datampact
by NielsenIQ

BRILLIANT BASICS

3 common retail media errors that cost CPGs sales.

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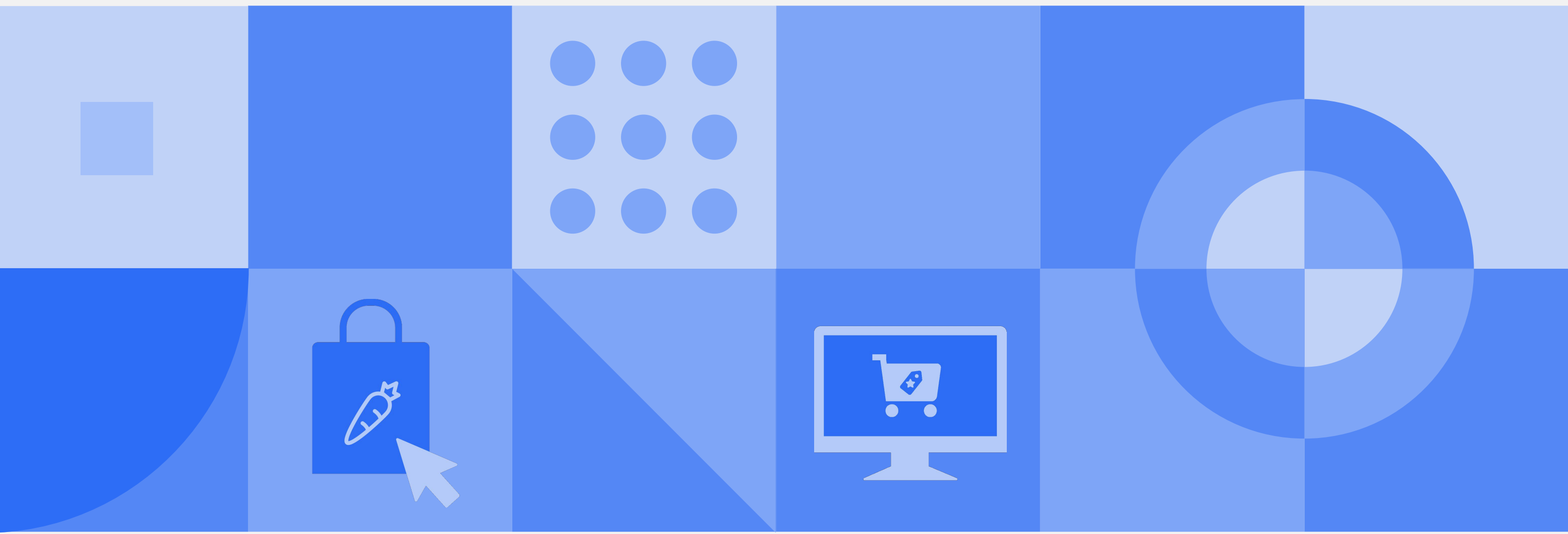


Introduction

Retail media is having a moment. McKinsey believes that by 2028 it **"will be bigger than all of global television and streaming advertising.**" It holds huge potential and significant risks for consumer packaged goods companies (CPGs).

Here's why:

1. Conversion proximity

Retail media networks (RMNs) allow CPG companies to advertise directly to consumers at the point of purchase. This targeting **increases the likelihood of conversions** as ads are shown to shoppers at the right moment.

2. 1st party data

Retailers are gathering proprietary data on shopping behaviors, preferences, and purchase histories. CPGs can leverage this data to create **highly personalized and effective advertising campaigns**, leading to **better ROI.** RM often delivers better ROI than traditional advertising channels.

3. Enhanced measurement and attribution

Retail media offers **robust measurement tools** that track ad effectiveness from impression to purchase. This precise attribution helps CPGs to understand **which campaigns drive sales** and **how to optimize their marketing spend.**

4. The continuing shift to ecommerce

The pandemic accelerated the shift towards online shopping. As more consumers shop online, CPGs are investing in RM to **capture this growing digital audience** and **maintain visibility** across digital retail platforms.

