

Payments and Digital Marketing in Petroleum/C-stores: Driving Mobile Marketing through Payments

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Revisions:

Date	Version	What	Who
2015-09-03	1.0	Creation	David Ezell
2015-09-05	1.1	Updated with Flash Foods Story	David Ezell
2015-09-11	1.2	Reviewed for good Conclusions, included suggestions from Gray Taylor and Linda Toth	David Ezell

Motivation

Digital marketing on the web is nothing new. And digital marketing on mobile devices is not new, either. But this targeted marketing – either on the desktop or on a personal device, has proven to be inconsistent, changing between merchants, applications, and devices.

People – consumers – don't have time for this inconsistency. Most targeted digital marketing today works with bespoke applications that cater to a narrow segment of retail or to a single merchant. Features that may appear to be a competitive advantage to the creator of an application may prove to be annoying the users of that application.

Consumers want convenience – they want to buy quickly and get the best deal. Merchants want happy consumers -- but they also want to foster loyalty and retain their margins at the same time.

These aligned yet conflicting goals have made custom applications that do both payment and digital marketing quite popular. The problem with these applications is that while they can be quite effective, the sheer number of them frustrates consumers. Consumers begin to resist loading “one more app.”

If we standardize digital marketing and make sure the standards have the proper capabilities to align with payments, both merchants and consumers will benefit, and alleviate a lot of frustration at the same time.

What Customers Want

Industry observers have noticed that many people won't choose to pay with their phone unless there's some special reason to do so. Consumers are not necessarily demanding new forms of mobile payment, but they are keenly interested in receiving the ever expanding offers of deals and discounts. They want to be able to make decisions that save them money. They want to know the answer to the question: "what is the best deal I can make?" Quite often, that question turns out to be very complex to answer.

Digital Marketing in the form of deals for the consumer – coupons, loyalty points, rewards – is one way to entice consumers to load "one more app." Forrester Research Analyst Thomas Husson says: "Having access to loyalty program points and rewards within a mobile wallet is the number one feature they [consumers] are interested in."

According to a recent study by the US Federal Reserve Board's Division of Consumer and Community Affairs, consumers are interested in receiving deals and discounts, and having access to these services increases the attractiveness of the use of mobile phones for **payment**.

In short, according to Thomas Husson, "consumers want a better shopping experience."

Bob's Convenience 123 Anystreet Anytown, USA			
Date:	6/3/2014		
Time:	9:00 AM		
SALE:			
Fuel	13.9 G		\$ 48.08
Cig	Marlboro Red		\$ 8.00
		Tax:	\$ 0.64
		Total:	\$ 56.72
TENDERS:			
Cash	\$.05/gal discount		\$ 56.03
XYZ Visa	2% cash back		\$ 55.59
AMEX	560 points		\$ 56.15
Google Play	3% account credit		\$ 55.02
Bitcoin	@ your cost basis		\$ 52.75
Groc. Rwds	\$8 balance		\$ 48.72
Facebook	4% account credit		\$ 54.45
Discover	5% CB Deal, \$30 open		\$ 55.22
GasBuddy	Online purchase 1.5%		\$ 56.00

What Merchants Want

While consumers want convenience and the best deal available, merchants want to make their customers happy, but need some benefit for their business.

First, merchants want to know more about their customers so they can serve them better. While it seems intuitive that this knowledge will help merchants, the consumer may view the lack of privacy negatively. At best this need will always result in some sort of trade-off.

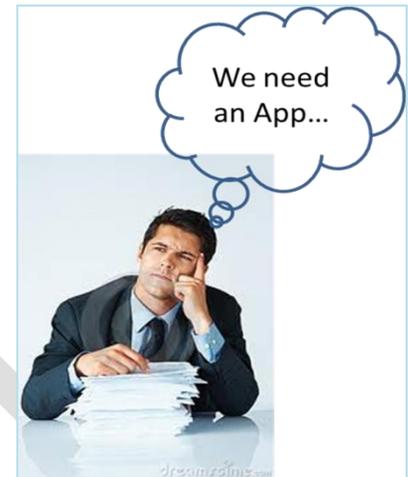
Merchants want to increase sales and for consumers to be loyal to their brand and services. They attempt to foster this loyalty through digital marketing incentives which, in the form of digital coupons, represents “free cash” to entice the consumer to purchase goods. In this sense, digital marketing IS a form of payment.

Merchants want to avoid waste. Current printed coupon schemes cost merchants and manufacturers plenty through lack of appropriate targeting and also repudiation of the coupon when the merchant attempts to redeem it. Digital coupon schemes, if designed from a “fresh eyes” approach, can have better characteristics in these regards.

Merchants want to lower costs of operation. Credit card interchange is big cost for many retailers. So merchant sponsored payment schemes that lower interchange are quite popular, but have yet to find a way into the mobile wallet.

Finally, merchants want to gain all of these benefits through centralized programs. Many of these programs are implemented as “apps” on personal devices with web connectivity. And almost all of these apps seek to lower costs by enabling merchant payment programs while enticing consumers with digital marketing incentives.

The link between digital marketing incentives and web based payments is quite strong.



