



# ibotta

**A conversation with innovators at the  
intersection of mobile and retail**

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# Big data & loyalty platforms in the mobile age: A conversation with Ibotta

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The way customers interact with brands is changing faster than ever, and constant disruption is the new norm. Many new businesses are seeking to capitalize on the change; we think Ibotta is one of the most interesting. The Denver-based consumer tech company is changing how shoppers, retailers and brands interact through the use of mobile app technology. With 20 million downloads, Ibotta seeks to be the premier destination for rewarded shopping on mobile, and its users have earned more than \$150 million in cash rewards on everyday purchases. The company sits at the intersection of several trends that are critical for consumer companies to understand and master:

- ❑ **Accelerating breakdown of the legacy “Mass<sup>3</sup>” model.** The old world of hyper-efficient mass production, building brands through mass marketing and selling through mass retail is under unprecedented strain. Consumers continue to seek unique products; young companies that target niche segments are getting tremendous VC and PE funding to meet this demand.
- ❑ **Optimizing trade spend.** Manufacturers’ trade spend rates are up across nearly all categories but volume is mostly flat. Brands must find ways to drive sales and margin more efficiently.

- ❑ **Increasing data-driven personalization:** Brands are leveraging analytics to create unique content and experiences that increase the effectiveness of campaigns, promotions and coupons. Mass advertising is losing effectiveness in building brands as consumers look to peer reviews and other social content to inform their choices. And e-commerce and subscription models are attacking the profitability of mass retail by peeling off a customer here, a trip there.
- ❑ **Direct to consumer:** Manufacturers want to have a direct relationship with shoppers and consumers and lessen their dependence on their traditional channel partners. Direct relationships enable manufacturers to introduce consumers to new products and promotions, giving them a low-cost way to boost market share. For some, this means opening stores; for others, it means exploring subscription and e-commerce models.
- ❑ **Digital creating new paths to purchase.** Shoppers are using digital technologies to discover, explore, purchase, receive, use and engage with products and brands.



**Kane McCord, the COO of Ibotta and Ed Brooke, Ibotta's Director of Analytics**, sat down to talk about the company and the broader trends they see in the marketplace with Joel Rampoldt and Scott Rankin of KPMG's Consumer & Retail Strategy team

**SR (Scott Rankin): first off, please tell us about your view of the consumer environment – what are the key changes you see happening?**

**EB (Ed Brooke):** The most important trend happening right now is how consumers are engaging with content. Having moved a significant amount of screen time from TV to computer over the last 15 years, consumers are now moving that screen time rapidly to mobile devices, facilitated by better technology and companies improving how they deliver content to mobile. For example, apps deliver a much better user experience than mobile-optimized web sites, but take longer to build well. Mobile also enables the effective use of previous “dead time”, such as commuting on the train. Hence it is no surprise that mobile commerce is the fastest growing section of the retail market.

This has presented challenges for retailers. In grocery, where customers still like to touch and see fresh product, the move to omnichannel has been slow. But while big trips are still made in-store, traditional grocers have suffered from erosion of their baskets as an increasing number of items get stolen by players varying from Dollar Shave Club to Amazon Pantry. To combat this, moves to curbside pickup/click and collect by Walmart and Kroger provide a more efficient customer experience at moderate capital investment. Most importantly, having a strong mobile presence enables these grocers to be present at the time the purchase decision is made, well before the customer has reached the shelf. But years of experience in Europe suggests that omnichannel grocery market share will remain in single digits for years to come. In other parts of retail, the move to omnichannel has been much faster, and retailers have scrambled to build their online presence, to understand the different consumer behaviors seen online vs in-store, and to change their strategies to match, before the carpet gets pulled out from under them.

On the CPG side, whose eternal challenge has been to connect effectively with customers one or more steps down the supply chain, changing consumer trends have made material impacts to their marketing strategies. Sunday paper circulation is down 26%, and coupon redemptions have fallen dramatically since the recession to levels below a decade ago. Digital methods such as print-at-home and load-to-card have not kept up with the decline in paper coupons due to challenges in the user

experience. This is especially true for the Millennial/ Gen Z customers, who are just starting to build their brand loyalties that could last for decades.

So Ibotta really sees itself at the center of these trends. We are a gateway to rewarded shopping on mobile. We enable retailers to reach an audience outside their own walls and CRM files; customers who are ready to make a purchase. We enable CPG companies to reach a broad audience including mature and younger customers with both brand engagement and financial incentives; to guide a purchase decision before the customer has even reached the shelf. We can help build longer term loyalty and engagement with repeated content and rewards. We have enabled customers to earn more than \$150 million in cash rewards from everyday shopping. It's money they use for personally rewarding activities, from free coffee to clothes to holidays! Ibotta is a single destination for rewarded shopping on mobile.

**JR (Joel Rampoldt): Tell us about the idea behind Ibotta.**

**KM (Kane McCord):** Our idea was to create value for brands doing what marketers have always wanted to do, which is build equity and long-term loyalty. To do that, we set out to reshape and improve upon the 100-year old paradigm of coupon discounts, and make it entirely performance-based. For the brands, it has resulted in a more direct-to-consumer, brand-to-consumer relationship that doesn't make them as dependent on the retailer to, for example, get a shelf talker for display on the retailer property.

