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Personalization in Retail Media

How retailers and their suppliers can partner to create more shopper engagement

Inside Our guide to Personalization in Retail Media

Finding Balance

Customer-centricity and commercialization can and **should** co-exist

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Retail media has undergone revolutionary change since Amazon launched the first retail media network in 2012. Sophistication is increasing among all players, but advertiser expectations also continue to rise.

The result? Retail Media is expected to deliver SUPERIOR results - providing anything less puts at risk future revenues.

Ensuring that ads are relevant to the shopper is one of the most fundamental keys to achieving these results. Why?

Relevancy is critical to building shopper engagement, which is of course directly correlated to media performance and ongoing advertiser revenue. This may sound obvious, but the focus of many retailers has been on maximizing the reach of each campaign to gain more ad revenue and offset otherwise thin margins.

Getting scale of reach cannot be ignored, of course, but with every retail media network dealing with rising competition, retailers who take a more customer-centric approach will certainly be more likely to win in the long run.

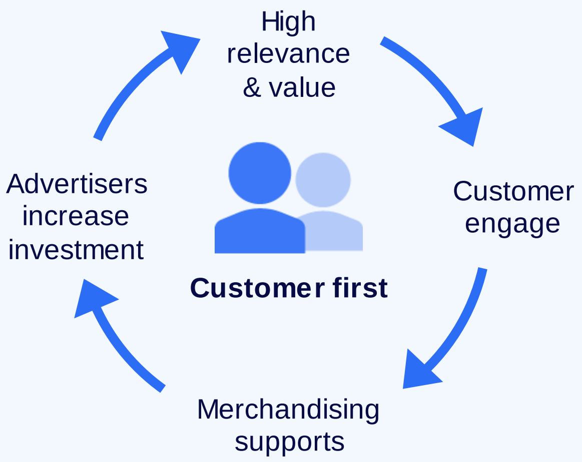
An ecosystem of collaboration for maximal value

Media team

"We deliver superior results by making sure ads served to each shopper are highly relevant."

Advertisers

"Retailer X gives me the audience and tools I need to grow my brands. I want to increase my investment."



Shoppers

"Retailer X helps me save time and money, and makes shopping more convenient by showing me relevant content"

Merchandising teams

"Media, loyalty and CRM are tools that drive my business so I will do what I can to support these initiatives."

The Executive's Guide to Retail Media Mastery 2.0 NielsenIQ

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Making the shift from product-first to customer-first retail media campaigns

The product first approach to the first generation of retail media are often targeted using very broad criteria. For example, a campaign might be targeted to any shoppers who have browsed the snack category online. Without a focus on ensuring the right shopper experience, such targeting will result in many customers receiving ads for products that don't reflect their specific lifestyle or product preferences. And some customers will be bombarded with too many ads or offers from the same retailer, possibly for competing products in the same category.

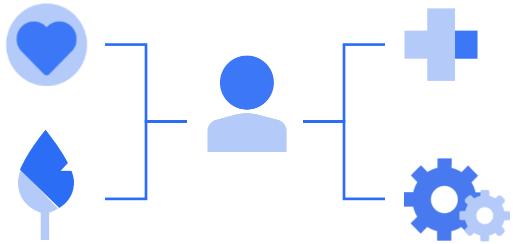
Retail media networks that make a shift to a customer-first approach will start with defining a strategy that will deliver an optimal shopper experience.

This first and foremost requires the retailer to build a robust, real-time understanding of the shopper profile that automatically evolves over time as the shopper's preferences and behaviors naturally shift. Then, the retailer must design a program that plans for delivering relevant communications at the right touchpoints in the shopping process.

Communications at these touchpoints should be governed by targeting rules (for example, advertisers cannot target shoppers that are loyal to a competing brand) and constraints (such as limiting the number of ads that a shopper receives in a given area of the store, or within a given time period). Just as importantly, the retailer must put in place the right tools to support customer insights and personalization at scale.

Retail media networks must make a shift to a customer-first approach to deliver superior results

Customer-first retail media



Product first

"I have a product I want to sell. Find me the right customers"

Customer first

"I have a customer I want to grow. Deliver the right content to these customers."

This guide will cover each of these steps to developing a customer-first approach to retail media, then provide some best practices to consider in planning for this shift.

The guide will also explore the NielsenIQ's best-in-class product and platform that enables retailers to provide a superior retail media offering to what is in the market today.

