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Paid Search Drives Offline Sales for Food

Google/SymphonyIRI

A Matched Market Consortium Study for Food

U.S., March 2010

Executive Summary

Overview

- Google invited Kellogg's, Nestle and Campbell's to participate in a search consortium study to better understand the offline impact of search.

Objectives:

- To quantify the offline sales impact of Search for the food category and understand how different search support levels impact volume sales

Methodology:

- Google partnered with Information Resources, Inc. (IRI) to engage in a 3 cell designed, matched-market test. The test compared 13 week volume product sales across two test markets using ANCOVA analysis.

Results:

- Brands saw positive volume sales lifts in markets where they increased search support, ranging from 1.0% to 4.2%, with the average impact 3.1%. Brands saw an average decline of -1.3% to volume sales in markets where search was dark.

Implications:

- Paid search is effective at moving product off the shelf. More search support yields more offline sales.

Agenda

1 Background and Objectives

2 Research Partners & Brand Participants

3 Methodology

4 The Offline Impact of Search

5 Connecting Offline Impact to Online Metrics

6 Summary of Key Findings and Implications



Background

Background

The Challenges with Search Measurement

- Search is a user initiated activity and therefore we are challenged with low sample size behind those consumers motivated to search on a particular set of keywords that would trigger a search ad for measurement
- Brands have historically relied on media mix modeling to understand search as a sales driver, but not all brands break out search vs. display. Many brands have less than 3 years worth of significant search data.
- Limited published industry-wide data

Objectives, Partners & Participants

Objectives

- To quantify the offline sales impact of Search for the food category
- To understand how different search support levels impact volume sales

Research Partner



- Match Market Approach using a Analysis of Covariance (ANCOVA)

CPG Participants

Campbell's

Kellogg's

Nestlé

- 3 Manufacturers; 4 Brands

Match Market Methodology



Source: IRI Search Match Market Consortium Study - Food, Mar 2010. Note FDMx = Food outlets, drug outlets, and mass outlets excluding Walmart

- 3 cell designed, matched-market test including 2 test and 1 control
- Markets matched on a number of variables identified by IRI
- Product sales compared against two test markets using ANCOVA analysis
- Measured across a 13 week test campaign period, plus 2 week lag effect
- Measured impact in Volume Sales in FDMx doors

