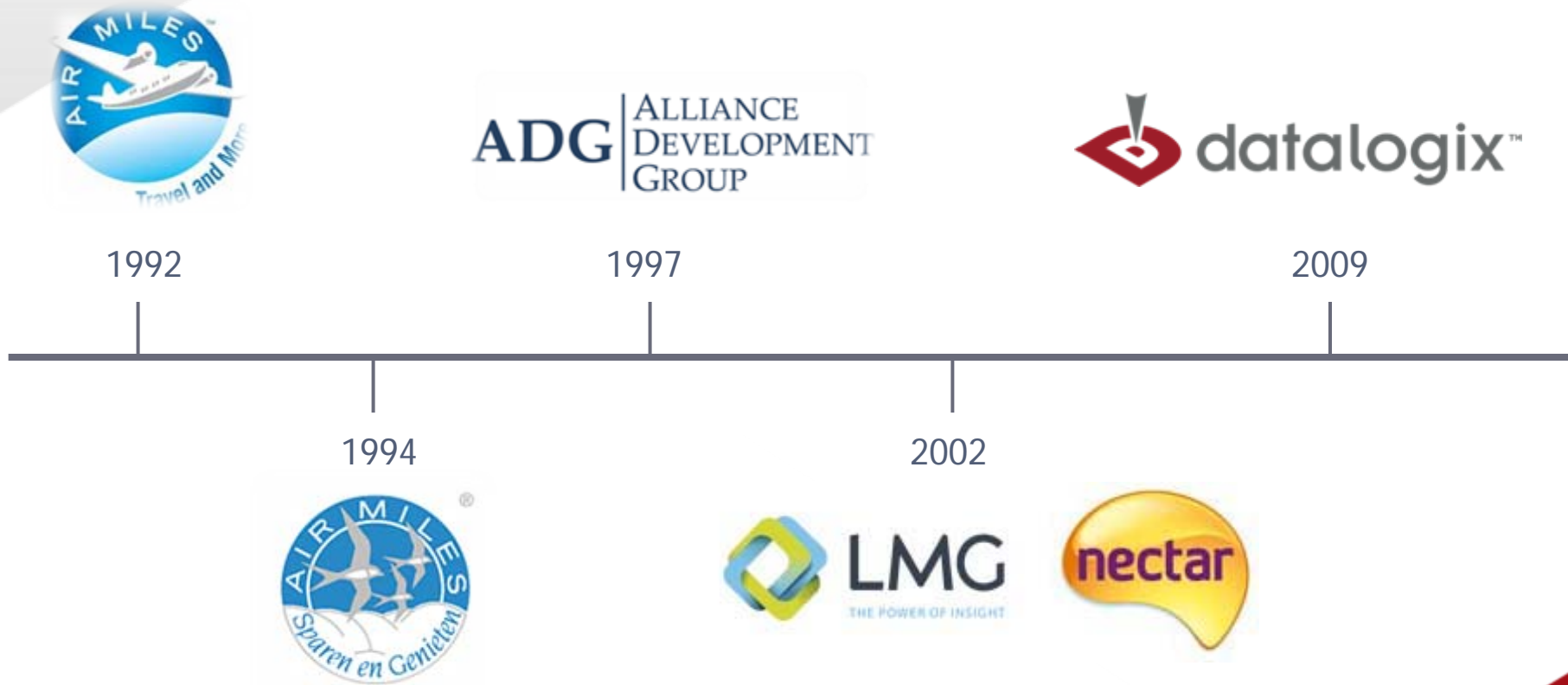




Does online advertising drive  
in-stores sales?

