

# US CPG AND CONSUMER PRODUCTS INDUSTRY STATPACK 2018

## Digital Ad Spending Forecast and Trends

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# **This StatPack includes updated eMarketer forecasts and third-party data**

## Methodology

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# Behind the Numbers: Methodology

eMarketer's US digital ad spending by industry estimates are updated twice a year to keep our subscribers abreast of trends in this business-critical area. **For this forecast, we analyzed nearly 60 interviews and over 160 metrics from 16 sources**, including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders.

# Behind the Numbers: What We Measure

eMarketer's digital ad spending figures include **advertising that appears on desktop and laptop computers, as well as on mobile phones and tablets**, and all the ad formats on those platforms: banner ads (static display), classified ads, email (embedded ads only), mobile messaging (SMS, MMS and peer-to-peer [P2P] messaging), rich media, search ads (including contextual text links, paid inclusion, paid listings and search engine optimization [SEO]), sponsorships, lead generation (referrals) and video (including in-banner, in-stream and in-text).

# How eMarketer defines **consumer products** and **consumer packaged goods (CPG)**

**This industry includes food products, household products, packaged goods, tobacco, personal care products, toiletries and cosmetics.**



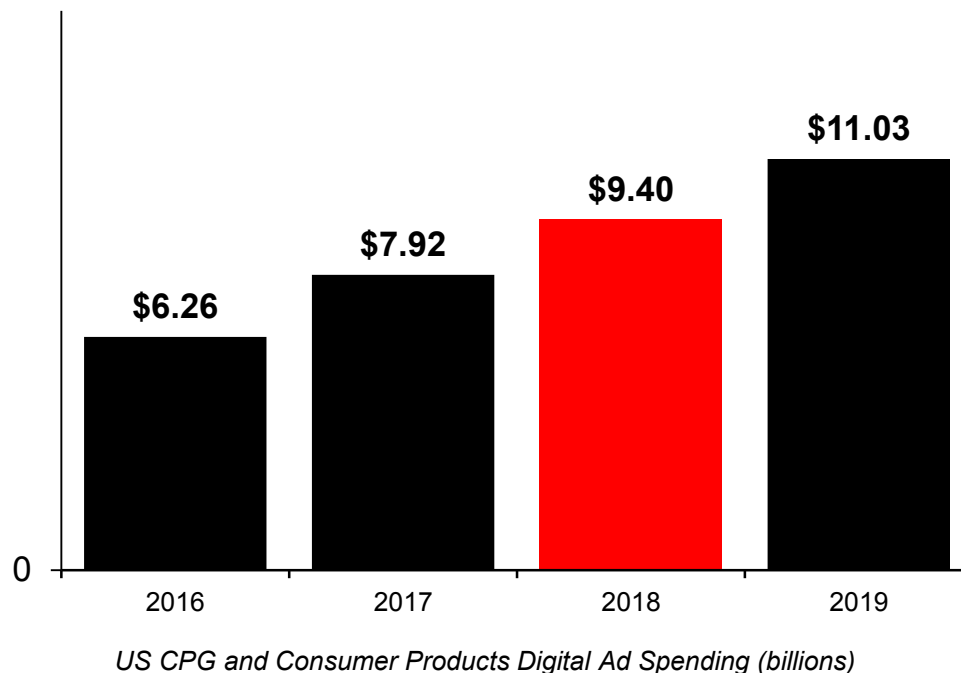
# Digital CPG and Consumer Products Spending Outlook

# Factors influencing digital ad spending in the CPG and consumer products industry

- As **ecommerce becomes increasingly important** for brands in the grocery space, it's imperative for them to appear in product searches and listings. Amazon dominates in online grocery sales and continues to grow its ad revenues. Industrywide, increased spend is reflected in various reports: In 2018, WPP agencies will increase spend on Amazon ads by 50% to \$300 million, Publicis will up its spend by 50%, and Omnicom will double its spend to \$200 million.
- **Influencer marketing in social media channels** is extending to food products. For example, the Dannon Light & Fit yogurt brand plans to increase ad spend on social platforms in 2018, according to Jeffrey Rothman, vice president of marketing at parent company Danone.
- **Direct-to-consumer (DTC) upstarts**, including subscription boxes such as Blue Apron, Birchbox and Chewy.com, are using social media to connect with target audiences—eschewing linear TV and potentially providing a road map for legacy CPG brands looking to compete with DTC disruptors.

# CPG and consumer products brands will spend **\$9.40 billion** on digital ads in 2018

We forecast that spending on digital ads will **increase 18.7% in 2018**, equal to the average growth in digital ad spending for all industries. Growth will be nearly as strong in 2019, when spend will rise 17.3%.



