Collaborative Marketing Driven by Advanced Analytics Summit

Ensuring Your Successful TPx and Retail Execution Journey

PROMOTION OPTIMIZATION INSTITUTE

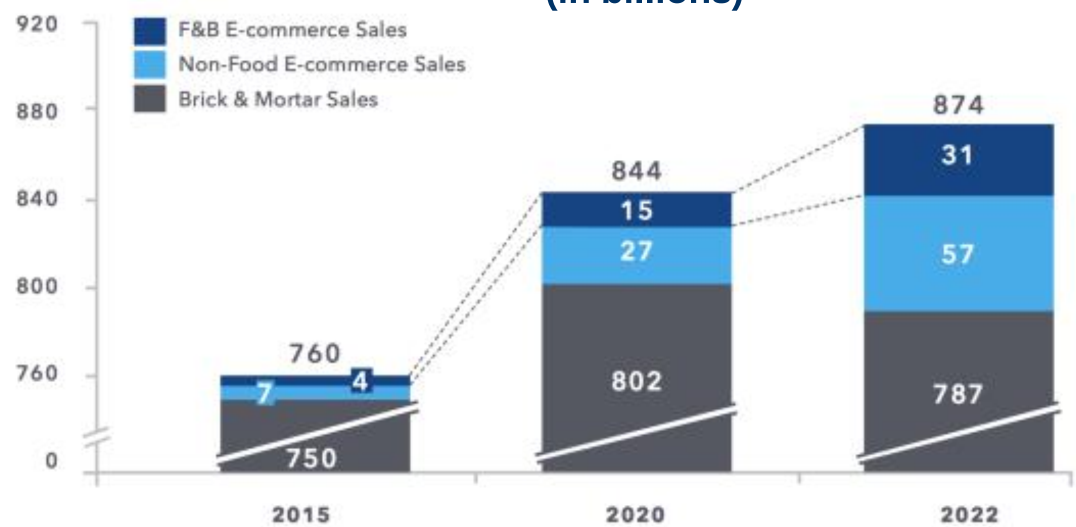
How to win in Digital and Ecommerce Collaboration with Retailers

Grocery and CPG Ecommerce – Fast Growing

AMAZON Grocery Sales Q2 2017

2017 One Click Retail

CPG Ecommerce Sales Forecast (in billions)



	2015	2020	2022
CPG E-com. Share	1.4%	5.0%	10.0%
F&B E-com. Share	0.8%	2.7%	5.5%
Non-Food E-com. Share	2.5%	9.3%	18.2%

2016 IRI

- Amazon on track for $1.6 billion in Total Grocery sales in US in 2017 (ex: Whole Foods)
- CPG % sales done via ecommerce expected to quadruple in 5 years.
- Ecommerce is already capturing the majority of total CPG growth.
- Beauty, personal care and baby care categories already hit the tipping point
- Ecommerce is more than a sales channel: 75% of all shopping trips begin online

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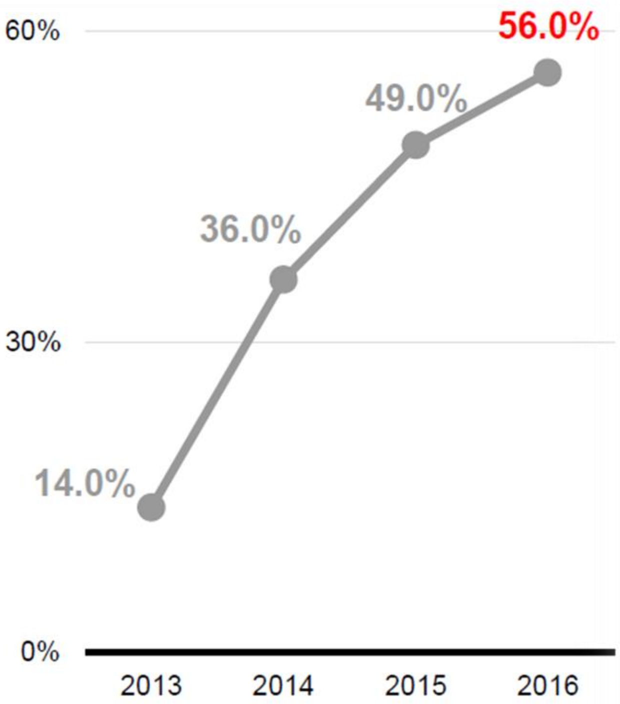
It's not just the Ecommerce sales … it's the in-store sales influenced by digital touchpoints pre & during shopping

