

Episode 30: The Future of Shopper Marketing

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Andrew Pearl: Hello and welcome to another episode of the Profitero podcast where we look at major market developments and also talk to industry experts and operators to really understand strategies and tactics for driving performance in the e-commerce channel. I'm Andrew Pearl, I'm Director of Strategy and Insight for Profitero and today I'm delighted to be joined by Paul Lees, Managing Director of CheckoutSmart Limited.

Paul and I first met a good few years back when we were working together at Mars but since then he's started this company CheckoutSmart and it's really doing some fantastic work in the area of shopper engagement. Paul, first of all, thank you very much for joining us today.

Paul Lees: No problem. Thank you.

Andrew Pearl: If you don't mind, since ... been a few years since our time at Mars, would you mind just giving us a bit of an update of what you've been doing since then?

Paul Lees: Yes. When I left Mars, I went to join Heinz. I spent three years there as their VP of Sales for the UK and Ireland so directly working with the retailers and sales teams and across that broad church. Then when I left Heinz I started my own business and I've been working on this one and the current one, CheckoutSmart, since ... about the last seven years.

Andrew Pearl: Fantastic. Could you tell us a little bit more about CheckoutSmart and what you actually do.

Paul Lees: Yeah, so the overview of what it is, is we allow FMCG brands, because we're focused around grocery and FMCG, to talk, if you like, or influence directly, grocery shoppers. They do that before and during their shop. A lot to do with, either ... We have an app that works on people's mobile phones and we also do it via website so it works on any browser or device.

The way it works is all about putting offers in front of people, so savings that people can make using cash back as a proposition. What you might see on the site is we might have an offer on there for, say Coca-Cola, and you might be able to save a pound if you go and buy it in store and then claim that back from us.

Andrew Pearl: From the knowledge that you have of your shoppers, obviously, do you know exactly what they're looking for out of these offers? What part of the shopper process are they looking at your vouchers and looking for ways to save.

Paul Lees: Let me just show you ... give you a second about how it works and then it'll be clear. Say, within the app process, what we know is that about two-thirds of our shoppers, of which we've got over a million registered people now, look at the app before they go shopping. They'll review offers, maybe favorite them, look in some depth, maybe look at some of the links and see what there is.

About a third of our shoppers look at it in store, so actually, as they're going around the store. We know that because every time somebody opens the app, we make a note of it. We know exactly what time and second they do it, what images they're looking at. Then we also know what time they went shopping. Again, we know that because the claim process, when somebody wants to say, "I'd like my cash back because I bought this product." The way it works is you tell us, within the app, where and when you went shopping and you upload the copy of the receipt or a photograph of the receipt, you take that within the app.

That photograph, we then collect all of the data off, in terms of OCR, Optical Character Recognition. That tells us a lot of things, including the date, time, second, that somebody went shopping, so we're able to correlate the exact shopping moment with the time that they open the app so that gives us a real clear idea of how far out they've looked at it, etc. Like I say, about a third of people are using it in store, two-thirds of people beforehand when they're doing that sort of planning.

Andrew Pearl: When people are actually using it in store, are you finding increasing use of these digital coupons are actually directly affecting what they're buying in store?

Paul Lees: Yes. We're able to demonstrate very clearly, in the influence that this has. Very simply, when I say we take the whole receipt and we Optical Character Recognition, we digitize that information. That means we've collected a basket of information so we know exactly which retailer somebody was in, they were in a

particular retailer in a particular town, but we know all of the items or SKUs and all of the prices they paid.

As a member of CheckoutSmart builds over time, they will be claiming a number of items from us and we'll collect a lot of data about them. What that means is that whenever we run an activity, we've got history on the people that redeem it, so we've always got pre-data from whatever activity we run. Likewise, somebody claims today and they claim, I don't know, this cookie item, but they go on in the future to claim for other items in other categories each time we collect the data that's on those receipts. We get post-data for every activity as well. Performance-wise, we get really strong data, pre, during and post, for all of our activities.

