MikMak Webinar 2023 Transcript

Rachel: For the marketer, they really need to put themselves in a position to justify the investments back to their CFO counterpart. And so I think that's the hard thing. But from planning for the consumer, I would absolutely put uncertainty and I would plan for it to be another year like 2023.

Matt: To thrive in a rapidly evolving landscape, brands must move at an ever-increasing pace. I'm Matt Britton, founder and CEO of Suzy. Join me and key industry leaders as we dive deep into the shifting consumer trends within their industry, why it matters now, and how you can keep up. Welcome to The Speed of Culture. Hello, everyone. Thanks so much for joining today's webinar, sponsored by Suzy and MikMak, our annual, or I should say our monthly state-of-the-consumer webinar series, but our annual special edition with the great folks from MikMak, who you'll hear more about in a second. Today's topic is about Black Friday and Cyber Monday and the peak holiday shopping season. Is Black Friday dead and what does it mean for 2024 spending? We've had a roller coaster of a macroeconomic environment over the last couple of years and 2023 was no different. The big question on a lot of marketers' and business people's minds right now is where is it all headed for 2024. So super excited to dive in today. And we have an amazing group of guests who will provide no shortage of timely insights on the topic. Speaking of which, I'd like to introduce my great guest today, Rachel Tipograph, founder and CEO of MikMak. Rachel and I have done this webinar since 2020. It's our highest rated every year. Rachel is a student-led business consultant and founder of MikMak. She's been a great influence on our expert in the commerce consumer-packaged goods marketing space and has a great startup, which she'll tell you about in a second, as well as Carolyn Weintraub from Reckitt, a company that both Rachel and I work with, who's the director of full-fledged consumer engagement at Reckitt, which is one of the leading CPG products companies in the world. I am the founder and CEO of Suzy. For those who don't know what sys is, sys is an end-to-end consumer insights platform that allows major marketers to have their finger on the pulse of the consumer in real-time to empower better, more important decisions across more consumers. So I'm going to give you a little bit of a tour of what we do. Rachel tell us about MikMak and thanks for joining. First of all, it's great to see you again.

Rachel: Thanks for having me again. So I'm Rachel Tipograph, the founder and CEO of MikMak. MikMak is a commerce enablement and analytics software company. If you've ever been in an environment like Meta TikTok or CTV, your brand website, you were given the power to choose where to check out. Amazon, Target, Walmart, that's us behind the scenes powering it. And then as a result, you can see that end-to-end customer journey from impression all the way down to basket-level sales data. And like Matt said, we get to work with great brands like Reckitt, and we've worked with over 1,200 of the biggest brands in the world.

Matt: Thanks so much, Rachel. Thanks for joining. Can't wait to dig in. And let's talk a little bit about Reckitt, Carolyn. Thanks to you as well for joining. Rachel and I both agreed it was so important, we thought, this year to have the brand perspective. And so we're really excited to hear your insights. But tell us a little bit about Reckitt and the work you're doing there.

Carolyn: Well, Reckitt is a compilation of about, I don't know, 24 or more brands. I work in the health business. So there are three different business units. We have the hygiene group, which has brands like Lysol Air Wick and Finish. And then there was our nutrition group, which has Enfamil Baby Formula. And then I work on the health brands, which are anything from sexual well-being, lubes, condoms, Mucinex, and Dettol, which are upper respiratory products, BioFreeze, and then VMS, which are brands like Airborne and Move Free. So at any one given moment, I could be talking about condoms or coughs. So it's a very interesting array of brands, a really successful world. Some of them are global brands and everybody has a record product in their house.

Matt: Yep, keeps life interesting, I'm sure. So we're going to jump right now, you know, the topic du jour, which is the data that we have recently seen collectively from Black Friday and Cyber Monday in the overall shopping environment. And the first question is, how can brands use the data from the shopping season for a successful 2024? Because obviously the best marketers right now are data-driven. So we really want to empower you with the learnings that we have to help impact your plans and the way that you're looking as you're moving forward. So let's talk about Black Friday and Cyber Monday first and foremost. Data we saw said that 83% of consumers had planned to shop during Black Friday, and Cyber Monday, and actually only 71% of consumers did shop. I actually read an article this morning on CNBC that really explored the notion of doom shopping, meaning that all the signals that we're seeing for a macroeconomic environment show that we may be kind of at the end of the boom cycle that came from the fiscal stimulus from COVID, right? We have record-high consumer debt. We have interest rates that are at a level that we haven't seen since I think it was 2008. So you're looking at interest rates at a level that we haven't seen in 16 years. And savings as a percentage of income are at an all-time low. Yet the shopping data that we've seen to date, at least through the first three quarters, hadn't really indicated that the consumer has really been quite resilient this year where they're spending. But maybe we're starting to see the cracks. Is that kind of how you read the data, Rachel, in terms of the intent to shop versus who actually did shop?

Rachel: Yeah, I mean, at MikMak, we have this saying, which is America likes to spend. They don't like to save. What we saw in our data this year is actually that consumers have been trading down. So there are two data points that we look at. Basket sizes this year in 2023 compared to 2022 are 20 percent less. And then from a price point standpoint, we're seeing consumers trade down in every single category, whether that means going from a hundred-dollar bottle of tequila to a fifty-dollar bottle or even moving to private label. It's very clear that the pandemic slush fund is coming to an end. And that's why we're cautious about 2024.