56%

of US retail sales in 2016 were influenced by digital

**A retail sale is influenced by mobile if the consumer discovers, searches for, researches or price compares the product during the purchase path*



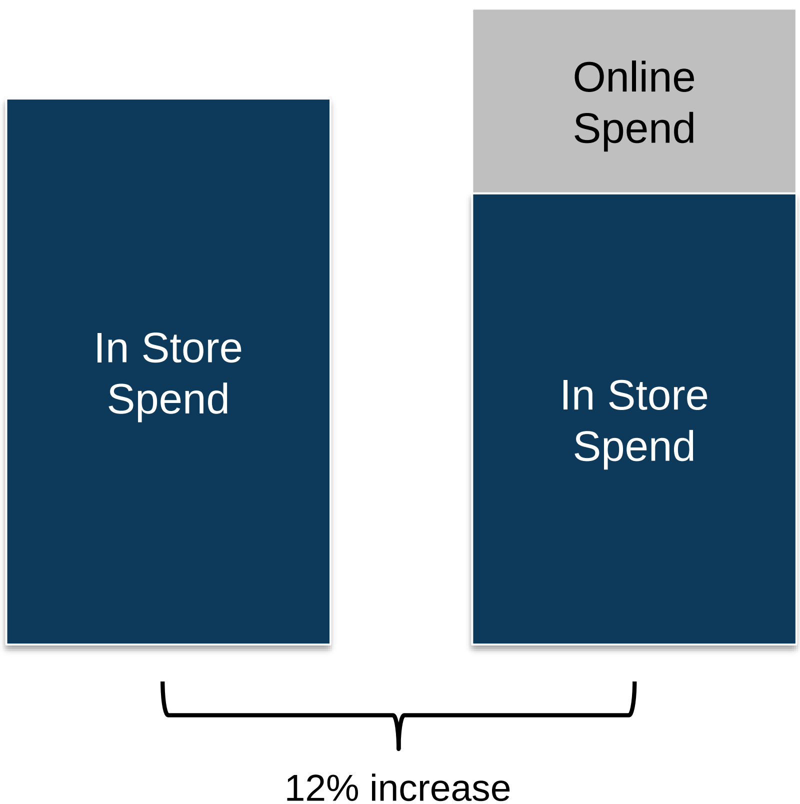
Percentage of US Retail Sales Influenced by Digital, 2013-2016

2016 Deloitte

A new omnichannel shopper changes their behavior, but ultimately ends up spending more than they did before

