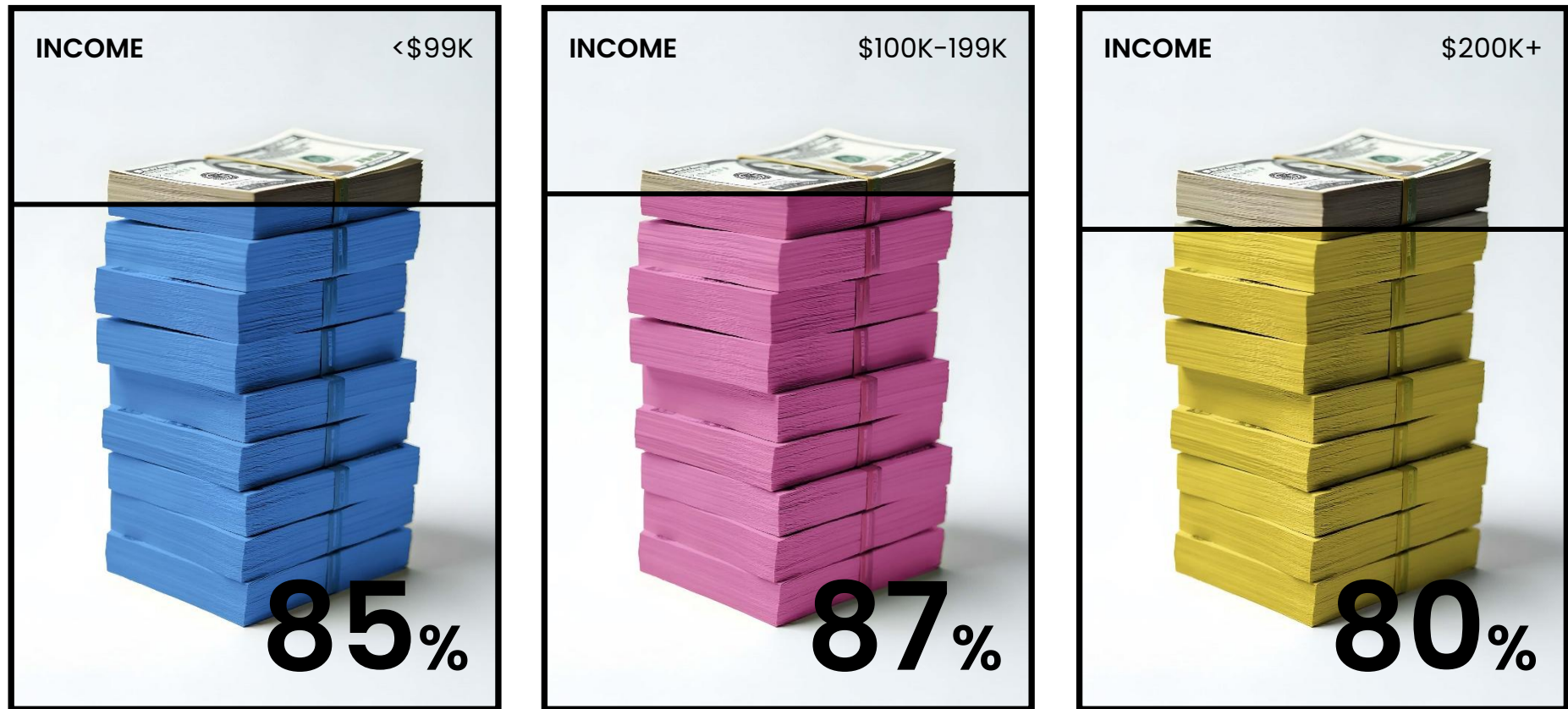# THE ROI OF RELEVANCE

How ad personalization offers a key to combatting rising prices

ALL INCOME GROUPS ARE MORE PRICE SENSITIVE THAN THEY WERE JUST 2 YEARS AGO

Price sensitivity,
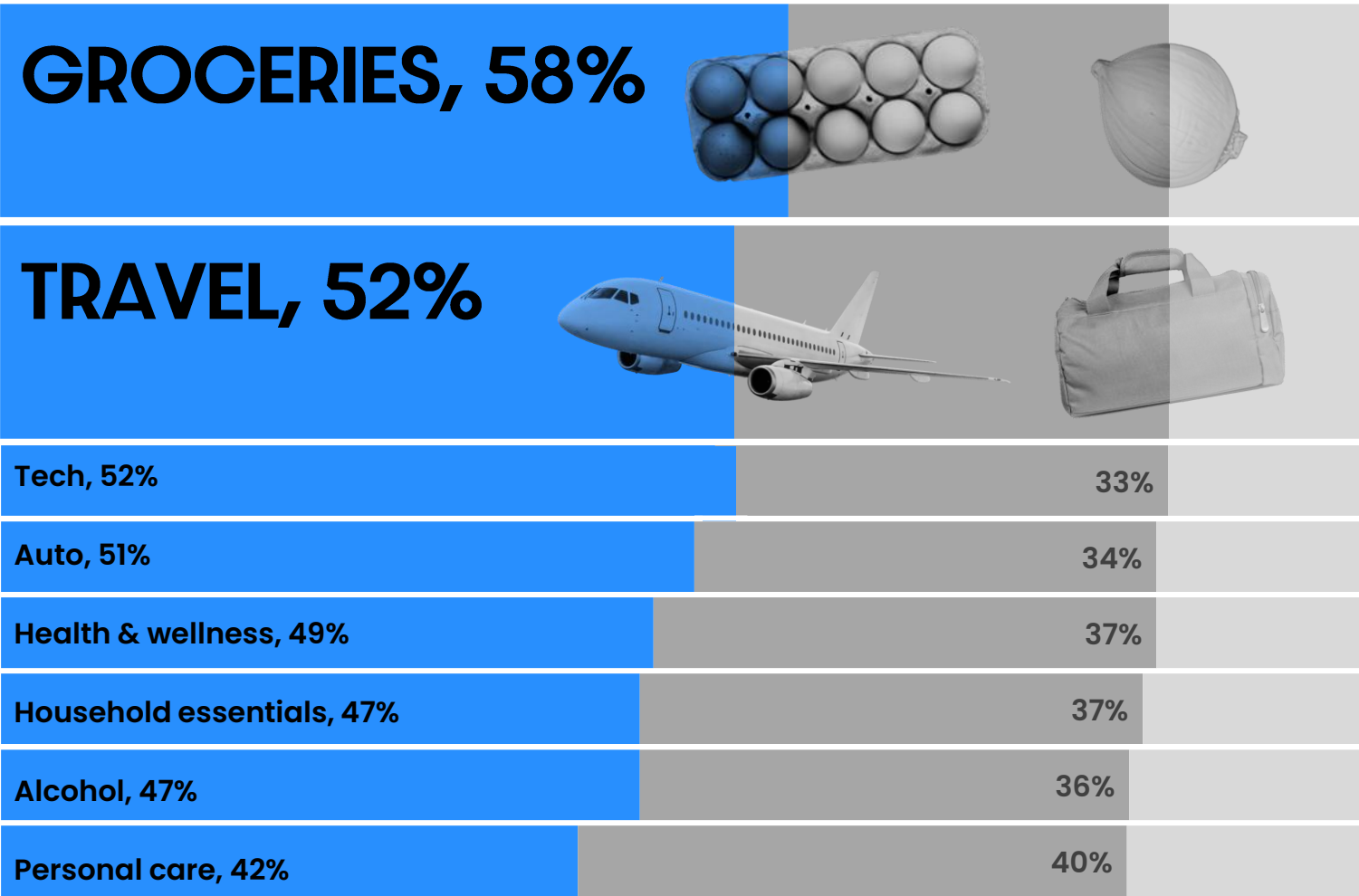% who say <u>price matters more</u> than 2 years ago
Net score*

