WONGDOODY

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Creating New Dynamic Media Models

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WONGDOODY

CPG on the Cusp of Another Sea Change

WONGDOODY's data design practice seeks to remove any and all barriers between decision-makers and their data. Because CPG companies sell through merchant partners or retailers, there is a barrier between the brands and their consumers. This is a fundamental disconnect between data and decision, and means that despite spending $19.40 billion on digital advertising in the US alone[1], the CPG industry is nowhere close to being able to optimize it's digital marketing campaigns. And it's that lack of traceability to the end consumer that's hampered CPG's ability to stage real-time ROI analytics at the consumer level. In response, the CPG industry has brought scientific rigor to the art of mass marketing, where strategies and validations are built on dimensions like Reach and Frequency. This has given them enough predictability to forecast national sales, but doesn't help to deliver personalized experiences or to optimize digital marketing campaigns in near real-time. This problem is only amplified when consumer behavior keeps changing.

National media campaigns have become less effective, specifically because consumer shopping behaviors are no longer shared at the local level.

Enter COVID, which brought massive reverberations to brand marketers, from the largest global advertiser down to the smallest mom-and-pop. McKinsey recently stated[2] that "lockdowns and a shift in consumer priorities toward health and safety condensed five years of e-commerce growth into three months". That stat may represent the fastest compression of behavior since the advent of the Internet. Contactless deliveries were certainly a big part of this, but sales-channel preference can't explain it alone. The basic shopping behaviors of US consumers were fundamentally changed, and these trends varied significantly at the local level. COVID was a phenomenon shared unilaterally and worldwide, but it's been experienced in uniquely different ways within each local community. While weekly grocery spend surged into the summer by 38 percent in Boston, it actually declined by 2 percent in Detroit. Consequently, brand marketers are learning that national media campaigns have become less effective,

[1] https://www.emarketer.com/content/us-cpg-digital-ad-spending-2020
[2] https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/us-consumer-packaged-goods-advertising-in-the-next-normal#

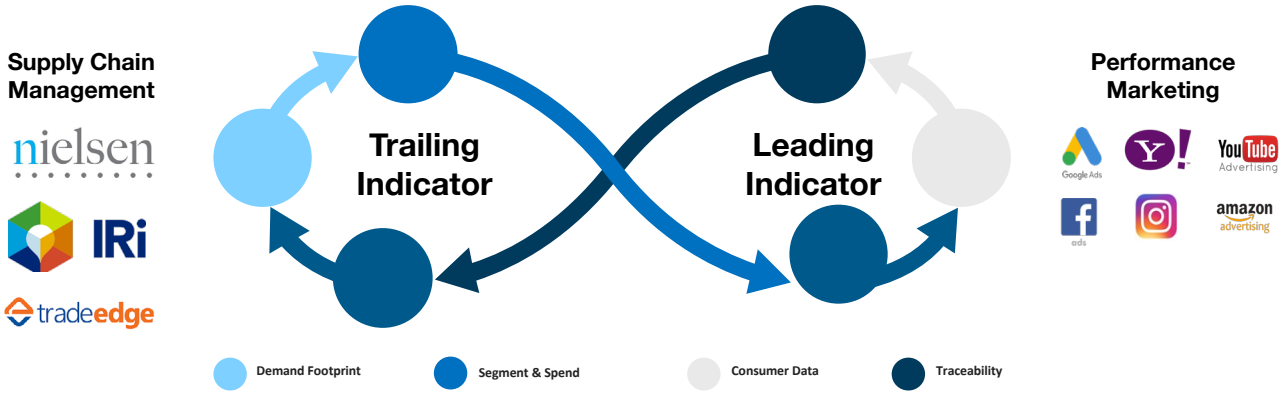
specifically because consumer shopping behaviors are no longer shared at the local level. Simply put, what works in San Diego may not work in San Francisco, and these days even within San Francisco, what works in Union Square might not work in the Castro. Without access to data about *what* works *where*, CPG companies risk wasting money and missing opportunities.

Introducing Micro-Market Districting (MMD)

Infosys and WONGDOODY have developed an innovative platform designed to align enterprise data in order to give marketers access to data on the local level that can create clear ROI. Measurements in near real-time. We call that MMD, or Micro-Market Districting.

