

Sainsbury's Argos Group x PHD

Capabilities – Executive Summary

29th April 2024

Sainsbury's



PHD x OMG

Hey Sainsbury's

Hey Sainsbury's – we're onto the final straight! We've been on an incredible journey over the past three months; all roads have led us to this point and we cannot wait to take you through our final pitch response on Wednesday.

During our two hours together we will demonstrate why we are the right agency for your needs now, and in the future. We'll share a summary of our evolved capabilities, and then we will dive right into answering the two briefs; focusing on Argos first and then Sainsbury's after a short break.

Argos

Intro: Argos remains a national treasure, but over the years has lost out to the likes of Amazon & the big lifestyle retailers, reducing the role Argos plays in the minds of consumers.

We are on a mission to change that; **taking limits off Argos.**

'More Argos, More Often' will be our north star in how we apply the operating model. We fundamentally believe that to crack a brief like Argos', we will need the most full and progressive application of our operating model; unlocking the power of your 1PD and supporting your in-house teams.

The brief is certainly complex, but it is filled with considerable opportunity which we have loved unpicking. At its heart, the challenge is clear: stem and reverse the traffic decline.

A reminder of what we discussed in the tissue

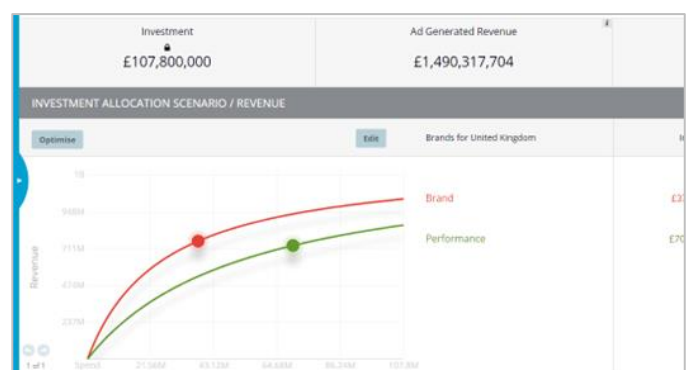
- 1) Both profit and traffic are important. The category is seeing traffic decline across the board, although Argos' is down disproportionately. Spending more in brand paid search is not the answer. The current 'bid-to-profit' approach is prioritising profit and does generate a higher quality of traffic, but it is compromising traffic volume. Argos needs a holistic approach to search, deploying technology to automate rules which reduce reliance on paid, and leverages organic to generate incremental volume.
- 2) Clarity on the metrics that matter. Regression analysis suggests that there is little provable relationship between top-of-mind awareness (TOMA) and traffic but there is a strong relationship between mental availability and traffic. Mental availability is defined as an index of 40% ad awareness, 30% purchase intent, 20% buzz & 10% attention (as modelled in the PHD saliency index). This tells us that mental availability, certainly in the role media plays, is far more important than TOMA. A brand can have

TOMA without ever being thought of in a shopping mission (a category entry point). This insight also suggests that rather than putting more money into the top of the funnel, it would be better spent mid-funnel to drive greater mental availability at the point of shopping mission.

3. 'Convenience x Desire' is our superpower. Our drivers analysis shows that convenience is the single biggest driver of consideration for Argos (more than it is for Amazon). Our category entry point (CEP) analysis reinforces this; many of the battleground entry points (which have the highest headroom for growth) are ones focused on convenience. The exciting opportunity is bringing convenience together with desire to create real distinctiveness.

Our three-year strategy for growth

Using your econometric outputs we have modelled various scenarios into our Omni Investment Planner tool and identified an opportunity to drive £309m of incremental revenue over the next three years. Our proposed strategy shifts brand investment in increments over time, to drive mental availability: in year one we do not make any significant changes to investment across the funnel, prioritising the recovery of traffic and spending more effectively within the existing budget splits. In years two and three, the balance between brand and performance shifts in order to invest more in the mid-funnel.



We have a three-tiered strategy to do this:

Regain, Reinvest, Refocus.

Bringing the strategy to life

Regain: working in a consultative capacity we will use our ‘search smarts’ to recover traffic by increasing the effectiveness of PPC and SEO, increasing the performance of organic rankings and reducing the reliance on PPC.

