

Mar
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From Place-Based Advertising to Advertising in the Marketplace

A Sequent Partners White Paper for Crane Media Network



Executive Summary

Crane Media Network has brought advertising to the vending machine marketplace through the integration of digital technology, the internet of things and touch screen equipped vending machines. This new medium offers the benefits of two well-known drivers of advertising performance – recency and relevance.

Sequent Partners has had the privilege of analyzing a recent campaign for KIT KAT® BIG KAT® on the Crane Media Network and found that the campaign generated a 14% increase in item sales and a 15% increase in dollar sales. At the same time it produced the national equivalent of 3,750,000 impressions.

In settings where it was possible to detect post-campaign incremental repeat purchase, such behavior was in evidence. For 19 weeks following the campaign, three-quarters of the in-campaign sales lift was retained. This suggests the potential for significant levels of unmeasured ad-driven sales.

Material differences were found in ad performance by location, ad format and creative executions. These findings suggest that campaign performance could be further enhanced with more tailored delivery and more effective ad creative.

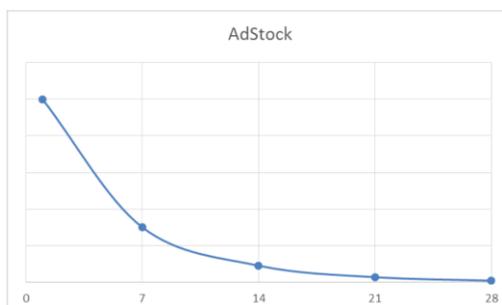
Place-Based Prologue

Place-based advertising delivers exceptional value in two ways: by delivering brand messages –

1. Close to the moment of brand choice
2. At a moment when the message is relevant.

Recency is well established as a principle of effective advertising. In a study recently presented at The Attribution Accelerator by Dave Poltrack, President CBS Vision, and Leslie Wood, CRO Nielsen-Catalina Solutions, advertising delivered on a Thursday or Friday drove 286% more weekend sales than ads on any other day of the week.

This is an example of the more general recency principle: ads delivered close to the moment of brand choice outperform those delivered earlier because the message is forgotten gradually over time.



The figure above shows a typical “Adstock,” pattern with the impact of advertising rapidly declining over 28 days.

The principle of relevance is equally well established. When a message is relevant it is welcomed and attended to by consumers, otherwise it is just a nuisance. Relevance can be

rational or emotional, but for most consumer choices, emotions rule. This is found time and time again in copy testing.

The earliest place-based advertising with which we’ve had experience is ActMedia – small signs on shopping carts. These small ad units provided two benefits:

1. They always drove incremental sales in the supermarket – because they were recent, close to the moment of brand choice
2. They always lifted brand metrics like awareness and consideration – because they were delivered in a relevant moment, when consumers were thinking about their grocery needs.

These findings were proven literally hundreds of times with controlled experiments.

Today these truisms have been compacted into the mantra – *The right message, to the right consumer, in the right moment.*

Place-Based In the Marketplace

Today, place-based advertising can be found virtually everywhere from office elevators to gas pumps. But until recently, it was not available in what should have been an obvious location – vending machines.

Vending is an important channel for many products. It reaches consumers where they are, on their journeys, through the day. It makes any moment, *the right moment.*

Moreover, any consumer facing the machine is *the right consumer*, because they are considering a purchase in the category.

Only, *the right message*, has been missing.

Until now.



Crane Media Network has employed the internet of things with on-machine touch screens to create a new medium.

Advertising in this previously untapped marketplace offers media recency and message relevance to deliver *the right message, to the right consumer at the right moment*.

In contrast to the oft-cited concerns about digital advertising, these ads are 100% visible, accurately targeted, non-fraudulent and unblockable!

Sequent Partners is delighted to have been invited to study this new medium with a designed experiment to test the recent Hershey's KIT KAT® BIG KAT® campaign. We have independently analyzed all the data and reached our own conclusions.