Matt: Yeah. Despite that fact, I mean, on a gross basis, shoppers spent a record 9.8 billion, so nearly $10 billion in online sales. I saw another thing online, which was interesting, where they showed a video, I believe it was Target in 2018, where people were mobbing the store and then they showed Target in 2023 and it looked empty, although I'm sure when Target reports, they'll say they had a whopping online shopping season is the general shift, not to oversimplify it, that just more consumers are staying home and buying online.

Rachel: I think there's buying online. There's absolutely buying via the mobile phone, which also can influence offline sales. But I think another thing that we have to take into consideration with these numbers is that a lot of brands raise prices, right? Over the last 18 months, they were raising prices to essentially protect their margins, which is why looking at total dollars spent might not be the real indicator.

Matt: Right, because their cost basis is also higher.

Rachel: Exactly. Versus looking at the volume of sales. But I think Carolyn probably has a pretty strong perspective of what she can recommend.

Carolyn: I think that you know, overall, Black Friday sales were strong. We don't sell big ticket items like TVs and, you know, stereos and all the things that were. Traditional Black Friday big deal drivers, but we see that you know, online sales are strong. Our Black Friday and our Cyber, we had double-digit growth year over year. But I think that consumers, you know, consumer confidence is still strong. But I also read that consumers are using this buy now, pay later. So even if almost a billion dollars in sales over this past weekend were spent using, you know, Clearinghouse or in a firm. So I think while people are out there still spending, they're doing so in a way that makes a little bit more fiscal sense for them. But then the other thing where we win from the standpoint of a consumer packaged good is that people are also while they're buying for other people, they're buying for themselves at the same time. So marketplaces like Amazon and Walmart make it very easy to look for a TV and a face cream or a cold medicine at the same time. So if people are looking for deals, they will look for deals across the board because of how easy it is for them to buy anything in one day.

Matt: That's right. It's the same human being who's clicking on the keyboard, whether they're buying a gift or they're purchasing for their medicine cabinet. And if they see deals, they're going to jump on it, which what I hear you saying is that kind of the CPG category has kind of crept its way into the holiday shopping momentum if you will.

Carolyn: I've been at In re Rent-A-Wreck of America, Inc . for just about five years now. And I came from a very big telecom before this, where Black Friday was very much in our vernacular. And when I came to In re Rent-A-Wreck of America, Inc . And I realized they participated in things like Prime Market, it was like, really? But it just makes sense. Because if you're looking for a deal, you're looking for a deal across the board. You're not just looking at those big-ticket items. If I can save on things that I buy every day, on cleaners, facial care, or supplements, I would look to save on everything I can. Whereas I think the mentality may have been before, I'm going to go look for, again, big-ticket items. It's Prime Day. I'm going to go look for that new speaker or something, really, that electronic device that I can get at a really good deal. But now, hey, I can get 50% off on Airborne too, or a BOGO. That's great. I'm going to add that to the cart at the same time.

Matt: Well, I mean, and the physicality of being in a store when you're a heat-seeking missile going towards certain aisles, or you're looking for the TV or the Xbox, maybe you're not even thinking about going to the other side of the bigs. Maybe you're looking at the Xbox retail where maybe your products are sold, but you don't have that same element in an online environment as well.

Carolyn: It makes it so easy.

Rachel: This type of behavior is beneficial. Because if you think about Walmart in comparison to Amazon, where Walmart is winning is grocery. So halo effect of these tentpole shopping moments is really positively impacting Walmart's position in the ecosystem.

Matt: Absolutely. A big thing that we also heard is that consumers weren't really thrilled with the discounts they were seeing. And there was this one post that was going around where somebody basically removed from a bake-a-box retailer, essentially a Black Friday tag, and under it was basically the same price that they'd had for the everyday sales that they had prior. And that kind of went viral in terms of like, are the retailers really cheating the consumer and maybe misrepresenting what is really a deal and what isn't a deal? Rachel, I'm curious to hear your thoughts on that if you saw the same thing.

Rachel: So in 2020, when we were doing this exact webinar together, I would tell you that the most important thing that was informing a consumer's buying decision was product availability. Now that's no longer the case. It's absolutely pricey. The consumer is demonstrating that they're extremely price sensitive, that they're even willing to shop at a lower price for slower shipping, And it's a strong indication of where we are in terms of the economy, which is why if you look at some of these great FMCG brands right now, the top jobs that they're hiring for are revenue management. That's where the opportunity is to gain margin within their portfolio.

Matt: Yeah. The world has changed so much. You're right. You go back to 2020, it's like, can actually, there was a time when people couldn't get toilet paper, right? That. In April, and May 2020. So, and now you're seeing a lot of these products has stock, you know, being overstocked on the shelves because they can't move them fast enough. You guys had some great research at MikMak, Rachel just about how consumers are interacting with social relative to the big buying season. Would love to hear your thoughts.

Rachel: Yeah. So because MikMak works with over 1,200 brands, we're being appended to all of their media. As a result, we can understand where brands are investing their dollars. So during this holiday season, on the far left, you can see the media mix of the biggest brands in the world. Nearly 73% of their media investment during Black Friday, and Cyber Monday went to social. Social has become the third shelf. It is the place for product discovery. When we break social down by conversion rate, Meta still wins. And if you're looking at Meta.'s earnings over the course of this year, they have bounced back. They've really demonstrated the effectiveness of their ad products compared to other platforms. And you're probably paying attention to TikTok here. TikTok is absolutely a powerful platform. But when it comes to these sorts of direct response, bottom-of-the-funnel shopping moments, those are pouring more dollars into Meta than they are into TikTok.

