

Digital GROWING Pains

DIGITAL COUPONS HAVE A LOT OF **POTENTIAL**, BUT THEIR **NARROW** REACH CAN BE A **DOUBLE-EDGED SWORD**. > By Ann Meyer

The ability to better understand shopper behavior and drive sales is fueling digital promotion growth, while cost concerns and skepticism linger.

The reasons for going digital abound: You can now trace shoppers' movements from their home computers or smartphones to the digital offers they redeem in-store. By tying the information to loyalty card and other direct marketing data, it's possible to make a direct correlation to the content that influenced purchase behavior in ways marketers could only dream about decades earlier.

"Coupons are about more than the savings," says Cali Tran, president of Valassis Digital in San Francisco. "When weighing the return on investment, you must also look at the marketers' objective—using digital to drive in-store traffic, driving website traffic, increasing brand awareness, and social sharing." Besides digital coupons sent to phones, print-at-home coupons also are growing, according to Tran.

Coupons play an undeniable role in influencing consumer behavior, yet for all the buzz around digital and its potential in the world of food and consumer goods, the impact among retailers and brands has been uneven. Some consumers simply aren't interested in participating, according to Kurt Jetta, CEO of TABS Analytics.

"Digital coupons really don't resonate all that well with consumers," says Jetta. "There's this whole mass market that is not adopting in ways people think in their head they are."

For example, when Mondelez International

partnered with Ahold last year on a digital campaign for Oreo Thins designed to attract women ages 25 to 54, it didn't reach the older portion of the target market. The campaign did encourage shoppers younger than 35 to try the new line extension, Anne Martin, Mondelez' customer director for shopper marketing, said at the recent Path to Purchase Expo.

WHAT'S THE ROI?

Another factor is that the time and money involved in going digital doesn't always pay off at the register, and

when costs are subtracted, the benefits are even less clear, leading to the question of whether digital leads to higher performance for retailers.

The answer largely depends on the market served and how the brand or retailer has positioned itself in the omnichannel arena. Nielsen insights from 2015 suggest 14 percent of global respondents download retailer apps to receive offers or information, and one in 10 use in-store Wi Fi to

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Froyo Meets Robo

Frozen Yogurt: Reinvented with Innovation and Robotics



Frozen yogurt first took off in the era of big hair and action movie trilogies. From that initial explosion of frozen yogurt in the late 1980s to the emergence a few years ago of create-your-own concepts in stand-alone stores and inside other retail operations, this soft-serve dessert has remained a consumer favorite, for its taste as well as perceived better-for-you profile.

The next innovation for frozen yogurt comes from the aptly-named Generation NEXT Franchise Brands, based in San Diego California. Generation NEXT, originally known as Fresh Healthy Vending, was first to market with a non-traditional approach to healthy options in vending machines. More recently, Generation NEXT turned its focus to frozen yogurt.

Not long after launching Fresh Healthy Vending, chairman and founder Nick Yates began evaluating the marketplace for future opportunities, keeping close tabs on what consumers wanted. He determined that frozen yogurt was in high demand among consumers, retailers, foodservice operators and franchisees. Recognizing the potential to fill that void, Yates launched a business strategy to create a quality frozen yogurt with advanced robotic innovation in a flexible way that allowed for selling in multiple and diverse locations.

“We knew we wanted to revolutionize frozen yogurt and do it in a big way,” recalls Yates. “By utilizing vending as the vehicle, we began to visualize the perfect strategy to develop the world’s first robotic frozen yogurt vending machine.”

Froyo Meets Robo

The result of that vision is the Reis & Irvy’s Froyo Robot, unveiled in April 2016. The self-contained vending unit is capable of delivering on-demand customized frozen yogurt creations in 60 seconds or less to on-the-go-consumers in almost any location or environment. The system features

two soft-serve options: traditional premium froyo and a premier non-fat, gluten free, frozen fruit froyo, made with 100 percent fruit juice. More than 80 possible flavor combinations and a choice of six toppings are available via the Reis & Irvy’s unit, which is similar in look to a “Red Box”-sized kiosk.

“Whether consumers are looking for an indulgent treat or a healthy option, the Froyo Robot caters to virtually any flavor taste,” notes Yates, who says that the unit can be easily and effectively added to almost any environment, such as retail stores, shopping malls, supermarkets, movie theaters, college campuses, corporate offices or theme parks. “The benefit to a location, whether it’s a grocery store, mall or college campus, is that it’s no cost to their own operations. The operator within the area brings in the unit, we handle installation and we do overall maintenance and supervision.”



Step Right Up

Indeed, consumers aren't the only ones with a lot of choices with the Reis & Irvy's Froyo Robot. Those who place Froyo Robots in their locations can buy single robots or purchase packages of four or eight machines. "This not only opens the door to profits, but the chance to be first-to-market with a first-of-a-kind technology," says Yates.

