Until recently, digital advertising focused on the left brain area of science, logic and conviction. While these are important, it is clear that the next frontier is art, emotion and motivation, which come from that elusive butterfly creativity. Creativity online should be even more possible now because not only can we test and measure but because we have an entire palette of colors to paint and sculpt from. I have always believed that the Internet will usher in the next generation of creativity. Creativity that not only can we see, hear and feel, but also measure its impact."

RISHAD TOBACCOWALA **Chief Strategy & Innovation Officer, VivaKi**

comScore.

Introduction

By any measure, sales of consumer packaged goods* (CPG) represent an enormous industry. Via supermarkets, supercenters, drug stores, club stores and convenience stores, sales of macaroni, mouthwash, mustard and other daily necessities generate more than $1 trillion in annual revenue for the industry in the U.S. alone. Likewise, marketing budgets for CPG brands are appropriately massive, with top manufacturers allocating in excess of 20% of their sales revenue to marketing programs. These dollars are largely spent in three ways: 1) trade deals to retailers in return for temporary price reductions, in-store merchandising (such as end-aisle displays) and feature ads in newspapers, 2) branding advertising in media that includes television, print, and to a lesser degree, the Internet and 3) coupons offered in print and now, online. According to a recent SAP Research report, in 2008 trade deals accounted for fully 67% of manufacturers' marketing spend, while media spending (TV/Print/Internet) accounted for 22% and consumer promotions about 11%. Only 2% of CPG marketing expenditures went to e-marketing. In fact, there is a disproportionate relationship between consumers' time spent online and CPG manufacturers' ad spend on the channel. For example, while the Internet accounts for 21% of consumers' total time spent with media, only 4% of CPG manufacturers' ad spending is allocated to online (See Figure 1).

Figure 1: Comparison of Consumer Time Spent by Medium and CPG Manufacturer Ad Spend by Medium in the U.S.
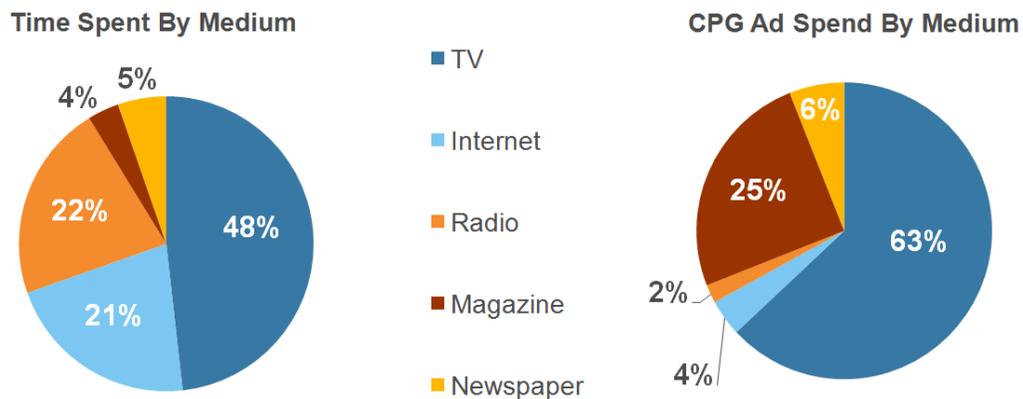
As such, it is no surprise that the online advertising industry has coveted CPG giants' vast marketing budgets, knowing that shifting just a few percentage points of traditional media spend to the Internet would do wonders for the industry. The CPG industry, however, has historically been hesitant to move dollars to digital. Some CPG marketers viewed the Internet as only a direct-response medium and believed that it didn't make sense to advertise online when the vast majority of CPG products are purchased in retail stores.

Note: The term Consumer Packaged Goods (CPG) is synonymous with the term Fast Moving Consumer Goods (FMCG) in the U.K.

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Others pointed to low click-through rates on digital ads as evidence that online campaigns weren't working. In recent years, however, this thinking has changed dramatically – a result of two key factors. First, the Internet has arguably become recognized as the most targetable and interactive medium in the world, which along with the emergence of social media, makes the Internet something that no marketer with a consumer focus can ignore. Second, contrary to early belief, the Internet has been proven to be much more than a direct response channel. Research conducted by comScore and others has shown that digital advertising can indeed have a branding impact, and that it does have an undeniable ability to lift brand sales in retail stores.