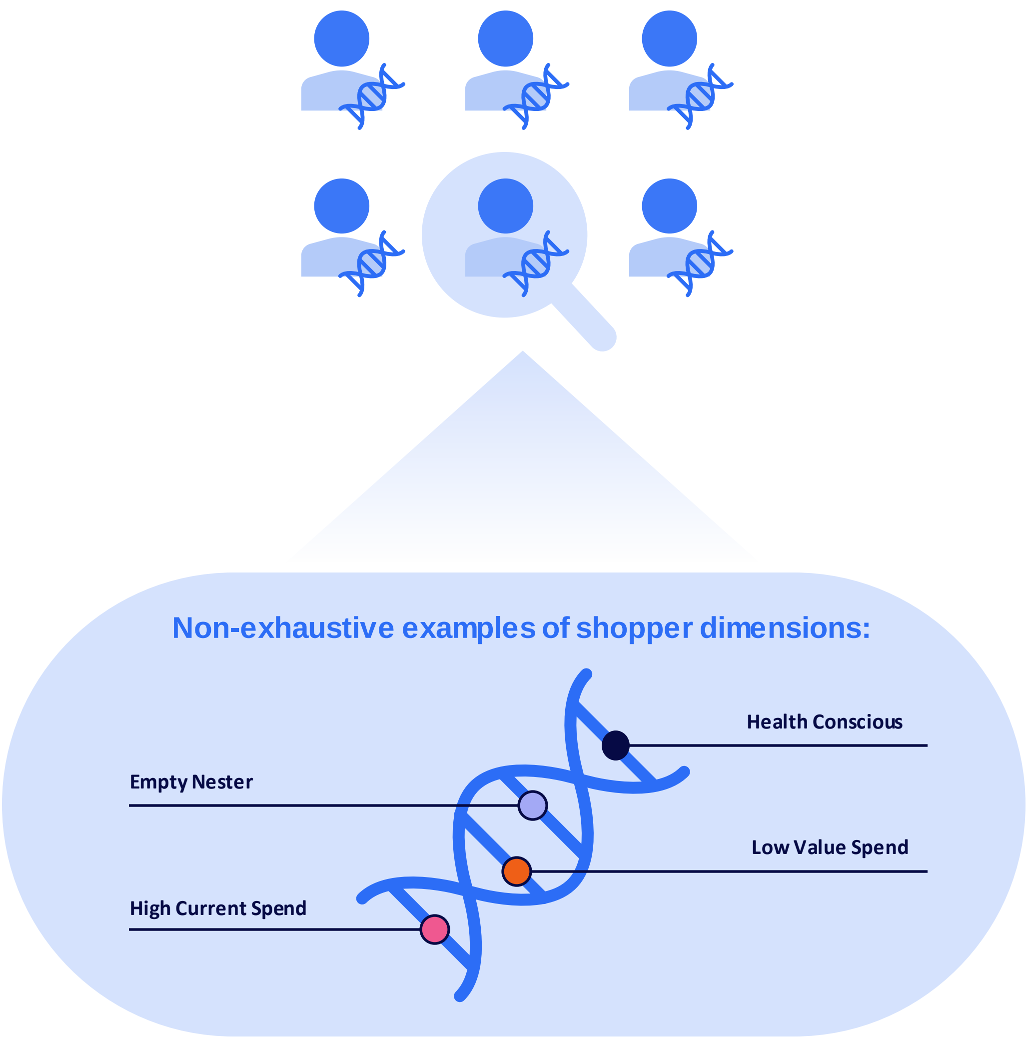
Foundation

Understanding the shopper

Shoppers are of course multi-dimensional, and their preferences are constantly changing based on what is happening in their lives. Consider the shift in behavior of a shopper who recently had a health scare or a change in employment status. Or even perhaps both of those in a short time period.

Having an accurate, up-to-date understanding of millions of shoppers at one time cannot be achieved manually, so best-in-class retailers are using sophisticated AI models to generate always-on scores for shoppers across these many dimensions, leveraging as many omni-channel data points as possible, including both online and in-store first party data, augmented by survey or consumer panel data and additional third-party data wherever possible.

Comprehensive segmentation of shoppers should include scoring across dimensions like lifestyle, demographics, household size, and preferred shopping habits (trip types, frequency, online vs. in-store etc.) Further, every shopper has brand and category preferences, and may respond differently to prices or promotions to certain products than others. In fact, responses to different types of incentives (such as points versus discounts) can be different for the same product! Finding a way to keep track of the shifting needs of shoppers is always the first and most important step in improving the relevancy of retail media campaigns.



Using customer and category insights to support an objective-based retail media sales process

Insights about shopping trends, at a segment, category, and overall store level, are very important inputs into designing impactful retail media campaigns that an advertiser will want to fund.

Let's dive deeper into some best practices on how to identify which advertisers make the most sense for a retailer to approach.

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Which brands and categories have opportunity?

Identifying whether a category is performing well, and the reason for this trend, can be one of the most important inputs in determining where opportunities for retail media campaigns might exist.

In an ideal world, the retailer should be looking at a combination of its own first party data and third-party data to understand which customers and categories in the store have the most opportunity. For example, a year over year sales gain of 5% to a segment of mothers with school-aged children in a category like granola bars might seem like great performance on the surface. However, in looking at the overall market view, the retailer might discover that the rest of the market is growing at 10% for this segment of shoppers and key categories.

Identifying which shoppers and categories the retailer needs to win and grow can help ensure that merchandising, marketing and supplier collaboration strategies are working in concert toward the same end goal (and creating a flywheel for success).

In the same vein, insights about shopper and category performance should be used to decide which advertisers to approach for retail media campaigns.

For example, when a retailer's media sales team is looking to approach advertisers in planning for the back-to-school timeframe, understanding which brands are winning or losing with key shopper segments like young families is an important lens prior to deciding which advertisers to approach with what type of proposal. Let's take a fictitious example of a brand that looks like it's growing well. In reviewing performance with more granularity, a retailer might find that this revenue growth is related in fact to the growth of the retailer's reach overall and as such, most brands in that category are seeing increased sales.

A more thorough review might identify that penetration of the retailer's base and the number of trips per shopper might be in decline. Looking at how well a brand is comparatively doing in gaining new customers versus retaining shoppers can also be very telling when identifying which advertisers could benefit most from additional retail media investment

The most important take-away here is to leverage data to identify insights that can inform the purpose of a retail media campaign.

