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Trade Marketing in Transition.

A Marketer Study Conducted by Millward Brown
a division of Kantar Worldwide, Commissioned by Criteo

Background

Marketing at many product companies is divided into two disciplines: brand & trade. Brand marketing is all about telling the story of the product and building awareness and demand. Trade marketing, in contrast, focuses on “sealing the deal” with shoppers: it is comprised of the many ways that brands work with retailers through local media and in stores to draw attention to their products. It includes retail display allowances for product positioning, temporary price reductions, shelf talkers, end caps, and shopper marketing. Shopper marketing here is defined as the practice of using data to focus on the individual shoppers.

With the rise of ecommerce – and especially the growth of eGrocery – marketers are taking a fresh look at trade spend. Some are adjusting budgets, executing on new ideas, and questioning effectiveness of prior marketing tactics.

The most profound potential shift for trade marketing is in how it is budgeted: typically it

comes out of a separate pool of funds from brand budgets and is allotted based on a retailer’s commitment to that brand. These budgets are elastic and either expand or contract due to actual product sales, unlike brand budgets which tend to be fixed in advance of a calendar period. One is based on reach metrics, the other on direct sales. There is a movement in the marketing world to see these budgets come together as they support ecommerce sales. In China, ecommerce grew at a faster pace than in a market like the US, with its well-developed retail sector.* Marketer dollars dedicated to measurable trade tactics online helped drive the growth of ecommerce.

Now, as marketers become increasingly comfortable with the data driven world of digital marketing, and further move towards marketing to the shopper across device and channel, there is a demand for budgets to coalesce.

*Source: BCG. “The Winner Take All World for CPG,” 2016

“To survive, you have to be like Berlin. The walls need to come down...the formerly sacrosanct wall between sales and marketing.”

*Martin Sorrell, CEO WPP
March 16, 2016*



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Objectives

Criteo commissioned this research to better understand how marketers are adapting trade tactics and budgeting in an era of shifting sales from offline to ecommerce.

Methodology

In order to assess trade marketing activities and budgeting, Criteo worked with Kantar/Millward Brown to develop a survey instrument that would be administered to marketers. The qualifier was having had budgetary authority over trade spend in some way during the past 10 years. 100 executives were either interviewed by phone or asked to take an online survey. 27% of them worked for companies with revenues of \$500MM and up. The average respondent reported that trade spend accounted for 33% of total marketing spend. Half of the respondents were from the CPG sector, with the rest roughly divided between CE, Apparel, Toys and Health & Beauty. The study was conducted during April 2017 with the results highlighted here.