A four-step SEO programme will advance your SEO capabilities with a future formula to mitigate future risk. We will introduce our OMG search toolkit to enhance your existing in-house PPC capabilities.

Reinvest: we will leverage the full suite of opportunities to drive traffic through our ‘retail smarts’, reflecting the way people increasingly want to shop and diversifying the routes to sale, to drive significant ROI.

Shifting consumer behaviour means we need to look beyond the website to drive online purchase, leaning into social commerce (e.g. shop-based solutions in TikTok) as well as conversational commerce. We will dial up the role of the app with complementary technical fixes to enhance visibility and feed into your supercharge plan. Identity and data planning is critical in informing how we convert more customers to the app, to encourage repeat purchase.

Refocus: we will build brand association with key category entry points using our ‘mission smarts’ to create an evolved approach to upper and mid funnel comms that convert more shopping missions. We will ensure this works in lockstep with your top-of-funnel activity which services the brand as a whole; together greater than the sum of its parts.

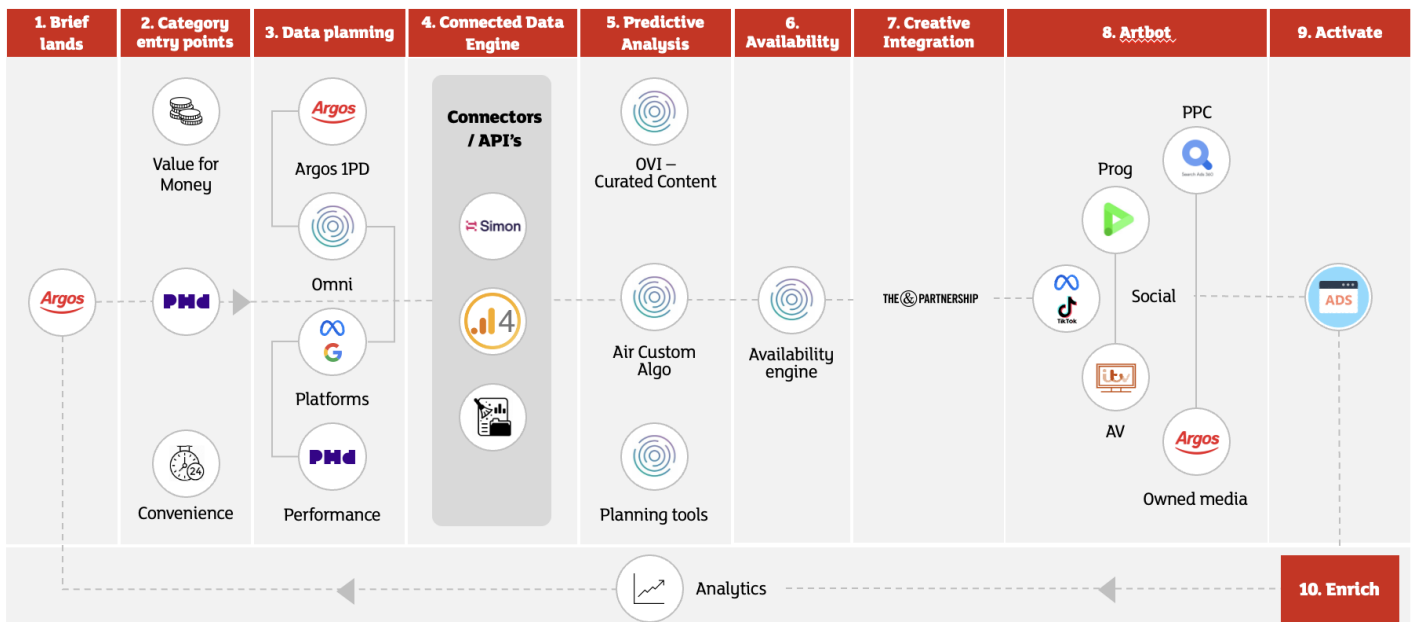
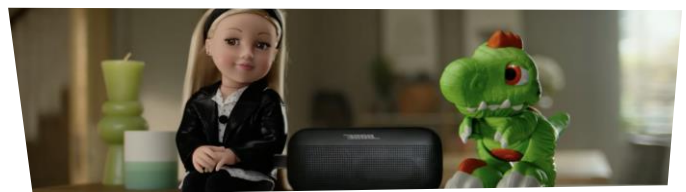
Being thought of in more shopping missions means looking at how we invest brand budget to increase mental availability during these occasions.

