



Internet
Advertising
Bureau
UK

Online to Offline Green Paper



Table of Contents

Introduction	3
Situation analysis	5
Opportunities and challenges	8
Consumer first	13
Technologies and techniques	15
Legal and regulatory	18
Takeaway	19
Case studies	20
Survey results	22
Credits and thanks	23

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October, 2015

Introduction

At 39% of total UK adspend (IAB/ PwC Adspend, FY2014¹) digital advertising is evolving into the most exciting advertising platform since TV began captivating its audiences with mini-dramas worthy of Oscar status, thus transforming how brand advertising worked.

The parallel development of performance marketing through affiliate marketing and lead generation models (£1.1bn spend, 2014: IAB / PwC Value of UK Online Performance Marketing Report²) is similarly maturing.

This combined digital spend is virtually half a marketer's budget. That online purchasing influence (and e-commerce) is on the increase is very apparent to retailers and brands. So is the fact that people still enjoy physical shopping: 87% of retail transactions are made in store³.

Making sense of this and responding with strategies that optimise marketing investment and the customer experience across any of the channels people choose to use is a critical business challenge right now. Maybe this is because technologies and new digital marketing channels are entering a more developed era where it is possible to better connect people across all channels and devices.

This Green Paper, produced by The IAB's (Internet Advertising Bureau) Performance Marketing Council, Autumn 2015, considers the current market landscape from the perspective of the digital advertising and marketing industry, the source of many of the technologies which are fuelling rapid changes in consumer behaviours.

Is the industry doing enough to change, influence and adapt to consumer behaviour? That question, and others pertinent to this industry, are explored here in some detail.

Targeted media

Unlike most other forms of media, digital advertising has the ability to directly target and then connect its audiences with brands and retailers. The possibilities to establish the ad or the marketing premise as an integral part of the purchasing experience are exciting and challenging in equal measure, and full of opportunity for the digital advertising industry, retailers, brands and publishers.

Performance marketing techniques and technologies, which have matured considerably during the last couple of decades, have a business model based on the concept that publishers are rewarded on the value of actual sales. Virtually every retailer in the UK has an active performance programme.

Retailers and brands have become increasingly expert at optimising affiliate efficiency within their performance programme, with performance sales growth outstripping spend increase in 2014 (15% increase in value of sales vs 8% growth in spend). This is very much a good news story, but in many ways it misses a bigger point.

The ability to research virtually any product or service before buying has completely transformed consumer behaviours. Many factors determine whether people buy on or offline: physical inspection, inventory availability, convenience, time, location, deal (varied on and offline pricing) and so on. Basically, people increasingly care little whether they buy on or offline. What they care about is being able to make the purchase on their terms.

The many websites and apps they use to refine their final purchases play critical roles along the customer journey. This has turned marketing into an increasingly complex series of activities that need to be connected in order to produce accurate results and measures, and of course ensure attribution models that appropriately reward across that customer journey.

¹ IAB / PwC UK Digital Adspend Study, Full Year 2014

² IAB / PwC, The Value of UK Online Performance Marketing 2014

³ Office for National Statistics, August 2015

Harmonising advantages

Today, online and offline often work separately, albeit within the same organisations. The challenges to harmonise the advantages of both are considerable but essential to overcome. We believe retailers and brands need to move beyond a 'nice-to-have' strategy with their online to offline ('O2O') ambitions. The performance industry is at the heart of this shift and has a big role to play in supporting the inevitable changes that retailers especially will be making in the short and mid-term to reap much longer term rewards.

As an industry we need to think collectively far more and take ownership of this new opportunity. It starts with the questions: how do we grow e-commerce and help understand single customer journeys, and how do we help advertisers understand attribution? This Green Paper has been designed to set up positive, fruitful and collaborative conversations across the O2O landscape – to help produce consistent, applicable answers.

**Simon Bird, MD, Savoo.co.uk & Chair, Online to Offline Working Group, IAB Performance Marketing Council
October 2015**

Situation analysis

'It is the convergence of the physical and digital experience that is just getting going, so that the consumer gets the wonderful physical and digital experience that is comparative to no other form of retail experience.'

Steven Lowy, founder, Westfield, May 2015

The development of digital advertising, e-commerce and data management as mainstream operations have, by and large, taken separate paths during the 20 years or so that the internet has provided brands and retailers with new channels for marketing, transactions, and even product and service delivery.

Often driven by entirely separate organisational divisions and teams – and rafts of supplier companies – business reliance on these new channels has grown steadily. What may have seemed science fiction even 10 years ago ('one day we'll be able to recognize a customer when they walk in-store and send a personalised promotion') is technically possible today, but not necessarily easy to realise across the organisation. In fact some of what's technically possible today, wasn't even on the imagination radar way back when.

At the same time, consumer behaviours are constantly evolving. Today we are connected, time-poor and ever ready to utilise the latest advances in our hunt for the best deal. More than ever the race is on to plug the demand for a seamless omni-channel experience.

A few things seem to be happening:

Organisations

- Estimated value of UK online retail sales in 2015 is £116bn¹, 12.6% of all retail sales (Office for National Statistics, August 2015). High street retailers are realising some of their most effective competitors are their own e-commerce teams
- Separate business objectives, technology deployments and marketing campaigns are beginning to collide internally, creating intolerable corporate inefficiencies
- It's never been easier to collect marketing and shopping data (we're awash with it) and never harder to use it (lack of appropriate skills, analysis models, budgets, departmental blindness, missing APIs, lack of leadership). Brands, media owners and adtech suppliers are all seeking to understand their sphere of influence

Shopping Behaviours

- While online retail growth rates begin to mature (14% in 2014), the percentage of sales made via mobile devices (smartphones and tablets) rose dramatically to reach 37% in 2014. (IMRG, 2015)
- As of May 2015, in 10 separate countries more than half of all Google searches were made on mobile devices²
- Customers, frustrated by their favourite retailer not being able to deliver a good experience cross channel and device, have never found it easier to switch their allegiance to one that can (or at least promises to)
- People have discovered that digital is a great way to get rewarded for their loyalty and find deals, and so are actively finding ways to get, for instance, cashback on their purchases, free delivery, personalised offers, vouchers or flash offers

¹ IMRG Capgemini e-Retail Sales Index, 2015

² <http://searchengineland.com/its-official-google-says-more-searches-now-on-mobile-than-on-desktop-220369>