For a particular brand, if retention of shoppers is an issue, preventing churn might be an appropriate campaign objective; whereas for another, the goal might be gaining their fair share of a particular segment. Using data to have a transparent conversation with advertisers about current performance vs. possible goals to achieve is the best starting point for successful collaboration and ongoing participation in retail media initiatives longer-term.

Defining objectives for campaigns:
15 illustrative examples

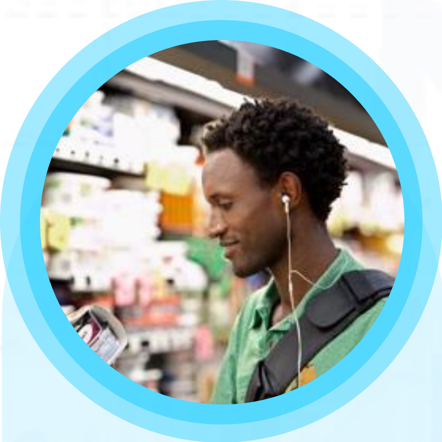
In the act of balancing of customer-centricity and commercialization, the best approach is to ensure each campaign is objective-based. This objective can then be married with advanced analytical models that leverage an understanding of the shopper's profile to match this objective with the most appropriate target audience, channel(s) and timing. Below are some common examples of advertiser objectives which should ideally all be supported by AI and machine learning.

Introduce

1. Goal to increase awareness with a segment of shoppers
2. Convert shoppers to new size or format
3. Convince buyer to try premium version of a product

Continued growth

4. Reinforce brand loyalty and prevent churn
5. Protect buyers from competitive activity
6. Target new buyers for repeat purchase



Household penetration

7. Attract new shoppers to the category
8. Engage more households through cross-sell
9. Encourage category buyers to buy a product they haven’t tried before

Stretch

10. Increasing spend per shopper and/or per visit
11. Incent shoppers to buy “nice-to-have” complements
12. Support occasion-based consumption (e.g. candy at Halloween)