Average spend in store before trying Peapod

Average spend once "settled" as an omni-channel shopper



Omni-channel HHs Shop Each Channel Differently

25% of Transactions happen on Peapod

45% of Spend happens on Peapod

Infrequent, larger baskets – Pantry stocking

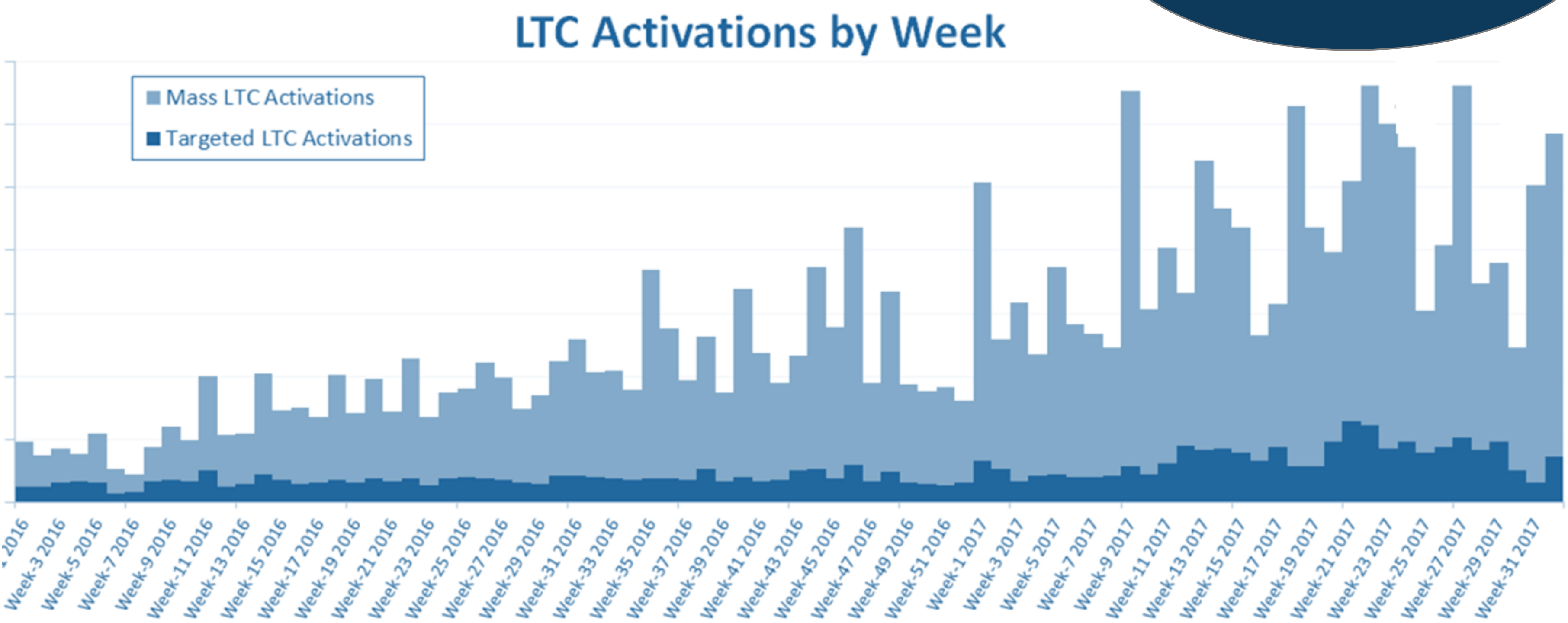
75% of Transactions happen in store

55% of Spend happens in store

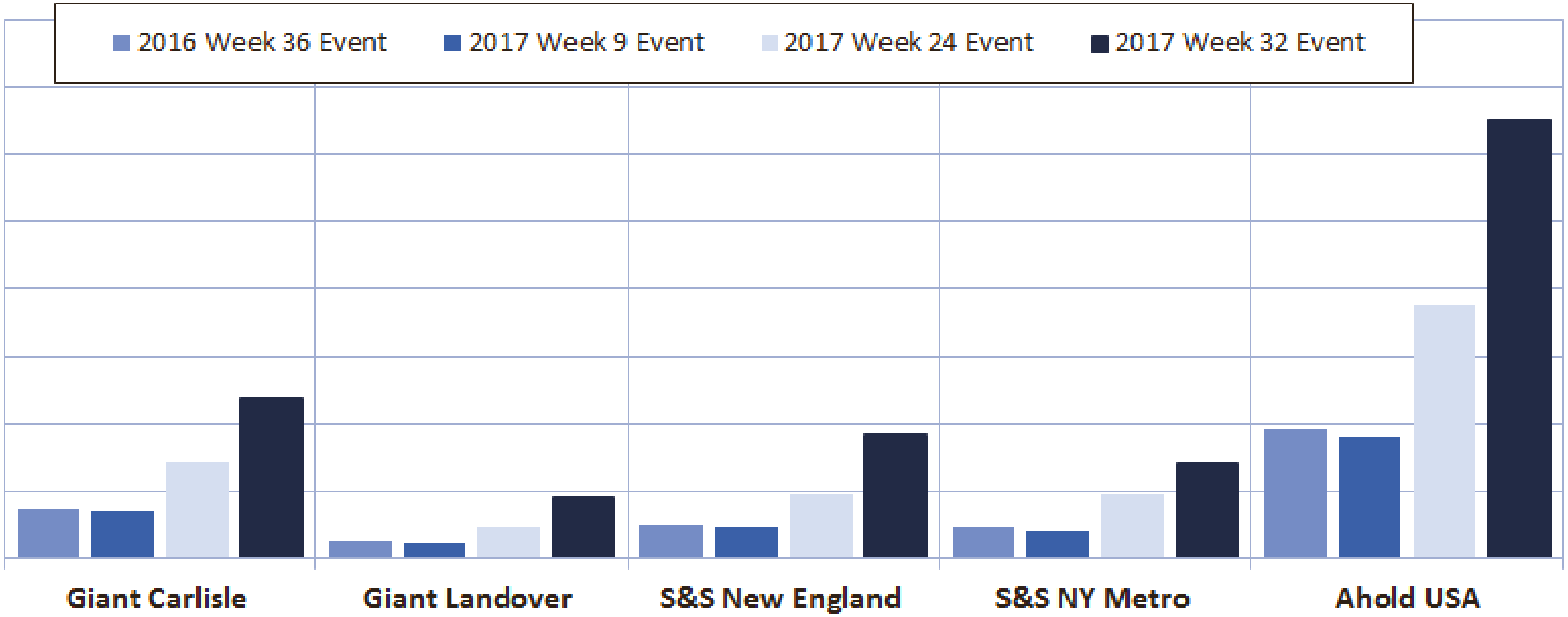
Frequent, smaller baskets – Fill in trips & fresh

