THE PERSUADABLES
How Advertisers Can Use the Principles of Recency and Spend Level to Significantly Improve ROAS
Table of Contents

Introduction: A Breakthrough in Ad Targeting for CPG Marketers ........................................ 3

How The Persuadables Came To Life ................................................................................. 4

Who Are The Persuadables? .............................................................................................. 5

The Experiment: 3 CPG Brands ......................................................................................... 6

Results: The Persuadables Really Are Persuadable! ....................................................... 7

How Can CPG Marketers Win by Targeting The Persuadables? ..................................... 8

Conclusion .......................................................................................................................... 9
Introduction: A Breakthrough in Ad Targeting for CPG Marketers

Most CPG marketers have more distribution channels today than they did even three years ago. Walmart’s acquisition of Jet.com last year is a prime example of this, as well as voice-activated assistants and Amazon’s Dash buttons. While this brings more opportunity for revenue, it also introduces new complexities, as CPG brands must now grapple with consumers making purchases both in-store and online.

As marketers, we all know traditional advertising can be inefficient and difficult to measure. National and local TV advertising campaigns are expensive undertakings, requiring marketers to buy whole audiences, even though brands may only want to reach a small sub-set of this audience.

In contrast to traditional “top-down” marketing, the digital world increasingly offers people-based precision where a marketer can more effectively target their advertising to specific consumers on whatever device they are using at the moment. People-based marketing is a bottom-up approach, leveraging powerful first-party data inclusive of demographics, brand preferences, past purchase history, and more to give marketers the precision, accuracy, and scale needed to reduce ad spend waste.

Despite all of the data available today, a very large portion of CPG marketers still do not know who makes up their best audiences. They approach digital like traditional media, relying effectively on spray and pray targeting, defining audiences via probabilistic, cookie-based methodologies or simple age/gender segments.

But the underlying question for marketers is: **who should you target and when should you target them to get the most return on your ad spend?**
How The Persuadables Came To Life

As the former Chief Research Officer at the Advertising Research Foundation, I’ve thought about this question a lot over the years. But it wasn’t until recently that I realized with the right data partners, I could really dive in and find the answers I was looking for.

This past year, I approached Nielsen Catalina Solutions (NCS) and Viant® to gain insight on who to target in order to achieve the highest return on ad spend.

NCS houses the largest CPG buyer graph in the nation, integrating in-store CPG purchase data from Catalina Marketing and their audience of more than 90 million U.S. households.

While NCS provides insight into purchase data, Viant, a Time Inc. company, brought the much-needed first-party database, with the Viant Advertising Cloud’s access to 1.2 billion registered users. When combined, NCS provides information on when consumers purchase, while Viant provides the people-based insight, advertising reach, and targeting capabilities on how to reach these consumers. Together, we constructed and tested a new segmentation framework based on CPG shopper data.

Our hypothesis was that ad response would be greatest among consumers who were heavier volume shoppers that were ready to make their next purchase. We defined shoppers who fell into this intersection as the “Persuadables.”

We tested this hypothesis against three ad campaigns Viant ran for three popular CPG brands. In all three campaigns, the Persuadables segment returned a remarkable 16x the return on ad spend (ROAS), compared to the remaining audiences exposed to the campaigns.

In the following sections, we’ll explain how we defined and tested ad responsiveness among the Persuadables segment, and how CPG marketers can leverage these findings to improve their advertising spend.

Summary of Key Findings

Targeting the right consumers can increase return on ad spending by 16x.

The principle of recency-based ad targeting is proven. Targeting consumers who are likely to be closer to their upcoming purchase offers a major boost to ROAS.

Contrary to popular belief, targeting brand buyers vs. non-brand buyers is uniformly a better strategy.
Who Are The Persuadables?

Exploring the Principle of Recency, or When to Target Consumers

The principle of recency was born out of an analysis of 142 brands, using Catalina Marketing data conducted by Professor John Philip Jones in the early 1990’s. He found that half of advertising’s effectiveness was due to the first ad exposure occurring within seven days of an upcoming purchase. Two decades later, Erwin Ephron, one of the most influential figures in the field of media planning, built on Jones’ work, and popularized the media planning principle of recency. Ephron’s theory of recency, or closeness to purchase, proposed that digital advertisements are most effective right before a consumer is about to buy a product.

In traditional media like TV and print, the theory of recency was never applied as it wasn’t really possible to time ad exposures to individual shoppers based on their purchase stage. The best that TV media planning can deliver is a constant advertising presence, taking an “always on” approach to maximize reach and optimize frequency, regardless of when any individual customer is timed to make his or her next purchase.

