

Advancing Trade Marketing in the Digital World



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Connecting Digital and Trade Marketing

New technology has always been a central agent for retail industry change.

The spread of car ownership in the 1920s allowed consumers to travel further and carry more, resulting in the emergence of large shops outside cities. In the 1940s, home refrigeration enabled the growth of bulk food purchases. And in the 1990s, the Internet began to overcome the space limitations of physical shops, generating almost limitless variety in consumer choice.¹

1. Josh Leibowitz, [How Did We Get Here? A Short History Of Retail](#), LinkedIn, 7 June 2013.



Trade marketing is the exchange of value in manufacturer/retailer trading agreements. Typically manufacturers will 'offer' budget to retailers to support sales. These budgets are often used to fund special price deals, in-store displays and other forms of promotions at point of sale.



When does online come up in your trade marketing negotiations?

Retailer: "OK, so we'll take 200,000 units at £120 per unit."

Manufacturer: "Hmm how about 250,000 units."

Retailer: "I can stretch to 250,000 units at £100 per unit, but we'll need a £200,000 contribution to ensure we can merchandise effectively to drive sales."

Manufacturer: "OK, so what am I getting for my £200,000?"

Retailer: "Don't worry, we'll feature your product in the front of the shops, on premium shelf placements, in our magazine and marketing campaigns."

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Manufacturer: "And what about online... a significant portion of our sales are from online?"

Retailer: "Let us get back to you on that."

While core retail has experienced countless permutations, trade marketing has changed very little since it first emerged in the 1970s.

First popularised by consumer packaged goods manufacturers as a way of driving short-term sales and market share in supermarkets, it now represents a half-trillion² sub-industry within retail. But it hasn't kept pace with changes in consumer behaviour. While trade marketing practices are typically aimed at getting consumer attention at the point of sale, they haven't followed consumers in their shift to buying online.

Just 13% of manufacturers have separate bricks and mortar and e-commerce budgets and 24% have no e-commerce budget at all.³ Given the significance of digital touch points in both research and purchase, recent reports suggest that falling returns on traditional trade marketing are a function of budgets and placements not diverting from physical to digital channels as quickly as the consumer.⁴

When employed as a marketing channel, digital remains significantly underutilised. Although some retailers might traffic static messaging to all consumers, digital media is capable of much more, from precise audience targeting to robust campaign measurement. Not playing to the strengths of digital is a missed opportunity to create more relevant online experiences for users and to drive sales.

2. The Boston Consulting Group. [Paying For Performance](#). 2012.

3. Golden, Brad and Kathy Weber. [Confronting Trade Promotion Fragmentation](#). Kantar Retail, 2016.

4. The Goldman Sachs Group Inc, [Trade Budgets At A Tipping Point](#), 2015.

The rise and rise of digital

Trade marketing budgets continue to focus on influencing the consumer within the shop and through traditional media strategies. But today's consumer turns to the web for research before online or offline purchases.

Brand perceptions and purchase decisions are shaped in millions of moments ahead of purchase, even more so for higher ticket offline purchases, and these are the moments that matter for both brands and retailers alike.

In this environment, it makes sense for brands and retailers to increase the investment in digital trade marketing, where the consumer is conducting research and completing purchases.

Digital is also both targetable and measurable, so applying digital targeting to trade campaigns and leveraging the power of programmatic buying and selling will deliver a positive step change in profitability for both retailers and manufacturers.

Shopping gone mobile



Research shows that 70% of customers make their initial product discovery online versus 28% in-store, and 39% of customers research online before purchase.

That figure is even stronger for big-ticket technology purchases (55%) and for health, fitness and beauty items (58%).⁵

Year over year the influence of digital – and especially mobile – on offline purchases is growing faster than ever. Digital was responsible for

US\$1.7 trillion

of offline sales in 2015, compared to only US\$330 million in 2013.