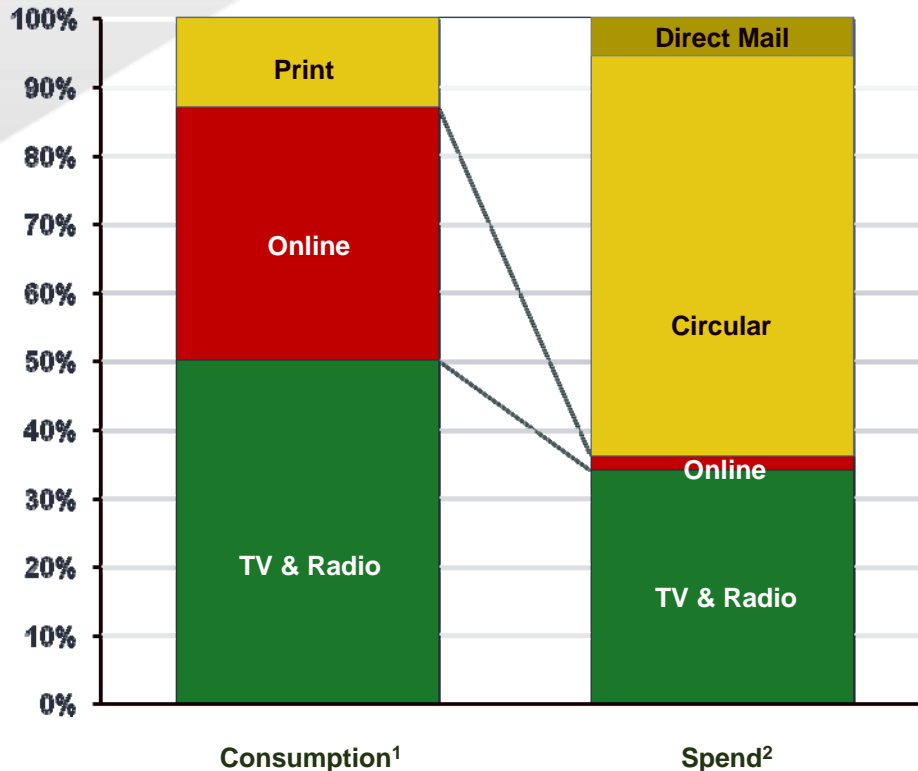
September 20, 2011

# A history of building customer loyalty

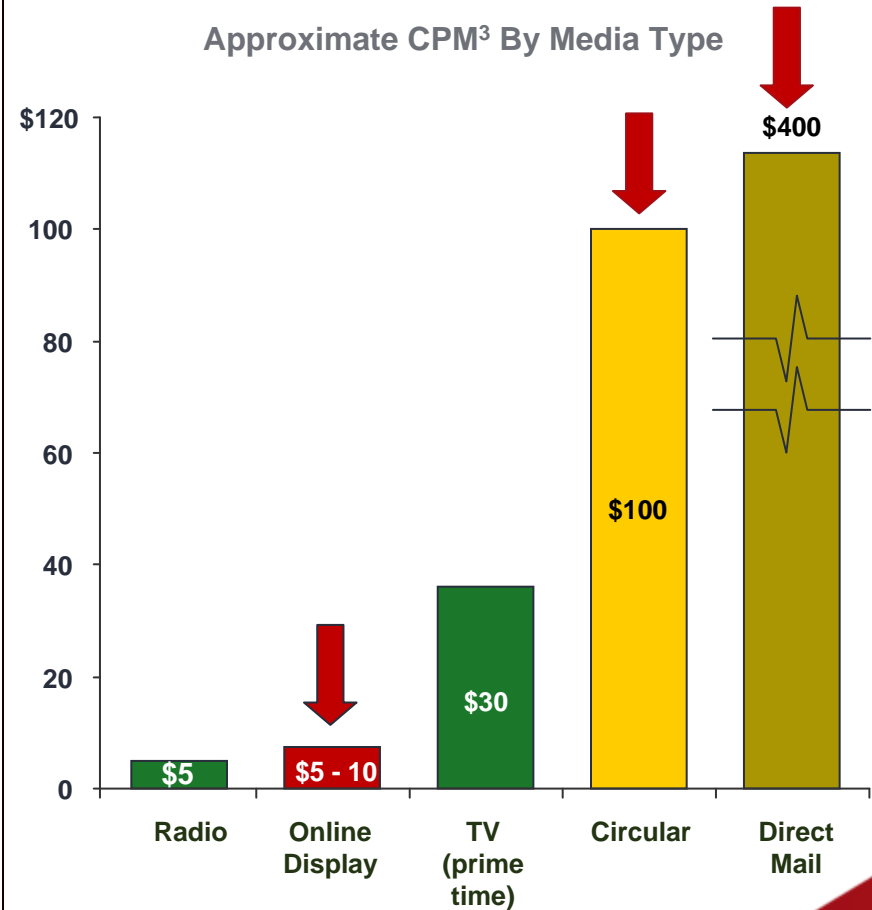


# Supermarket/Drug retailers have a real need for lower cost, targeted media

Consumer Media Consumption vs. Supermarket/Drug Media Spend



Approximate CPM<sup>3</sup> By Media Type



Notes: <sup>1</sup>Forrester Research NA Technographics Benchmark Survey 2009  
 Woman 25-54 & grocery store shopper - % of total media hours spent/week  
<sup>2</sup>Representative supermarket/drugstore retailer marketing budget breakdown

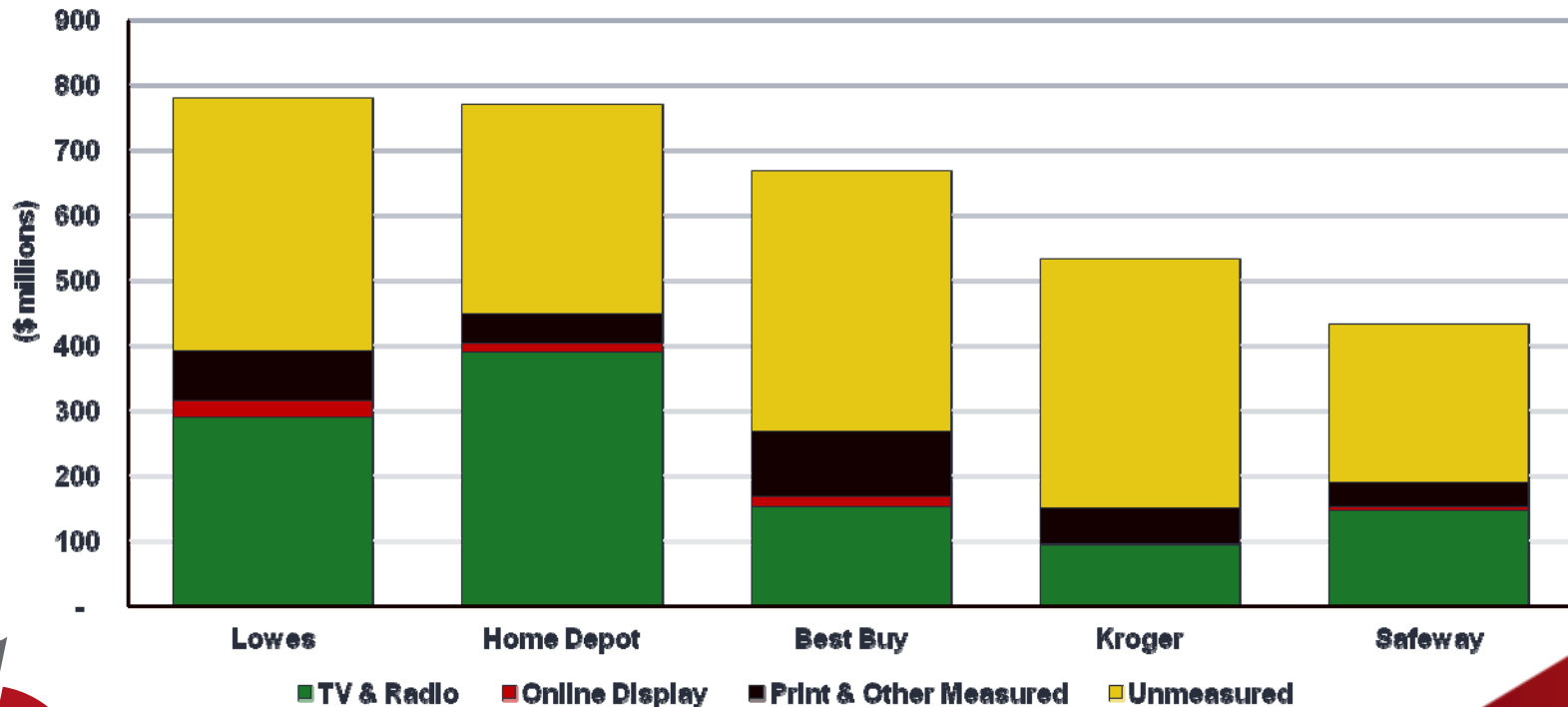
Notes: <sup>3</sup>CPMs are estimated based on Datalogix research



