NielsenIQ Activate

Using customer data to grow brand sales: A retail media playbook

2023

Introduction

Sharing data-driven customer insights has been a staple for grocery and drug retailers and their Consumer Packaged Goods (CPG) suppliers for well over a decade. Pioneered by Tesco in the UK in the 1990s, the high frequency and repetitive nature of grocery purchases created a rich data set for analysis.

In recent years, retailers outside the core CPG channels of grocery and drug have begun to get into the game. Beauty, Pet, DIY and Convenience retailers have all started developing their insights sharing and monetization capabilities.

Yet we still regularly get questions from retailers in these industries about whether the monetization opportunity for them is real and, more importantly, exactly what it might look like. Of course, analyzing and sharing customer data always brings technical, data science, and operational questions that need to be answered. But we find the most helpful place to start is by sharing what the result will look like. If retailers and their supplier partners can see how they will both get concrete benefits from an insight sharing program, the motivation to figure out the technical questions will follow.

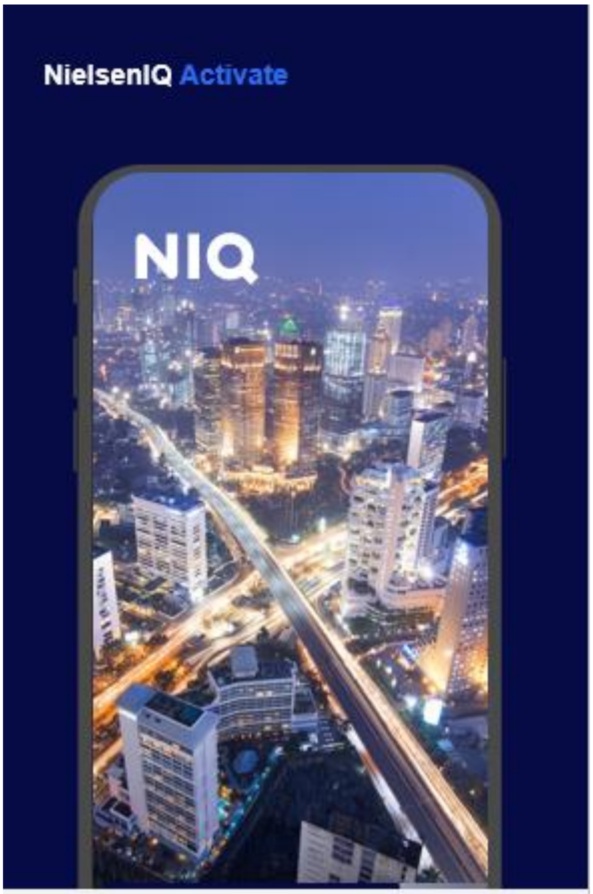
A handful playbook

In this white paper we share our playbook for showing retailers and their supplier partners some of the specific benefits they will get from access to customer data.

Using customer data to grow brand sales is a win for both CPG suppliers and retailers. As suppliers succeed in growing sales, they have more to re-invest in future activations. Naturally they are likely to invest it with the retailer who has helped them succeed in the past. For retailers, beyond the revenue stream from data sharing, there is the benefit of delivering more value to their customers and giving them another reason to visit the store.

The model consists of eight ways brands can grow their sales using customer data.

In some senses it is basic. But our experience is that brand marketers often focus on two or three of the opportunities listed here and do not naturally turn to the others. By reviewing all eight on a regular basis, both retailers and supplier brands can be sure they are uncovering every opportunity to win customers and grow sales.