Shoppers Embracing Digital – Explosion of Load to Card Couponing

Up 200% YTD, 6x over 2016

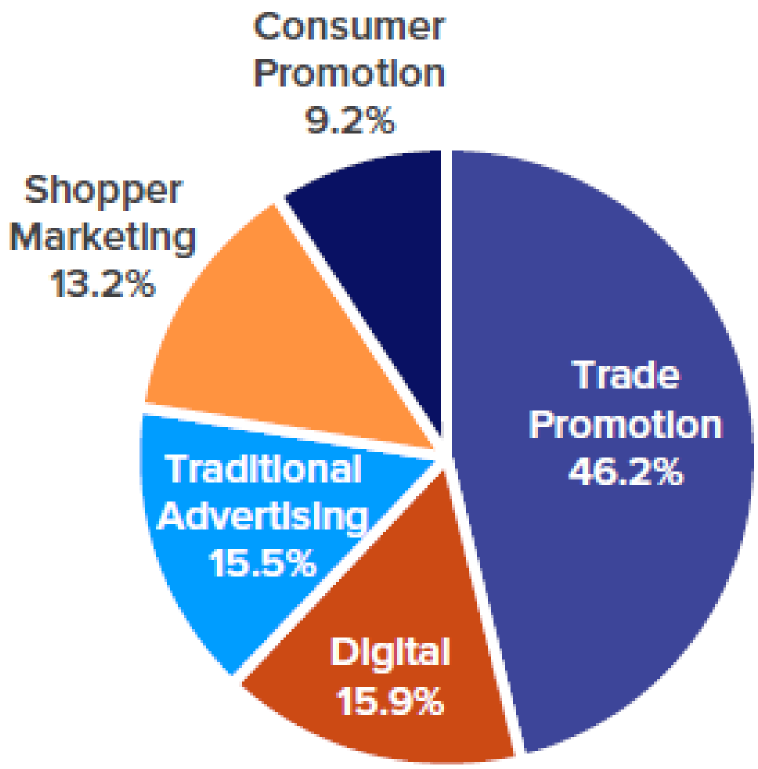


Shoppers Embracing Digital
Digital Coupon redemption value is steadily climbing



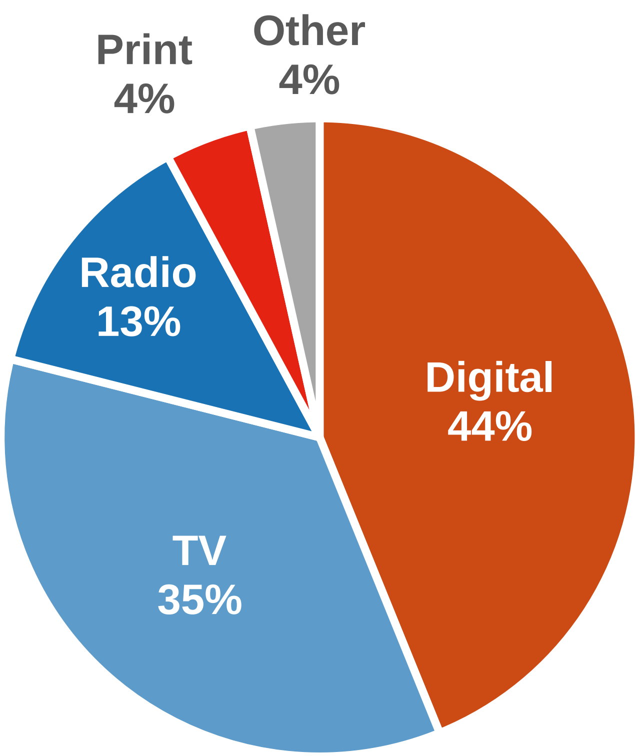
CPG Digital budgets are growing –
But is lagging vs. % of time spent by media

2016
% of CPG Marketing spend



2016 Cadent Group

2016
% of consumer time spend



2016 Emarketer

“The Omni-channel shopper doesn’t care about our operating structure…
…they just want groceries when, how and where they want”

Nirvana – Digital Collaboration

Retailers and suppliers combining digital assets to optimize digital spend with targeted digital impressions designed to convert to purchase online and in-aisle.

Brand

- Search Engine Optimization
- Paid Search
- Email
- Social
- Mobile – Location Based
- Online Coupons
- Display Advertising
- You Tube

Consumer Shopper

Retailer

- Search Engine Optimization
- Paid Search
- Email
- Social
- Mobile – Location Based
- Display Advertising
- Behavioral Retargeting
- In-Store Kiosks
- In App and On-site Ads

Ecommerce Category Leadership

The process, tools and resources required for retailers and suppliers to jointly develop and execute digital and ecommerce growth plans that create engaging shopper experiences.

ECL Initiative Purpose:

To bring together retailers and suppliers via The Category Management Association to develop industry standards in the arena of Ecommerce Category Leadership.

Key Goals:

- To foster collaborative strategic planning among Retailers and Suppliers
- To accelerate use of relevant technology, analytics & research
- To design improved shopper experiences via digital marketing campaigns and ecommerce content
- To define organizational, talent development and cultural requirements

“What’s keeping our industry from fully embracing Digital and Targeted spending … in particular with our retailer partners”