 As part of a data- and results-driven industry, leading CPG marketers are at the forefront of sophisticated measurement of the effectiveness of their digital advertising, helping to encourage the shift of more dollars to the Internet. And, there is no doubt that the CPG industry has significantly increased its focus on the Internet in recent years. Data from the Internet Advertising Bureau show that CPG online ad spending increased by 40% in the first half of 2010 versus the prior year. Yet, there is still a significant opportunity for CPG marketers to get more out of their online marketing investments by doing what they have done with traditional media for decades – **measuring the quality of their advertising creative before running their campaigns**.

As creative takes center stage in digital advertising, leading CPG marketers are asking some critical questions, such as: *How can digital copy-testing help me to optimize future campaigns, and to what extent does pre-testing improve my overall ROI? What creative elements are most important to include in my digital campaigns? Which elements yield the strongest sales impact? How can I best communicate messages about price and promotion, and how does this differ from branding messaging?*

This paper, **the second in a series of comScore ARS reports on the role of creative in digital and traditional television advertising**, seeks to answer these questions and more by examining recent digital and traditional copy-testing studies in the U.S. market, including a variety of studies focused on CPG brands. The analysis will shed light on what's working, what's not and how these findings can be used to help shape future successful ad campaigns.

Maximizing ROI from Digital Advertising

The Impact of Digital Advertising on CPG Brand Sales at Retail

comScore maintains a panel of two million people worldwide (1 million in the U.S. and 1 million outside of the U.S.) who have given comScore explicit permission to anonymously measure their online behavior through the use of patented software installed on panelists' computers. This software provides comScore with a continuous measure of all the websites visited and all of the panelists' online activities, including exposure to online ads — whether clicked on or not. In conjunction with dunnhumby, a leading customer-centric insights company that maintains retailer loyalty card scanner data for 60 million households, comScore has the ability to conduct a name and address match of the comScore panel with the members of the dunnhumby shopper universe. This results in the creation of a privacy-protected, single-source data mart of approximately 300,000 U.S. panelists, which contains each household's online activities as well as their in-store buying behavior. Using this data mart, comScore and dunnhumby have conducted dozens of studies that compare the retail (i.e. offline) brand buying behavior of households exposed to online advertising with that of matched control groups that were not exposed to the advertising. The results clearly show the ability of digital advertising to lift brand sales at retail, with an average increase of 22% in offline buying among households exposed to online brand advertising (See Figure 2).

Figure 2: Digital Advertising's Impact on In-Store Sales* for CPG Brands Among Households Exposed to Online Display Advertising


Source: comScore AdEffx Offline Sales Lift Studies (conducted with dunnhumby)
*comScore measures advertising's impact on offline sales by linking the comScore panel of 1 million U.S. Internet users to dunnhumby's retailer loyalty card scanner data, which provides a measure of the panelists' in-store brand buying activity.

Additional research helps to prove that digital advertising rivals TV in its ability to generate offline sales increases. Figure 3 represents a comparison of the sales lift from a compilation of numerous digital ad campaigns that comScore has evaluated (weighted to reflect a 40% household reach) with the sales lift generated by typical TV advertising plan. The TV data have been supplied by IRI via the many tests

they've conducted using their BehaviorScan® system, which is able to compare the retail brand buying of consumers exposed to TV ad campaigns with the brand buying of households not exposed to TV advertising. Of note, the BehaviorScan® tests are based on a one-year period, while the comScore studies were conducted over a three-month period of time.