Matt: Is that because of the more of the form factor of TikTok where you're kind of immersed in this short form video content where you don't want to leave it? Where maybe Facebook is slightly an Instagram to a lesser extent, slightly less immersive. So people are more likely to jump to a platform and buy something at the moment.

Rachel: I think it's the maturity of TikTok's sort of ad product.

Matt: Yeah.

Rachel: Meta has invested in this over the last decade. They're connected to all the major product feeds around the world. It's really easy to launch those ads and drive a strong CPA. While TikTok is really positioned right now in brands' media plans as a more upper funnel, essentially where they would put digital video or CTV like that's where they're putting their TikTok followers.

Matt: What's striking to me, and then Carolyn, I'd love to hear your thoughts on this, is that social really is dwarfing search. And you know, it is kind of the new search where we used to be Google, Google, Google for search, and obviously they own YouTube as well. So they're playing in this space on the social side, but is search just really far less relevant? And do you see Rachel that changing with all the AI innovations that Google and Microsoft are making in that area?

Carolyn: I think there are a couple of things to unpack in what you've said. I think socially, you hear about social commerce, right? Social commerce is here. It's here to stay. You have some brands like nascent brands that are social first, social only. Yeah. But I think it's some bigger brands a little bit longer to figure it out. But social is, it's your reach platform, you know, but it's a full-funnel platform as well. Whereas some platforms like Google, really play an upper funnel, right? You can do full funnels through your social. I agree that TikTok is a great platform. We found a lot of success with influencers. It's a place for influencers and influencer sales. But those brand messages still resonate better, I believe, with men, whether it's TikTok, whether it's Instagram or Facebook. But you really have this social commerce being a huge way of the way the consumer shops. I don't know if search is dead. I think search has evolved, right? There's just so many different ways. You know, think about searching on the platform, right? So you've got Google search, but then I think Amazon has a bigger search input than Google does on certain things. People go to Amazon and search first now, maybe versus Google. I don't think the search is dead. I think search is evolving. I mean, you've got to keep up with the ways that the, you know, obviously consumer first, where are the consumers looking? And you have to be there to be able to answer their queries. Google's biggest competitor is not Meta. or TikTok. It's retail media. So a lot of the search dollars are now being shifted into environments like Amazon, Walmart, Group Connect, and Roundtable.

Matt: Right, which we're going to get into because you had really gone deep last year, Rachel, into retail media as sort of a merging channel that a lot of the brands were investing in, and that's only continued. So we're going to dive in. The last thing I'll say on this chart is Twitter X, is nowhere to be found here. I've seen you on TV, Rachel, lots of times talking about how they're under-representing just how much that business has deteriorated. Any thoughts on that? And then Carolyn, is that somewhere that you would advertise right now?

Carolyn: We have a moratorium right now on Twitter, which since before it's been X, we haven't been active on the platform. We just don't know that it's a brand-safe space. So we've been holding back our dollars for a couple of years.

Matt: Interesting.

Rachel: Everything you just said encapsulates why we've seen our Twitter brand traffic essentially go to zero since Elon Musk has taken ownership. There was a glimmer of hope in the spring when Linda Yaccarino became CEO. Some brands decided to test the waters again. We've seen all of that go away, especially over recent weeks with Elon's actions on Twitter.

Matt: Yeah, fascinating. This is a story where sometimes, you know, the tail wags the dog, so to speak, and you don't really know if it's really landing in the business world, but it seems through your data and just the focus group of one that Carolyn gave us that it definitely does hold true. This goes to what you were saying, Rachel, earlier in terms of consumer shopping for smaller items this summer, which I guess also fits in the basket size. Another thing I think we saw during the pandemic is anyone who needed a TV in any room of the house, including the bathroom, bought it during the pandemic, right? So when you look at electronics and gaming devices, everyone loaded up and bought those things. And I think it probably pushed back the buying cycle of a lot of electronics because so much was pulled up when people were stuck at home and were still seeing the results.

Rachel: Yeah, we have a bunch of consumer electronics customers at MikMak. And the reality is every five to seven years, you'll turn over your electronics. So we're waiting until 2025 to 2027 again.

Matt: Right. Because everyone basically bought a new TV because they were watching Netflix. Right. So it kind of pushed everything back.

Rachel: Yeah, and now you're seeing it show up in Bestvisor. So it's a really, really tough time.

Matt: Yeah. And I guess Carolyn, to your point earlier, that could benefit you guys because you fall into that smaller shopping items, not to say that somebody would buy maybe one of your brands as a gift, but maybe since they're not spending as much on those high ticket items, they do have money left over, even though they're spending less to buy and take advantage of the deals in your categories.

Carolyn: I think there's a lot of COVID behavior that's been carried through that helped some of our brands, you know, be in clear soul. For example, they say that the pandemic shot us ahead five years from an online shopping perspective in three months. And not all of that behavior went back. So self-care, those things, some of those businesses haven't returned to normal. So we are still seeing a lot of great momentum on products like, you know, our waxes and our acne products. And even again, when you go back to Black Friday. There is a statistic that like 20% of people still bought themselves an item, a personal care item. So, you know, while they're buying sweaters and whatnot, they're still buying something for themselves. So I think in some ways, in some brands, we're still reaping the benefits of COVID. So, you know, a lot of, like I said, that, that behavior didn't go back to pre-COVID after the pandemic ended. So some of our brands are really winning and we are still seeing a lot of online growth on some of these brands.

