

Episode 29: Accelerating eCommerce Grocery Performance

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Andrew Pearl: Hello and welcome to another episode of the Profitero Podcast. My name's Andrew Pearl, I'm director of strategy and insights for Amir at Profitero, and today I'm delighted to be joined by Stuart Heffernan. Stuart comes to us with many, many years of experience in grocery commerce with also industry leading knowledge of the impact of eCommerce and digital on the grocery industry. With a wide career base like that, it's going to be a fascinating conversation. With that in mind we'd also love to hear from you if any topics you have, or any feedback, please do contact us at insights@Profitero.com. Without further ado, let's get on, so Stuart thanks so much for joining us today.

Stuart Heffernan: No thank you, thanks for the invite, looking forward to it.

Andrew Pearl: Fantastic, so just for all our listeners, Stuart, perhaps you could just give us a brief intro about your wide and varied career within eCommerce.

Stuart Heffernan: Brilliant, thanks Andrew. Yeah, I'll try and keep this brief, you've made me sound very old, talking about 12 years working in FMCG and eCommerce and I started my career in eCommerce FMCG at Tesco.com, just after the site really started to take off and when I started in about 2003 we were working with manufacturers where it was one percent of the suppliers business, by the time I left around five years later it was up to five percent and we really saw the growth there businesses could gain if you worked really closely and focused on this little sector. After leaving there, it's an industry in constant change and growing massively, mobile wasn't around then for example, I've worked in numerous start-ups, starting up digital teams on the researching side and

more recently working on the manufacturers side helping develop their eCommerce capabilities, and generating growth in this channel and setting businesses up to work in this channel, and most recently, I'm currently with GFK as head of eCommerce in the UK.

Andrew Pearl:

It's incredible how things change, even within the space of a few weeks, let alone 12 years, so I can't imagine the amount of them you've seen over that time, and I think actually Stuart, one of the reasons we're really, really delighted that you're joining us today, for those of you who saw Stuart present at the IGD Online and Digital Summit this year, you talked about eCommerce being the new main estate, and also really about the challenges that many brands have to understand why they should be investing in this area, so we'll come back to that in a little bit how you've helped some of your brands to accelerate their eCommerce performance, it'd be great if we could start of, just if you could explain as an evangelist of eCommerce what you see as some of the key challenges for many brands, maximizing their online growth.

Stuart Heffernan:

Yeah I think that's a question that has been in the industry for as long as I can remember, and I know that a business that really embraces that question and really strives to solve it can gain vast amount of growth in this channel and I think that the real challenge around that question is actually what does it mean to operate an eCommerce and why should we play here, and it comes back to that point around eCommerce as the main estate and we know that the grocery industry is a challenging industry, it's hard negotiating with some of our key retail partners, but we have to get eCommerce right within the business and take the internal conflict that can happen between a commercial team out.

I remember many moons ago at Tesco, I went to present to a head of dairy. My area was fresh and chilled, and the head of dairy buying, I struggled even in terms of getting some time in and he was just not interested in some of the growth we were getting out of the chilled manufacturers that were working with us, and I still vividly remember that I said to him "Look if you're not interested in what I'm showing you, the incremental growth I'm giving you to your bottom line, that's fine I'll just leave you alone", and at that word 'incrementally' he stopped and said "What do you mean?", and it's kind of like my recollection of it I like to think that he put on his buzzer because he still had a buzzer, "Maureen", to his PA, "Can you get this guy tea or coffee? Let's sit back down, let's start again", and it was that misunderstanding that I just assume that everyone knew about what eCommerce could bring to a business and once I started talking and really engaging him, it only took ten minutes.

I said "Look this is your till, it's not a separate till, I'm not stealing money from in store, this is the main estate, it's just a new way that the shopper is coming in droves to shop on this site" on the Tesco.com site, and then we had a really great conversation and he unlocked door after door of some of the smaller manufacturers to really start engaging. We then did some amazing work with own labelled cheese manufacturers for example, as glamorous as that sounds, but is really glamorous when you look at an excel spreadsheet with a line that goes up and doesn't come down as much as it did before, and from there it was like "Okay, that's the way to

pitch it". When I took up my role at Kerri Foods for example, I had a great boss as a sales director at Kerri Foods who really understood that we're not there to take away, we're there to add.

As a retailer gets more and more focused on what's your eCommerce plan, and the shopper more importantly is coming more and more to this channel to do their main estate grocery shopping, brands have to be present, so we have to solve that question, but it is a journey with a business.

