POINT OF VIEW

Engaging High-Value Shoppers in CPG and Retail

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You just got the results back from your latest advertising campaign. Performance wasn't exactly what you expected. In fact, sales were flat.

During testing, the creative received high marks. Reach and frequency was as expected. The campaign was even viewable! And you used audience data to reach heavy buyers in the right geographic location. So what went wrong?

One important thing you may not have checked was if the campaign audience was high-value. What's a high-value audience? For CPG brands and retailers, this is a group of shoppers who spend the most not only with your brand, category, or retail banner but also have high rest-of-market spend. And your ability to reach high-value shoppers can often spell success or failure for a campaign. Precisely reaching high-value shoppers is important for three key reasons:

- High-value shoppers are, well, valuable.
- Shoppers are rapidly changing the way they make decisions.
- The ability to reach individual shoppers is more real than ever.

High-Value Shoppers Are, Well, Valuable

In CPG and retail, winning companies are increasingly focused on their highest-value shoppers. Surprisingly, this is an often overlooked metric when evaluating a campaign audience. Consider these facts about the top 20 percent of shoppers by channel:[1]

- For grocery, the top 20 percent of shoppers represent almost half of all sales.
- In the drug channel, the top quintile represents 70 percent of spend.
- For mass and club, the top quintile represents almost 60 percent of spend.

High concentration of spend is true for individual categories as well. For example, in the laundry category over 60 percent of spend is from the top 20 percent of shoppers.[2] These observations are not new. The concentration of sales among high-value shoppers in each of the previously mentioned channels has remained relatively unchanged over time.

1 Source: IRI Consumer Network Panel, Q4, 2012

2 Source: Estimates using IRI Consumer Network last 52 weeks ending October 31, 2012

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Shoppers Are Rapidly Changing the Way They Make Decisions

Unlike spend concentration, shopper purchasing behavior is changing fast. The iPod shipped one million units in its first eight quarters of sales. For the iPhone, that number was twenty million. The iPad? Sixty-five million. Adoption of Apple's technology is simply a proxy for the market's propensity to rapidly change consumer behavior.

Channel boundaries are also blurring. Consider these statistics: Fifty-seven percent of consumers shop and research online before making an in-store purchase. Sixty-eight percent of consumers prefer brands that are available through multiple channels. The average shopper consults 10.4 sources before making a purchase, which is double the number of sources just two years ago.[3]

Multi-channel retail is nearing the point that it can be called "table stakes." On top of that, consumers are looking for immersive and relevant experiences from the retailers and brands they patronize. The pace of change and convergence of channels have rapidly remade how shoppers make buying decisions. Fortunately for marketers, it has also afforded numerous new opportunities to stay top-of-mind with high-value shoppers.

Channel Boundaries are Blurred More than Ever

The Ability to Reach Individual Shoppers is More Real Than Ever

Total shopper value is a function of both current and potential contributions. Most retailers already have access to the data required to analyze the first component of that formula, which is current sales within their own banner's stores. However, few retailers and CPG manufacturers have truly understood the second component—potential sales—until now.

IRI ProScores™ uses predictive models, advanced analytics and data mining techniques to estimate spend for each and every U.S. household across thousands of CPG categories, subcategories, brands and retail banners. IRI is already using that information to drive more intelligent decisions with retail and CPG clients.

For example, a retailer has been applying the IRI ProScores methodology in combination with its own transactional data to identify high-value shoppers. This retailer quantifies "share-gap" by comparing each household's total market value with the current value that the shopper is driving in the given category or brand. IRI has consistently found that targeting advertisements to high "share-gap" households generates incremental sales versus control.

3 Source: Forrester Consulting, Google Shopper Sciences

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CPG manufacturers that lack primary first party sales data are using IRI ProScores™ to identify audiences that have share gap too. In this case, high-value shoppers are found by comparing a household's brand propensity score to that same household's propensity to buy from the total category or retail banner. If a household has a high brand score but a low category score, it likely has little room for growth.

Taking Action with Shopper Data

Shopper intelligence is powerful but not particularly useful without the ability to execute against it. IRI enables clients to take advantage of IRI ProScores through retail partnerships, direct mail and email campaign targeting; in media planning through partnerships with Rentrak and comScore; and in the digital ecosystem through Oracle's Data Cloud. This hyper-granular information allows advertisers to engage high-value CPG households anywhere they are—online or off—and deliver relevant messaging.

And our experience has shown significant impact across clients. In the past 12 months, IRI ProScores has been used 500 million times through the Oracle Data Cloud. For both television and digital planning, we have optimized numerous brand campaigns and identified 15% to 40% cost efficiencies for re-allocating media spend to reach the right targets.

So, when planning your next media campaign, make sure to ask the question, "Is this audience high-value?"

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For additional information about how IRI can help you create high-value audiences, please contact us at CustomerInteractionCenter@IRIworldwide.com.

About IRI. IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for our clients in the CPG, retail and over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses across sales and marketing. Move your business forward at **IRIworldwide.com**

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