Key Findings

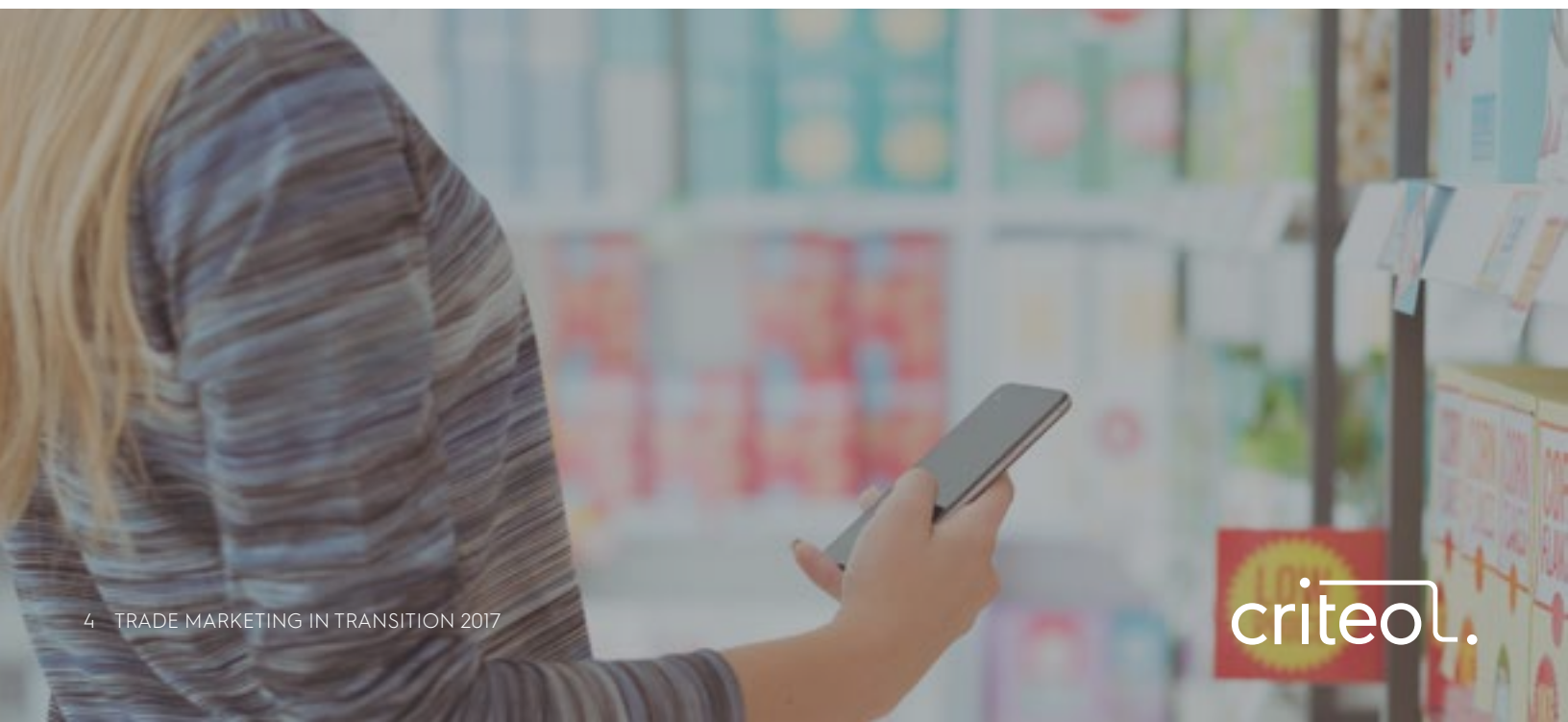
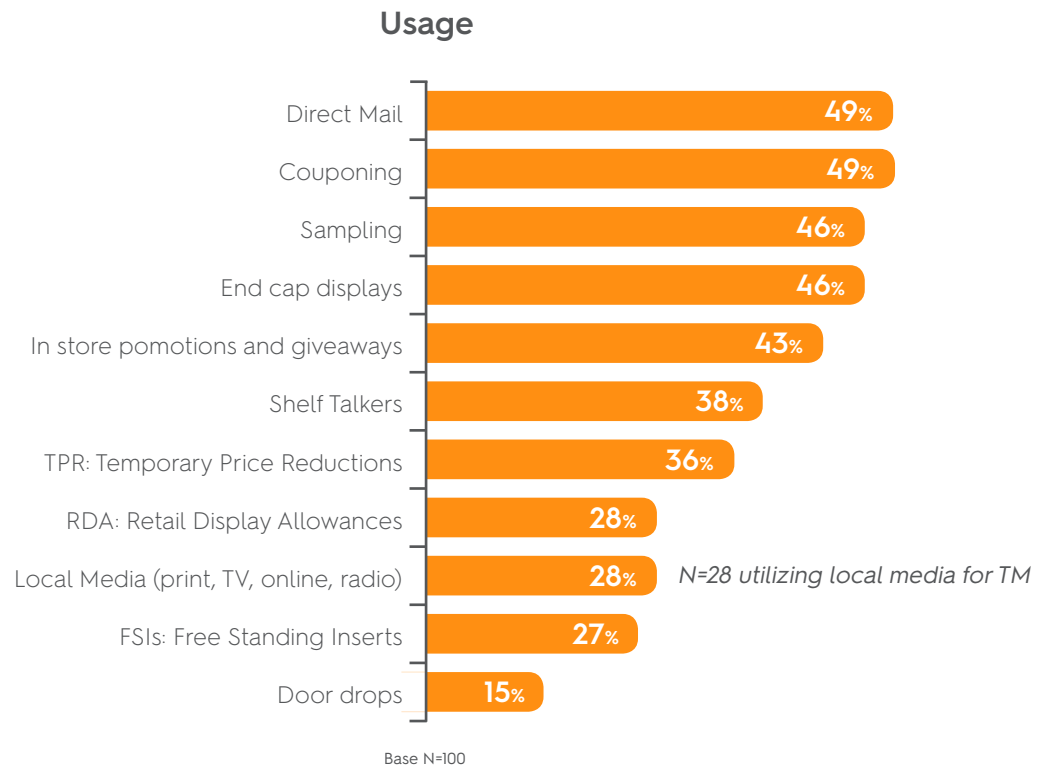
- Trade marketing is in a period of significant flux with **online sales causing a reexamination of both tactics and budgeting.**
- Marketers are frustrated by challenges like **reaching younger consumers and trackability.**
- The growth of ecommerce is bringing these frustrations to a head as brands face the reality of the **need to support their products and increase sales in the dimension of online shopping.**
- **Print is the medium with the greatest perceived decline in effectiveness.**
- **Paid search** both on stand-alone ecommerce sites and retail sites is seen as one of the areas with the **greatest increase in effectiveness.**
- Marketers are approaching online in respect to trade with **concerns** unique to digital. The majority noted that the issue of **Top Rank Persistence** (the phenomenon of a brand that achieves a high ranking in organic search remaining in that slot due to sales dominance) is the most significant concern about online, however this is closely followed by **Amazon's control of pricing.**
- **Online ad fraud**, while clearly a concern, does not weigh on marketers minds as heavily as issues like Amazon setting prices and the complexity of managing online ad campaigns.
- **The ability to address customers as one person**, whether they are online or offline is the top priority among marketers.
- The retail technologies of greatest interest include using **voice activated assistants like Alexa and Google**, and the devices that feature them.

What is Trade Marketing and How is It Conducted?

Trade marketing can include many tactics and forms of media, and the survey asked respondents to name the most common ones they use.

