Making customers digitally visible and accessible at the point of decision

Cross-channel promotion platform unlocks new revenue stream for retailers
Introduction

In the retail world, it is no longer enough to maintain great customer and supplier relationships, or provide services across multiple physical and digital channels. High performance retailers have to use technology to strengthen these relationships, and leverage the data they collect in innovative ways to improve profitability.

This idea dovetails with the theme of Accenture's 2013 Technology Vision that every business is a digital business. We contend that both technology and the business use of technology have advanced to a point where every business is highly dependent on using the best available technologies to succeed.

Granted, many retailers have used technology to give customers more control of their shopping experience, such as creating online storefronts. Technology also has enabled entirely new approaches to shopping and fulfillment—and introduced competition that was not even viable a few years ago. But until now, the majority of retailers have underutilized advanced technologies to capitalize on the moment of truth in the buying process: the point of decision.

Now through an innovative combination of digital channels and data analytics, retailers can seamlessly interact directly with customers as they shop in stores, online or via mobile devices—gaining one complete view of the customer across all of these channels. Retailers can then monetize this increased level of customer insight by extending it to suppliers, potentially creating a new and ongoing revenue stream.
Digital channels open up new possibilities for retail marketing

To illustrate how many retailers operate today, consider the role of grocery stores—they are essentially matchmakers. Consumers of all types walk into grocery stores from time to time; many also shop online and schedule convenient delivery of the food they buy. In either case, grocery stores tend to rely on various marketing mechanisms to match products with customers.

At the simplest level, the store’s first marketing tool is the shelf. Typically, retailers and suppliers negotiate shelf placement and pay slotting fees to position items at eye level (or in the case of an online retailer, at the top of a virtual page) to improve the likelihood of purchase. They also use the shelf to cross-sell items, like placing pasta next to sauce. Many stores extend their in-store marketing efforts through at-shelf coupons and end-of-aisle displays to upsell higher-priced or private-label food items, or entice shoppers to buy impulse items, such as gum conveniently placed at the checkout stand.

Beyond the shelf, grocery stores encourage customers to return frequently by offering coupons—whether free-standing inserts in the newspaper, or customized coupons distributed at the checkout. These coupons may tempt the customers to purchase additional items, or try new brands and categories. Finally, many stores use frequent-shopper or loyalty card programs to track what customers buy and use the information to fine-tune their marketing tactics.

However, retailers are largely under-utilizing the more advanced digital channels and data analytics technologies to dynamically influence customers’ purchase decisions, especially at the critical moment of truth when a customer is deciding between two competing products. To date, the majority of data analytics solutions for the retail industry have focused on enhancing what retailers can offer customers, such as customer segmentation, personalized recommendations or recipes; or on how retailers can improve internal processes, such as smarter inventory or supply chain management. Little attention has been paid to the link between retailers and their suppliers, in terms of leveraging the new technologies to fortify business relationships or enhance profitability.

From the point of view of a food supplier like Unilever or General Mills, the existing marketing model has limited potential. The pasta and sauce placement might result in a good cross-sell, but the coupons are an arguably weak way to incent people to try new products or possibly shift customer loyalty from one brand to another. So, while the retailer serves as a matchmaker between the customer and a brand, it currently has limited services that it can offer the suppliers of the brand to increase purchase.

This document describes additional value-added services retailers can offer suppliers. We introduce the concept of an automated technology called the cross-channel promotion platform. The platform enables suppliers to offer real-time promotions to customers at the point of decision. It measures the effectiveness of these promotions and provides aggregate data and analytics to suppliers. This data, and accompanying analysis, help suppliers gauge the effectiveness of their promotional campaigns. Additionally, the platform provides a more personalized shopping experience to customers and an additional revenue stream for retailers.

“High performance retailers have to use technology to strengthen their relationships with customers and suppliers, and leverage the data they collect in innovative ways to improve profitability.”
The shift to digital channels opens up new possibilities for retailers. Whether the customer is standing in front of an actual shelf with a mobile device, or making shopping choices while looking at a web page, the retailer can use advanced technology to market a product at the shelf or page.

For example, the grocery store could tell a supplier representing a specific brand of pasta that a shopper who typically buys a competing brand is in the aisle. Moreover, using the frequent-shopper card data, the store could tell the supplier who this shopper is (what he normally buys, when he buys it, how price sensitive he is, previous purchase history, taste, etc.), convey that he is about to make a choice, and give the supplier a chance to do something about it. All of this would happen in real time using a technology platform with predetermined promotional campaigns set by the supplier, as well as present rules and automatic decision protocols to target specific channels, customer segments and outcomes.

For an agreed annual, monthly or one-time premium, the grocery store could then act on the supplier’s behalf. For instance, the store could send a promotion to the shopper’s phone for the supplier’s competing pasta brand, or offer a special deal from the supplier if the shopper buys the product that day. This concept works equally well in an online shopping experience, in which the retailer could use the same technologies to instantaneously reposition the products from the competing brand at the top of the virtual page of grocery items, or to offer a one-time coupon to the consumer for buying the competing brand. In both cases, instead of negotiating periodic and static slotting fees, retailers have an instantaneous way of managing supplier relationships and offering value-added services by enabling them to reach customers at precisely the moment they are making a purchasing decision.