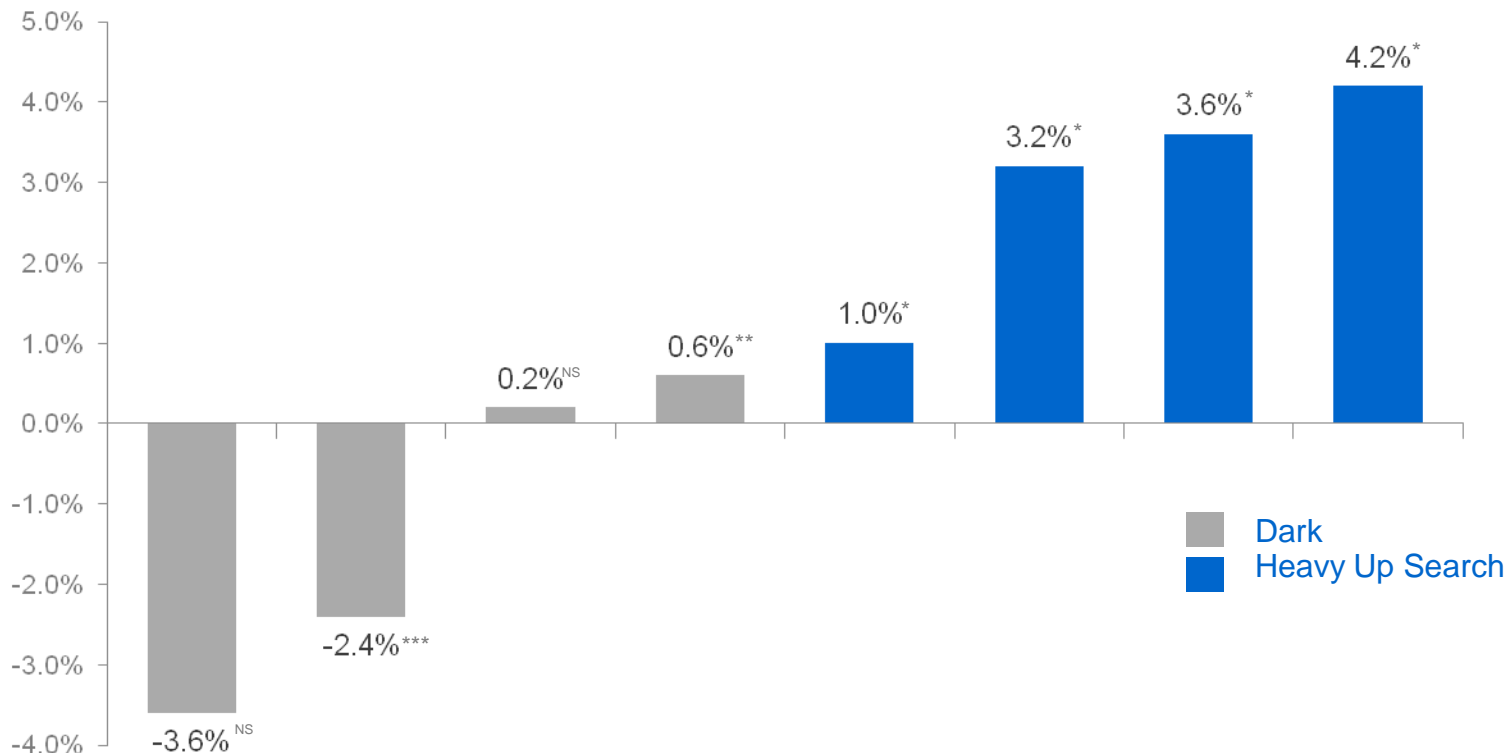


The Offline Sales Impact

Increased Search Drives Offline Sales by +3.1%

- Brands saw positive volume sales lifts in markets where they increased search support, ranging from 1.0% to 4.2%, with the average impact 3.1%
- Brands saw an average decline of -1.3% to volume sales in markets where search was dark.

