UNLOCKING THE FULL POTENTIAL OF SOCIAL TO DRIVE CPG SALES

Or how to increase ROI by 43%
using Facebook and Instagram
best case execution

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groupm

EXECUTIVE SUMMARY

This whitepaper outlines the findings of a meta-analysis of Marketing Mix Models for 19 Consumer Packaged Goods (CPG) brands, covering a wide range of different product types and campaigns from Sweden, Denmark, Norway and Finland.

The purpose of the analysis was to evaluate the effects on Facebook advertising ROI of best practice campaign execution according to the Facebook best practices framework, known as *Brilliant Basics*. Five out of the seven best practices principles were evaluated to understand their role in driving ROI.

The study reveals that CPG brands can considerably improve the ROI of their Facebook media investments, by as much as 43%, if adhering to Facebook best practices.

"CPG brands can considerably improve the ROI of their Facebook media investments, by as much as 43%, if adhering to Facebook best practices."

Lisa Gröning,
Analytical Project Manager
GroupM Business Science

The 5 Facebook best practices of the study	ROI uplift potential
1. Setting a weekly frequency of 3	11%
2. Optimizing campaigns for an awareness objective	8%
3. Setting the campaign duration to cover at least one purchase cycle	7%
4. Targeting a broad, yet qualified audience	6%
5. Using brand-building video assets fit for mobile	5%
All parameters collaborating and multiplying:	43%

Whereas the models analyzed demonstrate variations in ROI within every media, the ability to tailor and adjust multiple elements of campaign execution on digital platforms like Facebook, means that media and creative expertise and execution are key.

Finally, this study uncovers how to adapt and optimize CPG campaigns - learnings which can be leveraged by all brands in that sector in order to reach the full ROI potential of social media.

MEDIA & CREATIVE BEST PRACTICES

Brilliant Basics are a set of media and creative best practices across all Facebook formats (feed, Instagram stories etc). These best practices aim at improving sales and brand outcomes for all advertisers. In this paper, we analyzed **19 Nordic CPG clients' social media execution, based on 1,400 campaigns from 2017-2019**.

Facebook Brilliant Basics: best practices that aim to improve sales and brand outcomes for advertisers.

We evaluated what impact adhering to the best practice recommendations had on short term sales. Short term sales are defined as sales that occur within four weeks from exposure in the specified media channel. Additionally, we aimed to rank the relative role of each of these principles in driving improved ROI.

Furthermore, we uncovered additional, more nuanced guidance on how each of the best practice principles should be applied.

There are seven *Brilliant Basics* principles, five of which have been evaluated in this study:

THE RIGHT CAMPAIGN OBJECTIVE

Increasingly, digital media channels are objective-first rather than audience-first, like traditional media. Advertisers now pay Facebook to deliver a pre-selected desired outcome. Aligning the campaign objective to the business objective which the campaign aims to drive is key to achieving the best possible outcome. Facebook recommends not focusing on engagement metrics such as likes and comments. Media planning should be focused on achieving a specific business objective.

BRAND-BUILDING CREATIVE ASSETS

Building a brand on platforms like Facebook and Instagram, where consumers are mobile-first, requires media expertise. However, creative assets are very important (according to a Nielsen study from 2017, 56% of campaign performance is linked to its creative execution) and need to be adapted to consumers' behavior on mobile devices.

- Optimizing creative assets by framing the story to be told according to the device.
- Highlighting the brand early (in the first 2-3 seconds) and often throughout (including in the video thumbnail).

There are many aspects of brand-building creative assets to consider: execution, message, and emotions, among others. Due to the complex nature of categorizing different creative aspects, the MMM feed from Facebook only contains the split between video ~~assets~~ and static assets. We have therefore focused our analysis on comparing video vs. static, even though there could be considerable variation within each asset type with regards to the brand-building quality of the creatives.

CAMPAIGN DURATION

Digital buying platforms provide the most sophisticated and self-served tools. Campaigns can be started and stopped in a moment. The downside of this flexibility is that campaigns may be switched off too early, before they have had an effect on actual sales. It is recommended in Facebook's best practices to consider a campaign duration that covers at least one purchase cycle. Brands with complex messages and/or longer purchase cycles should aim for even longer duration campaigns.