INCOME	<$99K

85%

INCOME	$100K-199K

87%

INCOME	$200K+

80%

NO INDUSTRY VERTICAL IS IMMUNE TO PRICE SENSITIVITY

More consumers say price matters more today, especially for regular expenses like groceries and travel

Price sensitivity,

% who say <u>price matters more</u> than 2 years ago

PRICE MATTERS _____ . ■ More now ■ Same as before ■ Less now

GROCERIES, 58%

TRAVEL, 52%

Tech, 52%	33%	
Auto, 51%	34%	
Health & wellness, 49%	37%	
Household essentials, 47%	37%	
Alcohol, 47%	36%	
Personal care, 42%	40%	

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OUR
QUEST
—IONS

How have **perceptions** of ad personalization evolved, if at all?

01

CONSUMER SENTIMENT

BRAND
FIT

02

Can personalization help **brands succeed** in a price sensitive market?

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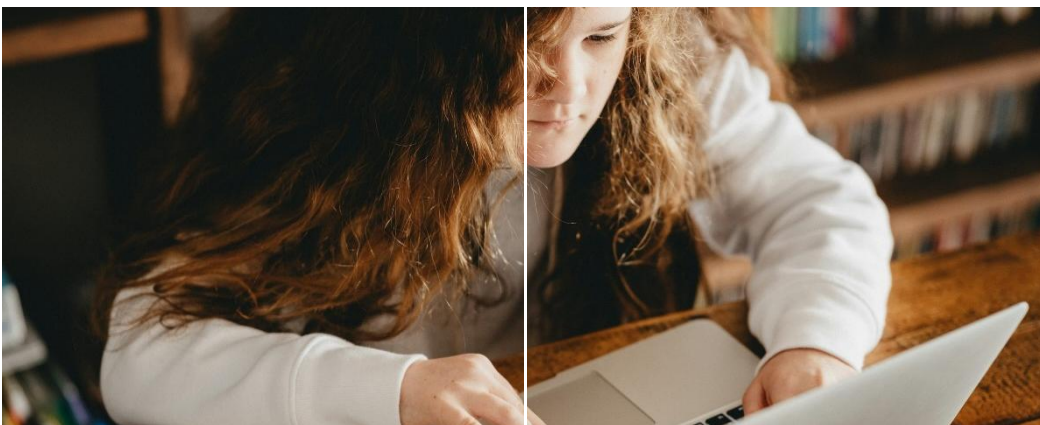
TWO-PRONGED METHODOLOGY

CONSUMER SENTIMENT

Online Survey

Nationally Representative Online Sample (A21+, n=1,021)

Focus

Collect perceptions of ad personalization and the types of data that shape it

WILLINGESS TO PAY

Conjoint Survey

Nationally Representative Online Sample (A21+, n=2,862)

Tested 220 unique brand messages varying by personalization, vertical, and price

Focus

Assess how personalization in brand messaging impacts purchase probability and amount consumers are willing to pay

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THE DATA TYPES TESTED

We tested five data types to see how each shapes consumers' willingness to pay for a brand

5 Data types | Data types defined

Data types	Data types defined	
Online behavior	Recent browsing/search activity	
Transactional purchases	Previous buying behavior of or related to the category	
Life stage	Milestones or transitions that are current or upcoming	
Psychology	Interest, attitudes, mindset	
No personalization	Baseline message	