# Retail marketing investments misaligned with consumer media consumption...

- ▶ Online media accounts for **37%** of media consumed by shoppers<sup>1</sup>
- ~**2%** of retail marketing budgets spent online
- >**50%** of marketing budget spent on unmeasured media <sup>2</sup>

**2010 U.S. Marketing Spend By Medium<sup>2</sup>**



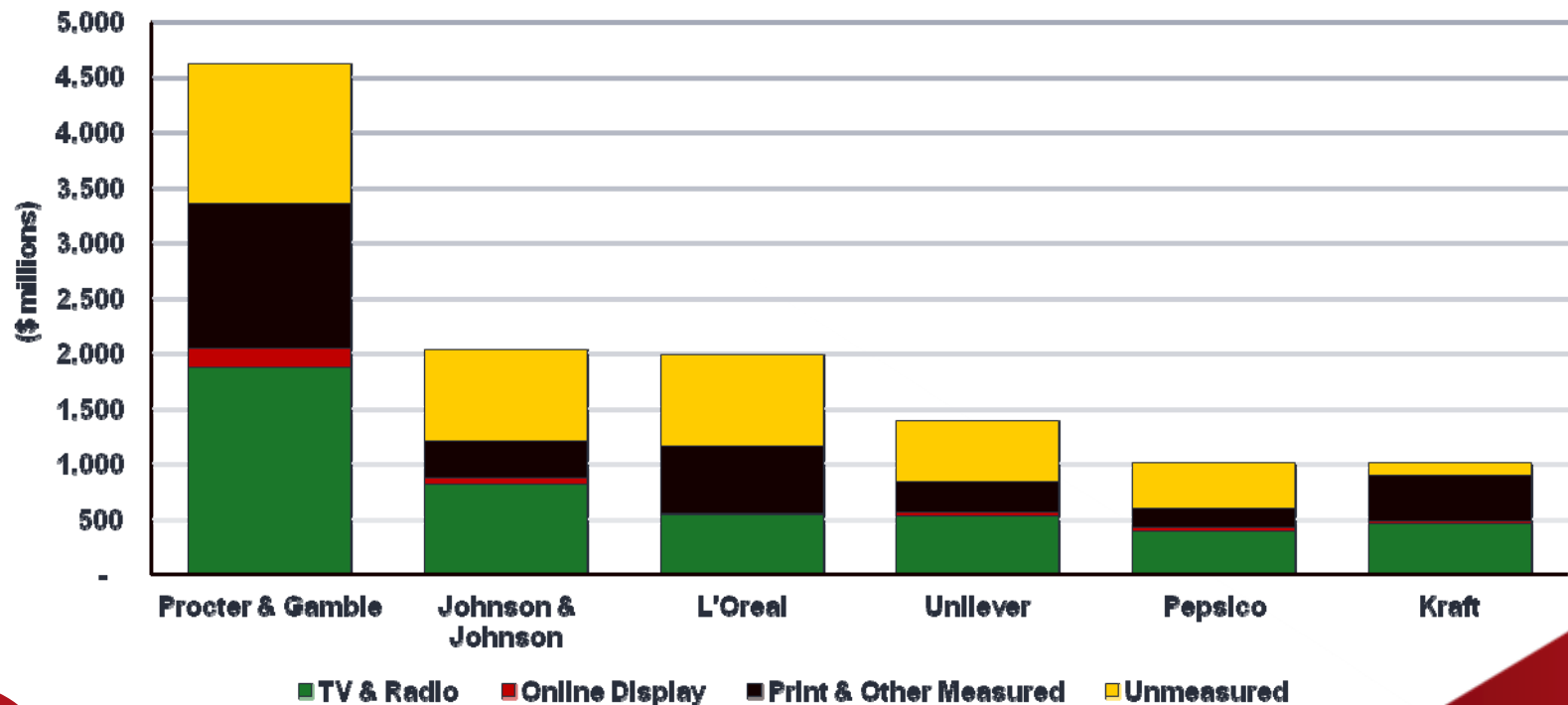
Notes: <sup>1</sup>Forrester Research NA Technographics Benchmark Survey 2009

<sup>2</sup>Advertising Age, Marketer Trees 2011

# ... even CPG marketing investments are not optimizing digital media

- Online media accounts for **37%** of media consumed by shoppers<sup>1</sup>
- ~**3%** of CPG marketing budgets spent online
- ~ **35%** of marketing budget spent on unmeasured media <sup>2</sup>