Trade Marketing Tactics Used

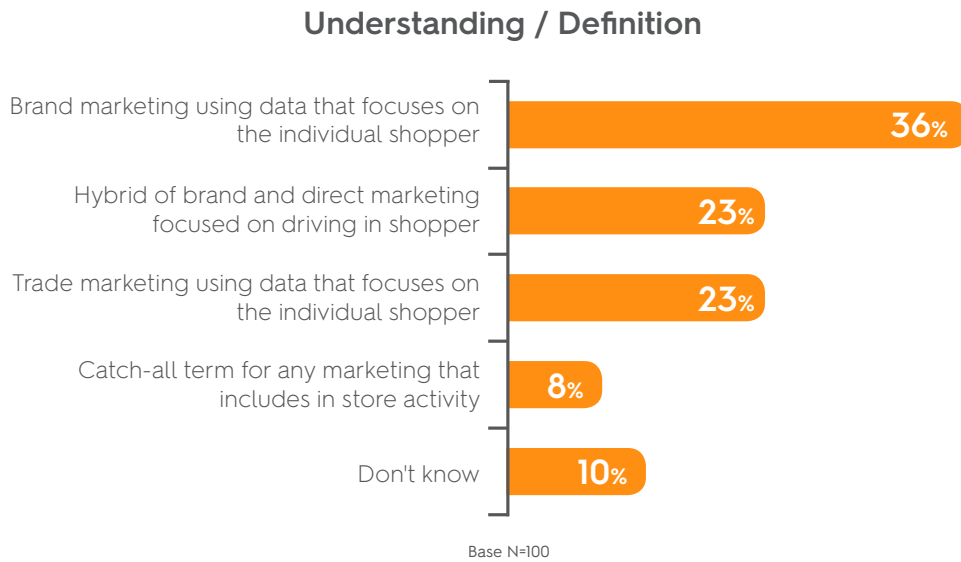
Q. What forms of trade advertising do you have personal experience with?



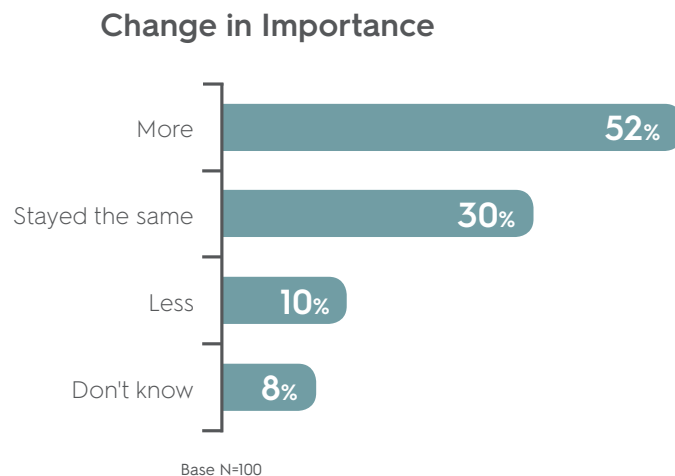
Shopper Marketing

The term “Shopper Marketing” rose in the 1990s to encompass data driven marketing that focused on a shopper rather than a channel. The most common definition was that it was brand marketing using data focused on the individual shopper. Shopper marketing in its essence was seen as the conjunction of brand with more precisely targeted tactics of trade marketing. 47% of respondents say Shopper Marketing has become more important over the last 5 years.

Q. Which of the following is closest to your understanding of what Shopper Marketing is?



Q. Has Shopper Marketing become more or less important to you over the last five years?



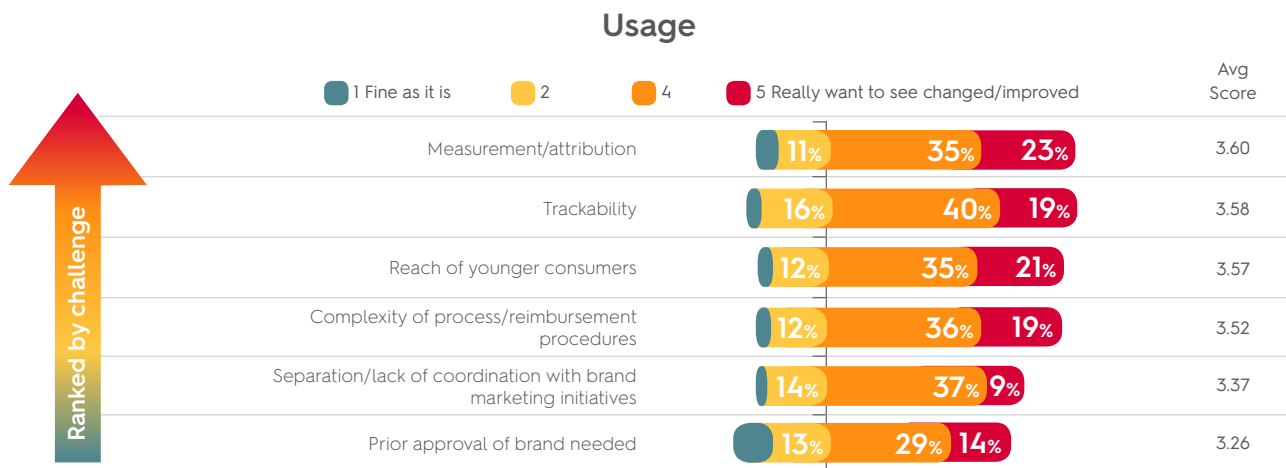
The Pain Points

What works, what doesn't? Trade marketing has a reputation for being difficult to implement. A study by Borrell Associates "[The Changing Face of Co-Op Programs](#)" 2015, showed that significant portions of funds that brands allot to trade tactics like co-op, go unused due to process complexity and the delay in being reimbursed. Here, respondents were most concerned about the trackability of trade marketing, as well as measurement and attribution-related factors. The next most common challenges were reach of younger consumers and process complexity. These are all areas where digital media will significantly improve upon the status quo.

