Innovation in Brand Promotion: Reacting to the Economic Crisis with Digital Channels and Customer Insight

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Abstract Despite increases in promotional pressure by manufacturers and retailers to counter the effects of the economic crisis, promotional effectiveness is decreasing. Brands are reacting by experimenting with innovation in promotion, enabled by new digital channels, customer insight derived from individual customer information and new intermediaries. We respond to a call for research on promotion innovation (Grewal et al., 2011) by analyzing the post crisis promotional scenario. We see it shaped by the convergence of three industries: loyalty, payments and apps. Players and solutions from these three areas are merging to make a blend of loyalty and price promotion available for brands to deliver over digital channels and in targeted ways. We discuss managerial implications and new research opportunities.

Keywords Economic crisis • Brand promotion • Promotional strategies • Digital channels • Customer insight

1 Introduction

To face the economic downturn, consumers have reduced their spending on national brands and on groceries altogether. Despite increases in promotional spending by manufacturers and retailers, promotional effectiveness is decreasing. Reduction of promotional spending is not possible for most players, as it would make them vulnerable to competition; but, many are experimenting with innovation in promotion, thanks to new digital channels, and customer insight gained from individual customer information and new intermediaries. We respond to a call for research on promotion innovation (Grewal et al., 2011) and to a managerial need by

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analyzing the post crisis promotional scenario. We see it shaped by the convergence of three industries—loyalty, payments and apps—driven by digital technology. Players and solutions from these three areas are merging to make a blend of loyalty and price promotion available for brands to deliver over digital channels and in targeted ways. We discuss managerial implications and new research opportunities.

2 Consequences of the Economic Crisis for Consumer Preferences

During the economic crisis, consumers have modified their shopping habits to face cost of living increases. 67 % of Europeans have modified their spending and large European economies such as Italy (86 %), Spain (82 %), GB (69 %) and France (68 %) show an even more dramatic change (Nielsen, 2013).

In the US and UK, where the economic crisis struck earlier than Eurozone countries, recovery is under way. But according to the American Pantry Study (Deloitte, 2013) 94 % of consumers will remain cautious and frugal, keeping their spending levels constant in spite of the improved economic outlook. The majority say they have learned how to be more resourceful and buy smarter. 77 % of Britons watch their expenses more carefully than prior to the crisis, have reduced the number of essential brands and have increased substitution with private labels (Aimia, 2013). Buyers of private labels do not feel that they are making a sacrifice, as these are considered to be perfectly satisfactory. Overall, less than 30 % of Britons and Americans plan to switch back to national labels.

In times of economic downturn, consumers typically reduce their grocery bill by: buying more private label products, shifting some spending to discount stores and buying on promotion. Over the past 2 years, however, shoppers have resorted to more drastic measures: reducing volumes and giving up certain purchases altogether are the two main saving strategies. 54 % of consumers have cut unnecessary purchases and 30 % are simply buying less (Nielsen Trade MIS, 2012). As a consequence, in late 2012 the growth of grocery products sales volume was negative for the first time in decades, and the slump persisted through 2013 (Nielsen Shopper Trends 2013).

These trends conflict with the steady growth of promotional pressure (defined as % incidence of sales on promotion on total grocery sales) over the past decade. In Italy, the figure rose from 20 % in 2004 to 26 % in 2011 (Nielsen in Lugli, 2012). Manufacturers and retailers are reacting to the sales drop by pushing promotional investment. The weekly/monthly flyer is the most important promotional communication medium in many countries in terms of marketing expenditure (Centonze, 2012). In 2000 it accounted for 40 % of the average retail marketing budget in Italy, and now accounts for 50 %, while in France it has reached 60 % and in the US 65 %. Twelve billion circulars were printed and distributed in Italy in 2011, and a similar amount in France and in Spain, for an investment of one billion EUR in each country (Gázquez-Abad & Martínez-López, 2013). Frequency has increased: the average hypermarket produced 32 issues a year in 2005 against 49 in 2012.

Higher promotional investment however did not stop the slump in same-store sales, which registered −0.68 % in 2009, −0.72 % in 2010 and −0.9 % in 2011. The net worth drop in shopping basket value is shown by an index that was 100 in 2001 and 89.7 in 2011 (Nielsen in Lugli, 2012).