- In the UK people simply love to shop online, more than in any other nation on the planet. The average online shopper spent £1,174 in 2014 (RetailMeNot, Inc. (VoucherCodes.co.uk) / Centre for Retail Research, 2015), £50 more than their US equivalent¹
- But Brits still love physical shopping. It is still one of the most popular leisure activities for British adults, and by 2017, still 84% of UK retail activity is forecast to take place within bricks and mortar (emarketer, 2014). Our contributors found that this was especially the case for more complex or luxury purchases, where offline sales conversions significantly outperform the online arena
- EE say half of British consumers regularly practise 'showrooming', using mobile devices to check for the best prices in store (April, 2015)
- Research shows that more than 40% of shoppers walking out of stores have done some form of 'pre-shopping' (emarketer, 2014)
- People want to be instantly recognisable. In this Uber age, people, especially the under-40s, are growing used to demanding equal experiences with brands in both the digital and physical worlds
- Rich affiliate data accurately measures on and offline sales
- Programmatic advertising (45% of digital display in 2014²) is growing, and the data models for this are sourced from multiple sources, including offline sales
- The value of paid search in 2014 was £3.8 bn (IAB / PwC Adspend Report, FY2014), arguably providing brands with the most accurate intention data that's ever been available
- Lack of digital advertising and affiliate attribution models is currently challenging the advertising and retail industries in their efforts to understand and optimise spend

Data touchpoints

The business imperative to connect people's online and offline activities is clear. The customer journey is very likely to begin online and may convert and complete online or offline, often via multiple stages in-between. The constant is data availability at all touchpoints. The scenarios are many:

- Research online, purchase offline (ROPO)
- Online incentive (voucher, cashback, rewards) and reward collection, offline purchase
- Incentive driven purchase online, collection offline ('Click and Collect')
- Offline driven, online purchase
- Online built customer profiles, identified offline via mobile device
- 3rd-party reward schemes drive and collate purchase data (e.g. Avios, Nectar)
- Payment identifies customer

Technology

- Technology development is uneven – and so is its take-up by critical services (banks for instance, EPOS systems)
- New payment technologies are key for data collection and analysis: Cashback, PayPal mobile transaction, Apple Pay, reward wallets (e.g. Yoyo), card-linking (e.g. Birdback)

Advertising

- The Mature UK Online Performance Marketing Industry (affiliate / online lead generation) drove 10% UK e-commerce in 2014, worth £16.5 bn (IAB/ PwC, The Value of UK Online Performance Marketing 2014) But what was its contribution to in-store sales?

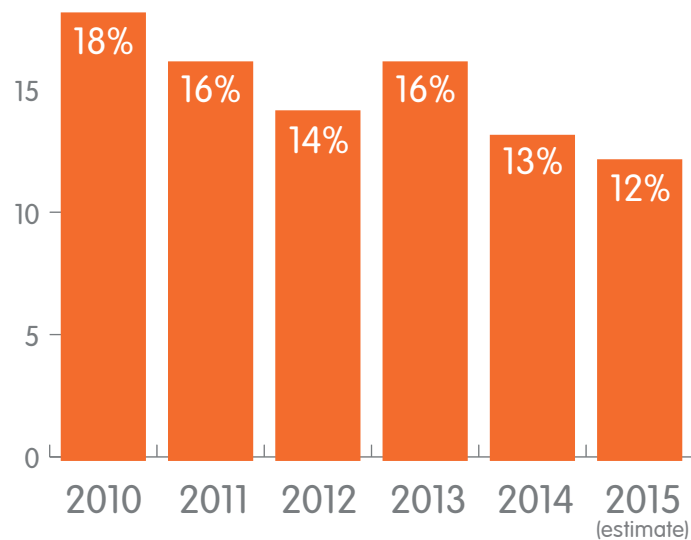
¹ RetailMeNot, Inc. (VoucherCodes.co.uk) / Centre for Retail Research, 2015

² Media Owner Sales Techniques, IAB UK, June 2015

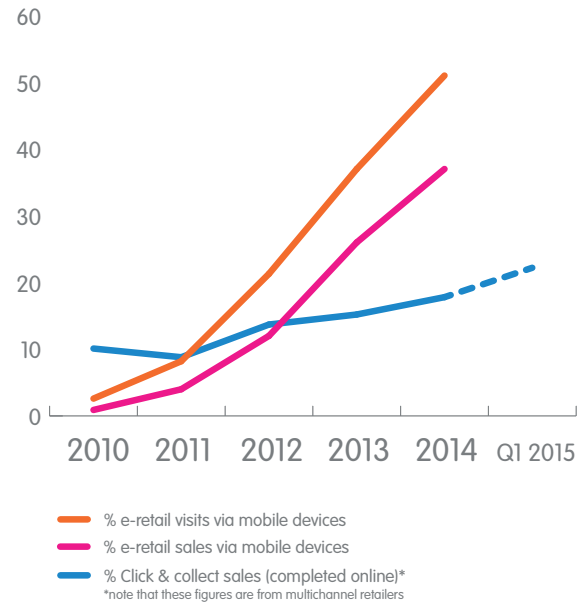
Some useful facts and figures to bear in mind:

Maturing UK e-commerce growth curve¹

Overall growth in the e-retail market



Role of mobile devices in e-commerce sales (visits)²



Emergence of affiliate channel as mainstream revenue earner for retail brands³



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UK Online Performance Marketing Study Full Year 2014

4,000
advertisers spending
£1.1 billion
across **12,000** publishers

Generating 4 billion clicks a year • 120 clicks a second

125 million
Affiliate
Transactions

30
million leads

£16.5 billion sales

c.1% of UK GDP

¹ IMRG

² IMRG

³ IAB / PwC Online Performance Marketing Study (www.iabuk.net/OPM)

Opportunities and challenges

Across the e-marketing and e-commerce eco-system the opportunities to optimise efficiencies, target revenue growth and improve customer experiences through integrating on and offline marketing operations are just emerging.

Equally so are the challenges involved in establishing a single customer journey strategy. These include organisational restructuring, business model re-designs, technology adoption, migration and retirement, and attribution models.

Search key data

Put simply, all customer-facing organisations and their suppliers should consider 'change management' as situation normal.

For the ad tech industry, it's much the same – there are many uncharted opportunities and revenue streams, including new partnerships, clients, and product and service offers. However, this is emergent space and many of the challenges faced by retailers will be slow or uneven to overcome as organisations align themselves around the same objectives. For the suppliers then, this is likely to mean expensive sales cycles with unclear ownership in the short term.