Q&A with Mark and Peter

Strategy & Objective Alignment

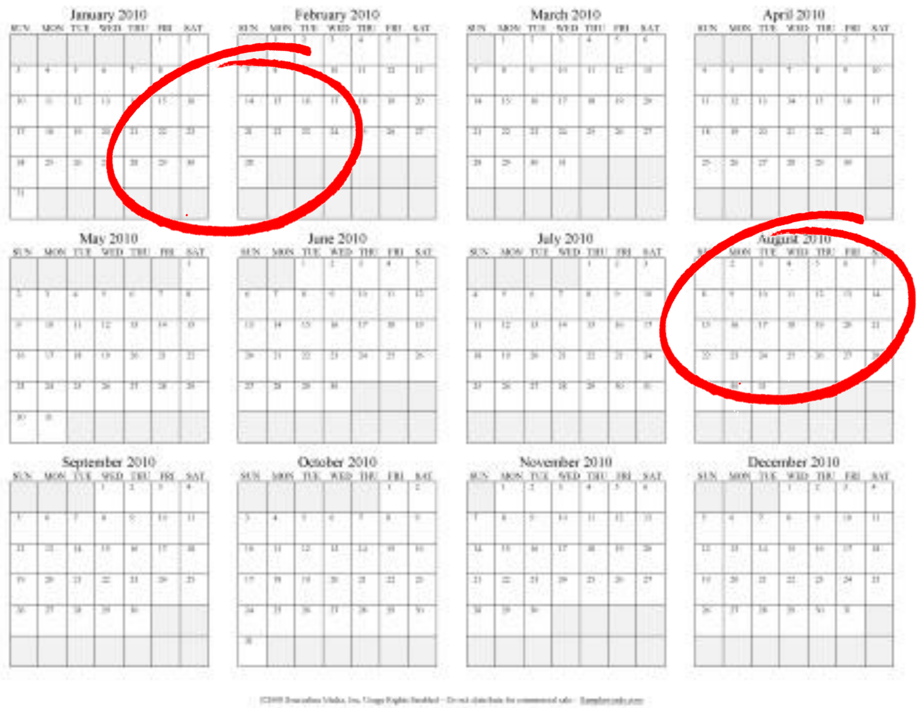
Win the Week **VS.** Lifetime Value

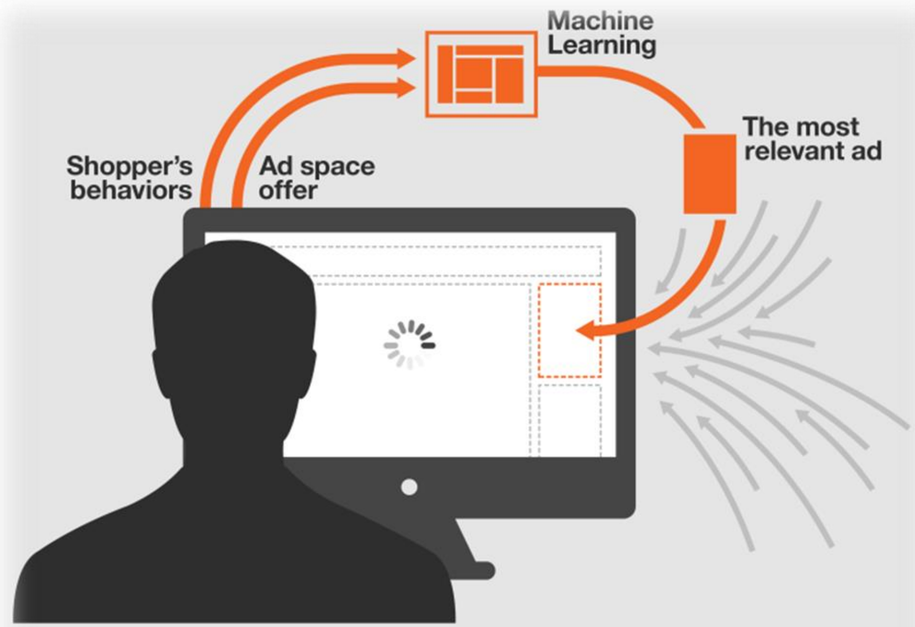
Calendar & Planning Alignment

Half Year Retail Planning

VS.

Real Time Bidding on Digital Media





...in 200 milliseconds

CPG – From National Branding to Shopper – Different buyers need different things

BRAND FUNDING
Brand Manager Seeking National Syndication

SHOPPER FUNDING
Agency seeking micro-targeting

TRADE FUNDING
Account manager seeking weekly sales bumps

"What retailers are in your network?"

"What's an Ahold? Can I buy one on Amazon?"

"Can I target men who bought chicken 3 or more times in the last 3 months, but haven't bought protein supplements in the last 12 months?"

"And I need an answer for my client in 24 hours."

"Am I guaranteed to get display if I invest in this program?"

"What's an impression? And stop talking about how large my asset is."