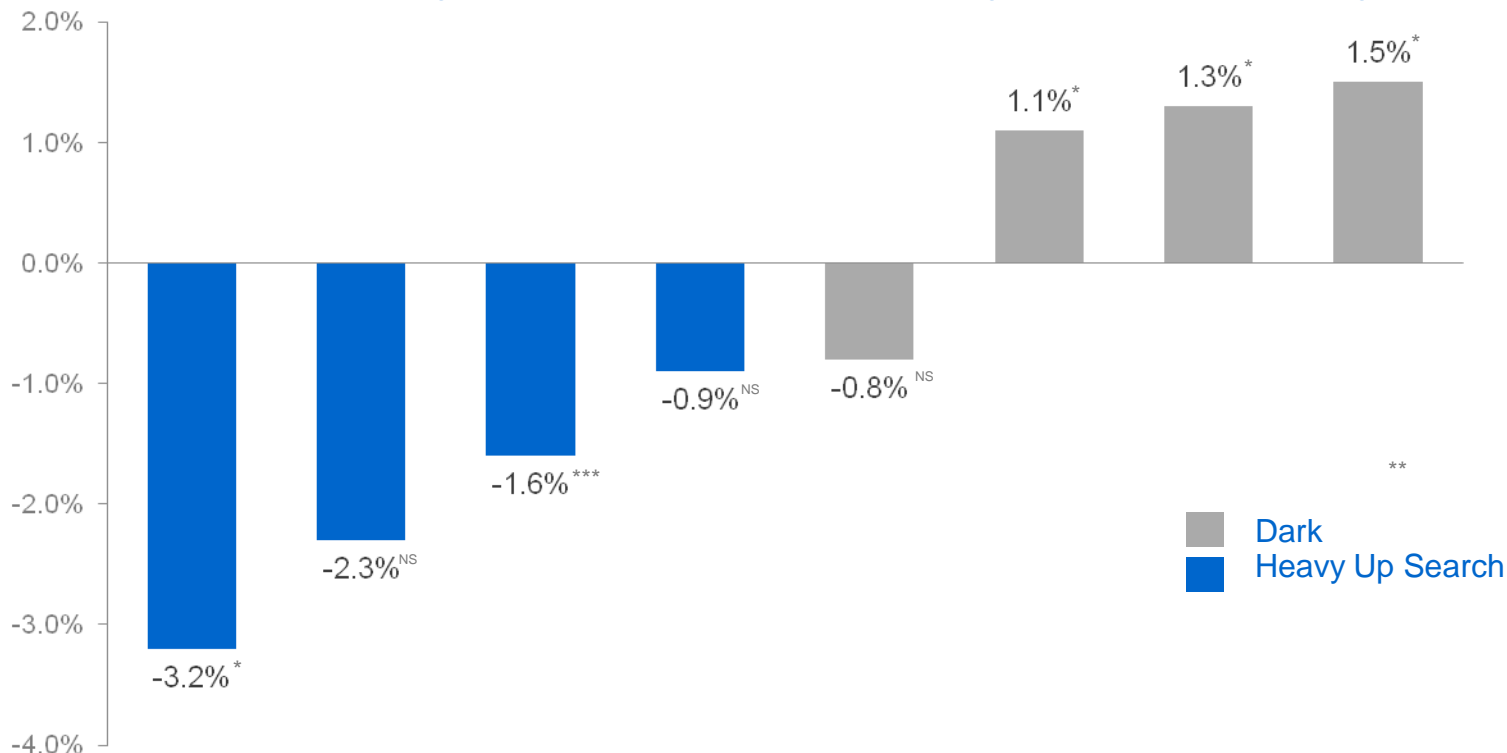
Volume % Changes by Treatment – All 4 Brands



Increased Search Led to Private Label Offline Losses -2%

- Private Label benefits when Search is dark with an average impact of +0.96%
- Private Label declines when Search is heavy supported by -2%

Volume % Changes by Treatment – Corresponding 4 Private Label Categories





Findings & Implications

Connecting Online and Offline Metrics

Impression levels indicate client interest in the category which triggers the ads and can affect a sale

- Brands that supported their test campaign in-season saw higher volume lifts than brands who ran their test during a time when the brand is typically out of season.

A higher Click-Through Rate does not necessarily equate to higher lifts in sales

- Across all brands, click-through rates were higher in the control market than the heavy up market. For a CPG category like food, where consumers are more likely to take an offline action as opposed to an online action, there is value in a search impression.

The higher the ratio of online to offline spend, the higher the volume lifts

- Brands that allocated a higher percentage of overall media dollars to online during the test period generally experienced higher lifts.

Summary of Key Findings & Implications

Search is an effective media vehicle to move offline sales and more search can yield more sales

- Brands saw positive volume sales lifts in markets where they increased search support, ranging from 1.0% to 4.2%, with the average impact 3.1%
- Brands saw an average decline of -1.3% to volume sales in markets where search was dark.

Search advertising is able to drive consumers away from private label

- Private Label benefits when Search is dark with an average impact of +0.96% in volume sales.
- Private Label declines when in markets where Search is heavy supported

A Click-Through Rate is not necessarily indicative of offline effectiveness

- Across all test campaigns, the heavy up market experienced lower CTRs than the control. This suggests that there is value in even the search impression.