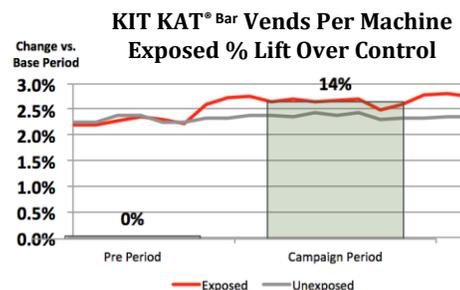
The KIT KAT® BIG KAT® Test

The KIT KAT® BIG KAT® campaign ran nationally across the Crane Media Network for 12 weeks, February 24 through May 19, 2017. For this test, 1,319 machines carried the ad – the exposed or test cell, and 1,311 machines did not – the control cell. Test and control machines were matched on historical KIT KAT® BIG KAT® sales and by geography and number of items stocked. For both cells, test-period sales changes were computed versus a pre-test period, January 13 through March 2, 2017. Then the exposed cell lift over the control cell was computed as the difference between those two results.

We found that the exposed cell generated:

- 14% more item sales and share
- 15% more sales revenue

While producing 1,750,000 highly engaged impressions in the test cell, about 10% of the relevant machines in the network. Like other



digital media, we need to look at the financial value of both impressions and click-throughs, or vends, in this case. Sales and impressions can be projected to the relevant machines in the Crane Media Network – about 12,500 – those with snack products including KIT KAT® BIG KAT®. Applying the sales lift found in this test and the average price of \$0.90 yields a revenue increase of over \$71,000. Applying a 15% EBITDA margin, typical for food manufacturers, we find a net profit contribution of \$10,560.

Similarly, the impressions generated in the test cell can be projected to the same population of machines yielding 16.5M impressions. At a CPM of \$9 (Peter J Solomon lowest estimate for digital place-based media), that gives us \$148,500. Combining media value and profit generated we get a total value of about \$159,150.

Following the digital analogy further, comparing vends to impressions, we find a conversion rate of 2.7%. Exactly the Google norm for eCommerce!

Beyond the Test Period

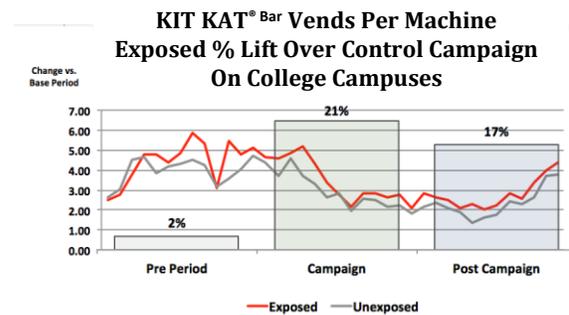
A sale at a vending machine might be considered a *trial device*. An opportunity to motivate a consumer to sample a product they don't usually buy. Then, assuming an enjoyable initial experience with the product, some of those *samplers* can be expected to become *repeaters* returning to buy the product again and again.

Does a purchase at a vending machine generate a string of future purchases? And, therefore, do incremental ad-induced vending purchases generate even more future purchases and value for the brand?

When we looked at the 19 weeks that followed the test period, the time period after the KIT KAT® BIG KAT® campaign ran, we were initially disappointed to find no repeat purchase effect. As you think about it, many of the machines are in public locations with little repeat traffic. There may, or may not have been a repeat purchase effect, but if there was, we didn't have the right measurement design to capture it.

In search of a better laboratory, we turned to colleges – locations with a constant consumer population.

Colleges were a good market for KIT KAT® BIG KAT®. They exhibited a 19% lift due to advertising while the campaign ran. In the 19 weeks following the campaign, they showed a 12% lift over the base period – about two-thirds of the campaign lift was retained after the campaign ended!



This result suggests that there is a repeat purchase effect beyond the campaign period. It is just not measurable using vending purchases only. We don't see any obvious decline in these incremental purchases, but this is just one case in one specific type of location.

Beyond the Marketplace

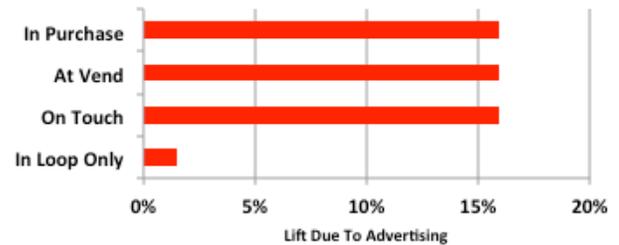
The carryover, repeat purchase effect observed on college campuses clearly indicates the need for a more comprehensive study. What is the effect of vending sales on subsequent purchases by those purchasers? Is there incremental, but unmeasured, value generated by ad campaigns on these vending machines?