The vicious promotional circle of increasing investment and decreasing effectiveness is leading manufacturers and retailers to take action.

Our paper contributes to the debate on brand strategies in times of crisis by suggesting that solutions can be found in refining the approach to promotions by using information on customer base gathered through loyalty cards and new digital channels. We argue that the opportunities for retailers and manufacturers given by loyalty marketing and digital channels are still underexploited. The use of these opportunities, which can be facilitated by emerging players acting as promotional intermediaries, will impact brand success and channel relationships. Our analysis of best practices and a case study is intended as a stimulus in the direction of promotional innovation for management and to pursue new research opportunities for the academic community.

3 Methodology

Extensive desk research reviewed academic literature as well as marketing, sales and management journals in English, Italian, French and Spanish. A focus on digital strategies was developed by collecting primary data regarding 67 retail groups across 15 countries. The sample was drawn from the Deloitte Global Powers of Retailing 2012 listing to include major international retailers and was supplemented by national data sourced from Mintel (2012) and Planet Retail (2012). Secondary data on sample companies' promotional activities with a specific focus on flyers were collected from print and online sources, including retailer websites. Use of flyers, online version availability and features, flyer customisation options and more were recorded and analysed, as discussed in Sect. 4.2.

A second focus was on loyalty marketing activities: the loyalty practices of manufacturers and retailers from 2009 to today were analysed using industry information sources Colloquy and Loyalty Magazine and access to the databases of the Observatory on Loyalty Cards at the University of Parma, which monitors loyalty programs in 30 countries.

Last, but not least, a case study was developed on Doveconviene (a novel type of electronic intermediary that works as online flyer aggregator) thanks to a series of four interviews with the company CEO, documents provided by the company and secondary sources.

4 Promotional Innovation

Today, consumers are offered saving opportunities across several channels by a host of old and new players. Brand coupons for example are available from coupon websites, mobile location-based coupon services, group deals sites and group deal aggregators. At the same time, brands compete for customer loyalty by offering loyalty schemes and clubs, loyalty apps, subscription bases schemes, and branded currency wallets. The once separate domains of "price" and "loyalty" promotion (Fig. 1) are merging into hybrid strategies that make use of "the best of both worlds" to attract shoppers and make them stay. A case in point is that of virtual wallets such as Google Wallet where coupons, loyalty points, customer data and methods of payment coexist. The drivers of the new blurred promotional landscape are digital innovations in the areas of loyalty and payments, as discussed below.

4.1 Loyalty and Payments

The economic crisis has accelerated the 15-year shift of marketing attention towards customer retention, rather than acquisition (Ziliani, 2008).

Marketers are launching cards and clubs: today the average American family belongs to 22 loyalty programs and between 90 % and 70 % of consumers shop regularly with a loyalty card in most countries. Wallets are crowded everywhere, with 4 grocery cards regularly used in the UK, 3.4 in the US, 2.5 in Italy and 2 in India (Colloquy and Observatory on Loyalty Cards).

The increased price sensitivity of consumers in recession also means that the card is carried and shown at every possible occasion. In the US 39 % of consumers use a card regularly for grocery purchases, up from 28 % in 2010 (Deloitte, 2013), and 58 % use one on every single shopping trip, a 14 % point increase in 2 years. The figure is 64 % in the UK (Aimia, 2013). In Italy 90 % of families uses a card for grocery purchases (Nielsen, 2013). More intense use of the card allows for better tracking of behavior and thorough data collection at the individual level. This creates a basis for targeted promotional activities.

The search for customer loyalty is a common element to many marketing activities that we encountered in our analysis. Major national brands in the US and Europe have introduced subscription based services, brand loyalty promotions and programs, mobile loyalty and payment wallets also known as "branded currency". It is worth describing them briefly.