Case Study: Flash Foods (Convenience store chain)

A short retrospective will help explain how important both digital marketing incentives and payments are to this retail industry segment, and how they are interrelated. Oil companies were among the first to apply credit card programs nationwide in the United States. These programs frequently included access to special discounts and catalogs of related items for sale.



This relation of payment and marketing incentives has continued to be very strong. Fleet fueling programs and payment membership programs have continued to be very popular.

The introduction of mobile devices and access to the web has created a need for “apps” that combine marketing incentives along with payment. Flash Foods, an innovative southern C-Store chain, has created one such program.

Starting as a small grocery store in Folkston, Georgia in 1952, today Flash Foods operates over 172 convenience stores in Georgia and Florida. Internally or through other subsidiaries of The Jones Company, Flash Foods distributes its own grocery products and motor fuels with its own transports to its retail locations.

The contemporary story of Flash Foods and loyalty programs begins more than 10 years ago with a traditional punch card program, some email marketing and a custom loyalty program with RJ Reynolds for cigarette customers.

Flash Foods quickly outgrew this initial program and established the “Rewards in a Flash” program in 2005. This program featured a magnetic stripe loyalty card with centralized reward accrual and redemption. Even though this loyalty program was successful by many measures, like almost any loyalty program it reduced margins. The managers at Flash Foods began to look for a way to make up that shortfall.



The solution for Flash Foods was to combine “Rewards in a Flash” with a new ACH based payment program called “Go Blue.” The program was launched in 2008, and the money saved on interchange allowed savings to be passed on to loyal customers, as well as helping pay for the cost of running the loyalty program, thereby closing the margin gap.



Last year, Flash Foods introduced a new version of their “Go Blue” program based on a mobile app. This app further enhances the customer experience by providing Flash Foods customers access to payment, rewards, offers, and fuel price information.

This program is great for Flash Foods and Flash Foods customers. But it cost Flash Foods operational dollars to create this program, and and customers need to load the specific app. Lowering cost and improving consistency is where the web can make a difference.

Digital Marketing and Payments on the Web

Today, most consumer applications that enable digital marketing incentives are provided in the form of “apps” sponsored by an interested entity. These “apps” tend not to work with each other, and that lack of interoperability creates a “balkanization of functionality” that frustrates consumers and costs merchants money. Merchants have to sponsor specific app development, and those apps have to then compete for their customers’ attention.

For the purpose of this discussion, “merchants” are defined as those providing goods or services to the consumer during a purchasing experience: brick-and-mortar or web-based retailers, payment service providers, manufacturers, payment scheme operators, telecommunications operators, or others with a stake in the sales transaction information flow. In short, *merchants are those who have an interest in offering the consumer incentives that improve the proposition of future business with that consumer.*

Direct interaction between consumers and this extended class of merchants has grown as sales transactions have moved online. Sources of digital marketing incentives and capabilities to support the delivery of these incentives have grown tremendously in the last few years. This trend shows no signs of slowing.

Merchant incentives can take several forms. To name a few:

- Loyalty points – given by a merchant to apply credit against future purchases.
- Coupons/Digital offers– issued by a merchant to promote a product, location, or something else.
- Redemption – ability to use either points or coupons.

Issuing of awards and redemption of the awards need not be done by the same merchant. One thing all of these have in common is that they are in some way closely related to payment.

As an aside, web payments can also play a role in making certain kinds of transactions work on the non-mobile web, and as a result make digital marketing incentives more widely useful. For example, grocery retailers are starting to provide on-line shopping programs that include delivery; for these new programs to be successful, Electronic Benefits Transfer (EBT) payments (known as SNAP or Foodstamps) must be integrated. Being able to combine these kinds of benefits with other digital marketing incentives is important for a very wide segment of consumers.

The concept of the “digital wallet” – a central concept for web payments – is one way to organize the intertwined requirements of digital marketing incentives and payments. By allowing wallet providers to organize payment instruments and digital marketing incentives, and reason about and combine the resources described in those things, the wallet can help assure that the consumer is getting the best deal. Merchants gain the benefit of having their incentives appear in all kinds of web payment situations. Thus, a properly conceptualized digital wallet can help reduce “app balkanization” and customer frustration, benefiting both consumers and merchants.

Conclusions: What we need

For digital marketing incentives to have the desired impact, they need to be able to promote product brands, individual products, product categories, individual merchants, payment service providers, and payment schemes. Useful digital wallet applications need to be able to ask the following questions of any specific digital offer:

- 1) Can it be applied to this purchase (i.e. items match promotion)?
- 2) Can it be applied to this purchase along with other selected payment instruments (including EBT)?
- 3) Is the deduction for the instrument “taxable”, or does it reduce the taxable total (some coupons and EBT)?
- 4) What is the total savings associated with using this instrument, including taxes?
- 5) Is it NOT allowed for any item in the transaction?

Digital marketing incentives need to be transferable, useful on a variety of devices, and be non-specific to any application. These incentives need to be closely aligned with payment capabilities, allowing software owned by the consumer to help find the best deals available, while allowing the merchant to maintain a strong relationship with their customers. Producing good Web Standards for Digital Marketing Incentives and Web Payments are the primary way we can align and achieve these far ranging but powerfully connected goals.

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