Eight ways to grow your customer

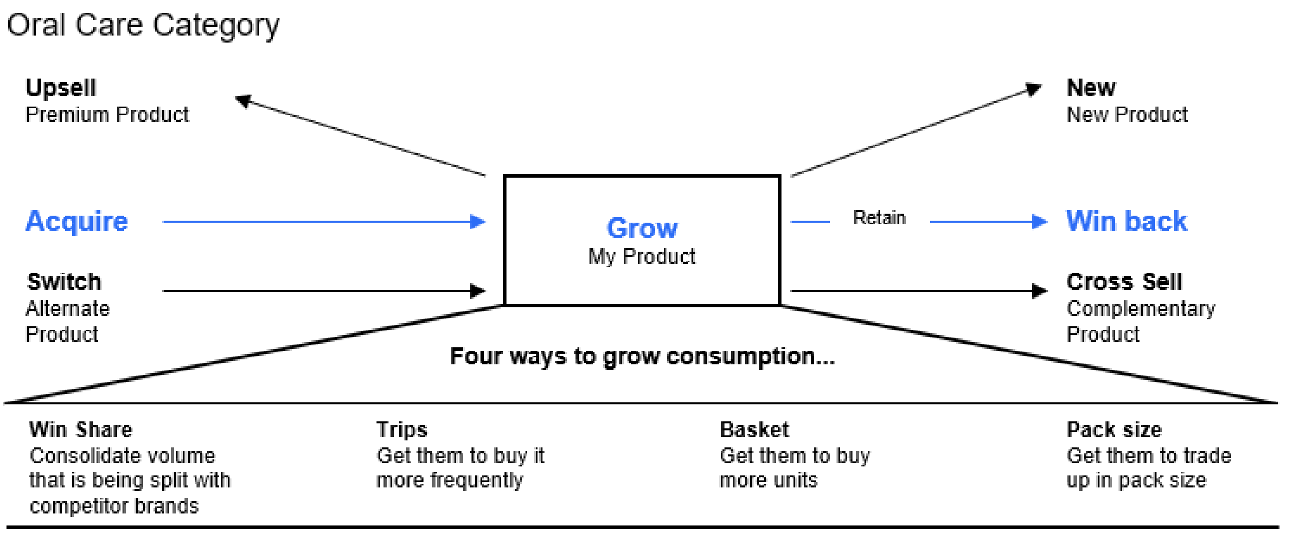
If you ask a brand partner why they want access to customer insights, they might give you a range of answers. They might tell you they want to understand their customer better. Or they may say they want to maximize the effectiveness of their promotions. Or maybe their goal is to move beyond knowing what is happening to understand why it is happening. These are all valid answers. But underneath them all there is a common thread. The reason brands want customer data is, at the end of the day, because they want to grow their sales.

But "growing sales" is a generic goal. There is a very specific set of ways that this can actually happen. And it is helpful to separate and name them.

There are eight ways you can grow customer spend on your brand:

1. Get the customer to buy something he has *never bought* before (Acquire)
2. Get the customer to *switch* from a competitor (Switch)
3. Get the customer to *buy more* of something he already buys (Grow)
4. Get the customer to buy a product *related* to something he already buys (Cross-sell)
5. Get the customer to buy a *more expensive* version of something he already buys (Upsell)
6. Get the customer to buy a product that is *new* to the market (New)
7. Get the customer to keep buying a product he *might stop* buying (Retain)
8. Get the customer to buy a product he *used to buy* but stopped buying (Win bac

Overview of opportunities



Let's look at each of these in more detail…

1. Acquire

Getting new customers is often the first goal for brand marketers. The revenue from these customers is purely incremental, and it grows the base that you can market to for future product launches or related products. But while it is the most attractive, it can also be the hardest. It is not that people don't buy things they haven't bought before – they do it all the time. But cutting through the clutter of voices from all the other products can be a challenge. And customers have a kind of inertia. *They are far more likely to buy something they have tried in the past than to try something new.*

The data science here is focused on finding customers who are similar to those who already buy a product. This look-alike analysis is what is behind the recommendations of companies like Netflix or Amazon. Brand partners will be very interested in data about product affinities (customers who bought A also bought B) or customer attributes (Product A is popular with 18–25-year-olds, so marketing it to other 18–25-year-olds is your best bet).

2. Switch

Switching happens when a customer is already buying an equivalent item in the category, but simply switches brands. This allows for a much more precise kind of targeting than trying to acquire new customers. You already know the customer has a use for the item – we just need to convince them to buy your brand instead of a competitor.

While winning a customer who only buys your competitor's brand and has never purchased your brand might be most attractive, it is generally the hardest switch to make. *The greater opportunity is in getting a customer who switches between brands to consolidate their purchases with your brand.* A loyalty behavior report showing customer loyalty and switching behavior can be very attractive to suppliers.

3. Grow

Growing an existing customer's total spend on your brand is the most obvious way to grow sales and, ironically, one of the most ignored. It is easy to fall into the trap of thinking you already have "won" these customers, so there is nothing left to do. Nothing could be further from the truth.

In many categories, existing customers can be encouraged to increase their consumption and purchase more.

There are many ways to leverage data to do this, but let's give one example. By calculating how much different customers typically spend on an item, and comparing an individual against the average, it is possible to calculate the "stretch potential" for each category. Targeting customers with sporadic or low spend can yield a huge increase in sales without winning a single new customer.

4. Cross-sell

Getting customers to buy a related product that you also sell is another time-tested way to grow sales. In some sense this is the inverse of “Acquire”. The difference is that I am selling to customers who are already buying something in my portfolio of brands. If a customer already buys your brand of lipstick, they are likely more open to buying their eye makeup from you as well.

5. Upsell

Many brands offer a premium version of their base product. Being able to identify customers who are generally inclined to purchase more expensive or premium items in other categories can be a great benefit to brands seeking to *move people up the value chain to a premium product*.