According to Magna Global's assessment of total media ad outlays, the CPG industry showed above-average growth of 4% between Q1 2017 and Q1 2018, primarily due to spending on video and mobile.



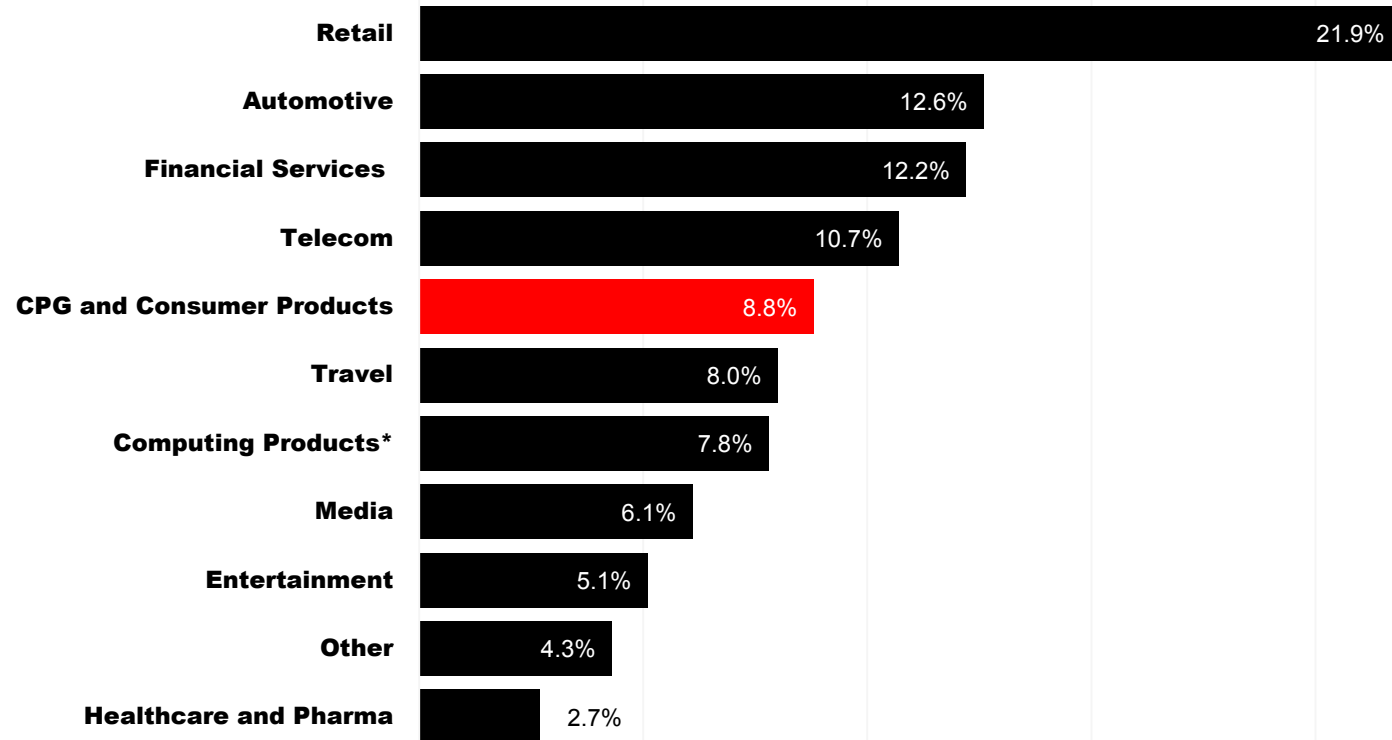
# CPG marketers are using digital channels to personalize and target ad messages

“As our digital spend has increased significantly, **our TV spend has decreased.** When you work across the marketing funnel, you’re able to use TV more purposefully. Digital can work at every level of the funnel, from awareness through the point of purchase, as an advocacy builder.”—*Alia Kemet, US Digital Marketing Director, McCormick & Company*

**“Incorporating artificial intelligence through IBM Watson into the marketing mix** this year helped us to better identify and select the most relevant influencers, and inform the content. As a result, we focused efforts on reaching consumers in a more personalized and impactful way.”—*Jeffrey Rothman, Vice President, Marketing, Danone*