STRATEGIC FREQUENCY

Frequency of exposure is another lever offered by digital advertising platforms. Serve your audience with a fit-for-mobile ad at least 1-2 times per week. It is important to aim for higher frequencies when any of the following conditions are met:

(1) a new brand/ product,

(2) low market share,

(3) short purchase cycle, of less than 2 weeks, or very frequent usage, or

(4) low share of voice.

TARGETING THE RIGHT AUDIENCE

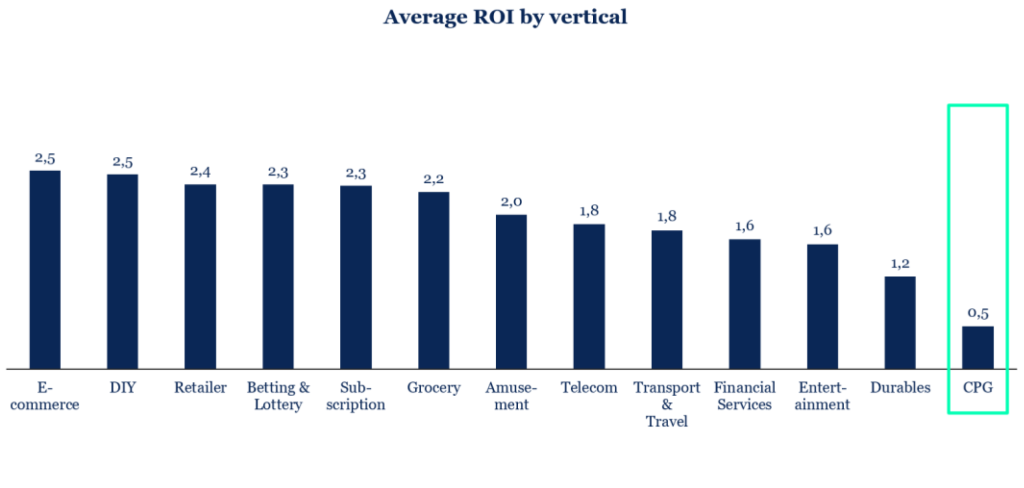
Platforms like Facebook use an ad auction and machine learning to determine where, when and to whom ads are shown. Facebook does so by leveraging hundreds (if not thousands) of signals to automatically try to find the right people given the advertiser's campaign objective. Restricting the potential audience with too many targeting criteria could reduce campaign performance. Hence, Facebook's best practices recommend targeting a broad and qualified audience of potential buyers by using age/ gender/ geo targeting to define a group of potential customers. Facebook furthermore recommends considering frequency and expected CPM when choosing your audience.

CHARACTERISTICS OF THE CPG VERTICAL

Consumer Packaged Goods (CPG), or Fast-Moving Consumer Goods (FMCG), is a unique category, which stands out from other verticals in many respects. Purchases can be frequent and habitual. The research phase for potential buyers tends to be short to non-existent. Consumers buy what they usually buy or make their purchase decision in store. Hence, salience (i.e. staying top of mind), and building brand equity in the long term, are key to most CPG advertisers. These two themes help explain why price, distribution and in-store marketing activities tend to be critical in driving incremental sales (often assessed through Marketing Mix Modelling). While advertising certainly contributes to incremental short-term sales, it likely plays a comparatively smaller contributing role compared to other verticals.

GroupM Business Science have significant experience in Marketing Mix Modeling, having conducted more than 250 MMM studies for Nordic CPG advertisers (>1000 studies across all verticals) during the past 10 years. Findings from these projects reveal that CPG is the sector where paid media return on investment is the lowest and that CPG advertisers have difficulty using paid media to drive short-term sales.

