

WHAT'S NEXT

VOLUME 1, NO. 7

VOLUME 1: ARTICLE SUMMARIES

At Nielsen, our insight into the activity of consumers, manufacturers, retailers, and media companies affords us the opportunity to observe and understand industry change from many vantage points. This puts us in a privileged position to consider the options and best practices for tackling your most pressing marketing challenges.

To share our perspectives on some new ways to improve a wide variety of important areas of marketing performance, we have been publishing a series of thought pieces called *What's Next*. In this edition of the series, we provide a brief summary of each of the first six articles, which we hope you have found to be useful and thought-provoking:

The next step forward in advertising effectiveness

Making advertising more of a science than an art

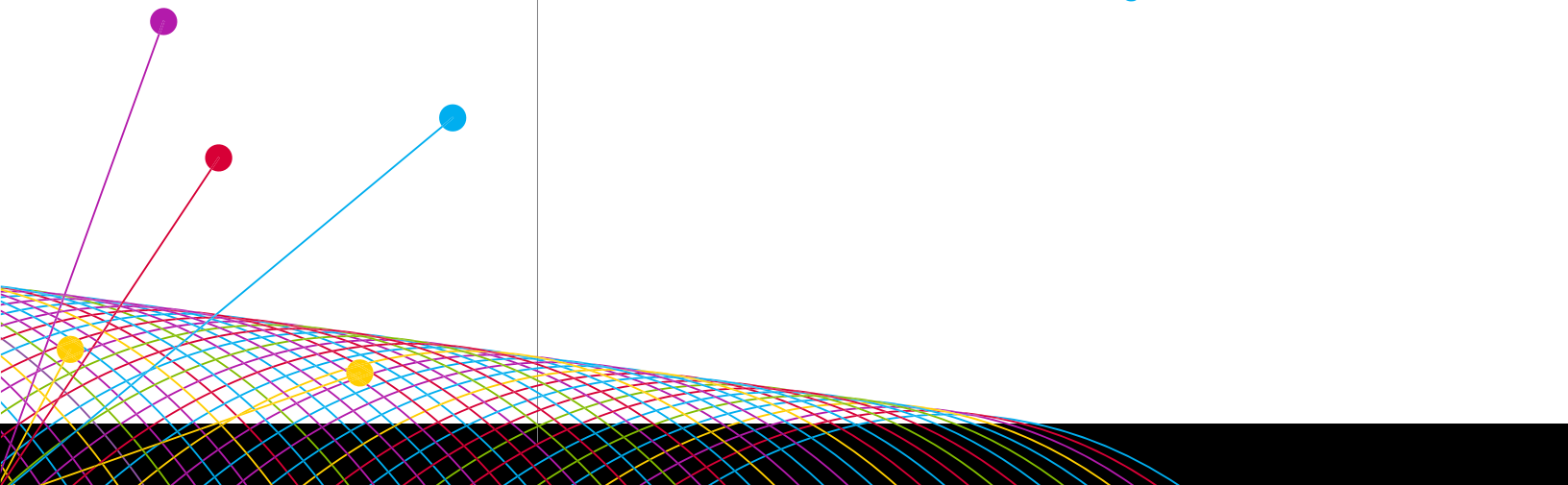
Identifying unmet demand: the key to long-term innovation success

Using single-source data to drive precise, profitable marketing

Getting started with mobile: what marketers need to know

Responding to new challenges in the US consumer packaged goods market

Each article is available in full on nielsen.com at the URL listed beneath each summary. The authors – all senior leaders at Nielsen – would be happy to discuss these topics with you, as well as review case studies that demonstrate how these technologies are used to help drive profitable growth. You can contact them at their email addresses noted at the end of each article or contact us at whatsnext@nielsen.com.



THE NEXT STEP FORWARD IN ADVERTISING EFFECTIVENESS

by Randall Beard and Joe Stagaman

Advertisers and media companies wrestle with three particular pain points in today's digital environment: "How do I know how much to allocate to each medium and consequently what total spending level I need?", "How do I allocate my budget **within** each medium?", and "How do I apply today's technology to realize the best ROI?"

