

IN-STORE MARKETING
INSTITUTE

PRESENTS:

Clicking Through the Path to Purchase: Best Practices in Digital Shopper Marketing

CATAPULTSM
ACTION-BIASED MARKETING[®]

Google

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1. INTRODUCTION

Read quickly. In the time it takes to read this report, some of the best practices in digital shopper marketing that it examines may already be obsolete.

While this special report was in production, Apple Inc. introduced both the iPad and iPhone 4. On July 1, Unilever's Dove Men + Care became Apple's pioneering "iAd" advertiser by launching a multi-dimensional advertorial (to use an outmoded phrase) that combined sports content, product information and a raft of attention-grabbing rich media tricks. Shortly thereafter, Kraft Foods launched "Big Fork, Little Fork," an iPad-specific application designed to help parents find healthy meal solutions for their children.

Such rapid-fire developments have become commonplace in today's society, where the rate of new technology introductions is matched only by the speed with which consumers adopt them. Among the tools currently at the peak of the consumer adoption curve are numerous digital shopping aids.

Morgan Stanley analyst Mary Meeker theorizes that society is undergoing the fifth major technology cycle of the last 60 years. The main difference between this cycle and the previous four – the emergence of mainframe computers in the 1960s, mini-computers in the '70s, desktop computers in the '80s, and the Internet era of the '90s – is that this one frees the user from the prior restrictions of time, place or even device. It is the era of the "Mobile Internet."

The consumption of media has changed accordingly. There are 221 million Internet users in the United States, which represents 71.2% of the population, according to eMarketer. There are 292 million television viewers, although 35% of them actually do some of that viewing through the Internet, according to comScore. And, 66 million are occasionally



Dove Men + Care's iPad

logging on while watching TV, according to In-Stat.

Such media multi-tasking will become even more the norm in the future. Nielsen forecasts that 51% of U.S. consumers will own Internet-enabled smartphones by the end of 2011. By 2014, more people will be accessing the Internet via mobile devices than desktop computers, according to Morgan Stanley.

These technological changes are wreaking havoc in the marketing industry, which enjoyed a relatively easy 75 years of controlling consumer communication, dictating the times, places and delivery channels to a nation of passive consumers via radio and TV.

The Internet reversed that, turning the act of consuming into a self-driven exercise rather than a passive process. Today's consumer actively seeks out the information for herself, and increasingly is able to find everything that she needs quickly, easily and, thanks to mobile phones, whenever and wherever she needs it.

The result is "an increasingly complex path to purchase," said Lori Aulfinger, Procter & Gamble's director of consumer and market knowledge, at a recent industry conference. "Consumers are using more and more touchpoints to decide what to buy and where to buy it."

"Digital marketing is now affecting – very directly – the shopping occasion," says Peter Cloutier, president of Catapult Marketing, Westport, CT.

Google Inc., whose primary business model entails connecting advertisers with interested consumers, has dubbed the digital marketplace the "zero moment of truth." If, as Procter & Gamble has famously professed, the first moment of truth occurs when "consumers stand in front of a store shelf" and decide whether to buy a product, then the zero moment is "everything that happens beforehand," according to Kevin Kells, Google's national industry director for consumer packaged goods.

Increasingly, that "everything" is taking place digitally.

Digital Marketing

The term "digital marketing" applies to any communication delivered through digital technology, including the Internet, place-based networked signage, in-store kiosks and personal shopping assistants, advergaming and mobile phones. But the practice of

"digital marketing" has existed for much longer than the term.

Packaged goods marketers have been communicating with consumers online since then, both through advertising vehicles adapted for the medium and the development of content that could attract visitors to brand websites.

For a number of years, "digital *shopper* marketing" – which fine-tunes the practice to directly influence store choice and product purchase – has been a core strategy for brands in consumer electronics, automobiles and other "big ticket" categories, where the path to purchase demands a significant amount of information gathering, product comparison and price checking, and where online purchase options have been available for years.

Food and beverage marketers, however, have been more content to use the Internet as a brand-building channel rather than a direct sales-driving mechanism. The general belief among CPGs was that consumers didn't need to conduct "research" to decide between Cheerios and Special K, and that the information shoppers needed



Kraft's iPad app



Kraft's "First Taste" site

before heading to the store was delivered in Sunday newspapers.

Likewise, pure-play Internet retailers such as Amazon.com and Drugstore.com, along with traditional specialty chains like Best Buy, have employed digital shopper marketing practices for a number of years to attract these online researchers, help them make their decisions and, ultimately, close the sale – either online or in a physical store.

Traditional packaged goods retailers took much longer to get involved, due to the understandable belief that food and household products weren't enough of a big-ticket purchase to be made online. When Amazon.com began selling "groceries" in 2006, few supermarket operators even had consumer-facing websites. (The idea that weekly circulars should be posted online had not occurred to most.)

It was only in the last few years that traditional CPG retailers began attempting to build sites that would attract shoppers, and even more recently that they realized digital marketing could influence trips and purchase decisions.

This shift in thinking was driven by many things, including the continued fragmentation of traditional media, the near-ubiquitous household penetration of the Internet and the economic recession of 2008 – the last of which made the aforementioned "Cheerios vs. Special K" decision much more critical for many consumers. Today, 50% of packaged goods shoppers visit a retailer's website one or two days before visiting the store, according to Catapult Marketing's second annual Digital Shopper Marketing Study (which will be discussed at length later).

But what sparked the current surge in digital shopper marketing more than anything else has been the emergence of the mobile phone as the consumer's primary lifeline.

During holiday 2009, 10% of all cellphone users already were taking pictures of products in stores, according to Morgan Stanley. These mobilized consumers also used their phones to obtain (and use) coupons, make shopping lists, compare prices, find better deals at other stores, and send those aforementioned photos to friends to get a second opinion.

Such functionality is making the mobile phone an indispensable lifestyle tool for consumers – a personal shopping assistant, if you will.

For marketers, the device is fostering direct, one-to-one communication with consumers. But it has also ushered in a new age in which the role of marketing is not just to persuade consumers to buy products, but also to provide them with digital tools that can facilitate those purchases.

2. THE DIGITAL LANDSCAPE

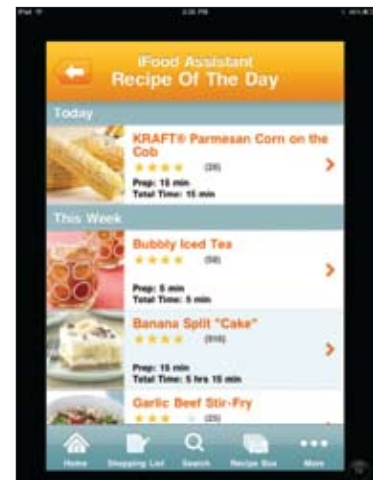
Digital marketing encompasses a wide array of delivery mechanisms and promotional tactics that can be used to reach consumers along the path to purchase, from demand generation through the entire shopping process to post-purchase relationship management.

Catapult Marketing segments these various mechanisms and tactics into three distinct phases based on the strategic roles they typically play for marketers and the stages along the path to purchase in which consumers normally utilize them. For the time being, they additionally are segmented by the physical "location" in which consumers most often interact with them, although the rapid penetration of Internet-enabled smartphones will ultimately make that distinction obsolete.

Phase 1: Consumer Demand Generation

A number of digital tactics can be used to build brand awareness and equity while generating consideration and demand for products, stores and services. Among the more common are:

- **Search Engine Optimization (SEO):** The calculated use of content and technology to enhance a brand's prominence in search results (by appearing higher on lists, more often, etc.) on Google, Yahoo, Bing and other search engines.
- **Search Engine Marketing (SEM):** The use of paid search, display advertising and other tactics to guarantee prominent top-of-page positioning in search results for specific terms.
- **Social Networks:** Building communities of brand enthusiasts and/or employing paid advertising to reach the millions of registered members of Facebook, MySpace, Twitter and other social networks.
- **Brand websites:** Developing unique websites for brands to draw consumer traffic, either through straightforward information (pampers.com), solutions-themed content (P&G's homemadesimple.com) or promotions (Coca-Cola's mycokerewards.com).



Kraft's iFood Assistant app

The Digital Path to Purchase



- **Mobile sites:** The reduced screen size, bandwidth and graphics of smartphones makes viewing most existing websites impractical, requiring marketers to develop more compatible mobile sites to attract repeated use.
- **Smartphone apps:** Unique interactive software applications providing some type of functional service. The “poster child” of brand apps is Kraft Foods’ iFood Assistant, which delivers a “Recipe of the Day” to its hundreds of thousands of users.
- **Digital promotions:** Conducting action-inspiring consumer promotions, either exclusively or as part of an integrated effort. Nearly all national campaigns now use the Internet as the primary method of entry/redemption, and brands regularly conduct online-only promos as well. “Text to win” promos leveraging the user base of text-capable mobile phones also have become common.

Phase 2: Shopper Purchase/Retailer Sales

A relatively new strategic use of digital tools is to directly influence purchase decisions and/or drive sales at physical retail locations or online e-commerce sites. The numerous tools that can be utilized for such shopper marketing activity include tactics that reach consumers “at-home,” “on-the-go” and “in-store.” These three steps in Catapult’s “Digital Path to Purchase” will be discussed at length in sections 4-6.

Phase 3: Consumer Loyalty

Digital technologies have made it far easier for brands and retailers to maintain direct communication with existing customers and recruit new ones. They also – for better and worse – have made it easier for consumers to share their own (sometimes brutally) candid opinions about the products and services they encounter. Among the tools falling into this area are:

- **Electronic CRM (Customer Relationship Management):** Brands have long been using websites and e-mails to conduct targeted communication programs with key customers and prospects (although the promise of true one-to-one marketing remains largely unfulfilled).
- **Mobile CRM:** A new wrinkle in the strategy is the ability to communicate even more directly with customers via their mobile phones. The ongoing penetration of smartphones will add even more capabilities.
- **Social Media:** Facebook surpassed 500 million worldwide users in July. Twitter boasts 74 million accounts (although turnover rates are high and actual usage low). MySpace has 120 million. Although their primary goal is to connect with families and friends, users of these networks have demonstrated a willingness to interact with – and even help promote – brands and retailers they like. In response, marketers are devoting significant resources to harnessing the power of these user bases.
- **Word of Mouth:** The world’s oldest form of marketing has become nearly systemized through social networks (think of the now-ubiquitous Twitter “re-tweet,” for example) and the thousands of online communities and bloggers (from watchdogs to fanboys) now in operation. Many of these sites attract audiences that rival those of consumer magazines and most TV programming, and marketers therefore are engaging with them.
- **Advocacy:** Marketers can establish relationships with the operators of such advocacy sites and provide relevant, helpful content to their audiences, thereby fostering goodwill within the community. (One brand marketer says the process is similar to working with media editors.) Perhaps most famously, Walmart’s “Elevenmoms”

program united 20 independent “Mommy bloggers” in a bid to insinuate its own shopper marketing initiatives into the conversation (although the program appears to have been largely abandoned after only one year).



Walmart’s “Elevenmoms” community

- **Products/Reviews:** At first, the prospect of letting consumers provide reviews was intimidating to brand marketers. They soon realized, however, that the Internet made such sharing inevitable, and have therefore embraced the concept by allowing unedited reviews on their own sites and actively responding to criticism elsewhere.