CPG ADVERTISERS HAVE DIFFICULTY DRIVING SALES THRU MEDIA

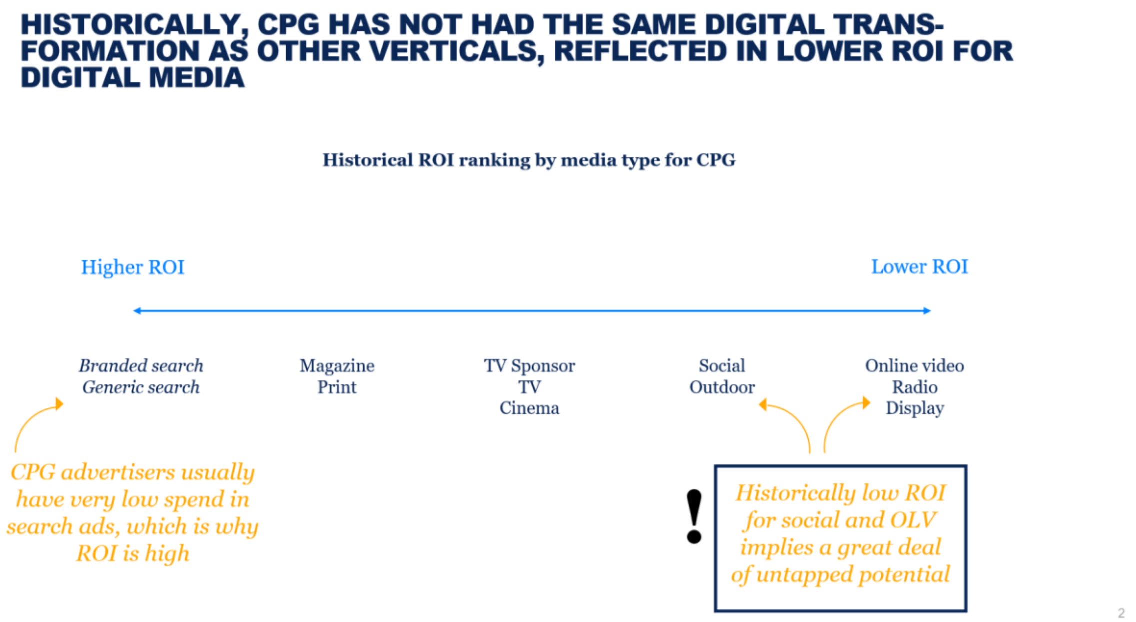


The average CPG advertiser gets 60% of the investment back in short-term sales (short-term sales defined as sales that occur within four weeks from exposure). See the chart for a comparison with other verticals.

[Source: GroupM Business Science Nordic ROI database. MMM studies conducted 2015-2019.
E-commerce = 18, Retail = 89, Telecom = 30, CPG = 79, Durables = 76, Finance = 28 and Travel = 9]

Because of the low short-term ROI, CPG advertisers often rely on the proven indirect brand effects of paid media in order to justify their media spend. Since salience along the consumer journey is crucial, CPG advertisers focus on broad reach media to deliver this expected indirect positive impact. The CPG vertical has not had the same digital transformation as many other verticals, mainly relying on broad reach media in the mix. Digital media have historically not been explored to the same degree and hence, have not yet reached their full potential.

Zooming in on the average ROI by media within CPG, it is clear that broad reach media, such as TV and print, are the most efficient, see the chart below.

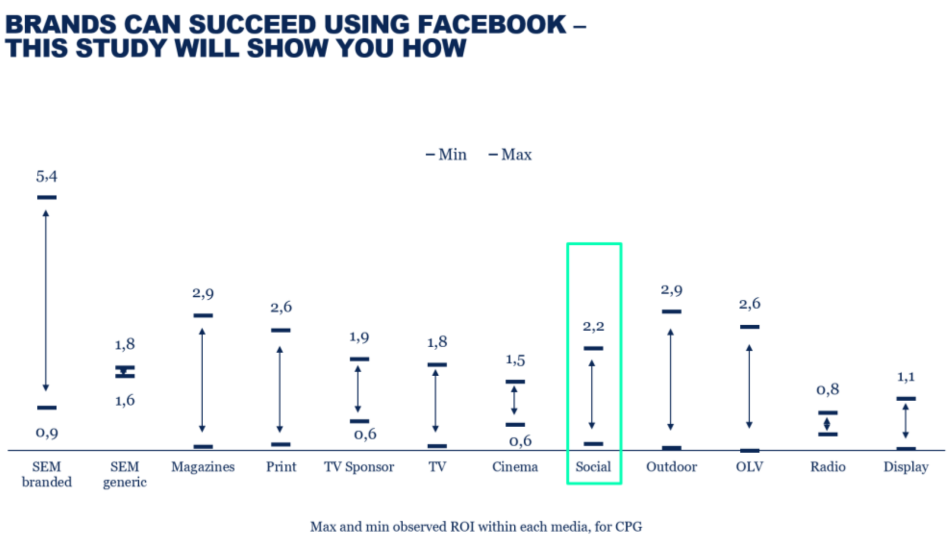


(Social Media defined as Facebook, Instagram, Twitter, Snapchat and LinkedIn)