**2010 U.S. Marketing Spend By Medium<sup>2</sup>**



Notes: <sup>1</sup>Forrester Research NA Technographics Benchmark Survey 2009

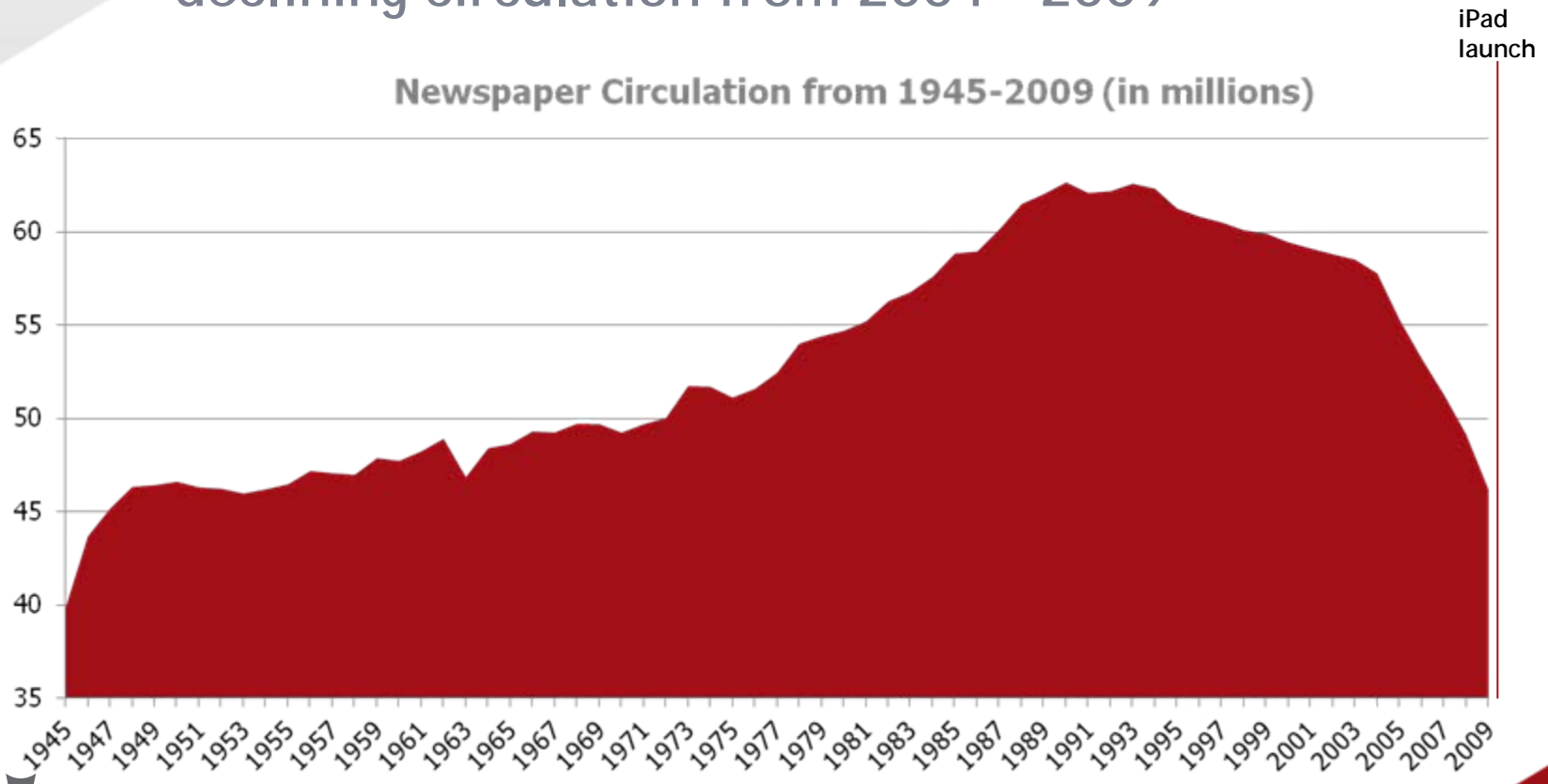
<sup>2</sup>Advertising Age, Marketer Trees 2011



