Will 2014 be the year of CPG / Retail Digital Collaboration?

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If you haven’t noticed, retailers like Teradata customer Target are accelerating the instrumentation of brick and mortar stores in order to create interactive shopping experiences (a lot like their ecommerce counterparts). It’s becoming table-stakes for competitive retail, given consumer adoption of mobile devices which place coupons, reviews, comparison prices, social connections and commerce at a shopper’s fingertips. The mobilized shopper has retailers working to add the technology and data-driven processes needed to ensure reliable and rich digital experiences within the confines of the store environment.

While a lot has been written about retailers’ efforts to adapt to the omni-channel shopper, not much has been said about how consumer goods makers can participate, add value and ultimately leverage this activity. Perhaps this is because it’s very challenging -- Gartner views the opportunity as complex, requiring new types of data and analytic collaboration to support what they term “context aware offers” that intelligently engage consumers based on their shopping mission:

“We (Gartner) envision a future in which you will walk into your grocery store and receive messages and offers via mobile devices based on your precise location in the store, and customized to match your preferences and habits. These offers will be generated by a complex technology and analytical ecosystem that draws from a wide assortment of data and insights contributed by you and a host of other unique individuals...This scenario is in the early stages of development....We think it will be at least five to 10 years before it becomes scalable.”

The timeline cited by Gartner is as much about structural issues in the way CPG manufacturers and retailers collaborate today as it is technology considerations: “The way promotions are executed has also not changed much in recent decades. As a result, change will be very difficult. For that matter, change is always difficult with manufacturers and retailers because real collaboration is not typical. Most relationships are based on getting the upper hand.”

I’d like to suggest three equally powerful, cooperative “win/win” digital efforts achievable in 2014 given the current state of retailer and manufacturer relationships. The future isn’t as far away as you might think.

Interactive Packaging

When rich media (e.g. video) is possible inside a store, product packaging can transform from a static shelf object into a virtual assistant able to help the shopper make a buy decision. Free Wi-Fi internet connections are now common in retail environments, setting the stage for manufacturers to connect shoppers to interactive experiences. In food segments, packaging can feature a mobile website link
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enabled via a trackable Quick Response (QR) code or text message shortcode that connects to a promotion, coupon or recipe that results in complementary product category sales.

Given greater bandwidth, web links can connect to “how to” videos illustrating meal preparation that includes products in many categories. While the link remains a static object on packaging, the media it connects to can change over time (to support new technologies like augmented reality). This flexibility allows interactions to be customized based on promotional needs, seasonality or unique trade agreements with particular retailers, with no change required to package design.

In more considered purchase segments like health/beauty, apparel, or consumer electronics, interactions can illustrate usage scenarios, or like in the food segment, propose complementary products which support sales in peripheral categories. Of course links can also connect to CPG loyalty programs, where consumers register and provide permission to directly communicate with them.

Ultimately, interactive packaging represents a “win/win” for manufacturer and retailer alike. Sales volume improves, manufacturers establish direct consumer relationships, and growth within and across categories happens for retailers.

Content Marketing

Progressive CPG marketers are employing direct digital consumer connections to fuel content marketing efforts that focus less on product attributes, and more on how the product “lives” and adds value within the consumer’s world. This class of brand-driven storytelling is necessary at a time when product feature differentiation often matters less than price in the minds of most consumers. It builds a unique and valuable perspective into consumer behavior.

Retailers, conversely, tend to focus on product mix and price, maximizing total market basket value, and the “best next offer.” That’s a gap CPG marketers can exploit if they have moved to capture and integrate consumer data obtained in the course of digital marketing efforts. Greater
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knowledge of consumers’ lifestyles and households can inform shopper marketing and category growth strategies that impact promotional, planogram, product placement and bundling plans. Gartner notes challenges to achieving this degree of collaboration:

“Each consumer will become a unique combination of consumer profile and purchase history. There are many other areas where collaboration will have to take place, but for the most part, there will have to be an attitude of profiting mutually, as opposed to at the expense of a trading partner.”

It doesn’t need to be this way. A “win/win” is possible if manufacturer shopper marketing teams lead retailer discussions with outcomes – category growth, higher margin promotion, and more satisfied customers (shoppers). The secret sauce will be rich consumer lifestyle and household understanding manufacturers bring to the table to leverage in line with transactional insights possessed by the retailer.

In-Store Location-Based Offers

Digital coupons make up a small but growing percentage of overall couponing activity. Even when “digitized” and delivered via email, coupons – like their paper counterparts – give away more value than they create. Poised to disrupt “push” marketing efforts like couponing are location-based “pull” offers triggered by the presence of mobile devices in specific areas of a store.

Thank Apple for adding a new feature to their iOS mobile (iPhone) operating system called iBeacon that facilitates this interaction. iBeacon is an indoor positioning system that Apple calls “a new class of low-powered, low-cost transmitters that can notify nearby iOS 7 devices of their presence.” It’s even compatible with Android handsets so the potential reach is considerable.

While Apple sets the stage for triggered communications based on a shopper’s position in the store, it won’t account for ensuring interactions are relevant or contextual. The unintended consequence of this capability could have shoppers disabling the feature if bombarded with generic offers as they walk through the store. So you can imagine the most successful use of this micro-targeting technology will be directed by the best insights both retailers and manufacturers can derive in partnership. Gartner’s context aware offers then become reality now, not in 5 to 10 years.

Although it was just announced, iBeacon is already supported by third party mobile shopping and
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rewards application Shopkick, used by Teradata customer Procter & Gamble, among others:

“Offers now will be pinged to users right when they are walking past them, or past a department that contains products that users have shown interest in before. And for those who have opted in, the iBeacon technology will also automatically open the app and can trigger other actions when you enter a participating store, such as telling users how many loyalty points they currently have to redeem towards a purchase.”

Even before iBeacon, Shopkick was employed by many leading retailers and manufacturers to deliver less precise location-based offers and rewards to shoppers, but I suspect it’s been complementary to out-of-store decision making characteristic of Google’s “Zero Moment of Truth” (ZMOT). iBeacon has the potential to disrupt ZMOT by making the store environment as interactive and engaging as any out-of-store online activity.

Whether using a third party like Shopkick or their own branded application, manufacturers and retailers need to make the most of the opportunity to engage with shoppers using technologies like iBeacon (as noted in this post, there’s a dear price to pay if done poorly). Blended data and insights powering relevant, contextual communications can ensure interactions are received positively by shoppers and not turn them away.

CPG shopper marketing teams are best positioned to lead the way. If the CPG organization is capturing and integrating direct consumer digital marketing data, the resulting insights can help retail partners develop more relevant offers no matter what application they are served through. Don’t doubt the opportunity:

“Mobile offers one of the largest, most immediate opportunities in shopper marketing, and there is increasing interest and deployment in this area. People use their phones in store while shopping more than most marketers might realize. Millennial Media and comScore reported that, over a three-month period, 40 percent of women and 47 percent of men used their phones in stores to find coupons or deals, while 29 percent of men and 41 percent of women used their phones to research consumer-product details.”

Will 2014 be the year of CPG and retail digital collaboration? It depends on how swiftly both industries recognize the importance of engaging shoppers using the best data and analytics possible – which can only happen under collaborative, “win/win” conditions.