Appendix

Definition of Key Terms

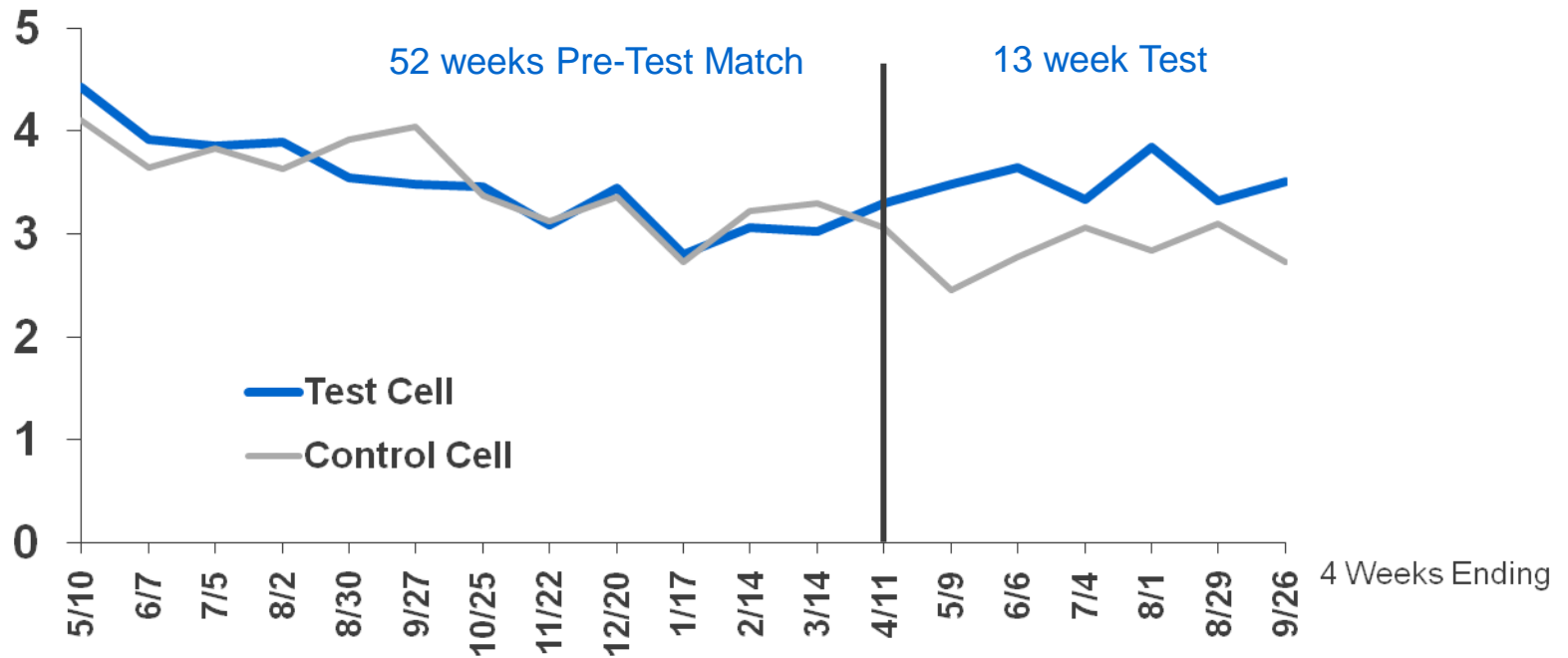
- Heavy Up: Each brand had a test cell where search support was heavy up which can be defined as an increase between 1-5% additional search dollars as a % of total media spend. For example, for the control, search spend could have been 1% of total media spend in that one control market. Whereas, the heavy-up could have been 5% of total media spend in that one heavy up market.
- ANCOVA: A type of statistical analysis that adjusts the raw volume to strip out factors such like in-store merchandising and other potential factors that may influence the results that would impact the brand, category and competitors.
- Volume Sales per \$MM ACV (or volume sales rate): The rate at which product is moving off the shelf. By looking at volume sales rate, the size of the matched markets are more apples to apples.