Aside from generating a new revenue stream for retailers, and monetizing their foot traffic, the platform alleviates some of the problems faced when using traditional marketing mechanisms. One of the biggest problems with traditional retail promotions is the abuse and overuse of such promotions by certain segments of customers who are not necessarily targeted by those promotions. The platform addresses this problem by offering time-sensitive individualized deals to customers who are the target group for a given promotion campaign.

Moreover, by collecting data at the checkout, the platform provides suppliers with real-time analytics and insight on the performance of their promotion campaigns and the return on investment (ROI). It can tell suppliers if their promotion was viewed by the target customers, and what percentage of the promotions viewed resulted in a purchase. Better yet, it can go a step further and let suppliers know what percentage of their specific promotion campaigns resulted in a change of brand loyalty. For instance, if a regular Dannon yogurt buyer switches to Chobani as the result of a promotion shown to him, the retailer would know by keeping track of the customer’s future purchases using the platform. The retailer could have various pricing schemes for promotions that result in sales or in brand loyalty conversation. The platform can provide tools and analytics to help suppliers hone their promotion campaigns to result in higher purchases and better ROI.

In the next section, we look at a how this might work in practice using a quick response (QR) example built upon an existing Accenture Technology Labs solution for seamless retail. While this is one example of how the concept could be applied in a retail setting, we are experimenting with additional cutting-edge options including non-QR code alternatives, such as Bluetooth Low Energy (BLE), NFC, digital signs, scanners, etc.

“The cross-channel promotion platform enables the retailer to present product-specific, individually-customized information or promotions to customers directly, or on behalf of the suppliers, in real time. It also provides means of more accurately measuring the effectiveness (ROI) of various promotion campaigns, in terms of resulting in a purchase or better yet, resulting in loyalty conversion in the long run.”
Consider a scenario where a customer walks into a big-box retail store to buy shampoo. As she is standing in front of the shampoo aisle thinking about which brand of shampoo to pick, she notices a QR code on the aisle and scans the code with her mobile phone. This is shown in Figure 1. A customized coupon is shown to her for a shampoo available on the shelf. The coupon has been generated intelligently by the cross-channel promotion platform. The platform knows the customer’s taste, budget, purchase history, etc. For example, if she buys shampoos for curly hairs, the platform knows and the coupon reflects that, or if she buys hypo-allergenic products but has never purchased a shampoo at that store before, the platform can predict what brand shampoo she might like based on her taste profile and that of other customers.

Behind the scenes, the retailer is using cross-channel promotion platform to present product-specific, individually-customized information or coupons to specific customers directly, or on behalf of the suppliers, in real time. The platform also provides tools for automatically collecting and analyzing data at the checkout to calculate ROI and improve performance.

In this case, when the customer scans the QR code, the platform would know the customer (her taste, purchase history, social information, etc), her exact location (store branch, aisle and shelf), her intention (specific products she is looking at) and the suppliers whose products are featured on that shelf. Non-QR code alternative approaches (such as BLE, NFC, scanners, signs, etc) for determining the customer’s location are also possible and being experimented with. QR code example is used here for the ease of exposition and for its cost effectiveness.

Knowing this information, the platform can then create competition by auctioning the customer’s interest to the relevant shampoo suppliers, represented on the shelf. Through the platform, the store can provide to the supplier(s) as much or as little information as it sees fit, and can pick the specific suppliers with whom it interacts. For example, the retailer might auction the information to shampoo suppliers Dove and Pantene, as well as to other related beauty product companies like Bumble & Bumble for conditioner or Sebastian for hair spray. (See Figure 2.) Interested suppliers then place a bid to show their message, coupon or information to the customer. Based on the customer information provided, the suppliers also might decide not to place a bid if the customer does not fall within their target demographic.
The cross-channel promotion platform can use data analytics to calculate and give the suppliers’ bids a score based on a variety of factors, including:

- The dollar amount of the bid from the supplier.
- Previous success rate of the bid, in terms of the brand’s past success on placing bids for this particular product, or its success in capturing this particular customer’s attention in the past.
- The relevancy of the promotion, like presenting a shampoo coupon instead of a hairbrush coupon.
- Quality of the promotion, such as giving preference to a supplier who provides a colorful coupon or 10 percent off versus a black and white information page with five percent off.
- Other criteria, such as retailer preferences and past relationships with various suppliers, can also be taken into account in calculating this score.

This step is shown in Figure 3.

Based on the calculated score, one supplier wins the bid and then the retailer displays the offer to the customer—a 15 percent off coupon for shampoo with a bundled offer of 20 percent if she also buys the same brand of conditioner. This is shown as step 5, in Figure 4. The customer decides to take advantage of the offer and purchases the winning supplier’s products. The supplier pays the retailer a premium for the winning bid and opportunity to communicate directly with the customer at the decision-making point of her shopping journey.