Challenges

Q. What are the challenges of trade advertising you would like to see be improved upon?

On a scale of 1 to 5 where 5 would be 'something that you really want to see changed or improved', and 1 would be 'fine as it is'



Base N=100



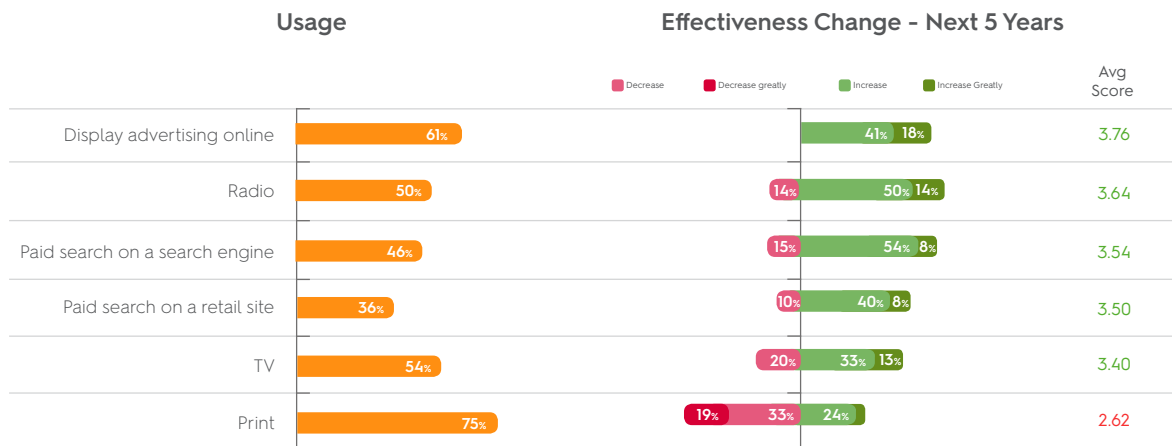
What Works Less, What Works More

With the rise of mobile, democratization of content, and growth of programmatic advertising, media has been upended. It was important in this study to understand why marketers feel it's losing its effectiveness. Since most trade advertising exists on a local level, respondents who had used local media were queried about what they thought was most effective. While print had the greatest perceived decline in effectiveness, display advertising saw the greatest increase, but had similar effectiveness rankings to radio and paid search on a search engine.

Paid search on retail sites was the least used, yet held promise: it ranked as a 3.5 for effectiveness. If you compare the rankings of the past five years vs. the next, you can see how radio, display and paid search on retail have positive rates of perceived effectiveness.

Local Media TM - Change in effectiveness over next 5 years

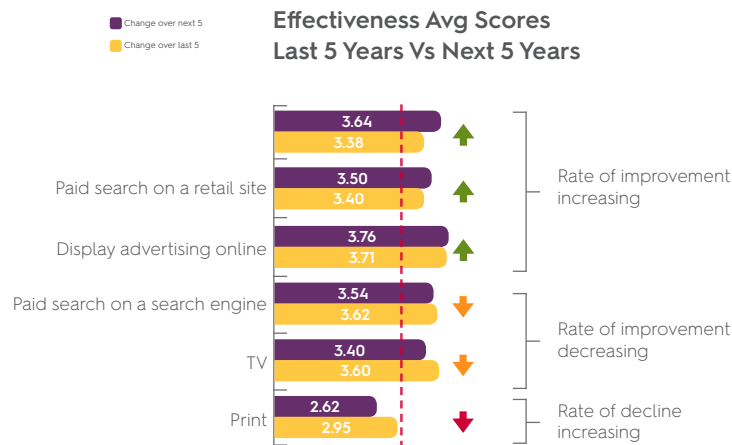
Q. How do you the effectiveness of [channel used] for trade marketing will change over the next 5 years?



Base N=28 - those utilizing local media for Trade Marketing

*Base is those utilizing each channel, so where low usage, Eg N=10 for paid search on retail site

Local Media TM - Change in effectiveness in last 5 years compared to next 5 years



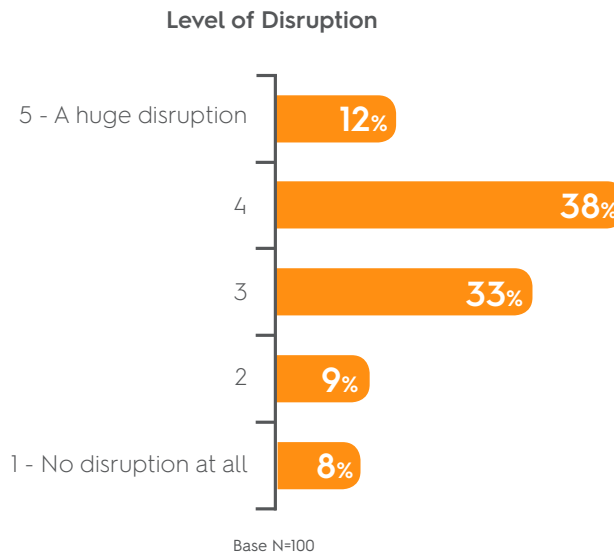
Base (n=28) those utilizing local media for Trade Marketing

The Ecommerce Imperative

Just how much of an impact is ecommerce having on the business of our respondents? Perhaps because half of the respondents were from CPG companies, a category late to shift to online retail, online has not yet taken over. That said, 50% of respondents rated it as disruptive to hugely disruptive.