Figure 3: Comparison of Offline Sales Lift* for CPG Brands Resulting from Online Advertising vs. TV Advertising
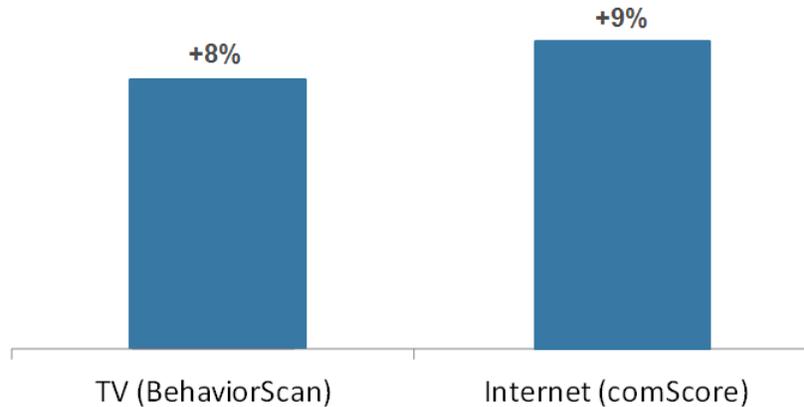
*BehaviorScan® tests conducted over a one-year period and reflect CPG ad campaigns' typical reach, while the comScore studies were conducted over a three-month period and reflect a 40% household Internet reach against target.
Source: comScore AdEffx Offline Sales Lift for Internet; IRI BehaviorScan® for TV

From these results, it's clear that digital advertising generates approximately the same offline sales lift in a three month period as TV advertising does over one year (although it is possible that some wearout of the TV creative could have occurred during the one year of the TV campaigns). Nonetheless, the ability of online advertising to generate substantial short-term sales increases for brands at retail is undeniable. Notably, however, digital offers some significant advantages. First, the superior targetability of Internet advertising allows more ad impressions to be delivered against the target audience in a given period of time. Secondly, it is important to note that digital's cost-per-point of lift is likely to be much lower than TV, making it a very cost effective channel.

The Importance of Creative in Digital Advertising

From decades of traditional copy-testing research, comScore ARS knows that the quality of an ad's creative can have a profound impact on the overall effectiveness of any campaign. In fact, comScore ARS has identified a variety of valuable creative advertising elements – such as Product Convenience Information, Brand Differentiating Key Messages and Prominent Product Name Placement – that have a significant, but varying, impact on an ad's ability to build a brand and ultimately lift sales. This research has identified more than 200 creative elements that *can have* an impact on an ad's ARS Consumer Choice Score (See Appendix for detailed explanation of the ARS Consumer Choice Score). A sub-set of

these elements, called the ARS Validated Drivers, has been shown to have a *significant* impact on ARS Consumer Choice Scores and therefore on brand sales. The table below illustrates the relationship between some of the ARS Validated Drivers, the ARS Consumer Choice Score and resulting market share changes for brands (See Figure 4). For example, the findings demonstrate that the inclusion of 'Product Convenience Information' can, on average, result in a 6.2-point improvement in the ARS Consumer Choice Score, which translates to a nearly 1-point increase in market share for the advertised brand.

Figure 4: Impact of Selected ARS Validated Drivers on ARS Consumer Choice Score

Select ARS Validated Drivers* (Campaign Elements)	Improvement in Average ARS Consumer Choice Score**	Resulting Average Market Share Increase***
Product Convenience Information	+6.2 pts	+0.9 pts
New Product/New Feature Information	+6.0 pts	+0.9 pts
Product Prominently Displayed	+4.0 pts	+0.6 pts
Brand Differentiating Key Message	+3.6 pts	+0.5 pts
Demonstration of Product in Use	+3.1 pts	+0.5 pts
Brand Name Reinforces Benefit	+2.9 pts	+0.4 pts
Setting Directly Related to Use	+2.4 pts	+0.4 pts

*Includes a selected, not exhaustive, list of ARS Validated Drivers
**Versus absence of element
***Based on average market share change in first 4 or 5 week period after airing
Source: comScore ARS Summary of Factors Affecting ARS Consumer Choice Scores; majority of cases involved CPG brands

Because of the strong ability of these elements to positively impact brand sales, many brands will not launch a TV campaign without first testing a variety of creative strategies and executions to ensure the elements are properly incorporated. Yet, when it comes to digital, we have found that these elements are often overlooked. For example, a recent comScore ARS study of 100 digital ads and 3,681 TV ads drawn from the CPG, retail and durables sectors compared the use of ARS Validated Drivers in digital campaigns versus television. The comScore ARS database of television ads was matched to the digital ads by category to allow for an apples-to-apples comparison. The study findings showed that for each of the five key strategic elements included in the analysis there is a higher incidence of usage/inclusion in TV than in display ads (See Figure 5).

