

TIFFANY & CO.

How can luxury brands leverage
Programmatic Buying?

- Using Programmatic Direct Buy (PDB) to
Drive Better Advertising Performance for
Tiffany

August 24, 2016

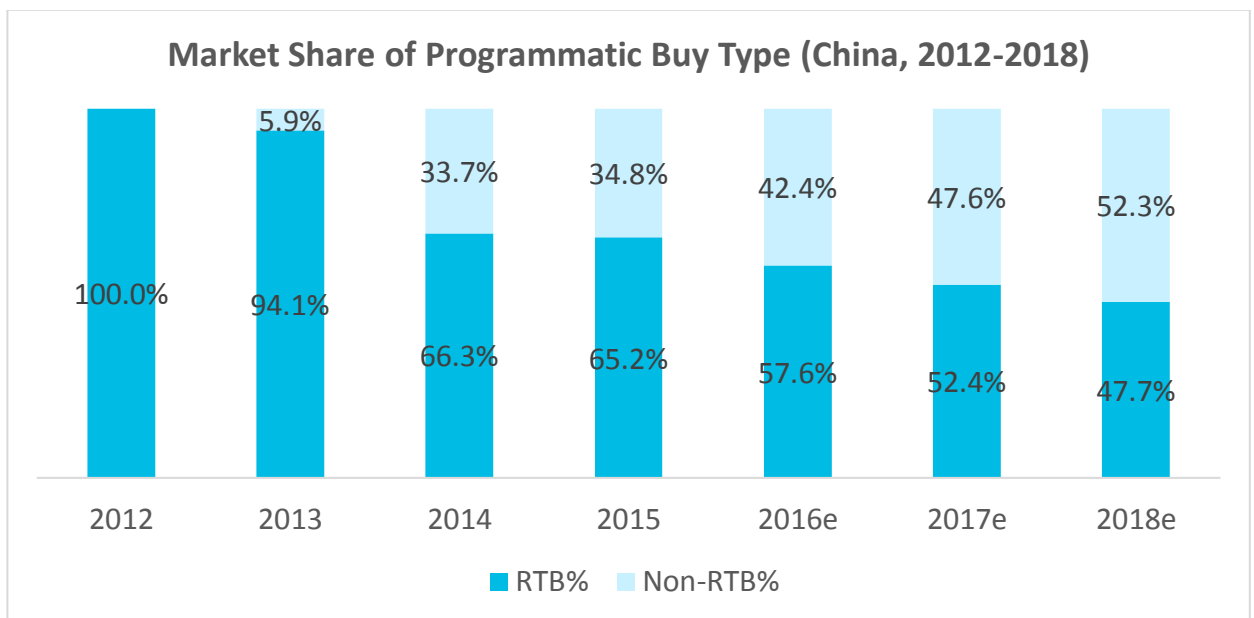


A. Luxury Brands' attitude towards Programmatic Buying

Programmatic buying has become a hot topic for digital advertisers in China. When we talk about programmatic buying, the first thing which comes to mind may be auction based real-time bidding (RTB), and it may sometimes associated with the perception of low quality inventory together with the uncertainty on price and volume.

Fueled by these perceptions, brands from the luxury category still hesitate from trying programmatic buy given the strong concern on their brand protection as well as media quality. As for now, there have been only a few luxury fashion brands being relatively open to test water. On the other hand, the adoption of programmatic buy was extremely rare amongst luxury jewelry brands.

As a matter of fact, the RTB programmatic buy may not be as dominating in the entire programmatic world as most marketers would believe. Instead, it is interesting to see that non-RTB programmatic buying has also been growing tremendously from 2014, accounting for 35% of all programmatic buy in 2015 and is even projected to exceed 50% in 2018 (iResearch).