Sequent Partners recommends a follow-up study utilizing a consumer panel, or store panel with the stores carefully selected to be in the Crane Media Network's areas of influence. This study would quantify the incremental value of ad-driven vending trial beyond the vending channel

college campuses. We may have to look a little harder to understand the interest of consumers in hospitals, but the sharp differences in performance suggest that the analysis may be worthwhile.

Crane has a variety of ad formats. The ad can continuously cycle through a loop, or be activated on touch, purchase or vend. The more active formats outperformed the continuously loop format, consistently, tenfold.

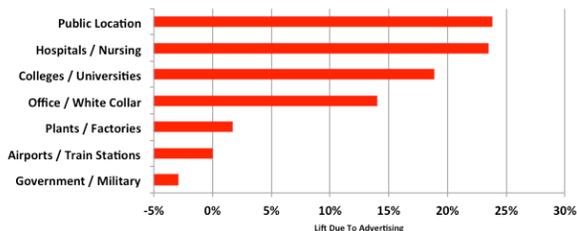
KIT KAT® Bar Campaign Item Sales Lift By Ad Format



Strategic Guidance

The discovery regarding colleges begs the question, how did the campaign perform in other locations.

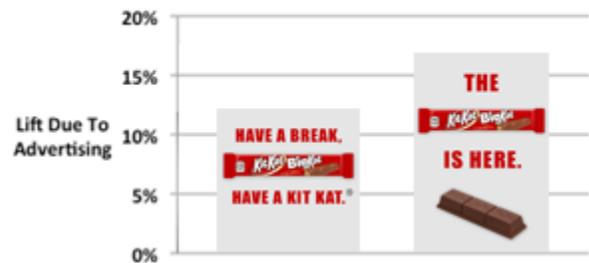
KIT KAT® Bar Campaign Item Sales Lift By Location Type



Note that public locations include amusement parks. These findings suggest a potential target audience effect. It's easy to see a connection between interest in KIT KAT® BIG KAT® and consumers found at amusement parks or

Two different creative executions ran, sequentially, in this campaign. While this doesn't provide as clear a read as we would want, we did find a difference in sales lift during the two flights.

KIT KAT® Bar Campaign Sales Lift By Ad Execution



Execution 2 features *product news*, a well-known principle of effective messaging. It yielded about 1/3 more ad driven sales.

Digging deeper has revealed the opportunity to further enhance a campaign, such as KIT KAT® BIG KAT®, on the Crane Media Network by tailoring three key factors:

1. The fit between the brand's target audience and the audiences available at each location type
2. The ad format.
3. The creative executions.

Summary

Crane Media Networks has created a new medium – digital place-based advertising embedded in a network of vending machines. Sequent Partners has studied one recent campaign in this new medium to obtain an early assessment of its potential value to advertisers.

The campaign generated a 14% increase in item sales and a 15% increase in dollar sales. At the same time it produced the national equivalent of 3,750,000 impressions.

In settings where it was possible to detect post-campaign incremental repeat purchase, such behavior was in evidence. For 19 weeks following the campaign, three-quarters of the in-campaign sales lift was retained. This suggests the potential for significant levels of unmeasured ad-driven sales. This could be verified with additional research that extends beyond vending purchases.

Material differences were found in ad performance by location, ad format and creative executions. These findings suggest that campaign performance could be further enhanced with more tailored delivery and more effective ad creative.

We have found this initial peek at the Crane Media Network intriguing. It is not often that a new medium hits its stride right out of the gate, but Crane's performance is already impressive.

Vending machines are an integral part of our modern lives with over 7 million vending machines in the United States generating over \$73 million in sales. This unique marketplace has been beyond the reach of advertiser, until now. With the advent of vending machine advertising, we foresee the further integration of vending into brands' marketing strategies

About Sequent Partners

The Sequent Partners are highly respected research industry leaders and entrepreneurs, who have held leadership positions at J. Walter Thompson, General Foods, Leo Burnett, FCB and Y&R, BASES, and recently, RealityMine. They are past Chairman and President of the Advertising Research Foundation. They bring to this project deep expertise in advertising and media research, digital technology, measurement and econometrics.

Since 2003, Sequent Partners has driven innovation through proprietary, best-practice consulting for top advertisers and media companies. Place-based media has been a specialty of the firm since first developing the measurement guidelines for DPAA a decade ago.