5. Competitive pressure

Retail media **provides a way for CPGs to stand out** in crowded online marketplaces. By investing in sponsored placements/ search, display ads, and other retail media opportunities, CPGs can **enhance their brand presence and outmanoeuvre competitors.**

6. Omnichannel measurement

Retail media networks integrate seamlessly with omnichannel strategies, allowing CPGs to create **cohesive marketing campaigns** that reach consumers across multiple touchpoints, from **in-store promotions to online ads.**

7. Consumer expectations

As consumers increasingly expect **personalized shopping experiences**, RM delivers this with **relevant and engaging content** that enhances the overall shopping experience.

"The ability to match unique customer IDs and ad impressions to stock-keeping-unit (SKU) sales in a privacy-protected way is compressing the marketing funnel and disrupting the entire advertising ecosystem. With $100 billion in ad spend expected to go to RMNs by 2026, the effects are likely to scale, creating potentially far-reaching implications for advertisers, ad agencies, traditional publishers, ad-technology providers, and retailers."

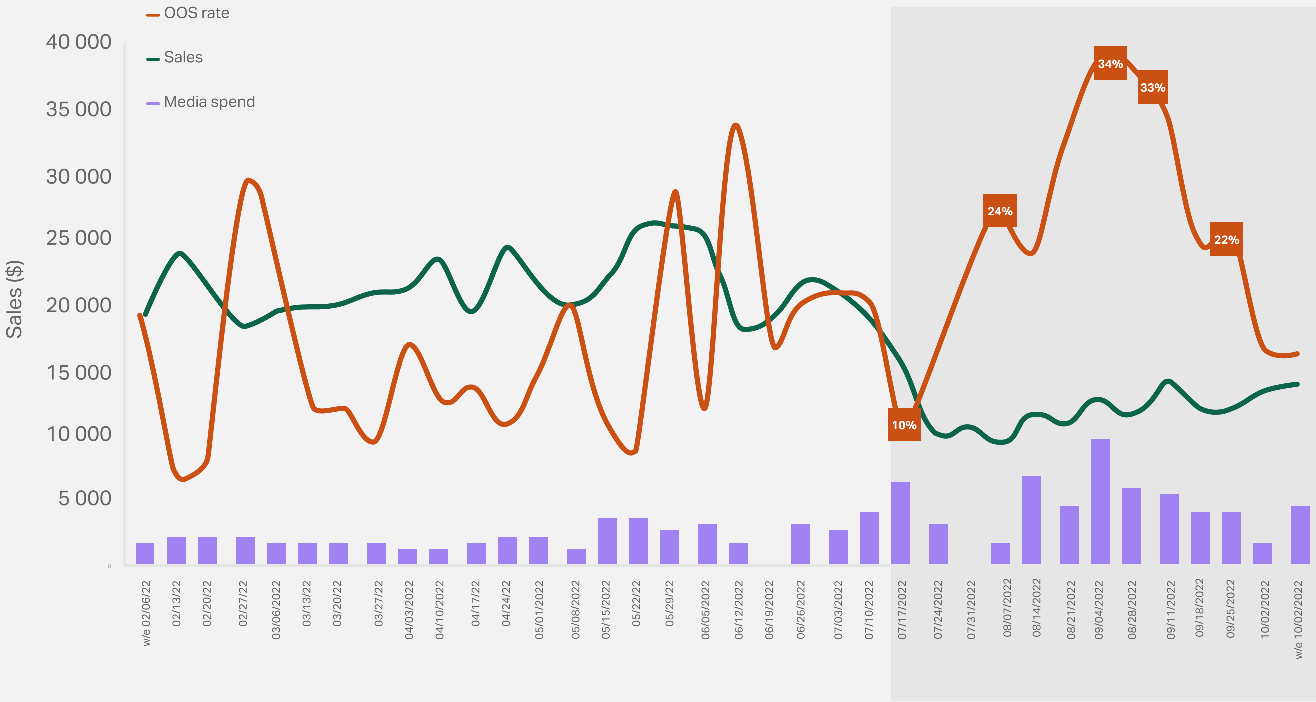
-McKinsey

So, with that in mind, here are **three errors CPGs need to avoid** for a chance to succeed with their RM investments...