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Figure 5: Percent of Ads Containing Elements

Select ARS Validated Drivers (Campaign Elements)	Digital Display Ads* (Rich Media, Banners, Rectangles)	Television Ads*
Brand Differentiating Key Message	17%	31%
New Product/New Feature Information	19%	44%
Product Convenience (explicit & stated)	0%	9%
Competitive Comparison	10%	24%
Superiority Claim	13%	26%

*Cases drawn from comScore ARS test databases and balanced by category
(n=100 for digital display ads, n=3,681 for television ads)
Source: comScore ARS Integrated Database; majority of cases involved CPG brands

Knowing that these elements typically have a significant impact on the ability of an ad to increase sales, why do so few digital ads include these critical components? One explanation may be that for some digital formats (such as static banners), it is challenging to incorporate these strategic elements. However, the increasing use of rich media and video eliminates these constraints, which illustrates that rich media ads use these drivers more frequently than static ads (See Figure 6).

Figure 6: Percent of Ads Containing Elements

Select ARS Validated Drivers (Campaign Elements)	Static Media*	Rich Media*
Brand Differentiating Key Message	3%	23%
New Product/New Feature Information	3%	26%
Product Convenience (explicit & stated)	0%	0%
Competitive Comparison	13%	9%
Superiority Claim	7%	16%

*Cases drawn from comScore ARS test databases and balanced by category
(n=100 for digital display ads, n=3,681 for television ads)
Source: comScore ARS Integrated Database; majority of cases involved CPG brands

Another likely explanation for a lack of inclusion of key creative elements in many digital campaigns is quite simply that until recently the digital industry has not placed a heavy focus on the quality of creative. Regardless of the reasons, these results indicate significant opportunities for digital ads to improve their campaigns by including one or more of these elements. Doing so will increase the likelihood of boosting brand sales.

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The Impact of Digital Branding Advertising in CPG

In addition to maintaining databases that provide broad, industry-wide insights, comScore ARS also offers consultative services to its clients, helping them answer questions specific to their brands and/or advertising objectives. The following series of study results, relating to a variety of CPG display ad campaigns, sought to address strategic questions concerning the impact of the inclusion of five of the ARS Validated Drivers on brands' retail sales.

comScore ARS measured online advertising's impact on retail sales by linking the comScore panel of 1 million U.S. Internet users to their supermarket loyalty card data (supplied by dunnhumby), which provides a measure of the panelists' in-store buying activity. Results (See Figure 7) showed that the inclusion of these strategic elements in display ads tends to be associated with a greater lift in offline sales than when the elements are not included. The significance of the findings is reinforced when one considers that these elements are typically not included in many digital campaigns (See Figures 5 and 6). This insight helps to further illustrate that CPG advertisers are leaving ROI dollars on the table by not paying more attention to the important role of creative in digital ads.

Figure 7: Percent Lift in Retail Sales of CPG Brands among Households Exposed to Online Display Ads Compared to Households Not Exposed
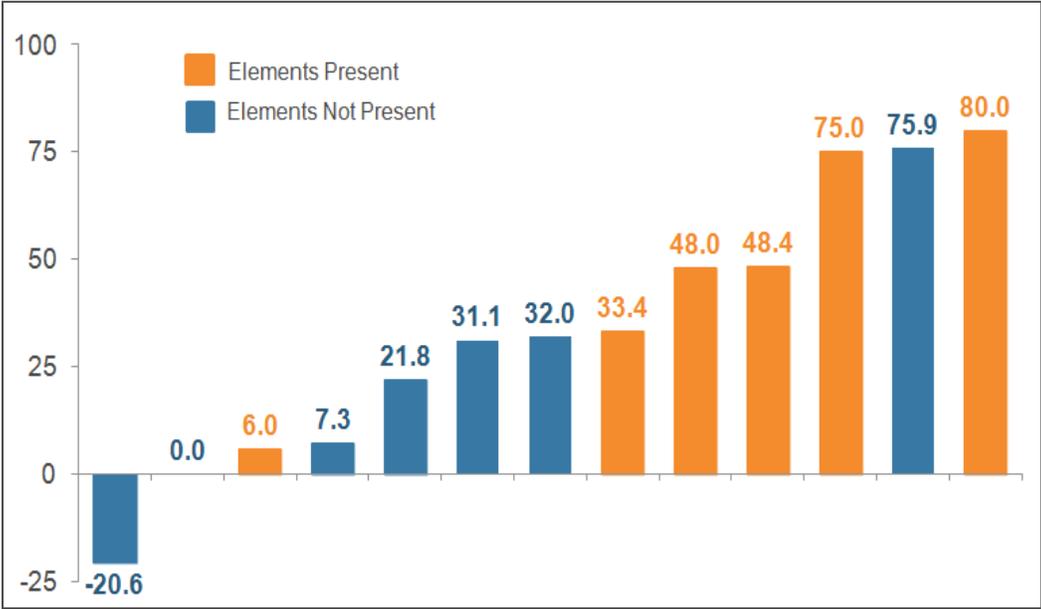
Source: comScore ARS-dunnhumby Case Studies Conducted for Major CPG Brands (blinded, n=13)
Note: The ARS Validated Drivers included in this analysis were: Brand Differentiating Key Message, New Product/New Feature Information, Product Convenience, Competitive Comparison and Superiority Claim.