Matt: It's so interesting because we talked often. The big term during COVID-19 was like the new normal. And no one really knew what the new normal would be. And in certain categories and certain behaviors, we did kind of revert to post-COVID behaviors. But I'm not taking this webinar from an office right now. I know, Rachel, you're probably not taking it from an office either. We both were before the pandemic. And I would imagine that has permanently in some ways changed the way that we purchase products, especially in some of the categories that Reckitt and other FMCG players play in. Correct.

Carolyn: We still see a lot of online purchases, and online pickup in-store. But then you also have new players. You know, the last miles become a very important venture for especially our instant wellness products. You know, we do very well with GoPuff and DoorDash, believe it or not, because some of our products, talking about more of our cold and flu products right now, you can't wait a day for them if you're sick. You know, if you didn't pantry load or if your pantry loading from COVID has been depleted, then you're not going to wait a day for your coldness. So you're either, you're going to order it from DoorDash, or you're going to order it at Walmart and pick it up in-store because it's going to be ready in an hour. So some of that behavior has also helped shape some of the way consumers buy things. If you don't want to go into a store, there are so many other ways to have it delivered now quicker than even before the pandemic.

Rachel: Matt, I think there's a chart, maybe it's the next slide, that our data actually shows, or two more slides, where the last mile shows up. When we get there, here we go.

Matt: Sorry, one. There you go.

Rachel: So this is MikMak data here, where you can see what retailers America's shop, Black Friday through Cyber Monday, that entire time period. And if you notice, on the far left, Drizzly and

Instacart appeared in our top five retailers. So we work through a wide slew of categories, but what you don't see here, for example, is Best Buy. So it goes back to how this virtual moment is no longer about toys or consumer electronics. It's really about deals on everything. And then you can see it further broken down by category.

Matt: What's interesting is that, as many of you know, Uber acquired Drizzly this year. And we're going to talk a little bit later about the power of first-party data. But the first-party data that a company like Uber has is really quite unique because they know where people are going and so much more about individual lifestyles. And I have to imagine that commerce is probably an area, as well as advertising, which they recently jumped into. Do you see Uber being a player in commerce five years from now, Rachel?

Rachel: 100%. I think that Uber is a first-party data company. I think that Walmart is a first-party data company. And that these companies are going to find unique ways to build verticalized businesses on top of their first-party data. And I think advertising is only the beginning of one of the businesses that they build on top of this data set.

Matt: Right. And that's really the name of the game, right, is having that first-party data, understanding the consumer, being able to serve them messaging in a contextualized way that meets their lifestyle.

Rachel: 100%.

Matt: So the other slide that we had quickly skipped over speaks to necessities, which Carolyn and you had talked about as well. And this MikMak as well. Rachel, you want to speak to maybe what was interesting coming out of this?

Rachel: Yeah, so here are the top categories that consumers purchase. So we get basket-level sales data. So we understand what America is buying. Amazon, top two categories, are toys and beauty. Beauty never used to be a part of the zeitgeist of Amazon, so they've made major investments there. Walmart, personal care, alcohol. So a big cultural moment. You got people over for the weekend. Target, grocery, and beauty. So it's really reflective of everything that we were just talking about, that this is a moment to buy all of your life's necessities, not just gifting it.

Matt: So who are the companies that aren't the, I almost said the losers, but let's be positive. Who are the companies that aren't the winners coming out of this? If Target is making such big strides in groceries, is that coming at the market share of traditional grocery stores or convenience stores? Like where is the share coming from?

Rachel: Yeah, so I think grocery is unique because typically local wins, right? So you'll go shop at your local grocer to buy milk, but you'll go to Walmart to buy everything for your house. I think the interesting thing is who's losing is specialty retailers. Specialty retail is struggling because you don't have to go to Ulta to get a great deal of beauty.

Matt: Right. Also the death of the mall too, right? They used to drive off malls.

Rachel: Yeah. And so I think there's going to be a reimagining of what specialty retail is. You already see a lot of them building out marketplace businesses because they need to diversify their merchandise to drive bigger baskets.

Matt: Right. So would that be like an Etsy, for example, that, you know, because they're kind of a specialty retailer that is a marketplace.

Rachel: Yeah, Etsy is a unique breed, right, in terms of its value proposition and ecosystem. But to give you an example, you can shop Ulta at Kohl's, right? So people are really trying to figure out ways to expand their merchandising portfolio.

Matt: Yeah, totally makes sense. So moving on, we talked about retail media and its growing importance for companies that work with the big box retailers or rely on them for a big percentage of their volume. We're seeing that's projected to continue to skyrocket. For those of you who don't know, retail media is essentially the retailers leveraging their footprint, both online and physically to essentially produce what is a new circular, right? Used to be that if you sold, and let's just say Best Buy, they had a circular, you'd buy ads in that circular and they would distribute it in all the newspapers. It was a way for kind of these retailers to get money back for providing these merchandising opportunities. And now we're seeing it on a grand scale. Rachel, you talked about this being a growing category last year, and it certainly has continued to prove out. What are you seeing in the world of retail media?

Rachel: Yeah, so last year we surveyed our customers and we asked them how much of their total media spend went to brand media versus retail media. And last year they essentially told us that 25% went to retail media, 75% to brand media. We then asked them to project it into the year 2025. It was the inverse. They believe that 75% of their total media investment is gonna go to retail media. Yes. For many of our customers, we are now, and it's 2023, at 50-50. So this is a seismic shift in the industry, and it's not that the advertising budget is getting larger. It's that dollars are shifting dramatically.