What we're able to say from that, because naturally we analyze it ourselves and on behalf of the client, is that we get extremely good results. Not surprisingly, during an activity, a brand benefits. They do very well. There was a strong uplift in their share and their overall basket penetration etc.

We're able to track things any period of time. We worked on an activity for a frozen food brand in the U.K. and we tracked people who redeemed that product for 26 weeks afterwards, for half a year, and we compared them to other people who didn't redeem what happened to be a piece of NPD. The redeemers bought that product four and a half times more than the non-redeemers. That's in the whole period of time that we were tracking, where we ran no activity on that product. That was just purely what happened afterwards. We get very good results and we get very good performance data to analyze as results.

Andrew Pearl:

That's fascinating to hear. I think it replicates what we see a lot in other e-commerce opportunities, such as lightning deals on Amazon, where not only, obviously, do you get the short term uplift, but actually, it does drive a significant long term benefit as well because it helps improve your search performance, perhaps getting your products in the favorites but it's interesting to hear you've got a level of uplift that some of your coupons can provide. Do you find there are certain categories that are more frequently redeemed than others? Are there certain areas that shoppers are particularly looking out for deals on?

Paul Lees:

I wouldn't say that we've particularly identified individual categories where things perform better or worse than others. That might sound a little bit odd. We have developed an expertise in certain areas where we've repeatedly had lots of things. For example, we've worked a lot in soft drinks, we've worked a lot in frozen food, we've worked a lot in dairy, and we've also worked a lot in beers and spirits, which is interesting. In my world, there's nothing in particular that says ... say Impulse does very well, or generic items.

Everything we do is around the brand mostly, so there are branded items in store. I would say that, fairly universally, we've had a success working. There isn't an area where I look at it and go ... We've worked just about in every

subcategory in the store and just about everything works, I think, in one way or another.

Andrew Pearl: The other thing, again, we know is really important for online shoppers, obviously, is tailoring. We saw with certain retailers, obviously, targeted their loyalty schemes to focus on products that they buy, rather than products they don't buy. Have you been able to get the element of tailoring into your offers so that brands very much can target certain types of shoppers and shoppers can get the products that are going to be relevant to them?

Paul Lees: Yes. It's very much something that we build when we grow our relationship with a particular brand. That's something we get into relatively quickly. Initially, we often start with something that maybe is needed right now, so some piece of NPD, for example, that we would support, or something that, maybe has been recently launched that needs a boost. Once we've worked with a brand for a little while, we often get into, how do we get much smarter in terms of targeting our promotions etc. and we know that we can target users very significantly. We can, for example, find people who buy their category, but not their brand. Likewise, we can offer them an offer and offer people who already buy their brand, maybe a different kind of an offer.

In very simple terms, we're able to segment ... That's very simple. We've actually gone as far as splitting one category into brand buyers, non-brand buyers, heavy category buyers, light category buyers and then combining that with a kind of format of product they bought so we have 12 different segments that we're able to work with. We can do that very easily with all the data that we have about people because soon as we start getting receipts, we can target on anything, retailer etc.

Not only that, what we find is it's not just about the segment, it's also about the sequence. It's about the series of offers that you put in front of people. In simple terms, if you put an offer for an item and then you follow it up with another one, maybe at a lower level of discount, not quite so deep, and then maybe another one at a buy two or buy three, it's that sequencing that we've built an expertise up in. You not only say to somebody, which to the point, is personalized and tailored, so depending on their behavior, you put a particular series of offers that drives a really smart ... a really good ROI, and exactly the kind of behavior that you're looking for from shoppers. We talk about, I can say, segmenting and sequencing as the two things.

Andrew Pearl: In terms of the time frame between each sequence, is there a standard time or does it very much depend on the purchase frequency of the product?

Paul Lees: It is very much driven by purchase frequency. That's one of our observations we've derived from the analysis actually. It's actually how long do we have to wait for the post-data to be valid, for example, and quite obviously, to some extent, the quicker the average purchase frequency, the sooner we can do it.

Milk and bread, we may not have to wait more than three or four weeks but for other categories, you could be into six months. It does depend on how quickly that turns around.