The Role of Price and Promotion Information in CPG Digital Advertising

In addition to the above analysis of traditional drivers of advertising effectiveness in TV and their role in digital advertising, the comScore ARS research also looked at the impact of including 'value' information, such as price discounts, coupons and other special offers in digital advertising creative. This type of information is typically conveyed by CPG marketers in print advertising rather than TV. Study findings show that such value information is typically included much more frequently in digital ads than in TV (See Figure 8).

**Figure 8: Percent of Digital and TV Ads Containing Value Elements**

Type of Element in Ad	Digital Display Ads* (Static & Rich Media)	Television Ads*
Value: Economy/Savings	22%	2%
Value: Special Offer	38%	2%

*Cases drawn from comScore ARS test databases and balanced by category (n=100 for digital display ads, n=3,681 for television ads)
Source: comScore ARS Integrated Database

Given that advertising on the Internet was originally considered to be primarily a direct-response medium, it's perhaps not surprising that price/promotion information has been used more often in digital ad campaigns than in television advertising – which has historically been used strictly for branding by CPG marketers. In the offline world, it's actually the print medium that rules the roost when CPG manufacturers and retailers communicate price and promotional incentives to consumers. So, we can conclude that the Internet is being used today in a manner more similar to newspapers and magazines than TV when evaluated in terms of the communication to consumers of price and promotion information for CPG brands. This trend is consistent with emerging consumer preferences, since recent comScore research has shown that consumers (especially the younger segments) would prefer to see the communication of pricing information via digital means rather than in newspapers (See Figure 9).

Figure 9: Availability of Grocery Pricing via Internet versus Newspaper

Q. Would you prefer to have grocery product pricing information for local retailers available online instead of in the newspaper?
Source: comScore Survey October 2010
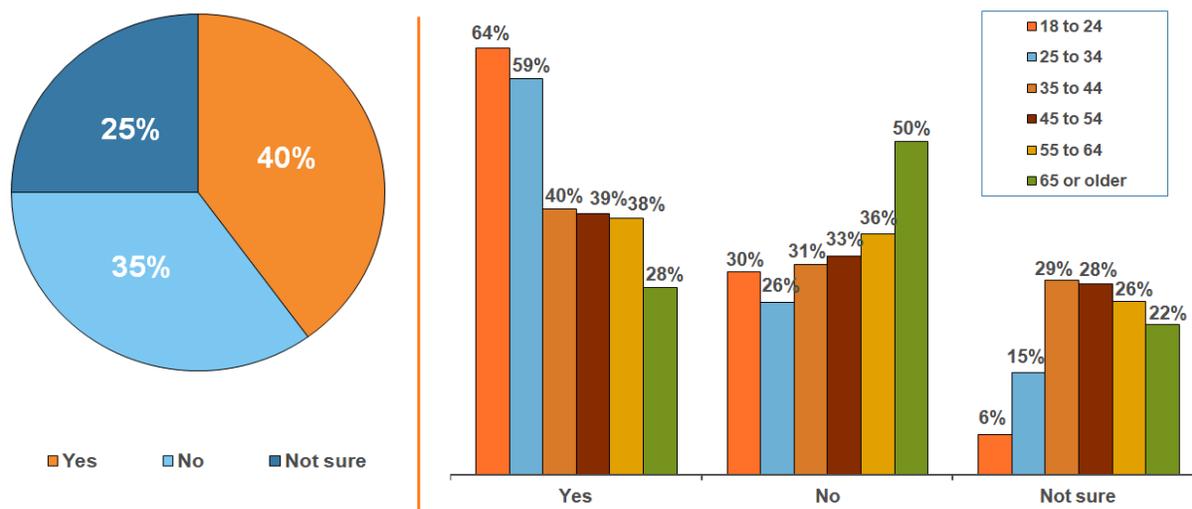
Source: comScore CPG Purchasing Behavior Study, October 2010, n=1054