3. KEY CONSUMER BEHAVIOR

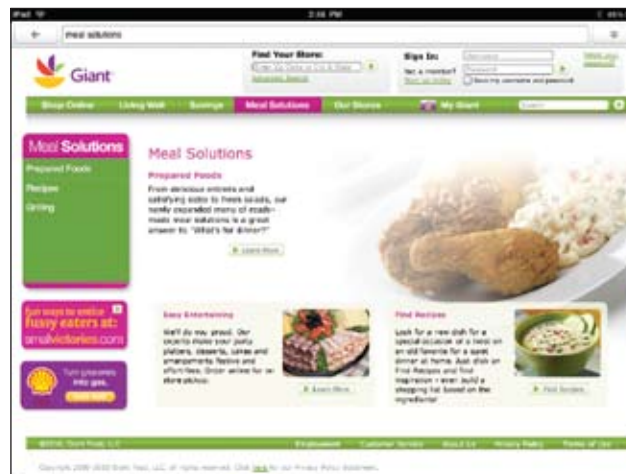
Despite the emergence of this new “digital shopper,” it’s important for marketers to understand that “the consumer’s core needs don’t change, just how they satisfy those needs,” says Seth Diamond, vice president-shopper insights at Catapult. The agency segments these core needs into five emotional drivers:

- **Save Me Time and Money.** While always a factor, the importance of price has escalated since the economy’s downturn in 2008. This explains the 42% rise in coupon redemptions since the end of 2008, according to Nielsen. Current research studies suggest that price will remain extremely important, since more consumers have learned that they don’t necessarily need to sacrifice quality by choosing the best deal.

In addition to the savings aspect, this area also encompasses the shopper’s need to find deals easily and navigate the store quickly. The former already has been enhanced dramatically through digital tools, and the latter is quickly following suit.

- **Surprise and Delight Me.** Although they’re more actively searching for deals, consumers also desire unexpected rewards for their actions, and task-enhancing services that exceed their expectations. This brings loyalty programs and simple path-to-purchase tools to the forefront of the marketing plan.

- **Inspire Me.** Consumers want fresh ideas and relevant, problem-solving offers that will entice them to try new products and services. This explains the popularity of the “meal solution” programs that have become a staple of packaged goods merchandising over the last few years.
- **Support My Values.** Consumers are motivated by social causes that make sense and enhance their self-worth. There is no greater example of this motivation than their response to the scores of marketing campaigns every October in support of breast cancer awareness. Conversely, consumers now have numerous public forums through which to rally against brands they believe to be opposing their personal values.
- **Connect Me.** Today’s consumer not only wants to stay close to family and friends, but also be connected with “others who know,” according to Catapult. The popularity of social networks and niche-content blogs is a byproduct of this need. Many consumers also want to be the “first to know,” a desire illustrated by the rise of Twitter in general and, more specifically, P&G’s Tremor and Kraft’s First Taste new-product websites.

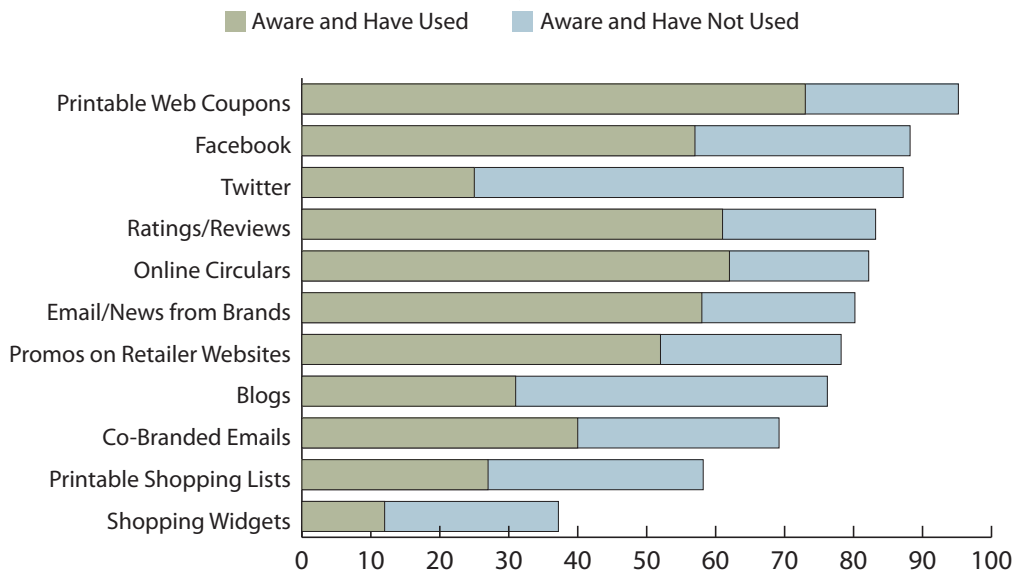


Giant Food’s meal solutions microsite



Coupons.com

At-Home Technology Awareness Levels



Source: Catapult Marketing, July 2010

For consumers, the greatest benefit of digital technology is that it can help fulfill these needs faster and more efficiently, through channels that make marketing far more of an interactive exchange than a one-way dialogue.

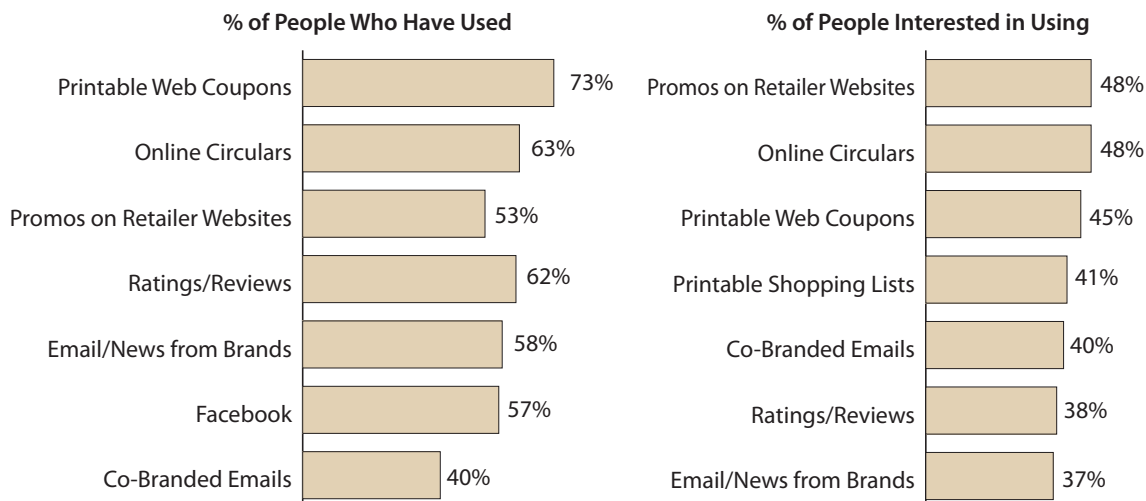
Digital Behavior Trends

In order to understand the effect of digital shopper marketing tools on these core needs, Catapult fielded its second annual survey in summer 2010 (with assistance from Ipsos OTX). Based on an analysis of responses from 1,345 consumers, Catapult uncovered a landscape in

which awareness of digital tools is already high, usage is increasing steadily and interest levels suggest great promise for the future.

Catapult also found a user base that, though still relatively small in numbers, already are starting to discern which tools enhance each step of their path to purchase, and already are questioning the real value of some. These digital shoppers are “identifying which tools can help them decide where to shop, and which ones are more helpful for deciding what to buy,” says Cloutier.

At-Home Technology Interest Levels



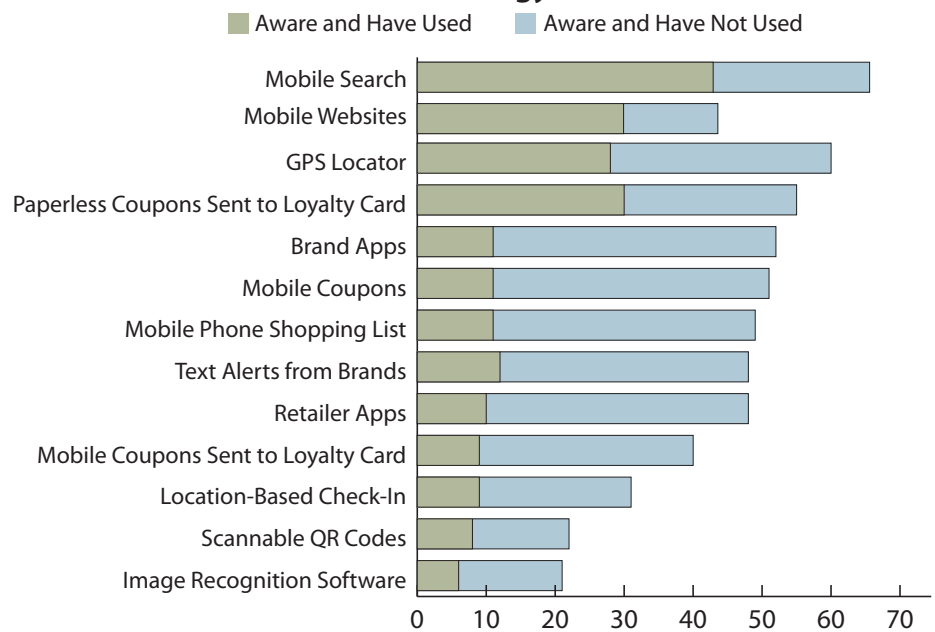
Source: Catapult Marketing, July 2010

The At-Home 'Shopper'

Awareness levels for at-home digital shopping tools are generally strong – near 80% or better for most tactics. That's not surprising, since most of the tactics in this group are personal computer-based and have been available for a number of years.

What is surprising, however, is the dramatic increase in usage in just one year. Since Catapult's 2009 survey, the use of printable coupons jumped from 54% to 73%, and online circular viewing rose from 33% to 63%. Less surprisingly, awareness of both Facebook and Twitter increased substantially as well. However, Diamond suggests that Twitter's relatively low usage despite its high awareness implies that the network already is experiencing some post-fad decline. Similarly, the use of shopping widgets ("applets" that can be downloaded to a user's computer desktop or embedded in a web page) was flat from year to year, suggesting that the tool may become passe now that mobile apps have emerged.