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TEMP CHECK

**PERCEPTIONS OF
AD PERSONALIZATION
TODAY**

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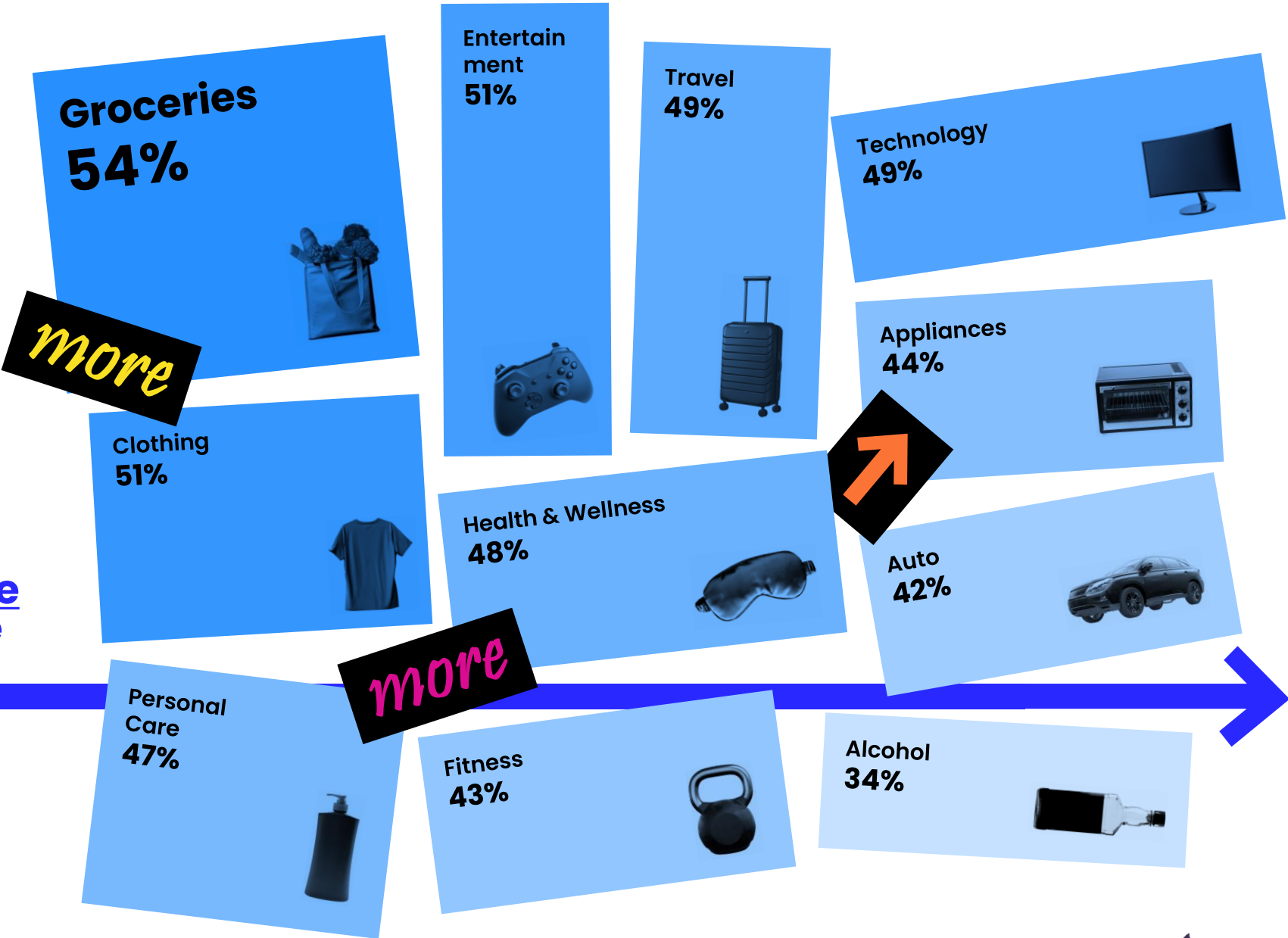
COMFORT WITH PERSONALIZED ADS HAS GROWN ACROSS VERTICALS

Comfort with personalization compared to 5 years ago,
% <u>more</u> comfortable

Now: More comfortable than before

Then: 5 yrs ago

Groceries 54%

Entertainment 51%

Travel 49%

Technology 49%

more

Clothing 51%

Appliances 44%

Health & Wellness 48%

Auto 42%

more

Personal Care 47%

Fitness 43%

Alcohol 34%

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INCREASED COMFORT COMES FROM SMARTER PERSONALIZATION AND INCREASED TRUST IN BRANDS

"Ads are **more accurate now**, brands understand my needs better, making them feel more relevant and useful"

"Ads are **smarter now**, showing me stuff I actually like"

"I am **more comfortable now** because **brands have improved transparency**, and I feel more control over my data and privacy settings"

"It suits my needs and **increase my trust** in the brand"

reasons why

consumers are more comfortable getting personalized ads, compared to 5 years ago
Open ended responses

"Brands **know me**, ads fit my taste"

"Ads **feel more useful** now"

"I feel it is **more personal**"

"Because **they resonate** with my ideologies"

"Brands **have improved in understanding** consumers, making personalized ads feel more relevant"

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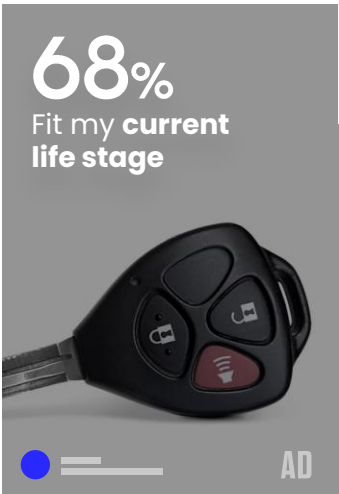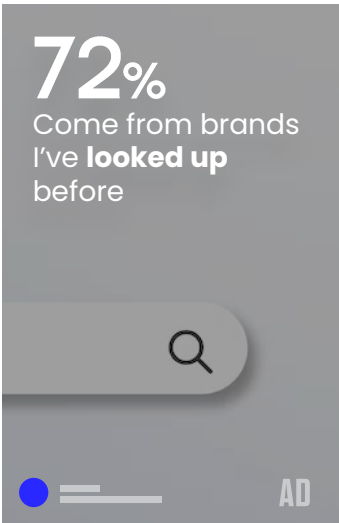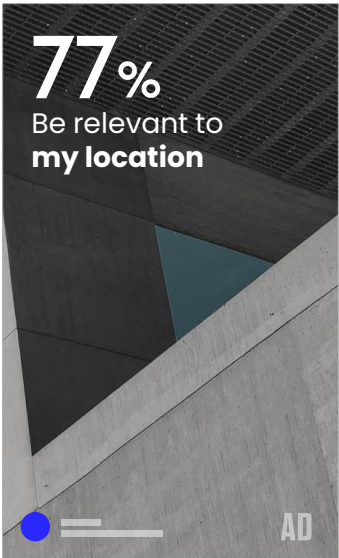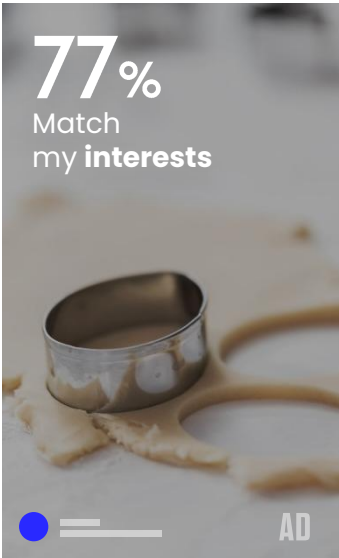
TODAY, PERSONALIZED ADS ARE TABLE STAKES