[Source: Business Science Nordic ROI database. n = 20 CPG MMM studies conducted 2017-2019]

Social media (defined as Facebook, Instagram, Twitter, Snapchat and LinkedIn) fall within a similar range and interestingly also show great potential for improvement; we can see this by looking at the spread of maximum and minimum ROI within each media type (chart below). Whereas all media show variations, the size of the spread in social media~~,~~ reveals that CPG brands can take big strides towards considerably increasing the ROI of their social media investments. Social media platforms like Facebook offer advertisers a multitude of campaign settings and choices. The same platform, the same audience, the same budget, bought against different objectives or creative assets, can have vastly different impact OR produce vastly different results at vastly different CPM levels.

This study aims to uncover how to unlock the full potential of the Facebook family of apps.



Observed maximum and minimum short-term ROI by media for Nordic CPG advertisers. (Social Media here defined as Facebook, Instagram, Twitter, Snapchat and LinkedIn)

[Source: Business Science Nordic ROI database. n = 20 CPG MMM studies conducted 2017-2019]

ANALYSIS APPROACH

The aim of the study is to derive an optimal strategy to unlock the full potential of the Facebook platform and to uncover how CPG advertisers can drive incremental short-term sales via social media. The strategy is evaluated on the following dimensions, which correspond to five of the media and creative Best Practices principles described above:

- The right campaign objective
- Brand-building creative asset
- Campaign duration
- Strategic frequency
- Targeting the right audience

To derive a robust strategy, the analysis is based on 19 Nordic Marketing Mix Modelling cases conducted in or after 2017. Apart from including the most recent MMM studies, the rationale behind the selected cases is to include advertisers with a high media budget and broad media mix, where spend on Facebook family of apps represents a sufficient part of the total budget (defined as at least 5% of total media budget or a total spend higher than 500,000 SEK within the modelling period). Cases with efforts focused on strategic media and creative execution (on social media publishers) were prioritized. A broad range of CPG advertisers are included in the study, spanning skin care to bread, dairy products, and pet food, all operating in one or more of the following markets: Sweden, Denmark, Norway and Finland.

"Most digital media publishers now have an easily accessible MMM feed providing accurate and granular data. This is very important. In order to achieve superior model accuracy, precision, and a step change in MMM sensitivity, it is necessary to use the highest quality, and the most granular inputs" says Igor Skokan, global lead of the MMM program at Facebook.

GroupM Business Science accessed the Facebook MMM feed for each client but also enriched it with data from Facebook Ads Manager.

Facebook was originally used as one independent variable in the MMM foundations. In order to derive best practices for each of the five dimensions detailed above, GroupM Business Science split Facebook's variable into two, three or four new independent variables, which are tested in the models. The table below shows the variables tested in the models followed by a detailed description.

	Variable split 1		Variable split 2		Variable split 3		Variable split 4
Campaign objective:	Brand awareness	vs	Consideration				
Brand-building creative asset:	Video ad format	vs	Static ad format				
Campaign duration:	Shorter than one purchase cycle	vs	Equal to one purchase cycle	vs	Longer than one purchase cycle		
Weekly campaign frequency:	Weekly frequency =1	vs	Weekly frequency =2	vs	Weekly frequency =3	vs	Weekly frequency =4
Audience:	Broad yet qualified audience (see definition below)	vs	Narrow audience				

To find out which **campaign objective** that drives ROI for CPG, the Facebook social media variable was split into two new variables: impressions for campaigns with campaign objective brand awareness and impressions for campaigns with business objective consideration. Online or offline conversion as campaign objectives were excluded as none of the advertisers were using it.

To quantify the effect of **brand-building creative assets**, we compared different ad formats. Impressions for video were labelled as such and tested against impressions for static ad formats.

An optimal **campaign duration** variable needed to be defined. We defined it following the average purchase cycle for each individual brand ~~of each client~~ included in this paper. Campaigns shorter than one purchase cycle are compared to campaigns that are equal to or longer than one purchase cycle.

A key consideration and hotly contended topic for many CPG advertisers is how often they need to expose potential buyers to an ad in order to maximise their return. **Weekly campaign frequencies** of 1, 2, 3 or 3+ were tested and compared to one another in all 19 models included.