As we have identified convenience as a key driver, our mid funnel comms will leverage this to its fullest effect. We will take the battle to the streets profiling communities across the country where Argos is more convenient than Amazon (and other competitors) to ensure that the most relevant messages reach the right audiences.

Desirability, key to the upper-funnel, becomes even more powerful when combined with convenience. We will match convenience with desirable products (‘democratising desirability’) to ensure Argos meets people’s specific mission needs. Convenience isn’t just about speed, the ease of being able to get multiple things for a broader shopping mission (e.g. decorating a room) is a big category entry point and Argos can play a curation role.

The Argos Connected Data Engine (CDE) will help pull people further along the shopping journey, utilising CEP insight alongside other available signals inclusive of 1st party data (e.g. product availability, purchase behaviour) to make convenience truly relevant to people’s missions. Underpinned by dynamic creative, the CDE will power truly tailored communications at scale, unlocking a potential 30% improvement in performance.

Operationalising our strategy through Black Friday: we will bring our strategy to life and demonstrate how it works for Black Friday.



Intro: Sainsbury's is a behemoth brand. Loved, with enormous scale and a huge breadth of audiences; 'a brand for everyone'. How we apply the operating model needs to reflect this, focusing on creating market-leading insight, strategy, planning and truly full-funnel activation and measurement.

You will see this in our response to the Sainsbury's brief, where our Connected Intelligence team has fuelled an approach that ensures Sainsbury's retains and evolves its role at the heart of Britain.

A reminder of what we discussed in the tissue

- 1) A broader customer pipeline than families alone.** Sainsbury's does very well against an over 45 audience, they are stable year on year and account for +4.4% greater share of revenue vs the total grocery sector. Under 45s paint a slightly different picture; the trend line is in decline with fewer of them shopping in Sainsbury's today than five years ago and there is a minus 4.4% share of revenue vs the grocery sector (which equates to around £1.5bn). In order to ensure a healthy pipeline of customers and convert not just the families of today, but those of tomorrow, we recommend a broader under 45 target (where families are the bullseye).
- 2) Diversification not fragmentation.** A broader audience target has implications for how we show up in media. When looking at the media consumption of families (alongside attention metrics) it is clear that there will be some changes to the media channel mix; TV, OOH and social in particular. A younger buying target is in no way limiting – it does in fact reach more people than a traditional Houseperson & Kids approach. We also discussed the need to protect the over 45s and how the role of the owned estate will play an important part in this.
- 3) Creating joy in media.** We discussed the role that 'joyful' could play in media, particularly as the big four (Tesco, Asda, Aldi and Lidl) score slightly higher on this than Sainsbury's. Your feedback was clear - while joy was an interesting space, it should not be considered in detriment to value, the key barrier (but also the key opportunity in our minds).

Our three-year strategy for growth

Using your econometric outputs, we know that overall media contribution is relatively small; it isn't a key lever in driving growth. That said, our modelling has shown that it plays a hugely significant role in protecting long-term base erosion north of £2.5bn every year.

In terms of making media investment as effective as possible, one of the most important levers is audience targeting. A broader customer pipeline is one way we can do this. The under-45 cohort offer multiple opportunities to 'switch', with millions of life changing moments happening in the next 12 months.

We know that perceived expense is a barrier to many, but value for money is the single biggest driver of consideration (PHD modelled drivers analysis).

Value however, is not static, it can mean very different things to different people, and flexes depending on the context; what represents value for money at Christmas or Eid-al-Fitr for example, will be very different to other times of year. Likewise, a Saturday night dinner might be 'treat night' and the only night the family eats together; the role of food is more special here. Value, therefore is far more than the price we pay; it is what we get from the food functionally, socially and emotionally.

But good food deserves better from Britain. 60% of us eat the same foods every day, 30% of us are stuck in a rut and 70% of us wish we could get more variety in our diets. There is a huge opportunity for Sainsbury's to make 'good food for all of us' more tangible in people's daily lives.

This leads us to our media strategy of '**value that's more valuable**', using media to create value in multiple ways. Media that is more helpful, more relevant and more joyful.