Andrew Pearl:

Yeah, that's one of the key changes we hear and awful lot and I suppose the golden questions that many brands need to answer is about the genuine incrementality of eCommerce, I mean there's been a huge amount of research on this about how much is genuinely incremental from eCommerce, and how much is it are you just simply stealing from your brick and mortar stores. Could you give us your steer on what you think? Where it is in terms of the level of incrementality that eCommerce can bring to a business.

Stuart Heffernan:

Oh loads. About four years ago I think Tesco and Sainsbury's did some research in this area, Sainsbury's didn't release the numbers but they said they had proved the models incremental. We know the retailer loses money every time they send the van out, but they're still doing it. I think then we start to understand the multi-channel shopper. If we look at it from the shoppers point of view, cause those are the guys we can't stop them shopping this channel now, it's too convenient for them and ease and convenience is why I shop online, whether it's for groceries or electrical goods, but ultimately, it's around the shopper making that choice to come online, but they are not going to stop shopping in store either, so the projects I've looked at in this area from a brand point of view have shown that the multi-channel shopper, the shopper who shops online and in store as well, is worth more to a brand. They do tend to buy more.

That will vary by category so it depends on an individual's business, but Tesco released the figure a few years ago, which said, I can never remember if it's in Euro's or Pounds, but neither here nor there, I think it was about the multi-channel shopper for Tesco, so those who shopped online and in store, was worth 15 hundred pound a year more to the Tesco estate than the Tesco shopper who just shopped in store, and I believe the stat is that 80% of Tesco shoppers also shop online from Tesco.com, so why wouldn't they be active and why wouldn't they really push this channel? We looked at it from a couple of brand studies, and yes that seems to be true at brand level but it depends on the category, but ultimately if it isn't incremental, the shopper is still going to go to that channel, so I wouldn't say it's a steal, it's more the shopper is in transition, do we want to play in this channel? Do we want to make sure our brands are present in a way the shopper can see our brands and products and make an informed choice, or do we want to leave the way open for our competition?

I think that leads really into how we work with the .com partners who are out there because shoppers don't shop at aisles, they go to homepages, they're in, they're out, in theory in 20 minutes spending 75, 80 pounds, so they have a much shorter space of

time for brands to catch them, and it's where do we need to play? What's right for our category?

Andrew Pearl:

That's key I think. The other fascinating area as well is obviously the rise of the pure players, Amazon clearly is having one of the biggest potential influences on the grocery industry. We heard yesterday about them launching their store Amazon Go in the US, which effectively does away with any checkouts completely, so they have all sorts of technology that monitors anything you put in your bag, and automatically charge you as you leave the building, so it's fascinating. Their very clear about their prime shoppers as well, spending on average double the amount versus standards ones, so as you say it is this slow, gradual change of shoppers. I think, again another sort of topic I picked from your presentation was about the basics, and again, so many people talk about this thing, but it's really important to understand about why the basics of eCommerce are so important, and it would be interesting if you could give us your perspective of why you think actually so few companies do it right. Why do many companies struggle to really focus on the basics of eCommerce?

Stuart Heffernan:

From my experience, a lot of it is always digital, and it's always tough right? You need to be a computer programmer and it's always IT's responsibility. I think we have moved on. I speak to people in the industry all the time and I know businesses have moved on massively from that, but I do think there is a disconnect between is this an eCommerce teams job, or is it a national account managers job? If FMCG eCommerce, that's seven percent this year of the total market, and it's like wow, NAM's have got a lot to do, how much time do I need to devote to that seven percent when I could be negotiating Tesco that's going to smash my number. I think that's where it can fall down.

I also I think that, my own experience certainly relies at Kerri, we were very much focused on the eCommerce number, rather than taking a holistic multi-channel approach, it was like well, our shoppers don't buy our sausages or dairy products at shelf, they don't go there, so I don't really worry too much about what it says on the description or "Oh wow, there's a pack shot there", that does the job, because I want it to be on the favorites homepage because that's what's going to drive the business, but actually that's the challenge with looking at eCommerce from a silo point of view and actually if we then understand that, making numbers up slightly, I think Tesco's eCommerce about three million visits a week, half a million baskets roughly, but actually, what are the other two and a half million doing, some are trade, like myself who's on there every day, but most of them are going to be consumers looking for products or consumers who aim to be shoppers.