Because we've built the enterprise data systems and technology platforms for leading blue-chip CPGs, we know their data and we've learned to look across the enterprise to unlock value.

We understand for example that the Sales organization, as seen through the Supply Chain, holds trailing indicator data that reveals which local markets hold the greatest demand. That's where these CPGs find themselves replenishing volumes the fastest, and TradeEdge is our proprietary platform for collecting Point of Sale (POS) data at the SKU and store level. We also see the Marketing organization staging Consumer Experience and pulling many different levers to raise demand for their supply. The real-time engagement data collected through those Marketing efforts is a leading indicator and can be invaluable to inform the Supply Chain, while that POS data coming through the Supply Chain can ground Marketing at the most local of levels. This virtuous cycle makes sense because all ends of the organization are serving the same master (the end consumer), yet the data adjacencies within are often underleveraged.



We're not creating a consumer-level ROI, but rather viewing the hyper-local market as a surrogate for the end consumer. In creating these localized analytics for one FMCG brand, we have found that the clients localized spend doesn't reflect where those brands found their best performance. This means that the client's investments are not aligned to the market response. Looking at Philadelphia for example, 46 percent of their campaign spend went toward MMD1, comprised of 12 ZIP codes, whereas that district only delivered 22 percent of the sales activity. Our analysis showed more promise and preference within MM2, where those 14 ZIP codes spent 31 percent of the city's investment but outperformed with 46% of Philly sales.

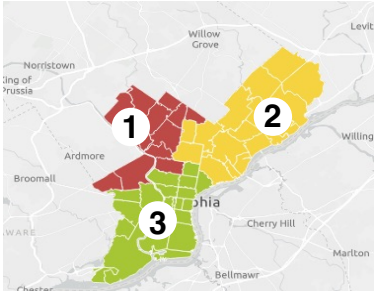
That trends are pronounced at the more localized district level makes sense because brands live at the local level, as do the factors that influence brand loyalty, discretionary income, purchase cycles and omnichannel shopping

behaviors. Our cities, and increasingly our suburbs, are comprised of widely variant, heterogenous populations based on varying demographic and socioeconomic factors. If a client recognizes this with multicultural advertising but only does so through specific publications and networks, they're missing opportunities.

Why MMD Works

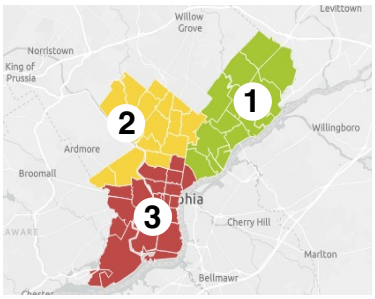
It is important to note that we are not pushing our clients to target locally, since many of them have already tried geo-targeting and saw the increased CPMs (required to win those impressions) became cost prohibitive. Rather, our concept and its success are predicated on the notion that when clients are not budgeted to buy full reach (most aren't), they are deferring to the DSP's algorithm to decide where each next dollar is spent. By imposing more structure through back-end budget management, we can redistribute investments to the local markets that hold the greatest promise — **without paying a dime more on the cost of media.**

MMD by Spend



District	Total cost $	Total cost (%)
1	24,289	46
2	16,425	31
3	12,046	23
Grand Total	**52,760**	**100**

MMD by Sales



District	Store #	Total Sales $(K)	Total Sales (%)
1	17	615	46
2	10	429	32
3	11	290	22
Grand Total	**38**	**1,334**	**100**

Aside from the fact that agencies are focused on running national media campaigns and never had access to a localized view for ROI, they also tend to manage those national campaigns through a flat maximum CPM bid. DSPs will maximize reach within the constraint of that bid, but because local markets will carry different levels of price competition, the DSPs will inadvertently increase the composition of a brand's reach across the cheapest audiences. That's how this client learned they were supporting Cincinnati with only 3.6 percent of the study's spend (but it contributed 14.4 percent of the brand's sales volume). Also, within Cincinnati, their campaigns were much more effective in the Southeast towns than Central Cincinnati.

