

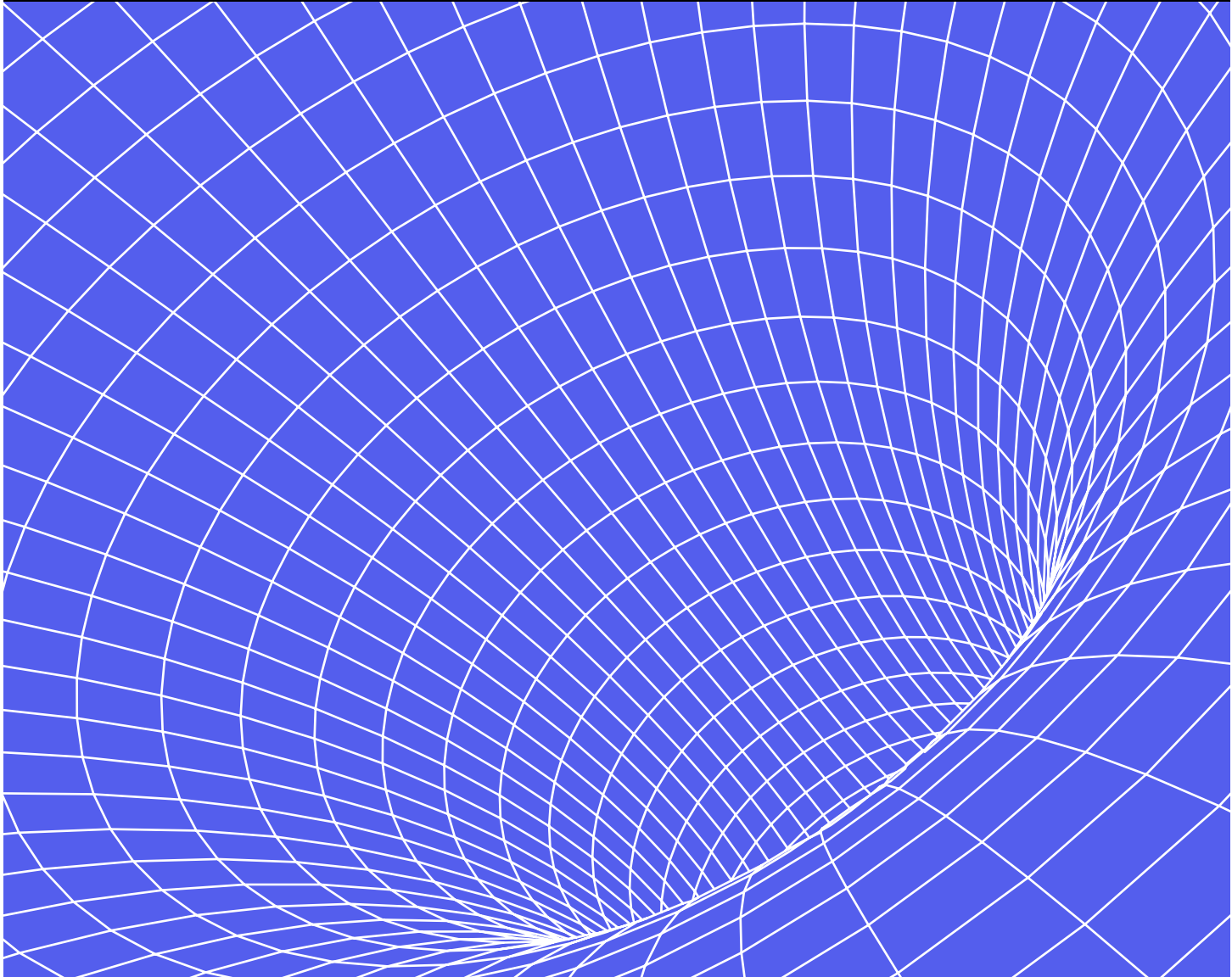


SPECIAL REPORT

THEMARSAGENCY®

Refining the Funnel

COMMERCE WEEK 2022 RECAP



The marketing world is embracing a new model of aligned, data-driven engagement



The most thought-provoking statistic presented from the stage at Commerce Week this summer was probably this one: **80% of CEOs are looking to marketing to drive revenue growth.**

If that statistic is accurate, then exactly what do the other 20% of CEOs expect from their marketing — branded swag?

