WHAT'S INSIDE?

Insights on the CPG Industry
CPG Ad Spending
CPG + Digital
CPG and The Power of Print
Recap
AUDIENCE INSIGHTS FOR THE CPG INDUSTRY
CPG SALES TO SCALE NEW HEIGHTS

CPG SALES, BOTH ONLINE AND OFFLINE, ARE EXPECTED TO EXCEED $407B THIS YEAR.\[^1\]

The weekly U.S. household expenditure at grocery stores amounted to $20.2B last year.\[^2\]

With food and beverages making up two-thirds of grocery sales, multi-outlet grocery sales are expected to surpass $700B within the next five years.\[^3\]

NOTE: These figures are based on MULO sales data from SymphonyIRI Group InfoScan Reviews. MULO is defined as Multi Outlet, representative of the following channels: Total U.S. Grocery, Mass, Total U.S. Drug, Total Walmart, Dollar, Military, and Club.
CPG SALES GAIN ONLINE TRACTION

ONLINE CPG PURCHASES ARE GROWING FASTER THAN MANY OTHER ONLINE CATEGORIES.\(^4\)

27% of U.S. health and beauty retail purchases in Q4 of 2015 were made via online platforms, up from 20% in 2014.\(^5\)

Last year, U.S. m-commerce retail sales were estimated to be $74B, up by 32% from 2014.\(^6\)

Total U.S. online sales for CPG increased 42% year-over-year (YoY) last year, compared to 30% YoY growth for the overall e-commerce industry.\(^4\)
Although they feel better about their financial situation than they did a year ago, U.S. consumers are hesitant to spend too much.

Millennial moms are more likely than the average American consumer to engage in prudent shopping behaviors—comparing prices within and across stores, using coupons or loyalty cards more often, seeking out sales and promotions, and buying products in bulk.\(^7\)
For grocery-shopping mothers, ‘making/referencing shopping lists’ ranked as the most popular smartphone activity, closely followed by ‘finding/accessing coupons’.\[24\]

Moms were 11% more likely to access coupons on their smartphone prior to grocery shopping, instead of while in store.\[24\]

- Among moms who access coupons on their smartphone while grocery shopping, 29% prefer to access general coupon website/apps, which ranked as the top method.\[24\]

80% of moms picked word-of-mouth as the most influential factor in buying decisions, followed by online reviews and social media.\[25\]
CPG CONSUMERS GO DIGITAL

CONVENIENCE, VALUE, AND INTERACTIVITY LEAD TO INCREASE IN DIGITAL CPG SHOPPING ACTIVITIES.

Frequent grocery shoppers spend 19.7 hours each week on the internet.\([2]\]

75% of U.S. connected consumers agree that mobile is becoming the most important shopping tool.\([8]\)

- 47% of respondents said they had redeemed coupons via their smartphones, and 58% said they would download mobile apps that provided offers to redeem in-store.\([5]\)

74% of consumers rely on social media to inform their purchasing decisions.\([9]\)

76% of U.S. CPG shopping trips begin online, with consumers comparing prices and devouring product information.\([5]\)
58% of U.S. Millennial grocery buyers purchased groceries digitally at least once per year. 80% of them said they made an online grocery purchase at least once per month. [27]

32% of younger Millennials, ages 18 to 24, reported that they had friended, linked to, or connected with their primary grocery store on a social platform. [27]

34% of respondents in the 18-21 age group said they relied upon memory to complete their grocery shopping, either by creating a mental list or being reminded of products as they see them on store shelves. [26]

Millennials, ages 18 to 33, made up the largest portion of grocery-related mobile app users, at 56% of the total user base. [27]
MILLENNIALS LEVERAGE ONLINE AND MOBILE SHOPPING


% Respondents in each group

<table>
<thead>
<tr>
<th>Generation</th>
<th>At least once a month</th>
<th>1–11 times a year</th>
<th>Didn't purchase grocery items online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>46%</td>
<td>12%</td>
<td>42%</td>
</tr>
<tr>
<td>Generation X</td>
<td>32%</td>
<td>16%</td>
<td>52%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>16%</td>
<td>12%</td>
<td>71%</td>
</tr>
<tr>
<td>Seniors</td>
<td>6%</td>
<td>16%</td>
<td>78%</td>
</tr>
</tbody>
</table>

NOTE: Millennials, ages 18–33, gen X ages 34–48, baby boomers ages 49–69, seniors ages 70+. Numbers may not add to 100% due to rounding. *Digitally includes purchase for delivery or pick up at local retailer.