As the final step, using the platform, the retailer tracks the customer’s buying behavior at the checkout and shares the information back to the winning supplier to provide a measure of ROI. Even if the promotion does not result in sales, the information provided to the suppliers would help them improve their future promotions and customer engagements. Last but not least, by using the platform, the retailer can track future purchases to determine if the customer has permanently switched brand loyalty and potentially establish a future revenue stream with the supplier for helping orchestrate the change in buying behavior at the moment of truth.

Cost effectiveness is a major advantage of the QR example described here. The platform can be implemented without the use of expensive sensors or motion detectors. Once it is up and running, retailers can roll out the platform across multiple channels (in store, website, mobile application) and across various stores nationally or internationally, essentially free of charge.
Using the cross-channel promotion platform, retailers can monetize their customers’ attention, and their in-store foot traffic (or their online traffic and webpages), much the same way as Google monetizes its search engine online traffic. Better yet, since retailers have access to customers’ full shopping journey, the platform can measure what percentage of the promotions shown to customers results in purchase; both in the long term and in short term, and thus charge the suppliers accordingly per promotions resulting in purchase or resulting in loyalty conversion.

Suppliers would stand to benefit as well. In addition to interacting with customers in real time, they can increase their marketing and advertising ROI, due to a number of factors:

**Downstream promotions:** The platform targets customers at the “decision making” stage of the purchase process, as opposed to “generating awareness” or “creating interest”. As such, it is potentially more effective than targeted promotions placed on social media. For example, a user might log into Facebook to look at the pictures of her friends’ cats, so a promotion (even if viewed by the user) is not as meaningful as a promotion viewed by a customer engaging with the cross-channel promotion platform. In the latter case, the intention of the customer is known; she has put in the effort to go to the store and is asking actively for the promotion.

**Behavior modification at the point of decision:** Instead of presenting customers with mass coupons before or upon entering the store (which could be subject to abuse or overuse), or even more customized offers after checkout (by analyzing the content of their receipts and noticing they have purchased a competitor’s product), the cross-channel promotion platform enables suppliers to provide customized offers to target consumers at the point of decision, potentially changing their behavior at the moment of truth.

**Accurate ROI measure:** The feedback loop is a powerful component of the new platform, providing richer data than traditional at-shelf marketing tactics, such as coupons and end-aisle displays. It enables suppliers to keep track of what promotions are being viewed by which groups of customers, and how much of it is being translated into purchase at the checkout. Thus, it enables the suppliers to better target their promotion campaigns, modify the content of their future promotions, or experiment with their promotion campaigns on a measured basis before a wider release.

The interactions curated by the platform between retailers and suppliers could be time-sensitive deals offered to individual customers (e.g., 10 percent off if the purchase is made within the next two hours). However, the message could be other influential details, such as which of the customer’s friends have “liked” or purchased this particular product in the past; recommendations for other products customers might be interested in based on their history, taste and budget; review information from other customers; or tutorial videos about how to cook a pasta to the perfect al dente or style hair using the full suite of products offered by the supplier.

**Key Benefits:** In short, all stakeholders (retailers, their customers and their suppliers) will benefit. By knowing both the customers and the products, the platform presents customers with customized offers that they are more likely to enjoy and benefit from. Furthermore, the customers experience a self-initiated, personalized and hassle-free point-of-decision interaction, without having to spend their time clipping coupons, looking for coupons online prior to going shopping, or saving the coupons printed after they check out every time. On the other hand, the suppliers manage to capture the attention of a person interested in buying their product, at the moment of truth.
Retailers would be able to monetize their foot traffic and the physical space (or their online traffic and web pages) with the cross-channel promotion platform.

Furthermore, the platform provides them with aggregate anonymous data, so they can accurately measure the effectiveness of their different promotion campaigns, in terms of resulting in a purchase or better yet, loyalty conversion in the long run. The retailer can provide a better experience for both customers and suppliers and yet monetize customers’ attention, and their in-store foot traffic.
Tapping into a new revenue stream

The cross-channel promotion platform places the power in the hands of retailers by using the vast amount of data that is available to them about their customers, products and suppliers from multiple channels. This new platform offers a virtual layer on top of the physical shelf space, facilitating new interaction opportunities and a more personalized engagement between retailers, suppliers and customers. It also enables both retailers and their suppliers to measure ROI accurately, and adjust their operations accordingly. Most importantly, it gives retailers an unmatched opportunity to make customers digitally visible and accessible at a pivotal point in the buying process—and capture an entirely new revenue stream on their journey to high performance.
About Accenture Technology Labs

Accenture Technology Labs, the dedicated technology research and development (R&D) organization within Accenture, has been turning technology innovation into business results for more than 20 years. Our R&D team explores new and emerging technologies to create a vision of how technology will shape the future and invent the next wave of cutting-edge business solutions. Working closely with Accenture’s global network of specialists, Accenture Technology Labs help clients innovate to achieve high performance. The Labs are located in Silicon Valley, California; Sophia Antipolis, France; Arlington, Virginia; Beijing, China and Bangalore, India. For more information, please visit www.accenture.com/accenturetechlabs.