As part of this discussion paper's creation, the IAB canvassed some 25 retailers to help understand common themes facing the industry. What was in no doubt at all was that 100% of the retailers we asked stated that the ability to track online to offline was important to them. With that in mind, let's look at how the opportunities and challenges break down according to direct contributors.

Opportunities

The trade body and data publisher IMRG (Interactive Media in Retail Group) points out that there are two key opportunities for retailers when successful on-to-offline tracking is achieved:

- A single customer view, as purchase journeys commonly now span multiple channels – these channels can complement each other and help to provide a fully unified and consistent experience. As it stands, these journeys are often not understood – so clearly neither can the customer's requirements be.
- A single view of stock - retail supply chains are becoming increasingly global and complex (due to a wide range of fulfilment options such as lockers and 3rd-party drop-off shops) and return rates are very high in some sectors. Managing the flow of stock throughout the supply chain in an efficient way, with full end-to-end visibility, can ensure optimisation of product availability, and also prevent the risk of customers being presented with stock that isn't actually available.

The attractions of providing a true omni-channel experience for customers has to begin with a single customer view alongside a single stock view and the opportunities are clear to see. In its March 2015 *Omni-Channel Shoppers: An Emerging Retail Reality* report (March, 2015)¹, Google emphasises the extent of digital influence on the in-store shopper.

71% of shoppers who use smartphones for research in store say that this is now an important part of their retail experience. And according to an IDC 2015 study², customers who are able to shop through any channel have a 30% higher lifetime value than those who shop using only one channel.

Furthermore, using Google Store Visits – a metric in AdWords designed to measure the impact of search ads on in-store traffic – US retailer Petsmart worked out that 10-18% of all clicks on its search ads resulted in an in-store visit within 30 days.

¹ <https://www.thinkwithgoogle.com/articles/omni-channel-shoppers-an-emerging-retail-reality.html>

² IDC FutureScape: Worldwide Retail 2015 Predictions - It's All About Participation Now, November 2014

For Sears Hometown and Outlet Stores, every dollar invested in online advertising resulted in \$8 worth of in-store sales. In the UK, Carphone Warehouse were able to prove that search delivers three in-store transactions for every one online¹, and for EE, it was 2.6 sales online for every one in store².

Optimise worked with O2 Ireland (Now Three Mobile IE), enabling them to run an affinity scheme, where employees of Three Mobile corporate customers have access to discounted contracts. Potential customers register for the promotion online and in turn can purchase instantly, redeem in store or through the call centre by means of a unique code. Optimise provide the codes and expose a web-based redemption mechanism used by staff in store or at the call.

Optimise

These are not happenstance numbers. They're carefully collated through understanding customer behaviour and deploying online to offline tracking techniques at every stage of someone's purchase path. The ability to then act on such insights clearly provides further opportunity to improve a retailer's omni-channel offering, in turn further driving performance, and so the cycle should continue.

So what of the tracking techniques and the marketing to purchase opportunities that lie in successful analysis of the vast quantities of data that are now available to us?

Affiliate data

Affiliate marketing provides some of that essential connection. Major networks such as Affiliate Window and Tradedoubler are making considerable investments in understanding these connections and being able to deliver back to advertisers significant insight and convert this to campaign uplifts (see case studies p 14 and 21)

O2O can work with affiliate data in other ways too. According to CJ Affiliate, advertisers are beginning to recognise the affiliate channel as a source of significant data and information as a route to understanding and measuring total customer behaviours on or offline.

By combining an advertiser's own anonymised offline data with CJ Affiliate's parent company Conversant's unique customer profiles and historic affiliate purchase data, the network is offering Affiliate Customer Insights. This gives advertisers the opportunity to measure the value and loyalty of the affiliate customer whether buying on or offline, which, for example, can enable more accurate targeting of customers with specific offers through individual affiliate publishers in real time.

This single customer view approach cuts right through currently siloed marketing tasks, and equally addresses the retailer's merchandising considerations.

Vouchers or coupons still represent one of the most recognisable tracking routes, providing a point of sale transaction that can be accurately tracked to marketing spend.

Cashback is another approach – either via payment cards direct, card-linking or hybrid offers via cashback providers such as Quidco.

¹ <https://www.thinkwithgoogle.com/intl/en-gb/case-study/carphone-warehouse-prove-that-search-delivers-three-in-store-sales-for-every-one-online/>

² <https://www.thinkwithgoogle.com/intl/en-gb/case-study/ee-use-geo-testing-to-understand-how-online-ads-drive-in-store-sales/>

Real-time data

Eagle Eye, the SaaS technology company that validates and redeems promotions in real-time, sees the benefits of being able to learn from real-time data and how it can change the nature of campaign flows. Many suppliers such as VoucherCodes.co.uk, Savoo.co.uk and affiliate networks, as well as retailers direct, say it's no longer necessary to solely rely on programmatic data to review and then inform their ability to upscale or reduce incentives based on redemption. Instead a combination is the ideal.

What this means in terms of retailer opportunity is the ability to manage responsive business operations. For example, we know it will rain in winter, so ordering umbrellas is a great idea but what if it suddenly floods? In previous years retailers would need to wait for wellington boot sales data to return before programming a promotion for the next year around the same time. With real-time data, the moment the flood hits, it's possible to promote the sale of the wellies and even offer basket reduction for the inclusion of the umbrella. It's literally at the flick of a switch.

As well as reducing expensive overheads of physical voucher printing and distribution, digital loyalty programs can help to limit fraud, benefiting the brand. The Eagle Eye system uses single-use digital voucher codes which cease to exist the moment the voucher is redeemed.

Mobile and location

Of course the essence of online to offline tracking lies in being able to track consumers while on the move, thus via mobile devices. Combining these tracking technologies with mobile technologies, the opportunities then become vast, and all contributors to this Green Paper recognise this.

On this basis (and dependent on the level of data known and how it is collected and used), Nectar, one of the UK's largest loyalty card schemes for multiple retail partners, sees the key opportunities as resting around:

- The ability to create highly targeted and relevant offers regardless of whether customers are at home or on the high street
- The ability to offer personalised promos as customers near stores to increase in-store footfall and sales conversion

Vouchercloud agreed a 30% off food bill promotion available at key Café Rouge locations. The offer and restaurants were geo-located on the vouchercloud app ensuring that only relevant content was presented to people from participating restaurants (which were also able to control their own offer terms at individual restaurant level).