# Circular distribution medium is in trouble

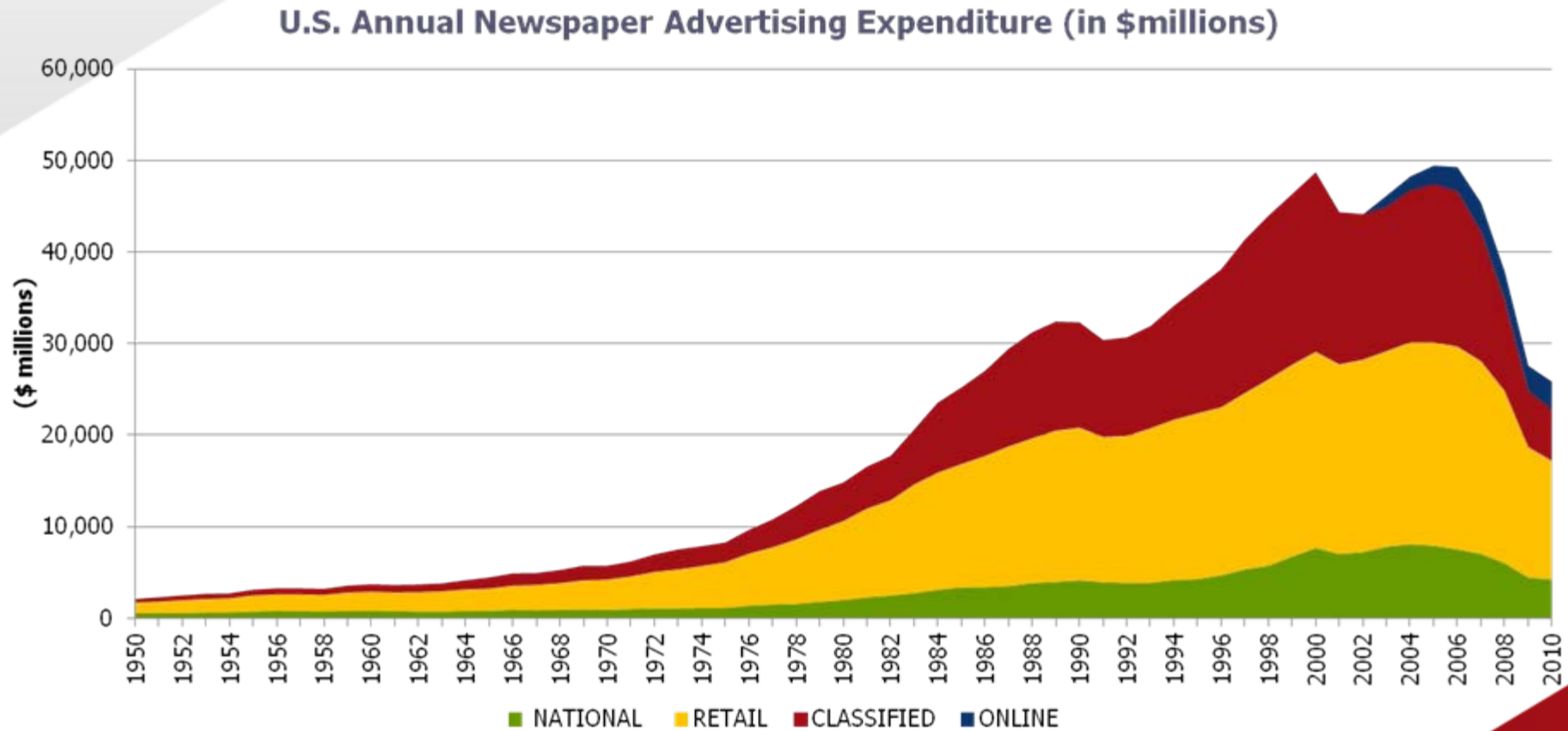
- ▶ **21%** decline in paid circulation from 2003 - 2009
- ▶ Every top **100** newspaper, except NY Post, had declining circulation from 2004 - 2009

Newspaper Circulation from 1945-2009 (in millions)