Personalization isn't one-dimensional; brands should meet expectations with a cross-dimensional strategy leveraging multiple types of data

I expect ads to _____ .

97%

Expect **at least some form of personalization** from ads they see (net score)

What consumers expect from ads today,
% selected 'yes'

78%
Show me **products I've never seen** before
AD

77%
Match my **interests**
AD

77%
Be relevant to **my location**
AD

77%
Come from brands I've **bought before**
AD

77%
Come from brands I've **never heard of**
AD

72%
Come from brands I've **looked up** before
AD

68%
Fit my **current life stage**
AD

52%
Remind me to do something
AD

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YOUNGER GENERATIONS, ESPECIALLY MILLENNIALS, ARE MORE ACCEPTING OF ALL TYPES OF PERSONALIZATION

Millennials have followed the journey of personalization from its early stages, giving them more exposure and potentially comfort with its evolution than Gen Z

How **appropriate do** consumers find different types of **data for personalization?** % very appropriate

TYPES OF DATA:	ADULT GEN Z	MILLENNIALS	GEN X	BOOMERS
Things you've bought before	58%	**69%**	61%	45%
Things you've searched for online	52%	**64%**	54%	40%
Demographics	51%	**63%**	52%	38%
Your online habits	51%	**61%**	48%	28%
Your location	50%	**59%**	55%	43%
Your social media activity	46%	**58%**	42%	21%
What you watch or listen to	54%	**58%**	49%	30%
Your personality or preferences	48%	**57%**	49%	28%
Places you go often	43%	**57%**	47%	28%
Major life events	41%	**55%**	44%	24%
Your life stage	42%	**53%**	43%	25%
Your mood	44%	**52%**	41%	17%

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RELE VANCE

(**A TOOL FOR COMBATTING PRICE SENSITIVITY**)

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UNPACKING THE EFFECTIVENESS OF PERSONALIZED MESSAGING

The testing framework

5
Data Types

- Online behavior
- Transactional purchases
- Life stage
- Psychology
- No personalization

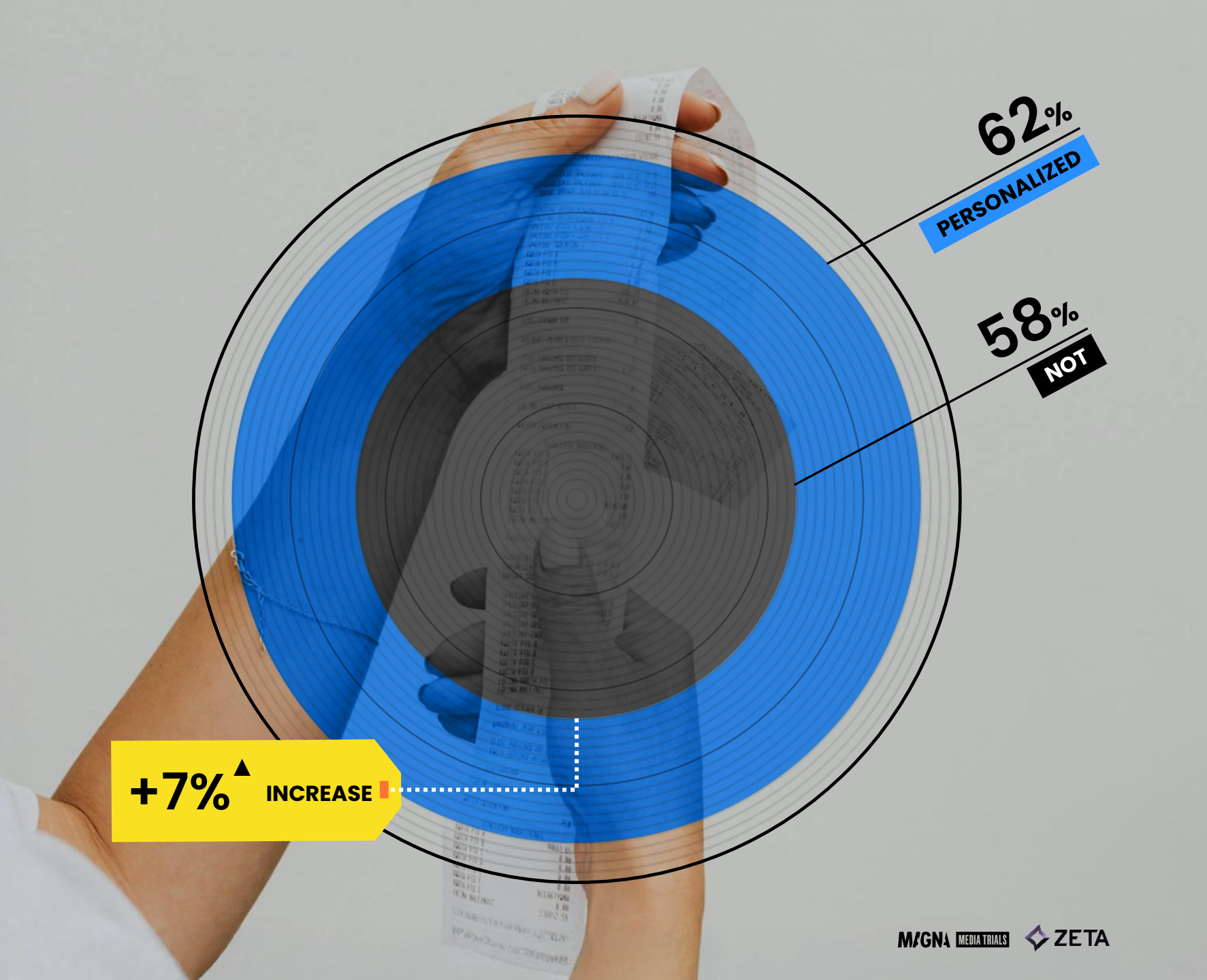## 220
Unique Messages Per Brand
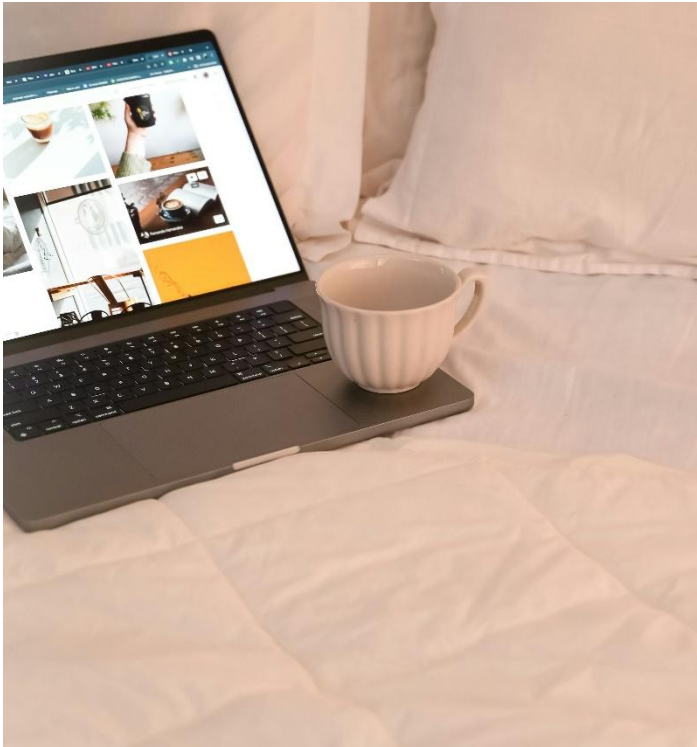
68,688
Scenarios