Subscription based e-commerce for physical goods. Subscriptions are lock-in loyalty activities where customers pay in advance for a repeated service over time. Subscription-based e-commerce gives companies regular income, a greater ability to upsell, and deeper relationships with customers, which also can create more customer loyalty. Customers benefit from typically lower costs and more efficient purchases. Today both retailers and non-perishable goods manufacturers promote

Loyalty	Price
Loyalty cards	Digital flyers
Brand loyalty program	Digital coupons
Coalition loyalty programs	Discounts for LP members
B2B loyalty programs	Promotional e-newsletter/e-mail
Loyalty apps	Retail web specials
E-gift platforms	Coupon websites
Digital rewards platforms	Mobile coupon services
Mobile payment wallets/branded currency	Flyer intermediaries
Subscription based services	Group deals websites
Loyalty wallets	Flash sales websites
	Deal aggregators

Fig. 1 The new promotional landscape

these services through their online presence. Target's Target Subscriptions service competes with Amazon's Subscribe and Save for baby products (Forbes, 2014). Minor brands such as Dollar Shave Club have launched nationwide following a subscription "club" business model that challenges established FMCG brands. Leading manufacturers such as Procter & Gamble and e-commerce pure players are cooperating to capture a share of the online market for non-perishable consumer goods. Amazon has invested in shipment corners inside P&G distribution centers in seven countries in order to speed up customer delivery, at the same time saving P&G delivery costs to Amazon's own centers.

Branded Currency. E-commerce has spurred the development of online payment methods: today 230 alternative online payment methods exist (Paypal being the best known case) and account for 10 % of total e-commerce payments worldwide (Worldpay). Brands are looking at the retention potential of new means of payments such as virtual wallets where money can be stored for later use on brand purchases. Starbucks loyalty program members and customers who have downloaded Starbucks' app make 5 million payments a week in the chain's stores accounting for 10 % of total turnover. Subway and Dunkin' Donuts have launched similar schemes.

Brand loyalty promotions. Consumer goods marketers who want to increase engagement with consumers are improving their direct-to-consumer initiatives (EIU 2012). During the crisis, such activities took center stage in brand communication strategies. P&G pioneered an approach to building customer loyalty by tying promotional benefits to repeat purchase of major brands in the portfolio. The "Your values" campaign rewarded shoppers who bought 30 EUR of P&G products with a 30 EUR voucher. This successful campaign was followed by the "Tangible help" individual brand campaigns based on communicating tangible cost saving advantages of P&G brands, and inviting consumers to connect with the brand online to obtain coupons, receive offers and subscribe to brand magazines (Promotion 2013).

The number of customers in the P&G database in Italy doubled following the TV launch of the loyalty promotion in 2013.

Digital reward platforms. These are online platforms that reward consumers for specific behaviors such as purchase of certain brands or visiting stores. Once the online version of a points-based repeat-purchase promotion, these platforms used to require consumers to enter product codes and were accessed by PC. Coke Rewards and Kellogg's Family Rewards count millions of customer records in their databases. Today, mobile devices have made digital reward programs much more convenient. The Ibotta app in the US and T-frutta in Italy for example allow consumers to take a picture of the till receipt showing the product on promotion: the amount saved by the brand-buying shopper is automatically credited to her account for later use or conversion into coupons. Apps are also bringing more convenience to the old promotional tools of gift cards, vouchers and coupons. Start-ups in this area abound and compete for consumer engagement and brand investment.

4.2 New Price Promotion Opportunities for Brands

At the same time as it is driving the loyalty transformation of the promotional landscape, digital is a powerful source of innovation in price promotion too. On one hand, digital is the enabler of new promotion types such as group deals and flash sales (Fig. 1) and on the other it is transforming traditional tools, such as coupons and flyers, by shifting them online and allowing for customization. Because they are an important component of brand marketing budgets we investigated how flyers are evolving in the new scenario.

Our analysis showed that online flyers are increasingly available to customers. Some digital flyers are simply html or pdf versions of the print format. Others, however, are "augmented" by digital features such as:

- search engine internal to flyer, to enable search by brand, category, and also percentage off product price
- product details with a click: nutritional values, traceability, ratings by other shoppers that can be shared via social plug-ins
- coupons associated with each product: these are printable or "save to loyalty"[1]
- save item to shopping list, for printing, sharing, e-mailing, saving on smartphone
- recipes in the form of videos, QR codes, links
- share flyer or single offer via text message or social plug-ins
- flyer apps for smartphone
- "shop through flyer", by connecting to e-commerce functionalities.

[1] Selecting the coupon online triggers a product flag in the database for automatic discount at till when customers present their loyalty cards.

