FIVE KEYS TO ADVERTISING EFFECTIVENESS

Unlocking the assets that can make or break your advertising strategy

CREATIVE
BRAND
TARGETING
REACH
RECENCY

'23 UPDATED INSIGHTS FOR THE MODERN CPG MARKETER
A FRESH LOOK AT THE FIVE KEYS

It’s fair to say the advertising industry has experienced significant disruption over the last few years. In CPG, technology advancements like artificial intelligence and machine learning allow brands to understand much more about consumers and their purchase behaviors - and to do so at faster rates and in more sophisticated ways.

That’s a good thing, because American households have changed too. The pandemic upended traditional shopping patterns, and both consumers and retailers pivoted to convenient, touchless shopping methods. These changes seem likely to stick. Among consumers who already use online grocery ordering or delivery services, nearly half say they plan to continue to use these services as much or more often.¹

All of these disruptions have heightened interest in a large-scale meta-study we conducted in 2017, “Five Keys to Advertising Effectiveness,” which identified the top advertising factors (or keys) that influence incremental sales. Our clients have been clamoring for a high-level update on the drivers of advertising effectiveness to understand what they need to know today to improve their outcomes. So, we’ve taken a fresh look at the original study to learn what’s changed since 2017. This top-line analysis doesn’t dive as deep - but the findings are meaningful and useful.

Understanding the connection between a consumer seeing an ad and then buying a product is the foundation upon which NCSolutions was built - and we’re continuously adding to our knowledge of what we call the study of how advertising works. This 2023 update to our Five Keys to Advertising Effectiveness is a cumulation of what we’ve learned about how to increase the value of your advertising dollars using the most-impactful levers.

¹SOURCE: NCS Consumer Sentiment Survey, December 2022
A SHIFT IN BALANCE

With all of the changes in the digital marketplace since 2017, it should come as no surprise that there’ve been a few important evolutions in the key drivers of incremental sales.

The most significant change is the impact of brand factors, including consumer loyalty, market share and brand penetration. This key element is responsible for 21% of incremental sales — an increase of 6% since the original meta-study. It’s worth noting the increase in the impact of brand factors on sales comes at the expense of audience reach, which now contributes 14% to incremental sales — down 8% over the same period.

Our new analysis underscores just how much the balance is shifting in the advertising ecosystem. Targeting now influences 11% of incremental sales in 2023, a slight increase over 9% in 2017, while recency impacts 5% of incremental sales, unchanged from the 2017 study.

The advertising creative, or what was called creative quality in the original study, drives nearly half (49%) of incremental sales and remains the most critical driver of advertising effectiveness by a wide margin. Its impact is unchanged from 2017.

These shifts in balance mean brands will need to adjust their advertising strategies. What worked in 2017 won’t be as effective in 2023. To get the most value out of their advertising dollars, they’ll need to pull different levers. In this e-book, we’ll discuss the five keys in greater depth and explain how to leverage each to achieve better outcomes.

How Have the 5 Keys to Advertising Effectiveness Changed?

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<thead>
<tr>
<th>Key</th>
<th>2017</th>
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<th>Percent Change</th>
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<tr>
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<tr>
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<td>Recency</td>
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Source: NCSolutions, Five Keys to Advertising Effectiveness, 2017 & 2023

WHAT ARE THE FIVE KEYS?

While there are one million activities (give or take) that go into every successful campaign, back in 2017, our team conducted a comprehensive meta-study to link advertising directly to sales. As a part of this process, we identified the five strategic elements or keys to effective advertising that are critical for driving incremental sales.

**CREATIVE** quality measures the influence of advertising by looking at the number of purchases it drives. What this means is two factors motivate consumer purchase decisions: the creative message and the context in which it’s delivered. Strong creative delivers higher incremental sales than weak creative does.

**BRAND** refers to factors that are not changed overnight. They’re what makes a brand a brand: market share, brand penetration and the tendency to retain loyal buyers relative to the competition.

**TARGETING** is the measure of how well a campaign was able to reach a particular audience. This is one of the areas that’s seen the most technological advancement over the last 10 years, and it shows in our latest findings.

**REACH** speaks to scale. It’s how many households were exposed to advertising through the duration of the campaign. Always an important factor in advertising success, the influence of reach has declined in response to improved audience and targeting options.

**RECENCY** is all about the timing of advertising in relation to when a consumer makes a purchase. High rates of recency mean that more impressions are being served just before store trips.