We know that advertising effectiveness is driven by how well it fulfills a simple equation we call the "**three Rs**": reach x resonance = reaction. The more of your ideal audience you can **reach**, and the more intensely your advertising **resonates** with them, the stronger your brand lift or sales lift **reaction**. And while getting that formula right is not at all simple in this age of dramatically proliferating media, channel, and program options, the good news is that the technology creating this challenge also can be used to make your advertising even more powerful:

- In determining media mix and overall spend, *predictive mix* modeling makes it possible to create a continuous model for the effectiveness of *every* incremental dollar in *every* medium for *every* level of spend.
- The *availability of single-source data at scale* makes it possible to select programming within a given medium based on 'buyergraphics' that segment viewers not simply by their age and gender attributes, but by their actual purchase behavior, too.
- *Advances in the speed with which detailed information on consumer response is available* have made it realistic to optimize the performance of ad campaigns in-flight by reallocating spending quickly to the most productive media channels.

Individually, each of these advances is significant. Combined, they are what can take a company's advertising effectiveness to an entirely new level of precision and impact.

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For a copy of the full article, go to <http://nielsen.com/us/en/reports/2013/the-next-step-forward-in-advertising-effectiveness.html>

MAKING ADVERTISING MORE OF A SCIENCE THAN AN ART

by Joe Willke and Blake Burrus

Would it be helpful to know *what kind of advertising appeals to people's emotions in a way that motivates their purchase behavior*? This has been a tough mystery to unravel – until now.

Scientific breakthroughs achieved by neuroscientists at the University of California, Berkeley in partnership with Nielsen have made it possible to understand the exact moments in an ad that *activate memory, draw attention, or prompt an emotional response* from the viewer. By analyzing this data on a second-by-second basis, advertisers can determine when comprehension is high (or low), when something is seen as new and worth remembering, and when the ad is prompting an attitude or behavior change in the viewer.

This represents a new powerful tool for creating the most productive advertising and weighing alternative creative treatments within a campaign. It can also be used to compress ads with no loss (and usually a gain) in effectiveness. While not all ads can be “told” in as little as 10 or 15 seconds, our experience suggests that about 90 percent can, making it possible to increase the reach, frequency and impact of a campaign for the same level of spending, or significantly reduce spending with no loss of sales. In a worldwide video advertising industry worth hundreds of billions of dollars, the potential is immense.

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IDENTIFYING UNMET DEMAND: THE KEY TO LONG-TERM INNOVATION SUCCESS

by Susan Dunn, Chris Casey, Dave Boyd, and Matthew Fisher

Why are success rates for innovation so low – with “breakthrough” innovation occurring for just one product in 200, and with only about 10 percent of all innovations meeting their companies’ financial targets two years after launch?

The main problem we’ve found is that companies tend to pursue supply-driven innovation – working outward from their existing products and positions – rather than starting by identifying an area of unmet demand in the marketplace.

Clearly, almost every innovation team believes it is pursuing unmet demand. But solutions developed using a supply-driven approach are most often driven by what can be made rather than what consumers are missing in the market. To drive innovation by first finding something that consumers are missing – and willing to pay for – one must employ a rigorous system for *prioritizing* opportunities, *adapting* concepts and products to those opportunities, and *activating* accordingly in the market. The secret sauce of such a system is the *continuous and unconstrained* adaptation of assumptions, hypotheses, plans, and programs to acquire a demand-driven insight and then build a solution around it.

The organizational discipline needed to follow such a system is extremely demanding. But when done well, this process will yield dramatically higher success rates, shortened testing cycles, and fewer discarded ideas. Isn’t that a prize any company would like to earn?

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USING SINGLE-SOURCE DATA TO DRIVE PRECISE, PROFITABLE MARKETING

By Karthik Rao, Mark Sneathen, Nada Bradbury and Mike Nazzaro

Doesn't every marketer want their advertising to reach consumers who really want what they have to offer, and not be wasted on those who don't? The advent of Big Data has made it possible for media companies and advertisers to do just that. By combining anonymous viewing data from media panels with consumer purchase data to create single-source databases, advertisers now have the ability to place ads with much greater precision than standard demographics will allow, and media companies can promote their programs to the advertisers for whom they deliver the greatest value.

Based on available data, we estimate that this capability can be applied to about 25 percent of all TV advertising spend, mainly in consumer packaged goods, retailers, travel, entertainment, restaurants, telecommunications, and financial services – making it only a supplement to, rather than a replacement for, the standard mechanism for buying and selling TV advertising.

But where it does apply, the precision of the data has made it possible to assign highly reliable ROIs to advertising. It has also allowed advertisers to find and reach significant segments of their consumers who are not routinely seeing the advertising because they are not included in the standard media-buying demographic groups (adults 21 to 49 account for just 50 percent of purchases in many categories), opening an otherwise untapped opportunity for growth.