6. New

Brands invest a substantial amount in developing and launching new products. Any data retailers can provide that will help make product launches more successful will be highly valued. In many ways the data science here is similar to a cross-sell offer. Except it is impossible to do a product affinity analysis for a product that doesn’t exist. Analytical tools that will allow brands to segment customers based on attributes (demographics, preference for organic foods, family with baby, etc.) can be especially helpful here. It is also possible to *run an affinity analysis using a surrogate product – a similar product that people are likely to also purchase.*

7. Retain

Retention is often used as a catch-all for marketing to customers who already buy a product. Partly for this reason, it can have a bad reputation as being a waste of marketing dollars (Why give someone a discount to do something they were going to do anyway?) But here we are using it in a more specific sense. A good customer analytics solution will not only give you *a clear view of customers who have stopped buying a brand, but also a predictive view of customers who are at risk of stopping*. This creates an invaluable tool for brands to target customers with appropriate information and incentives before losing them as a customer.

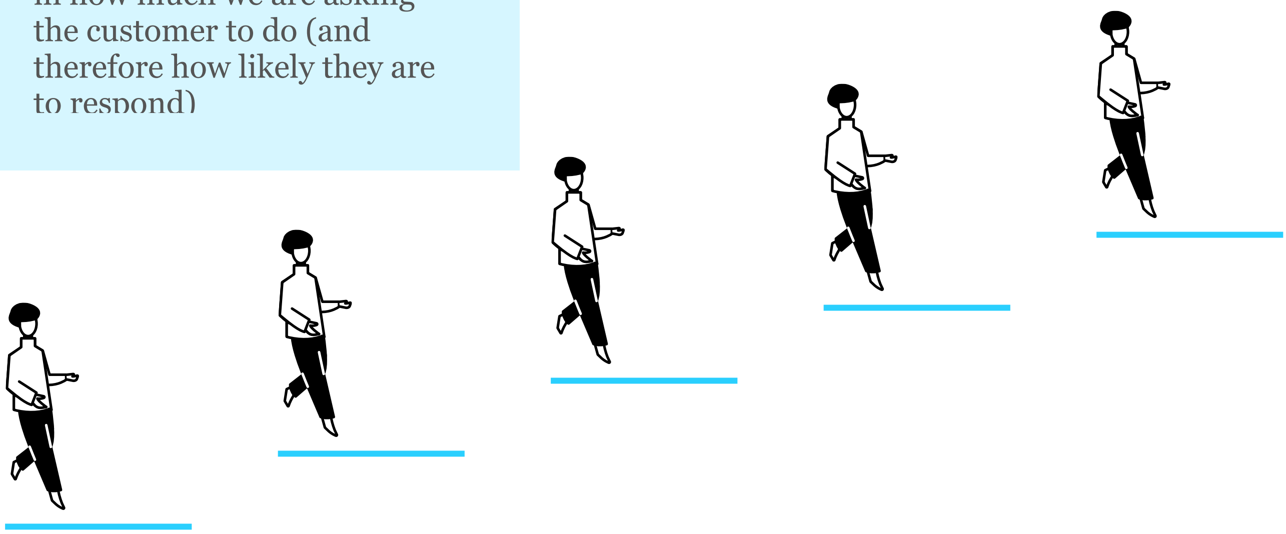
8. Win back

Despite our best efforts, customers do sometimes stop purchasing. Once a customer has stopped for a period of time, getting them to purchase again becomes significantly harder than keeping them in the first place. It is, however, *possible –with the right messaging and incentive*. Simply being able to access a list of previously loyal customers who stopped purchasing will be enough to attract many suppliers to invest in an insights sharing program.

Not every hurdle is the same height

It is important to note that while, taken together, these eight tactics make up the complete list of ways for brands grow a customer, they are by no means all equal. As we have already alluded to, some steps are much easier to get customers to take than others. It is one thing to get me to buy a favorite product once more per quarter if I already buy it. It is quite another to get me to try something from a category I have never shopped before. All eight tactics above have their place. But we must consider the likelihood of success as we work with brand partners on exactly where to allocate time and resources.

> When assessing an opportunity, we must factor in how much we are asking the customer to do (and therefore how likely they are to respond)



Buy something I already buy (consolidate)	Buy more of something I already buy	Buy a brand I have never bought	Buy an item I have never bought	Buy a category I have never bought

But if we keep this in mind, the model can be a powerful one.

For suppliers, using this model as a framework can open up new opportunities to grow the brand and drive successful activations.

For retailers, the model can be used in preparing for your next supplier review, or as fuel to convince suppliers to invest in customer insights in the first place. If you can show a brand manager a data-drive opportunity in each of the categories above, you will quickly win their attention and be well on your way to building a fruitful collaboration.

Helping retailers and suppliers collaborate to grow customer value

About NIQ

NIQ, the world's leading consumer intelligence company, reveals new pathways to growth for retailers and consumer goods manufacturers. With operations in more than 100 countries, NIQ delivers the most complete and clear understanding of consumer buying behavior through an advanced business intelligence platform with integrated predictive analytics. *NIQ delivers the Full View.*

NIQ was founded in 1923 and is an Advent International portfolio company. For more information, visit NIQ.com