Eagle Eye, a 3rd-party tracking platform, provided a batch of unique codes, communicated to both vouchercloud and Café Rouge. Diners were driven into restaurants and prompted to download the offer at the point of paying for the bill. Upon redemption, the user would be required to login to vouchercloud in order to access the unique code. Eagle Eye would send the same unique code to both the vouchercloud platform and Café Rouge's payment system via an API.

Using this technology meant the campaign could be tracked in a closed-loop environment, giving Café Rouge access to real-time redemption data. Increasing the accuracy of reporting between both vouchercloud and Café rouge has enabled effective planning of future campaigns and decisions around appropriate commercials models.

Vouchercloud

Mobile is an extremely effective – and as yet under-utilised – tool for driving footfall into physical retail stores. A report VoucherCodes.co.uk (RetailMeNot) commissioned with the Centre for Retail Research showed that more than a third of British consumers (34%) would be more inclined to enter a physical retail store if a discount was sent directly to their mobile.

From Tesco's perspective, their interest lies in the opportunity of location-based searching and understanding the impact of this on store visits and sales. Niall Walsh, Director of Digital Marketing explains: 'Say a customer searches Google for garden

furniture nearby. If we show that customer a search ad with the stock available at the nearest store along with the address and distance to that store, what is the impact on in-store visits and sales? Ideally we want to measure this so we can build a marketing strategy to exploit any opportunity.'

Brand advertising

Another opportunity Tesco is targeting is around the impact of digital advertising on overall customer behaviour. Does digital advertising change opinion on brands? 'An example of this,' says Walsh, 'is where customers are exposed to digital brand advertising and we notice an increase in frequency of spend over a given time period. But how can we measure this in a consistent way? Being able to connect the ad exposure and actual purchase behaviours will create a seismic shift in the media landscape if there was empirical evidence to support the hypothesis.'

Similar processes are already being facilitated with the launch of Google's Local Inventory Search Ads (which take advantage of store-level product feeds to show local availability, as well as showing other relevant information) and AdWords Store Visits, mentioned above. Google has worked with research partners Ipsos, MediaCT and Sterling brands to explore how digital advertising doesn't just drive e-commerce, but how it gets people in store.

Clearly the principle business opportunity for retailers is to lift per-shopper revenues by ensuring multi-channel access, but this can only be a successful strategy if the retailer knows how to attract and connect with these highly desirable customers. This requires a deep knowledge of how these shoppers behave. Google has mapped out its three keys to connecting with omni-channel shopping:

- Measure behaviour
- Provide relevant and local information
- Create an organisational structure that supports omni-channel marketing

The opportunities are not just limited to retailers – one of the most exciting consequences in this emergent space for consumer FMCG brands is that for the first time, they can build reciprocal relationships with their customers both online and offline. A Coca-Cola Britain campaign illustrates the kind of thing that can be achieved:



At Eagle Eye we've been working with Greggs and One Stop to make use of our Eagle Eye AIR platform. Recently, Coca-Cola Britain wanted to run a campaign that would enable consumers to claim a free 500ml bottle of its Coca-Cola Zero. Utilising our network, Coca-Cola Britain was able to set up a campaign whereby it was able to choose the distribution mechanism for the offer (i.e. SMS or email) and the retailers where it could be redeemed, namely One Stop and Greggs.

One of the key objectives of the campaign was to assess the effectiveness of media distribution channels. Using Eagle Eye AIR, Coca-Cola Britain can track exactly which media channels generate the most voucher issuances, allowing them to better understand the media and target their offers more effectively, and increasing redemption.

Eagle Eye

Challenges

Customers are tech savvy and retailers are under pressure to achieve much greater synergy between online and offline shopping experiences. Part of the lag, says Optimise, is hindered by imperfect technology, and significant strides are still needed make the online to offline process perfectly seamless and scalable (see technology and techniques, p X)

However, by and large, this industry has a habit of developing the necessary technology and 'fixing the leak' whenever a need becomes apparent. What seems to be much more of an issue is how to implement these new technologies, often into legacy backend systems. Frequently responsibility for new technology implementation lies across multiple teams or departments.

Each one of the three Google keys to omni-channel success relies on significant restructuring, perhaps of the entire business operations eco-system. And as Google points out in its report, it's easier said than done.

In the IAB's UK retailer snapshot taken during July 2015, 64% of retailers cite technology implementation as their most important challenge. They also identified organisational structures (52%) and internal processes (52%) as significant challenges to overcome.

Management structures

Again, these are management and structural issues – reiterating that it's probably not the lack of technology that is aching the retailers' brains, but rather the means to implement that technology.

IMRG agrees. The challenge of removing data silos is key. Not only are most retailers managing legacy systems, but newer and innovative technologies are constantly evolving, so establishing future-proof solutions is a consistent challenge.

This means, for instance, removing current practice whereby e-commerce teams are only rewarded for online sales – where, in this management structure, is the incentive for them to run innovative O2O campaigns?

According to Google's Omni-Channel report, Macy's is one retailer that's made successful first steps towards addressing these three big challenges. It now sees its online and in-store marketing as a holistic entity. This includes operating a single marketing budget rather than the previous separate, siloed online and offline budgets, and it has created incentives for online and offline teams to work together. Perhaps they capture the idea most effectively when they say they are 'indifferent to whether she [the shopper] converts in the store, or online. We just want her to shop with Macy's.'

Google

There are also issues around getting the business thinking omni-channel and removing barriers between departments so that they support each other and share data openly. All retailers should consider educating staff around the need for this process. Education has to be seen as both a trigger for change and the key strategy for actually using the data once barriers are removed.

For those retailers who answered that lack of technology was an important challenge for them, this is likely the case, but we also wonder whether if internal silos were broken down, it would emerge that key technologies were already in use elsewhere in the organisation?

Challenging digital transformation strategies aren't reserved for retailers. This is a business challenge across all sectors, including publishers, and as Nectar points out, publishers and affiliate marketers (currently 10% of UK e-commerce is driven through affiliate marketing channels (IAB / PwC Value of Online Performance Marketing, 2014) also need to update structure and IT systems in order to offer a more seamless interface between all parties.

For example, e-commerce store sales are often managed separately from affiliate sales, which are seen as a marketing function. Consolidation is multi-layered.