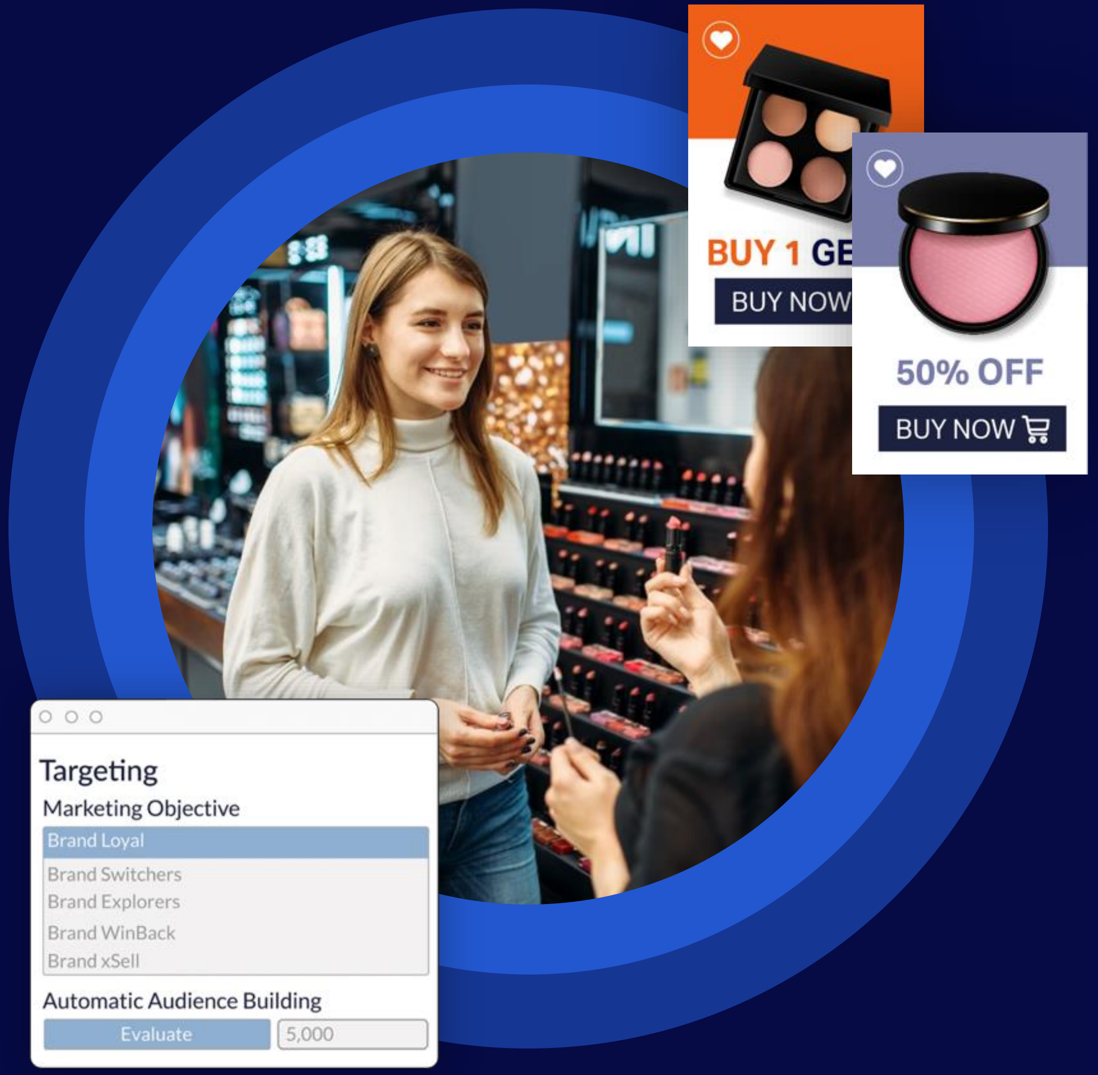
Replenish

13. Advertiser wishes to prevent possible switching
14. Regain lapsed shoppers
15. Encourage stock-up or forward buy to increase share

A deeper dive into the analytical foundation for relevancy

Retailers should leverage additional models to target the right shoppers according to the advertiser objective

In order to best support advertiser objectives, retailers need to be able to score customers based on their interests to generate insights about brand performance, and then combine this customer scoring with a number of additional machine learning models to assign the right content to the right customer.



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Building Cohorts

In order to maximize relevancy, grouping individuals into similar groups of "cohorts" or micro-segments is critical so that "like behavior" can be determined. Beyond recency, frequency and spend which are often used to create segments, it is important to establish customers based on the types of trips they make (e.g. lots of small fill-in trips throughout the week, versus weekly large shops), price they are willing to pay for certain products, and their lifestyle preferences. These cohorts can then be used for example to inform which products would make sense to cross-sell, or where a shopper would be likely to stretch their spend.

Purchase Propensity

A customer's likelihood to purchase a product is very straightforward of course if they buy this item every week and this behavior doesn't shirt. But of course shopper behaviors often evolve, and most retailers and their advertiser partners want to find new ways of growing their customers spend and since it is harder to win a new customer than keep an old one, preventing a customer from churning is also very important. Often informed by the behavior of their cohorts, models are needed to constantly score individual purchase likelihood, and automate the ability to achieve objectives like acquisition, spend stretch, or churn prevention.

Introducing new products and increasing household penetration: these objectives are most successfully met when driven by a comparison of shoppers with a micro-segment or cohort of like shoppers, which helps infer the likelihood of shoppers to buy something they have never or rarely purchased before

Price Elasticity

Price elasticity models are an important part of the equation for relevancy when considering what incentives are needed, for which products, to drive behavior changes with a shopper. If a retailer has a loyalty program that issues points as well, it is ideal to separate price and points elasticity, as shoppers may be points sensitive for items (for example, more likely to buy treats for themselves) and more discount sensitive for others. The outputs of these models can then be used to predict how much a customer is likely to buy when it's on deal, and then personalize the incentive type and amount to the shopper.

Response Modelling

While imperfect, the past is of course often a very helpful input into predicting the future. A response model helps to maximize the impact of an ad or offer by determining whether a customer has responded to a like offer or ad in the past. This is important not only in the prioritization of which ads to serve based on budgets and likelihood to achieve a certain KPI, but also from a customer engagement perspective. If a customer has communicated their disinterest in a certain ad or offer in the past, continuing to serve that content to them will decrease rather than improve their likelihood to engage in the future.

Supporting continued growth, stretch and replenishment: these objectives typically require the ability to understand what incentives are likely to increase the likelihood of response to an ad or offer for a set of products that have been purchased before.

Creating engaging experiences

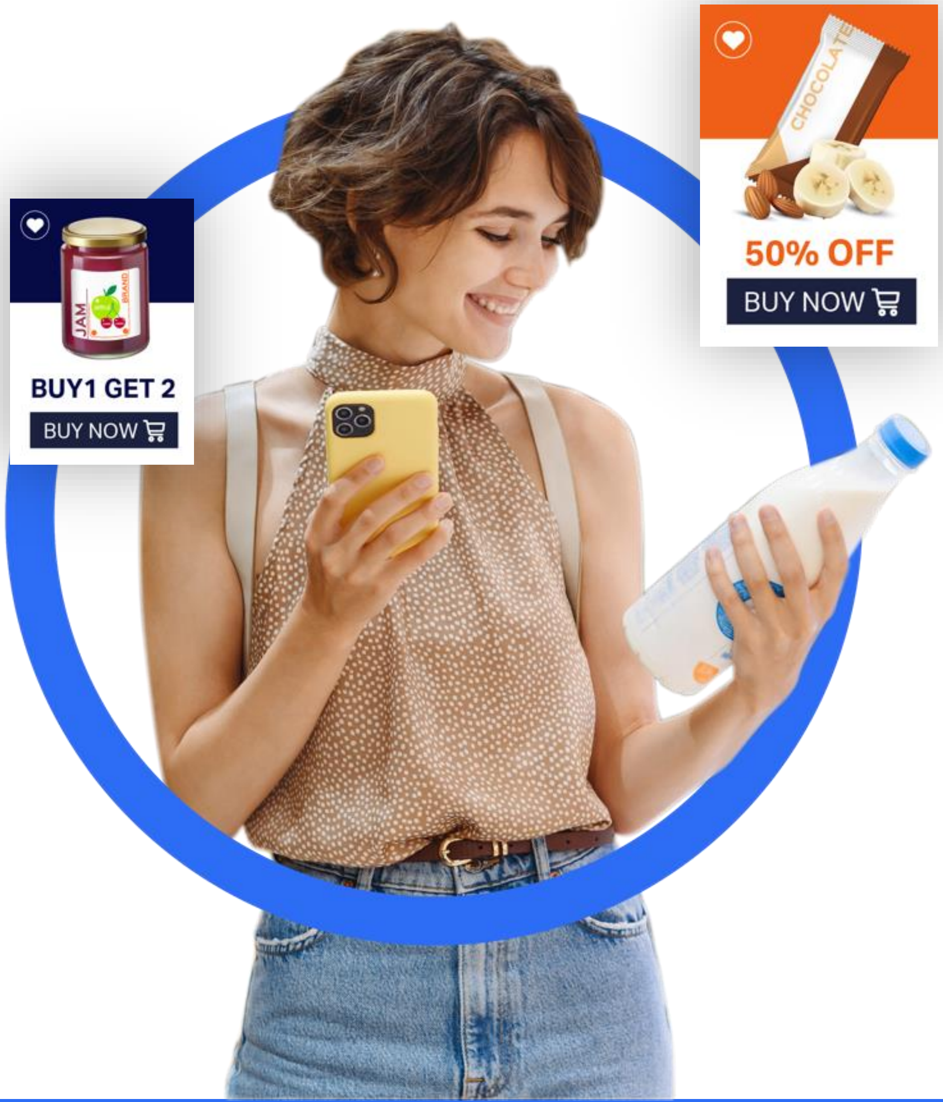
Examples of how ads can be more personalized across all touchpoints