But with the advent of people-based marketing and access to nearly real-time CPG customer purchase data, advertisers now know the average household purchasing cycle and how to effectively reach individuals across all of their devices. By comparing frequent shopper data against digital advertising campaigns, marketers can track when individuals are shopping for certain items and improve their advertising effectiveness.

For example, today we know when a cat owner is about to run out of cat food because we can see when the individual’s last purchase was and what his or her typical purchase cadence is. Leveraging this data, brands can time their advertisements to run during the critical days prior to when that consumer is most likely to order more cat food or visit the store.

Predicting Who to Target

In addition to looking at what stage a consumer is at in their purchase cycle, we also considered shoppers’ purchase volume and brand affinity. Our theory was that heavier buyers of a given brand (but not necessarily brand loyalists) would be the best target because they tend to buy the brand more often and they are heavier spenders. Alternatively, loyal brand buyers would likely have made the same brand purchase without any advertising at all, while non-brand buyers would not be as likely to be influenced by advertising.

For example, someone who buys Fancy Feast some of the time, but not all of the time is more likely to buy Fancy Feast the next time they need to buy cat food than someone who hasn’t purchased Fancy Feast in the past six months.

Using this theory, we answered the “Who” part of the question: heavier brand buyers who purchase a brand sometimes, but not all the time.
The Experiment: 3 CPG Brands

NCS analyzed three U.S. campaigns which Viant had recently conducted for leading CPG marketers to test the concept of targeting the Persuadables.

The three brands chosen for our analysis are well-known packaged meal and snack brands: ready-to-serve soup, packaged meat, and dessert snacks. Before we began the analysis, we confirmed these campaigns had each achieved typical ROAS for shopper-targeted campaigns of roughly $2 (meaning, $1 in advertising yielded $2 in incremental sales). The campaigns each served between 40-100 million impressions, and reached 25-40MM households per campaign.

In order to determine recency, NCS calculated the average purchase cycle based on 18 months of prior purchase data for each household exposed to the campaign. As a result, NCS could flag when it thought these consumers would be close to making their next category purchase.

For example, if a shopper’s purchase cycle for soup is 8 weeks and if their last purchase of soup was 6 weeks ago, they would be roughly two weeks away from their next soup purchase.

NCS also segmented households exposed to the campaign into multiple levels based on their history of buying the particular brand. Ads delivered to such shoppers thought to be close to their next purchase were labeled “late exposures.” Those whose last campaign exposure was earlier in their purchase cycle (i.e., closer to their previous purchase) were labeled “early exposures.”

From this analysis, we identified the Persuadables: heavy brand purchasers who were also predicted to be closer to an upcoming purchase at the time they were last exposed to an ad.

### CPG Brand Campaigns

<table>
<thead>
<tr>
<th></th>
<th>Ready-to-Serve Soup</th>
<th>Packaged Meat</th>
<th>Dessert Snacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Reach</td>
<td>24MM</td>
<td>35MM</td>
<td>34MM</td>
</tr>
<tr>
<td>Ad Formats</td>
<td>Display Only</td>
<td>Video Only</td>
<td>Video + Display</td>
</tr>
<tr>
<td>Original Targeting</td>
<td>Category Purchasers</td>
<td>Category Purchasers</td>
<td>Category &amp; Lapsed Brand Purchasers</td>
</tr>
<tr>
<td></td>
<td>Age: 25-49</td>
<td>Females Age: 25-54</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen Catalina Solutions
Results: The Persuadables Really Are Persuadable!

Driving Significant ROAS

The Persuadables exhibited an incredible ROAS of $21.38, or 16x the ROAS of the other seven segments combined. This means that every dollar of advertising spent generated an additional $21 of sales, on average. By comparison, the ROAS for the combined remaining seven segments was just $1.35. The Persuadables performed 10x better than the overall average ROAS of the three campaigns ($2.11), and 16x better than the seven other segments combined.

These results were consistent across all three brands’ campaigns. The Heavy-Late, or Persuadables segment, were always the best performing segment, with at least 6x the average campaign ROAS.

The packaged meat brand, in particular, saw nearly 26x the ROAS for the Persuadables segment compared to the overall campaign’s ROAS. A couple of points are worth noting for this particular campaign. First, the campaign ran in the summer months, and it is a summertime product, so the seasonality had a positive effect. Second, this brand was the only one for which media was all video impressions, which is generally understood to have more ad impact than display banners.