(Data Source: iResearch, Programmatic buy DSP industry report 2015)

Graph 1: RTB vs. non-RTB, share of programmatic buy, 2012-2018

Why PDB can be a solution for luxury brands in programmatic

While it is interesting to see the strong growth of non-RTB buying, it is also exciting to learn that such non RTB buying could be a potential way out for Luxury Brand to embrace the benefit of programmatic buying in terms of better target audience reach and more customized digital strategy. With this context, MEC and Xaxis came up with a pioneering luxury programmatic strategy for Tiffany to improve its OTV advertising effectiveness, utilizing alternative programmatic buying methods called **Programmatic Direct Buy (PDB)**.

PDB, according to Interactive Advertising Bureau (IAB) definition, is a one-one sale with fixed pricing, reserved inventory, that is processed automatically. As a buying method, it in particular enjoys the following advantages:

1. **Quality of media inventory** could can be better managed for using PDB with prior inventory negotiation, relieving advertisers the concerns of advertiser on the questionable quality of programmatic inventory
2. **Volume of media Inventory** is guaranteed for PDB with prior negotiation with publisher, resolving the challenge of unstable inventory supply
3. **Price** is guaranteed for PDB with prior negotiation with publisher, resolving the challenge of unstable pricing

While it seems that PDB offers what regular buy does in terms of the aforementioned, PDB additionally take advantages of audience buying capabilities with data intelligence in terms of:

1. Frequency control across media vendor to avoid repeated impression wastage
Though media publishers can apply frequency capping within their own site, cross media frequency capping would is usually be an issue if when advertisers are buying from different media publishers. For example, if an audience see an ad on video site A and site B for 3 times and 4 times respectively, although each is still under the planned frequency capping (<6 times), overall exposure is 7 times with one impression being wasted. Such issue could be resolved through DSP centralized management. on deliveries across media
2. Target audience selection
Compared to regular buys, PDB allows various ways of audience targeting on OTV, which significantly improves the accuracy and flexibility in communicating with audience. Targeting techniques commonly used are listed as follows:
 - a) Audience targeting
Gender, age and audience interests, or even 1st party data, could be used by the advertiser to define its target audience
 - b) Frequency targeting
Frequency control allows advertisers to serve ads sequentially to maximize campaign effectiveness. For example, we could can serve creative communicating about a parent brand first, followed by a relevant variant. And after audience has known about the brand with several exposures, Alternatively we could serve ads with communicating the product's key feature to further strengthen the brand positioning while re-exciting the audience with something new
 - c) Temporal targeting
Advertisers may want to serve ads under certain timeslot to build relevance, such as daily commute timeslot, before going to bed, etc., which programmatic is capable to deliver as required which can now be served programmatically

B. How Tiffany leverages programmatic OTV buying to build bridal inspiration

What's the primary challenge to making this programmatic campaign successful?

1. Tiffany has extremely strict requirements on media for brand protection

As a leading Luxury Jewelry brand, Tiffany sets strict conditions for its advertisement placement for this OTV campaign a) Only Tier-1 media OTV inventory, b) Should be 60" pre-roll inventory, c) No irrelevant channels with the brand. All in all, inventories meeting the requirements are very rare in the market

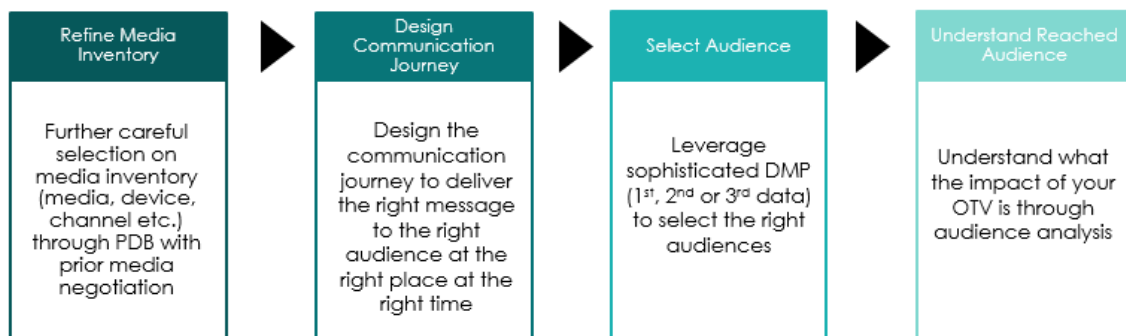
2. Need customized communication route for male and female audience