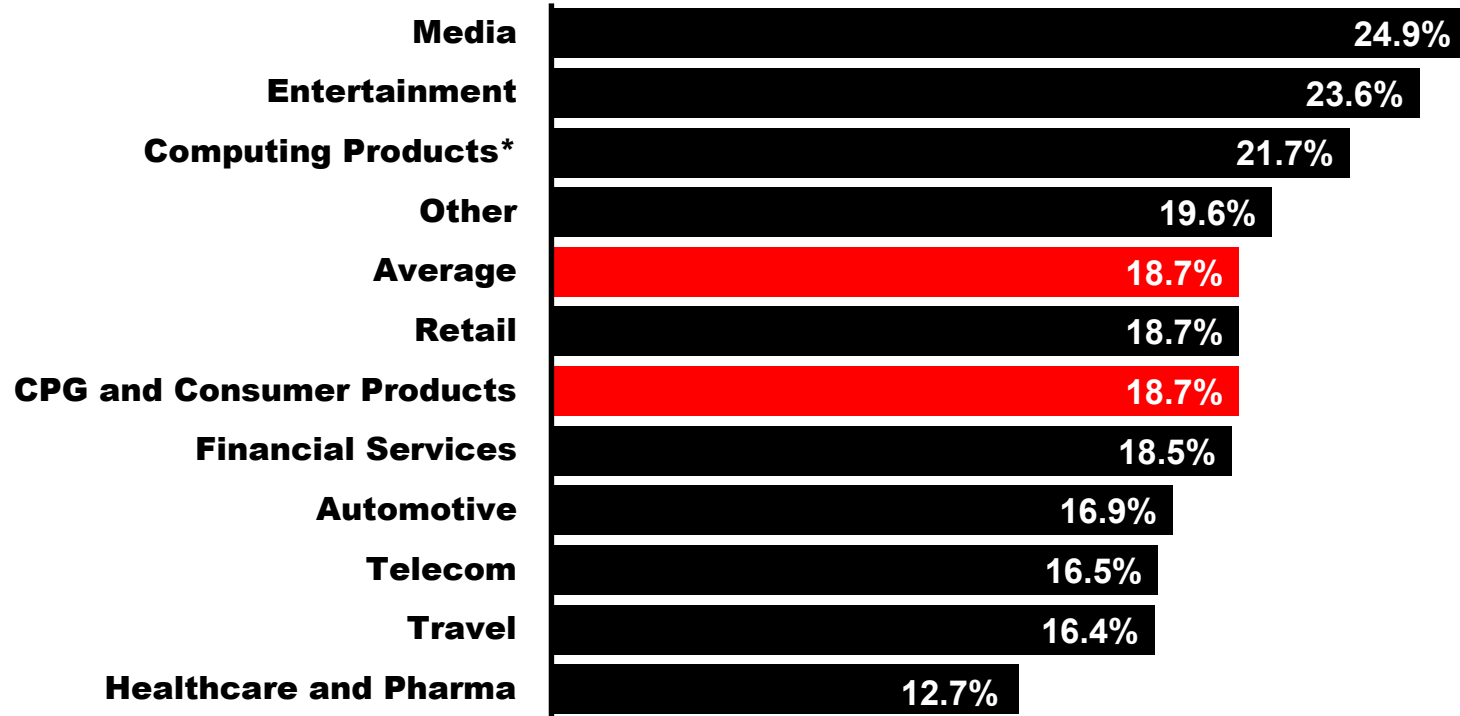
“We expect the benefits of the [new tax laws] will enable us to further strengthen our business by ... **adding new digital and ecommerce capabilities** to become more competitive.”—*Indra Nooyi, CEO, PepsiCo*

# In 2018, **CPG and consumer products'** share of digital advertising will be 8.8%



*US Digital Ad Spending Share, by Industry, 2018 (% of total)*

# The CPG and consumer products sector will see average growth in digital ad spend



*US Digital Ad Spending Growth, by Industry, 2018*

# This is because **it still depends on traditional media**, even as it increases digital spend

Marc Pritchard, chief brand officer at Procter & Gamble, told Variety that even as his company relies on traditional TV, it needs to **consider frequency, which could affect spend going forward.** “We were reaching some people as many as ... 20 times [with the same message]. We are cutting off that excess frequency.”

**P&G considers its investment in print to be valuable as brand safety issues persist.** “We are giving every medium a new look. ... [Print publishers] have a lot of latent trust,” Pritchard said, which carries over to their digital properties.