That's the reason why we aim to understand that value of that multi-channelled shopper and treat it like an advertising network, and that leads us on to actually we're being present on the .com, cause that might influence an in store journey. Then, why aren't we doing better images? Why aren't directing more of our time onto this? I think that's where you probably come up with specialists within the business to help drive that project forward. At the IDD conference I met Olly Bradley, I saw his presentation. Total evangelist, he has completely, I wouldn't say changed my view on

images and descriptions and the basics because it's always important, but actually he's doing great work really driving home that message that the retailers, the manufacturers, should be doing a better job in this space to make it easier for our consumers and shoppers to see and buy their products.

I've done it, my wife has done it, we bought products online and it's "Oh wow I thought that was a good price for what I thought was a bottle of wine, and it's turned out to be a bottle of cooking wine", actually we need to stop that. It has to happen because it's not right for the shopper. What value is it driving, or not driving. What damage are we doing to consumers? Who are we turning out? We don't know because it's such a fluid market place. Measurement is the key on that one.

Andrew Pearl:

You're absolutely right, I saw Olly's presentation as well at IDD. We've just released a podcast with Olly Bradley, which I spoke to a couple of weeks ago. Do catch that if you haven't listened to that. Another area again, I know Stuart it's part of your multi-varied roles, you've focused a lot on the structure of the eCommerce teams as well. Again, as you say, it's very interesting having the relevance of eCommerce specialists or multi-functional people who eCommerce might be just part of their role. Obviously a lot of people listening to our podcast range from very small suppliers right up to major multi-nationals, but do you think increasingly having an eCommerce specialist in your team, even for relatively small brands is sort of an absolute vital way of ensuring future success on eCommerce?

Stuart Heffernan:

Absolutely that question. I would say that, wouldn't I being an eCommerce specialist? I think from my experience, certainly I think actually for smaller brands, it's really key, because it's the small brands that can really win big in this sector because the shopper's in control, and when they're going to a website, they want to search for a yogurt brand. You could be a really challenging brand within the very crowded space in store. You might have one facing, one line, that doesn't count because the shopper is going to search for your brand, or by category, and if you're there you can make a big impact on your bottom line sales. I think for smaller businesses it's absolutely key because they can also be quicker to adapt and change. They'll also feel the benefit more and it's probably an easier route to market once you have a listing in a major mart than through the eCommerce channel, than it is going and finding in the store. Which will still be a big part of your business, but then actually if you can demonstrate through an eCommerce specialist the great work you're doing over here in the eCommerce channel, it can have a massive impact on small businesses.

I think for large businesses, again it will be key, and the true large businesses is not to think that it's going to get silo'd off, or it's eCommerce versus IT. I still get asked to fix telephone lines or computers, and I know other colleagues in other businesses, you're kind of lumped in with the IT team. We're not, we're commercially minded eCommerce people are part sales, part marketing, part finance because you need that broad skill set because you're also a buyer and a seller cause the media is so important. You should also be an integral part of a customer team, and that's, do you need a Tesco.com eCommerce account manager? Possibly. Do you need one eCommerce manager covering all accounts? I would say absolutely in the first year to

really do the due diligence, understand what the value is, understand what your growth is in a massive growing market, and if you're not growing get that person to do something about it.

That's why I think they are really key because as we know, NAM's and account teams are all pushed for time, the traditional main estate is still going to be 90% of a supplier's business on average at least so that needs to be looked after, but there is this massively growing smaller percentage which is eCommerce, and that's where you need a different mind-set I think to come in and really drive growth in this area.

Andrew Pearl: Well of customers and lot of brands that we speak to say about not having the resource, but actually, you said about measurement of eCommerce, and at a basic level it can be pretty simple. Just having someone in your team to look at some of the basics like images, and titles, and creating size and price can be simple. Obviously I would say there are, it goes up to very sophisticated options available to measure all of them, the metrics across the digital shelf, but it doesn't necessarily have to be a very complicated and expensive method even to get some of the basics right at the very beginning.

Stuart Heffernan: Yeah absolutely. There's new vendors cropping up all the time which like Profitero, who we need to be engaging with who will help us do a better job in this space and that takes time. That's meetings and things like this podcast for example, and that's why you need an eCommerce specialist as you can see to really reach out and understand that sector, but they need to bring it back to the main business and really demonstrate the value this new area can bring by measuring the images, descriptions. But day one I think, data is there, and that is sales data, and that should unlock the conversation in the business. It's still a bit of a shock sometimes when you say "Tesco.com is worth X within our business", "Really? How did that happen?", well yeah but it's not growing as fast as it should be, how do we make that happen. That's where we sort the basics out and then we start working on some standard plans and aiming for strategic partnerships is the approach I try and take within that, wherever I've been, and it seems to work.