"Craftsmanship" assets, by showcasing Tiffany's high quality and heritage, respond well to the rational need of male audiences

As for female audience, the pre-requisite is to finding a perfect balance for both Modern love (emotional) and craftsmanship (rational) messages to help female audience connect with the brand emotionally and rationally to maximize the communication impact

How did MEC and Xaxis address Tiffany's challenges with programmatic buying?

We adopted our Luxury Audience Buying Framework to approach the Tiffany case as follows:



Graph 2: Luxury Audience Buying Framework

- Refine Media Inventory:** Secure high quality and strictly conditioned PDB inventories from top tier media vendors for programmatic buying

With its strong relationship with media and negotiation power, GroupM as the no.1 media group in China empowered Xaxis to secured high quality but rare inventory for Tiffany in the market.

The inventory are only from the top tier media vendors (iQiyi, Youku and Tencent) for Tiffany to deliver its 60" OTV, with majority of delivery falling into specific channels (American/ British/ Korean Drama, Romantic movie, Finance) while blacklisting inappropriate channels (war, kids, ancient costume, etc) for further brand protection. This addressed Tiffany's concerns on ad

being delivered in media sites with questionable quality as well as ad being delivered adjunction with unwanted categories.

B. Design communication route and select the right audience with data intelligence:
Create customized route with gender targeting and frequency targeting

There were two creatives to be communicated: One is 'Craftsmanship' which supporting Tiffany & Co's heritage proposition. Another is 'Modern Love' video emotionally resonating with audience

Screenshot for "Craftsmanship"



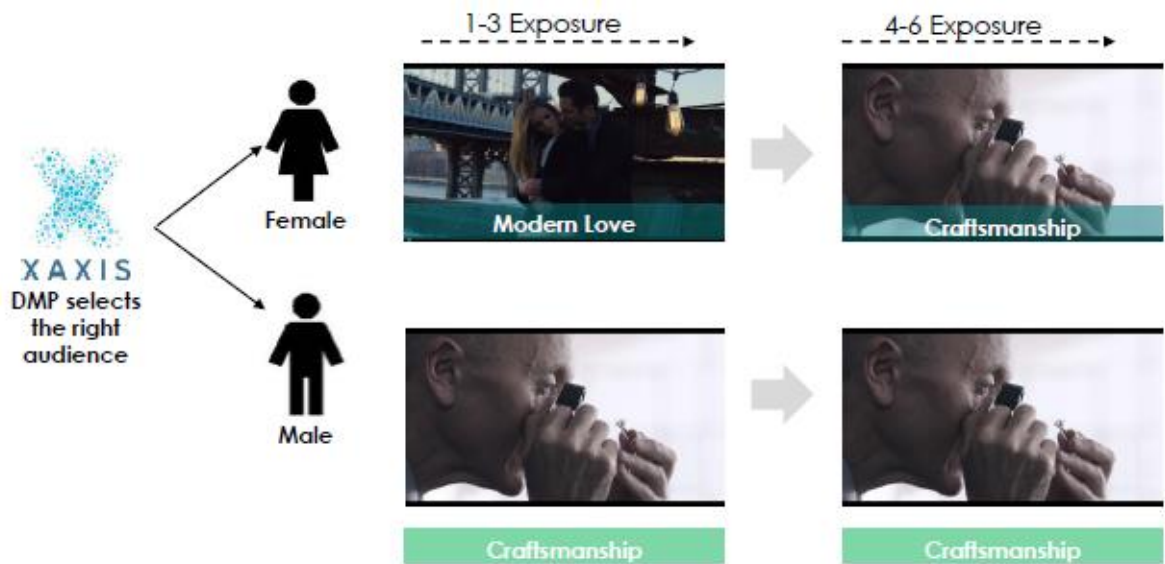
Screenshot for "Modern Love":



Through Xaxis' audience intelligence capability, we were able to identify gender and the number of prior ad exposures for the incoming audience before we deliver the ad.