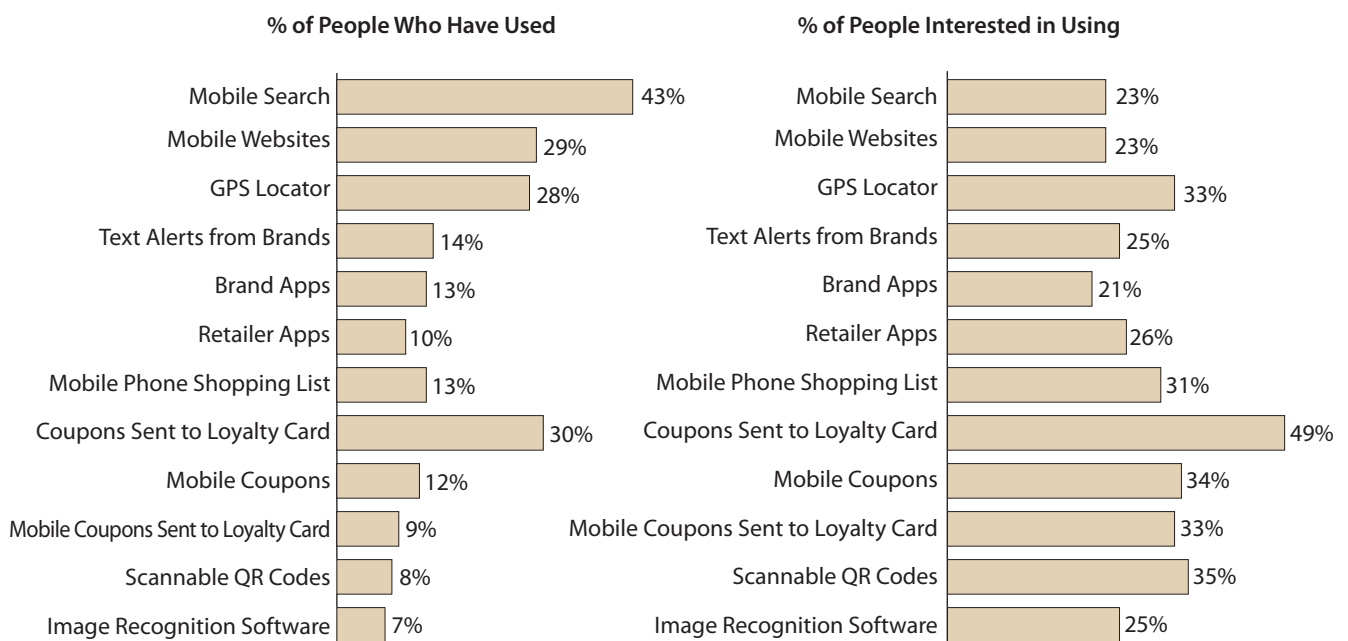
On-the-Go Technology Awareness Levels



Source: Catapult Marketing, July 2010

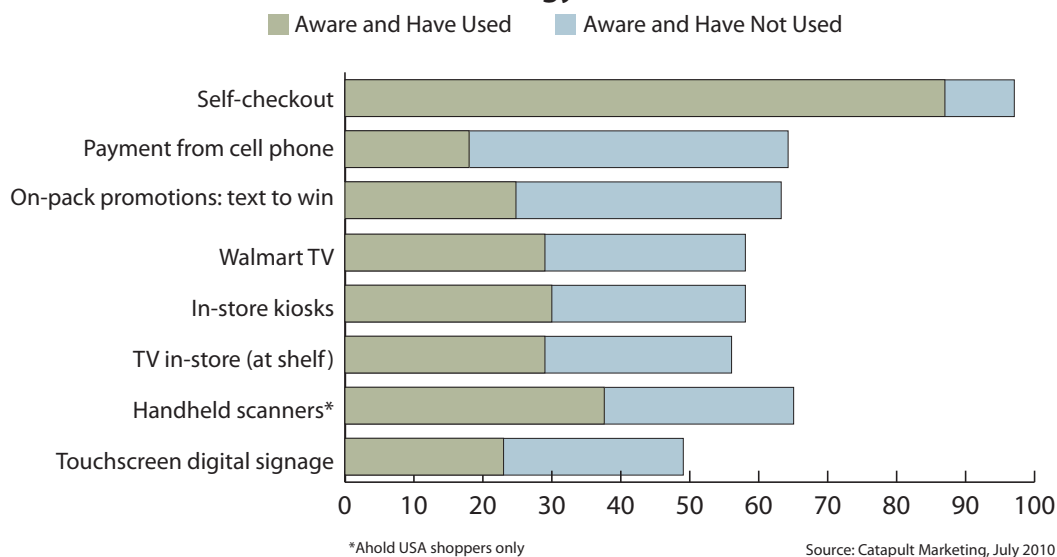
But the survey's most significant data may be the levels of interest expressed by respondents who are aware of the tactics but still have not used them. In this regard, better than 35% of respondents are considering future use, which represents tens of millions of additional consumers.

On-the-Go Technology Interest Levels



Source: Catapult Marketing, July 2010

In-Store Technology Awareness Levels



In general, shoppers are using at-home technologies to plan their routine stock-up trips (which explains their heavy use of circulars, shopping lists and promotions) or to find specific information about big-ticket items (where they often turn to ratings/reviews).

Therefore, the highest levels of adoption are found among tools that “provide direct value and relevant information,” says Jason Katz, Catapult’s executive vice president of emerging media. “Consumers are using these tools to pre-shop the store, to decide where to buy and what to buy.”

The ‘On-the-Go’ Shopper

Compared with at-home tools, awareness of ‘On-the-Go’ technologies is lower because most of these tools are relatively new and engagement requires a smartphone, or at least advanced cellphone functionality. Still, overall awareness is better than 40% in most cases.

Yet penetration rates are significant and growing steadily: use of Internet coupons delivered directly to loyalty cards tripled to 30% between 2009 and 2010. More than 43% of respondents are already using mobile search, and nearly one-third are taking advantage of mobile websites and GPS (global positioning satellite) mapping and directions. “These tools are gaining tractions as smartphone penetration grows,” says Katz.

Likewise, interest levels among non-users are lower than with at-home digital tools. “There’s clearly an education component here,” says Diamond, suggesting that some good old-fashioned awareness building may be in order.

Unlike the at-home tools, which shoppers are using for some fairly clear shopping missions, these on-the-go tools are utilized more consistently across trip type – from stock-up to impulse, says Diamond.

The ‘In-Store’ Shopper

In the store, it seems clear that shoppers are “opting in” to technologies that improve their experience and provide clear-cut solutions for their needs. That would explain why 88% of shoppers have used self-checkout lanes (up from 71% in 2009), and why Redbox video-rental kiosks have proved to be a hit.

It also may explain why so many in-store technologies have failed to penetrate the marketplace in the last 10 years: Many of the tools that have been tested – shelf-edge TVs, “smart” shopping carts, talking beer coolers – and even fully deployed at retail were focused on pure advertising and delivered no discernable advantage for shoppers. In addition, the more popular technologies in Catapult’s study generally are “opt-in” or permission-based tools that let shoppers choose to use.

Overall, awareness of in-store technologies is high, especially considering that few of the tools have been widely deployed. Nearly 50% of shoppers are now aware of such tactics as kiosks and in-store TV.

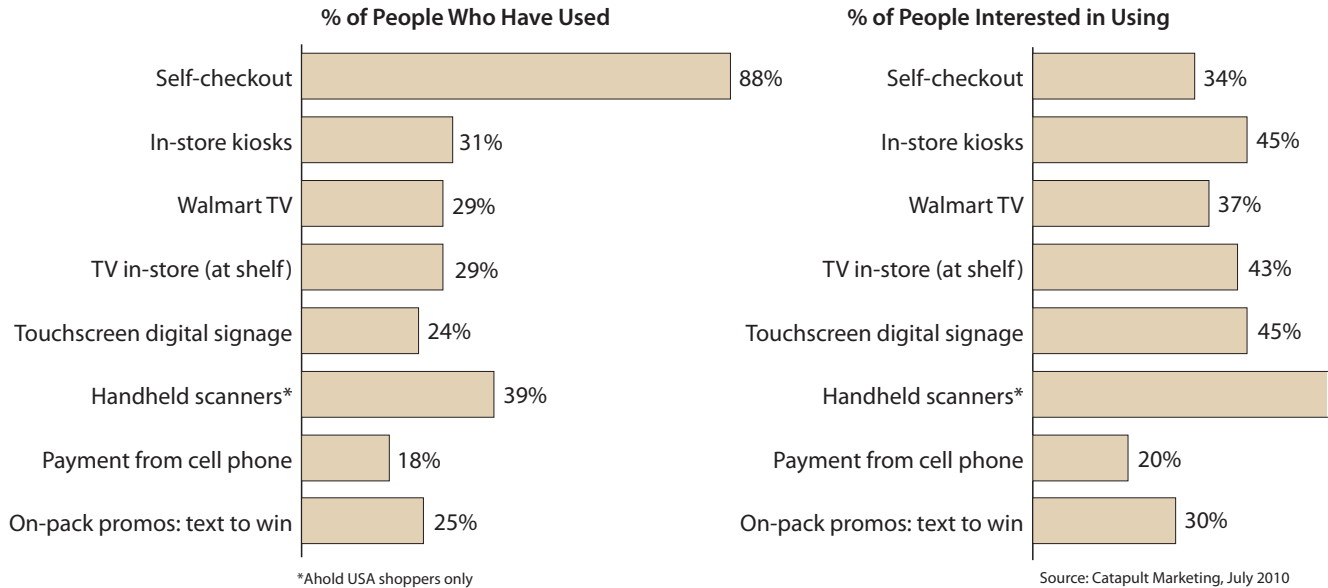
What’s more, usage levels have jumped considerably over the last 12 months: Walmart TV from 6% to 29%, “text to win” on-pack promos from 5% to 25%, kiosks from 12% to 31%, in-store TV from 16% to 29%.

The fact that a portion of these increases can be attributed to wider deployment on the part of marketers – especially for “text to win” promos and kiosks – does not diminish their magnitude overall. (In fact, the number of TV screens installed at retail in the packaged goods industry may very well have dropped since spring 2009.)

Interest in these tools is also strong, with more than 40% of non-users expressing a desire for kiosks, touchscreen digital signs and in-store TV.

Based on the survey, Catapult theorizes that in-store technologies are having a much greater effect on impulse

In-Store Technology Interest Levels



purchases than they are on pre-meditated shopping trips, which are more likely planned out using at-home and on-the-go tools.

The 'Integrated Consumer'

The emergence of smartphones is a technological breakthrough that could blur the use of many of these now-unique shopper tasks, tools and missions. Ultimately, it also could lessen the distinction between consumer and shopper, because the mechanisms that turn the latter into the former will be omnipresent.

Already, many of the shopping tasks traditionally performed "at-home" are migrating to the smartphone. "On-the-go" shoppers are searching the mobile Internet, downloading coupons, looking at circulars, building lists and looking for deals. (See chart above.) The pre-shop planning stage now can be conducted anywhere, anytime.

"In-store," shoppers likewise now can search for product information, find coupons, consult with friends and compare the store's price with those at other retailers – making the planning process an ongoing activity.

4. WHAT TO DO: STRATEGIES FOR COMMUNICATION

Perhaps the greatest danger to the continued growth of digital shopper marketing is the potential for marketers to over-utilize these tools and bombard consumers with too many communications.

In the early days of the Internet, there was strong backlash against the relentless onslaught of advertising

that greeted users as they browsed. Over time, a compromise was reached, with consumers resigning themselves to a fair amount of commercial messages and marketers getting a little more sensitive about the ways in which they made contact.

Consumers will not be as understanding of intrusive, unwanted messages delivered to their smartphones. Telemarketers were quickly dispatched from the cellphone medium early in its growth, and reputable marketers are collecting opt-ins before delivering text messages. In stores, shoppers – as they've already shown – tend to avoid any technologies that offer nothing but blatant advertising.

Although the word has become somewhat of a cliché within the marketing industry, the overall goal for marketers employing digital tools is to provide "solutions" – offers, services and content that fulfill shopper needs. Thus, some traditional levers of marketing communications will have to be pushed harder, and some perhaps hardly used at all.

- **Branding:** While there may be opportunity for pure branding through some at-home or leisure-time Internet vehicles, there is little room for the strategy within digital shopper marketing (or within any shopper marketing program, for that matter). By and large, digital tools are best utilized by leading with a solution and earning the brand a halo in the process.

Kraft's iFood Assistant app contains almost no visual brand imagery, but connects the company's products with consumers on a daily basis. P&G's Charmin maintains a visual presence as sponsor of "Sit or Squat," a free app that helps users locate public restrooms, but the implied

goal is more to help consumers rather than push product.

Kellogg Co.'s banner ads within ShopRite's iPhone app link directly to a list of products that can be added to a shopping list, not to a brand website. "Shopper marketing activities tend to operate deeper in the purchase funnel, yet still play a critical role in building brand equity," says Daniel Cooke, the CPG's director of digital shopper marketing. "Digital channels provide more options to extend our brand messages [while helping] shoppers locate and purchase our products more conveniently."

- **Sales/Discounts:** With 86% of Catapult's survey respondents attributing their use of digital tools to "saves me money," sales and other offers are as important a component of digital shopper marketing as they are anywhere else.

In June 2009, Target joined with P&G for a "Big Brands, Small Prices" campaign that represented the first time the retailer promoted store-only products on its website (which sells general merchandise, but not packaged goods). The program proved so successful at driving in-store sales that the tactic has become standard practice.