To define the most efficient **audience**, the study compares a narrow audience with a broad yet qualified audience. Classification of audiences is based on the target audience used for each campaign. We define narrow audiences as any audience for which 3 or more of the following settings were used: age, gender, geo or interest. Targeting an audience where the age span of the target group was less than 20 years was considered as a narrow audience. Targeting an audience based on post engagement (such as likes and comments) was also considered as narrow.

AUDIENCES ARE DEFINED DIFFERENTLY ACROSS CASES

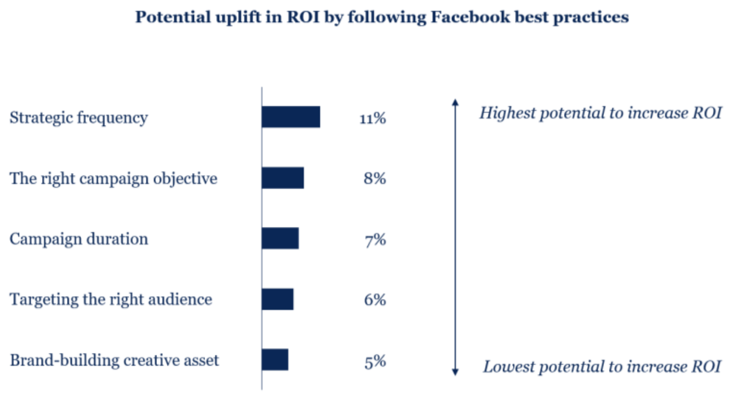
	Skin care	Dairy / Icecream / Juice	Pet food	Bread / Pastries
NARROW	Women 20-40 Foodie and Health	All 19-35 Women 16-30	Woman 40+ Dog owner Woman 40-60 with cat	Students Engaged with post or ad
BROAD	Women 20-65	All 16+	Dog lovers Interest in cats	Families Women

HOW TO MAXIMISE ROI FROM FACEBOOK AND INSTAGRAM ADS FOR CPG BRANDS

By evaluating the ROI spread, and thus the potential for improvement, within each of the five media and creative best practices principles outlined above, the study suggests that executing social media campaigns according to all five of these best practices can boost the short-term ROI of Facebook and Instagram ads by as much as **43%**.

Strategic frequency is the most important, out of the five principles evaluated, to execute right, contributing to a potential ROI uplift of 11%. Optimal weekly frequency according to this analysis is 2-3 per week. A weekly frequency less than 2 is not enough to influence the consumers while each impression above frequency 3 will not add incremental effect. Strategic Frequency is closely followed by **setting the right campaign objective**, where an ROI uplift of 8% is observed on campaigns optimized for a brand awareness objective compared to campaigns optimized for consideration objectives. Third, **campaign duration** is proven to improve ROI by up to 7% when campaign length matches at least one purchase cycle. A campaign duration of less than one purchase cycle has a lower effect on short-term sales. Fourth, targeting a **broad, yet qualified audience** instead of a narrow audience can grow ROI by 6% and lastly, using **brand-building creative assets** in a video format can drive an additional 5% ROI growth compared to static ad formats.

HIGHEST ROI UPLIFT FROM SETTING THE RIGHT FREQUENCY



ZOOM IN ON BEST PRACTICE RESULTS

The Right Campaign Objective

The CPG advertisers included in this study mainly use brand awareness as business objective, with 79% of all campaigns optimized for the objective of building reach and awareness of the brand. The remaining 21% are consideration campaigns and no campaigns were identified as pure activation campaigns. Consideration objective is utilized to a higher extent by brands that can drive sales through ecommerce channels (e.g. skin care and cosmetics).

The study concludes that **advertisers who focus on awareness can gain 8% in terms of the effectiveness compared to advertisers who focus on consideration**. This is exemplified by two specific cases in the study:

Case 1: An advertiser active in the bread and pastries category increased its share of awareness building communication from 85% (2018) to 96% (2019) ending up with a 30% higher ROI.

Case 2: A skin care brand went from a share of awareness building objective of 76% in 2018 to 45% in 2019, Facebook ROI during the same period went down by 10%.

Brand-building Creative Assets

As stated, there are multiple aspects to having brand-building creative content. We have focused our analysis on comparing video assets vs. static assets, even though there could be considerable variations within each asset type with regards to brand-building quality.