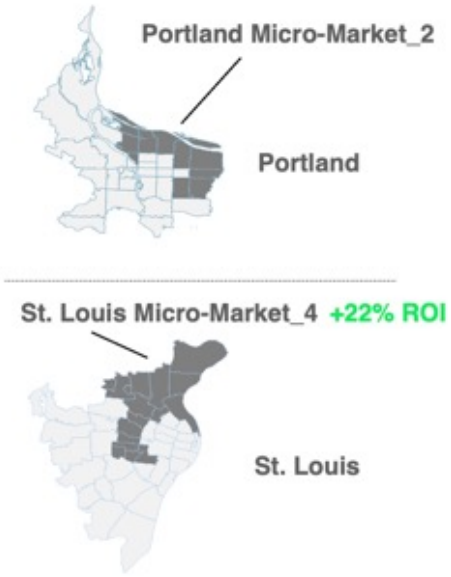
Based on the wide range of costs for buying local populations within an auction marketplace, we're showing our clients that their delivered reach is highly variable at the local level of these campaigns, as is the subsequent Return on Ad Spend (ROAS).

Our MMD offering provides the local insights to differentiate performance by market, and the wherewithal to not only impose structure on where each next dollar is best spent, but the actual facility to carve up those budgets at the local level. While so many agencies and technologies focus on how budgets are spent through bidding, we believe far more value is created by advising how budgets are first made available at the local level.

Delivering Value Through Benchmarking

The very act of creating these MMDs lets us track performance in local districts, relative to one another, to view these audiences via their performance and opportunity costs. Let's say for example that St Louis_4 has historically performed comparably to Portland_2, bringing equal sales volume and market share from the same demographics, but within the past 10 days St. Louis_4 has outpaced Portland_2 by 22 percent. Clearly something's afoot.

- **In-store compliance:**
  Physical gaps in execution for promos and coupons
- **Local Pricing / Promotions:**
  Are we at price parity, what are other brands doing from a promotional perspective (price, sampling, BOGO)
- **Coupon Redemptions:**
  Are consumers within local markets especially motivated by coupons
- **Media Delivery:**
  Have media planning or buy-side dynamics moved



That's smoke to fire, and if these analogous markets suddenly diverge in sales performance, we can explore the reasons why. Some examples:

By creating localized benchmarks to view the business, we can size the hole in the bucket and work with the client to methodically explore causes. Once discovered, we can remediate what's broken in one local market or we can capitalize on the learnings from another. This is where data insights can be accelerated across the enterprise, spanning the front-end demand drivers and the back-office support systems which own logistics and enablement.

Who This Can Help

Looking beyond CPG, this Micro-Market District approach is viable for any client that sells most of it's volume through merchant partners, sales affiliates, resellers, networks or marketplaces. Our approach provides a new and essential lens to view product sales through the end buyer. MMD can be used to raise demand for your supply. Our approach provides both the impetus and a path to bring your inventory management and CX together, so you're not driving foot traffic to the stores where the consumer will only find an empty shelf. And on the flip side, you're no longer spending money to fuel engagement within locales that bring no incremental purchase behavior. This approach can be extended to new use cases spanning trade and promotions, CRM, supply chain and inventory management. But back to our lead use case of paid media, through the industrialization we're pursuing with leading DSP partners, we can algorithmically drive a wholesale reinvestment of the client's digital marketing investments at-scale, without adding burden to the client or agency's hands-on-keyboard support, which in turn helps us drive greatly improved digital marketing spend efficiency and effectiveness.

Proof Of Concept Engages Stakeholders Across the Business

Long-term this work will require reach and frequency testing to figure out what's the right balance of investment within each localized district. But it's easy to give the client a reason to believe with a mere POC engagement. MMD is an analytical model we can provide in retrospect, using historical data to recommend a localized, district-based view of it's brand management, also to show it specifically how and where CX supports its business. More than a simple provocation, MMD provides the business case for an organization's stakeholders to rethink its go-to-market strategy. It's a great way to cross over to the business side of our client organizations because it merits time from the brand manager all the way up to the CMO, to show them this new lens for viewing efficiencies. And most importantly, we can offer an operational path forward to enact insights without taxing their agencies or hands-on-keyboard support.

If you're looking for a way to move from the back-office IT side to the front-facing business strategy side of your client's organization, MMD is novel, highly differentiated and steeped in all the spaces (supply chain management, enterprise data, advanced data analytics) where Infosys is most credible.

Get in touch to learn how MMD can help you identify growth markets and drive localized sales behavior.

Visit https://wongdoody.com/spotlight/data-design/ to learn more about WONGDOODY's Data Design practice and other solutions. Or contact:

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