CPG INDUSTRY AD SPEND
By 2019, the total digital ad spending will eclipse TV ad spending, bringing in $96B, compared to TV’s $75.3B. [21]

CPG advertisers will spend $5.97B on digital advertising in 2016, an 18% gain from last year. [5]

CPG ad spending is projected to have one of the highest compound annual growth rates (CAGR) between 2015 and 2020, at 14%. [5]
While the overall industry is tightening its ad spending, advertisers are increasingly exploring the potential of digital media.

- A vast decline in TV advertising—from 51% of total food and beverage ad dollars in 2014 to 29% last year—has been observed.

- A slight rise in magazine and radio spend was evident, with the greatest increase being in digital advertising—from 7% in 2014 to 22% last year.[3]
CPG AND THE DIGITAL AFFINITY
DIGITAL IS INTEGRAL TO THE GROWTH OF CPG. HERE ARE SOME OF THE TRENDS THAT INFLUENCE THE BOTTOM LINE:

1. Display and Video Advertising
2. Programmatic
3. Data Support
4. Mobile
5. Beacons
6. Native
7. Social
1. THE DISH ON DISPLAY AND VIDEO ADVERTISING

68% OF CPG AND CONSUMER PRODUCTS’ ADVERTISING DOLLARS WILL BE FUNNELED INTO DISPLAY THIS YEAR.\(^5\)

17% of CPG ad investment will be allocated toward digital video in 2016, amounting to a total spend of $1.05B, up from $84 million last year.\(^5\)

The sector’s affinity for digital video ads is an extension of its traditional preference for television ads, allowing brands to tell a story and create an emotional connection between the brand and the customer.\(^11\)

Additionally, digital video ad spending is increasing because of the advantages that digital’s targeting capabilities offer.\(^5\)

U.S. CPG & Consumer Products Industry Digital Ad Spending, by Format, 2016 (in billions USD and % of total)

<table>
<thead>
<tr>
<th>Format</th>
<th>2016</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display*</td>
<td>$4.06</td>
<td>68.0</td>
</tr>
<tr>
<td>Video</td>
<td>$1.05</td>
<td>17.6</td>
</tr>
<tr>
<td>Search</td>
<td>$1.56</td>
<td>26.1</td>
</tr>
<tr>
<td>Other**</td>
<td>$0.35</td>
<td>5.9</td>
</tr>
<tr>
<td>**Total</td>
<td>$5.97</td>
<td>100.0</td>
</tr>
</tbody>
</table>

NOTE: Includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices on all formats mentioned.

*Includes banners, rich media, sponsorships, video, and ads such as Facebook’s News Feed Ads and Twitter’s Promoted Tweets.

**Includes classifieds and directories, emails, lead generation, and mobile messaging.

2. A BOOST TO PROGRAMMATIC BUYING

ONE OF THE FIRST INDUSTRIES TO JUMP ON BOARD WITH PROGRAMMATIC, CPG IS THE SECOND-LARGEST SECTOR FOR PROGRAMMATIC BUYING, BEHIND RETAIL. [12]

CPG was estimated to account for 14% of all programmatic display dollars last year, with more than $2B in programmatic spending. [12]

This year, programmatic buying will account for 75% of the overall CPG and consumer products industry digital ad market, up from 63% last year. [5]
2. A BOOST TO PROGRAMMATIC BUYING

DISPLAY ADVERTISEMENTS WILL GAIN FROM PROGRAMMATIC BUYING THIS YEAR.

Approximately 75% of digital display advertising spend will be allocated toward programmatic in 2016.\(^5\)

Digital video ads placed around premium content are boosting the industry’s spending.\(^5\)

(in billions USD and % of total)

NOTE: Includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices. Includes banners, rich media, sponsorship, video, and other. Numbers may not add up to total due to rounding.

*Digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology.

3. DATA TO SUPPORT TARGETED ADVERTISING

CPG MARKETERS CAN BETTER SERVE THE RIGHT ADS TO THE RIGHT CONSUMERS, BY COMBINING ONLINE AND OFFLINE, GEOGRAPHIC, LOYALTY CARD, AND BEHAVIORAL DATA.