Value that's more valuable - strategic pillars

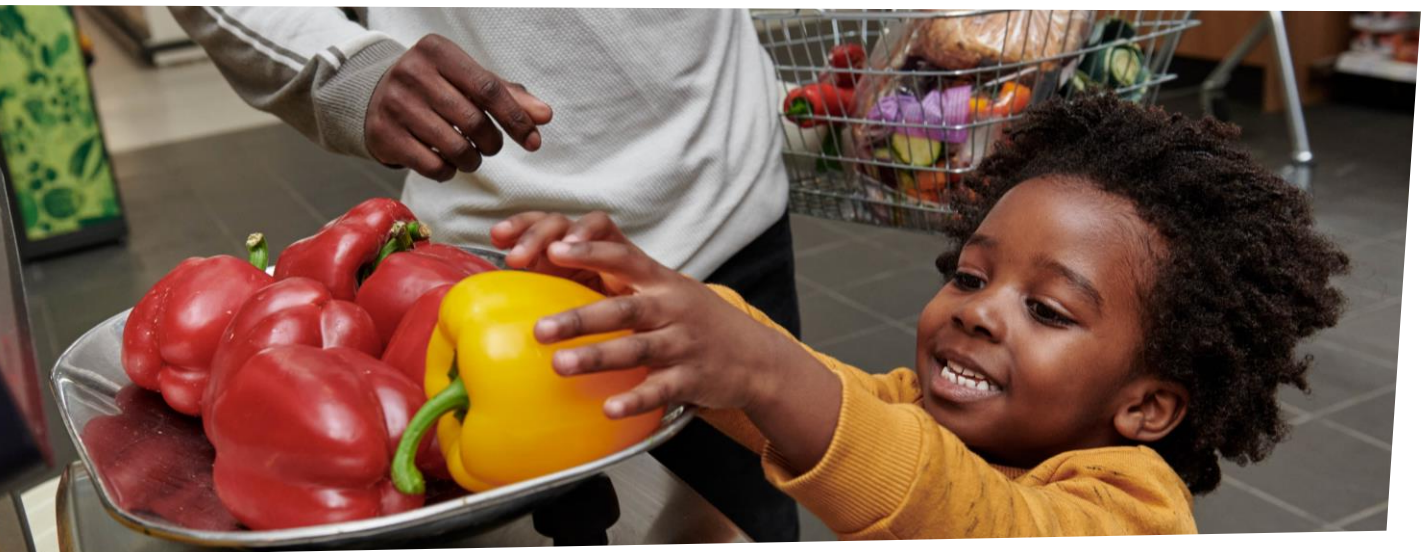
- 1) MORE helpful:** We will use broadcast media to amplify the Hey Sainsbury's mechanic, giving people helpful answers to their questions. AV and large format OOH will be key to amplifying the helpful answers that Sainsbury's provide (and we think we have a solve for the OOH challenge!). While these channels are already mainstays of Sainsbury's media plan, there will be some key shifts to reflect an under 45 audience.
- 2) MORE relevant:** Being relevant isn't just about being seasonal, it is about being seen to have a finger on the pulse - being socially and culturally resonant with what people care about at that point in time. Key to this will be the price:quality index which will inform the messaging on a geographical basis ensuring that we are reaching communities with the most motivating message for their needs. This can be expanded well beyond just price and quality alone, into other aspects of local communities such as ethnic diversity or age profile.

- 3) MORE joyful:** Creating value far beyond the price and unlocking the joy in value. We will help people escape their food rut and give them inspiration that is useful and doable.

We will introduce a '7 day trolley' mechanism, which will give families the opportunity to add a full week's meals to their basket – 7 days, 21 meals, no food waste. Each week there will be a different 7 day trolley, relevant to the season or allowing us to champion different types of family (the hectic blended family where no-one is in the same house at the same time for long, or the family with neurodiverse and very particular kids to contend with).

Operationalising our strategy through Q3: rather than addressing this separately on Wednesday, we will demonstrate how it will be brought to life for Q3 as we unpack each of the strategic pillars above.

Thanks for taking the time to read our executive summary – we look forward to seeing you on Wednesday.



Thank you

We look forward to seeing you on the 1st May



Ali Reed
PHD UK CEO

Ali Reed



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MD Sainsbury's

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