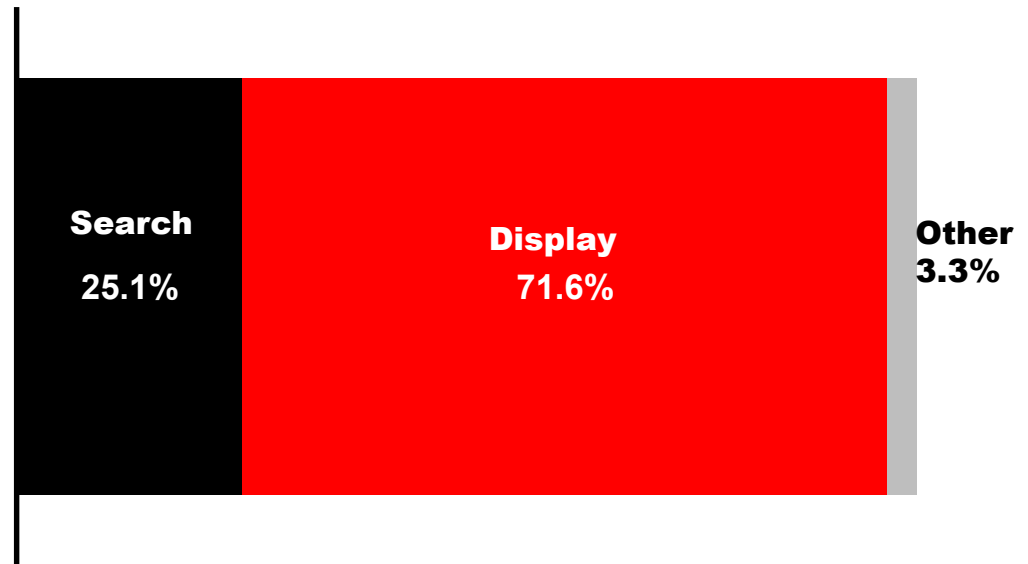
# Multinational CPGs are looking for efficiencies as they examine agency relationships

- Nestlé announced in April that it was looking to cut costs by consolidating US agencies. The fifth-largest US advertiser, it spent \$2.75 billion in 2016, according to Advertising Age. Whether fewer agencies will result in reduced ad budgets is unclear, but **it's likely that investment in some Nestlé brands could be reduced.** A source told Ad Age, “Nestlé has been trying to slim down everything.”
- In its 2017 annual report, Unilever said it had moved a portion of its ad work in-house, resulting in 30% savings on agency fees. However, the world's No. 2 advertiser noted that of the \$338 million it saved in H1 2017, **it invested an extra \$282 million in media and marketing in H2 2017.**
- In March, snack-food maker **Mondelez International** reported it had completed a review of its North American media agencies, **“in order to address key changes such as programmatic, transparency and ecommerce,** and better equip our company for the future.” The brand reduced global ad spending about 20% between 2015 and 2017, per a MediaPost report.

# Digital CPG and Consumer Products Ad Spending, by Format

# In 2018, CPG brands will continue to spend the bulk of their digital budgets on **display**

Spending on search will grow 15.7% from 2017, while display will be up 20.5%, indicating that **brand awareness campaigns are still important.** Much of the growth in display will come from digital video ads.



*US CPG and Consumer Products Digital Ad Spending Share, by Format, 2018 (% of total)*

# CPG brands' spend on search is low, but ecommerce efforts will increase it

- Beverage giants **PepsiCo and The Coca-Cola Co.** are going head to head this year as they work to reverse a downward trend in soda sales. Both expect to **funnel marketing spend into ecommerce, where spending on search** terms to make their products easily discoverable is imperative. Additionally, Pepsi has put recipes on its site that feature PepsiCo brands as ingredients, and Coca-Cola is investing in voice search.
- **Voice search is another platform receiving investment from CPG brands.** A March 2018 survey from the Interactive Advertising Bureau (IAB) found that 53% of food and beverage brands and 52% of household goods marketers expect to spend on voice ads in the next year.