Source: Newspaper Association of America

# Newspaper ad revenues down 48% since 2006

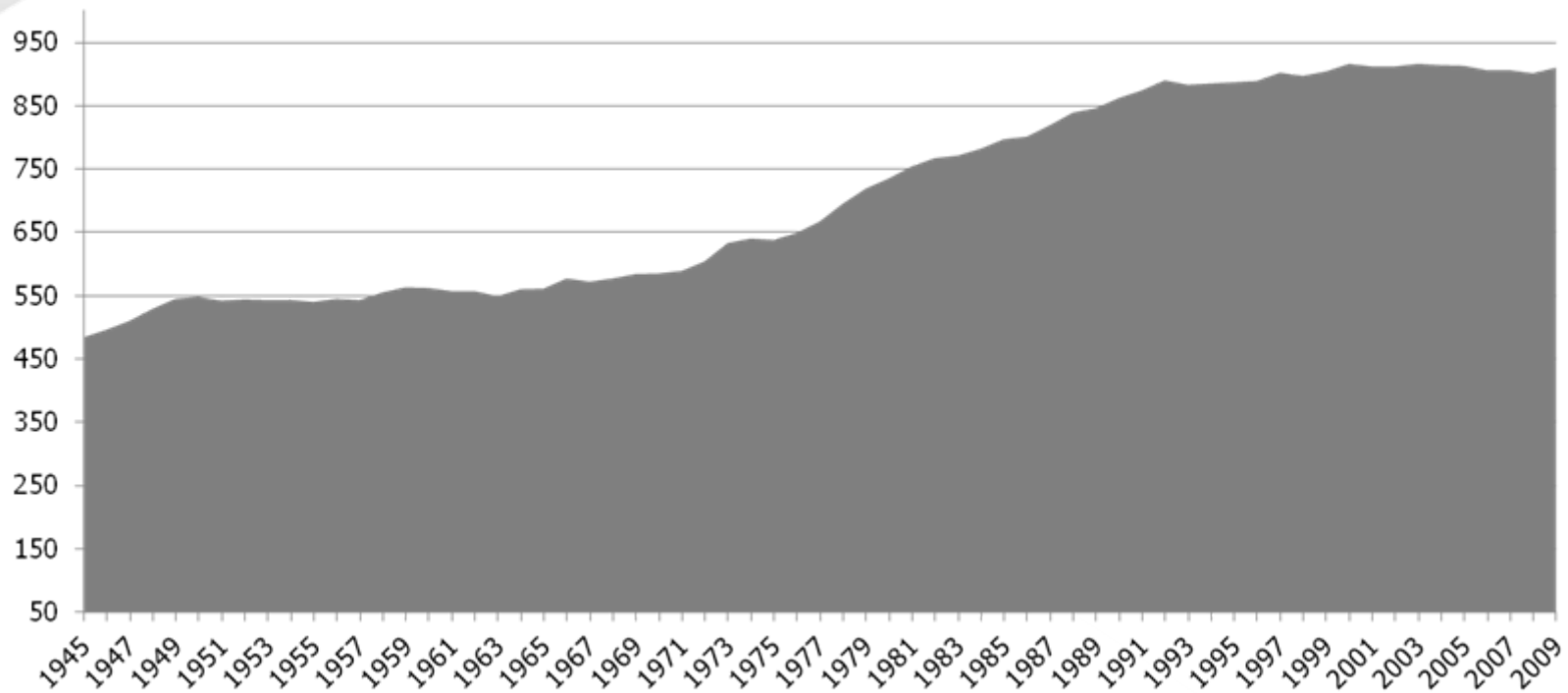


Source: Newspaper Association of America



# Number of U.S. papers in circulation is flat

U.S. Total Number of Sunday Newspapers in Print



Source: Newspaper Association of America

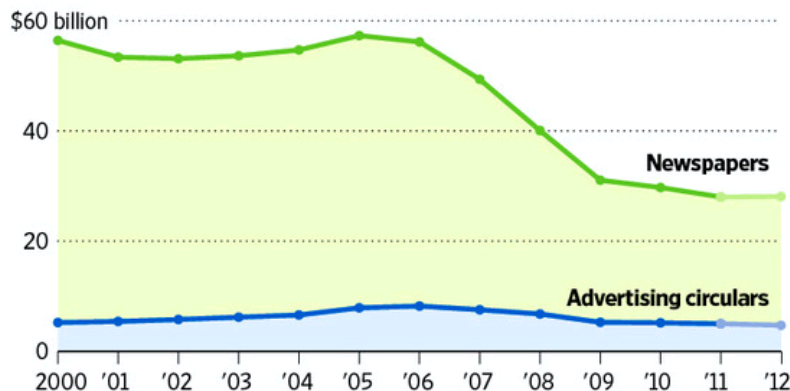


# From 09/19/2011 Wall Street Journal

- “In 2000 newspapers’ advertising circulars made up **9.2%** of total newspaper ad revenues; in 2010 circulars had risen to **18%** of revenues.”<sup>1</sup>
- “Borrell Associates predicts that revenue from advertising circulars will decline in the coming years as competition for ad dollars grows”<sup>1</sup>
- “If advertising circular disappear out of newspapers that could be the stomach punch of this decade,” says Gordon Borrell, CEO of Borrell Associates. “That is not good news. It has been the last glimmer of hope for the papers.”<sup>1</sup>

## Dollar Race

Advertising circulars vs. total newspaper ad revenues



Source: Borrell Associates

Note: 2011 is preliminary; 2012 is forecast

Source: <sup>1</sup>Quotes from 09/19/2011 Wall Street Journal article *“Taking a Page From Papers.”*



# About Ahold USA



# Introduction to Ahold USA

**Better choice. Better value. Better life. Every day.**

European operations



U.S. operations



International Food  
Retailer

**\$41 Billion Sales**

2,970 Stores

213,000 Associates



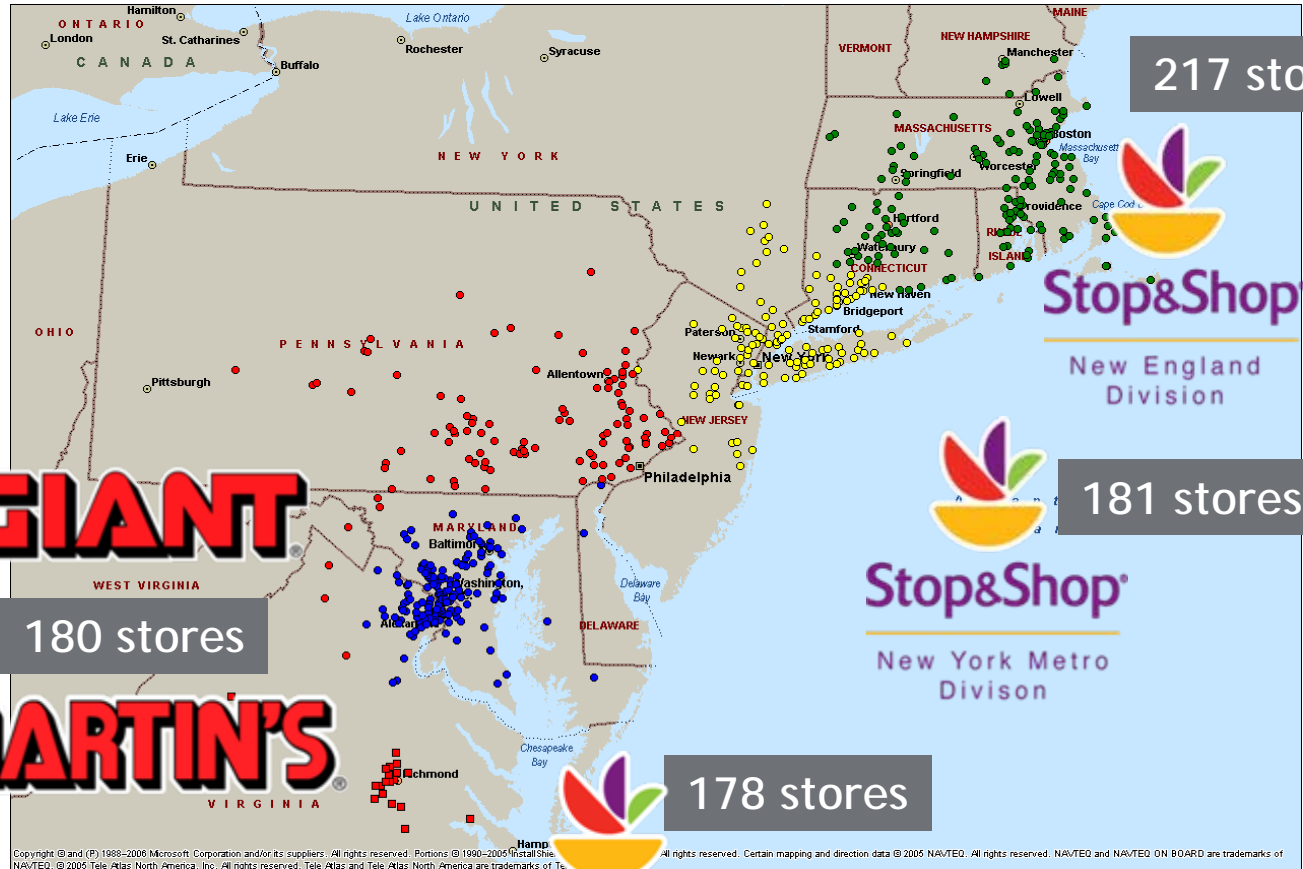
# Ahold USA Retail

- ▶ \$24B sales
- ▶ 4 Divisions, 756 stores
- ▶ 13 states plus DC
- ▶ Peapod home delivery
- ▶ 106,000+ associates

## U.S. operations



# Divisional structure



We strive to build a connection with our shoppers.