To be sure, the practitioners of media advertising and other methods of “upper funnel” marketing have long sought to maintain a clearly defined distance from the sales-driving tactics of their “lower funnel” counterparts across the organization.

Yet it still sounds odd to suggest that revenue growth might not be considered the natural, even obvious, objective of all marketing activity, regardless of how much farther down the funnel the purchase might eventually occur.

It certainly seemed counterintuitive to the rest of the discussions taking place in July at Commerce Week, Adweek’s second-annual deep dive into sales-driving strategies through all current and future retail channels — real and virtual.

Yes, there was plenty of talk about upper funnel brand building vs. lower funnel conversion. But it was almost always in the context

of aligning the two activities to avoid duplication, improve efficiencies, strengthen collaboration, deepen consumer engagement and/or drive revenue growth.

So while many organizations are still struggling with the mechanics of aligning marketing functions, processes and budgets that have been siloed for decades, there’s no longer anyone questioning the need for it to happen.

“In my job for the last five years, I’ve had to constantly transform, and build new capability, and balance the short- and the long-term equally,” summarized Julie Bowerman, Kellogg Co.’s Chief Marketing Officer, during a session focused on retail media but illustrative of the need for “full-funnel activation” that underscored nearly all discussions across the event’s three days.

The following report examines five key themes from The Mars Agency’s perspective, along with an additional smattering of thought-provoking statistics and noteworthy quotes from the speakers. ■

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“Hybrid” is the new “Omni.”

Everything in the world of commerce marketing is now “hybrid,” a word used by numerous speakers that even aptly describes the event itself: of Commerce Week’s roughly 630 total attendees, about 330 gathered live in New York City while the other 300-or-so logged on remotely.

The word was used similarly in some cases as a synonym for “omnichannel,” as speakers discussed the need to connect online and of-line sales and engagement in the lower funnel to address the still-evolving state of shopping behavior.

For instance, Kraft Heinz’s decision to broaden the scope of its shopper marketing function to cover “end to end” activity with retailers is already paying off, said Ashley Becker, VP-Ecommerce and Omni Customer Growth. “We’re having much more intentional conversations with our retailers, bringing in big leaders and key thought leaders so we can drive impactful plans in those JBPs,” she said.

But “hybrid” might have been used more often to explain the aforementioned need for upper-funnel brand marketing and lower-fun-

nel performance marketing to become better aligned. Speakers consistently championed greater transparency between the two activities at the very least, but typically called for brand building and basket building to become a united process that can seamlessly guide consumers all the way through the funnel (*see No. 2 on page 5*).

“The lines are blurring between marketing, entertainment and commerce,” said Jayme Jansky Beck, Unilever’s Head of Shopper Marketing. “It’s important for brands and retailers to deliver ... shoppable moments ... to help them convert at any moment in the journey.” ▶



▶ Continued...

The evolution of media is increasingly helping this happen: As one example, Connected TV (or CTV) is turning television into a performance marketing channel because it merges the medium's classic storytelling power with the measurability of digital marketing, suggested Chris Contreras of CTV provider MNTN.

Kellogg's Bowerman addressed both uses of the word in the key takeaways portion of her session by encouraging brands to treat e-commerce and in-store, along with brand and performance marketing, "as one." Consequently, measurement solutions should take those two strategies into account, she said.

Then there are the ever-increasing opportunities to create hybrid experiences by merging "IRL" with virtual reality through the metaverse. Most of the speakers who extolled the virtues of these immersive digital worlds strongly suggested that marketers don't jump in without an IRL lifeline.

That is, marketers shouldn't just add virtual reality activations to their portfolio but instead should find the best ways to blend them into a unified brand experience. Blending VR and IRL generates stronger results, according to several speakers.

What's more, mass adoption of the technology will require a hybrid approach because virtual-reality skeptics will be reluctant to spend time or their money without some kind of tangible gain for their efforts, suggested Neil Wright, Head of Collaborations and Experiential at Complex Networks. ■

You would expect to hear plenty of references to the classic marketing funnel at a conference hosted by Adweek. The difference now, of course, is that everyone recognizes the near-real-time speed in which consumers can move through every step.