Andrew Pearl: Okay. What are the challenges, again we know talking with a lot of brands is about when still 95% of your sales is through offline stores, the five percent or seven percent, whatever it is that is growing at double digit pace is still quite hard to justify that increased investment both in terms of human resource and resource in terms of some digital capabilities? What's the secret to unlocking investment for eCommerce teams?

Stuart Heffernan: Let's see, if I could bottle that I'd have my own management consultancy. Any business, it is, starts with a number. What is this channel worth? I know from my experience it's like "Well, if it's worth nothing, then what am I doing here?", well if it's worth nothing, nothing's going on you need to make something happen. If it's worth something, then it's what are we grabbing at? What share is this channel of my business? I still encounter businesses that we can't get online data, pure sales data that's readily available from any retailer, the retailers can be tough to engage with

and they're all going through their own areas of change, but it is there to give you a start. Then that leads on to actually that needs to be presented to C suite level. Your channel is worth this, or it's not worth this. Then a lot of FMCG businesses from my experience will take a is shares paired out is really key. You gotta get their shares number.

With eCommerce, for me it's three year view. What's the big goal we're gonna aim to get to at the end of three years where our channel should be if we grow ahead of the market, is that a realistic ambition? Then that's what we're aiming for. Then you can say okay well what unlocks that? Then okay, part of that will be basics and images, descriptions, creating a sale platform. Then it's also working with the retailer to create the right media plan, the right trading plan that you would have naturally in store, and then it's actually what else can we do different to really drive this on. Then, for me that's the simple start of an eCommerce strategy. If you land that well within the business, that should create a level of excitement and then you're on the road to doing the clever stuff that really drives excitement, but you have to get your basic house in order first, and that is the basic, basics if you want to call it? Images, descriptions, but then also the standard basics which is an online plan, and a strategic plan for growth.

Andrew Pearl:

I guess the key to that is also about continuous measurement and continuous improvement being able to monitor what you're doing, setting targets, and finally being able to measure how you're performing versus those targets, cause again the key challenge we hear regularly is "I can't measure it", but we've already talked today, it is readily available if your constantly measuring these targets and focusing on continuous improvement, then naturally you should see your bottom line growing.

Stuart Heffernan:

Absolutely and what's worked in the past about creating excitement was an eCommerce retailer might be a small revenue number in the grand scheme of things, but actually in the past we took a view that the eCommerce channel was worth the equivalent of what our Morrison's business was when my time at Kerri, so we just re-packaged that message and how would we like a new customer the size of Morrison's just to drop in tomorrow that we could work with. Well of course we would do, that would be brilliant, well okay we've called what it's called, eCommerce, let's look at it from that point of view, let's look at the eCommerce number and then underneath that we can then say right well, each retailer is worth X percent of this plan, and then you're working with the retail customer teams to demonstrate what is proportionally a bigger number for them by retailer if that makes sense, but you're demonstrating to the overall business the value of the eCommerce channel and then you're adding value at customer level and you're adding value to the overall business and if you can do that, I think if any business really isn't interested in that approach I think they possibly should be.

Andrew Pearl:

So you've created your eCommerce strategy and we focused on the basics and where you want to aim for, you then mentioned about these, the next stage, the really exciting areas that do generally drive significant volume and much more incremental sales for brands thinking about stepping up to that stage.

**Stuart
Heffernan:**

Yeah I think it's a really key question, still going back to my time at Tesco.com, there would be suppliers who came to us and say they've got an amazing idea in this space and they want to do free giveaways, they want to do X, Y, Z, whatever it might look like, and it's like, that's great, but you haven't got a basic eCommerce plan. There's only one of me, there's a small team, time is what's key so I was very selective when I was in the retail side of who I would work with, in terms of doing that next stage. Once the plan is in place and you've got a great relationship with the retailer, and it's also it's delivering for the business, then that's the sales element covered off, the commercial part of it. That's the lifeblood for me.

