

# ONLINE TRADE PROMOTIONS:

## HOW THE INTERNET WILL CHANGE RETAIL CHANNEL PUSH/PULL MARKETING

Brick & mortar retail will realize its online potential as the dominant business model. These operations could rival online publishers for a share of manufacturers' Web promotional investments. Integrated campaigns with traditional retail partners at online "storefronts" are likely to be a more effective use of marketing dollars than existing trade and under performing web advertising. IMT Strategies has outlined eleven new online tools that, when integrated with current tools should stimulate this market immersion of online promotional strategies.

- **ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)** will have to incorporate interactive direct marketing tools into all push/pull-marketing programs to support "brick & mortar" initiatives.
- **IN THE SHORT TERM** consumer packaged goods manufacturers must deploy eleven new online marketing programs that represent the best win-win strategies for pulling customers into online retail channel partner sites and pushing relevant offers to them when they get there.
- **IN THE LONG TERM** marketing leadership will develop plans and infrastructure to accommodate the integration/delivery of online-offline promotional programs that support retailer e-commerce efforts.
- **IMT STRATEGIES PREDICTS** that three percent of trade promotions dollars will be dedicated to the Internet by the end of 2002. At the insistence of retailers and customers, over 70% of promotional campaigns must be integrated with online media.

### WHAT THIS MEANS *To You*

This is important to sales and marketing executives because the emergence of brick & mortar retail models provide OEM marketers with the ability to redirect dollars from under performing programs to e-promotions.

Online trade promotions relate to IMT Strategies research on e-Branding, Interactive Direct Marketing and Hybrid Selling Channels. In our e-Branding research, we found that offline companies need to innovate online to transfer their offline brand equity to the new selling channel. Our Interactive Direct Marketing research classified the range in which new tools and strategies are becoming critical components of the new marketing mix.