4 Brands

| FOOD | BEER | WINE | TECH* |

6
Price points for each product

$ ... $$$$$$

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PERSONALIZATION DRIVES PURCHASE APPEAL

Brands can increase their chances of being chosen over competitors by 7% when using personalized messaging

Personalization's impact on purchase probability | Gen pop
Modeled probability

62% PERSONALIZED

58% NOT

+7% ▲ INCREASE

14

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PERSONALIZATION IS EVEN MORE IMPACTFUL AMONG THOSE CLOSEST TO PURCHASE

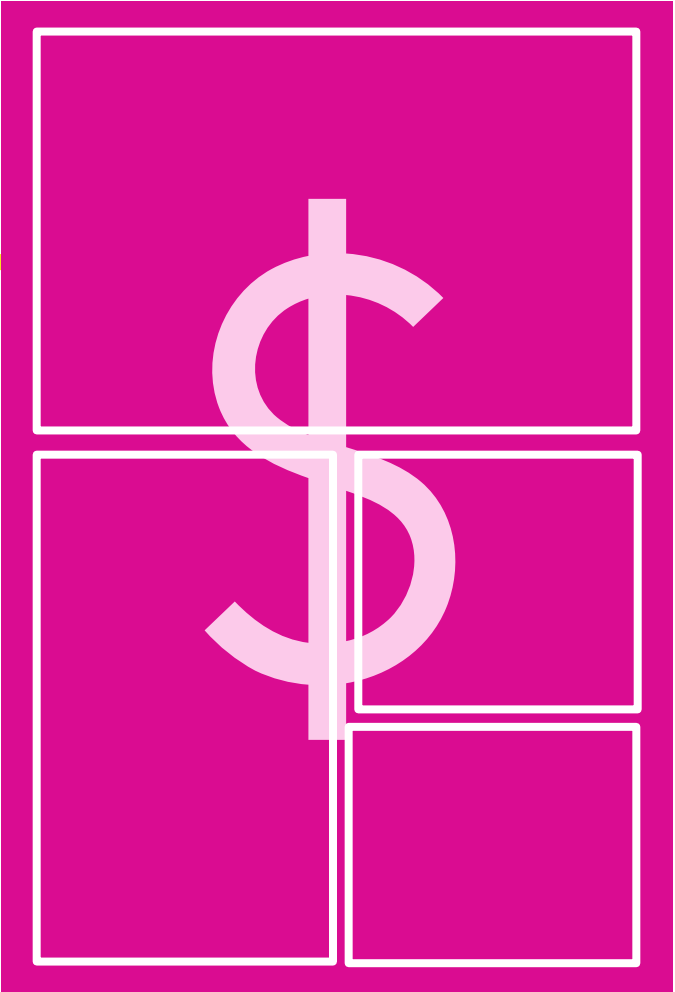**Comparing the impact of personalized vs. non-personalized messaging on purchase probability**
% Modeled Lift

