

How Retailers Can Conquer Coupon Fraud

NEW PAYMENT PROCESSES AND TECHNOLOGY EMERGE TO SOLVE A \$100 MILLION PROBLEM.

The worlds of payments, shop- per loyalty and store experience are intersecting in new ways amid the ongoing transforma- tion of food retailing. In each of these areas, Winston-Salem, N.C.-based Inmar Intelligence has a unique perspective as a leading technology and data science company whose solu- tions are used by retailers and touch shoppers at numerous points throughout the path to purchase. Leading Inmar’s efforts in several areas prone to the greatest disruption is John Helmle, EVP and president of the company’s fintech division. Named to that role in September 2020, Helmle spoke with Progressive Grocer about the shift to contactless payments, accepting crypto and eliminating coupon fraud by 2024.

Progressive Grocer: We’ve been hearing about digital transformation for quite a few years now. What do those words mean to you?
John Helmle: It means opportunity for retailers and consumer goods companies and shoppers. Digital transformation has al- lowed the industry to be more efficient, obtain better insights and know customers in ways we never thought possible, which leads to better outcomes for all. And there’s more to come.

PG: Where do you think the food retailing industry is with regard to digital transformation, compared with the overall retail industry?
JH: Grocers are catching up to other sectors, and COVID-19 has been an accelerant of change. It forced retailers to re-evaluate how they were serving shoppers and how they were leveraging technology. Many of them have responded in a major way with a shopper-first mentality, whether that is with new infrastructure, meeting the customer in new ways through store experience initiatives and process improve- ments, or adopting new technologies.

PG: What are the attributes of a leader when it comes to digital transformation?
JH: It’s really about identifying and investing in those areas that represent where the market is headed. Those who are willing to upgrade technology to serve the customer or serve the business will benefit, and those who don’t risk getting left behind, because the world is shifting dramatically, and so is shopper behavior.

PG: Talk about some of the key areas in the food and consumables universe where you see retailers struggling with digital transformation.
JH: Two areas of opportunity include integrating shopper engagement strategies with payments and leveraging technology to eliminate coupon fraud. One engages a broader audience, and the other delivers more savings to shoppers.

PG: How big of an issue is coupon fraud?
JH: We estimate that it is more than \$100 million annu- ally, but beyond the monetary aspect, there is an expe- riential aspect. Our research shows a high correlation with other forms of illegal activity, out-of-stock issues and slower checkout experiences.

PG: Hasn’t the shift to loyalty programs and digital incentives curtailed the use of paper coupons?
JH: The paper coupon has faced pressure over the past two decades, and we see that continuing. But there is still a segment of shoppers that values the physical nature of the coupon and ability to redeem in a store of their choos- ing. That’s a valuable segment of shoppers. As much as the world has evolved in terms of digital technology, there are shoppers who have not adapted at the same rate, and that is where the paper coupon comes into play.

PG: How did the surge in grocery e-commerce this year affect coupon fraud and redemption of paper coupons, with many retailers reporting reduced in-store traffic?
JH: It has helped. As people go online, they are using more digital coupons, which are more secure and less likely to be manipulated. Even with this shift, paper coupon fraud still remains a challenge and continues to add tension between retailers and suppliers.

PG: What are some of the best practices for reducing coupon fraud, either from the standpoint of a manufacturer issuing a coupon or a retailer accepting it?
JH: The best practice in the industry from a retailer and a supplier standpoint is to leverage data and technolo- gy, specifically point-of-sale technology, to combat this problem. That’s why earlier this year, we launched CN- FRM (pronounced confirm), which is a real-time cloud- based counterfeit solution that is embedded at point of sale. Using artificial intelligence and data science, CNFRM stops fraudulent coupons before they can be redeemed and lays the groundwork for electronic clear- ing. Another best-practice aspect of fraud reduction involves data sharing among CPGs and retailers.