Enhanced online flyers offer big advantages to manufacturers. Clicking on product images on the flyer, consumers receive product descriptions, recipes, shopper ratings, and click-through to brand websites. These opportunities can be exploited to increase impressions of the brand and to stimulate cross-selling into the brand portfolio. Online flyers also allow viewers the opportunity to write reviews of the products or provide feedback on promotion availability. Brands can thus monitor consumer preferences and out of stock situations complaints. As increasing numbers of people access flyers online, these will be enhanced with the digital features described above, that can modify the place flyers have occupied so far in the shopping process.

Shoppers increasingly take advantage of “flyer services”, to access retail flyers. These electronic intermediaries (Bakos, 1997), group online flyers by retail sector and allow customers to compare price and offers across flyers in real time. A flyer service website, MyWebGrocer, reported a 230 % increase of page views in 2012 over the previous year. KaufDA, the leading flyer intermediary in Europe, is installed on 20 % of tablets and smartphones in Germany. In Italy Doveconviene relies on a certified monthly web audience of 2 million users to attract retail and brand investment.

These services support retailer and manufacturer promotional efforts in many ways. Depending on the level of retail investment, more visibility, delivery of previews, reminders of flyer and other communications can be pushed to the customer segments of choice.

It has been demonstrated (Nielsen, 2011) that aggregators give retailers access to non-loyal customers, a different audience from the retailer’s own digital assets visitors. The flyer intermediary thus closes an insight gap, in that it traces behaviours of customers who are not in the loyalty card database.

By asking subscribers for additional personal information the aggregator gains valuable insight for targeting, such as demographics and shopping behaviour. Doveconviene for example discovered that users of digital flyers live in smaller towns where print circulars are less intensely distributed due to higher costs, and where distance to store is higher, making it worthwhile to choose the destination store based on information of available offers.

Last, but not least, aggregators produce metrics on flyer performance that were not available before such as: bounce back rate (% of customers leaving the flyer after seeing the first page); time spent with flyer; time spent in zoom mode; average number of page views; views by device; average times spent per page; number of page views per page; % of viewers who zoomed per page and *heatmaps* of zooms per page.

Retailers can use these metrics to counteract the decreasing effectiveness of flyers: choice of brands, categories, price rebate levels, visual elements can all be easily tested and adjusted online.

The metrics can also make the negotiation of feature advertising contributions with brand manufacturers more efficient. Brand presence in the flyer can be priced according to “quality” of flyer space, number of views (“reach” of the flyer), number of zooms (“interest in the product”) etc..

Aggregators work for manufacturers as well, by providing a new opportunity for direct contact with consumers. Major brands have been quick to show their interest in flyer services: the “alert subscribers” database can be leveraged to channel communication on specific brands only to customers who have shown interest and who usually purchase in stores where the product is actually carried.

5 Implications for Management and Research

Innovation in promotion is a strategy to sustain sales in the post crisis economy. Brands can seize new opportunities offered by online channels, where loyalty marketing and price promotion merge. Specialists in the area of loyalty program management, payment platforms, apps and aggregator services are available for FMCG and retail companies willing to develop innovative activities.

We believe that just as loyalty program aggregators and specialists have helped to popularise the value of loyalty management in recent years (Ziliani, 2008), flyer aggregators will attract retailers and brands to a much needed change in flyer based promotion.

Four key areas for future research on the impact of promotion innovation emerge: promotion impact, marketing organisation, electronic intermediaries and competition.

Research on the effects of innovative brand promotions is needed. The impact of innovative promotions in terms of retention vs. acquisition, short-term vs. long-term profits, brand awareness, brand and store loyalty should be explored. When delivered through online channels, what are the effects of monetary and nonmonetary sales promotions? What the consequences when traditional and innovative promotions are integrated in the marketing plan?

Redistribution of marketing functions along the value chain, between manufacturers, retailers, promotional intermediaries and consumers is an area of research, linked to the changing face of the marketing organization.

Coupon portals, virtual wallets, digital loyalty programs platforms and other emerging promotional intermediaries alongside flyer aggregators should be explored. Their functions and business models are of interest, as well as their impact on brands from the perspective of shoppers, manufacturers and retailers.

Questions for future research in the area of competition include the following: What is the relationship between horizontal and vertical competition and the adoption of promotional innovation? How long will it take retailers and brand manufacturers before they fully exploit the new consumer insight gained from innovative promotional practices? What will the organizational drivers and obstacles be?

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