Disruption

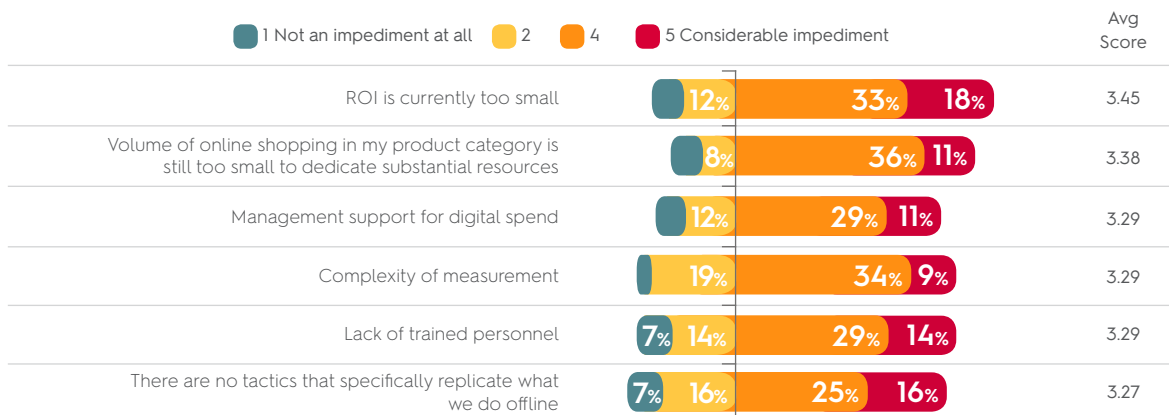
Q. How much of a disruption do you believe online sales are having on your industry?



Marketers were asked what the biggest impediments were to trade marketing online. The belief that “ROI is currently too small” ranked highest, followed by “Volume of online shopping in my product category still too small.” 23% of marketers reported that the tactics online are replicating what they get offline and 21% felt trained personnel was not an issue.

Digital Trade Spend

Q. What do you think are the biggest impediments to trade spend on digital?



Base N=100

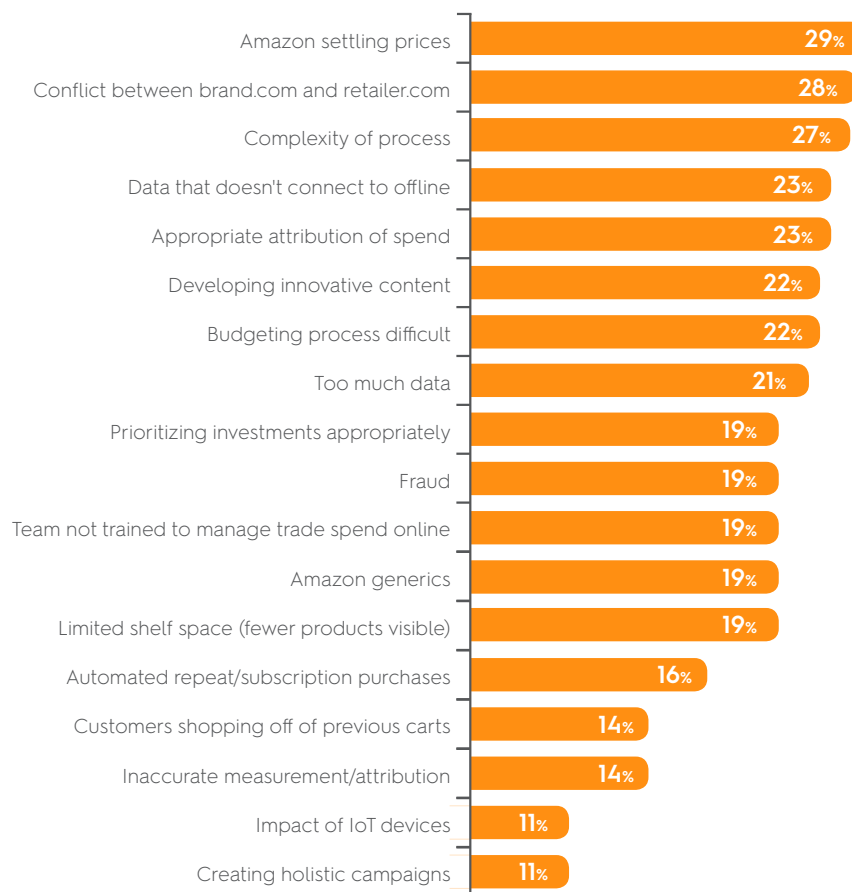
When they considered the different challenges that online presents, Amazon was foremost in respondents' minds. Nearly 30% said Amazon setting prices was a concern. This was closely followed by retail channel conflicts between their brand sites and retail sites. Complexity of process, the major impediment offline, also ranked in the online category. Here, it's a different sort of complexity.