CPG and consumer products brands are gaining a better understanding of how to utilize first-party data and geo-location tools, to target consumers closer to the point of purchase. The ability to better target consumers via smartphones, both in-app and browsers, is pushing spending in the mobile channel.[5]

In the case of programmatic, advertisers are leveraging proprietary and third-party data, from sources such as retailers and loyalty programs, to better target consumers, especially via mobile and digital video.[5]
60% of digital ad dollars in the U.S. CPG and Consumer Products’ sector will be funneled into mobile, as consumers become cross-device savvy.

- 58% of CPG advertisers would move ad dollars from print into mobile, while 31% would be shifting money from TV to mobile.[3]

While paid search spending remains steady, an increased portion of the spend will be directed toward mobile search.

- Mobile search ad spending is expected to account for 64% of total U.S. search ad spending this year, and will rise to 70% in 2018.[5]
4. MOBILE ADVERTISING SHOWS PROMISE

MOBILE ADVERTISING IS A PROVEN SALES DRIVER.

Mobile ad campaigns that include a promotion or coupon drove the highest in-store sales, averaging $993,000.[13]

CPG mobile ads drive the most sales per thousand impressions, at $26.52.[14]

Incremental Sales per Thousand Impressions
(All studies—across media)

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Incremental Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display</td>
<td>$16.95</td>
</tr>
<tr>
<td>Linear TV</td>
<td>$20.56</td>
</tr>
<tr>
<td>Mobile</td>
<td>$26.52</td>
</tr>
<tr>
<td>Digital Video</td>
<td>$23.48</td>
</tr>
<tr>
<td>Cross Media</td>
<td>$20.30</td>
</tr>
</tbody>
</table>

5. Harnessing the Potential of Beacons

Brands that leverage geo-location tools—beacons and near-field communication—are ahead of the pack. [3]

Sales influenced by beacon messaging at the top 100 U.S. retail locations will jump from $4.1B last year to $44.4B this year. [23]

- The percentage of U.S. retail locations with beacons will rise from 32% to 85% over the same time period. [23]

The addressable market for beacon-influenced CPG sales is $35B, or 13% of total CPG sales in 2016. [1]

Percent of U.S. CPG Sales* Influenced by Beacon Triggered Messages
(Actual vs. addressable, 2016; % of total market).

<table>
<thead>
<tr>
<th></th>
<th>Actual Sales ($8 billion)</th>
<th>Addressable Sales ($35 billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2%</strong> Actual beaconized sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>13%</strong> Addressable CPG sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Total U.S. CPG market.
**Based on the requirements to be beacon-receptive

Consumers were 19x more likely to interact with a product in-store when they were served beacon-enabled messages.\[23\]

Those who received beacon messages were 16.5x more likely to use apps in-store, and 6.4x more likely to keep an app on their phone than those who did not.\[23\]

$8B$ worth of CPG spending in 2016 will be influenced by beacon-triggered messages that shoppers receive on their smartphones while shopping in stores.\[1\]
6. NATIVE OFFERS A CONNECTED EXPERIENCE

NATIVE ADVERTISING WILL SEE AN INCREASE, AS BRANDS CONTINUE TO LEVERAGE THE POWER OF CONSUMER-ELECTED ENVIRONMENTS.

Brands are increasingly using native advertising to connect with consumers on an emotional level.

By creating and serving digital advertisements that match the visual design of a user’s experience, functioning and appearing like natural content, native advertising often leads to positive content marketing results. [5]

Projected U.S. Native vs. Traditional Digital Display Ad Spending, 2016–2021 (in billions USD, % change, and % of total)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Native*</td>
<td>$16.8</td>
<td>$20.9</td>
<td>$25.2</td>
<td>$28.9</td>
<td>$33.5</td>
<td>$36.3</td>
</tr>
<tr>
<td>% Change</td>
<td>-</td>
<td>24.4%</td>
<td>20.6%</td>
<td>14.7%</td>
<td>15.9%</td>
<td>8.4%</td>
</tr>
<tr>
<td>% of Total</td>
<td>56.0%</td>
<td>60.9%</td>
<td>64.9%</td>
<td>68.0%</td>
<td>72.0%</td>
<td>73.9%</td>
</tr>
<tr>
<td>Traditional</td>
<td>$13.2</td>
<td>$13.4</td>
<td>$13.6</td>
<td>$13.6</td>
<td>$13.0</td>
<td>$12.8</td>
</tr>
<tr>
<td>% Change</td>
<td>-</td>
<td>1.5%</td>
<td>1.5%</td>
<td>0.0%</td>
<td>-4.4%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>% of Total</td>
<td>44.0%</td>
<td>39.1%</td>
<td>35.1%</td>
<td>32.0%</td>
<td>28.0%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Total Digital Display**</td>
<td>$30.0</td>
<td>$34.3</td>
<td>$38.8</td>
<td>$42.5</td>
<td>$46.5</td>
<td>$49.1</td>
</tr>
<tr>
<td>% Change</td>
<td>-</td>
<td>14.3%</td>
<td>13.1%</td>
<td>9.5%</td>
<td>9.4%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