Therefore, even when speakers talked about shifting their media strategies away from transactions to focus more on upper funnel activity like brand building and awareness driving, there almost always remained a lower-funnel connection to the action. In one example, New Balance Chief Marketing Officer Chris Davis explained that 70% of his budget is now focused on the upper funnel — but used in part to drive traffic to commerce-enabled New Balance websites.

Similarly, home decor retailer Wayfair has lately devoted more of its media spend to upper funnel advertising to drive greater brand awareness — which has helped capture greater demand on Google (where it was already advertising), according to CMO Bob Sherwin.

One recurring question at the event was whether retail media is best classified as an upper or lower funnel tactic. The consensus, however, was that retail media can deliver results throughout the funnel or at least serve as a bridge between the two — and no, it wasn't just the networks themselves saying that: "Retail media offers a tremendous opportunity for brand-building and traffic driving," said Vivian Chang, Head of DTC at Clorox.

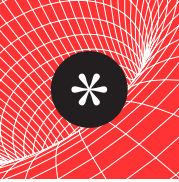
"There's still some debate about how much lower funnel tactics drive upper funnel metrics like equity and loyalty," said Kellogg's Bowerman. "The metrics don't align, which is part of the challenge. The way in which we're measuring does need to come together."

The marketing funnel is pretty flat.

At the moment, only 17% of organizations claim that their retail media activity is "very coordinated" with other digital ad channels, according to a survey conducted by Skai. That hinders the organization-wide line of sight that's now necessary. What's worse, 72% of brands say they don't have the tools, data or know-how to realize the full potential of connected commerce, according to the survey.

Kellogg has been working with Walmart Connect to develop a "full funnel" approach, using data to better understand what is influencing shoppers at each step of their journey, according to Bowerman. The CPG is looking for solutions that can "immediately drive the transaction" wherever the consumer might be in the funnel, she said.

"We've really leaned in with Walmart as they've built up their capabilities ... to say, 'Help us connect that full funnel. How do you become the measurement and data solution to help my brand organization think in that integrated way?'" ■



Slide-Enhancing Stats Copy + paste to help the cause of Connected Commerce.



Shopping Behavior

75% of shoppers are now omnichannel, but only **5%** are ecommerce-only. (*McKinsey*)

40% of consumers say that supporting a brand's mission is a top-three reason for continued engagement. (*Attentive*)

130,000 consumers participated in ComplexLand 2021, which turned the 5-year-old ComplexCon streetwear-focused festival into a virtual event. (*Complex Networks*)

53% of 18- to 25-year-olds research products on social media. (*Channel Advisor*)

69% of Walmart shoppers use their phones as a tool while in the physical store; **82%** of Walmart app users consult the tool 2 to 4 times while shopping for food and beverages. (*Walmart Connect*)

51% of consumers have purchased a product online while in a physical store. (*Criteo*)



Inmar Intelligence

81% of consumers prefer ads that match what they're viewing.

71% switched brands in 2021.

71% will share personal data if it gets them personalized offers.

49% have used messaging tools to engage with brands and retailers.

46% want a personalized experience.



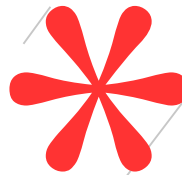
Retail Media

\$61 billion will be spent on retail media advertising by 2025. (*eMarketer*)

97% of Pinterest searches are unbranded. (*Pinterest*)

57% of consumers acknowledge making a purchase elsewhere after seeing an ad on Amazon.com. (*Channel Advisor*)

CTRs increased **40%** and CPC declined **5%** when Roundel began allowing TPAs (Sponsored Product Ads) to be placed in the top two slots of search results. (*Roundel*)



Retail Media Networks want to partner.

The contentious early days of retail media — when retailers and brands didn't always agree on how well campaign performance levels justified the investment requests (ahem) coming from the network — are giving way to a true spirit of business-building partnership.

This evolving collaborative mindset might have been summarized best by Diana Finster, Walmart Connect's Head of Agency & Tech Partnerships, who shared the stage with Bowerman. Finster's "Key Takeaways" summation included the following promise: "Walmart Connect is dedicated to growing and improving all facets of how we work together."

But that wasn't an isolated sentiment: "We're getting all the kinks out by working together," said Jill Smith, VP-Media Sales for Kroger Precision Marketing, during a fireside chat with Katie Pretti, VP-Commerce at Performics.