For female audience, "Modern Love" was delivered for initial contact as it continued Tiffany's previous communication theme to connect with female audiences with emotionality and familiarity. After three times of ad exposure, we re-target those prior-exposed female audience with "Craftsmanship" to communicate the heritage and quality message. Such sequential approach aims to first engage with female audience with brand known proposition and resonating angle, and to make the rational "Craftsmanship" comes through to female audience less abruptly.

For male audience, we delivered "Craftsmanship" copy throughout.



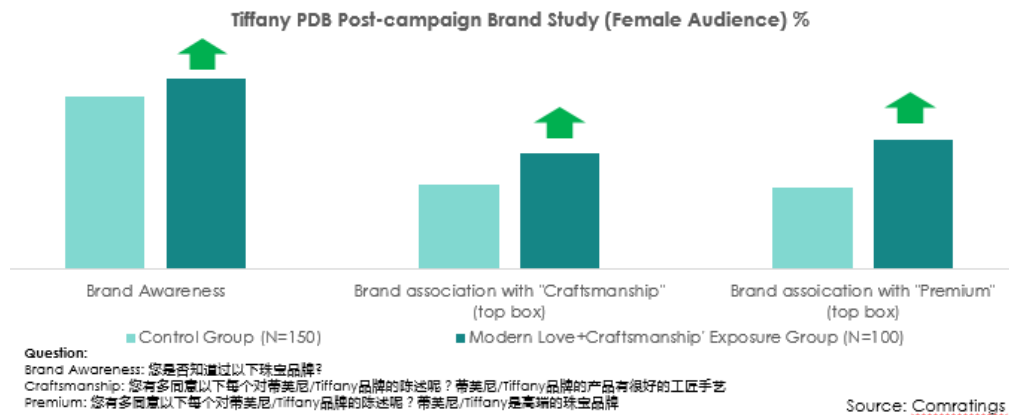
Graph 3: Communication Path Design Based on Frequency Management

- C. **Understand exposed audience and campaign impact on brand:** Partnering with 3rd party research vendor to conduct a branded impact study by comparing ad exposed group with non-exposed group (for details please refer to appendix).

Campaign Results: Impact on brand metrics

In terms of impact on the Tiffany's brand, through the branded impact study it was observed that the customized communication route with viewing both "Modern Love" and "Craftsmanship" assets significantly strengthened the brand metrics amongst female audience (significance tested in 95% confidence level) (see graph 4).

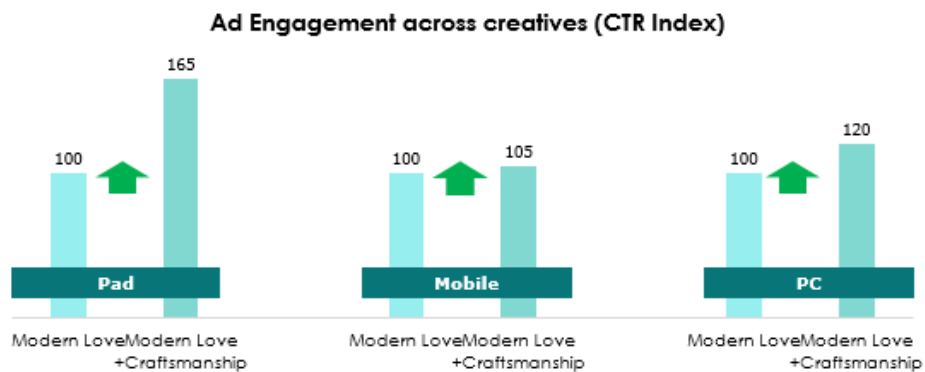
- a) Brand awareness: Aided Brand Awareness significantly uplifted amongst the female group who exposed to both "Modern Love" and "Craftsmanship"
- b) Brand communication: Endorsement of the intended message "Craftsmanship" and "Premium" significantly uplifted amongst the female group who exposed to both "Modern Love" and "Craftsmanship". This suggested that female audience successfully picked up the intended brand credentials with the designed communication route