+26%▲ increase
Among those looking to purchase the category soonest

+19pts ▲
More effective
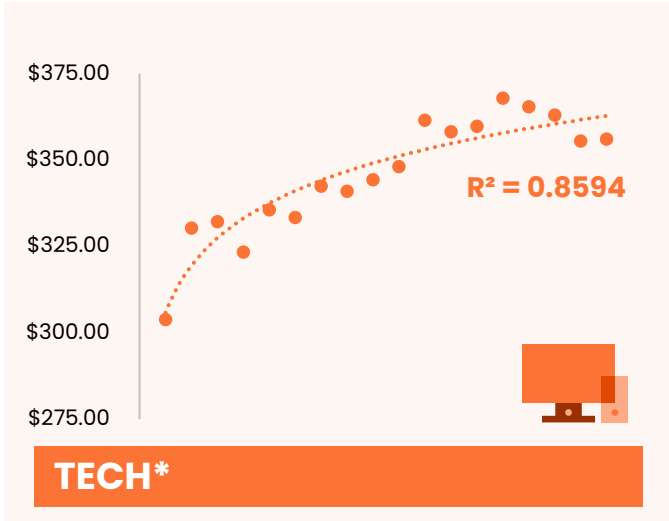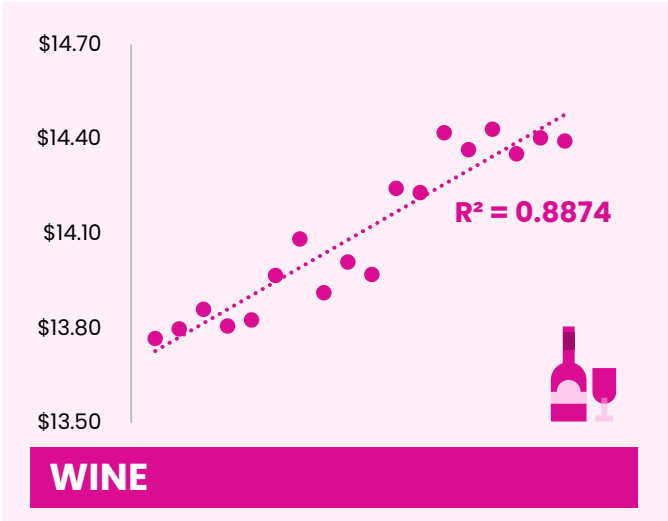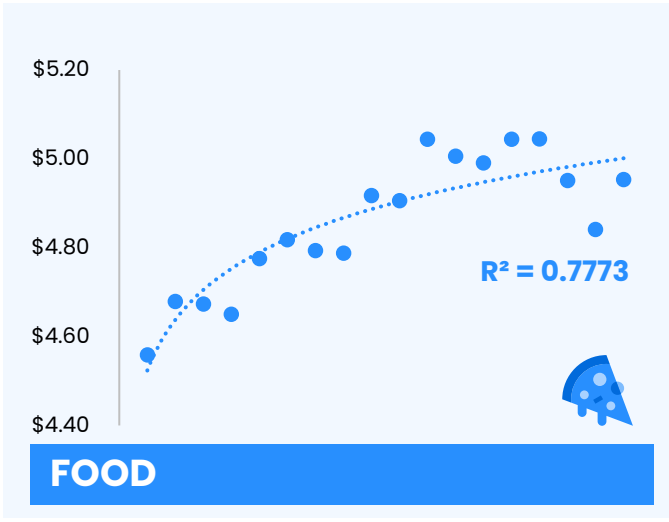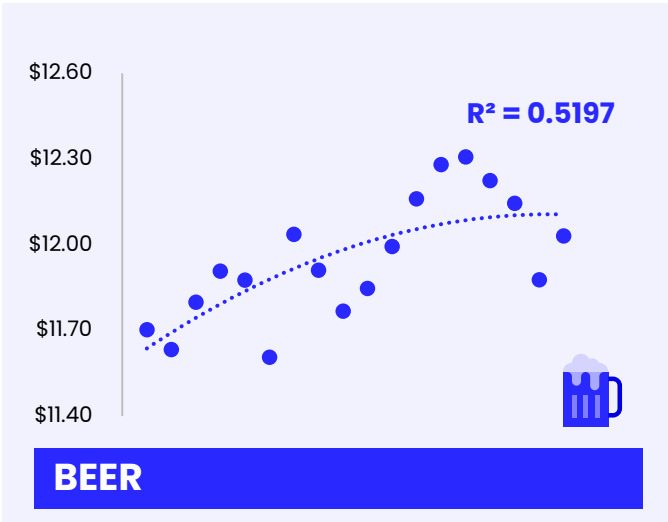
+7%▲ increase
Gen pop

Message testing survey: Personalized scenarios n=13,483; Non-Personalized scenarios n=22,896
Q: Imagine you come across ads from these three brands with the following messages. If you had to choose, which brand would you be most likely to buy?
Note: Holding all other factors constant, personalization increases the probability of brand selection by 4 points compared to standard messaging
Personalized Scenarios n=13,483; Non-Personalized Scenarios n=22,896
Note: "Those looking to purchase the category soonest" includes people who buy food multiple times a week, purchase beer or wine daily, or are likely to buy a tech item within the next three months
▲ All modeled values are statistically significant at ≥ 90% confidence

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ACROSS VERTICALS, CONSUMERS ARE WILLING TO PAY MORE FOR PERSONALIZATION

The more personalized a message feels, the more consumers are willing to pay for it