In a later session with Sue Toy, VP of Retail Commerce Leadership at Tyson Foods, Smith noted that KPM sometimes even needs to help CPGs work out internal kinks after receiving separate RFPs for the same campaign from

brand and shopper teams. "It's different budgets, different funding sources, but because the two weren't talking, they didn't realize both were coming to [us]."

To avoid those kinds of situations, Tyson has formed a cross-functional Retail Media Task Force. "We are starting to have the right conversations internally," said Toy. "Breaking down the silos is really hard, but it can be really worthwhile."

Promises aside, many of the new network capabilities showcased at Commerce Week appear to be addressing the oft-stated needs of brand advertisers. Walgreens Chief Customer Officer Tracey Brown noted that explicitly when she said that the retailer's media network was originally "set up from a retailer perspective, but we will be pivoting here." ▶

Among the brand-friendly initiatives being showcased:

- Walmart Connect touted its efforts to improve both ease of use and campaign performance by adding self-service buying tools for advertisers.
- Target promised to provide closed-loop measurement of both online and in-store sales by the end of 2022 during a panel discussion focused on the effectiveness of Sponsored Product Ads (aka Target Product Ads).
- KPM spotlighted its custom audiences and real-time measurement (and optimization) tools.
- Instacart previewed its soon-to-launch shoppable display ads and in-pilot shoppable video, part of broader efforts to build out its media options that will also include opportunities for the last-mile delivery provider's 750-plus retailer partners.

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“Retail media has evolved to meet the needs of brands,” said Abishake Subramanian, VP-GM of the newly launched Lowe’s One Roof Media Network, while promising strategic campaign planning instead of media sales. “We don’t talk about the exciting media capabilities we bring to the table,” he said. “We start with really defining what the strategic objectives are.”

“Retail media networks are at a crossroads: Be transactional or transformational,” said Jane Butler, Managing Director of Pureplay Retail and DTC at Google. With eMarketer expecting ad spending in the market to jump 300% to \$61 billion by 2025, it appears that most networks are shooting for transformational so they can win a sizable share of those transactions. ■

Innovation is job

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While always critical to success, innovation is even more important during periods of rapid change. And organizations should consider implementing new policies or even structural changes to ensure that innovation can thrive in business environments that are often designed to be risk-averse.

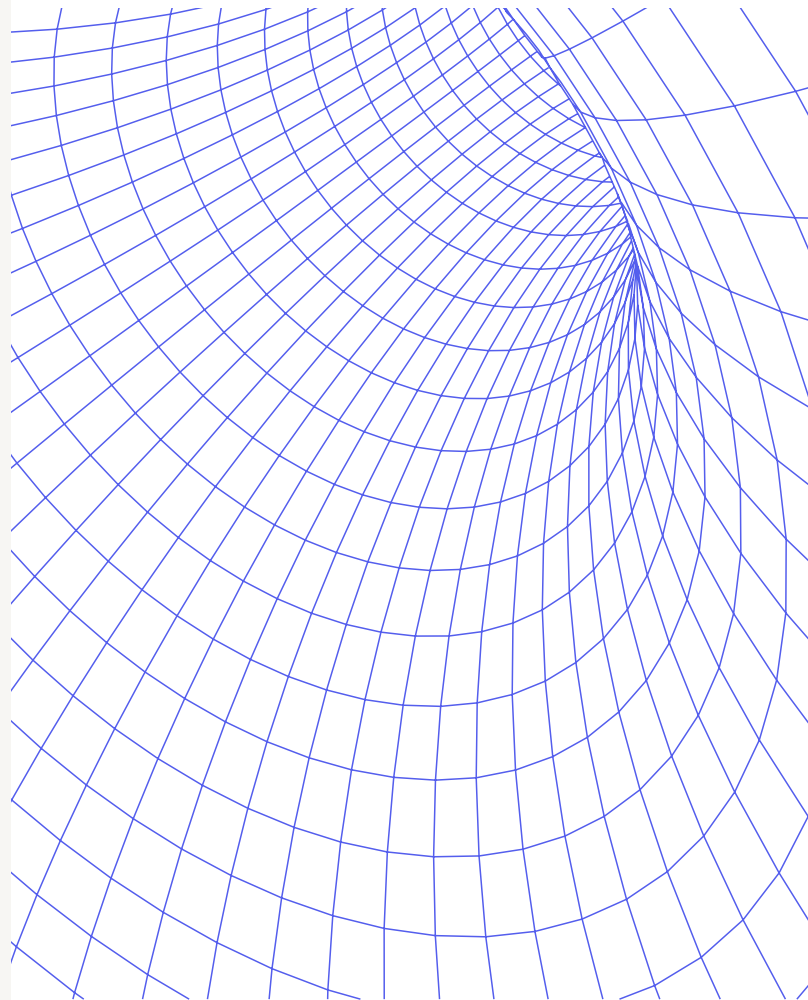
“Growth and comfort are two concepts that cannot coexist,” said Davis at New Balance, which has actively sought to develop a culture of “calculated risk excellence.”