This is a period of innovation, disruption and invention, a state that doesn't easily combine with corporate processes and the close scrutiny of earnings expectations. As well as IMRG's observation that education is key, so too is a change in attitude towards flexibility and failure. One major UK Retailer's Omni-Channel Director was asked by his board, 'what does success look like in five years?' 'Five years?' he questioned. 'Five years ago, no one had heard of smart phones.'

Put bluntly, disruption as the new normal, is probably the biggest challenge of all.

Consumer first

So far we have focused on the need for retailers to address their own structures and the opportunities that await them once they have surmounted this. However, we mustn't forget the old chestnut: 'the customer always comes first.'

We can only track customers who wish to be tracked, and only sell to customers who want to buy. Ultimately the companies providing the best overall experience will be the ones that succeed.

The big challenge is providing a single experience for customers. When, for example, returning an item or dealing with customer services, shoppers don't care whether they originally bought the item online or offline. Furthermore, as we touched on in our opening situation analysis, there are many combinations of research and buying habits already existing, and each one of these will have a place to play for the consumer, depending on the particular circumstances of each purchase. Looking at online and offline as 'separate customers' has increasingly little value; it's safe to assume that the majority of consumers will interact with multiple touchpoints.

Mobile adoption

Quidco, currently leading the adoption of online to offline cashback campaigns for over 40 retailers, sees the ever-increasingly tech savvy consumers as a key driver of innovation. They comment that the synergy between online and offline shopping experiences is now mobile centered. It is the biggest and fastest growth area in the industry, though few can claim to have executed mobile to anywhere near its potential. Is simply migrating a desktop website to mobile a true mobile strategy?

To implement a truly connected online to offline environment, apps are the key to uniting online and in-store propositions, rather than simply replicating them. The real questions retailers need ask are, where does a mobile app fit into their customers' shopping experience?

By extension, how does that add value to customers' journeys? Even though solutions are early in development, the benefits of such an approach are clear. Quidco report their most established multi-channel partner sees up to 13% uplift in average purchase spend from multi-channel customers vs single channel.

As retailers constantly innovate, the temptation is to invest in migrating large websites across to a mobile app – the same feeds, the same design – but for what purpose? The real questions retailers should ask are, where does a mobile app fit into a customer's shopping experience? How does it add value to a customers' journey?'

Quidco

For Optimise, giving consumers the flexibility to redeem voucher promotions across the full spectrum of digital, call centre and in-store channels is key, and they see the future lying in an environment where existing paper-based experiences are replaced with seamless digital communications requiring no technical knowledge or indeed usage knowledge gap for consumers.

An omni-channel approach would also dictate the need for a solution that encompassed the redemption of a promotion whilst engaged with a call centre sales person – conveying the details digitally to a central system whilst on the telephone. It is likely that such interactions will be facilitated by mobile handsets, but they also see this being enhanced through the use of a growing number of IoT devices such as smart billboards, whitegoods or in-car technologies, allowing for customers to have an increased ability to collect and redeem promotions.

Affiliate Window also see it as imperative that advertisers adopt an omni-channel strategy that puts customers first – the goal, ultimately, is facilitating the customer's journey.

Customer first

A great example Affiliate Window provides is House of Fraser, which restructured its customer insight team. Here was a business realising the importance of distinct customer contacts rather than the all too common disjointed online and offline profiles - disappointing for customers who expect the same response on or offline. This structure, says Affiliate Window, highlights how empowering customers to purchase at a time and in a place that is most convenient for them should arguably form the basis of any advertiser's customer-centric strategy.

Looking at online and offline as 'separate customers' has declining value as more people interact with multiple touch-points. With an omni-channel approach, advertisers are increasingly able to facilitate any kind of customer's journey through the affiliate channel.

Burton ran an initiative with Affiliate Window that put the power in the hands of the consumer. Customers were offered exclusive 25% off codes for redemption either in store or online. Online traffic and sales increased considerably during the week-long promotion (+260 % and + 360% WoW respectively) and crucially, increased footfall generated an additional £55k in revenue from in-store purchases. Interestingly, AOV for both online and offline sales increased during the promotion, indicating the leverage that the channel can have with such an offer.

Affiliate Window

New technologies, such as card-linking, can play a significant role in facilitating these improved customer journeys – and relationships - as a customer's purchase history can be used to their advantage. For example, Apple retains customer card details on file, enabling instant access to historic purchase data, which then speeds faulty product replacement without the need to revert to paper invoices. Sweaty Betty manages a similar programme. For retailers without a loyalty card scheme, card-linking can also be the key to establishing one without any of the set-up overhead, and at the same time often offering a highly flexible way of turning loyalty promotions on and off because the mechanic is only used at the point of purchase. Birdback, a British card-linking start-up offer this functionality – even for very small retailers.

It's as well to be mindful that customers are becoming ever aware of the power of their own data and are selective with their loyalty. They also have greater focus on privacy concerns. When faced with new technologies, such as card-linking, some customers may be wary of supplying their details to multiple retailers or publishers. Who should they link their card to, is it multiple or first mover wins? All these considerations will need to be addressed, and always from the point of the consumer first.

Technologies and techniques

From a tech standpoint, being able to measure consumer behaviour and provide localised information are two key components to succeeding in an omni-channel world

Omni-Channel Shoppers: An Emerging Retail Reality,
Google, March 2015

Similar to cookie deletion in the online environment, the current issues in the offline world lies in the need for customers to opt-in. Whether logging into a mobile app or signing up for a store card, we can only track people who want to be tracked. The technological challenge lies in showing someone an online ad and tracking the effect of that ad as they move down to the high street (or vice versa).

The company that creates an efficient, simple solution, to collect the required data and therefore to bridge the gap between the high street and a consumer's devices will revolutionise how we advertise - both online and offline.

In general, branding activity can only really be tracked at the highest level. A static publisher buy could increase footfall in stores or a poster campaign on the tube may drive certain online sales but the tracking of these is by no means an exact science. To have a truly accurate view of the online/offline divide it will fall to both 3rd-party vendors making strides in these areas and marketers pushing the retail industry for change.

Amit Kotecha, Head of Marketing EMEA, Quantcast says: 'With online and offline advertising linked at the individual consumer level, the number of ads we actually need to show to a consumer will fall and the relevancy of the advertising would rise. The ability to know what people want at the exact time and place that they want it, whether online or offline, will completely change the way we advertise.'