The bulk of retailer activity in the digital space is focused on sales promotion, based on the In-Store Marketing Institute's marketplace analysis. ShopRite's iPhone app, for example, simply presents weekly specials by category, enabling its 50,000-odd users to e-mail themselves a shopping list and locate the nearest store. Through the third-party Cellfire mobile coupon service,

the chain's frequent shoppers download offers to their loyalty cards.

However, marketers should consider that "the importance of shopper marketing is getting beyond price," because it can deepen a brand's relationship with consumers, says Matthew Egol, vice president for Booz & Co.'s Consumer, Media & Digital practice.

- **Coupons:** The practice of "paperless" coupons has long been institutionalized on the Internet, through numerous third-party websites in addition to the programs of retailers and manufacturers. In addition, coupon distribution has probably been the most common entry point for brands and retailers embarking

on mobile marketing. In general, the tactic entails a straightforward offer that resonates with recession-minded consumers. (The fact that participation can be tracked better than most other tactics is certainly a factor, too.)

Growth in digital coupon redemption (especially online) is easily outpacing all other delivery vehicles, and redemption rates are also significantly higher. (In 2009, 15.9% of Internet coupons were redeemed vs. 0.8% of newspaper FSIs.) Throw in the fact that digital coupons can be targeted to pre-disposed shoppers rather than "carpet-bombed" to the masses, that 39% of smartphone users find mobile coupons "exciting" (according to InsightExpress), and that there are tangible savings related to eliminating paper-based distribution, and you have the elements of a winning strategy.

Online coupon aggregators have been around since the original Internet boom of the late 1990s, but gained strong momentum when the recession arrived in 2008. Although statistics from comScore suggest that activity may have peaked in late 2009, traffic to these sites is still heavy: segment leader Coupons.com had 6.7 million unique visitors in April. And the site's two companion apps – GroceryIQ and Coupons.com – surpassed one million downloads in June, with nearly one-third of the total coming in the preceding 45 days, according to the company.

The process already has become digitized from start to finish, with Target this summer introducing a program in which shoppers text-message to receive coded coupons that can be scanned on their phones at checkout.

Another sign of the times occurred in July 2010, when Kroger staged a massive instant-win game in which all 150,000 prizes consisted of free product awarded as coupons directly downloaded onto the winner's store loyalty card.

"Digital coupons, including those delivered by mobile devices, have proven themselves to offer better return on our investment than coupons delivered via print media," says Karl Schmidt, director-promotional marketing for General Mills. The company "is taking a leadership role within the CPG industry in shifting coupon dollars to



Cellfire's mobile coupon service



Target's mobile gift card service

digital formats.”

However, an age-old criticism of coupons still applies: the tactic caters to cherry-picking deal seekers, and may even erode brand equity among loyal consumers. Although marketers may be required to participate to keep pace with the competition, they should use it selectively and strategically (as collaborative retailer marketing, or perhaps loyalty-based rewards) to drive incremental growth rather than replicating the “Catch 22” of continuous, share-renting offers that has occurred in the paper-coupon world.

- **Consumer promotion:** Digital tools have been a great benefit to consumer promotion on the administrative side, and also have greatly improved ease of entry for consumers. For at least a few years, the Internet has been the primary method of entry and redemption for most promotional campaigns.

More recently, marketers have begun activating promotions through their Facebook pages, which already are connected to tens (if not hundreds) of thousands of fans and provide easy access to a few hundred million other consumers. In June, Kraft’s Nabisco staged its latest cross-promotion with the Milk Processors Education Board by sending consumers to Facebook to enter a contest and request coupons for a free package of Oreos. (Would-be entrants first had to register with Facebook.)

Online sampling also has been popular, despite the fact that the tactic embodies a contradiction: it provides none of the “instant gratification” that typically makes digital channels more appealing to consumers. Nonetheless, StartSampling.com, a direct-to-consumer site that also operates branded programs for Walmart, Kroger, Walgreens and other retailers, has more than three million registered users. Last spring, Pampers received requests for 10,000 trial packages of new Dry Max diapers in less than one hour after promoting the offer on Facebook.

In addition to cost savings, online consumer activation makes it easier for marketers to collect data on participants and, in theory at least, begin the process of fostering one-to-one relationships.

- **Consumer/Shopper Solutions:** Marketers are finding that unique content that helps consumers solve their everyday needs can help build “communities” around brands and, either directly or indirectly, drive retail sales. Such content also can be used as a basis for co-marketing programs that will directly drive sales.

For classically trained brand managers, the tactic can be hard to swallow, since the brands themselves often are supporting players within the content (at least until it comes time to present a promotional offer). Still, many companies now operate sites that subtly position their brands within a solution.

For example, while the URL for krafttrecipes.com makes ownership obvious, visitors must scroll to the bottom of the home page to find any reference to a brand; the site has more than 2.5 million monthly visitors. The recipe-focused bettycrocker.com operated by General Mills also attracts 2.5 million visitors per month, but it carries more of a branded presence – including ads from outside companies such as Nestlé.



Walmart's Soundcheck site

Elsewhere, P&G has “Everyday Solutions” (“great values & expert advice”), which spans its entire brand portfolio, as well as “Home Made Simple,” a site that focuses on household cleaning brands.

Retailers now are starting to follow suit – largely through collaboration with CPG partners. The most common example in the last few years has been the “meal solutions” now offered by nearly all retailers in the food-drug-mass channels. The concept centers on in-store displays of all the ingredients needed for a simple, inexpensive meal, but is typically accompanied by an online library of recipes and some form of outbound digital communication to the chain’s shoppers.

Content needn’t always be task-oriented, however. The need for simple entertainment can also be solved. For the last three years, Unilever has had success serving as exclusive sponsor of Walmart’s “Soundcheck,” a microsite offering musical performances and “behind the scenes” content from top performers. Unilever rotates the sponsorship each month, matching artists with a brand that’s relevant to their audience. The sponsorship leads to in-store activation on the Walmart Smart Network and thematic product displays. (Soundcheck, by the way, is now also available through an app.)

The concept now is migrating to the mobile platform through apps such as the iFood Assistant. Keep in mind, however, that there already are more than 180,000 apps

available to iPhone users, and brands will have to deliver truly compelling content in order to stand out. Token efforts will be rejected. "If it's not inspiring, there's going to be backlash," warns Diamond.

- **Loyalty Marketing:** Digital tools provide marketers with multiple ways to establish two-way communication with shoppers, either to improve existing loyalty programs or to foster new ones.

The immediacy of e-mails and text messages makes communication not only easier, but also more satisfying for operators and users. In fact, it would be hard to find an existing loyalty program whose primary communication channel isn't the Internet.

The emergence of mobile-based scanning and other technologies is making rewards redemption fast and easy, too. Kroger, Sam's Club and other retailers let frequent shoppers download coupons directly to their cards. This fall, Target's P-O-S systems will automatically deduct 5% off the receipts of all TargetRed credit cardholders.

On the brand side, too, digital channels have made it more feasible for the likes of Coca-Cola to operate "My Coke Rewards" or Pampers to manage "Gifts to Grow," both of which reward members with prizes in exchange for in-pack codes. (Pampers soon will be adding mobile capabilities.)

In-store technologies, too, are perfect for loyalty-based interaction. Ahold USA offers its frequent shoppers Scan It!, a hand-held device that lets them scan groceries while they shop for fast, one-swipe checkout at the register; it also delivers targeted coupon offers based on personal purchase history. CVS/pharmacy stores have an "ExtraCare Coupon Center" kiosk that prints out targeted offers. Such in-store deployments allow shoppers to activate rewards in the likeliest of places: at the point of purchase.

In a study released in July, the National Retail Federation suggests, "The ability to tie a loyalty membership number to a mobile phone not only dramatically increases consumer participation [but] also enhances the data that is collected about that consumer." Such typical complaints about programs – lengthy sign-up processes, confusing terms, delays in reward redemption, and the need to carry cards – are eliminated.

- **Cause Marketing:** CauseWorld is an iPhone app in which users earn "Karma Points" that translate into monetary donations for select charities by "checking in" at retailers (confirmed by the phone's GPS tracker) or scanning a product's barcode. It has attracted 1.25 million downloads since its April launch.

That number underscores the surge in cause-minded marketing that has taken place over the last few years, which has been driven by an increase in cause-minded consumers. According to Cone Inc., 59% of consumers

say they're more likely to purchase a product associated with a cause. (Incidentally, 29% say they'd like to hear about nonprofit initiatives via mobile devices, Cone says.) That's why nearly every major P&G brand has a long-term attachment to a nonprofit organization. It's also why Breast Cancer Awareness Month has become a key event on the promotional calendar of most retailers.

As with other forms of promotion, digital tools facilitate the marketing and management of cause-marketing campaigns. In this case, the ease with which a program can become viral through forwarded e-mail, blogs and social networks makes it far easier for marketers to spread the word.

Mars Inc.'s Pedigree brand ultimately donated 2.2 million bowls of dog food to animal shelters in 2009 through an online campaign that asked consumers to view a TV spot. Target used Facebook as the stage for a 2009 effort asking consumers to decide which of six charities should receive the retailer's funding. The effort helped the chain quickly amass a fan base of 500,000. (The total has since surpassed 1.5 million.)

- **Co-marketing:** Generally speaking, using any of the aforementioned tactics in collaboration with retail partners can enhance their effectiveness as shopper marketing tools. "We say that it's all about engaging the shopper," says Katz. "But that's really only half the equation. It's also about the retailer." As with shopper marketing in general, a key ingredient to success are collaborative programs that drive sales.

Leading retailers now set up microsites for nearly all of their major merchandising programs, offering sponsorship opportunities for CPGs if not outright collaborative execution. Both Walmart and Target (among others) work with a number of CPGs to develop sites that provide relevant content, along with product info and promotional offers, thereby adding an effective "at-home" element to an in-store program.

In response, leading CPGs have been leveraging



Meijer's MealBox app

existing assets for account-specific work. The database at Kraftrecipes.com, for instance, has spawned “Meijer MealBox” and other retailer-specific online recipe centers; P&G’s homemadesimple.com begat a same-named microsite at Walmart.com; for its annual summer barbecuing platform, Clorox Co. now regularly includes supplying recipes, cooking tips and other digital content to numerous retail partners.

Top companies such as General Mills, Kellogg and Kraft also are helping retailers move into the mobile realm. General Mills dominates the Cellfire coupon service, for example, often serving as the lone CPG supplying coupons to specific retailers. Kellogg is the sole advertiser on ShopRite’s app.

The justification is clear enough: 60% of respondents to Catapult’s study say they have a more positive shopping experience when using digital tools. More importantly, though, 34% say they are more likely to shop at a retailer that offers shopper-enabling technologies, and 24% are more likely to purchase the products featured through them.

- **E-Commerce:** There is no longer any doubt that the Internet will ultimately command a significant portion of packaged good sales. Bricks and mortar giant Safeway (in some markets) recently joined the ranks of Internet grocers such as Ahold’s Peapod, FreshDirect and NetGrocer in offering home delivery of goods ordered online. Publix is among the chains letting shoppers buy online and pick up at their local store.

Among Catapult’s respondents, 9% had made a purchase through an online grocer in the prior six months, while 47% had shopped at Amazon.com, 24% at Walmart.com and 14% at Target.com.

Two noteworthy advancements have taken place recently: Start-up Alice.com began shipping orders for shelf-stable foods and other packaged goods by mail, relying on CPGs to help with fulfillment for their own products. More than 180 companies already have partnered with the site, including 30 that have added linked “storefronts” to their own websites.

P&G, meanwhile, launched pgestore.com, which is directly selling to consumers for home delivery. The company, however, has carefully asserted that the goal is to better understand consumers rather than to bypass the retail channel.