## *The Big Picture*

# An Inventory of 11 New Online Promotion Programs

CURRENT TOOLS	NEW TOOLS	MANUFACTURERS WIN WITH:		RETAILERS WIN WITH:	
POP DISPLAYS	INTERNET KIOSKS	<ul style="list-style-type: none"> <li>• PERSONALIZED CONTENT</li> <li>• DEEPER BREADTH OF PRODUCT OFFERINGS</li> </ul>	<ul style="list-style-type: none"> <li>• CUSTOMER SERVICE POWERED BY CRM TECHNOLOGY</li> </ul>	<ul style="list-style-type: none"> <li>• CUSTOMIZED SERVICE &amp; VALUE ADDED CONTENT, DEEP PRODUCT COVERAGE</li> </ul>	<ul style="list-style-type: none"> <li>• IMPROVED SERVICE &amp; CRM, ACCESS TO CUSTOMER DATA</li> </ul>
COUPONS	PERSONALIZED WEB COUPONS	<ul style="list-style-type: none"> <li>• SYSTEMIZED PRODUCT DEMAND MEASUREMENTS, DATA MINING, NEW CUSTOMER RELATIONSHIPS</li> </ul>	<ul style="list-style-type: none"> <li>• COST REDUCTION OF TRADITIONAL COUPON PLATFORMS</li> </ul>	<ul style="list-style-type: none"> <li>• INCREASED TRAFFIC ON/OFFLINE &amp; CHANNEL LOYALTY</li> </ul>	<ul style="list-style-type: none"> <li>• INCREASED ACCESS &amp; REACH TO PROSPECTS THROUGH E-MAIL, TARGETED WEB ADS OR SPECIALIZED WEB SITES</li> </ul>
CIRCULARS	VALUE-ADDED WEB CONTENT	<ul style="list-style-type: none"> <li>• ENHANCED RETAILER RELATIONSHIPS</li> </ul>	<ul style="list-style-type: none"> <li>• EDUCATE CUSTOMERS THROUGH "EDUTAINMENT"</li> </ul>	<ul style="list-style-type: none"> <li>• INCREASED WEB PRESENCE DESPITE LIMITED RESOURCES</li> </ul>	<ul style="list-style-type: none"> <li>• OEM CONTENT CONVEYS A HIGH LEVEL OF EXPERTISE</li> </ul>
MAIL & IN-PERSON SAMPLES	ONLINE SAMPLING	<ul style="list-style-type: none"> <li>• NEW CONSUMER RESEARCH OPTIONS, TARGETED MARKETING</li> </ul>	<ul style="list-style-type: none"> <li>• CHALLENGE EXISTING BRAND LOYALTIES, LOGISTICAL COST SAVINGS</li> </ul>	<ul style="list-style-type: none"> <li>• INCREASED TRAFFIC TO ON/OFFLINE STORES, REWARDS FOR FREQUENT SHOPPERS</li> </ul>	<ul style="list-style-type: none"> <li>• POSITIVE BRAND REINFORCEMENT FOR CO-BRANDED RETAILERS</li> </ul>
SLOTting ALLOWANCES	MICRO-SITES	<ul style="list-style-type: none"> <li>• PREMIUM POSITIONING IN HIGH-VALUE SALES CHANNEL, CONTROLLED ONLINE MERCHANDISING, REINFORCED BRAND DOMINANCE</li> </ul>	<ul style="list-style-type: none"> <li>• OPPORTUNITIES TO COLLECT ONLINE CUSTOMER INTELLIGENCE, RELATIONSHIP BUILDING</li> </ul>	<ul style="list-style-type: none"> <li>• AN ADDITIONAL REVENUE PREMIUM THAT DOES NOT EXIST AT THEIR PHYSICAL ENVIRONMENT</li> </ul>	<ul style="list-style-type: none"> <li>• SELF FINANCING, VALUE-ADDED CONTENT TO CREATE LEVERAGE FOR THEIR EXISTING WEB INVESTMENT</li> </ul>
DIRECT MAIL	PERMISSION E-MAIL	<ul style="list-style-type: none"> <li>• PRESENT OPT-IN E-MAILS TO CONSUMERS THROUGH THE RETAILER ONLINE PLATFORM</li> </ul>	<ul style="list-style-type: none"> <li>• CO-BRANDED PROMOTIONS WITH THE OEM &amp; CUSTOMER TRUSTED RETAILER</li> </ul>	<ul style="list-style-type: none"> <li>• THE ABILITY TO CREATE NEW REVENUE STREAMS FROM EXISTING CUSTOMERS</li> </ul>	<ul style="list-style-type: none"> <li>• NEW TARGETED MARKETING SEGMENT OPPORTUNITIES</li> </ul>
TV ADVERTISING	BRAND RESPONSE	<ul style="list-style-type: none"> <li>• THE CREATIVITY &amp; EXCITEMENT OF BRAND ADVERTISING, QUANTIFIED AD IMPACT WITH DIRECT RESPONSE ROI METRICS</li> </ul>	<ul style="list-style-type: none"> <li>• IMMERSION FROM INTEGRATION OF OTHER MEDIUM-ONLINE BRAND ADVERTISING STRATEGIES</li> </ul>	<ul style="list-style-type: none"> <li>• LEVERAGED BRAND STRENGTH WITH OEM PARTNER, JOINTLY DRIVE TRAFFIC TO JOINT PROMOTIONS</li> </ul>	<ul style="list-style-type: none"> <li>• AN ABILITY TO MEASURE ADVERTISING IMPACT FROM TRADITIONAL MEDIUMS, E.G., TELEVISION</li> </ul>
CO-OP NEWSPAPER ADS	CO-OP ADVERTISING	<ul style="list-style-type: none"> <li>• RE-DIRECTED CO-OP AD DOLLARS TO MORE PRODUCTIVE &amp; MEASURABLE WEB ASSETS</li> </ul>	<ul style="list-style-type: none"> <li>• CONTENT-RICH TARGETED ADS &amp; PROMOTIONS DELIVERED THROUGH RETAIL PARTNER SITES</li> </ul>	<ul style="list-style-type: none"> <li>• CO-OP DOLLARS DIVERTED TO FUND WEB DEVELOPMENT</li> </ul>	<ul style="list-style-type: none"> <li>• OEMS WILL "LINE UP" TO PROVIDE WEB CONTENT &amp; VALUE-ADDED SERVICES</li> </ul>
DISCOUNTS	3RD PARTY DISCOUNTERS	<ul style="list-style-type: none"> <li>• NEW OPPORTUNITIES TO REACH CUSTOMERS</li> </ul>	<ul style="list-style-type: none"> <li>• NEW OPPORTUNITIES TO DELIVER DISCOUNT PRODUCTS</li> </ul>	<ul style="list-style-type: none"> <li>• INCREASED ON/OFFLINE INTEGRATION AS CUSTOMERS "NAME THEIR OWN PRICE"</li> </ul>	<ul style="list-style-type: none"> <li>• COLLABORATED EFFORTS WITH OEMS TO TAILOR RETAILER SPECIFIC PROMOTIONS</li> </ul>
LOYALTY PROGRAMS	LOYALTY PROGRAMS	<ul style="list-style-type: none"> <li>• AN ABILITY TO CREATE RETAILER TIE-INS</li> </ul>	<ul style="list-style-type: none"> <li>• MEASURABLE CUSTOMER LOYALTY PROGRAMS</li> </ul>	<ul style="list-style-type: none"> <li>• CONSUMER-FRIENDLY POINTS PROGRAMS THAT INCREASE TRAFFIC</li> </ul>	<ul style="list-style-type: none"> <li>• SUPERIOR ONLINE MARKET COVERAGE RELATIVE TO RETAILERS &amp; SUPPLIER SITES</li> </ul>
STANDING ORDERS	AUTO REPLENISHMENT	<ul style="list-style-type: none"> <li>• THE ULTIMATE PERMISSION MARKETING PLATFORM</li> </ul>	<ul style="list-style-type: none"> <li>• SYSTEMATIC LIFETIME CUSTOMER RE-SELL</li> </ul>	<ul style="list-style-type: none"> <li>• ONGOING COMMISSIONS FROM OEMS, LOWER INVENTORY INVESTMENT</li> </ul>	<ul style="list-style-type: none"> <li>• FULFILLMENT HANDLED BY OEM OR DISTRIBUTOR</li> </ul>