The provision of localised information and the ability to measure consumer behaviour were highlighted by all our contributors as the key to succeeding in an omni-channel world. Google has developed Local Inventory Ads and AdWords Store Visits Conversions precisely to address these two areas.

For Place IQ too, the use of multiple marketing touchpoints has made targeting consumers digitally, and measuring the behavior that follows essential. The consumer journey cuts across the physical and digital world with a variety of devices and screens as the vehicles for brand interaction.

This process can become complicated unless brands and agencies have a system in place that solves the real-world attribution puzzle. Mobile data and location intelligence are keys—ones that uniquely connect the dots between digital behavior and physical actions. With these, marketers can replace their reliance on probabilistic models of the likelihood of a store visit with true, deterministic models that act as an accurate attribution mechanism.

With all that in mind, let's look at a few of the common technologies and techniques available:

Proximity marketing and the ability to target a user in a specific place at a particular point in time has much focus in the O2O space. Technologies such as e push notifications are being harnessed to interrupt purchase decisions and drive increased footfall into a retailer's store.

Vouchercloud were one of the first voucher code publishers to trial this with leading retailer Argos, which used a geo-fence push solution developed by Plot to target vouchercloud app customers outside Argos stores.

Virtual perimeters around Argos stores across the UK triggered a push notification with an exclusive in-store voucher code when a vouchercloud customer entered the radius. Demographic filters were used to target people aged 25+ during particular times of the day.

The campaign produced increased footfall by 185% and delivered 30+% new customers. Argos say that on the back of this activity, geo-fenced marketing will be a key driver for 2015.

Vouchercloud

Card-linking

Quidco – which originally was a pure online cashback system for its 5 million+ members – has been pioneering offline cashback collection via card-linking. Working with Reward Technologies (which also powers cashback schemes for RBS and NatWest, for instance) it is using card-linked offers combining a targeted approach with a performance-based model.

This technology model is gaining increasing traction in the performance marketing and loyalty space and bridges the O2O gap. It recognises that existing online channels drive footfall into retail stores and the technique is being used by retailers direct.

The attraction is obvious for retailers as it provides a low-risk channel that's highly effective for both acquisition and retention. Card-linked offers are underpinned by rich demographic and transactional data and allow retailers to track a customer's complete journey from online to offline (post-click). It also allows accurate personalisation of offers, optimising marketing budgets. Unlike some tech solutions, implementation is comparatively seamless with no store-level integration or point of sale disruption.

Arguably the biggest obstacle is the reluctance on the part of retailers to share customer transactional data with third parties. In light of high-profile security breaches such as that experienced by US company Target in late 2013, it's understandable that for companies compliant with PCI level-1, the highest level of security in the payments industry (Visa, Reward and Quidco etc), that is now starting to change as the industry evolves and develops to new innovations. Working with card-linked offer partners represents a simple solution for many retailers and brands.

Codes

A code is a unique identifier, a tag if you like, that exists as a result of an action taken by someone. It enables the subsequent tracking from an initial online click to the end result, collecting provided information en route. Optimise frame it thus:

In the rewards marketing arena, for example, we have worked with clients to provide customers their with the flexibility to choose how to redeem voucher promotions across the spectrum of digital, call centre and in-store channels. Currently this relies on simple, pragmatic workarounds, and Optimise say it's clear that the O2O experience is still lacking the necessary facilitators to make this process seamless and scalable, specifically:

1. A mechanism used to generate and decrypt unique codes without the need for the sharing of personal data or pre-generating code lists for large groups of potential consumers
2. The format in which the code is carried and passed over to the digital or bricks and mortar establishment by the customer
3. The real-time code verification & annulment processes

From a user adoption perspective, it is clear that despite a plethora of new sharing mechanisms for unique codes or customer account identifiers, to ensure all-inclusive promotion take-up, brands still need to resort to print out or SMS alternatives which in turn require additional EPOS or Call Centre processing – something which also needs to be overcome.

Proximity

Establishing the physical presence of a known customer in store is likely to be one of the most valuable routes to O2O tracking.

PlacelQ's EMEA GM, Mandeep Mason emphasises: 'Location data acts as a lens into true consumer behavior, which can be used in unique ways to drive and measure in-store visitation. It opens the door to omni-channel strategies that tie all campaigns—digital, TV, mobile and beyond—together for driving customers from click to store. Location data's ability to reveal true consumer insights opens up a world of sophisticated decision-making possibilities outside of advertising as well. Armed with this data, brands and agencies can make decisions across the entire marketing lifecycle.

Unsurprisingly, there are many routes to deployment and TUNE has identified and distinguished the most common. But there are different approaches which entail varying degrees of user subscription, creative application and technical limitation.

For example, NFC and QR Codes both provide channels for online to offline connectivity (or visa versa) without the need for an app. These kinds of technologies measure activity across the marketing spectrum and may, with a fully managed CRM, provide valuable personalised data.

TUNE then identifies those technologies that require an app – and therefore a subscribed customer – as:

- iBeacon / Beacon / Bluetooth 4.0 / Bluetooth Smart / BLE
- WiFi
- Geo-fences

Regardless of technology, the challenge is making it work. A number of the case studies throughout this Green Paper expose how proximity or location-based O2O tracking can work :

- Coca-Cola Britain and Eagle Eye (page 11)
- BodyShop and TradeDoubler (page 21)
- Greggs and VoucherCodes.co.uk (right)

Email

With so many online and offline touch-points, tying a customer (or potential customer) to a single digital identifier may seem like a challenge, but there are some relatively simple existing solutions. Return Path reminds us about Email addresses.

With over 76 million google searches for voucher codes per month in the UK, retailers have an ideal opportunity to capture a digital identifier (email address), drive online shoppers in-store and track corresponding purchases.

Affiliate networks such as TradeDoubler have been doing this for a few years with impressive results. Even getting hold of a digital identifier while a customer is in store has evolved from using loyalty cards to in-store voucher offers requiring customers to scan QR codes to download a voucher. In tandem with an email address, simple mechanisms like this help close the loop.

Email certainly isn't going away and for businesses it presents a great opportunity to gain a significantly enhanced understanding of commerce activity and the interaction of online behaviour with offline transactions, plus a deeper awareness of the path to purchase. This complete view can provide more effective shopper insights and a holistic approach to measurement.

