

Online Advertising Really Moves Offline Product

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A woman goes online to research a question about her dog's health. While surfing Yahoo!, she sees a dog food ad. Later that week, she goes to the store and encounters the same brand of dog food. She buys it.

Breakthrough stuff? Absolutely. It may sound ordinary: Consumer sees ad; consumer responds. Yet in the world of e-commerce, manufacturers of consumer packaged goods have never been sure how often exposure to a product message online translates into a product purchase offline.

Now they can be. Since 2002, ACNielsen and Yahoo! have been working together on a measurement tool to assess the correlation between a person's surfing and shopping habits. This joint effort is called Yahoo! Consumer Direct—powered by ACNielsen, and for 18 months, Consumer Direct has combined the reach and technology of Yahoo! with the analytical tools of ACNielsen Homescan. The program evaluates the effectiveness of online advertising and promotions by consumer packaged goods (CPG) companies like PepsiCo, Kraft, Unilever and Nestlé.

The study results are consistent—and satisfying. They indicate that online promotions can lift offline sales time after time, whether the item in question is a food, personal care or household product. Furthermore, each campaign has typically brought in more than twice the amount that the company paid to advertise online, with short-term sales increases of more than \$3 million.

As Charlene Li, an advertising analyst with Forrester Research, said in a *The New York Times* report on Consumer Direct, “This is pretty darn cool.”

It is—and it signals that now could be the best time ever for consumer package goods companies to start advertising online.

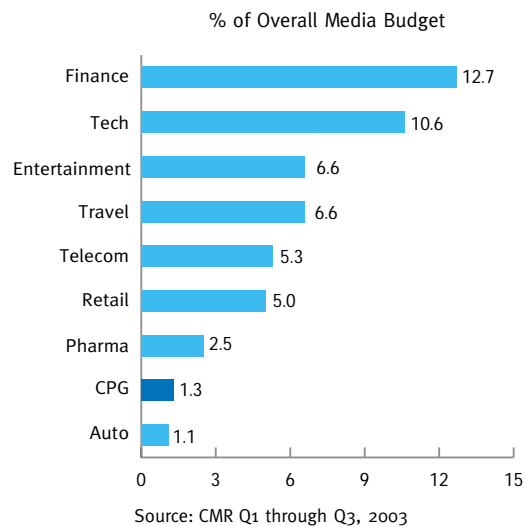
Historically Cautious

Traditionally, the makers of laundry soap and facial tissue haven't found Internet advertising an attractive investment. In 2003, while banks devoted more than 12% of their total advertising budget to the Internet and moviemakers over 6%, consumer package goods firms spent an average of 1.5%—or less—on Internet promotion [See chart 1].

They have reasons for being Internet-averse. Many consumer goods firms invested in web sites and e-commerce when the Internet first emerged, thinking they could sell



Chart 1: Other Industries Are Moving Substantial Budgets to Online Media



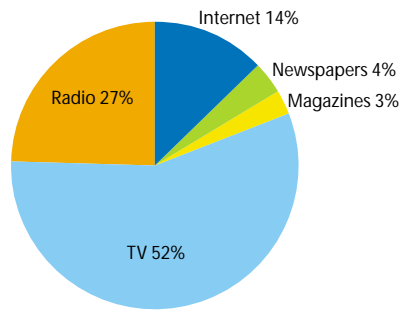
products online. Most didn't see a gratifying return on that investment and backed off. At the same time, it's been difficult to tell what the money they did spend on Internet promotion bought them. Compared to TV, radio and print, online promotion has had few tools for tracking effectiveness in driving offline purchases. Service providers like Yahoo! have been able to measure “clicks” on a site. However, knowing if clicks translated into follow-up action was difficult.

Growing Internet Usage

The days of being able to sidestep the Internet as a medium for one's message are dwindling, though.

For one thing, the Internet today is second only to TV and radio in usage. A 2003 survey by SRI-Knowledge Networks indicates that the Internet has become a

Chart 2: The Internet Is Now Third in Media Consumption
Share of Voice



Source: SRI-Knowledge Networks, Media Scan—Spring 2003

mainstream communications vehicle. With a 14% share of voice (compared to 52% for TV and 27% for radio), people now spend more time with the Internet than with newspapers or magazines [See chart 2].

Internet reach is growing. In February 2003, 181 million Americans were Internet users, according to ACNielsen research. By February 2004, that number was 208 million—a 15% increase in one year.

Where do Internet users find the time to surf? A 2003 poll by Forrester Research says 21% watch less TV now, and 10% listen to less radio. Thirteen percent or more report they've cut time spent reading magazines and newspapers.

Companies ignore this growing power of the Internet at their peril.

Encouraging Results, Big Wins

To begin tapping the potential of a growing online population, Consumer Direct has run a number of Internet-based programs during the past year. Clients were well-known consumer packaged goods firms that offer products ranging from health and beauty aids to snack foods to toilet paper.

Consumer Direct tapped a volunteer base of 19,000 ACNielsen Homescan panelists to test the ads. This group agreed to be tracked on the Yahoo! Network.