“We’re scientists. We experiment. Our job is to convert shoppers, to inspire them to do something they didn’t plan on doing,” said Steve McGowan, Head of Shopper Activation and Strategic Partnerships at Mondelez International. “Instead of thinking in terms of success or failure, think of [innovation] as a step that helps you do things better the next time.”

But while innovation is vital, maintaining and more steadily growing the existing business through established best practices is still more important, as even the most adventurous of speakers acknowledged.

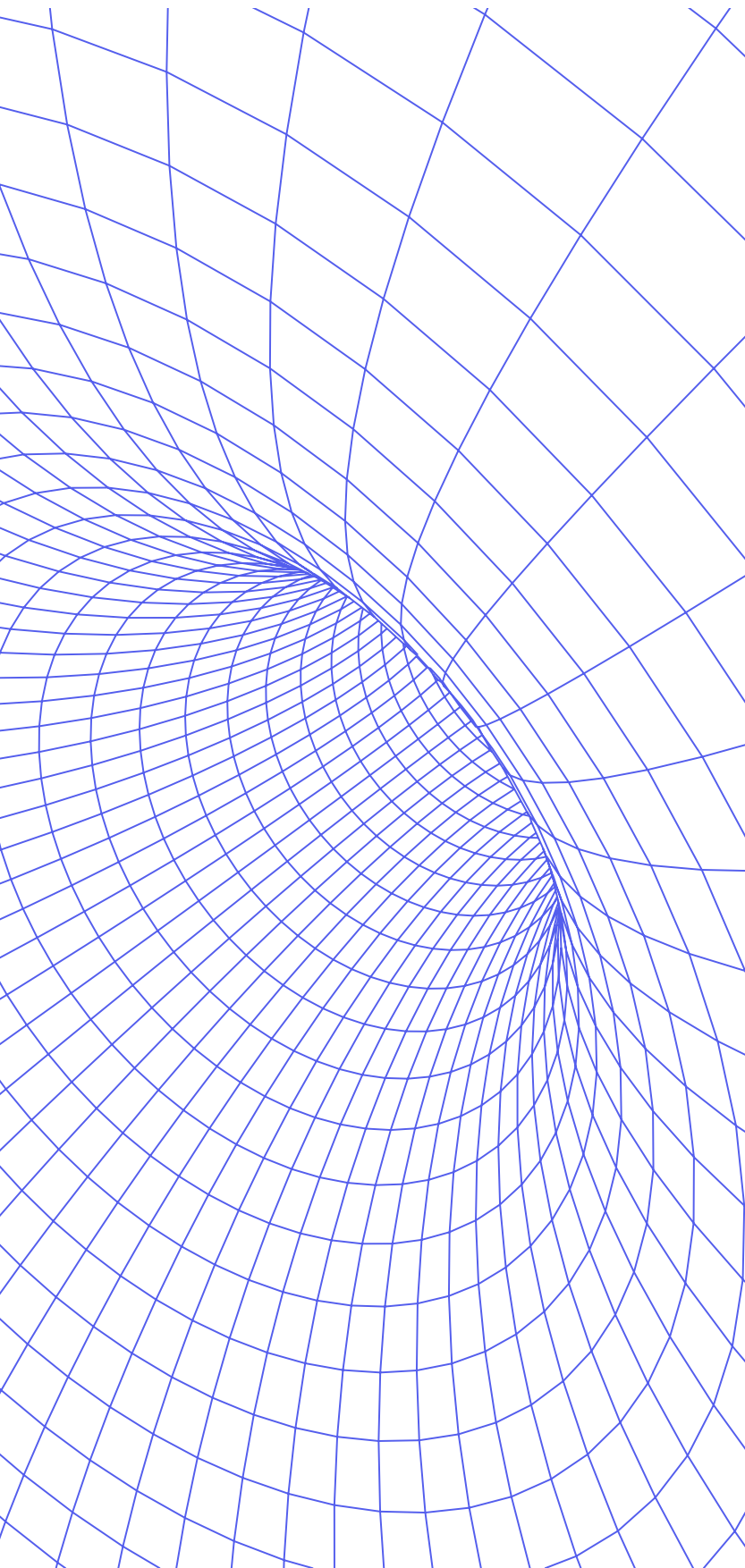
“It’s really important to innovate, but you have to do the basics brilliantly and grow steadily,” said Donald Chestnut, Chief Experience Officer at General Motors, who nonetheless spent much of his session discussing innovative efforts like a voice-enabled (but safety-ensuring) digital owner’s manual. GM devotes 60% of its resources to “foundational fixes” on existing activity, 30% to satisfying growth targets, and 10% to innovation.