1. Before running a campaign, ensure your product is not OOS.

As the following graph illustrates, **an increased media spend during a high OOS rate period is counterproductive** because consumers won't find your advertised product. This is not only a wasted investment, but creates **negative shopper sentiment**, and can **trigger brand switching** as shoppers consider competitors.

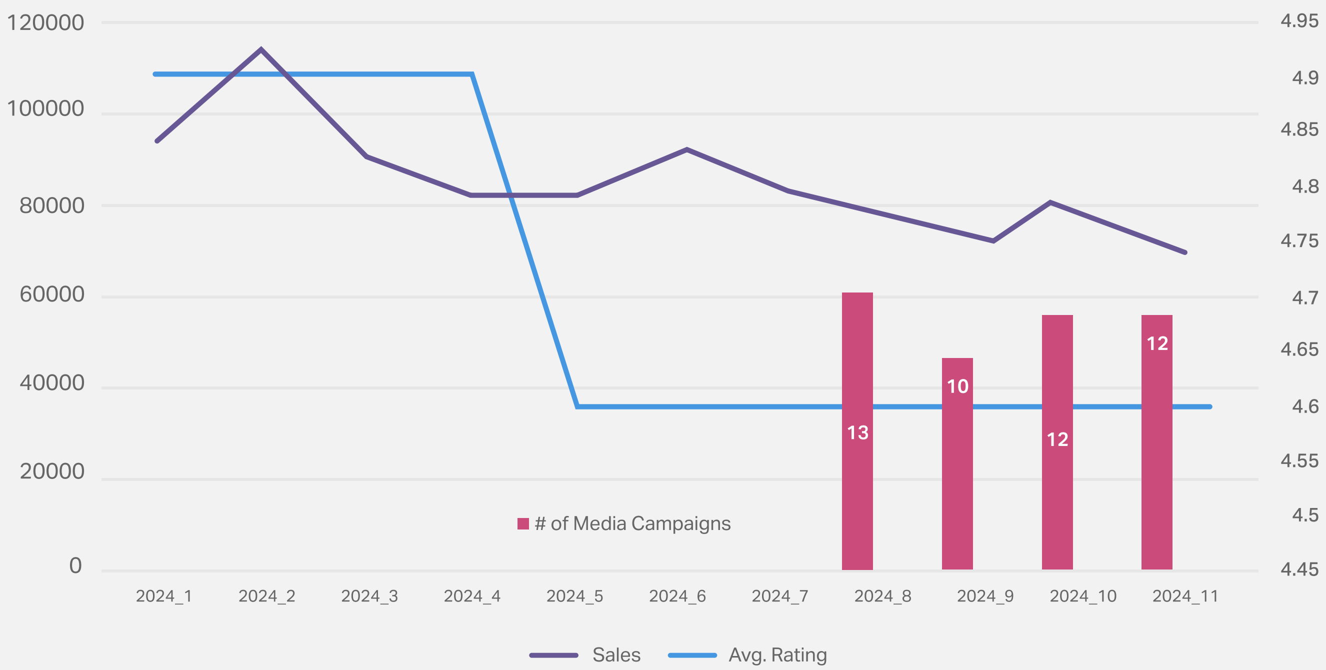
To drive up sales, ensure low OOS rates coincide with media spend.
Target



2. Don’t time an RM campaign with a period of negative R&R.

R&R are powerful. It’s important to stay on top of them and respond to negative reviews wherever possible. They can be **valuable sources of informatio**n for improving products or making shopper-friendly changes. The following infographic shows the **futility of running an ad campaign** when shoppers **clearly consult each other’s negative reviews.**

