

INFLUENCING CUSTOMERS BUYING DECISIONS THROUGH DIGITAL PLATFORMS



Using Social, Location and Mobile based services to influence buying decisions of consumers in stores

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Consumer Packaged Goods (CPG) companies have a pinpoint focus: How do they influence and drive customers to select and purchase their brands and products? A variety of promotional strategies have been tried and tested – from coupons & rebates to bundled products & two-for-the-price-of-one. While these promotional methods are dependable, what worked yesterday may not necessarily work tomorrow. Today's mobile-armed and socially networked consumer is demanding new and more convenient ways to shop that meet the needs of their evolving lifestyle. The consumer is experimenting with new channels. CPG companies must use these channels to shape and develop new promotional models that can influence purchase decisions in a non-intrusive manner.

New technologies create new behavior patterns that in turn unlock new opportunities. A new wave of Social, Location and Mobile based services (termed SoLoMo¹) promise the opportunity of engaging customers using digital platforms.

The SoLoMo Consumer

SoLoMo works because it uses mobile to push deals, offers, products and events to technology savvy consumers. SoLoMo services use the social media platforms the consumer favors. According to a Pew Research study in the US, 90% of young adults in the age group of 18 - 29 own mobile

phones of which 48% use a social networking site and 88% of adults in the age group of 30 - 49 own a cell phone and 23% use a social networking site.²

Apple App Store has around 350,000 apps and the Android app store has over 85,000 apps³. The typical Apple iPhone owner has 40 apps installed, & research shows an Android phone⁴ user has 25 apps installed.

There are over 200 social networks worldwide⁵ of which 146 are large networks (large networks are defined as those with > 100 million users).

The data and evidence to support SoLoMo strategies is compelling. CPG leaders are using it to address their young consumers. Coca Cola created a summer promotion using a social gaming platform SCVNGR that rewarded users for taking photos, visiting malls, concerts and amusement parks. Brands like Subway, Sears, Swatch and Kimberly-Clark are opting to use the SoLoMo route to brand promotions.

Pitfalls and Mandatory Caution

Location enabled services are fairly new. Services such as Foursquare™ (2009) provide the ability to “unlock badges” for connecting with friends. Badges also provide access to “insider information” on services at any



given location. Consumers have other social media choices to connect with friends and brands such as Facebook™ and Twitter™. Consumers have also made their choices with regard to their devices. Not surprisingly, the modern consumer is “app weary” and has a very limited attention span for any new social/mobile app. Apps that require new behavior patterns or devices seem especially prone to low adoption levels.

Ground Rules

A prerequisite to a SoLoMo strategy is understanding the ground rules which resonate with consumer behavior and preferences.

Unobtrusiveness is key: Applications fail to succeed when they require too many actions and steps for the consumer to extract value. An application that minimizes the user interaction typically has higher uptake in the market.

No YAMA⁴: Launching yet another mobile application (in the already crowded market) would neither be unobtrusive nor provide the mobile real estate/attention that the more popular brands have achieved today. Instead, the focus should be on how to piggyback on existing applications.

Leverage existing brand presence on social networks: Most social networks today have significant brand presence. Giving the participants value when they are in a physical location they can leverage these networks further.

Focus on Android and iOS: Between the Android and iOS⁷, over 80% of the consumer smart phone markets are addressed. Solutions need to address these two platforms as the first step.

An Approach to SoLoMo

Given the target group and the ground rules, what are the ideal solutions to addressing consumers with social, location and mobile-based promotions that influence purchase behavior?

- **Solution Option #1: Leverage an existing application like “Shopkick”**

Shopkick, one of the most successful location based applications, partners with leading retailers such as Best Buy, American Eagle and Crate and Barrel.

Shopkick rewards consumers with loyalty points (kicks™) when consumers scan specific products within a store. Accumulated kicks can be redeemed against offers in the store. A Shopkick implementation does not require any IT intervention. The retail relationship is owned and managed by Shopkick that owns the application. It also provides access for set up and business rules over a portal.

The technology underlying Shopkick requires installation of the Shopkick “app” (available for Apple iOS and Android) on a customer’s phone. Shopkick has high frequency sound emitting devices installed in partner retail stores. This device detects the presence of the consumer in the store and identifies the consumer’s current location, thus eliminating someone from “gaming the system”.

Shopkick provides various business engagement models for retailers and CPG companies. It is a market leader and accepted by various retailers. However, it has two key disadvantages. Shopkick requires the consumer to actually scan the barcode, collect points and redeem them for benefits. This is in direct contrast to one of our guiding principles on unobtrusiveness. Shopkick by the very nature of its operating model is designed to work with multi-brand retailers. The products that they will encourage the consumer to scan will require a close working relationship with the retailer as the product has to be present on the shelf.

Shopkick is showing signs of becoming highly successful. If its success continues to grow, it will acquire a Google AdSense™ style bidding process between CPG companies. The bidding would determine what a consumer is asked to scan within a store. Scanning bar codes

would become akin to the click on an advertisement in AdSense. As many marketing teams attest, the cost of Google AdWords™ is increasing as the bidding costs for various keywords are going up. Similarly the cost of consumer attention within a store will also go up. It will, in the process, lead to an increase in marketing spend by the CPG companies.