Win their  
hearts and minds

**GIANT.**



**MARTIN'S**



Peapod





# Making the connection is a challenge with one size fits all approach.

*Our shoppers have different tastes and needs.*



*They want to engage with us in different ways.*



*They appreciate different rewards & incentives*



# About Datalogix





# What we do



We connect them



- ▶ We turn offline data into online audiences
- ▶ We find your customers and prospects anywhere online
- ▶ We measure results back to online AND offline sales at the household level
- ▶ **We are the only partner that puts this all together**



# Why we are different

Contextual



Site-level  
audience  
profiles



Behavioral

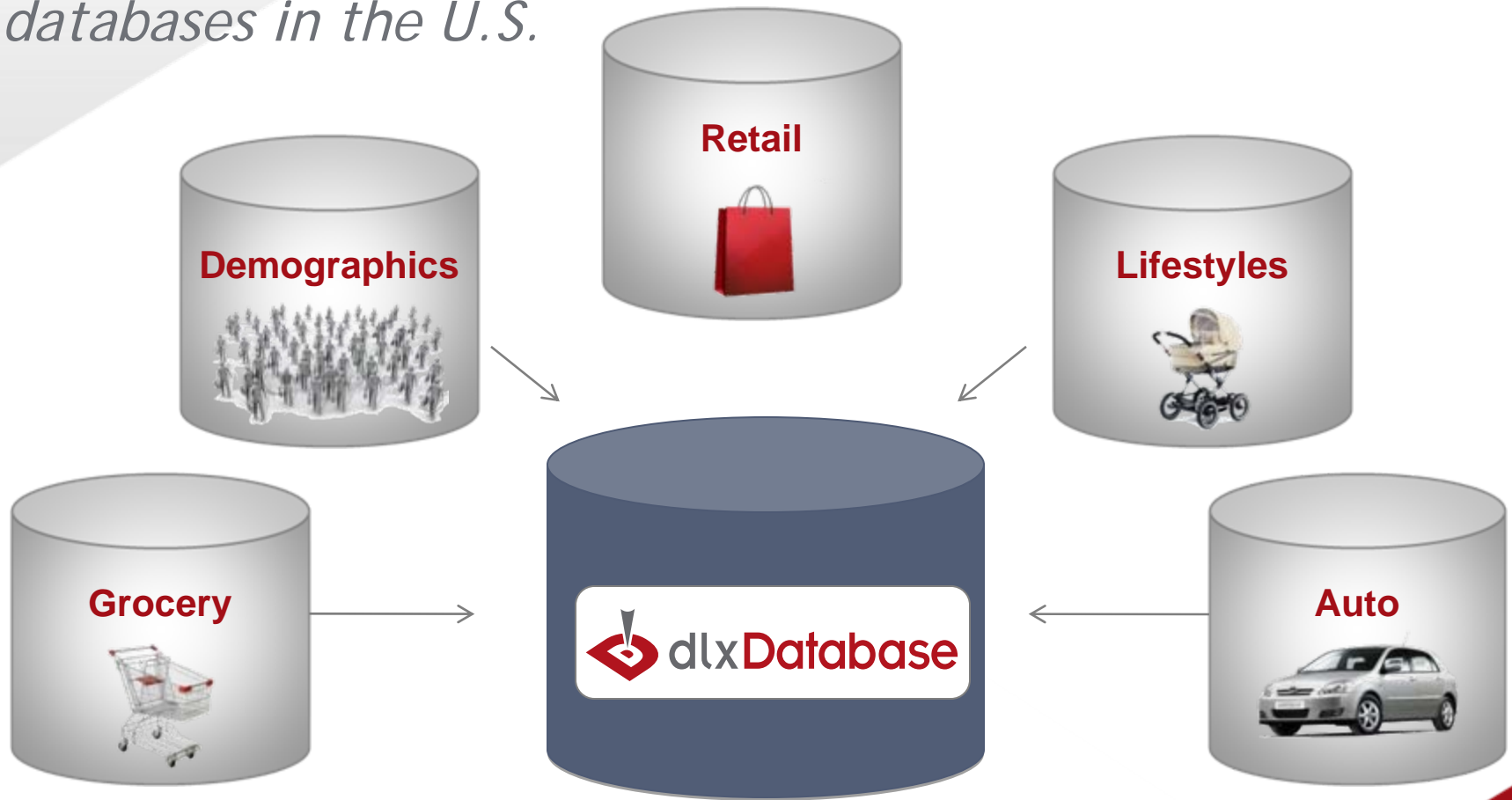


Purchase and/or CRM  
based targeting



# Differentiated data

*DLX has built one of the largest and most diversified databases in the U.S.*



# How it works: targeting



Secure match  
process and  
segments created



Audience Partners



Media executed via:



or



No PII data is associated  
with a cookie

Ads served  
anywhere online



Membership and certification:



# Ahold USA & Datalogix



# Ahold USA challenge

- ▶ Newspaper is on decline
- ▶ Need to find new ways to connect with customers
- ▶ Corporate imperative to create a compelling digital strategy (but measureable of course!)