Target households for each campaign are chosen based on their purchase behavior. Surfing behavior of these households is compared to surfing behavior of all other visitors to Yahoo! web sites, and households with surfing patterns that best match those of the target households are chosen to receive the media event. Advertisements and

promotional offers are served directly to Yahoo! target consumers as they travel through the Yahoo! network.

After the campaign, Consumer Direct matches back the Yahoo! users who saw the ad and are also Homescan panelists. Their store purchases during this period are then logged and compared with those of another group that was similar in prior purchase behavior and demographics, but not shown the ad. Success is measured by sales growth of the advertised product within the exposed group during the promotion vs. the unexposed group.

What Consumer Direct and its clients are finding is that Internet-based advertising works. Every program has shown sales lift, with the average lift being 15–20%. Some gained as much as 35%. Growth came from attracting new customers as well as stimulating existing customers to buy more of an item. The campaigns also reported improvements in awareness, purchase intent and equity.

Pepsi was one program participant. “This has been a terrific win for us,” said John W. Vail, director of digital media and marketing for Pepsi-Cola North America, as quoted in *The New York Times*. In the Pepsi market trials, the soda manufacturer departed from their standard promotion format of focusing on one small test market at a time to sample a more diverse audience.

“With Yahoo!, we can get a broader, national footprint,” Vail said. “Just having the ability to get a read on sales was a tremendous leap forward. And in both cases, we did see a sales volume lift.”

Another company that partnered with Consumer Direct was Purina, which ran three different campaigns. In a statement, Purina's director of interactive marketing, Michael Moore, said, “Conventional wisdom has been that the Internet is not an effective marketing tool for consumer packaged-goods companies. Consumer Direct turns that on its head.”

Why Now?

The Internet has seemed to offer promise before, only to frustrate companies trying e-commerce. Why should it be any different this time?

One reason is that marketers better understand the Internet's potential and pitfalls now. For certain sectors—like travel—the Internet functions well as a commerce

channel. Not so for consumer packaged goods. Thirsty customers aren't likely to go online and purchase soda the way they might go online to book a flight when they want a vacation.

Rather, for the makers of everyday household items, the Internet may serve best as an advertising vehicle. And key to that capability is the rise of broadband. According to a Nielsen/NetRatings report in 2004, just under half of all active Internet users enjoy broadband service. With its vastly greater bandwidth, broadband offers features and content galore—streaming video, rollovers, intense graphics and the like. That heightened interactivity isn't just cool. It sells. The richer the medium, the more exciting the content. And the more exciting the content, the more likely the audience is to engage with the message and act upon it. Broadband permits companies to go far beyond a simple banner ad to create promotions that stand out from their competition—and get results.

From Measuring to Targeting

The standard approach to targeting is to focus on either audience demographics or editorial context. In other words, find people to test who resemble your ultimate consumer, or post your ad in a related editorial environment, such as a flu medicine posted on a healthcare web site.

Both methods have drawbacks, though. Demographic targeting assumes that everyone within a certain group—for instance, women ages 18 to 35—reacts the same way to soup or music or aspirin. Needless to say, this is wishful thinking. Contextual targeting assumes that people who come to your site come in a need state or mood to buy. But that precept doesn't hold water for many consumer packaged goods; the man who comes home from running is unlikely to log onto the Gatorade web site to quench his thirst.

Now, Consumer Direct offers a third option to support the others—behavioral targeting. Behavioral targeting makes the case for advertising a product to the people who buy such products. In other words, if you make soft drinks, position your promotion where you know that people who buy lots of soft drinks go online. Experience shows that behavioral targeting, combined with other approaches, offers better lift than straight demographic targeting alone.

Business Tools for Consumer Behavior

Prove the Value of your Web Ads



While the Internet advertising market has flourished for many retail sectors, consumer goods companies are not keeping pace, collectively spending less than 1.5% of their total advertising budgets online. ACNielsen, in partnership with Yahoo!, introduces **Consumer Direct Online**, the only service that allows you to identify key consumer groups or segments on the web, communicate directly with them, and most importantly, evaluate how much Internet ads increase offline sales.

Powered by ACNielsen's Homescan consumer panel and using Yahoo!'s base of more than 100 million users, Consumer Direct Online enables you to link offline purchasing behavior with online advertising exposure and activities. Through advanced analytical modeling techniques, you can target consumers with compatible characteristics across Yahoo!'s vast user base.

Consumer Direct Online is truly a new way to market to your consumers and allows you to:

- Target your online media programs, based on purchase behavior
- Measure the impact of online advertising and promotion on offline sales
- Evaluate the success of your programs (ROI).

To learn more about how Consumer Direct Online can strengthen your online marketing programs, please contact your ACNielsen Client Service or Retail Services representative or visit our web site at <http://acnielsen.com>.

<http://acnielsen.com/ci> or call 1.800.988.4ACN

Seize the Moment

The growing momentum of the Internet, the new capabilities of broadband and the favorable prices available for online advertising all make Internet promotions an exciting and cost-effective option. Consumer Direct proves conclusively that advertising on the Internet, done right, works perfectly—and there's never been a better time to start than now.