In addition to labor savings and a clean, quick delivery of quality frozen yogurt, the Froyo Robot delivers a "food theater" experience with its interactive platforms, customer interface and process of delivery, attracting shoppers of all ages by assembling customized frozen yogurt creations in full view of the consumer and with intricate precision.

According to Yates, customers in some of the early-adopting locations have lined up just to experience the process, and people walking by the units are literally stopped in their tracks by its engaging operation. "It gives the destination or host location the ability to increase square foot profits, create the 'fourth wall' environment for a captive audience and helps increase foot traffic and brand buzz," Yates adds. "Ultimately, that means additional profits per square foot, destination awareness and the ability for any location to increase their offerings and value to customers," point out Yates.

A Commitment to Success and Growth

Momentum continues to grow since the launch of the units last spring. As of late fall 2016, Generation NEXT has built a network of over 90 exclusive newly appointed locations across the country, a number that continues to expand-monthly. In addition, the company is implementing a national marketing and advertising campaign to support its network and bolster brand awareness and loyalty.

As the Reis & Irvy's concept expands, the team at GenerationNEXT remains dedicated to providing a model that promotes the highest level of opportunity and success for its brand ambassadors. The company offers a variety of resources, tools and standards, spanning location procurement, comprehensive training, operations and

logistical support and national marketing and branding support.

NEXT Steps

As Generation NEXT builds the Reis & Irvy's brand concept, it recently announced the addition of a third brand concept for 2017: 19 Degrees Premium Frozen Yogurt. "It's a natural step in next iteration of one of America's favorite desserts. We think it will open new doors to large retail, big box and corporate partnerships," reports Yates.

For more information on Reis & Irvy's Froyo Robot or 19 Degrees Premium Frozen Yogurt, visit www.reisandirvys.com.



About Generation NEXT

Started in 2010 as Fresh Healthy Vending, Inc., Generation NEXT created a non-traditional approach to offering fresh healthy options within vending machines across the United States and abroad. Challenging the sugar-laden machines that blanketed the market, the new concept provided consumers choices that included natural, organic and tasty snacks such as raw granolas, mixed fruits, sports drinks, juices, protein shakes and bars. The company grew the first concept to over 3,000 machines across the country. From that success, Generation NEXT Franchise Brands was founded and became recognized as an innovator and leader in the development of new franchise vending concepts, including the Reis & Irvy's Froyo Robot.



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receive offers. Online and mobile coupons have the highest penetration at 18 percent of global respondents.

To Jetta, numbers like that justify waiting for the digital market to mature before making a large investment. Jetta calls the hype over digital “a bubble economy” driven by a small slice of the population who are early adopters and by aggressive marketers. “There are economic incentives for retailers who want to push these things. The discount is 100 percent subsidized by the manufacturer,” he says.

The digital share of Mondelez International’s total marketing budget grew to 43 percent in

2015 from 30 percent in 2011, said Mindy Rickert, customer director for shopper marketing, value and convenience at Mondelez. Rickert considers digital more efficient than traditional marketing tactics while acknowledging it doesn’t hit the entire market.

Large CPG companies’ growing use of digital is tempting other brands and retailers to jump on the bandwagon. “The predicament is you believe there’s some big demand and you’re losing shoppers [if you’re missing out]. But there’s no evidence,” Jetta says. The rationale for holding off becomes even more strategic when you consider digital lends itself to comparison shopping and could encourage more price-sensitive consumers.

SEEKING REWARDS

When consumers engage with brands using their smartphones, most want savings or rewards, says Danielle Brown, vice president of marketing at Points, a research firm. In a survey of consumers who use smartphones and were familiar with mobile wallets, 94 percent said they would use a mobile wallet more frequently if it came with rewards, and 71 percent said they redeem coupons on their smartphones. But it also has to be easy to use.

“Mobile wallets and the whole payment process need to make it an easier solution than cash or debit or credit,” Brown says. “Until they start offering consumers what they want, that adoption rate is going to be low.”

Coupons and promotional campaigns also were the

most effective type of mobile creative for driving sales on a dollar-per-thousand basis, compared with equity branding, interactive, usage, or other approaches, according to a May 2016 study from 4INFO/Catalina/Nielsen Catalina Solutions.

Without mobile apps or send-to-card offers, digital coupons haven’t performed well. In the past, consumers often were challenged to get back to the coupon when they were checking out, says Chuck Moxley, chief marketing officer at 4INFO.

Mobile apps, mobile wallets and offers tied to loyalty cards have brought improvement, while more sophisticated data analytics means marketers can connect offline transaction data to a mobile impression for more precise measurement. “What we’ve been able to do is tie a mobile device to a physical street address,” Moxley says, then use household internet usage and purchase data for more precise targeting. “I’m still shocked at how many people still don’t know you can actually tie offline transaction data to a mobile impression,” he says.