The exact formula varies by company, depending on how important innovation is to the overall strategic plan; Mondelez follows a more conservative 80-20 model, McGowan explained. ▶





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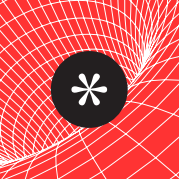


That level of practicality even extends to the metaverse, according to Jamie Bradley, Head of Creative Enablement at VidMob, who advised brands to keep scalability in mind when experimenting with new tools like Web 3.0. Innovation should also be integrated into the overall strategy rather than treated as a one-off, she suggested.

“There are lots of shiny objects out there in the marketplace,” said McGowan, speaking more generally. “I go into a test & learn thinking of the endgame: If I’m going to scale this later, what are the human resources required, the financial resources? Can I execute this within my matrix organization? It’s so important to understand how you can get there.”

It’s also important to understand where your consumers are going, since they can help guide innovation in the right direction. “Consumers want to share their preferences with us. They want to co-create,” said Chang at Clorox.

“Crowdsource the future state of your brand. Lean into the creativity of your community and innovate alongside them,” advised Brie Olson at Pacsun, which continues to adjust its industry-leading Metaverse endeavors in response to consumer engagement with each initiative. ■



Shareable Sound Bites Copy + paste to help the cause of Connected Commerce.

// We're working with partners like Walmart to [determine] how we connect to the top of the funnel as we increase our spend at the bottom of the funnel. // — Julie Bowerman, Kellogg

// Our clients are really challenging us: Everybody loves seeing 300%, 1,000% ROAS, but what is the media actually doing incrementally? // — Criteo's Ryan Britton, on the demand for better metrics

// We now actually have shorter attention spans than goldfish. // — Inmar Intelligence's Nicole Henry, on a 25% decline in the average consumer's attention span

Tom Flanagan, Former EVP-Leo Burnett, ORIGYN

// The utility of NFTs will change the way industries do business. //

// Cut the sports sponsorships and spend where you can talk directly to customers. // — on how marketers should respond to a recession

// I don't know if there is a uniform way to define retailers. It comes down to the conversations and the relationships that you have. // — Kraft Heinz's Ashley Becker, when asked to compare retailers

// The fact that 'the line' still exists is the most f'ed up thing I've ever heard. // — Profitero's Sarah Hofstetter, on the outdated notion of above- and below-the-line marketing

Chris Davis, CMO, New Balance

// Your marketing has to be a 100% reflection of your brand. // — on the need for authenticity

// DTC is a way for us to control our own destiny. It is a primary driver of growth. //

"Influencers are content distributors, not authentic advocates. //

// You should not even be able to identify whether it's an ad or natively shown creative on the site. // — Lowe's One Roof Media Network's Abishake Subramanian, on the platform's goals for ad relevancy

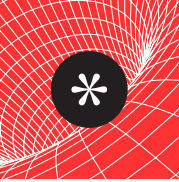
// Creativity and data are no longer on opposite ends of the spectrum. // — AdoreMe's Ranjan Roy

// Northeast, be excited. // — Kroger Precision Marketing's Jill Smith, on the retailer's plans to go "full national" through ecommerce

// We're no longer interrupting people to get their attention — they are [willingly] entering the ad. We're moving from disruptors to enhancers. // — VidMob's Jamie Bradley, on the game-changing uniqueness of the metaverse

// Brands carry less weight. It's the value of the community [built by the brand], not the brand itself. // — Pacsun's Brie Olson, on the potential for brands in the metaverse

▶ Continued...