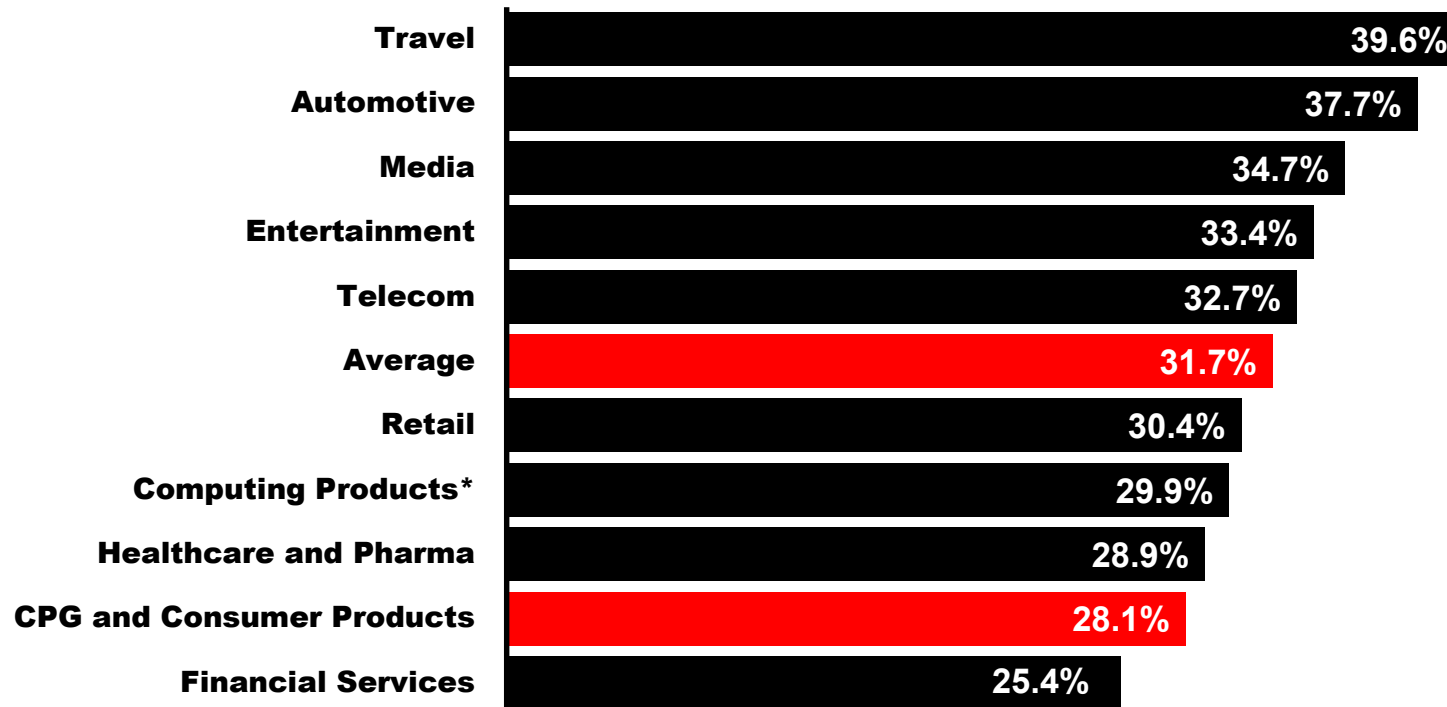
# In 2018, digital video ad spend by CPG and consumer products brands will grow 23.6%

Digital video will account for **20.1% of digital ad spending in the industry**, up from 19.3% in 2017.



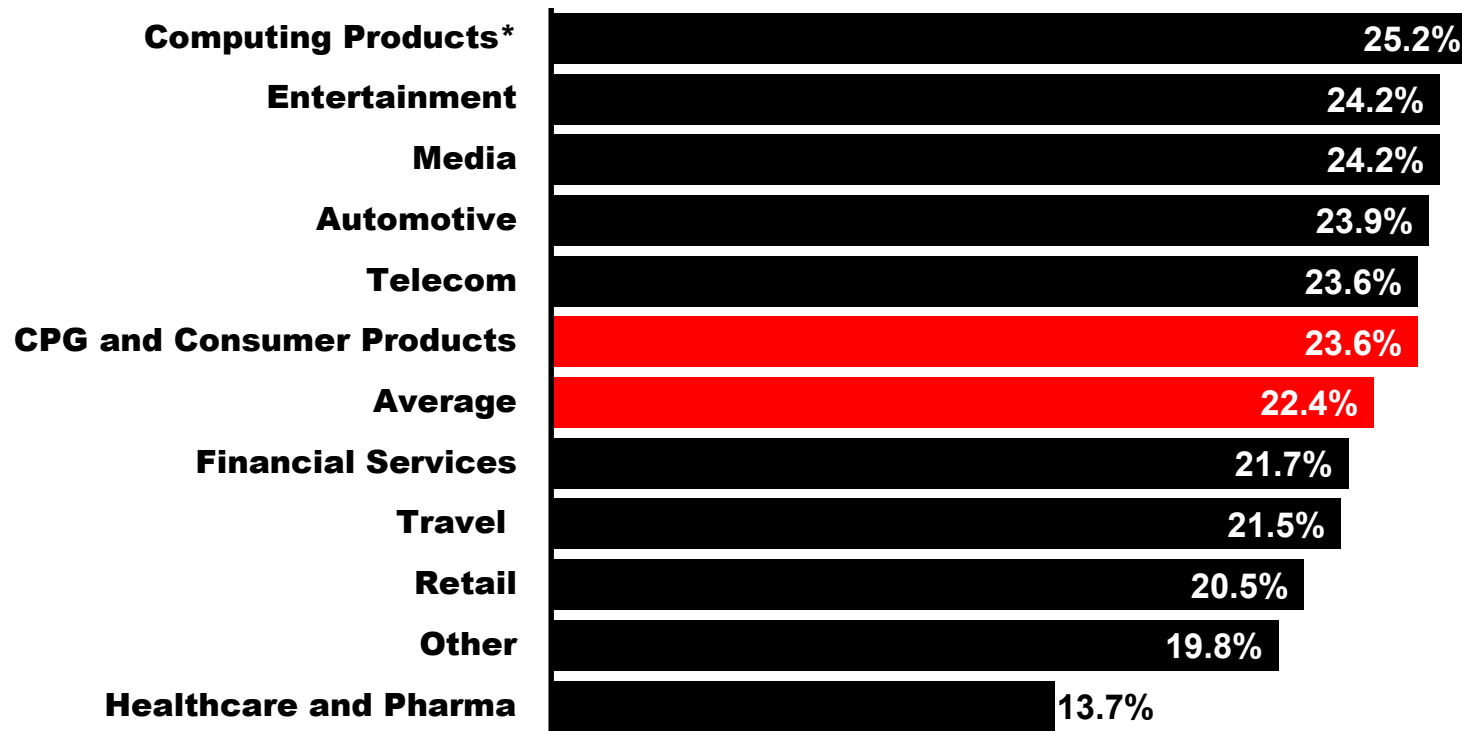
*CPG and Consumer Products Digital Video Ad Spending (billions)*