Amount willing to pay by level of personalization
Regression Modeling

R² = 0.5197

$12.60
$12.30
$12.00
$11.70
$11.40

BEER

R² = 0.7773

$5.20
$5.00
$4.80
$4.60
$4.40

FOOD

R² = 0.8874

$14.70
$14.40
$14.10
$13.80
$13.50

WINE

R² = 0.8594

$375.00
$350.00
$325.00
$300.00
$275.00

TECH*

Slightly Personalized   **Very** Personalized

BRANDS CAN BENEFIT WITH SIGNIFICANT LIFTS IN REVENUE

How much more consumers are willing to pay for personalization
% Modeled Lift

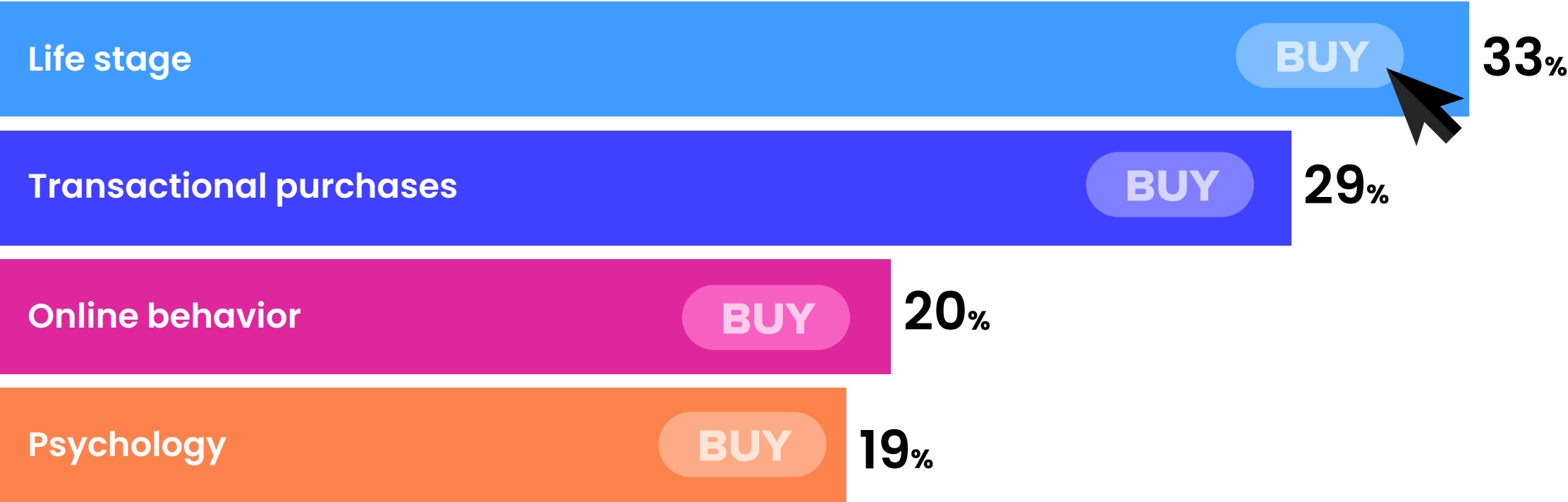**TECH: +2.7%▲**
WINE: +1.8%▲
FOOD: +1.8%▲
BEER: +1.2%▲

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MUST KNOWS

WHAT EVERY BRAND SHOULD KNOW WHEN USING PERSONALIZATION

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AD PERSONALIZATION THRIVES BY CONNECTING WITH BOTH WHERE CONSUMERS ARE IN LIFE AND WHAT THEY BUY

Drivers of purchase decisions by personalization type
Modeled relative importance

Life stage BUY	**33**%
Transactional purchases BUY	**29**%
Online behavior BUY	**20**%
Psychology BUY	**19**%

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CONSIDER THE MOST IMPACTFUL PERSONALIZATION TYPE BASED ON THE VERTICAL

Drivers of purchase decisions by personalization type | among those looking to purchase the category soonest
Modeled relative importance
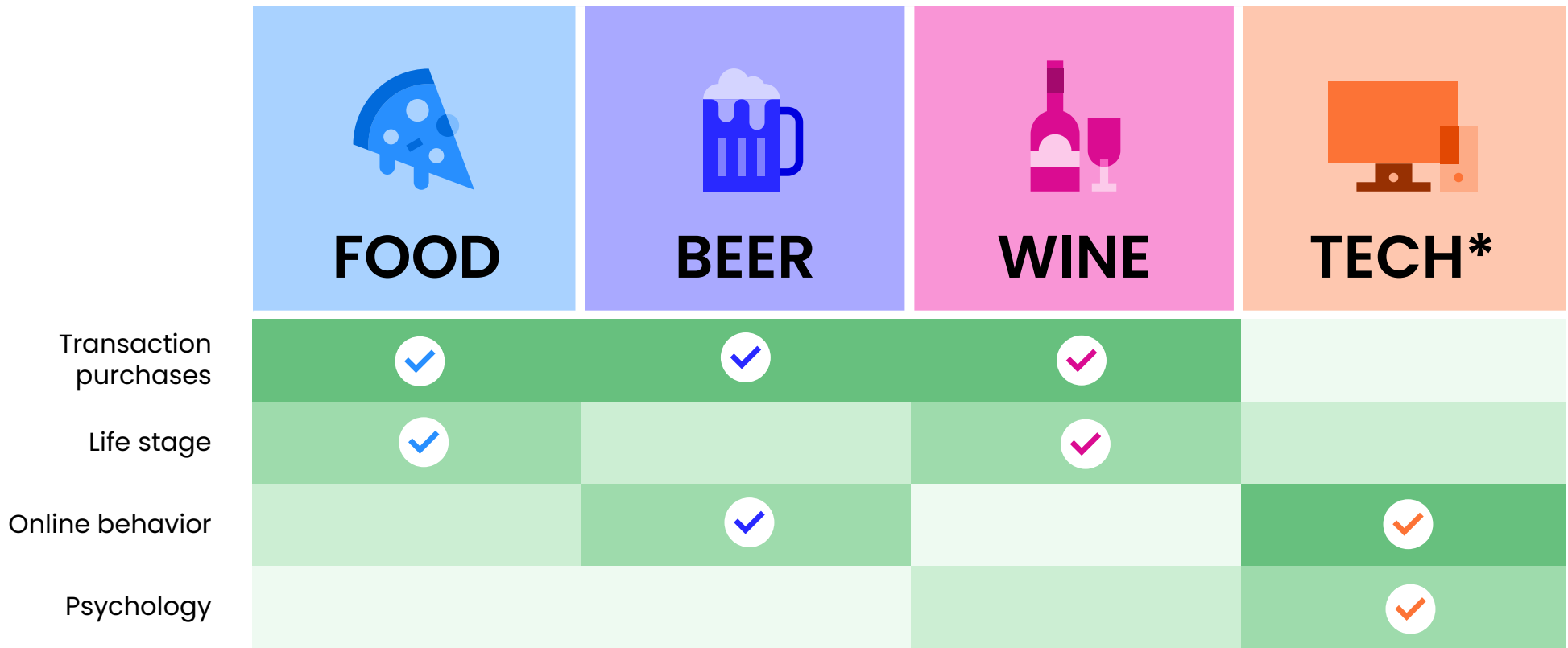
	FOOD	BEER	WINE	TECH*
Transaction purchases	✓	✓	✓	
Life stage	✓		✓	
Online behavior		✓		✓
Psychology				✓