### CPG Brand Campaigns - ROAS*

<table>
<thead>
<tr>
<th></th>
<th>Ready-to-Serve Soup</th>
<th>Packaged Meat</th>
<th>Dessert Snacks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROAS Persuadables</strong></td>
<td>$23.67</td>
<td>$48.26</td>
<td>$17.32</td>
</tr>
<tr>
<td><strong>ROAS Campaign Average</strong></td>
<td>$1.78</td>
<td>$1.82</td>
<td>$2.74</td>
</tr>
</tbody>
</table>

### Persuadables Exhibit 16x ROAS

Source: Nielsen Catalina Solutions  | *NCS calculates Return on Ad Spend (ROAS) as the incremental sales dollars generated divided by the campaign ad spend. Incremental sales dollars are calculated by accumulating an exposed group of NCS households and carefully selecting NCS households who match them to form a control group. The difference in the rate of sales between the exposed group and control is used to calculate incremental sales dollars.
How Can CPG Marketers Win by Targeting The Persuadables?

Two other segments consistently performed very well on ROAS as well, namely Heavy-Early, or heavy spending buyers reached early in the purchase cycle, and Medium-Late, or medium spending buyers reached late in the process. The Heavy-Early segment achieved 4.2x the average ROAS for the three campaigns, and the Medium-Late achieved 2.5x the overall average ROAS for the three campaigns.

On the other hand, the last two segments, Non-Brand Late, or non-brand buyers reached late, and Non-Brand Early, or non-brand buyers reached early, were both money pits, resulting in the lowest ROAS.

Imagine redeploying ad dollars from the bottom two segments (those that exclude past buyers of your brand) to the top performing three segments?

Contrary to popular belief that targeting non-brand buyers will result in greater market penetration and higher ROAS, we found that by shifting targeting conditions away from these low performing segments and to existing brand buyers in the top three performing segments, marketers can dramatically boost overall ROAS.

Source: Nielsen Catalina Solutions
Conclusion

This research shows a major breakthrough in ad targeting for CPG marketers. As we saw in this paper, recency combined with heaviness of spend are the top drivers of ad response. The Persuadables can be defined for any brand and targeting them significantly increases the ROAS of marketers’ digital advertising efforts.

It is important to note that the persistency provided by people-based advertising was critical in executing this study. By leveraging first-party data insights, marketers can isolate consumers by their individual purchase cycle and target them with relevant advertising in the critical time before their next purchase. As opposed to the short-term or transient data from cookies or proxies, first-party data from people-based advertising offers a long-term view of consumers throughout the purchase journey.

Digital savvy brands like Clorox are starting on this path by building their own first-party data sets to gain more scale and running end-to-end shopper-marketing programs to connect with consumers. But the reality is most CPG brands still lack this pool of first-party data in order to establish direct and informed relationships with consumers.

However, with the rise of people-based advertising, CPG marketers can benefit from first-party data and integrated data partners in order to establish direct relationships with consumers.

As the powerful results in this report illustrate, utilizing first-party data to dive into consumer purchasing behavior and advertising effectiveness can reduce ad waste and improve campaign performance.
About Rubinson Partners

Joel Rubinson is president of Rubinson Partners, Inc., which specializes in marketing and research consulting for a digital age. Joel is an industry subject matter expert on multi-touch attribution for the Mobile Marketing Association. Joel also specializes in developing consumer segmentation that produces targetable audiences to drive marketing ROI. Previously, Joel was Chief Research Officer at The Advertising Research Foundation, where he drove the organization’s initiatives regarding listening, research transformation, and shopper path to purchase. Joel was also at the NPD Group for many years, leading the creation of modeling approaches for brand equity management, new product forecasting, category management, and designed their online data collection methodologies. Joel holds an MBA in Statistics and Economics from the University of Chicago and a BS from NYU.

About NCS

Nielsen Catalina Solutions (NCS) is a purchase-based ad targeting and ROAS measurement firm serving the consumer packaged goods (CPG) industry. We integrate in-store purchase data from over 90 MM households with media exposure data from TV, online, mobile, print, radio and CRM to help CPG advertisers, agencies and media companies define their most valuable audience, reach them with advertising and measure incremental sales from the campaign.

The joint venture between Nielsen and Catalina has helped over 200 advertisers and 450+ brands optimize ad performance to drive revenue growth and increase return on ad spend. Visit us at www.ncsolutions.com to learn more.

About Viant

Viant Technology LLC is a premier people-based advertising technology company, enabling marketers to plan, execute, and measure their digital media investments through a cloud-based platform. Built on a foundation of people instead of cookies, the Viant Advertising Cloud™ provides marketers with access to over 1.2 billion registered users, one of the largest registered user databases in the world, infusing accuracy, reach, and accountability into cross device advertising.

Founded in 1999, Viant owns and operates Adelphic and Myspace and is a member of the Xumo joint venture.

In 2016, Viant became a subsidiary of Time Inc. (NYSE:TIME), one of the world’s leading media companies with over 100 influential brands including People, Sports Illustrated, Fortune, and Time. For more information, please visit www.viantinc.com.