Nordic CPG advertisers included in the study utilize video formats to a slightly higher extent (56% of all campaigns) than static ones (44% of all campaigns). If executed in the right way, video formats enable advertisers to communicate a story to a greater extent than static ad formats do. **The study concludes that advertisers on average see a 5% higher Facebook ROI when focusing on video assets compared to static assets**.

Execution is key when it comes to succeeding with video. Adapting the content according to Facebook mobile device guidelines will have a substantial impact on social ROI.

Case: A case within the skin care category shows that the advertiser increased Facebook ROI by 20% from 2018 to 2019 when investing a larger proportion of the budget in video content. An MMM-based optimization of social ad spend demonstrated that video can carry higher spend levels without hitting diminishing returns. For this brand, the optimal split to maximize returns was estimated at 64% video and 36% static material.

Campaign Duration

Campaign duration should be equal to or longer than the purchase cycle in order to optimize Facebook ROI. **The results of the study show a 7% growth potential in Facebook ROI when ensuring that the campaign duration is equal to or longer than the purchase cycle of the products offered by the brand**. Because of the short purchase cycles in the CPG category, only 14% of the campaigns included in the study were shorter than one purchase cycle.

Case: A case within the dairy category exemplifies the outcome of the study. During 2018, the advertiser mainly used campaigns matching the length of one purchase cycle (93% of all campaigns) but switched to shorter campaigns 2019 (with only 40% of the campaigns matching one cycle). The observed Facebook ROI for 2019 ended up being 11% lower than in 2018, indicating that the longer campaigns were more efficient in generating sales.

Strategic Frequency

Targeted consumers should be exposed to the ads at least twice a week and ideally at least three times a week in order to maximize social media ROI. 80% of all campaigns included in the study had a weekly frequency of at least 2, however only 5% had a frequency of 3 or more. CPG advertisers who expose ads to their consumers twice a week obtain a 6% higher social ROI than advertisers who expose them less than twice. **A weekly frequency of 3 adds another 5% in effectiveness, adding up to a potential total ROI uplift of 11%**. This makes Strategic Frequency the Brilliant Basics principle capable of causing the biggest ROI lift for CPG advertisers, out of the five principles evaluated in this study.

Case: A case within the skin care category exemplifies a change towards higher frequency campaigns. During 2018 the advertiser's strategy was to run campaigns with a frequency of 1 for 46% of all campaigns and only 18% with a frequency of 3 or above. 2019 saw a change in strategy, with the advertiser moving towards higher frequencies (31% with a frequency of 3 or above) and subsequently, social ROI increased by 20%.

Targeting the Right Audience

Among the campaigns included, 54% were directed towards a broad yet qualified audience while the remaining 46% were directed towards a narrower audience (definition stated in section Analysis Approach). **Communicating to a broad target group increases Facebook ROI by as much as 6%**.

Two cases have been selected to demonstrate what a change in audience strategy can mean for a brand:

Case 1: An advertiser within dairy products moved from communicating mainly to a narrow audience (89% of campaigns 2018) to having most of the campaigns aimed towards a broad audience (56% of campaigns 2019). Social media ROI increased by 257%.

Case 2: An advertiser within pet food went from only communicating to a broad audience in 2018 to a strategy that included a large share of communication to a narrow audience in 2019. Social media ROI decreased by 76%.

SUMMARY

CPG brands can grow social media ROI by up to 43% through campaign planning and media execution according to five Facebook best practices.

The 5 Facebook best practices of the study	ROI uplift potential
1. Setting a weekly frequency of 3	11%
2. Optimizing campaigns for an awareness objective	8%
3. Setting the campaign duration to cover at least one purchase cycle	7%
4. Targeting a broad, yet qualified audience	6%
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All parameters collaborating and multiplying:	43%

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APPENDIX – GLOSSARY BOX

ROI	Revenue ROI calculated as revenue assigned/attributed to media in the MMM set in relation to media spend
Short-term sales	Sales that occur within 4 weeks from exposure in the specified media channel
Social Media	Account for all platforms: Facebook, Instagram, Twitter, Snapchat and LinkedIn
Awareness objective	Can be either brand awareness or reach
Consideration objective	Can be either event response, lead generation, link click, page like, post engagement or video views