We would generally put the offer in front of somebody automatically as a followup, so effectively, as soon as you redeem the first one, we will put the second one in because we're not dictating to people how soon they should go back into the marketplace, we would just like them to buy another one. That does depend on what the brand is looking for and some brands want to spend a certain amount each month etc. We're very flexible in our approach, in terms of the kind of offer you can put in front of somebody.

We can start very quickly. We start offers within an hour quite regularly, so the same day with a brand who makes contact with us. We can run at a retailer or combination of retailers. We can run on any SKU, combination of SKUs, combination of brands, so one item all the way to 1,000 if that were required, and we can run any mechanic. We can run simple mechanics, so 50 pence off. We can run things that are free, so it depends on what the retail price is. We can also run things that aren't commonly used but could be very interesting, such as "Buy me every week" or "Spend ten pounds on my brand over three months in multiple shops". So we're very flexible and all of that runs to a fixed budget. One of the benefits is we ... brands knows in advance how much they're going to spend, and that we guarantee that you won't overspend as part of that so it's a very low risk way of working.

Andrew Pearl: You able to give us any insight into any of these different mechanics that work particularly well, kind of fitting in with the standard promotions that you see in store. I love the idea about really driving the overall basket spend for your brand by spending an amount like ten pounds, trying to get them to buy frequently. Any particular ones you've seen have worked really well recently?

Paul Lees: I'll give you an example of what I thought was really interesting and different, was an approach that we're able to facilitate that's very difficult to do elsewhere, which is effectively, higher weights of purchase. There is, from a piece of analysis that we did, and I'm sure it's not a groundbreaking piece of analysis, but roughly 20, 25% of any category buy 70, 75% of the volume. There's that SKU effect. There's some heavy buyers in all categories. I think the top categories are baby and wine. I'm probably in the wine category and then at the bottom end it might be milk and that kind of thing where it's a bit lower.

The beauty that we're able to bring in terms of an offer is we could put, to that audience, much higher weights of purchase than would normally be seen, and as an example, I went to observe ... I won't category it is, but the normal in-store promotion there was a buy two or a buy three, and we ran buy eight, buy ten and buy twelve as an experiment. The buy ten, in terms of return on investment, in terms of uptake for the particular audience, it was extremely successful, and that's a really interesting different style of mechanic and something that is quite

difficult to do unless you can find an audience for it and just present it to them directly, which is exactly what we do.

Andrew Pearl: The other side I'm really interested in is the change in shopper behavior. You could say the beginning, first of all, the fact that people go through a bit of effort to get this money back from you. They look at your app, they see the various offers, they shop and then they scan or take a photo of their receipt. Is there something you've seen, the behavior changing, obviously, with increased shopping online or ... Shoppers are still happy to go through that process just to get some money back?

Paul Lees: The short answer is yes, and I think part of what we see is the approach there is and I don't think many people would do that for 20 pence or a saving on any individual item. What they do, do it for, and that's the business I think we now built. We have over 100 offers at the moment. You can save the 370 pounds I think, so nearly \$500 is I want to save on a number of items. I want to save a good amount of money on the basket of my shop, but also, I want to discover a lot of new products. I'm interested in trying new thing and having that effectively by having to save it.

That's what we think works. We've seen, it's that ... an element of critical mass. In our last six months, we've really seen an uptake in both our growth, which is sort of significant, but also just in terms of the amount that people are able to claim and how much they are actually claiming. We think that, that saving on a basket, as I say, is really interesting and that's what gets people over the line. If we were still doing just 20 pence off a single item and that was all you could claim each week, I think you are right, I think it wouldn't be a habit for people, but over time, we've been able to invest ourselves initially and working with the brands we've worked with ... so we've been going two and a half years as CheckoutSmart, so it's still relatively new, but we've been able to invest to create that habit for people. We now have it as something that they do on a regular basis. It's part of their shopping cycle, both in-store and online because we cover all of the major retailers in the U.K. and we also cover them in-store and online.

Andrew Pearl: Going into 2017 as shopper behavior will continue to change, how do you think you are going to develop, to follow on from this changed behavior?