The mid-tier of concerns was led by the challenge of omnichannel: connecting online to offline data, followed by attribution, a related issue. Interestingly, issues of a great deal of discussion in the online industry ranked a full 10 points behind the top concerns: fraud, Amazon generics and the "limited shelf space" of online for their products to stand out.

Trade Marketing versus Online Challenges

Q. What are your concerns about marketing your product online, as compared to in a store?

% Respondents Stating as a Concern

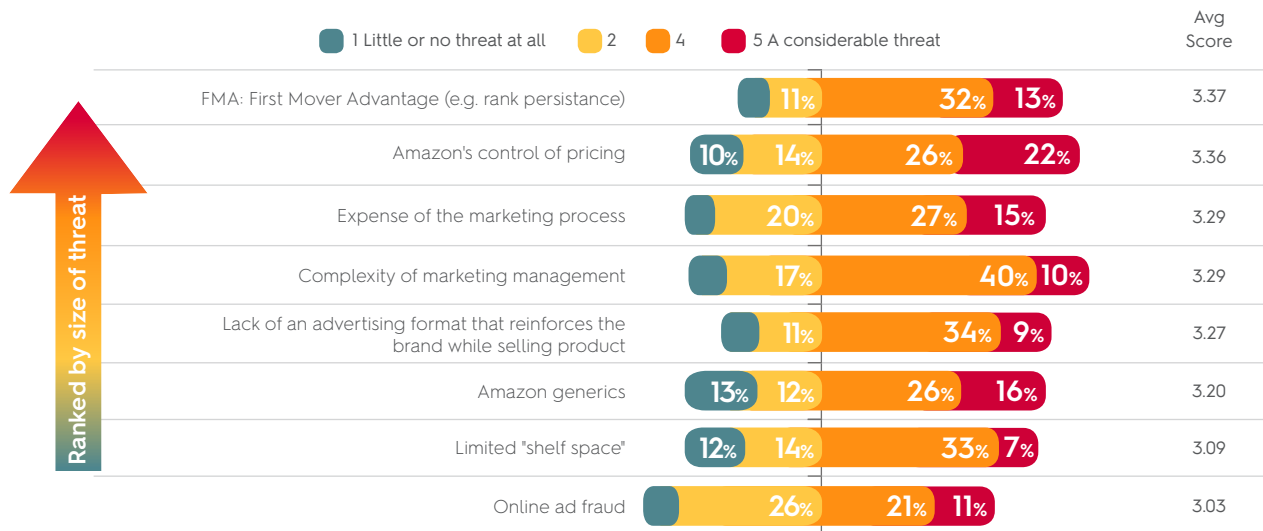


Base N=100

Amazon also figured largely when marketers asked about the biggest threats to their success online: 48% noted Amazon and pricing as a threat. The phenomenon of “Top Rank Persistence” is also on their minds. Online has created entirely new brands outside of the realm of the major packaged goods companies and the data here reflects concerns over that. Ad fraud may be all the news in the ad industry, but for the marketers surveyed here, there are divergent opinions: 33% consider it no threat and 32% consider it a threat.

Threats to Online Sales

Q. Which of the following do you see as the biggest threats to the success of your brand being sold online?



Base N=100



The Future: Different Paths, but an Omnichannel Imperative

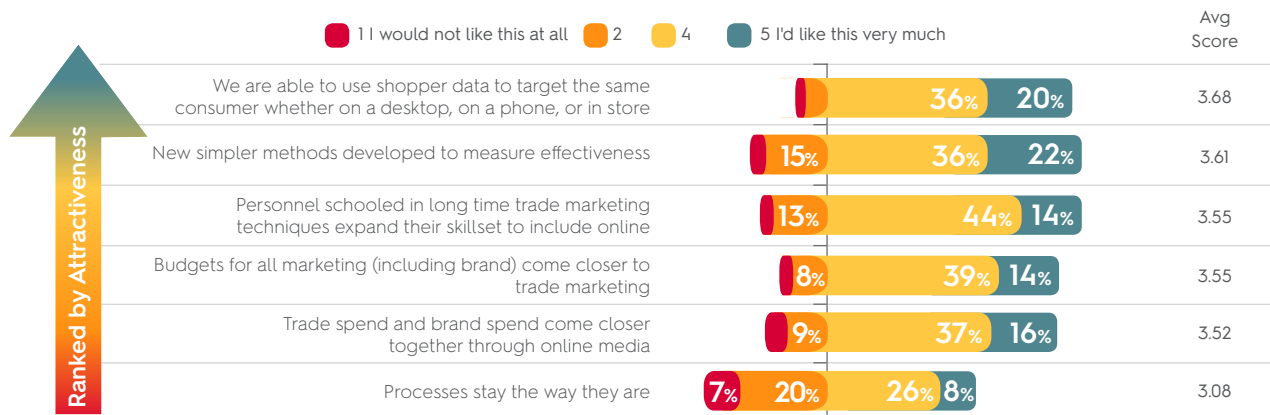
Marketers were also asked to think about the future and areas that are most significant to them in regards to trade spend. There is something of a bifurcation in terms of response regarding change overall: 27% say they would not like it at all if processes stay the same, while 34% say that they prefer the status quo. What are they in agreement about? That a holistic view of the shopper is imperative, favored by 56%, with only 7% in disagreement

Effectiveness measurements that are simpler are favored by 58% with 16% not finding this as valuable. An equal 58% want to see the skillsets of those who plan trade now to expand to encompass digital techniques.