VoucherCodes.co.uk partnered with Greggs to give away 42,000 free sausage rolls as a way to boost in-store footfall in Greggs stores and attract new customers. Using a combination of geo-fencing capability, push notifications and email, the offer was hugely successful with 39,500 vouchers downloaded, great redemption rates and a lot of buzz and excitement from consumers on social media.

VoucherCodes.co.uk

Legal and regulatory

There is now little doubt that the integration of online and offline marketing has the potential to offer advertisers opportunities that once amounted to no more than a futurologist's distant dream. Bridging the virtual with the physical is, of course, a feat made possible by technology.

The disruption caused by the breakdown of formerly firmly entrenched silos has already given rise to societal changes of huge proportions. The rapid rise of the 'sharing economy' exemplifies this trend, but the changes set out in this paper show that the synergy between e-commerce and bricks-and-mortar retailers could play catch-up at a rapid pace.

As with other sectors, this commercial reality will not take place in a vacuum. Regulations play an important role not only in protecting consumers, but also in ensuring a competitive marketplace that allows for businesses of any size to challenge each other through innovation. And much like the sharing economy, this integration will bring a whole new mix of regulatory scrutiny that any burgeoning sector inevitably faces.

With the consumer truly at the heart of this multi-channel world, awareness is likely to develop quickly and comprehensively.

In search for assistance, consumers will increasingly encounter numerous touch points from shop assistants to regulators that have previously been looking at the digital advertising industry from the fringes at best.

Recognising this trend, the UK's economic regulators recently took a great leap in developing a joined-up approach apt for an 'always connected' world by launching the UK Regulators Network (UKRN). Tasked with improving coordination across sectors to enhance investment and efficiency for the benefit of consumers, the industry can expect to see coordinated regulatory initiatives of this conglomerate that have the potential to significantly shape the future of the sector.

However, the most immediate interplay between the commercial and the regulatory in this space will ultimately be a familiar one – privacy.

Unifying the online-offline marketing experience naturally requires a greater amount of data to be collected, shared and combined. Add to that the now almost ubiquitous use of mobile and its role as the true enabler of seamlessly connecting the online and the offline worlds, and it becomes obvious that data protection rules will dictate much of what will be possible for advertisers and retailers in the future.

The European Union (EU) is set to update the European legal framework for data protection by the end of 2015 / early 2016. The outcome will put added significance to the development of this new marketing discipline and turn data protection authorities such as the Information Commissioners Office (ICO) into even better known organisations than is the case today.

Yves Schwarzbart, Senior Regulatory Affairs Manager, IAB UK

Takeaway

We've given the last word to Google to summarise a possible direction of travel for UK O2O and omni-channel retail, where digital advertising and performance marketing provide the essential links that make the single customer view a very real possibility.

Today, customer shopping journeys are increasingly fragmented into critical moments across devices and sales channels. As a result, omni-channel is becoming ambition for brick and click retailers and with that change comes major challenges.

Customer journeys are more complex in an omni-channel world, so too is the data marketers have at their disposal. Also, many organisations are not yet seamlessly integrated across online and offline as we have seen.

Going forward, online marketing and ad tech partners will play a critical role in helping retailers overcome these challenges and take advantage of the massive potential from that O2O tracking and omni-channel promise.

As trackable moments in the retail customer journey grows, the importance of a single customer view across all touch points is critical. Exponentially increasing data complexity puts a strain on the latency and frequency of insights produced by internal analytics departments.

Therefore, the role of marketing and ad tech in simplifying data, aligning metrics across channels, attributing the right value to each interaction, developing actionable insights and providing automated systems for acting on those insights becomes integral for any retailer.

Even as companies begin to figure out the data challenges, many struggle with internal organisational challenges due to the lack of credit and ownership of cross-channel initiatives. This is perhaps the greatest hurdle a retailer must overcome in moving to omni-channel.

Without alignment from the top down to evaluate marketing and sales in a consistent way across channels, entrenched e-commerce and traditional brick-and-mortar retail organisations will continue to coexist without any incentive to collaborate. In the worst case, businesses will be incentivised to reduce sales through other channels. (Imagine an e-commerce team trying to promote click-and-reserve where credit for those sales is attributed entirely to stores.)

Again, the online ad industry has a major role to play in helping break down these organizational silos by providing advertisers a better understanding of the impact each marketing channel is having both online and offline, and providing guidance on how to align the entire business around the same metrics.

In spite of the challenges, the opportunity is huge for those organizations that are able to move to an omni-channel structure.

Case studies suggest that omni-channel customers are often significantly more valuable than single channel customers. Whether customers are online or in store, the best retailers will know which specific product attributes drive purchases and attract and retain the most valuable customers.

These insights will in turn shape not only the marketing strategy, but also the merchandising strategy, taking into account predicted lifetime value of omni-channel customers. Similarly, retailers will be able to use their knowledge of customers to create real-time, geo-targeted marketing campaigns to push local store inventory. In the future, the best omni-channel organizations will be better able to acquire, convert and create loyal customers using the emerging ad technologies that are enabling better omni-channel measurement.

Will Edwards, Head of Measurement and Attribution, UK, Google

Case studies

Driving value combining online and offline data

Brief

Data on Tesco customers' in-store behaviour has been built up by Tesco-owned dunnhumby since the introduction of Clubcard in 1994, allowing dunnhumby to build loyalty among Clubcard's 15 million members. With the acquisition of Sociomantic Labs in 2014, dunnhumby was able to combine offline loyalty with the ability to create refined customer segments online to increase lifetime value.

Tesco wanted to engage and convert groups of high-value Tesco customers via programmatic display campaigns. Campaigns of this complexity would usually be rejected by a supermarket brand, given the industry's slim margin base.

However, Tesco Groceries wanted to approach this activity differently, using Sociomantic's programmatic display expertise to reach users across different phases of the purchase funnel, across different display channels and with an emphasis on lapsed customers.

Execution

The first campaign, launched in June 2015, focused on heavily lapsed customers who had not made a purchase with Tesco Groceries in the last two years or more.

dunnhumby and Sociomantic combined capabilities to define this specific target audience. First identified via dunnhumby and Tesco data, these customers were then matched online through Sociomantic's real-time learnings from Tesco's proprietary data. With Sociomantic's tags sitting within Tesco.com, Sociomantic can analyse real-time data based on Tesco customers' online activity.

This produces a highly refined targeting segment of customers to address in the online environment.