As retailers build their retail media networks, planning a customer-centric experience and identifying what retail media inventory should be made available become inextricably intertwined. To deliver meaningfully better performance, RMNs must leverage technology to ensure ads are as relevant and personalized as possible, beyond a single session online and across each shopper touchpoint regardless of channel.

All digital touchpoints should be informed by real-time ad scoring, which optimizes for response and relevancy in addition to advertiser objectives (new customer conversion, upsell, cross-sell, brand loyalty, etc.)

This optimization should ideally inform the amount, placement, and order of ads presented on all digital owned media properties and be refreshed based on whether and how the shopper engages with ads, so that the customer is not bombarded over and over again with the same ads.

This requires the ability to filter out ineligible or inappropriate content for certain customers, and to prioritize ads leveraging the models and scores for each customer – including purchase propensity, elasticity of demand and likelihood of response. It also requires "air traffic control" between channels, so that the shopper experience reflects past behavior and experiences.



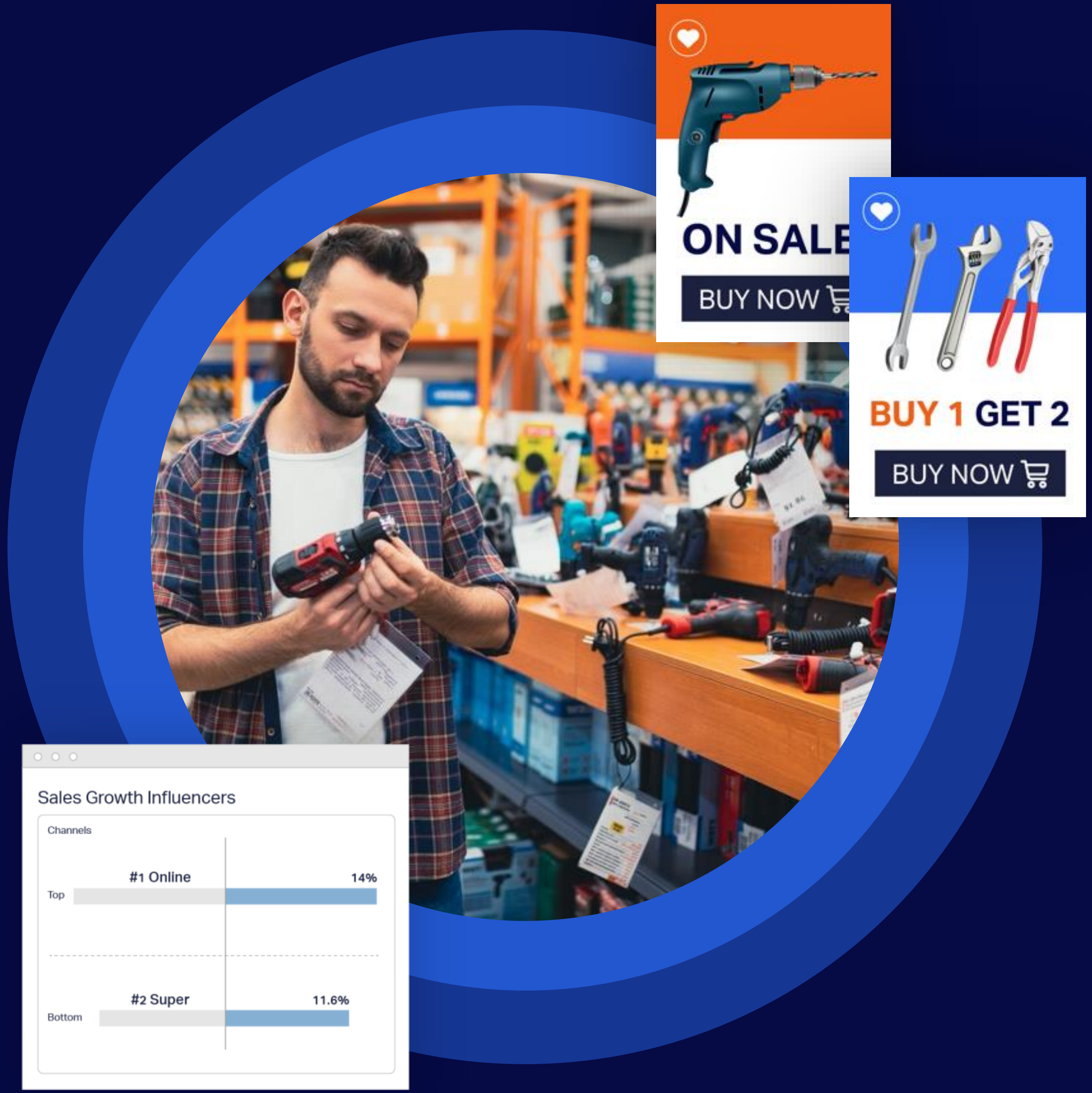
Content should be optimized for the individual, whether a shopper is perusing their personalized loyalty offers on an app, trying to find out what's on deal in store via the digital circular, seeing digital ads or sponsored product listings while browsing online, or getting personalized purchase reminders at check-out. While retailers might have the most control over onsite retail media placements, this same principle can be applied to offsite retail media campaigns. For example, prioritizing which in-store promotions should be amplified to individual shoppers on Instagram or Facebook, or determining which ads should be placed on a recipe web site for which specific shoppers.