GAME THEORY IN ACTION

The more marketers know about consumers, the more relevant their offers can be. “It’s the whole game theory. It’s a fair exchange. People are willing to give you information or download your app or interact with you if they feel they are getting value for that exchange,” says Cheryl Black, CEO of YOU Technology, a San Francisco-based digital coupon technology provider owned by Kroger. “CPGs are interested in getting that direct connection.”

The next big thing in digital couponing is “variable value” coupons, according to Black.

“So it’s the same offer but the value that gets delivered is dependent on what someone needs to make the purchase,” she says.

It’s likely to increase redemption, which is about 5.8 percent for all digital coupons, compared with 0.4 percent for mass market free-standing-insert coupons, according to YOU Technology’s data. However, digital coupons comprise just 1 percent of the roughly 381 billion coupons distributed annually, while print-at-home coupons add another 10 percent, and FSIs still dominate at 89 percent of the market.

YOU Technology’s data indicates basket size increases among digital coupon users and can boost overall spending, but not revenue per item. “It’s a slightly lower per-product spend, but I think it’s because



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—DANIELLE BROWN, *Points*

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—**CHERYL BLACK**, *YOU Technology*



they’re using coupons,” Black says.

Her research shows men are more likely to use digital coupons than paper because the tech gadget image of presenting their smartphones at checkout instead of rifling through a paper coupon wallet is much more attractive to them.

INITIAL USE

Encouraging shoppers to use digital has been half the battle. During a Big Brand Bash event held last February, ShopRite achieved a 260 percent increase in digital coupon use in the event’s two-week duration compared with the previous June, Donna Zambo, director of eCommerce at Wakefern Food Corp., said at the Path to Purchase Expo.

However, achieving that growth rate required an integrated approach with usage of print marketing and in-store signage. “Importantly, we featured events across four pages of our print circular,” Zambo says. “I would say we were aggressive and unapologetic on the number of touchpoints.”

More than half of the redeemers were millennials and Gen X shoppers, Zambo says. The larger your millennial business is, the more a grocery retailer can justify investing in digital coupons, mobile apps, and other consumer-facing digital technology. Because millennials are the future family shopper, experts will tell you, you’re wise to meet them where they spend much of their time now—on their smartphones.

Whether consumers who shop online with their phones today are likely to end up a friend or foe to grocery retailers in the years to come remains to be seen. Millennials can be fickle, and they’re increasingly likely to order a meal

from GrubHub or DoorDash, a meal kit from Blue Apron or a large grocery order from Amazon. Given that most grocery retailers have major investments in the store experience, the potential exists to overshoot on the digital front.

For example, click-and-collect might lure shoppers to a physical location, but as Larry Levin, executive vice president of consumer and shopper marketing and thought leadership at IRI, said at the Path to Purchase Expo, “what I wonder is how many people actually pick up their bags and walk the store, versus how many people pick up their bags and walk *out* of the store.”

Grocers are still testing the online waters, but digital contrarian Jetta doubts the bullish forecasts some marketers are making.

“You win a case for being online if there’s overwhelming evidence you are missing out,” Jetta says. “That’s not clear, so it is counterproductive for retailers to be moving resources to these e-commerce activities.” **RL**

THREE RULES FOR NAVIGATING THE DIGITAL FUTURE

Digital has already changed shopper behavior in dramatic ways. As brands and retailers develop and execute longer-term strategies, three foundational principles are influencing the digital roadmap:

Invest in your brand: Digital makes it easier for consumers to comparison shop, but brand equity can boost loyalty. Wakefern has moved away from national coupons to banner-specific digital offers over the past six years, says Donna Zambo, director of e-commerce at Wakefern Food Corp., which owns ShopRite, Price Rite, the Fresh Grocer and Dearborn Markets.

Consider the numbers: Grocery remains largely a mass-market business, so consider the cost of a million one-on-one marketing conversations compared with a well-executed mass campaign. “P&G came out and said

they’re no longer doing targeted Facebook advertising, because they don’t want to limit themselves to a certain segment of the population, because they need scale,” said Larry Levin of IRI, speaking at the Path to Purchase Expo. “I would argue that’s one way to look at it, but again you can personalize your messaging.”

Know your target: Millennials want digital information, but many other segments don’t use it regularly. Aiming a digital campaign at a target that doesn’t use mobile can backfire, particularly if shoppers feel it’s an intrusion. Target, which offers a proprietary mobile app, also is maintaining its mass reach while catering to consumers who like the convenience of digital by allowing them to deliver a print coupon from a free standing insert to their smartphone by texting a code word, such as Drink, to TARGET (827438).