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Exceptional creative work taps into the power of emotion and can leave a lasting impression in the minds of consumers, sometimes becoming part of popular culture. It’s why this element of advertising plays such a large role in driving incremental sales. This analysis found creative quality is responsible for almost half (49%) of the incremental sales driven by advertising.

In our analysis, we determined whether creative was weak, average or strong based on a productivity measure that calculates incremental sales for every exposed purchase. These benchmarks indicated the influence of strong creative is several times higher than weak creative.

Since strong creative is such a powerful lever, brands need to truly understand what motivates their target buyers.

For instance, NCS recently conducted a consumer sentiment survey of Gen Z (unrelated to this update of our research into the five keys to advertising effectiveness). We noticed a strong connection between Gen Z and creative quality.

As this younger generation gains purchasing power, they’ll be looking for unique advertising creative that keeps them entertained and laughing. More than half (52%) of Gen Zers prefer creative and entertaining advertising, and 43% prefer ads to be humorous. Ads with a social message also resonate well with Gen Z. They’re three times more likely to engage with advertising if it includes social messaging that’s aligned with their beliefs.

When brands are closely attuned to audience interests and desires, they’ll find it much easier to raise the bar on creative and achieve better outcomes.

CONSUMER SENTIMENT SAYS:

43% of Gen Z prefer ads that are funny
52% of Gen Z like ads that are unique and entertaining

SOURCE: NCSolutions, Consumer Sentiment Survey, Gen Z 2023
BRAND GAINS SHARE

Modern shoppers are placing increasing importance on their impression of a brand when it comes to purchasing decisions. In fact, the influence of brand factors on incremental sales saw the biggest change over the last five years. And most of the gain is due to brand loyalty.

Factors like brand penetration and share of wallet are also important here. Brand penetration represents the percentage of shoppers who purchase a brand. Share of wallet represents how much is spent on a brand relative to the entire category spend. Two sides of the same coin.

The findings show that brand factors contribute to 21% of incremental sales. A deeper look into brand shows that loyalty proved to be the most significant element for incremental sales lift, contributing 11% while the rest (10%) came from brand penetration and share of wallet.

To understand the impact of brand loyalty on incremental sales, the analysis looked at the depth-of-repeat among brand buyers. This advertising metric measures the number of consecutive times a household bought a brand when purchasing in a particular category. The study found that brands with the highest levels of consumer loyalty had twice the incremental sales as brands with average or low loyalty levels.

Brands that continue to put in the work on building loyalty among their existing customers often see higher short-term incremental sales in response to their advertising.

Effect of Loyalty on Incremental Sales

Brands with high loyalty recognized 2X incremental dollars per household compared to brands with lower loyalty.

Source: NCSolutions, Five Keys to Advertising Effectiveness, 2023

“IT CAN TAKE YEARS FOR A BRAND TO BUILD LOYALTY AND INCREASE THE LIFETIME VALUE OF ITS SHOPPERS. PUTTING IN THE WORK NOW TO INFLUENCE THE NEXT GENERATION OF SHOPPERS CAN RESULT IN A COMPOUNDING EFFECT ON ADVERTISING EFFECTIVENESS, AS LOYAL BUYERS CONTINUE TO BE THE PRIMARY GROUP GENERATING SALES.”

Brett Mershman
Sr. Director, R&D,
NCSolutions
TARGETING IMPACT EXPANS

As advertisers and their partners continuously learn more about how different audiences respond to advertising, the execution of targeting strategies becomes increasingly effective. Targeting is now responsible for 11% of incremental sales. This is a 2% increase since 2017, and it signals more opportunity for advertisers to drive sales with the data and technology they’ve invested in.

To really get targeting right, it’s important to understand how different buyer groups respond to advertising. According to this analysis, advertising targeted to existing buyers drives significantly more incremental sales than advertising that either targeted new buyers or had no distinct target.

Achieve Higher Sales Lift With Purchase-Based Targeting

| EFFECT OF TARGETING ON SALES LIFT |
|---------------------|---------------------|---------------------|
| Existing Buyers    | No Distinct Target  | New Buyers          |
| $.07                | $.03                | $.01                |

There’s a:

- 97% correlation between the number of buyers now and sales now.
- 84% correlation between yearly penetration and yearly sales.

Targeting and creative designed for acquisition can result in new brand buyers, but unless it offsets a loss, it could be at the expense of loyal buyers.