# CPG and consumer products brands will spend **28.1% of display budgets** on video



*US Digital Video Ad Spending Share, by Industry, 2018 (% of total display ad spending)*

# CPG's **growth** in digital video ad spending is slightly higher than the industry average



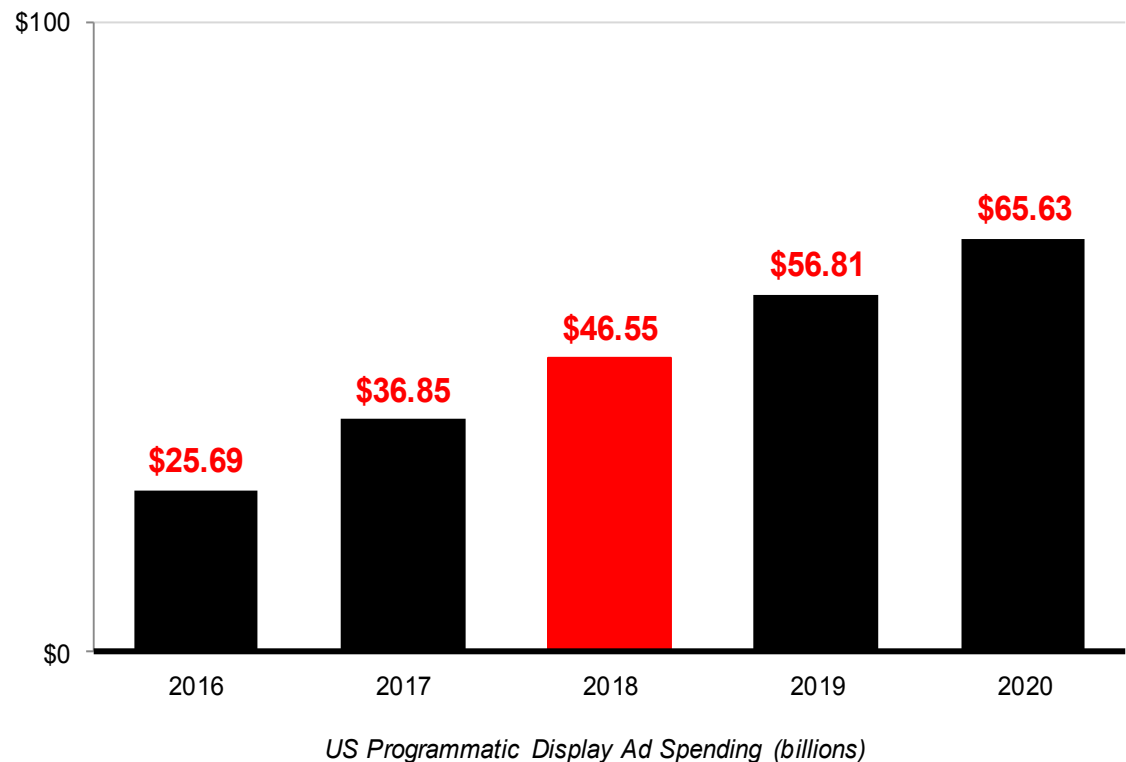
US Digital Video Ad Spending Growth, by Industry, 2018