- **Solution Option #2: Leverage location based social networks such as Foursquare**

Networks such as Foursquare have special offerings for brands and categories like Cereals or Snack Foods. Brands like these could leverage the network to provide users with additional capabilities that include brand landing pages similar to a Facebook group. Fans of a brand can follow a page. Foursquare offers customizable badges that reward customers with goodies for engaging with a brand's location. For example, Toys"R"Us created a badge to reward loyal holiday shoppers with Black Friday discounts.⁸

These networks can help build unique location-based campaigns. However, they would not provide a means to deliver personalized content to the consumer at a given location and a given point in time. The value of the content delivered would be limited.

The first step to creating these promotions would be setting up a Foursquare page and custom badges. The badges allow consumers to earn brand "credits" in a non-intrusive manner when they reach specific retail locations. Consumers who obtain a sufficient number of badges can convert the badges to coupons and use them for in-store transactions. The conversion is done automatically by the supporting IT system.

Using the pre-built capability of a network like Foursquare allows the brand to quickly build a presence for a physical location. However, networks with pre-built capabilities place restrictions on the solution. Customization of brand messaging, the reward model, etc. may not be possible. Large location based networks that include Foursquare and Gowalla have recognized this need and have fairly comprehensive APIs to address the problem.

- **Solution Option #3: Using check-in data & social networks**

This solution merges the best of Facebook and Foursquare that have 500+ million users. Facebook has also introduced a location-based service called Facebook Places. This capability will be leveraged extensively as Facebook is providing tight integration with its existing services.

As part of the consumer's brand engagement, a social application could be launched on Facebook that will access consumer information and write on their wall. This application should further access check-in information both from Foursquare and Facebook. When a consumer reaches a specific retail location and uses either Foursquare or Facebook Places to check in, this information can be accessed in real-time and a specific rules-based offer can be delivered to the consumer's Facebook wall. This offer will be for the specific consumer for a specific period of time and specific usage. The complexity of the offer is determined by the ability of the retailer's POS to be able to handle this offer.

As the decision on the offer is made, based on the capability of the location (whether the POS can read digital displays etc.), the offer can also be delivered in real time to the consumer. At locations where digital coupons cannot be used, a combination of real time messaging (if you buy brand X product now you will get a \$5 off coupon) and time delayed delivery of the offer (download your coupon at this URL) can be made to ensure that the consumer's purchasing decision can be influenced. The solution also provides access to rich consumer data. Analytics can be leveraged to extract valuable insights on the consumer's shopping and coupon usage behavior.

This solution provides flexibility through complete customization and has the ability to scale from a business and a technology perspective. However, the solution calls for a small to medium sized IT team to undertake implementation and maintenance of the application.

- **Solution Option #4: Use Social Gaming as a trigger for consumer engagement**

With the growth of networked gaming, CPG companies could attempt to exploit gaming to engage their consumers. Gaming applications can be extended to location-based networks to provide unobtrusive ways of influencing consumer behavior.

The recommendation is to use games that are fairly simple. The web based games genre popularized by companies such as FarmVille™ is an example of a successful solution. Extending the game to provide location based capabilities such as Check-in and Badges collection lead to purchase of products in certain locations tagged with QR codes. When decoded, the QR code gives a clue for unlocking more gaming secrets. There is a clear cross leveraging of the virtual and physical location with gaming as the powerful backbone for retaining consumers' attention.



Many gaming engines today have fairly comprehensive capabilities and some of the most popular engines are available as open source packages⁹. A combination of these engines and pre-packaged games can be considered to build the actual game. This could then be extended into a social gaming application.

Given the popularity of social gaming companies like Zynga and the adoption of gaming by consumer goods companies, this is a natural extension of what gaming can offer the real world. However, gaming is a complex technological endeavor and requires partnership with specialized companies. Adding social network capabilities to this increases the complexity of the solution.

So, What's a Good SoLoMo Strategy?

It may serve a CPG company well to start by examining Option #2, before moving on to Option #3 and gaining from the flexibility offered by the solution. Finally, Option #4 that leverages gaming should be adopted as part of the overall SoLoMo strategy.

Option #1 is the only one of the solutions that puts a CPG brand at risk. It is actually a solution better suited for retailers.

The cornerstone of a successful SoLoMo strategy is collaboration with the retailer. Retailers should be kept informed of plans as many of them are

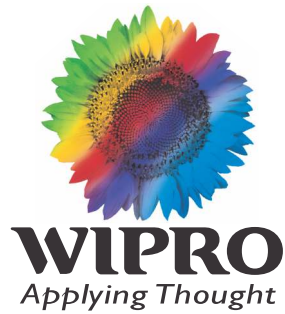
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launching their own location-based services that could conflict with common interests. Keeping your solution aligned with that of the retailer should be part of a well thought out SoLoMo strategy.

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