Finally, the analysis examined the ability of these types of digital ads to generate offline sales by comparing the lift in retail sales among households exposed to the online display ads versus the lift in sales among those not exposed to the digital advertising. The results have been segmented according to the type of value information included in the advertising creative (See Figure 10).

Figure 10: Percent Lift in CPG Brand Retail Sales Among Households Exposed to Online Display Ads Compared to Households Not Exposed

Source: comScore ARS Case Study of Major CPG Brands (Blinded, n=13)

Two conclusions are evident from Figure 10. First, even without the inclusion of any 'value' information, digital ads are able to generate significant brand sales increases at retail, reflecting the ability of online ads to convey a persuasive branding message. Second, the inclusion of various value elements, such as special prices, coupons or free sample offers, in digital campaigns results in a substantial additional increase in offline sales lift.

Conclusion

comScore research has confirmed the ability of online advertising to build sales of CPG brands at retail. However, it's also apparent that the success of any digital campaign is heavily dependent on the type and strength of the creative used. Because of this, it's vital that CPG marketers mirror their approach to traditional advertising and thoroughly evaluate the effectiveness of their digital creative before introducing their online ad campaigns. CPG marketers have the ability to use digital advertising to convey either persuasive branding messages or to communicate the type of price/promotion information that has heretofore been reserved for print. In either case, digital presents exciting opportunities for CPG marketers to assemble compelling advertising campaigns in an extremely cost-effective manner. But, understanding the right mix of value and traditional branding messages and testing their effectiveness before introducing campaigns will ensure that CPG marketers garner the highest possible ROI from their investments in online marketing.

Appendix

About ARS Consumer Choice Score

comScore ARS is a world leader in advertising copy-testing. Having pioneered the discipline more than 40 years ago, comScore ARS has conducted over 40,000 studies of television advertising, and more recently, hundreds of digital advertising analyses, on behalf of some of the world's largest and best-known brands.

comScore ARS has developed the ARS Consumer Choice Score (formerly called the ARS Persuasion Score), the most well-documented and independently-validated measure of advertising effectiveness in the world. As the name implies, it quantifies the ability of an ad to influence brand preference, and it has been shown to be predictive of advertising-induced sales with a +0.90 correlation.

How It Works

The ARS Consumer Choice Score measures changes in consumer brand preference through a simulated purchase exercise. Respondents participate in prize drawings (sweepstakes) across several categories. In each category they choose the product they would like to win from a balanced competitive set. Bias is eliminated and preference is collected from those who viewed the ad (exposed group) and those who did not view the ad (control group). The difference in share of preference between the two groups, called the ARS Consumer Choice Score, is then calculated.
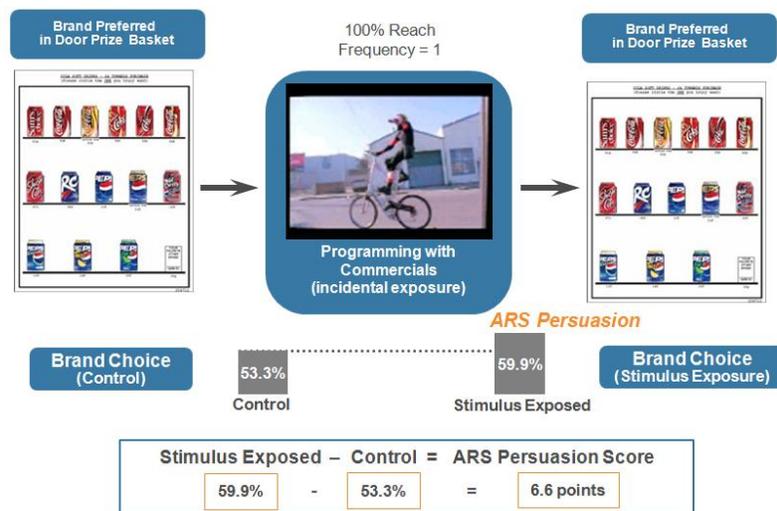
About ARS Fair Share Benchmark