Value is in the Eye of the Beholder

Same digital offer – different budget owner in CPG

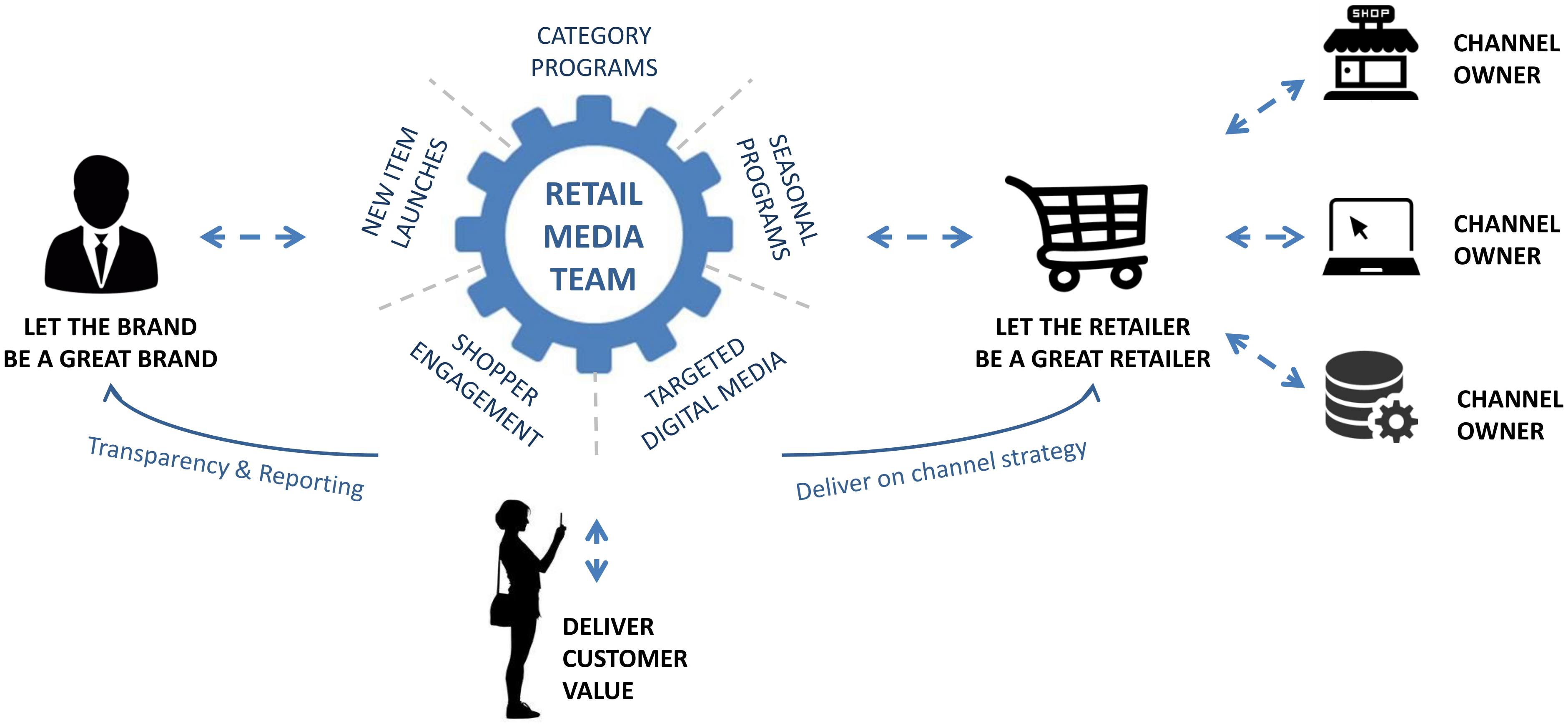
You mean I can reach 16 million households with a 8” x 20” full color brand advertisement for only $130,000? Where do I sign?

$130,000???????
There is no way we can sell enough hot dogs in 1 week to get a positive ROI on this investment.

BRAND MARKETER

LOCAL SALES GUY

The Ahold Retail Partnership Model



Drive merchandising and marketing integration by finding overlapping objectives

Better for You Retail Theme

Better for You Brand Launch

Open Floor for Questions…

Q&A

Mike Kantor – POI Leader – introductions of both Peter and Mark

Peter – We're all seeking a way for retailers and suppliers to jointly design and execute digital marketing together that is targeted but still makes an impact… A way that is focused on shopper loyalty building and ROI for both parties. However, our industry faces numerous barriers and challenges along the way to this Nirvana. Today, with my colleague Mark, we will explore the challenges and success stories of suppliers and retailers on that journey. Today, Mark and I will discuss a set of key questions to unlock these challenges. At the end will open the floor to your questions and topics so you can join in!

Mark – Ok Peter, Fire away…

Peter - How important is an Omni-channel Mindset?