What about retail media ad placements that are not possible to personalize at the shopper level?

Retailers can still help create a more engaging experience by giving advertisers access to self-serve insights about specific shopper segments and providing the capability to target based on these insights. For example, digital out-of-home (DOOH) ads, including in-store displays, might be powered by insights about where the target audience is most likely to shop, and what matters most to the shopper in a specific set of stores or perhaps specific geographic regions.

Building for scale:
5 best practices to informing and executing better retail media campaigns

Data must be easily accessible to inform and execute relevant (personalized) retail media campaigns. See the next page for 5 foundational capabilities that your solution for retail media intelligence should provide.



1
Data Confidence
Maintain control over your data.

Having a standardized interface for accessing all of your first party data mitigates the risk of data leakage, enables cost & margin optimization and powers growth via modular partnerships.

2
Data Enrichment
Augment first party data

There are many ways to increase the value of your data, such as:

- Creating a richer understanding of customers with attitudinal data
- Calibrating your understanding of shopper value with cross-channel market data
- Improving targeting capabilities with better product attribution data.

3
Data Velocity
Manage data in real time

Shopper expectations are increasing. Leverage APIs to ensure content and product recommendations are updated based on the shopper's most recent behaviors.

In addition to maximizing relevancy, advertisers want quick and easy access to in-flight and post campaign insights into performance, including lift and incrementality.

4
Data Access
Give the business ready access.

Whether or not you run your retail media business as a managed service, activities such as identifying insights and generating audiences should not be tasks that require writing lines of code by technical resources.

Self-serve interfaces are critical to increasing the efficiency of campaign operations, with the retailer having the choice of whether to give suppliers access (or not).

5
Data utility
Make better decisions.

Whether an individual is selling campaigns or planning media, in order to be effective and efficiently, (s)he must have the ability to directly connect insights to creating campaigns.

This requires a platform with workflows designed for common campaign use cases, configured specifically for the retail industry.

For optimum results, AI must be leveraged to match shoppers with the most appropriate content (ads, offers, product recommendations, etc.)