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REACH, RECENCY STILL CRITICAL

REACH
The advertising world has undergone a seismic shift in recent years, with digital advancements allowing increasingly effective targeting across every platform and channel. As it became possible to reach a smaller audience of more relevant shoppers, the importance of reach as a whole has diminished over time, with this key now impacting 14% of incremental sales, down 8% from 2017. This doesn’t mean reach is no longer important. Depending on a brand’s media strategy, reach can be more effective, especially when it comes to TV advertising. However, as consumers continue to shift their viewing habits, reach – on its own as a strategy – isn’t going to maximize sales. It must be coupled with the right audience, targeting and data strategies to be effective.

RECENCY
In another NCS analysis, we found recency is an important consideration in relation to frequency. It’s not just about how many times a consumer sees an ad, but also about when they see that ad in relation to when they make a purchase.

This research into the five keys to advertising effectiveness shows the impact of recency on incremental sales remains the same at 5%, confirming that the timing of advertising is still an important factor in driving sales. That means being more attuned to consumer purchase cycles so that ads appear just before shopping trips.

Overall, reach and recency together contribute to 19% of incremental sales. While this is still less than brand and creative factors, marketers should continue to optimize their media strategy to include the right balance of reach and recency for maximum sales impact.
Now that we understand exactly how the five keys to advertising effectiveness impact incremental sales, let’s shift gears and look at the impact of media on advertising outcomes.

**LINEAR TV & DIGITAL**

While creative quality is the critical factor behind the majority of incremental sales for both linear TV and digital advertising, there are some key differences between the two channels to consider. As a result of how the two formats grew up, reach remains a more important factor for linear TV campaigns, and brand factors resonate more with digital audiences.

For both of these situations, the differences represent important strategic decisions. Linear TV provides an ideal platform for broader reach and frequency. Media, or the combination of reach, recency and targeting, is one of the most important components for driving incremental sales on linear TV, relative to digital. Its contribution to sales lift is 39%.

On the other hand, when it comes to digital advertising, brand and media play a more equal role. Building a strong brand is more critical for digital ads, particularly because of the audiences exposed to advertising on the channel.

**SOCIAL MEDIA**

Social media offers a plethora of opportunities for delivering very effective advertising. Technological capabilities and the availability of user data result in an opportunity to reach a specific audience that’s most likely to make a purchase.

Because of the nature of social media, the available ad formats and the ecosystem in which advertising is delivered, targeting and loyalty can drive even more incremental sales here, compared to their 22% impact across all media. **Thirty-three percent of incremental sales come from loyalty and targeting for social media**, a subset of NCS digital campaigns.

To unlock these sales, it’s critical for brands to deeply understand their audience: what brands they are loyal to, the products they like to buy, for what cost and at what cadence. This information results in social media campaigns that influence sales. According to NCS’s Gen Z consumer sentiment survey, **72% of this generation are open to receiving ads on social media**. In fact, they’ve come to expect advertising in their digital feeds – and they don’t mind it as long as brands are thoughtful and intentional. This generation is made up of shoppers who are more likely to be loyal to a brand with which they have had a positive experience, so it’s important to focus on creating personalized campaigns that speak directly to the particularities of the audience.

**WHERE YOU ADVERTISE MATTERS**

**ALIGN YOUR STRATEGY WITH THE MEDIA TYPE**

**LINEAR TV**

- 39% Media
- 48% Creative
- 13% Brand

**DIGITAL**

- 26% Media
- 49% Creative
- 25% Brand

**SOCIAL MEDIA BREAKDOWN**

**LOYALTY AND TARGETING ARE ESSENTIAL FOR SOCIAL MEDIA STRATEGY**

- 15% Targeting
- 28% Media
- 46% Creative
- 18% Loyalty

**UNLOCK THE RIGHT KEYS FOR THE CHANNEL**

As brands plan their campaign strategies, they should adapt their approaches to focus on the elements that matter most for the channel. If they’re looking for broader reach, linear TV might be the best fit. But if they’re looking to use a more custom targeting approach, digital channels will likely be more effective at driving incremental sales. When executing a social campaign, loyalty and targeting become essential elements that should be front and center.
INCREASING THE VALUE OF YOUR SHOPPERS

When it comes to building a successful brand, loyalty is everything. Not only does it lead to more incremental sales from short-term advertising, but it ultimately leads to more organic growth in the long term.