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For a copy of the full article, go to <http://nielsen.com/us/en/reports/2013/whats-next-using-single-source-data-to-drive-precise-profitable-marketing.html>

GETTING STARTED WITH MOBILE: WHAT MARKETERS NEED TO KNOW

by Jeff Smith and Dorothy Tse

Mobile ought to be a godsend for brand marketers. Who wouldn't be happy to have a new, fast-growing medium through which they can reach consumers practically any time of day? But challenges in measuring mobile's effectiveness in generating brand and sales lift, particularly compared to other media such as online and television, has kept marketers and their agencies from fully integrating this evolving technology into their strategies.

Mobile publishers offer click-through rates and highly granular data unique to mobile, but these measures tell you very little about changes in brand awareness or purchase preference. This has held marketers back. Our own recommendation is to use metrics that are consistent across media and focused on business outcomes. In most cases for mobile today, that means pre/post surveys.

Brand advertisers are also advised to seek out agency and media partners with both mobile experience and demonstrated success in delivering on a brand's core marketing objective. Because it is still early days for the medium, such a track record is rare – so be prepared to look hard. And in any mobile plan, full advantage should be taken of the opportunity offered by the medium to optimize an ad campaign in real-time -- as long as that optimization is done using proven performance metrics and not idiosyncratic measures that tell you nothing about a campaign's success.

The key is to remember that mobile is, essentially, one more channel for brands to engage with their chosen audience. It is subject to the same general rules and best practices for marketing and advertising as television, online, print, and radio.

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For a copy of the full article, go to <http://nielsen.com/us/en/reports/2013/whats-next--getting-started-with-mobile-what-marketers-need-to-k.html>

RESPONDING TO NEW CHALLENGES IN THE US CONSUMER PACKAGED GOODS MARKET

by Steve Matthesen and Dennis Moore

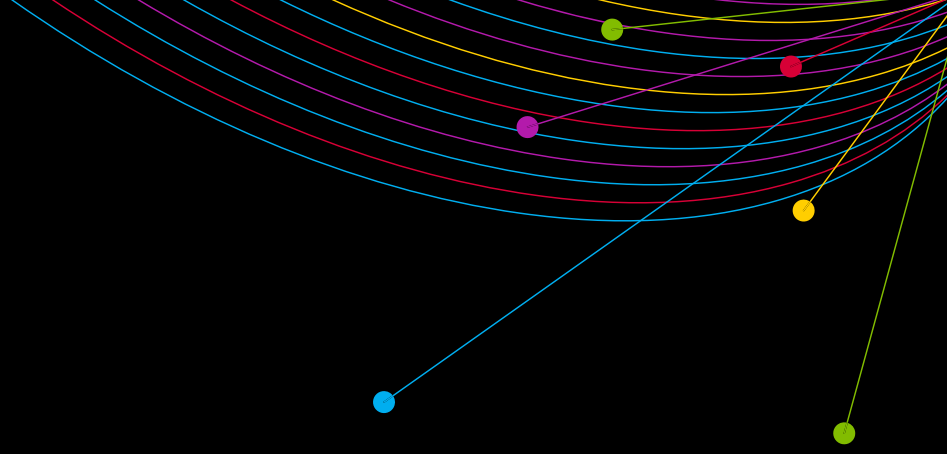
The U.S. market has been tough on many of the largest consumer packaged goods companies, with the growth of these companies as a group recently lagging that of the leading retailers. In an analysis of this issue jointly undertaken with The Boston Consulting Group, we identified five go-to-market strategies that differentiated the approach of the best performers in the group. We also noted that the high performers were either those with more concentrated portfolios or were multi-category players that brought to their businesses the mindset and management discipline of a focused brand – a focus that appears to be a key factor in successfully embracing and executing the winning strategic agenda:

- **Build a proprietary understanding of your consumer.** Know more than your competitors about your most profitable consumers and align all your marketing activities against this vision.
- **Make your marketing more precise.** Spend in smarter ways to sustain the equity of your brands and attract consumers even when times are tough.
- **Master the science of pricing.** Use greater analytic precision, based on a close understanding of the consumer, to execute surgical price moves and allocate trade dollars.
- **Innovate based on identified unmet demand.** Use a highly disciplined system to find unfulfilled consumer needs and wants, and then closely align all development and go-to-market execution with that insight.
- **Partner with winning retailers.** Skew your time and resources toward retailers that are drawing in consumers with a differentiating value proposition and enjoying higher growth.

The companies that can align their operating systems with the five strategies above and fully capitalize on the new marketing technologies enabled by the digital revolution are the ones that will find success – most likely at the expense of those who do not.

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