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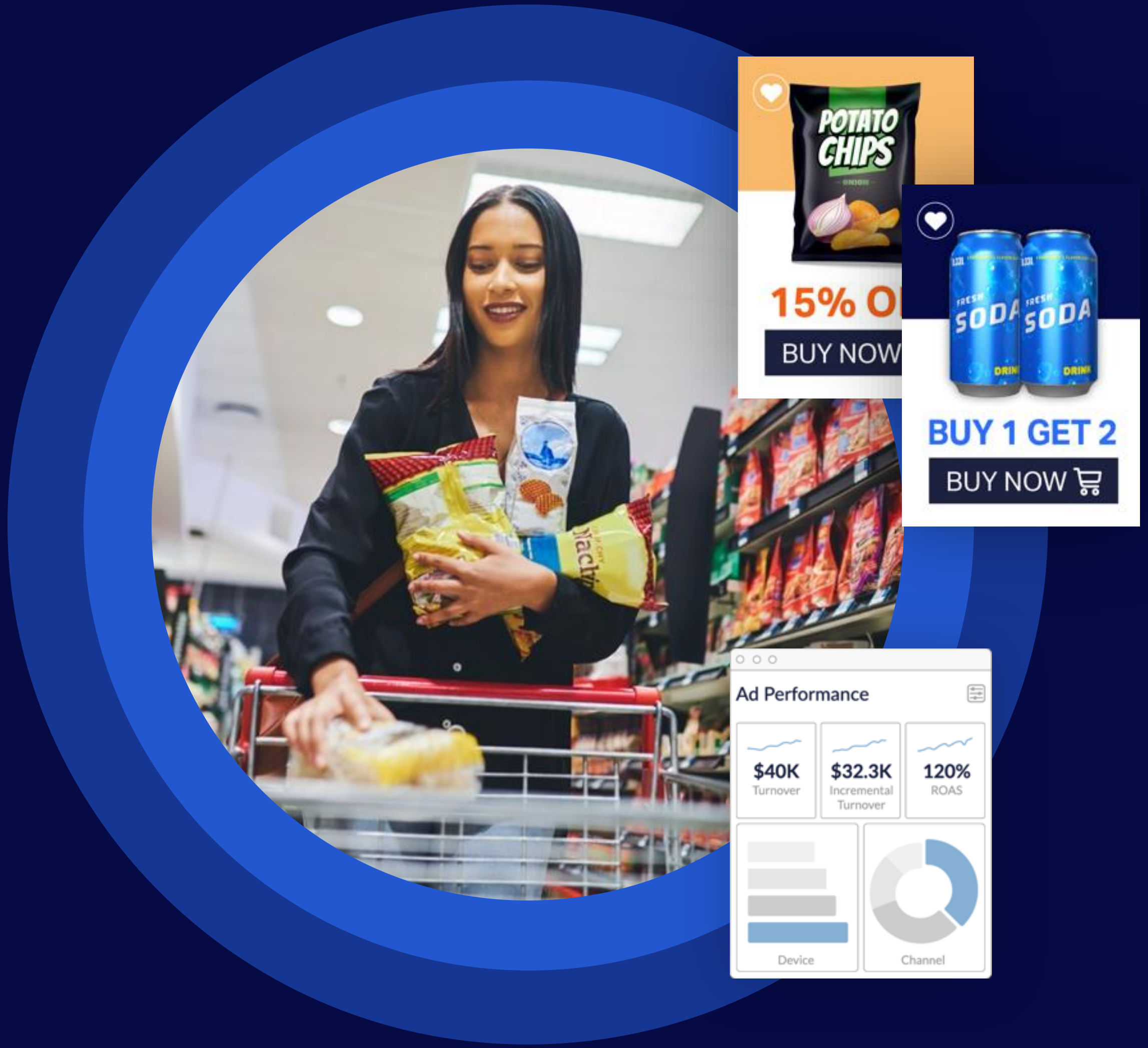
Invest in the Right Tech

Retail media and data tools enable high performance

A modern ad tech stack is a key enabler for any retail media network. In a recent Coresight research study*, brand advertisers indicated that the number one most important differentiator for working with retail media networks was the ability to collaborate with retailers, for example through a shared portal or tool.

Best-in-class retailers should plan to grow through a modular partnership set-up with APIs but start with ensuring data utility with a standardized platform.



* NIQ and Coresight Research Study, "The U.S. Retail Media Market: Understanding the Ad Buyer's Perspective in CPG" November 2023

Building modular partnerships to enable growth & extend reach

Key partner functions

Onsite Media (using ad server)	Offsite Media (often via DSP)	Social (such as Facebook)
• Manage owned media inventory • Store creative associated with media sold • Serve ads to the right customers (typically direct deals with negotiated terms) • Track ad performance	• Connect advertisers and publishers • Establish ad campaign budgets • Enable target audience definition • Enable programmatic ads with features like real-time bidding, frequency capping • Track ad performance	• Enable target audience definition, using first party data or Custom Audiences • Use lookalike audiences to expand reach • Choose from specific ad formats for placement in social media • Measurement often provided by social media platform

APIs

Collaboration Platform

Audiences created in the Platform should be directly loaded (to eCommerce site, app, etc.) for display to end users via APIs. Engagement metrics (e.g. impressions, clicks, etc.) should be passed back for measurement	In order to enable targeting and tracking, audiences created in the Platform will need to be passed to a clean room to maintain data privacy	Audiences created in the Collaborative Platform are directly loaded for display to end users via APIs (for example, Facebook allows upload of Custom Audiences).

Additional considerations in designing and implementing your retail media offering

Integrated Strategy

- In order for a customer-centric retail media strategy to truly be successful, Retailers also must align process, performance management, and organizational roles (across merchandising, marketing, e-commerce, monetization) — as well as execute the right governance, line of business collaboration, and operating model to get the greatest benefits.
- Create objective-based campaign packages that cross channels and programs (online advertising, loyalty, themed events) and tie to the use of insights.
- Secure annual commitments, ideally tied to joint business planning. Brands should provide objectives & budgets; targeting & optimization of ads against those constraints should be driven by analytical models.
- In addition to ad hoc campaigns, offer the ability for advertisers to participate in ongoing campaigns such as regular personalized offers as part of a loyalty program. The campaign-by-campaign operational burden of these types of campaigns are lower since they can leverage a consistent bank of offers and creative that can be collected once, then be used over a longer time period.

Trust and Transparency

- Trust and collaboration is the biggest positive influencer in determining how much advertisers are willing to spend with a RMN. Best-in-class RMNs often have dedicated account and measurement teams that provide advice and work together with advertisers to integrate insights into the ad planning process.
- Having a wide breadth of metrics that go beyond ROAS is also a significant differentiator between RMNs. While most RMNs report on standard metrics like impressions, click-through rates and attributed sales, being able to measure true incrementality or offering media mix modeling are not yet table stakes for most RMNs.
- Because every RMN uses different methodologies and attribution windows, gaining trust from advertisers is only possible when RMNs are transparent in how metrics are being calculated and whether there are any limitations or biases. This is key to longer-term success and ongoing advertiser funding.