Although the future potential for direct-to-consumer sales of packaged goods falls outside the scope of this report, it represents yet another way in which digital technologies are having a profound impact on the retail industry and presents a future area of execution for digital shopper marketing.

5. WHERE TO BE: STRATEGIES FOR PLACEMENT

In addition to determining the right content strategy, marketers must also develop an efficient plan for placement in a communications channel that seems limitless. But both the efficiency and cost savings of digital marketing can deteriorate rapidly if marketers try to be everywhere. “You can’t dilute the effort and overextend your resources,” says Mary Rodgers, director of marketing communications for Cuisinart.

This section will discuss activity “at-home” on the Internet, “on-the-go” through mobile phones and “in-store” as separate “places.” However, these distinctions are expected to largely disappear as mobile becomes the primary method of accessing the Internet, and as in-store tools evolve to provide online access and smartphone integration.

- **Online Destinations:** The Internet is as viable a mass medium as broadcast TV, radio or print advertising, and provides the added functionality of directly connecting “viewers” to additional information and purchase opportunities.

Therefore, straightforward display advertising on highly trafficked websites can be an important component of a digital plan, to drive traffic to whatever destination will serve as the hub for a campaign.

Online networks such as Fox Interactive Media, Glam Media and Turner Network attract upwards of 85 million visitors per month, according to comScore data. Individual properties such as *The New York Times*, eBay and The Weather Channel can deliver more than 40 million.

In addition, establishing a presence on such online-only retailers as Amazon.com and Drugstore.com is likely as important these days as supermarket circular features – and will become increasingly vital if private-label

Website Traffic, June 2010

	Total Unique Visitors (000)
General Food Sites	
Allrecipes.com	12,212
Cooks.com	8,554
Foodnetwork.com	7,821
About.com Food	5,375
AOL Food	4,849
Gourmandia.com	4,531
Chow.com	4,253
FoodBuzz.com	3,814
Delish.com	3,668
eHow Food And Drink	3,540
Brand Sites	
Kraftrecipes.com	2,758
Bettycrocker.com*	2,700
Pillsbury.com*	1,283
Kraftfoods.com	686
Tablespoon.com*	358
Nabiscoworld.com	310
Eatbetteramerica.com*	447

*Owned by General Mills

Source: comScore Inc., June 2010

growth and SKU rationalization remain significant aspects of bricks-and-mortar retail strategy.

Of course, for sheer numbers, Google, Yahoo and other leading search portals are the prime locations for advertising. Google's sites drew nearly 161 million U.S. consumers in May – representing 81% of the entire online audience for the month, according to Nielsen NetRatings. In addition, advertising on search engines provides the added bonus of relevance, because placements are tied to relevant search results.

PepsiCo's Quaker brand generated 280 million impressions by running display ads this spring through the Google Display Network, a service that places advertising on numerous relevant sites both large (Google's own YouTube) and small (niche blogs). The brand ultimately gained a 9% sales lift through the corresponding campaign.

- **Targeted sites:** Beyond such high-traffic destinations are thousands of other websites with smaller audiences that can be ideal ad venues for specific brands. Some provide as good or better a niche of consumer prospects than a special-interest publication or cable television channel.

Included here are the numerous content sites run by traditional media companies, as well as the hundreds of blogs and other consumer-operated sites that have emerged to gain significant followings and, in some cases, have turned into pseudo-commercial enterprises themselves.

The viral nature of consumer blogs – one of the true phenomena spawned by the digital age – requires that marketers at the very least monitor the discussions taking place within them and, when possible, participate by supplying meaningful, relevant content.

Direct sponsorships and other paid relationships are also possible and should be considered when available. (Aggregated services such as the Google Display Network extend into the “blogosphere” and can help marketers identify the best sites with which to consider partnerships.)

While operating a blog internally is certainly an option, marketers must take care to populate it with relevant, informative and – as much as possible – unbiased content in order to attract and maintain an audience. That means largely avoiding straightforward marketing messages that are required to “close the sale.” The trick is to establish a community that will do most of the work themselves.

When global retailer Tesco entered the U.S. marketplace with Fresh & Easy in 2007, its primary marketing vehicle was a blog written by company executives. Had the launch taken place this year, the mechanism instead may very well have been a Facebook page, which in early 2010 was a tactic employed by such retailers as H-E-B and Petco to publicize new store

formats. For the time being at least, social networks seem to have supplanted “blogs” in the minds of consumers.

- **Social networks:** For sheer audience numbers, leading social networks are also a place to be, although here there's no guarantee that even a small percentage of total Facebook or Twitter users will ever become a brand's fans or followers unless they're given compelling reasons to do so. Thus, while some brands have been able to garner followings of one million consumers or more, many others are far from reaching such critical mass.

Furthermore, marketers must tread a fine line between providing helpful information and blatantly hawking their products when communicating through these networks. Cuisinart, for one, avoids outright product pitches on its Facebook page because “the community tends to be put off by that,” says Rodgers. Instead, a “Shop Cuisinart” link at the top of the page directs fans to the brand's site for more overt marketing.

While all signs point to Facebook as being a viable tool for brand building, “no one has cracked the code for using it to drive sales,” says Diamond. In Catapult's study, social networks were rated highly for awareness and usage, but scored low in terms of being influential or even helpful for making purchase decisions, he notes.

Convenience store giant 7-Eleven made an ambitious attempt to directly drive sales via Facebook this summer through a marketing pact with Zynga Game Network, the company behind wildly popular social games such as Farmville. The chain staged a massive rewards program in which players earned game-playing credits by purchasing real products in 7-Eleven stores. 7-Eleven was so committed to the promotion that it revamped packaging for several SKUs.

“I absolutely believe” that Cuisinart's Facebook activity drives sales, says Rodgers, while noting that the brand's indirect path to purchase entails Facebook links to product-specific pages on the brand's website, from which fans can then find a convenient retailer. Cuisinart currently is working with retailer partners to quantify that belief.

In the case of Twitter, “We find that it can play a role in public relations, but as of yet hasn't delivered meaningful shopper value,” says Katz. Cuisinart, in fact, assigns responsibility for managing the brand's Twitter account to its external PR agency.

Twitter may be better employed at the local level, several sources contend, such as a store manager alerting followers in the neighborhood to a relevant sale: Immediately after the Chicago Blackhawks won the National Hockey League's Stanley Cup championship in June, both Dick's Sporting Goods and Walgreens drove traffic to local stores by tweeting about the availability of team merchandise.

- **Brand sites:** Most brands maintain a website that serves as the central location for product information and/or promotions. More forward-thinking CPGs also provide “brand-neutral” content relevant to their products’ use, such as recipes for food brands or housekeeping tips for cleaning brands.

Done well, such brand-operated content sites can themselves become destinations. A key trend for the future may be co-marketed sites operated by non-competitive, complementary products extending the promotional partnerships that they’re already conducting at retail (think Hershey and Kraft’s annual S’mores campaign).

Among Catapult’s respondents, 39% said they visit brand websites to look for recipes and other ideas, 32% to participate in promotions, and 28% to research products. (See chart below.) The implication is that consumers are using these sites for pre-shop planning or other occasions rather than to help them directly make purchase decisions.

- **Retailer websites:** Although it took retailers a little longer to identify the need for robust consumer-facing websites, they’ve caught up to brand marketers very quickly over the last few years, with most national chains already offering the basic shopping tools needed to plan a trip to the store (and, increasingly, some online purchase options as well).

Among those are the tools that consumers utilize most frequently: 55% of Catapult’s respondents look at circulars online, 53% compare product prices, 39% look for coupons and 34% read reviews and ratings.

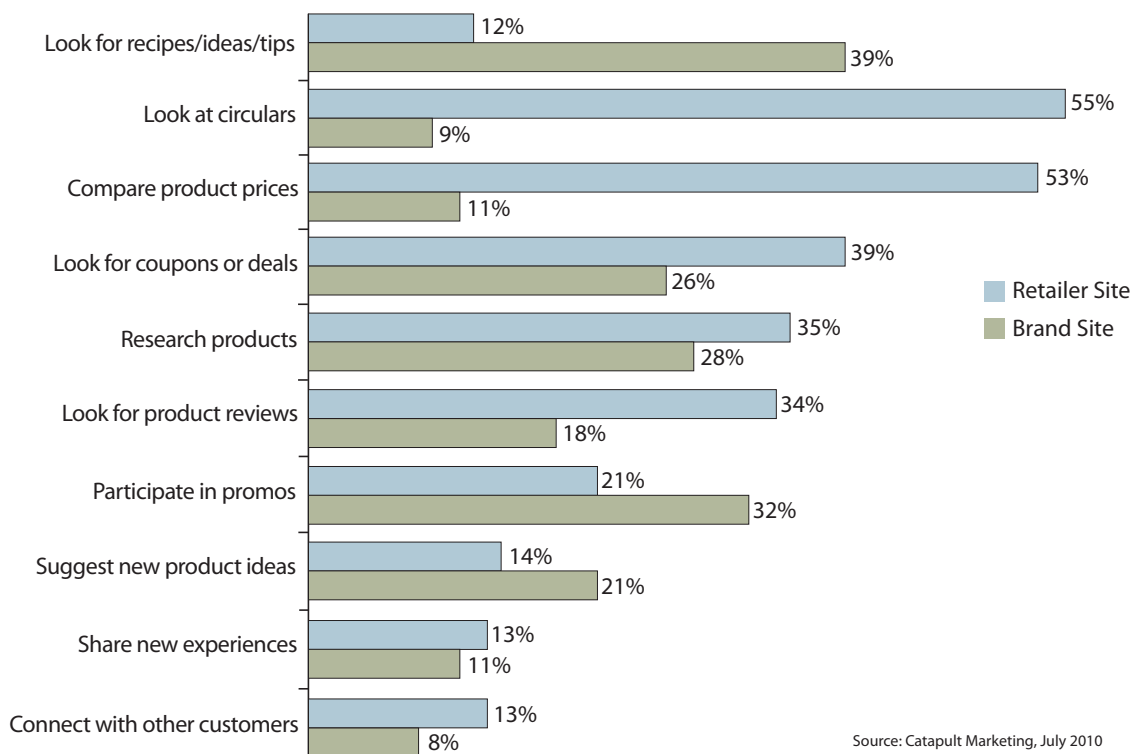
“The shoppers we talked to very clearly said that they’re going to retailer websites for price and product information,” explains Katz. “However, when they need a recipe or have heard about a promotion, they’re going to brand websites.”

More recently, retailers have also begun to establish themselves as content destinations, in great measure with the help of manufacturer partners. “The retailer wants to remain strongly in front of the shopper,” says Booz’s Egol. “Coupons and online circulars are part of that, but they also need content.”

“We are constantly exploring digital collaborations with our key retail partners to help build brand equity and drive sales in-store,” says Rob Candelino, Unilever’s marketing director for personal wash in the U.S. “When it’s relevant to our target audience, and our retail partner has a strong digital presence, a collaborative and innovative digital program helps us deepen our relationship with the consumer.”