Paul Lees: One of the things that we ... We're always looking to improve, like anybody would expect, so we've got a new version of our CheckoutSmart app coming out in the early part of January next year, but importantly, we're also bringing geo-targeting as part of it, the point about that being that we're going to be able to know where the mobile phone and the shopper, as a result, goes near or in a supermarket in the U.K. That allows us to target them with communication. It allows us to target them with either an offer that we're running or potentially an offer that's just running in the store, so it becomes a broader piece of shopper marketing communication. What we've got is a large number of people who are regular grocery shoppers that we know a lot about. That geo-targeting piece will

be very interesting. It offers a fresh capability that again, can be instantly turned on, is entirely targetable, that we're beginning to work it with. That's geo-targeting.

The other pieces are integral to that, is we're also bringing the capability of beacons as part of the program, so we will be able to interact with beacons, depending on whether brands and retailers have those beacons to work with.

Andrew Pearl: Two fascinating areas, there's been a lot about them recently. How ready do you think shoppers are to take advantage of this technology? Do you think there's a certain element of education that's needed or will shoppers be happy and understand when they're getting these incredibly targeted coupons and promotions when they enter stores?

Paul Lees: I think all of the conversation around any marketing communication is, if relevant and timely, I think people are ... then they're receptive to that. That's our experience of what we do. We send push notifications today and we regularly email people. Our experience is if when we get that right, when we are just talking to somebody we know shops in a particular retailer or possibly shops a particular category, we're putting that message in front of them because we're able to do that, then we get a really good response. The fact that that message, it will now be more timely than it was, so previously, we may have sent you an email on a Monday and you shop on a Thursday, next year, we'll be able to know that you've gone into whatever retailer it is on a Thursday morning and then the message pops up.

I think it should be very receptive. Obviously, like all things, we don't want to over-message people but our experience has been, like I say, when we do tailor it appropriately, then we get a great response. There's very little rejection of what we do. I think geo-targeting will become ... As long as we're not making it overly blunt or overly frequent to people, but actually just, "Oh, that's a good idea, I should look for that at the back of the store in 10 minutes when I get there," then I think it's actually spot on.

Andrew Pearl: That's fascinating, thanks Paul. I think, just to wrap up, what would be really interesting would be to understand what are your top tips that you use to recommend to your clients to ensure that they can really launch a successful coupon or promotional campaign with you?

Paul Lees: I think what we've learned is very much keep it simple to begin with. A new relationship, new client, that kind of thing, both in terms of the shopper, yes, they've got our app, but you still need to not use too much of their attention, so an offer that works for them in simple terms that isn't too targeted, that is the approach you take. What we build with brands then, is a series of results that they're able to turn around very quickly and share in an organization. Then as we build our relationship, then we can get more sophisticated. My number one tip is

it starts really simple, and know that we can get much cleverer as we go. I think that's the way it is.

The other piece is we have lots of elements of marketing communication that we support these offers with and they can really help. Yes, we do emails and push notifications. We also are able to run reviews for brands so that they can drive reviews of their products and also surveys. We run a sort of five day feedback program as part of it as well so the other piece is making sure that you smartly use the communication to ensure that you've driven the right awareness of the offer and the right understanding of it.

Andrew Pearl: Thank you very much Paul. That's been a fascinating brief insight into the world of the digital coupons and promotions. I'm sure there'll be lots of our listeners who'd like to contact you with any questions so what's the best way of getting in touch?

Paul Lees: The usual ways. I'm pretty available on LinkedIn but if anybody wants to talk to me directly, then my email address is P.Lees@CheckoutSmart.com.

Andrew Pearl: Fantastic. Thanks again Paul. Thank you so much for joining us today. We hope you've enjoyed another episode of the Profitero podcast. Please do leave a review on iTunes or wherever you're listening to it. Equally, if there are other subjects that you'd like to hear us talk about or equally if you'd like to join us for a podcast, please do email us at insights@Profitero.com. Thanks very much. My name's Andrew Pearl and I look forward to speaking with you soon.