Then it's the marketing piece which is actually what can we do differently? Something we did this year at GSK was, we have a very healthy maxi-nutrition business on Amazon, it's very mature, and actually our healthcare lines have only been listed in the last year so brands like Sensodyne, Aquafresh, now up and running and with the rise of Fresh that's only going to get more and more important. We looked at Amazon, AMG as an advertising platform for one of our mouthwash brands and the question was, we have a plan for sales growth, but we took a marketing level of investment to see what could be delivered and measured offline, so is Amazon the right platform for us to advertise our products on?

Yeah, can't share the results naturally, but the results were very impressive at the initial stage, which suggest that once we get that plan in place we start pursuing a bit of a 'test and learn' approach, so really say we didn't know if that was going to work, and that can present some challenges to some business, but ultimately in the grand scheme of things the level of investment required was a drop in the ocean over a long period of time so we took a test of that approach, the ROI was great. That's helped us understand actually how we position Amazon within our business and that now the Amazon team are creating loads of excitement at GSK across multiple brands because it all feeds into look we've got a really healthy growing business, we're still developing our relationship with Amazon, we're still looking how to better measure, but we're taking this test and learn approach, it does work in some formats and even if it didn't it's given us great learnings.

That's the wonderful gift and the challenge of digital eCommerce is really most things are possible, there's always a new idea, but ultimately, it's the trick to create consistency and longevity and I've seen some businesses do some great stuff, but then it kind of disappears and is forgotten about. What's that consistently doing? What's it delivering? Is it helping consumers understand my brand more through this digital medium so then their gonna go buy more product. The trick is to get the basics in place to buy your seat at the table and work with the retailer, say what's best for your customer. I still think the best piece of advice I was given at Kerri Foods who said "Look, we're investing heavily into this channel, we've bought into the numbers you were claiming, there's two things I'd ask of ya, if it works come back and tell me what it's delivering, if it doesn't work, just come back and tell me why, we're prepared to take the test and learn".

That took months of going back in and presenting, helping them understand this channel, and I think that's what a business needs to do and that kind of wheels right back to the first question, which is, why and how do we get this channel moving.

Andrew Pearl:

Makes absolute sense, and as you say it all comes back to the plan and having the structure eCommerce strategy in place, cause if you can tie everything back to that, then it makes sense and I guess that removes the element of risk for businesses. Even if the investment is relatively small, as you say the only thing we do know is the next few years are going to be fascinating if we've already seen one, we mentioned Amazon Go, the rise of further pure players, direct consumer, different shopping methods, it's going to be a constantly evolving marketplace. I guess just to wrap this all up, we have a lot of eCommerce managers, digital marketers who listen to these podcasts, one, now I'm gonna put you on the spot here now, there's one or two things that they should really be focusing on to drive engagement for eCommerce internally within their business, what would you say the two, one or two key things they should be focusing on?

Stuart Heffernan:

I think number one is the realization that the businesses that we work in aren't generally eCommerce businesses, and I've been guilty of this, I know I have, of over-complicating what is a very simple mechanic, which is we're just putting products in places where more people view to get them to buy more stuff of the products they want, and I think keeping it simple is absolutely key and if we can focus on that then that will help the industry grow, cause it's not a group of mad individuals in the basement doing crazy stuff with a computer, ultimately we should be commercial people. Keep it simple is absolutely critical to get business engagement and to really drive it on with the retailer or internally.

I think also the second point, show passion with the retailer. They've got their own challenges, and how can we as brands help them overcome those challenges so they can sell to their shoppers better, because their shoppers are there. I think it's just pick up the phone and keep hammering it, and keep going in and seeing and coming up with new ideas and don't be feared of failure.

Andrew Pearl:

That was unscripted and without pressure so thank you for that. Thanks Stuart its been fascinating. I'm sure there'll be a lot more coming for you within the industry over the next few years, and if our listeners would like to contact you with any specific questions, what's the best way of being able to do that?

Stuart Heffernan:

LinkedIn is always the best, so Stuart Heffernan on LinkedIn, and it's an open profile so just drop me a note, more than happy to help.

**Andrew
Pearl:**

Fantastic, thank you so much for joining us today Stuart, it's been another fascinating episode of the Profitero podcast, and if you've enjoyed this today please do leave us a review, it keeps us happy and lets us know that we're on the right track, so if you're listening on iTunes or wherever you listen to it, please do leave us a review. Again, as I said at the beginning, if you'd like any particular topics for us to cover, or even if you'd like to join us on a podcast, we'd be delighted to hear from you so please email us at insights@profitero.com, but for now, my name's Andrew Pearl and thank you very much for listening. We look forward to speaking to you soon.