# An IAB survey of marketers ahead of the Digital Content NewFronts revealed:

- **Marketers across several sectors planned to increase digital video ad investment.** Household goods/CPG marketers expected to spend an average of \$11.2 million in 2018, up 159% from 2016. Health and beauty advertisers planned to spend an average of \$7.2 million, up 99% from 2016. And food and beverage advertisers planned to spend an average of \$9.0 million, up 19%.
- Overall, advertisers expect to increase spending 54% on digital video in the next 12 months. Fully 58% said the source for higher spending is the overall expansion of budgets. However, **41% said funds will likely shift from broadcast and cable TV advertising to digital video platforms.**
- Among food and beverage advertisers, the biggest obstacles to investing in digital video ads were **concerns around viewability and brand safety.**

# Programmatic will account for 82.5% of overall digital ad buying in 2018

The IAB study reported that **direct buys with digital video sites were the preferred method for video ad purchasing** among 67% of food and beverage brands, 62% of household goods brands and 53% of health and beauty brands.



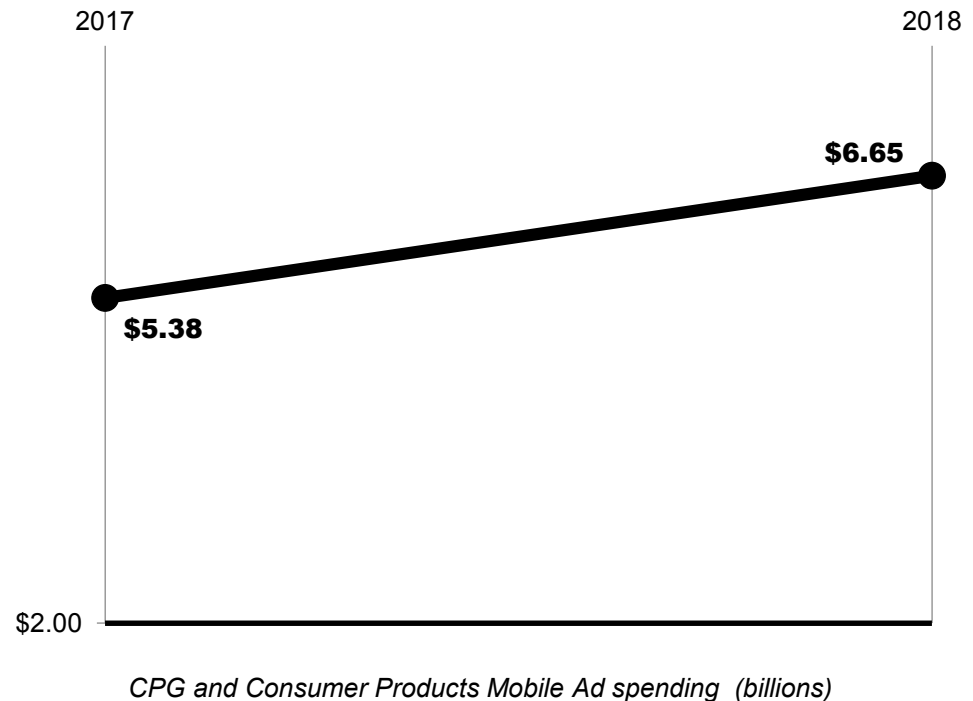
# ROI improved as brands consolidated buys, brought more programmatic in-house

- Even as multinational brands such as P&G and Unilever pull back on digital ad spend, citing programmatic buys for compromising brand safety, they have forced publishers and agencies to be more transparent. **Decreases in programmatic have been minimal, as brands consolidated spend with trusted publishers.** The upshot for 2018 is the creation of higher standards for the digital ad ecosystem.
- In an April 2018 IAB survey of 119 US-based brands, **45% had moved either some or all programmatic buying functions in-house.** These moves are reducing reliance on external agencies for media buying and ultimately creating better return on investment (ROI). Also driving this decision for brands is the desire for more control over first-party data, and how it is being used to target audiences with more personalized messaging.