Graph 4: Branded Impact Study (Data Source: Comratings)

In terms of ad engagement, Xaxis’s programmatic buy campaign outperformed Tiffany’s previous 60s OTV campaign in 2015 (using normal buy only) on click through rate by 54%.

Secondly, based on the communication route we designed, it was encouraging to see that female audience even more engaged with the subsequent “Craftsmanship”, after exposing to “Modern Love”. On average across devices and media, click through rate for watching “Craftsmanship” jumped 39% when compared to only watching “Modern Love”. This reflected that the communication route, facilitated by the programmatic buy solution, helped to rope in female audience interest at the beginning and even evoked more female audience’s interests with the new copy.



Graph 5: Ad Engagement Comparison across Creatives (Data Source: Miaozen)

Potential Implications

It was exciting to see that Tiffany as the pioneer luxury jewelry brand to successfully leverage programmatic buying to enhance campaign performance, and continue to lead the industry on innovation and digital media planning. With the case, there are a few points for learning for the luxury sector on adopting programmatic buying:

1. Refine Media Inventory

Though pre negotiated PDB inventory could be solution to luxury advertisers, there is still a very strict requirement on the quality of media inventory on brand protection. Therefore, advertisers need to find a strong and reliable media agency partner in order to leverage their media negotiation power to fulfill their specific inventory needs

2. Design Communication Route & Select Audience

Programmatic buying allows more flexibility and customization in audience communication. Luxury advertisers should bring in more detailed audience segmentation when planning their programmatic advertising and activating it with multi-creatives and data intelligence

3. Understand Reached Audience

Given branding is the focus of luxury advertisers' advertising, there is a value to work with agency to conduct branded impact study to fully understand the impact of the advertising on the brand and elicit learning for the future

Moving forward, it would not be too surprising to see more and more luxury brands going to reap the benefit of programmatic buying. While OTV is much more prevalent in this regard at the moment, we believe more premium inventory resources would be available for display in the future if there is a growing demand from advertisers. By then, luxury brands can fully embrace the value of programmatic buying for their entire digital advertising strategy.

APPENDIX: Branded Impact Study

WHY WE NEEDED TO CONDUCT THE BRAND STUDY

As OTV is not aimed to drive traffic (most audience will stick to the online video after the delivery of pre-roll), CTR may not be the best measurement of OTV campaign ad effectiveness. Whether an uplift on awareness/brand association is a better measurement to understand how OTV really impacts the brand and how it achieves the marketing objectives.

HOW WE CONDUCT THE BRAND STUDY

1. We worked with an external vendor, ComRatings, on the data collection. ComRatings has a panel in China for both PC and mobile/ PAD platform. A log tracker is installed in every panel vendor's device to continuously track their media exposure activities. What Xaxis has to do is to provide media URL to ComRatings for matching to identify who is exposed to the OTV ad
2. Xaxis designed the questionnaire with questions on brand awareness, brand associations and purchase intent
3. The survey was delivered to different groups through ComRatings
 - a. Female audience who were exposed to ad ≤ 3 times, n=100
 - b. Female audience who were exposed to ad > 3 times, n=100
 - c. Female non-ad exposed control group, n=150
4. After the data collection, weighting on sample data was conducted to ensure the profiles match (city tier and age) across groups for fair comparison
5. Xaxis managed the analytics and reporting to investigate the uplift of key brand metrics when compared individual exposed group with control group
6. Only Mobile/ PAD exposure was covered in the study, as 90% of campaign expenditure was on this platform