In order to build loyalty, brands need to focus on creating personalized experiences and prioritizing relationships. Advertising to loyal households is the best way for CPG brands to do this at scale, as evidenced by a group of digital and TV campaigns for a premium ice cream brand. Advertising to brand loyal and brand switchers resulted in $0.17 more incremental sales per household than advertising to non-brand buyers. This may not sound like much, but multiply $0.17 by the hundreds of thousands or millions of households you might reach in a campaign and it starts to add up.

As brand buyers receive more advertising and move up the loyalty ladder, your brand should start to see higher sales lift from your advertising.

OPTIMIZE CREATIVE FOR GREATER DIVIDENDS

For nearly 20 years, creative excellence has been the linchpin for driving incremental sales with advertising. On its own, though, creative can only get brands halfway there. As technology advances, marketers have more opportunities to increase the effectiveness of their advertising in other ways. Namely, in-flight optimization. This is one of the best ways for brands to ensure they’re maximizing the effectiveness of their creative, in addition to their targeting and loyalty strategies.

In the below example of a very successful carbonated beverage campaign, there was still more room for incremental sales had the creative been optimized in real-time. Thirty-six percent of impressions were delivered to heavy category buyers, which is typically a winning strategy for driving short-term sales. But this specific creative didn’t resonate with these buyers; it resonated with non-category buyers. The $0.08 in total incremental sales could have been significantly increased had the audience been optimized based on real-time purchasing while the campaign was running.
BEST PRACTICE RECOMMENDATIONS

FOCUS ON BUILDING BRAND LOYALTY

CREATE A PERSONALIZED BRAND EXPERIENCE THAT DELIGHTS AND ENTERTAINS CONSUMERS

PRIORITIZE RELATIONSHIPS OVER TRANSACTIONS

CREATIVE STILL RULES (And likely always will)

SET THE BAR HIGH AND DELIVER EXCEPTIONAL CREATIVE

CONTINUALLY TEST MESSAGES AND OPTIMIZE TO MAXIMIZE EFFECTIVENESS

KEEP CONSUMERS LIKE GEN Z IN MIND

REMEMBER, EMOTION AND HUMOR RESONATE - AND HAVE A LASTING IMPACT

DIFFERENT MEDIA REQUIRES DIFFERENT STRATEGIES

WHEN ADVERTISING ON LINEAR TV, REACH IS THE RIGHT LEVER TO PULL

ON SOCIAL MEDIA, FOCUS ON TARGETING AUDIENCES MOST LIKELY TO MAKE A PURCHASE

PAY ATTENTION TO CONSUMER PURCHASE CYCLES

NCS CAN HELP YOU

BUILD BRAND LOYALTY
As you’re building loyalty with your customers, NCS offers proven audience targeting segments aligned to your goals.

EXTRACT MORE VALUE FROM CAMPAIGNS
To help you make the most of your activations, NCS offers comprehensive insights on Return on Ad Spend (ROAS), as well as programmatic in-flight optimization and early reporting to maximize sales and outcomes throughout your campaign.

MEASURE THE FULL IMPACT OF YOUR CAMPAIGNS
To fully understand what’s really working in your advertising, NCS measures your incremental sales—so you can understand what’s driving your customers to buy your brand.
ABOUT NCS

NCS has been helping CPG brands, publishers and retailers improve advertising effectiveness for over a decade. With a mission to improve advertising effectiveness for all media, the NCS team has pioneered new ways to target, optimize, measure and enable sales-based outcomes. We're changing how CPG brands, publishers and TV networks view the possibilities of advertising.

Continuous innovation is the key to driving growth for our customers, propelling NCS forward.

ABOUT THE FIVE KEYS TO ADVERTISING EFFECTIVENESS STUDY

To reach these conclusions, NCSolutions analyzed nearly 450 CPG campaigns across both digital and TV, using NCS Sales Effect to measure results. Each campaign was evaluated according to the 18 features that represent the five keys of advertising. We then modeled the proportional contribution of the five keys to short-term sales lift.

ABOUT THE CONSUMER SENTIMENT SURVEYS

The December consumer sentiment survey of 1141 respondents was fielded from December 9-12, 2022. The Gen Z survey of 2,186 respondents, age 18 or older, was fielded from February 9-13, 2023. Half of the respondents consisted of Generation Z, with the other half representing baby boomers, Generation X and millennials.

Responses presented in both surveys were weighted by location, education, income and other demographics to be representative of the overall population.