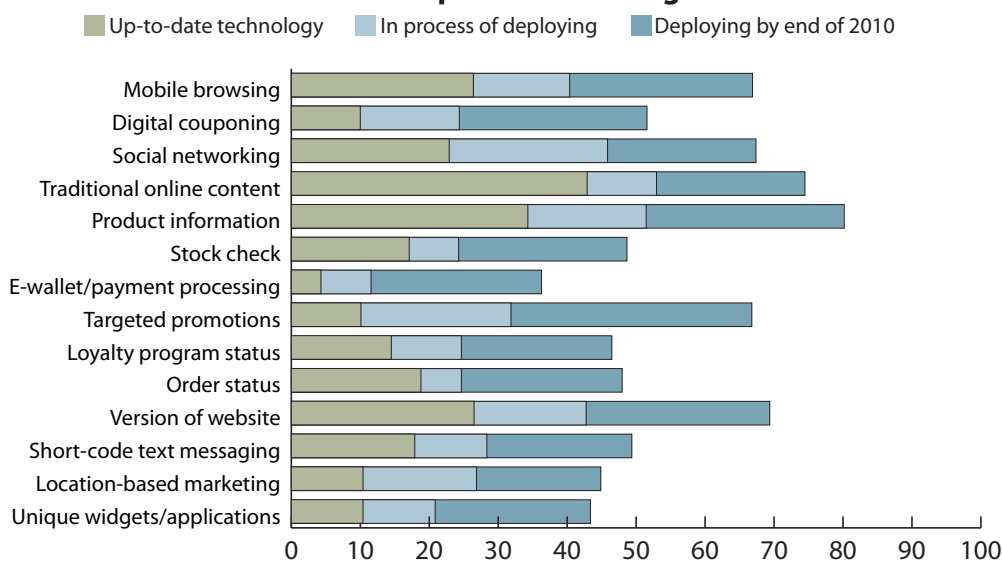
“Digital marketing serves as an efficient method for account-specific programs, provided that it is planned for on the front-end,” says Kellogg’s Cooke, whose role makes him “100% dedicated” to retailer activity. “Having dedicated resources in digital provides an additional

Motivations for Visiting Retailer vs. Brand Sites



Source: Catapult Marketing, July 2010

Status of Mobile Capabilities Among Retailers



Source: National Retail Federation, May 2010

opportunity for us to foster deeper collaboration with our retail partners.”

It’s not incidental to note that some retailer websites serve rather nicely as destination sites as well. Walmart.com attracts more than 35 million and Target.com more than 25 million visitors each month, although both of those mass merchants draw large numbers of eyeballs for their non-grocery offerings. In the pure CPG marketplace, Kroger.com and Safeway.com are the only supermarket sites capable of drawing more than one million unique monthly visitors, according to comScore.

It seems clear, then, that an effective digital shopper marketing strategy requires brands to work both on their own and with key retailers to ensure that all aspects of the consumer’s path to purchase are adequately covered.

- **In stores:** There is little in the recent history of in-store technologies that would suggest a bright future. Over the last few years, it seems as if more devices have been removed from stores than were deployed, and the number of tested tools that never reached scale are legion.

However, “There is off-the-chart interest” for in-store technologies, including the much-maligned in-store TV, says Diamond. “From a shopper standpoint, these tools are starting to work for them.”

Respondents to Catapult’s survey rated at-shelf TV and kiosks highly for both helpfulness and purchase influence, while digital signage and Walmart TV scored well for helpfulness.

Consumer perception of Walmart’s technology, in particular, improved dramatically compared with Catapult’s 2009 survey. And that may be a case in point

for other deployments: the retailer’s new Walmart Smart Network, which is still rolling out to stores, is far more shopper-friendly than its predecessor, Walmart TV.

“We continue to see success with in-store media, but there is still room for improvement,” says Cooke, who lists interactive TV, digital signage and kiosks as the “primary tactics – with each having their pros and cons. It comes down to usability and relevance.”

Shifting the strategic focus to mobile-phone delivery eliminates the biggest obstacle that in-store technologies have always encountered: the cost of installing and maintaining systems, which retailers have been loathe to incur and paid advertising models have been unable to offset.

On the other hand, a large-screen kiosk or digital sign is a lot more viewer-friendly than a smartphone’s display, and a shopper’s mission can probably be expedited more by retrieving relevant information from an in-store terminal rather than from their mobile devices.

- **On the phone:** Most industry practitioners are downright giddy when discussing the potential of the mobile phone as a shopper marketing tool. And the expectations are warranted, given that the mobile phone’s ability to deliver a targeted, relevant message at precisely the right time is unprecedented.

“Mobile is blurring the line between clicks and bricks,” says Katz. “It’s turning Main Street into the main aisle of the store.” Smartphones eliminate many of the distinctions discussed in this report, because they make all content strategies available anywhere a consumer is holding one. Theoretically, the entire path to purchase can be traversed in a few thumb strokes.

The implications are endless. Marketers may soon be talking about the “impulse trip” rather than the “impulse purchase,” now that GPS-based tools can locate consumers near a particular store and send an instant-message offer that inspires them to stop in.

(The next step, potentially, could be programmed reminders: “Don’t you need deodorant? That Walgreens across the street has a sale on Right Guard.” Another is real-time inventory reporting, directing shoppers to a store guaranteed to have a desired item in stock.)

It already is obvious that brand marketers need to develop websites tailored to the functional strengths and weaknesses of mobile devices. If they haven’t already done so, they also must develop a strategy for delivering promotional offers via text or e-mail. That need is even more urgent for retailers.

However, marketers must resist the temptation to try too much. The most significant potential deterrent to mobile marketing is the backlash that will occur if consumers are given too much information that provides too little in the way of real solutions. Simply put, consumers do not need a smartphone app for every retailer they shop, or for every brand they buy.

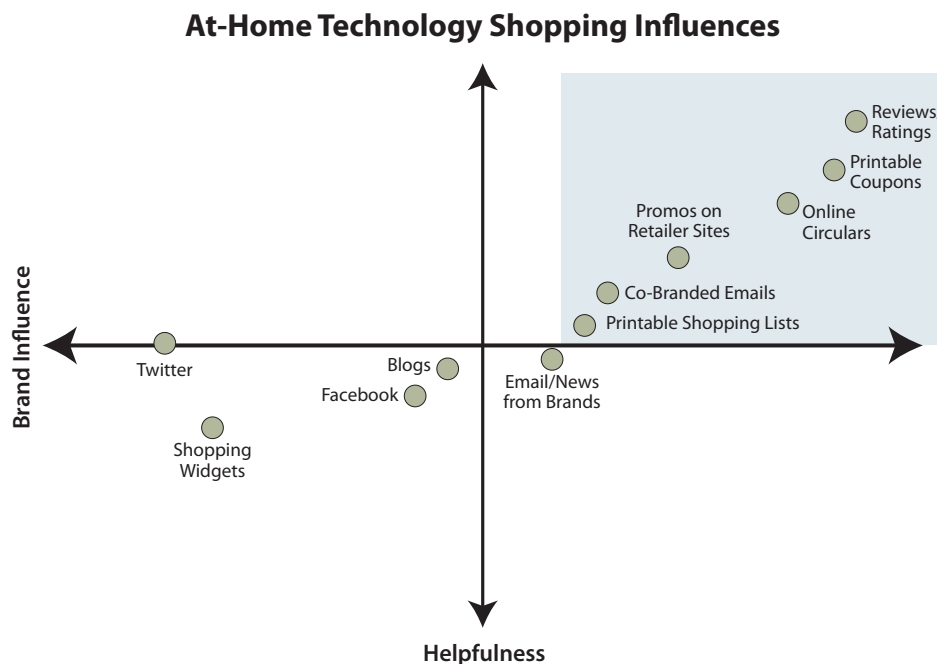
“The opportunities are boundless and the pace of change is exciting,” says Cooke. “However, I also temper this enthusiasm by ensuring that we’re not simply deploying a tactic because it’s the latest trend. My role is to ensure we are aligned strategically, and then executing the most appropriate solution based on consumer need and insight.”



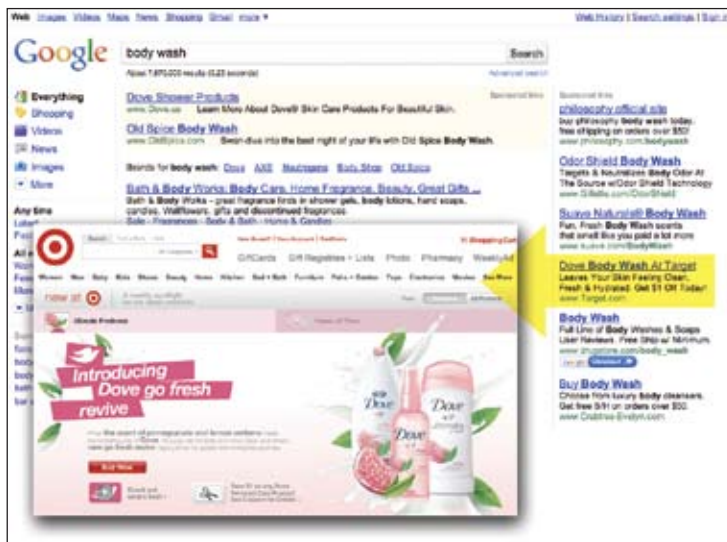
Cuisinart's Facebook page

6a. HOW TO DELIVER: STRATEGIES FOR CONNECTING ONLINE

Search: In an April 2010 survey conducted by comScore, 59% of consumers said that gathering information online is important in helping them make purchase decisions, and more than half of those respondents said its importance had increased in the last year. Other studies have found that as many as 89% of consumers are researching online before buying (although still making 93% of their retail purchases offline).



Source: Catapult Marketing, July 2010



A paid search campaign for Dove and Target

According to surveys conducted by Google, 66% of “moms” go online to obtain information about packaged goods. That’s more than any other source, including friends/relatives (used by 64%) and newspapers/magazines (50%).

If the Internet is a key component of the path to purchase, then search engine marketing “is the on-ramp,” says Egol, noting that more than half of all online traffic is driven through search engines. At a recent industry conference, JCPenney chief marketing officer Mike Boylson called search “probably the richest and most productive marketing that we do.”

Google’s Kells likens the search-return page to a store, with the lead “Sponsored Link” position as the “endcaps” and the right-column “Sponsored Links” as the “digital shelf” (see image above). “Imagine walking into a store and not finding your products on the shelf,” says Kells, who before joining Google spent 15 years as a brand marketer at Revlon, Diageo and Unilever. “It’s sort of the same thing on a search engine results page when you’re not there.”

And Google’s internal research provides a good reason for marketers to use paid search, unless their SEO strategy truly does generate “optimal” results: one-third of Moms conducting searches never scroll down. “And nobody goes past the second page,” notes Catherine Roe, Google’s head of consumer packaged goods, Midwest. Instead, “they refine their searches” if they can’t quickly find what they want, she notes.

While brands have used paid search to drive traffic to their own initiatives for years, the idea of using it for retailer co-marketing is relatively new. But it has great potential, marketers say, with some even suggesting that it ultimately could become a standard overlay to the trade promotion calendar. “Fundamentally, that could be huge,” Diamond posits. (Roe hints that a few forward-thinking

CPGs are already doing so.)

In one recent case study, General Mills’ Green Giant joined with Target before the 2010 Easter holiday to sponsor search terms such as “frozen veggies,” “Easter meal ideas” and “Easter side dishes” (because, as Roe notes, the vast majority of searches do not contain brand names). Those searches generated a top-page Sponsored link to Target’s online circular, which carried a \$1 coupon for the brand. The effort drove 3,000 visits to Target.com in three days.

Elsewhere, Google teamed with Compete Inc. to track seven of P&G’s “sitelets” on Walmart.com from September 2008 to November 2009, and found that traffic to the pages increased substantially when paid search was employed.

Deciding where to send searchers is a balancing act. “You have to decide what the need is,” says Kells. “What does she want when she’s searching ‘Pampers?’” At a recent conference, Roe outlined one plan in which a search for Pampers generated three sponsored options: the first linking to Pampers.com for helpful information, the second to Walmart.com for a special order, and the third to Sam’s Club’s site for searchers who might be planning a stock-up trip.