comScore ARS has developed the comScore ARS Fair Share Benchmark to aid in assessing whether the ARS Consumer Choice Score for a specific ad meets or exceeds the level expected for an average ad for the brand. This benchmark takes into account product category and brand loyalty, the number of brands competing in the category and the advertised brand's share of preference to determine the score expected, on average, given the current category and brand's environment. The ad's strategy and/or execution are determined to be "below average," "average," or "above-average" based on their relationship to the Fair Share degree-of-difficulty norm.

Correlation with Actual Sales

Since its inception, comScore ARS has systematically collected information to determine the validity of its measurement systems, relating comScore ARS metrics (i.e. ARS Consumer Choice Score) to the prevalent measures of sales employed at the time. Early validation efforts used metrics related to sales results from store audits and ATU trial rates, progressing later to split-cable test market outcomes. Ongoing validation efforts include the relating of test scores to market share change from Marketing Mix Modeling (MMM) and in-store scanner data. This systematic commitment to validation has resulted in more than 2,000 validation cases spanning four decades. Consistently, the ARS Consumer Choice Score has demonstrated the strongest relationship to real-world sales and share change results. This result holds across countries, cultures and multiple verticals, including CPG, auto, pharmaceutical, retail and QSRs.

Marketing Mix Model Validation (Controlled Environment)
comScore ARS' ongoing Marketing Mix Model validation data set represents the most precise validation study to date. The MMM result isolates the effect of the test ad from other marketing variables, largely removing the issue of uncontrolled variables from the analysis. Using the MMM result as the measure of sales attributable to a specific advertisement, the ARS Consumer Choice Score has been proven to be predictive of advertising-induced sales with a +0.90 correlation (See below chart).
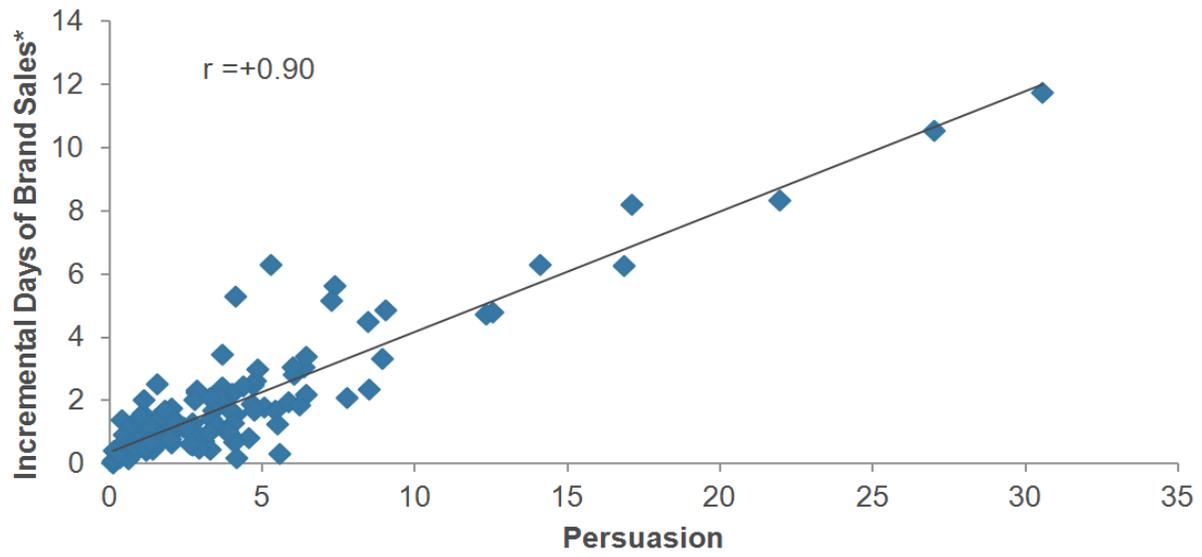
Source: Marketing Mix Model Validation Data Set
*Days of incremental brand sales volume; calculated by dividing incremental volume from TV advertising by average category volume per day.

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