The possibility of connecting trade and brand budget was favored by 53%. As noted previously, this is the scenario in China, where ecommerce spend is significantly higher, partly due to the fact that brands support sales online by designating trade spend to it

Trade Spend - Wishes

Q. Which of the following would you like to see happen in regards to trade spend?



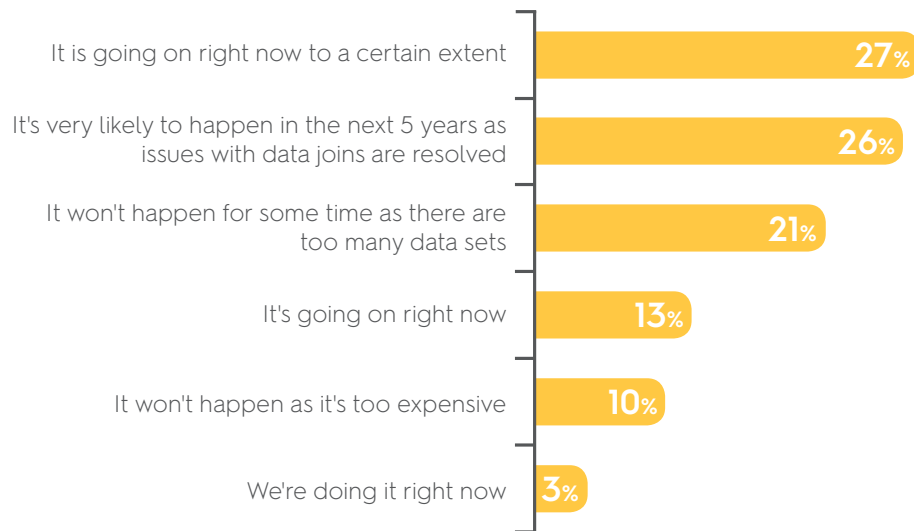
Base N=100



Those who favored the ability to target shoppers as the same consumer across channels are also likely to be the group that noted that “one-to-one” marketing is happening now or to a certain extent (40%) or believe that it is likely to happen in the next five years, as issues with joining data sets are resolved (26%). Another 31% are the skeptics that cite that “it won’t happen as it’s too expensive” or “for some time” due to the complexity involved.

1-1 Marketing

Q. When you hear the phrase '1 - 1 marketing', which of the following phrases best describes your reaction?



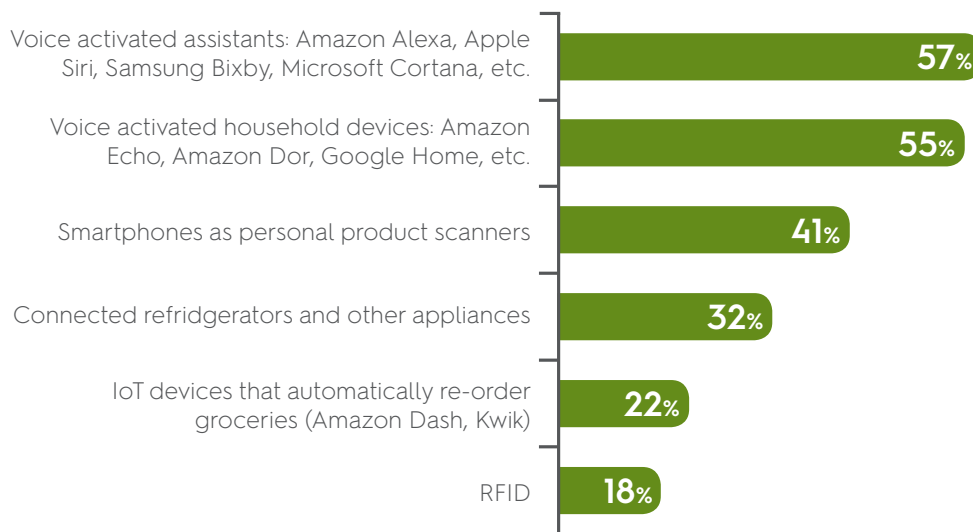
Base N=100



Technology is very much on the minds of respondents as they look to the future: product search, driven by voice, is the technology they most expect to be working with in the next two years (favored by 57%), followed by devices that transmit those voices in the household such as Echo and Google Home (55%). They are more skeptical about applications like the self-ordering Dash buttons (offered by Amazon and soon to be introduced by Walmart), with only 22% expecting to be working with them in this time period.