Re-engaging with lapsed customers is challenging. Therefore Tesco worked with Sociomantic to deliver attractive first-time discount messages with dynamic retargeting against: 1) products people had already viewed, and 2) product recommendations based on the purchase behaviour of similar customers. A dynamic frequency cap was added to protect against over-exposure.

Results

After the first month, the cost of acquisition lapsed customers more than halved, while conversion rates quadrupled. The average order value was also higher than the level required for the discount to be applied.

Tesco has planned further campaigns for 2015 using dunnhumby data to target other customer segments, each with the aim of developing the lifetime value of these customers both in store and online.

Tesco and Sociomantic



The connected consumer has been at the forefront of The Body Shop's global strategy since 2012. Allowing our customers to shop with us through any channel, whether that be traditional stores or our digital platforms, is paramount.

The experience shouldn't change through the different mediums and one shouldn't disrupt the other, they should all work in synergy allowing The Body Shop to be perceived as one brand. As such connecting our marketing channels across in-store and online was pivotal in achieving this goal.

As with most advertisers trying to bridge the O2O gap, The Body Shop had key considerations to accommodate:

- Store and online marketing teams which historically operated separately now shared the same budgets and KPI targets when considering cross-channel marketing.
- Voucher codes entered at the in-store IPOS point would be the tracking method from online campaigns, and this relied on store staff entering these correctly.
- Limitations of tying in the Body Shop's loyalty membership card – Love Your Body – from online to offline sales.

But the opportunities of O2O far outweighed the challenges. Through careful planning and a unified approach from store and online, Body Shop was able to drive a +10% annual growth in the affiliate channel through O2O voucher codes.

Now (2015), online-driven store sales account for over 70% of the channel's sales, demonstrating that online consumers are just as keen on high street shopping, and the pivotal role that digital can play in changing purchase habits.

Tradedoubler and The Body Shop

As part of the Film for All Friday promotion for the Tribeca Film Festival, our friends at Smartwhere partnered with AT&T and Samsung to help distribute tickets to movie lovers across New York city. At over 60+ AT&T stores visitors had the opportunity to win free tickets to the film festival by simply tapping their phones on in-store NFC-enabled kiosks. In just the first few hours, the promotion received over 10K interactions.

TUNE

PetSmart: Using Google Store Visits reporting, PetSmart showed that 10-18% of customers who click on their Search ads will visit a store within 30 days. PetSmart used this information to calculate the full return on its search investment and improve its budget allocations.

Google

Galleries Lafayette: Using Google Analytics to tie online behaviour to offline purchases, Galleries Lafayette was able to show that 20% of in-store transactions were preceded by an online visit, 20% of those visits were on mobile, and 50% of those occurred on the same day as the in-store transaction.

Google

Lebara's refer a friend scheme provides customers across Europe with the ability to share news of the Lebara service with friends in return for free call minutes. Unique codes are generated by the Optimise system and printed in SIM packs or distributed by SMS promotions, allowing customers to share the news in online or offline environments.

Optimise

Survey Results

As part of our research we carried out an informal survey amongst our retailer and FMCG members in July 2015 to gain a snapshot of current opinion on the O2O world. Below are the results:

The main challenge is finding where it sits in the organisation, who 'owns' it and then championing the importance of it to the board.

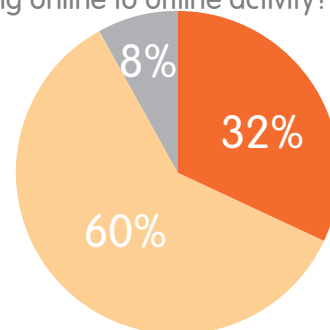
Survey participant

Do you think being able to measure and track online to offline traffic is important to your organisation?



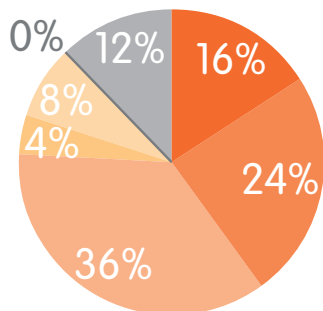
100% Yes
0% No
0% Don't know

Does your organisation have a strategy in place for 2015 for measuring online to offline activity?



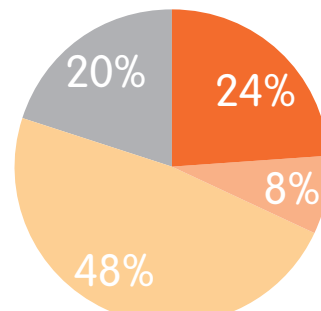
32% Yes
60% No
8% Don't know

Still thinking about your organisation, if you have not yet implemented an on to offline programme - or if you don't know - when do you think your organisation will?



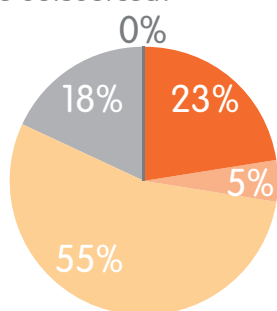
16% Currently in place
24% 2015 (this year)
36% 2016
4% 2017
8% 2018-2021
0% Never
12% Don't know

If you have or will have a strategy in place for measuring online to offline activity, which departmental budget does/will this come out of?



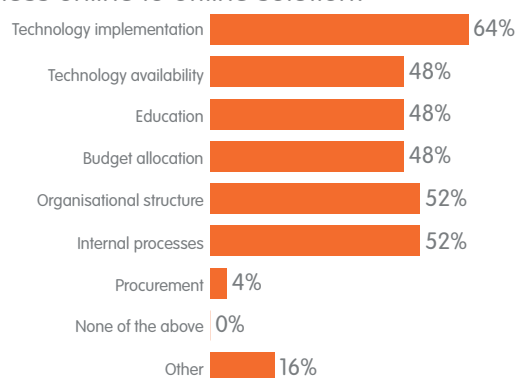
24% Online
8% In-Store
48% Other (e.g. shared, blended or new budget)
20% Don't know

Does your existing solution - or will your planned / future solution as you envisage it - deploy internal teams or is/will it be outsourced?



23% Internal
5% Outsource
55% Combination
18% Don't know
0% Other

What do you consider are the most important challenges facing your organisation in implementing a seamless online to offline solution?



Credits and thanks

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This project was conceived and driven by the IAB's Performance Marketing Council, but to produce as round a view as possible, submissions were also received from our Search, Mobile and Display Trading Councils, resulting in contributions from the following companies. The IAB would like to thank all these contributors, without whom this paper would not have been possible:





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