## USHERING IN THE INTERACTIVE DIRECT MARKETING AGE

E-promotions are coming of age in virtually all business categories. A wide variety of permutations are evolving in the financial services, media, consumer electronics and CPG industries. The retail segment will be one of the top three areas cross-media online promotions will impact.

From 1998 to 2000, CPGs, retailers and e-tailers competed, testing a war chest of interactive marketing programs designed to build online brands in an effort to gain direct control of customer interaction. Traditional grocery retailers, late in adopting e-business, made it possible for online grocers. These direct, online grocery models will achieve limited success. META Group predicts that online grocery will expand to reach 2% of total grocery volumes (\$9 Billion) by 2003 and eventually top out at 15% of the total US grocery market volume by 2005.

In the Interactive Direct Marketing Age, increasing cooperative web initiatives and sophisticated retailers will leverage channel power to direct OEM overall marketing. Best-in-class retailers and suppliers will adopt "win-win" approaches that balance a joint customer focus, customer ownership, marketing investment allocations and revenue attribution.

Retailers like Wal-Mart, Kmart and Target are learning how to leverage e-channels, rapidly moving from passivity to interactivity. Retail and distribution are driving traffic through web sites, building e-brands and leveraging hybrid-selling economics. Consequently, investments dedicated to traditional trade promotions and Web advertising programs must be shifted to online variations of more familiar push/pull promotional programs with traditional POS partners. Over the next several years, OEM marketers with traditional retailers, will generate revenue opportunities through e-coupons, e-samples and co-op advertising. IMT

Strategies forecast that brick & mortar, with their OEM allies, will win the e-commerce war over pure plays. As a result, by 2003, three percent of the dollars dedicated to trade promotions will find its way to the Web. Customer demand will force retailers to insist that over 70% of all promotional campaigns include an online media component.

## ELEVEN GOOD IDEAS

Among the many tools at the OEM's disposal, IMT Strategies outlines eleven that will be difference-makers (See the inventory of 11 New Online Promotion Programs). These tools make sense for three reasons: 1) they are a better match with online customer buying behavior; 2) they are more effective than traditional tools alone, 3) they are a win-win for the OEM-retailer partnership.

To demonstrate this point, let's consider a few of the tools. Consumers are flocking to online promotional sites that reward loyalty such as MyPoints.com, Coolsavings.com, alladvantage.com, Freeride.com and Cybergold. According to NetValue's Internet Panel, eight online incentive sites made the top 200 web sites in June 2000. By contrast, one CPG manufacturer (P&G, #125) and three retailers (Sears, JC Penney, and Blue Light.com) rank among the top 200. Priceline has turned the tables on traditional discounters, demonstrating that customers will significantly shift buying behavior with an innovative reverse auction model. Maytag provides micro-sites in support of web marketing initiatives of 1500 independent dealers, supplying them with content, configuration and ordering capabilities. Finally, permission e-mail can substitute for direct mail to deliver coupons at much lower costs. IMT Strategies research forecasts that leading marketers will have in excess of one million ongoing e-mail relationships by 2001.

## PLANNING FOR THE LONG HAUL

Looking beyond 2003, marketing leadership must develop plans and infrastructure to accommodate the integration of online-offline promotional delivery. Many of the parts are in the assembly stage. Others are available through external vendors and ASPs that can support the execution of these programs.

## BOTTOM LINE

Hybrid distribution models will be the dominant approach for packaged goods distribution. This will require CPG manufacturers to incorporate Interactive Direct Marketing tools into all push/pull marketing programs focused on supporting the retail (and distribution partner) channel to support hybrid brick & mortar business models. OEMs are mandated to identify how traditional push/pull programs will migrate to and integrate with the Internet to remain competitive while reducing the cost of cross media promotions in an age where customers tend to “follow the sale” in their retail shopping behavior.