Technology Trends

Q. Which of the following technologies do you expect to be working with in the next two years?



Base N=100

Takeaways for Brands & Retailers

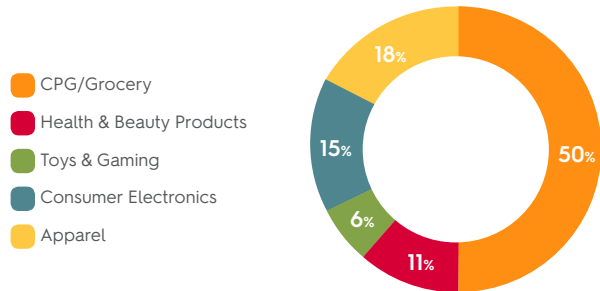
- Trade marketing is in a state of dramatic change, but marketers are not fully in agreement on how to address changes in shopper behavior, including shifts in purchasing to online. The skeptics say that the ROI is still too small in certain product categories to devote budgets and personnel. The progressive group appears more comfortable handling the different challenges involving data and attribution – and welcome the benefits – that online sales present.
- Those who would like trade tactics and procedures to remain status quo may face a daunting challenge when they decide to support online sales, due to factors like Top Rank Persistence and Amazon’s growing dominance in the market.
- Brands are wise to be concerned about Amazon’s weight in ecommerce, especially due to their ability to impact pricing and defer to their own brand of goods.
- Given that paid search on ecommerce and retail sites is seen as an important part of the future of trade spend, brands should continue to develop the ability to manage this form of trade marketing.
- Retailers should view product listing ads as well as display advertising techniques, such as retargeting, as a way to increase sales and generate incremental revenue to compete with Amazon.
- Just as they do offline, brands and retailers need to come together to develop best practices so that they can mutually benefit each other in terms of driving sales and developing the most efficient practices and measurement tactics for assessing the impact of trade activities online.
- Especially in categories like eGrocery, where online spend is expected to account for all of the growth in the sector over the next five years, brands need to effectively transition their tactics to a dimension where the product view is radically narrower than in a grocery aisle, especially on a mobile phone.
- While it will not happen today, the percent of marketers who do believe that brand and trade spend should begin to align is great enough that all should prepare for this eventuality. When that day comes, all marketing will be more closely connected to the sale and will have the inherent efficiency that digital provides.



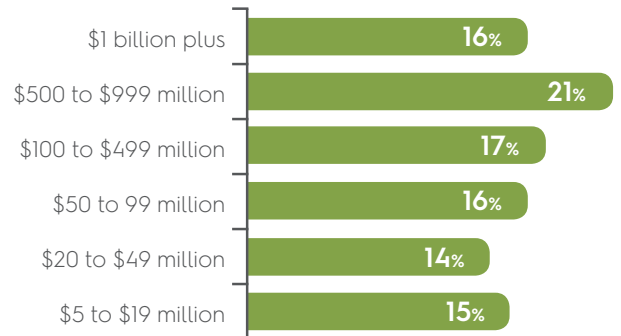
A Note on the Respondents

The 100 marketers interviewed and surveyed here represent:

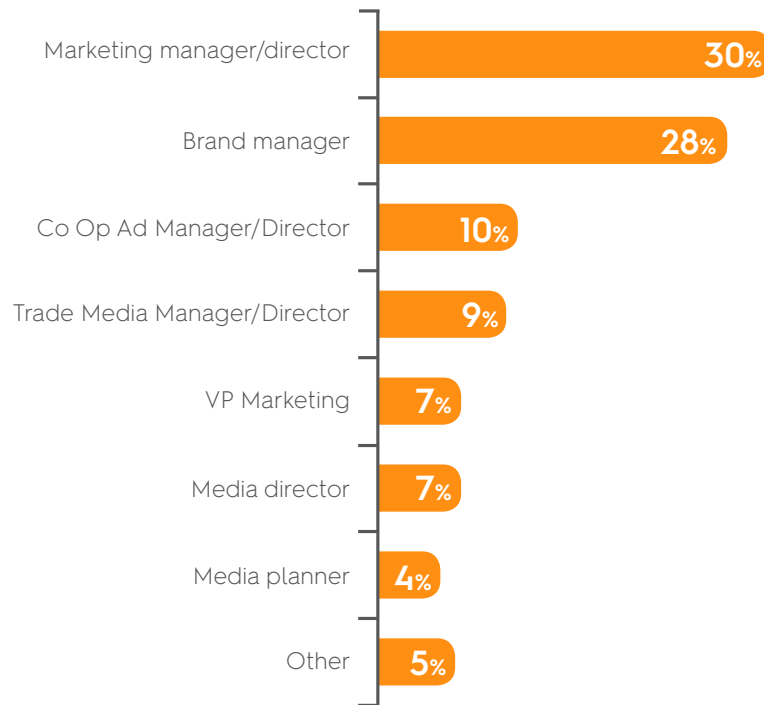
Interim Report Based on N=100
Sector



Business Size



Title (closest)



Others: Digital Marketing Manager, Sales/marketing support, Sales/Ad Manager, Communication Manager, International Marketing Manager

Base N=100

About Criteo

Criteo (NASDAQ: CRTO) delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 2,500 employees in more than 30 offices across the Americas, EMEA and Asia-Pacific, serving over 14,000 advertisers worldwide and with direct relationships with thousands of publishers. For more information, please visit www.criteo.com.

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