**JR: And where is the retailer in this equation? Are they better or worse off, and how?**

**KM:** We believe the retailer is much, much better off. Number one, our rebate model requires no interaction with any in-store clerk at point-of-sale, which means millions of operational dollars are saved at the scale of a national chain. Traditional coupons unnecessarily interrupt the flow of in-store operations. If a consumer hands the clerk coupons that were printed at home, or if instant rebate coupons placed on shelves require in-store labor, it's time and money lost.

Second, we help retailers move beyond a major problem with traditional coupons, which is that discounts only apply at point of sale. If a retailer collects \$90 on a purchase, with an additional \$10 worth of traditional coupons, they still have to get that \$10 reimbursed from the manufacturer. This has implications for cash flow, reconciliation, labor and costs. With a rebate model like ours, the same shopper comes in and pays \$100 at the EDLP price, which protects shelf-price integrity.

Third, it gives them a promotional strategy that is relevant to the millennial shopper, in the age of Amazon and multi-channel retailing. Millennials do not print out coupons at home or subscribe to Sunday newspapers. Our strategic proposition is “incremental spend.” Shoppers aren’t willing to maintain 20 or 30 retailer-specific applications on their phone, apps which by definition are only going to reach loyal shoppers. Retailers also need at-scale, third-party sources like ours to bring in millennial shoppers who otherwise would never come into their store.

**SR:** *The incrementality you just described seems to be where the old model of trade funding falls down, doesn’t it, because aren’t you just rearranging volume instead of driving incremental volume?*

**KM:** Correct. Retailers may like our incrementality story, but would not be excited about us cannibalizing their dedicated trade funds. Trade spend and unit economic returns are terrible, and many marketers are scrutinizing those funds, trying to optimize new terms. We’re not trying to take away the efficient form of spend that they already have with a retailer app, but we are unapologetically going after unmeasured or poorly tracked social or digital-display spend, and offering a more trackable and efficient substitute, which is our platform. They can hear that. When brands can lower the total cost of marketing to the end consumer, they can then invest more money in things like price-at-shelf.

**JR:** *I’d like to pull back a little bit, and talk about the position you occupy right now, at this intersection between manufacturers, retailers and consumers. Retailers and consumer-goods companies have for years had tons of data, but have struggled to really use it make better decisions. What do you think the future is going to look like for data analytics?*

**KM:** Historically, brands and retailers been overloaded with data, and they often roll their eyes when you offer them another dashboard. What they haven’t had in many instances is the ability to directly activate off that data. We’re trying to raise the entire standard for “actionable data insights.” Ibotta can offer the data that brands and retailers need, drilled down to the household level, and configured so they can use insights to initiate tailored, promotional strategies. And this is delivered directly to their consumers, risk-free. By “risk-free,” I mean it’s as many impressions generated or rebates delivered as the marketer wants, and all of them tailored from captured data, but only paid for if data converts.



**SR: On the topic of marketing dollars and personalization, it all makes sense. What's the next big wave? With device location ID, people can give location-specific offers, which people have been talking about for years. Are you going to be the platform that enables that?**

**KM:** We won't be the only one, but yes, absolutely. Marketers can now differentiate by location or by retailer, because my phone knows exactly where I am, down to the level of specificity that I am in a Kroger store. If we can isolate that a shopper is in the store, that is more than good enough for most of our brand partners and retailers. We have every major retailer in the United States plotted, so when a shopper gets into a Walmart parking lot, we're able to give them a very relevant, timely message about the \$300 worth of rebates that are available.

**SR: On user devices, who are your competitors?**

**KM:** Getting on the front screen of the phone, which is the most valuable piece of real estate in the world, is incredibly valuable but also incredibly hard. The apps that make it there have extremely high utility value. If I care about my friends and my kids, apps that allow me to better connect with them – Twitter, Snapchat, Instagram – make on the front screen. Same for a navigation app. That's the reason we're well positioned against a retail- or category-specific app. The world's best all-grocery application is relevant to a consumer at maximum three to four times a month. By virtue of being in every category, and in high-frequency categories like restaurants, we get opened 20-plus times a month, which is a big opportunity for lower-frequency retailers who may only get visits three or four times a year.

**JR: You mentioned early on that millennials don't clip coupons. Surely true. Based on the data that you see, what else can you say about the ways millennials interact with brands, or become loyal to stores? Are they actually different?**

**KM:** I think they are. They're much, much more open to sharing – purchase history, personally identifying information, opting into newsletters. Millennials have grown up with their whole life being shared, whether they want it to or not. As one result, they're more apt to share among friends and respond to group incentives. They're very willing to engage with content, though on their terms. They may opt in and out of a browser or an app, but when they find things of value, they're willing to engage. Our average session length is over four-and-a-half minutes, which is really high.

**JR: Are the millennials the most important axis of differentiation right now?**

**EB:** One of the biggest differentiators we've seen is between the urban, metropolitan population and rural or suburban populations, in purchase patterns, in willingness to invest time to generate value for themselves. The millennial mom who has a consulting career in New York is very different from the millennial mom in the rural Midwest, and the differences between them are growing.

### About Ibotta

As the largest consumer technology company headquartered in Denver, CO, Ibotta ("I bought a...") is transforming the shopping experience by making it easy for consumers to earn cash back on everyday purchases through a single smartphone app. The company partners with leading brands and retailers to offer rebates on groceries, electronics, clothing, gifts, home and office supplies, restaurant dining, and more. Ibotta is the premier destination for rewarded shopping on mobile, and has paid out more than \$150 million in cash back to its users. Launched in 2012, Ibotta has nearly 20 million downloads, and is one of the most frequently used shopping apps in the United States.



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