Matt: Where are they coming from? Are they coming? Is it coming from TV? I would imagine that would be the first place they could take it from.

Rachel: TV. Search, right? If you think about retail media, it's a big player in search. And there's now a lot of discussions of it's also going to come from environments like social and programmatic advertising. It's getting blurry. And you're also starting to see this reflected inside brand organizations where marketing and sales are coming close together. And sometimes they're even sitting under one leader, whether it's the CMO or the chief customer ops. But Carolyn is living and breathing this.

Matt: That's my next question. Tell us what's really going on.

Carolyn: Yeah. I think retail is going to continue to be an important part of what we do. I think our, and it depends on the retailer, right? Not every retailer is equal in what they can offer or how they work with brands. But I think that we're going to be increasing our investment with key retailers as time goes on. Because you can use their online and their offline world together and create these moments that matter. You have a big product launch. You know, you can use their network. Their data is obviously the number one asset that they bring, not only do they know who their shopper is, but they know what they're buying, and what competitors of yours they're shopping. So from a digital perspective, you can target really, really well all the things that you'd like to do broadly that you really can only do with certain sets of data, but then you can also lean into their in-store and bring things to life. In a way that you can't with certain other partners. So they allow you to key up launches. They have their in-store media. You can buy almost anything through a retailer that you could. They have social offerings. They have audio offerings, right? Programmatic advertising. The only thing you really can buy through them now, I think, is linear television, right? So, again, certain networks, not all are equal, but the sophisticated ones can do everything, soup to nuts, including influence, right? You can use Walmart influencers to launch a product. So I think that it's going to keep getting bigger and bigger every year. Now, I can't say that our budgets match your projections, Rachel, right now, but every year we are planning on this being an area of growth for our budgets. No, our budgets are not. So it's really about how you do it smartly, how you lean in with a partner and get mutual benefits from the work that you do together.

Rachel: What I think is going to change in the ecosystem is a few things. One, I'm noticing within our customer base that in the last two years, more of our customers are layering in retail media to their media mix models. And what's coming back is that retail media is not profitable. And the reason why this is happening is because retail media isn't just media. It's the total cost that you have to invest with your retail partners that they're putting into the model, like trades and fines. So that's one thing that I think is going to change the nature of retail media. The second is regulation. You know, retailers are unique because they are also the distribution channels for the funds. And there's a lot of players like the FTC who are starting to look into what's happening with retailers and retail media to try to make this a more ethical marketplace. Right.

Matt: And it creates unfair advantages for other publishers who don't have the scale in distribution and retail.

Rachel: 100%. And I'll say this because I'm not a brand manufacturer, I think that a lot of brand manufacturers feel that it's extortion because a retailer walks into their office, and demands a 20 percent year-over-year increase in spend. The brand says, what am I going to get for that in return? And the retailer kind of goes, I don't know. And that type of leverage is a challenging place for a brand manufacturer. So I think regulation is coming in. I think that brands are getting more sophisticated with their models to start to have more of a strong negotiating position with the retailers than they've had in the last few years.

Matt: It's interesting because going back to the Uber example, Uber is a company that has the touch points and is well capitalized in the scale where they can compete with a target Amazon or Walmart, which is why they're saying, okay, well, we have this massive user base, captive audience, high touch points, volumes of first-party data. Let's leverage that to sell stuff, right? Besides rides. And Uber and now they're obviously getting into Drizzly. So at the same time, I'd imagine that other companies like Uber are probably having their eye on, well, maybe we should acquire retailers to call on top of our platform. I don't know, maybe Pinterest would do it, right? So they could do the same. Is that where it's coming from? Yes, it's going to be regulated, but the other way the market could shake itself out is to have this consolidation between platform and retailer.

Rachel: I mean, you're hearing rumbles of that. Pinterest always comes up.

Matt: Yeah.

Rachel: That's all yet to be imagined.

Matt: Sure.

Rachel: Obviously, TikTok is making major investments in its own commerce and marketplace business. So there are unique models that are coming to life. It's only a matter of time to see what plays out.

Matt: Yeah. You also see the publishers, you see Viacom, News Corp, I don't know, Condé Nast, companies that have eyeballs, right? At some level of influence, could they purchase an Etsy or a marketplace or something and then have this content-to-commerce model come alive? But in the advertising world, we saw for a while creative and media are separate. And then we saw together, I think for similar reasons, could platform and retail or be brought together to compete with these big players. It's interesting though I frankly hadn't surfaced until now. I don't know, Carolyn, do you have any thoughts on that topic?

Carolyn: I think it's possible. I mean, I think we're living in a time when things just change, things just morph and change so quickly, right? When you've got your last mile players who are getting into businesses beyond where the, you know, Uber, Uber always rides. Now it's Uber probably, and we're retail, right? So anywhere to chase, again, consumer need, right? So if consumers are there, they're going to build, right? So if there's a way of marrying these two types of businesses to make it more seamless, it's probably going to happen.

Matt: Right. Because I think, Rachel, when you go back to FTC, what you're saying is ultimately the manufacturers, you know, Carolyn's company included, need options. And if they don't have options, then you raise the possibility of, I don't know if extortion is the right word, but it's leverage really if you're going to pay us X amount or your end cap goes away. But if they can take their end cap elsewhere, especially in a digital world where another company has a similar scale, well, then it creates, I think, a better marketplace where the balance of power might be rebalanced in a fair and even way.