- **Display Advertising:** In whatever form it takes, the oft-maligned display ad doesn’t deserve all of the negative press it receives. While average click-through rates are low (according to comScore, at 10% or less) they’re still more productive than your average FSI (and a lot cheaper). What’s more, a time-aligned analysis conducted by comScore found that traffic to hyperlinked sites increases during display campaigns at levels greater than the click-through rates alone produce – implying a more latent effect.

Other studies conducted by comScore have found that display ads can increase store traffic by 6% and, combined with paid search, can drive up visits 43%. In a long-term study conducted in 2008-2009, the research company found that online ads generated an average sales lift of 9%.

Targeting capabilities are a key benefit. Last spring, General Mills ran a campaign through Google offering \$1 coupons on three brands. While the offer remained constant, the featured retailer changed based on the consumer’s location. The process even can be refined through ads that specify an exact retail location near the consumer’s home, according to Roe.

- **Social Networking:** It seems clear that marketers should be involved in Facebook, Twitter, and other social networks as a mechanism for public relations and community building. Exactly how well the strategy will

serve as a shopper marketing tool remains to be seen.

As it now stands, consumers don't view Facebook or Twitter as helpful in their planning process or as influential in their decision-making, according to Catapult's study. But work in this area may help drive consumers to other digital tools that do a better job of enhancing the path to purchase.

- **Consumer Blogs:** The "blogosphere" is alive and well with millions of consumers who are more than happy to share their opinions – both good and bad – about brands. As with social networks, therefore, it is important for marketers to be involved in the conversation.

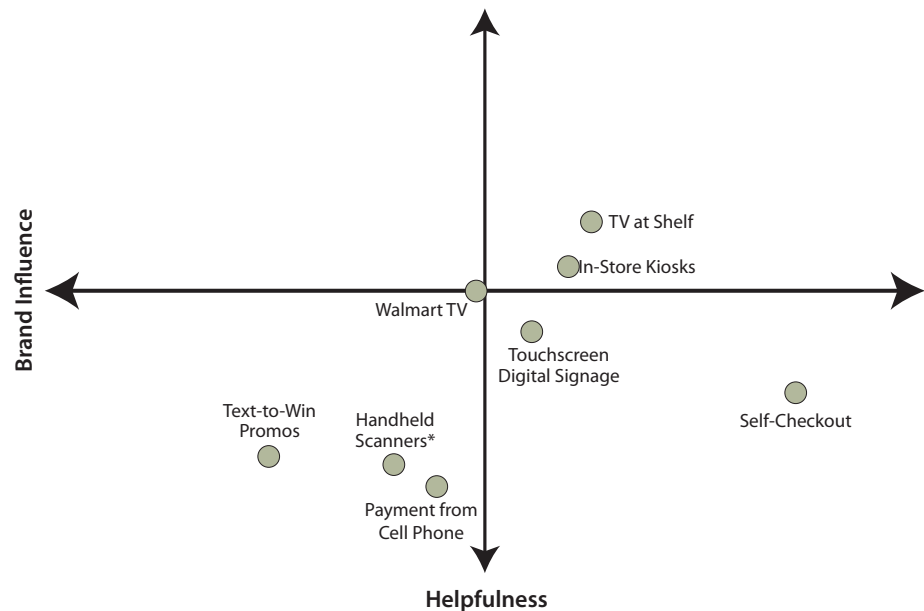
One case in point is Viewpoints.com, a website that lets visitors rate and review everything from automobiles to "Philadelphia Spinach & Artichoke Dip." Roe recently noted that this relatively obscure product from Kraft had garnered 430 reviews on the site – a prime example of how well informed today's consumer can be.

Surprisingly, though, blogs didn't rate very highly as helpful or influential in the survey. This suggests that consumers are looking for more formal sources of product information and reviews, such as retailer websites.

- **Shopping Widgets:** Branded shopping widgets make it easier for marketers to maintain an audience, because the applications are embedded on consumer websites and desktops. ShopRite's first use of the tactic helped the East Coast chain become "a hot widget on New Jersey Mom blogs," according to marketing vice president Cheryl Williams. (It also helped the chain learn "where our customers were hanging out" online, she noted.)

ShopRite also has a "Live Right with ShopRite" widget that lets users check complete listings of product allergens, additives, ingredients and nutrients for specific products, then create a printable shopping list. The Meijer MealBox widget automatically creates a shopping list after users select a recipe, and also delivers exclusive offers. Cuisinart has a widget that lets users find and print recipes. "It keeps us in touch with consumers on a daily basis," Rodgers says.

In-Store Technology Shopping Influences



*Ahold USA shoppers only

Source: Catapult Marketing, July 2010

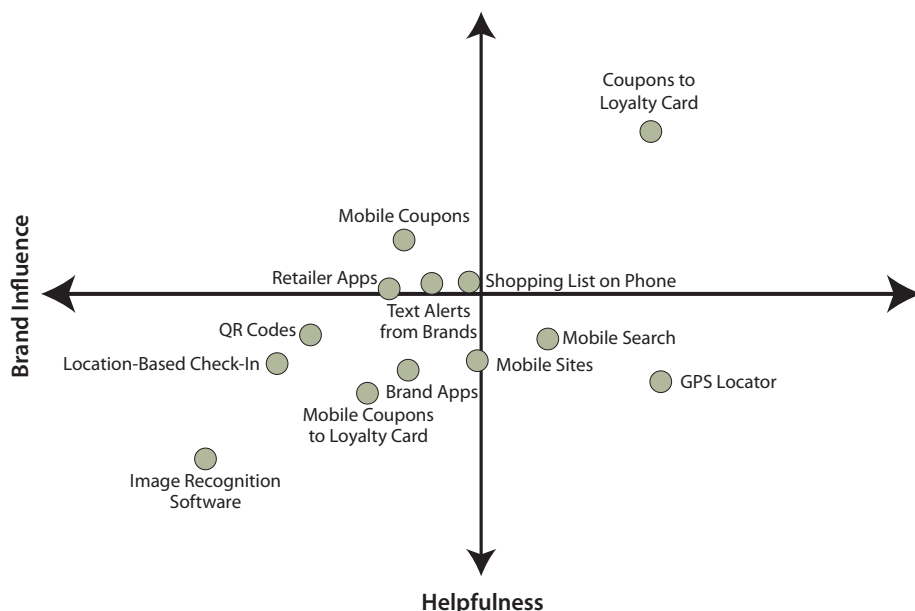
Still, widgets scored poorly on helpfulness and influence in the Catapult study, largely because they also ranked extremely low for awareness and usage. As suggested earlier, however, the tool's time may already have passed, now that smartphone apps have arrived. The Meijer MealBox, for one, is already available as an app.

6b. STRATEGIES FOR CONNECTING IN-STORE

- **Packaging:** In Catapult's survey, the use of on-pack tactics such as "quick response" (QR) codes and text-to-win messages rated poorly for both helpfulness and influence. However, the tactic is enticing because it is the only one that puts complete control of execution in the hands of brand marketers and, therefore, is the one way they can reach shoppers in the store without retailer involvement.

Although such tactics have earned a great deal of media attention, they still have not been used widely, according to Catapult's study. Even text-to-win promos, which are fairly commonplace (weekly co-op FSIs typically include one or more executions), earned relatively low usage and interest levels in the survey – and, therefore, rated poorly for helpfulness and influence.

On-the-Go Technology Shopping Influences



Source: Catapult Marketing, July 2010

The future of on-pack promotions may very well lie in QR codes, which can quickly link shoppers to product information, direct them to a downloadable coupon, or let them enter a promotion. Since the codes already are commonplace overseas, the practice is expected to reach critical mass here relatively soon.

Packaged goods marketers already are experimenting with the codes in advertising. In July, an FSI for Nestlé-Purina's Friskies carried a code that linked smartphone users to the brand's TV spot. Duane Reade put them on outdoor ads, sending scanners to a copy of the drugstore chain's Duane Reader magazine.

Those efforts illustrate the fact that, so far, the codes have largely been used as a novelty, letting consumers watch movie trailers or promotional videos, rather than providing a real shopper benefit. "QR codes are intriguing, but there's no plan yet" on how best to deploy them, says Diamond, who compares the tool to "text messaging before American Idol: a technology in search of a purpose."

Earlier this year, Johnson & Johnson placed a code on signs at CVS/pharmacy that let shoppers obtain a coupon for Zyrtec. Last fall, Rosemont wine placed a code on packaging that allowed scanners to receive a phone call from *Hell's Kitchen* chef Gordon Ramsey. Such unique promotional uses "could be the tiebreaker at the shelf," suggests Katz.

QR codes also are being used to link consumers with product details, price comparisons and other online data that can help inform purchase decisions. The Sears Personal Shopper app lets consumers e-mail scanned barcodes from any product to a customer service team

that will reply with where-to-buy information within 24 hours (even if Sears or Kmart doesn't carry it).

Ubiquity, however, may breed contempt. After all, the goal of digital shopper marketing is to simplify and enhance the shopping experience, not complicate it. "When you're on a mission and you're at the shelf," Diamond asks, "how often will you want to stop, click a photo and go online for more information?"

- **Kiosks:** No matter how handy and functional smartphones become, one can still imagine a future role for in-store kiosks. The ability to instantly access an

array of information about products, sales and related content without having to click, scan and search on personal devices would certainly be welcomed by even the savviest of mobile users.

That theory is supported by the fact that Catapult's respondents rated kiosks highly for both helpfulness and influence, and 45% of non-users said they were interested in the tactic.

While most deployments to date have offered storewide information, the next step should be category-level devices that address the specific needs of particular shoppers. Earlier in 2010, Target began rolling out shelf-edge kiosks in health and beauty departments that help shoppers decide what products will best solve their skincare or hair coloring needs.

- **In-Store TV/Digital Signage:** Technology advancements also may be eliminating any real distinction between kiosks and digital signage, since both are now capable



CVS ExtraCare Coupon Center

of facilitating online access and other forms of shopper interactivity.

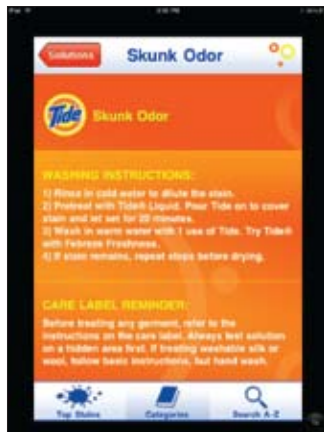
As with kiosks, the effectiveness of digital signs rests in their ability to provide trip-enhancing information. In upgrading the Walmart Smart Network, the chain scrapped its former content strategy of generic, storewide ads and promotions in favor of department-level content on some screens and product-specific information on others. The Smart Network can also tailor programming by region or even store.

This summer, Walmart took a longer stride into the future by conducting a 10-store trial of “virtual makeup mirrors” that let shoppers test products by scanning photos of themselves and the barcodes of cosmetics they’d like to try. Users then could save the resulting image and e-mail to friends to get a second opinion.

- **Personal shopping assistants:** The idea of hand-held tools in stores probably has been directly supplanted by the concept of direct-to-phone communication. There seems to be little need for shoppers to learn the use of another system that basically functions like a closed-loop smartphone.

The paradox of Ahold’s Scan It! system is that it represents the most finely targeted marketing vehicle currently available in stores: Kimberly-Clark’s Kleenex ran a campaign that only delivered coupons to shoppers who had scanned some canned soup (which, based on the brand’s research, implies that someone has a cold). Yet it operates on a device that won’t be needed much longer. (The chain already is working with supplier Modiv Media to add mobile phone functionality, according to reports.)

6c. STRATEGIES FOR CONNECTING ON-THE-GO/ANYWHERE



Tide Stain Brain app

It already should be clear that the segmentation of the path to purchase as a three-place process – at-home, on-the-go and in-store – is also becoming obsolete due to mobile technology.