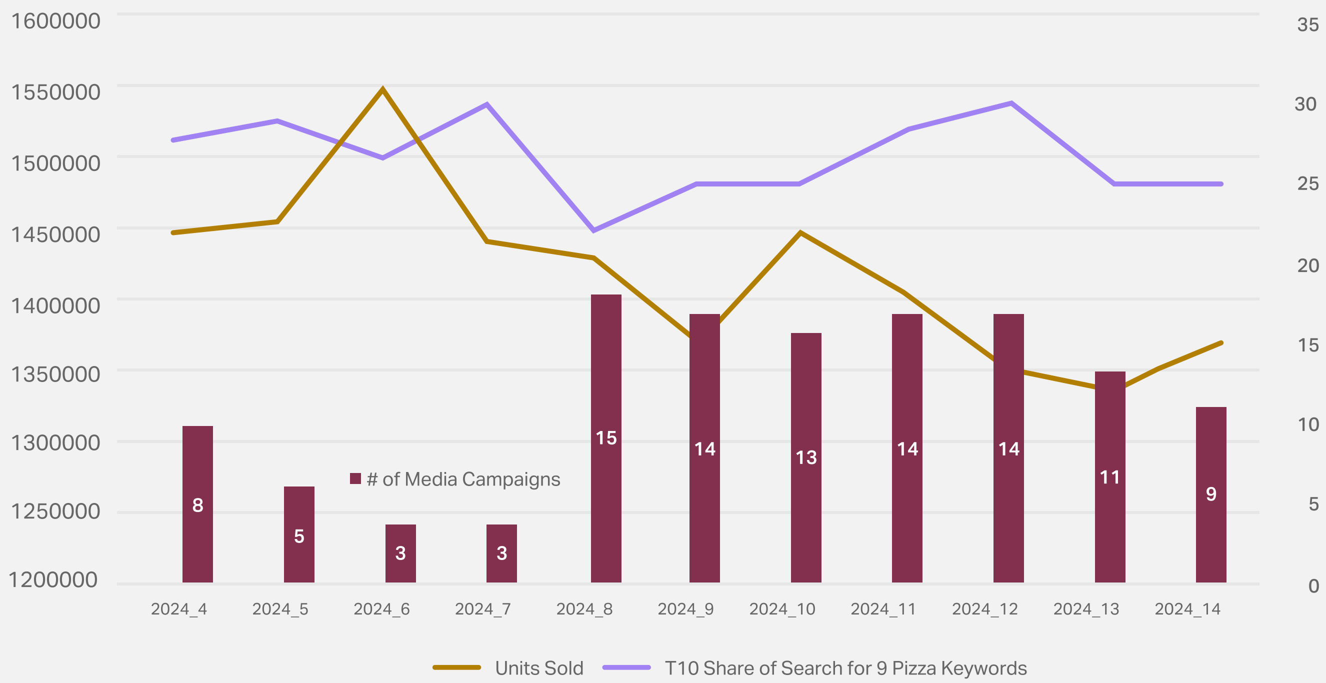
A blockbuster snacking SKU’s sales drop despite media spend.



3. When organic search rank is high there's no use in running ad campaigns for the product.

In the example below, a major brand manufacturer's 9 pizza keywords have between **20 and 30% of top 10 share of search.** That is a strong level of visibility, and it remains constant as the CPG **significantly increases its media spend.** At the same moment, **sales actually begin to decrease.** There are several possibilities for this, but the important takeaway is that **if a product already has strong visibility, advertising to increase visibility isn't a good investment.**

Sales across 9 pizza keywords decrease during media campaigns.



Conclusion

Retail media is on the cusp of a huge shift. The hyper-targeting power of RM offers a **new model of ad personalization** and **ROI for CPGs.** However, **a plethora of network choices**, **changing regulations, rapidly evolving tech** and **data reliability issues** are all making it difficult to navigate this complex terrain. Now more than ever, focusing on **brilliant basics** is essential for increasing the potential for effective advertising.