Rachel: Yeah. Now, this obviously takes time. I think more of the short-term actions that we've seen all over the years is governing bodies like the IAB trying to create standards in retail measurement because that's another big challenge is that every retailer is creating their homework and there's no third party that's essentially verifying the metrics.

Matt: Yeah, absolutely. A big thing that, and before we get into predictions, and we're going to open up some time for questions as well, there was a while when a lot of big CPG manufacturers were focused on direct-to-consumer. And you had P&G and J&J before it became Genova as their consumer brands, were investing heavily in ways where they could sell directly to consumers. And from where I sit, that seems to have kind of fallen off a bit. Is that something, Carolyn, that you guys at Reckitt are still tinkering with? Is it a way to launch new products, or is it something that you guys aren't as focused on?

Carolyn: Oh, funny story. We are actually sunsetting our direct-to-consumer.

Matt: There you go.

Carolyn: Not every brand has direct-to-consumer functionality. Not all of our websites had it built in. We did have a vendor who is no longer going to remain in that business. That's why I love MikMak because I can turn any of my websites into e-commerce in a minute. I think the issue is, how do you make it profitable, right? Because as Reckitt, we are not consumer distributed. So you always have to bring in a third party to do that work for you. And we've had it on and off for many years, but it's never really been an area of true profitability for the company. So I won't say that it's never coming back, but for the foreseeable future, we're not going to have a direct-to-consumer offering on any of our brands. Again, things can change. We can relook at things, but especially for brands like ours, it's so much easier to just direct the consumer to buy them. Somewhere else or wherever they're close to versus we can't compete with Amazon's either, right? Like we didn't have free shipping. We don't have next-day delivery. So it's not the best consumer experience. So I think that you know, I can't speak for other CPGs, but we love the MikMak relationship, which allows us to turn any ad or site into instant e-commerce where people can look, where can I buy this? Buy me, right? Buy zip code. So that's where we are at Reckitt.

Rachel: Thank you. I did not ask Carolyn to say any of this. So no, no, no.

Carolyn: Honestly, like with a product like MikMak, you can turn it on and sell to anyone. And then the great thing is from a company like Reckitt, where we don't get a lot of data. Now, again, it's not first-party data, but we know how many people then added to part and acceded to a bot. So it gives us sales insights too, that we wouldn't have had.

Matt: Right, which then you can apply towards your other channels and ways that you target consumers.

Carolyn: And we know if it's social that's leading the click or just funny insights. We had a brand with a QR code on a CTV spot. It was our number one add-to-basket tactic. I'm like, CTV, like, you know, so you get those aha moments from a media perspective that you wouldn't have gotten without the technology like that.

Matt: Absolutely. So Rachel, is that something you're seeing more broadly?

Rachel: Yeah, to underpin the massive change in the ecosystem. So, I kind of pegged the time period from 2007 to 2019, which is when all these brands were born social first. They were essentially born on the backbone of Facebook. Why? You could put a Facebook pixel on a checkout cart and go find people who look like you.

Matt: Parker, Alder.

Rachel: Close and you know it. That playbook stopped working in 2020. It has nothing to do with the pandemic. It has everything to do with changes in iOS 14 and the Internet. The whole ecosystem changed from automatically opt-in to allowing these apps to monetize my data to automatically opt-out. So very similar to GDPR in Europe. This challenged D2C brands. And that's why now if you walk into Walmart, Target, Costco, Ulta, Sephora, all those darling direct-to-consumer brands are now omnichannel and at mass retail because they need rich and qualified shoppers to gain scale. They can no longer do it themselves through D2C. So because of the changes in iOS 14 and the Internet, that is what's changed the D2C.

Matt: Yeah, when it was first announced, I don't think many of the people, even in the marketing advertised community, knew just how big of an impact. I think one thing they probably wrongly predicted was that since Facebook ads would be less effective because those cookies didn't exist, they would shift hours away from Facebook. I remember Facebook's, which was then called Facebook, now Meta., their stock price dropped precipitously on the heels of that announcement.

But I think that they've come up with their technologies to kind of work their way around it. And to your data, it's one of the only games in town if you want to drive conversions.

Rachel: You got it.

Matt: Yeah. So let's get into the predictions. Great segue here in terms of first-party data is going to become more challenging. Carolyn, as a CPG manufacturer, how do you look at first-party data and how are you going at it? We talked about some of the things that maybe you're doing with partners like MikMak to go direct and gain some level of data. What are some other tactics and how do you look at first-party data overall as part of your strategy?

Carolyn: Well, first-party data is very important. As a CDP, we don't have as much as I was used to in my previous role in telecom, where we had a billing relationship with every customer. However, we still find it something that we want to grow. A few of our brands have really robust CRM programs that allow us to, you know, gather that data. How we grow that in the next year is very important to the company. But we know that we'll never get to 100 million records or something, you know, as mass as that. Within our BP, we've got some now, you know, cross B. P. Initiatives, building CDPs and, you know, not ignoring the space. But again, we look a lot at our retail partners to provide us with some of that data that we can't. That we don't have on our own. And with the cookie crumbles, it's the race to figure out how to grow it as quickly as possible, right? However, we're in a position where a lot of times we have to put a value proposition in front of the customer, like sign up for our newsletter and get a $5 coupon or something, so we're looking now for different ways and newer ways to grow that data without having to necessarily put an offer. What are the other values that we can put in front of a consumer for them to give us their data?

Matt: Yeah. Would you agree about your seeing that more broadly, Rachel, in terms of the tactics that are being taken?