IRI Matching Methodology Details

- IRI computes and summarizes the test vs. control difference in each matching variable in each of the past 52 weeks
- IRI matches on these measures for the test brand, the category, and key competitors
 - Volume sales rate (volume sales per \$MM ACV)
 - Volume share
 - Price
 - Merchandising
 - % of sales by outlet
- IRI Markets are matched looking at each outlet individually and in total

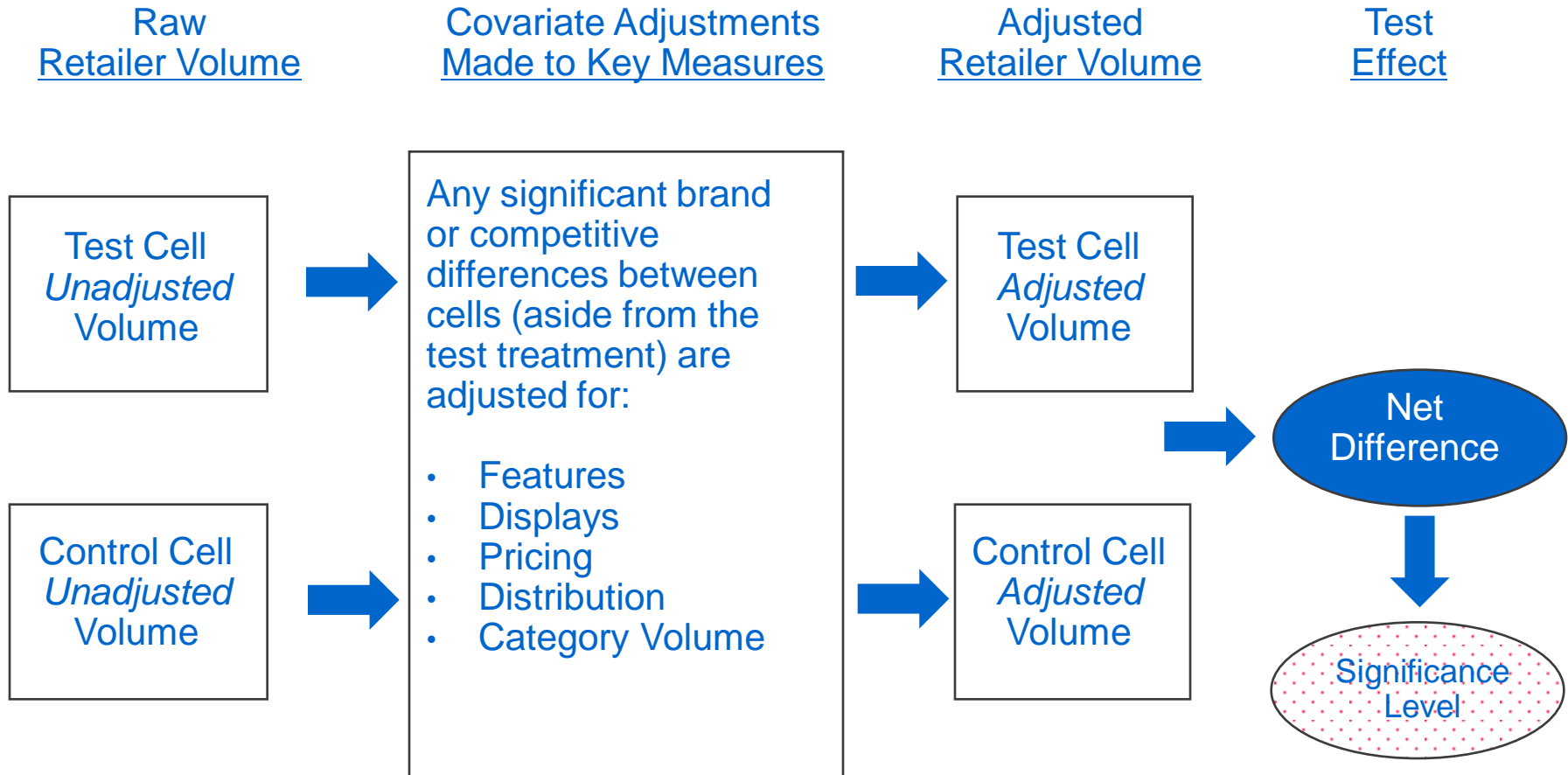
Sample Test vs. Control Visual

Test Brand Volume Sales per \$MM ACV



Analysis of Covariance (ANCOVA) Details

ANCOVA “balances the playing field” ...



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