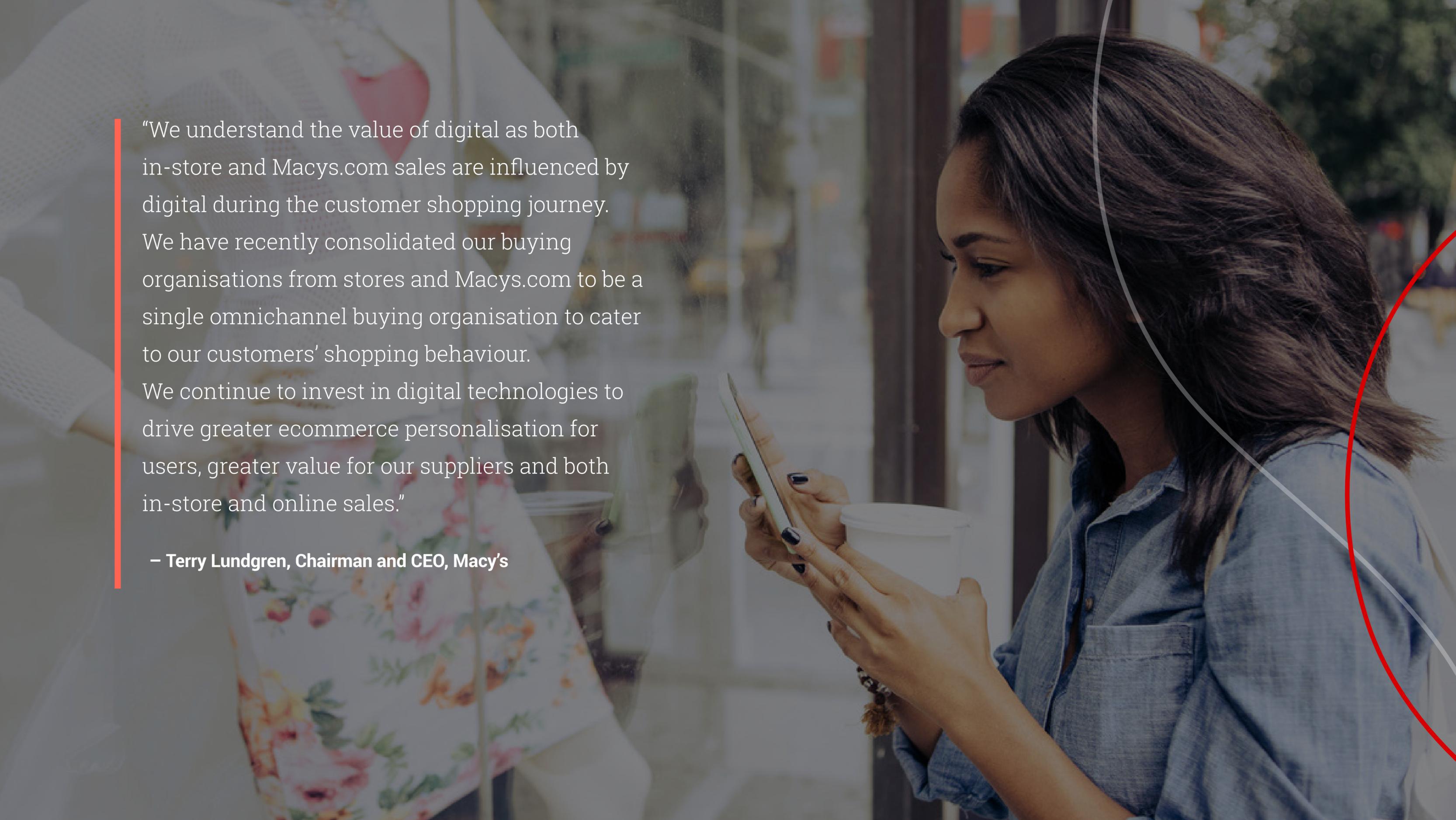
Mobile influence on in-store sales jumped to nearly US\$1 trillion (up from just US\$160 million in 2013), representing

28%

of overall digital influence.⁶

5. [ROBO: How Today's Shoppers Research Online and Buy Offline](#), Marketing Tech Blog.

6. [Navigating the New Digital Divide](#), Deloitte Digital.



“We understand the value of digital as both in-store and Macys.com sales are influenced by digital during the customer shopping journey. We have recently consolidated our buying organisations from stores and Macys.com to be a single omnichannel buying organisation to cater to our customers’ shopping behaviour. We continue to invest in digital technologies to drive greater ecommerce personalisation for users, greater value for our suppliers and both in-store and online sales.”

– Terry Lundgren, Chairman and CEO, Macy’s

What to do? Tool up

Using an ad server – to manage and traffic supplier messages, forecast and target audiences and deliver transparent and accountable campaigns – is quickly becoming a prerequisite. Manufacturers demand, and get this from, their other digital media partners, so digital ‘retail media’ should be no different. Frequency capping, targeting, remarketing, return on investment and in-flight optimisations are just basic currency in digital marketing. In short, those manufacturers and retailers that are ready to make basic use of digital’s structural advantages over offline, analogue predecessors face enormous opportunity.

“Retailers and manufacturers need to ensure that the digital customer journey is optimised and personalised, particularly at the lower end of the funnel. We are embracing this by programmatically buying retail banner display advertising tailored to our end user segments.”

– **Darren Needham-Walker**, Marketing Director, HP Australia

At Google we’re starting to see the green shoots of this trade marketing (r)evolution and are excited to be sharing some recent highlights from the pioneers of the industry.