Rachel: Yeah, I think everything I said earlier is why it's becoming increasingly more difficult. And I think to Carolyn's point, marketers have realized that it's nearly impossible to collect enough first-party data to reach 300 million American households. And they understand the value of second and third-party data, of which a lot comes from the retail part.

Matt: Right. So it's kind of like, damn, if you don't, because those same retail partners are the ones that are pushing to spend in their platform.

Rachel: Now we're back to the vicious cycle.

Matt: Exactly. We had talked at the onset of today's webinar just about how consumers are going to be more cost-conscious in 2024. I mean, the reality is that nobody knows. So many, quote-unquote, experts in high finance were saying that this year was going to be a terrible year for the consumer and that we'd be in the midst of a recession right now. And so many things have happened on a geopolitical basis with the wars that are going on in the Middle East and with Russia and Ukraine that we thought would have had kind of a rambling impact on the supply chain. Maybe it's still to come. So there's so much unpredictability in this market, but we do know the stimulus is running out. Again, we do know that debt for consumers as well as high interest rates are impacting them and their savings, where were they supposed to be? So, I mean, Carolyn, I'll start with you. Do you see the consumer continuing to be cost-conscious in 2024 and how is that affecting your planning and go-to-market strategy?

Carolyn: I think the consumer is going to continue to be cost-conscious, especially if inflation keeps up the rate that it has or stays flat. If they don't get any relief in other places, they're going to have to start cutting expenses. Obviously, private label is a threat to every brand that we have.

Matt: Sure.

Carolyn: But I think that for us, it's really about instilling the value of our brands, right? So will we run promotions? Obviously, we'll run promotions on certain SKUs and certain brands to get ahead of some of the challenges people have, but we also have value messages that we can bring to life. Some of our brands are premium used snacks as a premium cold and flu product, but we're also a 12-hour product. So while we may be more expensive than the other product next to you, that's a four-hour product. So I think part of our job is to make sure consumers understand the value of our product. You need to take less of our product. So when you look at it by dose, it's a cheaper proposition. So you can't say that in five words or less on a social ad, but it's our job to try and get those messages across that there is an inherent value in our product, even if it may cost more. So it's all in the education and how we go to market with those messages that will help us hopefully continue our growth trajectory for some of our more challenging brands.

Matt: And Rachel, I mean, in terms of what are some of the strategies more broadly you're seeing, I guess, with brands based upon what we've talked about in terms of the state of the current consumer?

Rachel: Yeah, I think for all the brand operators out there, the big exercise is how do you build a nimble P&L?

Matt: Yeah.

Rachel: Because no one...

Matt: You and I both, right? We all do that.

Rachel: People are very trepidation to be locked into anything unless they consider it a must-have. They know they're going to need an ERP system for their supply chain. But when it comes to marketing, that's obviously where CFOs try to be more nimble. And for the marketer, they need to put themselves in a position to justify the investments back to their CFO counterpart. And so I think that's the hard thing, but from planning for the consumer, I would absolutely put uncertainty and I would plan for it to be another year like 2023 in terms of rate. That's what we're expecting.

Matt: It's also an election year, which is going to have a lot of wrinkles. Probably will prop up a lot of ad spending with certain channels as well. We could increase CPMs towards the back half of the year as well, which I think marketers would spend on some of these online channels they'd be cognizant of.

Rachel: Mm-hmm.

Matt: And then this was interesting, and I can take no credit for this. It came from your team, Rachel, that the E from e-commerce will be dropped in the near future, and it will just be commerce. Thought this was fascinating. Tell us a little bit about what the thought behind this is.

Rachel: Yeah, I mean, we're no longer in the pandemic. E-commerce growth rates are slowing compared to 2020 and 2021. Yet we're all still spending so much time right here. And so the relationship between product discovery, consideration, and purchase has become fluid. You might start your journey online, but then choose to buy in a physical store, or we continue to see buy online, pick up in-store grow within MikMak data. And so for us, we need to make sure that we can help our brand partners understand the omnichannel customer journey. And so that's why we really think we got to drop the MikMak is commerce enablement and analytics. And it really doesn't matter where the consumer is. We just need to put ourselves in a position to enable and measure commerce for our brand.

Matt: I mean, there was a time when digital advertising and advertising were separate. And now you really can't advertise unless digital is part of it. So I think this is just natural evolution of this just kind of transcending to the world of commerce.

Rachel: Yeah, and I think it's gonna impact organizations internally, right? Cause they have some very hard and fast e-commerce goals. Like I have some customers who say 25% of our revenue has to come from e-commerce in 2025, but that world's gonna become blurry. I think they're gonna have to reopen those PNLs and reimagine what it means through an Omni lens.

Matt: Yeah. It's fascinating. So to wrap up here, the one topic we haven't talked about yet, which is kind of the top of du jour in marketing in 2023 was, of course, AI. And I'm curious about both of you how you think AI is going to continually impact the way that you look at interacting and engaging with the consumers and selling products to them. So Carolyn, let's start with you.

Carolyn: Yeah, I think for us, AI can take a lot of different lenses. It can be interactive shelf talkers. Think about that. You know, you talk about some shelves that are crowded and confusing. And also just from an advertiser perspective, creative. Think about what you can do from an AI perspective with creative to understand messaging to targeting and audiences and how that can bust it open from testing five versions and blah, blah, blah. You can really just use AI to really get into what messaging really resonates with your consumer. So it goes all the way from, you know, I would say supply and on-shelf to experiential marketing. And I don't think it's happened as quickly as we thought it would as far as within platform and advertising. But I think it's going to be much more integrated into everything that we do. Starting in 24.