Shareable Sound Bites ▶ Continued...

// Mass adoption of Web 3.0 will require a hybrid approach to product and experience. **//**

— Neil Wright, Complex Networks

// If you know your shopper, and you know what drives them, then you're going to be able to reach them. If you stay grounded in the data, that will help you be sane. **//**

— Unilever's Jayme Jansky Beck, on managing the complexities of today's path to purchase

Vivian Chang, Head of DTC, Clorox

// Direct to consumer [offers] another avenue to have a relationship with consumers. **//**

// It's about as good as you can get in terms of understanding consumers [and] a great seed audience for doing any kind of modeling. **//**

— on the value of first-party data

// At the end of the day, we're going to lose share and penetration if we don't figure this out. **//**

— Tyson Foods' Sue Toy, when asked what brands risk by not aligning internally across functions

Steve McGowan, Head of Shopper Activation and Strategic Partnerships, Mondelez International

// You can't wait. The marketers separating themselves from the pack are the ones looking at the information, pulling out the insight, acting on that insight, putting it into the marketplace, measuring it, then evaluating and adjusting on the fly. **//** — on the need to avoid "data" paralysis

// The best predictor of future behavior is past behavior. That's scientifically, mathematically known. However, it's less than 50%. That's not going to cut it. **//** — on the need for better predictive analytics



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Google's decision to postpone the elimination of third-party cookies from its platform yet again (this time until the second half of 2024) became public during the conference. While that may have reduced some urgency around the calls to action being made, it also illustrated the ever-growing need for accessible, actionable — and affordable — consumer and shopper data to guide all business decisions.

“If we're really focused on driving breakthrough consumer experiences, we've got to focus on how we unlock consumer data in a meaningful way,” said Kraft Heinz's Becker.

One “imperative” for making that happen is establishing a single source of data truth internally, said Ranjan Roy, VP of Strategy at online intimates retailer AdoreMe. In a session co-presented with The Mars Agency, McGowan outlined the benefits that Mondelez has gained by doing exactly that.

Naturally, the unique advantages of the first-party shopper data available through retail media networks were discussed in great detail. Among them are the ability to deliver a single truth source (for the retailer's customers), customize audiences and measure (and therefore optimize campaigns) in real time, according to Katie Pretti, VP-Commerce at Performics, while sharing a stage with KPM.

“When you're able to marry our first-party data with third-party data, you get very unique ways to target customers,” said Brown at Walgreens, which taps into behavioral data from 100 million+ members of the MyWalgreens loyalty program.

However, the consensus from both brands and the networks themselves is that significantly more work needs to be done before these and

The data countdown continues.

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other advantages will be available across all networks and the promise of retail media can be fully realized.

Brands and retailers both acknowledge that their biggest challenges are all data-related: both sides cite the need to drive positive ROI and prove incrementality; brands also point to measuring success in meaningful ways (29%), while retailers worry about obtaining the data needed for decision-making.

“We just want transparency about what [data] is being included [in the analysis] and how it's being calculated, so we can talk about the different ROIs,” said Becker. ▶

► Continued...

And then there is the growing need for zero-party data, the information that consumers provide directly — and consciously — to brands as part of a fair value exchange. Collecting this data is a key element of Clorox's DTC activity, noted Chang. Roy at AdoreMe encouraged all brands to start identifying the methods of engagement that will make consumers willing to provide information.

That will require brands to be fully transparent about their data usage and completely sensitive to consumer needs so they can deliver relatable, empathetic content, said Nicole Henry, Director of Growth Marketing at Inmar Intelligence.

“Building consumer trust really starts with listening,” said Henry, a sentiment echoed by other speakers, both literally in reference to two-way consumer dialogue and figuratively through data analysis that will lead to deeper understanding and future growth. “Trust leads to connection, which leads to changed behavior,” said Brown. ■



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