# The big idea



- ▶ Distribute the weekly circular directly to cardholders anywhere online



# The plan

## Objective

- Test effectiveness of weekly circular online advertising as a means to drive incremental in-store activity

## Targeting

- Online media served only to online cookies from Ahold USA's active households
- No wasted media impressions

## Timing

- 10 week program
- Media deployed Friday - Tuesday to align with circular schedule

## Creative

- Test effectiveness of two types of online promotion methods





# The learning agenda

Ad Unit  
Engagement

*What is the optimal online ad format, standard or rich media?*

---

Site  
Engagement

*How does ad unit affect web traffic and engagement with online circular features?*

---

Customer Profile

*What are the unique characteristics of customers who engage with the online ad units?*

---

Shopping  
Behavior

*What is the incremental sales impact for customers exposed to the ad units?*

---

Marketing  
Efficiency

*How cost efficient is the online ad channel at generating clicks and sales?*



# How it worked

Databases merge  
& match

Anonymous  
cookie  
assignments

Ads served only to  
loyalty  
cardholders



In-store visits and sales directly attributed to campaign  
via shopper card data



# The creative



Standard flash display unit:

- CTA: "Click here to save"
- Drove to website online circular experience



Expandable rich media unit:

- CTA: "Roll over to see specials"
- Sale items pulled into unit



# The creative

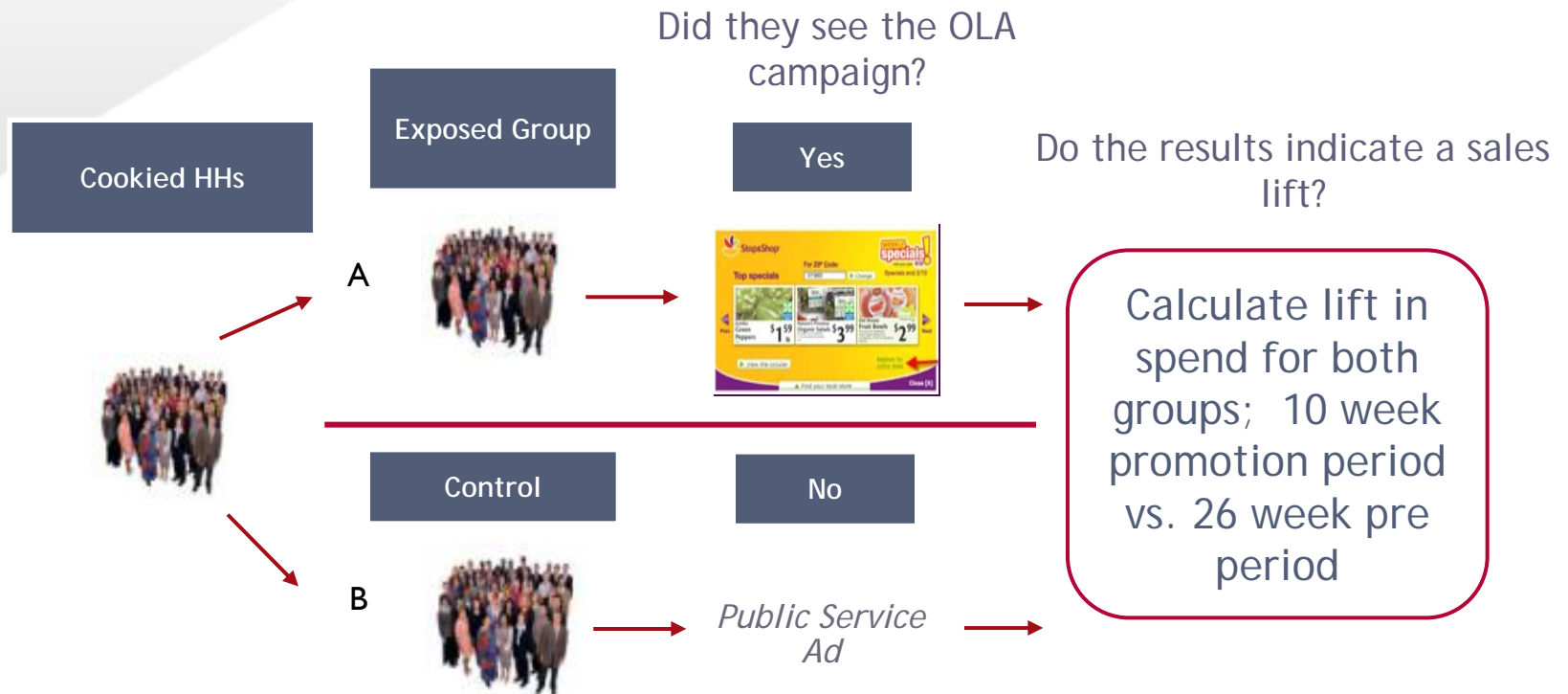


Expandable rich media unit:

- Dynamically pulled in top sale items based on customers primary store
- Ability to change zip code, find store, click to online circular and sign up for online deals



# Incremental sales methodology



Since the only difference between groups A and B is the exposure to the campaign, we can attribute the sales lift difference to the campaign



# Our learnings

1

Direct tie back to sales with strong return on investment

*7.1:1 S:C ratio*

2

Customer groups reacted differently to the program.

*Engaged our **most loyal shoppers** more than average.*

3

Testing proved differences in performance by type of creative

*Rich media **Outperformed** standard flash creative*

4

Direct evaluation tools make these indicators less critical.

Click rate & Page views:  
***Irrelevant***



# Looking ahead

*We are continuing to learn how to integrate this approach to digital into our targeted customer strategies.*

- ▶ Objectives
- ▶ Target audience
- ▶ Creative format
- ▶ Message
- ▶ Frequency



Just like traditional direct marketing, it's all about test, learn, and optimize!



# Questions