Some aspects may remain within specific domains. Pre-trip research and planning probably will remain largely an at-home activity, for instance.

However, it’s conceivable

that some future shoppers could be using their smartphones to download pre-programmed shopping lists – with all related coupons and other discounts

automatically attached – as they walk into the store.

Among the tools currently classified as on-the-go, several are resonating with consumers, according to Catapult’s survey. Paperless coupons downloaded directly to loyalty cards is far and away the most influential of them, and in terms of helpfulness is second only to GPS locators (themselves a key to the future of digital shopper marketing).

Mobile-friendly search tools and websites were also rated highly as helpful, which underscores the need for marketers to provide them. Mobile coupons, retailer apps and phone-delivered shopping lists score well for influence, but lag a bit in terms of helpfulness.

One “old” tactic that Diamond suggests still presents “a huge opportunity” for marketers is co-branded e-mails, which currently reside among the “at-home” tools but may also prove to be influential “on-the-go” or even “in-store.” Catapult’s respondents rated it highly for both helpfulness and influence, suggesting that it could be a catalyst for collaborative activity.

Text messages, the “on-the-go” equivalent of e-mails (as well as the digital communication favored by many younger consumers), also were viewed favorably. In addition, text-based marketing provides two-way opportunities, with brands either sending offers to consumers or running promotions that entice them to send their own.

As noted throughout this report, mobile apps can be a great way for marketers to establish deeper, ongoing relationships with shoppers – provided that they deliver true shopper solutions. Much of the current buzz over apps will likely disappear once their novelty has worn off.

In theory, it might be necessary for most major retailers to create an app offering store locators, shopping lists, coupons and other tools discussed in this report, because these tools might soon become standard requirements. Target and Best Buy are among the retailers who already have upped the ante by including QR readers in their apps.

Walgreens’ new app offers most of the above, but also has two other notable functions: shoppers can order prescription refills on their phones and receive a text alert when the order is ready for pickup at the store they’ve designated; they also can e-mail photos taken on their phones to be printed at the store and ready for purchase



Groupon

Digital Shopper Marketing Roadmap

	At-Home	On-the-Go	In-Store
Proven Winners	<input type="checkbox"/> Printable coupons <input type="checkbox"/> Brand emails <input type="checkbox"/> Search <input type="checkbox"/> Ratings/reviews <input type="checkbox"/> Online circulars ↑ <input type="checkbox"/> Retailer website promos ↑	<input type="checkbox"/> Mobile search ↑	<input type="checkbox"/> Self-checkout
Emerging Favorites	<input type="checkbox"/> Co-branded emails <input type="checkbox"/> Printable shopping list	<input type="checkbox"/> GPS locator <input type="checkbox"/> Mobile websites <input type="checkbox"/> Shopping lists on phone ↑ <input type="checkbox"/> Mobile coupons ↑ <input type="checkbox"/> Retailer apps <input type="checkbox"/> Brand text alerts ↑	<input type="checkbox"/> TV at shelf <input type="checkbox"/> In-store kiosks ↑ <input type="checkbox"/> Hand-held scanners <input type="checkbox"/> Touch screen digital signs <input type="checkbox"/> Walmart TV ↑
Early Bets	<input type="checkbox"/> Coupons sent to loyalty card	<input type="checkbox"/> Brand apps	
Fix/Repurpose	<input type="checkbox"/> Facebook <input type="checkbox"/> Blogs <input type="checkbox"/> Twitter <input type="checkbox"/> Shopping widgets ↓	<input type="checkbox"/> Image recognition sw <input type="checkbox"/> Location-based check-in <input type="checkbox"/> Mobile coupons sent to loyalty card <input type="checkbox"/> Payment from cellphone	<input type="checkbox"/> Text-to-win on-pack ↓ <input type="checkbox"/> QR codes ↓

Source: Catapult Marketing, July 2010

by the time they get there.

Brands, on the other hand, shouldn't necessarily partake unless they have a simple, useful solution to offer. Although it doesn't have an overt sales-driving mechanism (but does include a generic store locator), Kraft's iFood Assistant qualifies. So does P&G's "Tide Stain Brain," which offers quick cleaning advice for 85 different stains.

Kells, however, advises all product marketers to "go through the exercise" of evaluating what app they might create, because it can provide insight into how their brand fits into consumer lifestyles.

Based on results from the survey and a broader evaluation of the marketing landscape, Catapult categorizes these digital tools into the following four types:

"Proven Winners" already have high adoption levels and are viewed by shoppers as helpful and/or influential in making purchase decisions.

"Emerging Favorites" have moderate usage levels and helpfulness/influence ratings, but shoppers express a strong interest in them.

"Early Bets" have both low awareness and usage levels, but garnered strong future interest. In addition, current users rate them as helpful and/or influential.

"Fix or Repurpose" designates tools with low usage and little future interest, as well as low influence and/or helpfulness.

The chart above classifies all the tools discussed in this report into one of these four categories. Arrows following

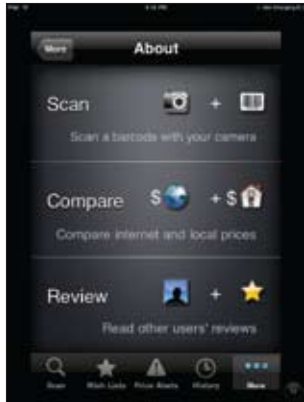
the tactics reflect the change in consumer opinion about them that occurred between Catapult's 2009 and 2010 surveys.

7. KEYS TO FUTURE SUCCESS

With this new wave of digital tools, "We're teaching shoppers to be savvier," says Cloutier. The comment can serve as both praise and warning for the packaged goods industry.

"She's got prices, she's got barcode scanning, she's got everything right there at her disposal" while in the store, Google's Roe says of today's shopper. Brand marketers must react to this newfound empowerment, which to this point largely has been provided by outside forces. For instance, here are just a few apps that are changing the shopping dynamic:

- **Groupon:** A "collective bargaining" tool, it e-mails daily deals to 11 million consumers worldwide. The deals only become valid if enough users agree to redeem them. In July, Groupon introduced personalized deals in six U.S. markets.
- **Grocery IQ:** It not only lets users create shopping lists (and get direct-to-card coupons), it also helps them order the items based on the category layout of their favorite store.



ShopSavvy

- **ShopSavvy:** Users scan a product's barcode to instantly receive comparative pricing and inventory information, and then can get directions to other nearby stores. They also can sign up for price updates on specific products. The service claims to have data on 20 million products.

- **Foursquare/Loopt:** Ostensibly, "games" that

let users track each other's whereabouts, these location-based apps deliver rewards whenever users "check in" at a retailer or other location. The 3.4 million users of Loopt get 25% off their next purchase when they check in twice at The Gap; foursquare's 1.4 million "players" can earn \$1 off Frappuccinos at Starbucks.

- **CauseWorld:** Kraft, P&G and Sears are among this app's sponsors, which lets consumers "do good deeds" by simply "walking into a store," according to its iTunes description.
- **Shopkick:** Launched in mid-August, the app detects when smartphone users are approaching a particular store and sends them targeted offers. A barcode scanner supplies additional offers and product information once they're inside. Best Buy and Macy's were among the app's launch partners.

Such tools are turning consumers into better-informed shoppers who can more easily base their trip and purchase decisions on factors other than brand preference. The shopping revolution is already taking place – with or without the participation of product marketers and retailers.

To take full advantage of this new digital era, marketers need to:

- **Focus on insights:** Consumers now have easy access to far more information and tools than they have time to utilize. The proverbial "clutter" that marketers have sought to avoid for decades has reached epidemic proportions: U.S consumers were exposed to 1.09 trillion online display ads in first-quarter 2010, according to comScore. Developing programs that will resonate with today's shoppers requires a deep understanding of their needs and behaviors.
- **Look beyond the brand:** For packaged goods marketers, resonating with shoppers – and aligning with retail partners – will often require a brand-agnostic philosophy focused on

delivering solutions at the category or even store-wide level.

- **Don't focus on technology:** Although they provide the mechanism for shopper communication, specific technologies are relatively insignificant compared with their function: to directly influence decision-making. Marketers first must develop the message and identify the audience, then select the best technology for connecting the two.
- **Develop relevant content:** "The most important thing you can do is think about building your own assets," says Booz's Egol. Kraft has been an early bellwether of shopper marketing thanks primarily to its vast recipe library, which it leverages in numerous ways for the benefit of both shoppers and retailers.
- **Target:** One serious drawback to shopper marketing in general is the logistical nightmare and potential cost of tailoring communications to even the regional (let alone store) level on a consistent basis. But marketers can leverage the digital tools discussed in this report to fine-tune their messages in an easier, more cost-effective way.



Shopkick

Many marketers are viewing location-based communication as the Holy Grail. Technology will soon let retailers "market by the aisle," Geoff Sherman, Walgreens director of pricing, promotion and trade fund management, said at a recent conference. "That really expands the concept of off-shelf merchandising."

In July, Google introduced a program that lets retailers place extended ads on Google Maps to reach mobile users searching for directions. In August, Best Buy was expected to upgrade its mobile app to engage users as they approach a store.

- **Commit the organization:** Kellogg's Cooke is the only known CPG executive with "digital shopper marketing" in his title. For the most part, digital marketers still operate like media planners, and rarely coordinate activity with their shopper or customer marketing teams. Without a firm commitment within the organization, digital's potential as a collaborative sales tool will not be realized.
- **Integrate activity:** The concept of integrated marketing has been kicking around the industry for nearly two decades, but it has never been as important, because digital media makes it far too easy for consumers

to spot inconsistencies. For it to be effective, digital shopper marketing must be coordinated with the rest of the marketing plan – from advertising down through product distribution.

- **Measure:** Digital tools give marketers an unprecedented ability to measure consumer response and, in tandem with point-of-sale systems, sales results. Successful marketers will engage their research and analytics departments while designing programs (rather than after the fact) “to assure a higher level of confidence” in the accuracy of results, Diamond advises.
- **Scrutinize partnerships:** As the in-store TV marketplace has shown, not all technology partners are equal, and it’s likely that many of the digital service companies emerging today won’t be in business tomorrow. Some of 2010’s most popular websites and social networks could quickly fade in popularity. All marketing agencies will claim to have digital shopper marketing expertise, but few have thus far truly become experts in the practice. And, many retailers aren’t yet capable of executing effective campaigns. Marketers must pick their partners wisely.

- **Be ready to adapt:** Marketers barely had time to adapt their thinking to marketing via cellphones before the smartphone came along. Now, each passing month delivers mobile apps delivering more powerful shopping tools. Marketers will not keep pace unless they can react quickly to technological advancements and, more importantly, the ways in which shoppers are utilizing them.

“I can’t say the ROI is always apparent at this stage, but the media spend is small,” said Joe Jackman, acting chief marketing officer of drugstore chain Duane Reade at a recent conference. “So the experimentation is just fine.”

“This space is constantly evolving,” says Cooke. “To be effective, you need to be nimble, adaptive and have a hunger to learn. You must be willing to experiment with new and emerging technologies, and to take a few risks.”

The greatest risk, however, would be to hesitate at a time when the marketing industry is entering a major new cycle of its own, one in which mass media could become secondary to the targeted shopper communications that digital tools can facilitate. ■



Catapult is an action-biased marketing solutions agency focused on creative strategies that inspire consumer action and drive trial, repeat purchase, and loyalty for its clients, which include Reckitt Benckiser, Mars Petcare, Kellogg’s, Kraft, M&M Mars, Del Monte and Sara Lee. The agency brings a deep understanding of the brand, consumer, and retailer to every assignment, and considers retail insight and a genuine depth of shopper marketing knowledge as core differentiators. For more information, visit www.catapultmarketing.com.



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