Less   *More*

BRANDS SHOULD MEET PERSONALIZATION EXPECTATIONS ACROSS DEVICES

Tailor personalization to the device: prioritize action-based personalization on mobile, search-focused on desktop, and discovery-driven on TV

Personalization types expected most, by device

% selected

Smartphone

1. Ads that remind you to do something
2. Ads that match your interests

Desktop/Laptop

1. Ads from brands you've bought from before
2. Ads from brands you've looked up before

Streaming TV

1. Ads that introduce you to new brands
2. Ads that show you new products

Cable/Satellite

1. Ads that introduce you to new brands
2. Ads that show you new products

WRONG PERSONALIZATION PERFORMS WORSE THAN NO PERSONALIZATION AT ALL

Poorly targeted personalized messages can undermine a brand more than help it, in many cases, a generic ad would be more effective

Likelihood to select a brand when personalized

Modeled likelihood | Not personalized message - Incorrectly personalized message

100%

Impact from incorrect vs. no personalization

RESULT OF INCORRECT PERSONALIZATION

−43%

0%

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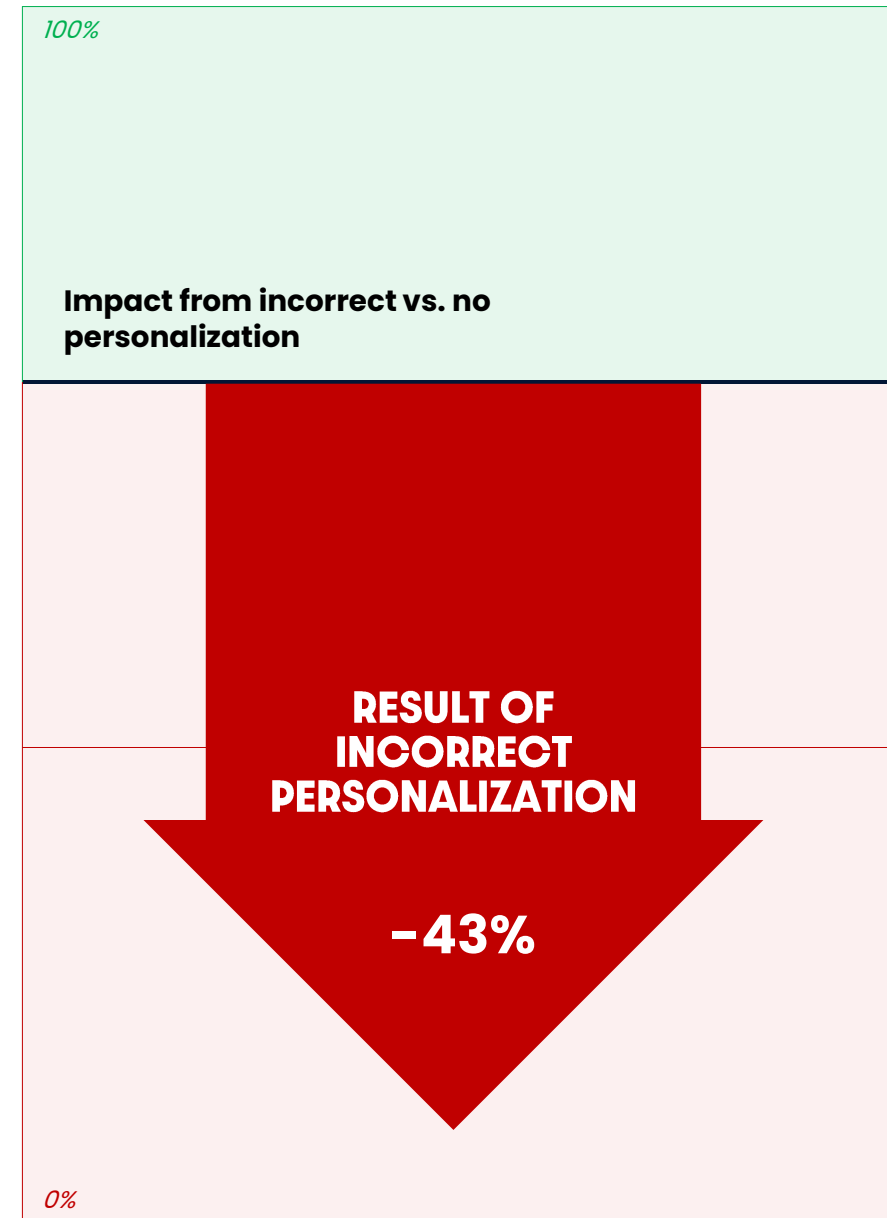
PERSONALIZATION HAS A BREAKING POINT

When consumers see a personalized message as creepy, there are repercussions, including lack of trust and overall perception of the brand

Repercussion when personalized messaged is seen as creepy
Indexed

155
Feel like the brand was **trying too hard**

Those who found **the message creepy indexed** to those who did not **(100)**

Sophia, Monday again?

Have a drink.

Wine

More likely to trust the brand **37**	Feel comfortable with the message **48**	Interested in learning more about the brand **48**	Find the message helpful **53**

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DON'T REFERENCE NAMES OR SEARCH BEHAVIOR IN PERSONAZLIED ADS - IT FEELS CREEPY

Why consumers found the personalized ad creepy
% selected

NAME MENTION

It mentioned my name, **75%**

SEEMED TO KNOW TOO MUCH

The message seemed to know too much about my needs, **48%**

RECENT SEARCH REFERENCE

It referenced my recent search history, **44%**

OVERLY SPECIFIC

It was too specific to my interests, **32%**

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IMPLICATIONS

WHEN PRICE MATTERS, PERSONALIZATION PAYS

Price matters more than ever. In today's market, brands that personalize their message can not only meet consumer expectations but also curb price sensitivity

PERSONALIZATION SHOULD BE MULTI-DIMENSIONAL

Personalization shouldn't be one-dimensional. To personalize smarter, use a layered approach built on where consumers are in their life and what they buy

GET IT RIGHT, OR DON'T DO IT

The wrong kind of personalization is worse than none. Irrelevant or creepy ads damage trust and brand perception

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THANK YOU