Mark - Gaps exist in supplier mindset being focused on either store sales OR ecommerce sales…
- Suppliers need to understand the impact of digital on physical and how shoppers navigate across channel
- Changes the way we do our own marketing at Ahold
- Suppliers are beginning to tease out these insights… CPGs are leading the way.
- It's on us to bring the tools to activate along the path to purchase
- Quality for pet food example = Circular is not the only answer … changes ecosystem of tools

Peter - Digital often means targeting and smaller segments? Are we still facing a supplier mindset of mass mindset vs targeted and how are leading suppliers getting beyond that?
Mark – it's an Evolving situation… When talking to someone with a VOLUME mindset (account management)… then they are inherently not lean forward participants, More leading suppliers are embracing targeting of smaller segments and this is led by Shopper Marketing

Peter - Digital marketing investment has pushed forward with suppliers like P&G and Clorox driving up to and beyond 50% marketing budgets in digital … there's been some retrenchment away from hyper targeting…. How should we handle this..?
- In one collaborative targeting effort we worked with a supplier on targeting criteria that took a base of 47 million households down to 20k households… while this might be the optimal target but the ROI drops because scale is too low… not scalable to drive category growth and long term loyalty
- Optimal is somewhere in the middle… targeting at scale
- The future is machine learning to drive micro targeting but even that will need to be a part of the mix.
- If retailer is focused on driving traffic to store and store loyalty … suppliers can complement nicely with offers that are more micro and combined we hit mix of mid scale targeting… plus micro from CPGs.

Peter – in some of our clients we are seeing a pervasive retailer AND supplier perception of digital as an add-on to a core promotion plan… a digital wraparound… is this also something you see? Are you having success in overcoming this tendency?
Mark – Yes, this happens too.
- Some of it is a timing issue of when retailers need to plan and when suppliers lock their plans.
- Planning timing – Suppliers, Merch vs. Marketing Calendar, Category vs. Consumer Calendar
- To really fix this we've been able to do … x, y, z.

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Q&A

Peter - Are you seeing gaps in terms of supplier data/digital expertise at the interface when you collaborate and how are supplier leaders showing up today?

Mark – Yes the industry is on a journey here. Many feel they are on the outside looking in at digital and targeting…

- CMOs from big and medium sized CPGs are mandating more expertise… setting the tone.
- Where it doesn't translate … sitting in the trade meeting with supplier account teams and merchants… easily lost.
- Some big gaps in digital education/knowledge
- Where it does translate – when we meet with a central/national focus ecommerce marketer, digital shopper marketer
- Getting the TRADE/SALES and SHOPPER/ECOM/DIGITAL teams together is critical
- More dedicated shopper marketers with a digital understanding.. plucked from agencies and younger… for dedicated… it's still a national digital marketing manager (broad focus vs localized).
- Gap on digital expertise to DRIVE to the Store

Peter - Do legacy budget structures like TRADE funds, SHOPPER funds and BRAND funds cause barriers to collaboration and/or poor allocation, poor ROI? Some suppliers seem to box all digital and targeted spend into their shopper marketing funds which are often 1-2% of manufacturer sales. This handcuffs expansions in spend or larger more comprehensive investments. While trade funds are closely protected for circular and display. How do you see this issue in your business?

Mark - Yes it's a big barrier… we are still not putting the consumer/shopper first… they don't care if it's trade or shopper… they care about the message/campaign, reward, value or solution.

- Shopper marketing trying to buy a trade promo, etc.
- Lot of chaos around the dividing lines… super fuzzy and different b/w CPGs
- Still anchored by shifting funds to digital because of fear of missing "comps" and/or fear "siphoning" vendor allowances off to digital. Retailers also need to change..
- Declining center store categories should be low hanging fruit
- Plenty of doubters about taking money from funds for discounts

Peter - How are retailers like Ahold leading the way with new ways to collaborate on digital and targeted solutions?

Mark – We're striving to provide an expanded toolkit of activation and even more transparency to results across channels…

- Ahold is not only a trading partner for sales/cat man BUT also
- A media solution to reach out with messaging to the consumer / early phase of the path to purchase
- Some examples are here…. Salkj asd;lkj

Peter – thanks Mark… very helpful insights… now we'll open the floor to questions…

Mike Kantor – close

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