# Mobile CPG and Consumer Products Ad Spending

# Spending on mobile ads will be up 23.7% from 2017, reaching \$6.65 billion this year

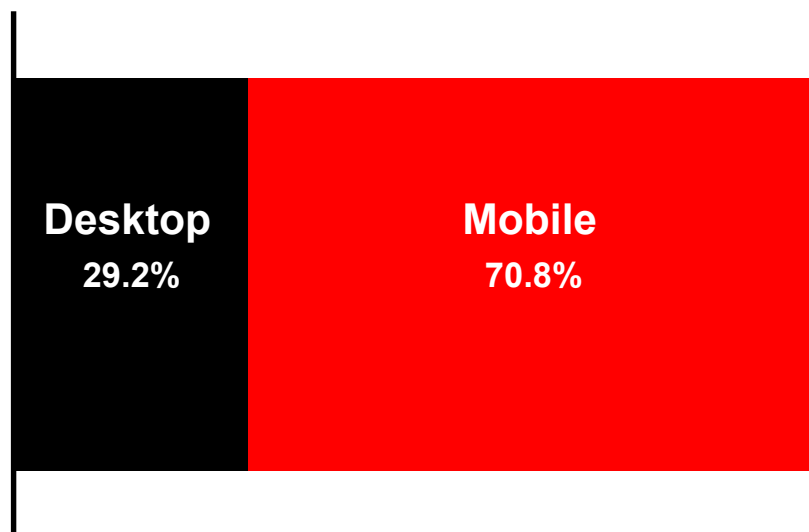
Of the top 10 mobile advertisers in Q1 2018, **P&G, The Clorox Company, Pepsi and Unilever** were among the biggest spenders, according to a report by Adobe.



Mobile spend in the CPG industry is forecast to hit \$8.02 billion in 2019, rising 20.5%.



# Nearly three-quarters of CPG digital ad spending will go toward **mobile** in 2018



*Desktop vs. Mobile Share of US CPG and Consumer Products Digital Ad Spending, 2018 (% of total)*

As in nearly every sector, marketers have followed consumers to mobile. **CPG brands are connecting with consumers in-store** to provide deals, nutrition information and recipes. We forecast that 91.6% of US internet users will access the web via mobile device this year.

# Mobile ad spending will get a boost from influencer marketing

**Influencer marketing on social media platforms**—which is mostly mobile—is very important in the health and beauty sector, and is finding a place in the food and beverage category as well. Danone is “using a data-driven approach to influencer marketing to better identify and select the most relevant influencers and inform the content,” Rothman said. And, as the Federal Trade Commission (FTC) focuses on social platforms’ need to disclose sponsored content, **paying for ad placement will replace organic reach.**

# Additional Resources

## Interviews

**Lee Baler**, *Senior Media Director, Planning and Investment, iCrossing*

**Joseph Barbagallo**, *Manager, Digital, Social and CRM, Jaguar Land Rover North America*

**Alia Kemet**, *US Digital Marketing Director, McCormick & Company*

**Brian Krick**, *Executive Vice President, Global Media Planning, Essence*

**Jeremy Leon**, *Senior Vice President, Media, Laundry Service*

**Frank Puma**, *Managing Director, Digital Investment, Mindshare*

**Jeffrey Rothman**, *Vice President, Marketing, Danone North America*

**Brooke Skinner Ricketts**, *CMO, Cars.com*

**Shelagh Stoneham**, *Senior Vice President, Brand Marketing, Chico's*

**VML**, *agency sources*

# Additional Resources

## Sources

[Advertising Age](#)

[Adobe](#)

[Business Insider](#)

[Digiday](#)

[Interactive Advertising Bureau \(IAB\)](#)

[Magna Global](#)

[MediaPost](#)

[Variety](#)

## Related Reports

[US Ad Spending: Facebook and Google to Capture Over One-Quarter of the Market](#)

[Q2 2018 Digital Video Trends: Monetization, Audience, Platforms and Content](#)

[US Programmatic Ad Spending Forecast 2018: Private Setups Pull Even More Ad Dollars to Automation](#)

# This StatPack is part of an eight-series package

## About eMarketer's Industry Ad Spending Series

**eMarketer breaks down industry ad spending for 10 industries annually. Each year, the package not only forecasts digital ad spending, but also examines the market forces that will determine how brands allocate budgets to digital channels.**

## Reports in This Series:

Digital Ad Spending Benchmarks by Industry: The Complete eMarketer Series for 2018

US Auto Industry StatPack 2018: Digital Ad Spending Forecast and Trends

US Financial Services Industry StatPack 2018: Digital Ad Spending Forecast and Trends

US Healthcare and Pharma Industry StatPack 2018: Digital Ad Spending Forecast and Trends

US Media and Entertainment Industries StatPack 2018: Digital Ad Spending Forecast and Trends

US Retail Industry StatPack 2018: Digital Ad Spending Forecast and Trends

US Telecom and Computing Products and Consumer Electronics Industries 2018: Digital Ad Spending Forecast and Trends

US Travel Industry StatPack 2018: Digital Ad Spending Forecast and Trends