*Includes native in-feed ads on publisher properties and social platforms.
**Includes all banner, rich media, sponsorship, and video ads.

7. CPG THINKS SOCIAL

SOCIAL MEDIA SPEND WILL ACCOUNT FOR 17% OF 2016’S DIGITAL AD SPEND.

- Social media spend in North America will touch $12.67B and $15.15B in 2016 and 2017, respectively, accounting for 17% of 2016’s and 19% of 2017’s digital ad spend.[15]

- 96% of social media marketers felt that Facebook produced the best ROI among social media platforms, while 64% and 40% opted for Twitter and Instagram, respectively.[16]

Shoppers are 29% more likely to make a purchase the same day when they use social media to help them shop either before or during their trip.[18]
7. CPG THINKS SOCIAL

83% OF MARKETERS SEE SOCIAL AS BEING IMPORTANT TO THEIR BUSINESS.\(^9\)

- 40% of consumers, ages 16 to 24, and 30% of the general population, use social media to research products.\(^{17}\)

- Respondents who consider themselves somewhat or very influenced by social media are 6x more likely to spend significantly more than non-users (42% vs. 7%), due to their digital shopping experience.\(^{18}\)
Frequent grocery shoppers read an average of 8.9 magazine issues in a month.\(^2\)  

- 46% of frequent grocery shoppers are heavy readers of magazines.\(^2\)

Households exposed to magazine media campaigns spent significantly more than those not exposed. Positive ROI for all brands ranged from $1.59 to $19.99, incremental for every media dollar spent.\(^{19}\)

**Average Sales Lift**  
($ USD ROI on spending and percent lift, by industry)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sales Lift</th>
<th>ROAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>+11%</td>
<td>$3.94</td>
</tr>
<tr>
<td>Beauty</td>
<td>+17%</td>
<td></td>
</tr>
<tr>
<td>HH Goods</td>
<td>+4%</td>
<td>$4.59</td>
</tr>
<tr>
<td>Other</td>
<td>+7%</td>
<td>$9.37</td>
</tr>
<tr>
<td>All Campaigns</td>
<td>+11%</td>
<td>$9.37</td>
</tr>
</tbody>
</table>

**NOTE:** Based on comparison of exposed to matched unexposed control. Average dollar purchase per household/year (includes non-buyers)

**SOURCE:** Meredith Corporation/Nielsen Cataline Solutions.
RECAP
Online and offline CPG sales will see positive momentum in 2016, with online sales gaining traction.

Millennials fuel online CPG shopping, owing to convenience, value, and interactivity offered by digital purchasing platforms.

CPG ad spending will get a boost, with the industry touted to have the highest ad spend compound annual growth rate for the five year period up to 2020. Digital advertising will gain a considerable share of the ad-spend pie, due to consumers becoming more connected.

Display video advertising will be favored, in part because it is an extension of the sector’s preference for television ads, and in part due to its targeting capabilities.

Programmatic buying will see an uptick, particularly around programmatic digital video advertising inventory.
Utilizing first-party data (online and offline data, and shopper marketing data) and third-party data helps CPG marketers better serve the right ads to the right consumers.

Mobile advertising will receive a push, as connected consumers consider mobile to be the most important shopping tool.

Beacon-triggered messages to shoppers are likely to positively impact customers’ in-store shopping experience.

Native advertising offers marketers a platform to connect with consumers on an emotional level.

Social media spend is expected to grow, as consumers are increasingly using social as a means of purchase-decision making.

Print advertising packs quite a punch, with magazines showing the highest return on ad spend for CPG brands.
SOURCES

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