Trust and collaboration continued: best practices in measurement and reporting

Measurement

Experimental design

Collaborate with advertisers to design experiments up front. Campaign level effects of retail media can be measured using randomized controlled experiments – split (A/B) test with customer information or via geo tests without customer information – and results can be used to make immediate adjustments to on-going media spend

Uplift Modeling

Use last touch attribution for closed loop media exposures to loyalty and e-commerce identified transactions. Uplift modeling can be very complex because you need to capture the true incremental impact of short-term personalized ad exposures by appropriately accounting for variables that drive each individual shopper's baseline spend. Advanced machine learning techniques that leverage customer level, product, store, competitor, and rest of market data will yield the most accurate and robust estimates of which customers converted because of the ad exposure and those that would have responded anyway; and how much of the sales increase is directly due to the ad and not other factors. In addition, uplift model results can then be used to dynamically optimize remaining annual media budgets by targeting customers not just more likely to buy but those that are most likely to buy or spend more than usual only because of the ad.

Insights & reporting via next generation tools

Access to results

97% of respondents in a recent Coresight study* indicated that real-time data sharing would increase retail media advertising investments. As such, campaign results should ideally be accessible both during and post campaigns. Campaigns should be packaged, priced, and reported on at the objective level to help facilitate continuous learning and improvement of cross-channel campaign performance over time.

RMNs can also help advertisers measure the long-term average effects of retail media through a marketing mix model, which can be very helpful for longer horizon media budget planning.

Better decision making

Having better insights not only helps advertisers decide whether or not their campaign performed well and how much to invest in future campaigns, but also helps a retailer's media team determine which advertisers to approach with what types of campaigns. Media sales teams should be able to answer key questions like: How is the brand performing relative to the category? How often is the product purchased and when would it make most sense to present an ad? What is the right campaign budget based on the price of the product and projected number of impressions? Having easy access to the answers to these questions is critical to planning better campaigns.

** NIQ and Coresight Research Study, "The U.S. Retail Media Market: Understanding the Ad Buyer's Perspective in CPG" November 2023*

NIQ Activate

A unique retail media intelligence solution suite

NIQ Activate helps retailers and suppliers with the ability to connect insights to retail media planning, execution and measurement

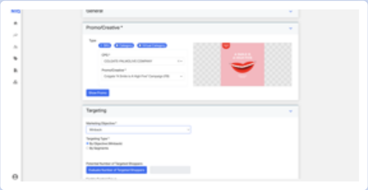
PLAN

Opportunities & Risks Insights

INSIGHTS HUB

Enables advertisers to understand omnichannel shopper behavior and leverage insights to identify how to achieve desired objectives

DEFINE

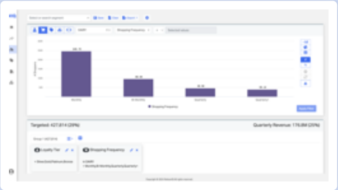


Offers & Ads Definition

OFFERS & ADS MANAGER

Define which products to advertise and any associated purchase incentives to foster customer loyalty and accelerate growth

EXECUTE

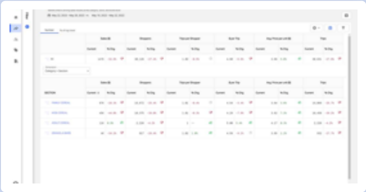


Hypertargeting & Audience modeling

AUDIENCE TARGETING

Quickly create audiences across thousands of customer attributes, and leverage AI to target customers with the most appropriate content (ads, offers, product recommendations etc.)

MEASURE



Ads Performance Measurement

INSIGHTS HUB

Empower advertisers to measure campaign impact, inclusive of lift and incrementality where applicable

Retail Media Connectivity

Audiences are exported offsite, typically via APIs to chosen partners

Measurement includes offsite KPIs where applicable

NIQ Activate

1.

AI-based, advanced technology you can actually use

Some AI-based personalization technologies miss the mark on the real purpose – driving unique individual experiences for your customers. Deliver personalized ads at scale using AI-based personalization tools your team can actually use and understand - backed by the support of NIQ's team of experts and additional support services to ensure your success.

2.

Fully automated, end-to-end platform enabling you to take data, to insights, to activation

NIQ Activate is an end-to-end platform enabling complete automation of your personalization efforts from insight gathering to delivering the most relevant ads at the right time. Free up your team's resources spent manually analyzing data to spend more time driving personalization at scale.

3.

Committed to delivering personalization solutions built by retailers, for retailers

NIQ has the most trusted, diverse measurement data in more than 90 countries. Our breadth, depth, expertise, and commitment to the retail industry help us build, configure and deliver personalization solutions tailored to a retailer's unique customer needs.

About NIQ

We deliver *The Full View*

NIQ is the leader in providing the most complete, unbiased view of consumer behavior, globally. Powered by a groundbreaking consumer data platform and fueled by rich analytic capabilities, NIQ enables bold, confident decision-making for the world's leading consumer goods companies and retailers.

Using comprehensive data sets and measuring all transactions equally, NIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

An Advent International portfolio company, NIQ has operations in nearly 100 markets, covering more than 90% of the world's population.