PG: What’s been the reaction of retailers to CNFRM?
JH: There’s been a lot of interest. We launched

with Schnuck Markets and expect to announce other retailers soon, because the value proposition of the solution is so compel- ling. We are taking an open approach with CNFRM because we want to help solve a problem that affects our entire industry. This was key in our decision to offer this innovative technology solution for free, and to collaborate with anyone in the industry to tackle this problem. An open approach is the best approach to stopping coupon fraud, because in the end, the shopper wins.

PG: How does it work?
JH: It accelerates the detection and arbitration of new, unknown offers that may be counterfeit. It does that by instantly identifying valid and invalid offers at the point of sale through a cloud-based decision engine that leverages both positive and negative offer file data. The process is real-time, so cashiers are able to confidently accept or reject manufac- turer coupons, based on business rules established by their company, without slowing shoppers down during the checkout process. It is a major improvement from traditional coupon settlement processes that can take weeks because of how physical coupons are processed. With CNFRM, offers can be resolved within hours, which drastically reduces the timeframe in which a counterfeit offer can be redeemed.

PG: Coupon usage is intertwined with payments and loyalty, which brings us back to digital transformation and the shift to contactless and frictionless shopper experiences. Will we all just be walking out of stores in a few years?
JH: We are seeing a huge shift in demand for contactless payments and omnichannel payment methods. A lot of retailers are investing in frictionless experiences and new payment acceptance technologies.

PG: What do grocers need to better understand about where Inmar Intelligence fits into the payments ecosystem?
JH: We view ourselves as the first touchpoint to help retailers accept cashless and contactless payments from shoppers at their desired touchpoints. We launched InmarPay in the fall of 2020 to enable secure and frictionless payments in store, online, curbside or mobile.



“Those who are willing to upgrade technology to serve the customer or serve the business will benefit, and those who don’t risk getting left behind, because the world is shifting dramatically, and so is shopper behavior.”

—John Helmle, EVP and President, Fintech, Inmar Intelligence

The shopper gets the experience they want, and the retailer is able to do it in a seamless fashion while receiv- ing enhanced data and insights that can inform broader consumer engagement.

PG: How so?
JH: InmarPay has the ability to identify non-loyal shoppers and turn them into loyal shoppers. Not every retailer has a loyalty program, and not every shopper is signed up at those retailers who offer loyalty programs. But through the use of tokenization, we are able to identify behaviors associated with payment methods and do some interesting things to create exponential value for our retail partners.

PG: Can you elaborate on the definition of tokenization?
JH: The simplest way to think about it is as a unique identifier. Through our point-to-point encryption from the point of sale to the issuer, InmarPay creates a secure unique identifier. This unique identifier can be matched to a shopper’s payment and purchase history without revealing their personal information.

PG: How does InmarPay help retailers address the contentious issue of interchange fees?
JH: Interchange fees represent a material expense for re- tailers, and our solution is able to take an aggressive stance toward reducing interchange fees in a couple of ways. We take a merchant processor-agnostic approach with our solution. A retailer can leverage multiple processors on the same platform to get the best rates. A lot of solutions are typically bundled, so a retailer’s ability to negotiate is negat- ed. In addition, leveraging our 40-plus years of shopper be- havior expertise, InmarPay was designed with a workflow that incentivizes the shopper towards the cheapest form of tender, thus reducing interchange fees further.

PG: Crypto currencies are in the news a lot lately. How should retailers be thinking about crypto and the need to accept emerging payment types?
JH: It is challenging for retailers to stay on top of all the trends in the payments space, but those that evolve will remain out front. Our solution enables retailers to accept crypto, if they are open to it, along with more than 35 other types of tender/wallets. We support shoppers however they choose to pay, and our solutions enable a wide range of capabilities for retailers, to keep them competitive.

PG: How can retailers of food and consumables more effectively link their strategies around payments with customer engagement?
JH: It begins with taking a shopper-centric approach. Behaviors have changed, the store experience is differ- ent, and payment methods and preferences are evolving rapidly. We believe a retailer’s payment strategy is their new consumer engagement strategy. **PG**