Rachel: Yeah, I think from AI, from a behind-the-scenes standpoint, it's already in play, right? It's replaced a lot of QA work. It's writing basic code. It's helping edit images. But it's interesting when I talk with our brand partners. They're very trepidatious about AI and creatives. They have a lot of copyright concerns. And then the other concern, which I find very interesting, is transparency with their partners. Though this notion of, hey, are you now using AI to generate this creative? If so, then the FTE headcount charges should look different because you're no longer using humans. So I think it's going to change.

Matt: In terms of agencies and vendors.

Rachel: Yeah. It's going to create an...

Matt: A little bit of... No savings and that efficiency.

Rachel: Yeah. So I think that's going to come into the ecosystem over the next year as well.

Matt: Yeah, I think one of the big shifts that we've seen since the dawn of social is that traditional advertising just isn't a long-term strategy, meaning interrupting a consumer when they're watching a TV show they love, forcing your unique selling proposition that you're 30% more absorbent or you have 360 horsepower. Consumers don't want to hear that anymore. And now they can just fast-forward past it, right? Or usually do not even see it because they're watching Netflix. So the way that brands need to build their brand is through content. And I think the growth limiting factor of content creation and personalization, Carolyn, and to your point, was production capabilities and costs. And I think some of these platforms, an amazing tool yesterday, I saw a teaser on, I posted that on LinkedIn called PK, allows you to type in any type of video you want to create, and it'll just create it instantly. And I think if AI was about... Right, the amazing blog post or headline or copy, 2024 is going to be, make me a movie, make me a content series, or whatever it may be. And what are consumers looking at online? They're looking at video content. That's why Benzinga has such strong engagement. So I think the best brands that are going to be able to move fast and take advantage of AI are going to be the ones that do it in the realm of video in 2024. And video and AI equals personalization at scale, engagement at scale, and drive the business. And I think that's going to be the key to the future. And I think that's going to be the key to the future. And I think that's going to be the key to the future. A whole new realm of ways that brands can communicate with consumers. So I think that's really the game. And I think with some of these tools, Rachel, to your point, the tried and true methods that brands had to generate this content through expensive agencies are going to have pressure on them, because there's going to be easier ways. Now, ultimately, you still need the insight, right? Putting it back to the busy, but you need the insight. Insight is the basis of any creative idea. And if you have the insight, then the creative is going to hit. And if you don't, then it doesn't matter. And if you don't, then it doesn't matter. And if you don't, then it doesn't matter. And if you don't, then it doesn't matter. And no matter what you tell AI, consumers aren't going to really care about it. I like that. So it's gonna be really interesting.

Carolyn: Yeah, and I gotta check out Python.

Matt: Yeah, yeah, check it out. So we just got a question. Can you speak a little bit more about growth in retail media in light of its lack of profit? How do brands plan to measure this as they increase their investment?

Rachel: I'll talk about it from what I just see from the customer base, but Carolyn is the real operator here. For most of my customers, when they talk about retail media, they really talk about it through the lens of total cost to serve the customer. What are all the investments that we have to make with Walmart to do business with Walmart? What are all the investments we have to invest with Target to do business with Target? When you layer all of that in, plus the media, it comes back as less profitable compared to channels just like Meta. and Google which are pure media. But there's a different dynamic with these retailers, which is you gotta do business with them in a lot of these categories. And so what they're trying to figure out is, how can we have a holistic conversation around the total investment that we're making in your business and not just look at retail media in a silo? And I think that what's going to change is because these retailers have been approaching trade and retail media as separate, and they're going to feel pressure from the brand manufacturers to start talking about things holistically.

Matt: Yeah.

Rachel: So that's what I'm seeing for my sort of one outside seat from the day-to-day that brand operators have to deal with.

Carolyn: And I can say we have made a shift at In re Rent-A-Wreck of America, Inc.., whereas, until this year, we did have sales and trade negotiating our media partnerships, right? So now that it sits with my team. So instead of just looking at what's being asked from us from the retailer standpoint, we asked back, right? So like, okay, you want us to spend X, let's see what can we do together. What are our big bets? How can we make this a success together? Because it has been somewhat of a one-sided conversation and we want to make sure that we get combined, you know, obviously we need our partners like Walmart and Target. So how do we approach them now in a way that is a two-sided conversation? So I think that's really what's important is communicating to them what you need from a media perspective and a business perspective and say, how can we get there together to give you that growth and investment? So it can come. You just need to have a seat at the table. The retailer and make sure they understand what you need. What are your measurements? What are your KPIs? And how can we get there together?

Matt: Absolutely. Well, this has been awesome. We're out of time here, but every year is a highlight of our State of the Consumer series. And Rachel, I just want to thank you for continuing to take the time out of your busy schedule to join us and share timely insights. And Carolyn, it was so great this year having the brand's point of view. And I think that was a great idea and hope to have you back, both of you back again.

Rachel: Oh, thank you.

Carolyn: It was great meeting you.

Matt: Absolutely. So be sure to check out mikmak.com, M-I-K-M-A-K.com. To learn why Carolyn's so super excited about how it's impacted her business and to learn about Suzy, suzy.com, S-U-Z-Y.com. This webinar will be available to share with colleagues. We've gotten a lot of questions on that, which is great because that's been so very valuable. So on behalf of myself, Rachel, and Carolyn, on behalf team here, thanks so much for joining the Consumer Webinar series. See you soon. Happy holidays, everyone.

Rachel: Thank you.

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