

DEEP DIVE

Getting off the 'performance marketing drug': Catch CMO Ryan Gracie on building brand equity, going above the line for customer acquisition and spending more on marketing



By Josh McDonnell - Senior Writer
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Catch CMO Ryan Gracie: "Digital marketers [generally] want to know explicitly what every dollar returns and I think it's a real paradigm shift for them to be able to spend money on something that's a little bit more nebulous."

After being acquired by retail, industrial products and chemicals giant Wesfarmers in August 2019 for \$230 million, online pureplay Catch has seen gross transaction value increase by 49.2%. CMO Ryan Gracie says while the brand has achieved much of this through typical performance marketing, the brand needs to make a bigger push into "traditional" above the line media. The move will see Catch go from 95% performance and 5% brand to 70% performance and 30% brand.

What you need to know:

- Online pureplay retailer Catch has seen its gross transaction value increased by 49.2% since it was acquired by Wesfarmers 13 months ago, including a 75.5% jump in the second half of FY20.
- Catch's gross transaction value for FY20 was \$632 million. It posted revenue of \$364 million for the year.
- Continued investment in marketing secured 1.1 million new customers over the past 13 months, with 2.3 million active customers at the end of FY20.
- Like many e-commerce retailers, Catch has seen double-digit growth since the pandemic started.
- Catch CMO Ryan Gracie says growth has accelerated since June and the company is now "well and truly exceeding that", hinting at triple digit sales growth.
- Gracie says the e-commerce boom will "hold firm", as proven by Catch's ongoing growth in less restricted states such as WA, SA and Queensland.
- Catch is now adjusting its marketing strategy and has launched its biggest brand campaign to date. The campaign was created by AJF, which won the Catch creative account in June.
- Weaning itself off the "performance marketing drug", Gracie says the company has gone from being 5% brand marketing vs 95% performance marketing to 30% brand and 70% performance.



Getting off the performance marketing drug

Online pureplay retailer Catch's CMO, Ryan Gracie, has been one of the fortunate marketers during COVID.

Ramping up his marketing budget, while seeing sales grow by double, he says it is important to reflect on the luck some brands have had.

At the same time, Gracie and his team have to capture the opportunity that is in front of them, particularly as the e-commerce marketplace becomes more crowded.

Gracie says Catch is currently the third largest online retailer in Australia behind international giants eBay and Amazon.

He says this is primarily due to the two frontrunners' brand presence and recognition.

As part of its strategy to reach their level, Catch has moved to reduce its reliance on performance marketing – which has traditionally accounted for 95% of its marketing spend – and crank up its brand-building efforts.

In June the company launched its first major brand campaign, using the slogan "Checkout Catch". Created by AJF GrowthOps, the campaign is running across TV, radio, out of home, social, YouTube and other digital channels.

Gracie told *M3* that since Catch was acquired by Wesfarmers from Catch's founders, Gabby and Hezi Leibovich in August 2019 for \$230 million, it has been under pressure from its new

owner to make the Catch brand more famous.

“In the 14-year history of the Catch business we’ve had phenomenal growth, however, only now do we realise we haven’t been as recognisable as we could have been,” Gracie says.

“This is primarily due to the heavy focus and levels of investment we placed in our digital and performance-based marketing.”

Brand marketing now accounts for 30% of Catch’s total marketing spend, up from 5% before the new campaign started. Performance marketing has dropped to 70% of total spending. Gracie says the reallocation of marketing dollars required a change of attitude.

“Digital marketers [generally] want to know explicitly what every dollar returns and I think it’s a real paradigm shift for them to be able to spend money on something that’s a little bit more nebulous,” he says.

“Measurements like return on investment and cost per action that businesses can hitch results to and can be easily dialled up to prove effectiveness have to take a backseat.”

Gracie says “throwing something up” on a TV screen or billboard, or investing in a new slogan, doesn’t provide e-commerce marketers with “instant gratification”.

“That’s why we’ve not done something like this before. We’ve been hooked on the performance marketing drug, instead of attempting to insert our brand in the more traditional above the line media,” Gracie says.

“Now, being part of Wesfarmers, we’ve begun to see where that chasm between brand and performance exists. They’ve had a huge hand in supporting that.”

Growing in new channels

Catch’s gross transaction value jumped 49.2% during the 12 months to 30 June this year, to \$632 million, and it reported revenue of \$364 million.

Gracie says this can be attributed to the impacts of COVID, an expanded product range and enhance service and delivery capabilities.

The business ended the financial year with 2.3 million active customers. Gracie predicts that number will increase as the combination of performance and brand marketing yield results.

“The significant benefit here is that people will see an ad on TV, jump on Google and see a Catch search result. This should lead to higher conversion rates, while also growing our brand reputation,” Gracie says.

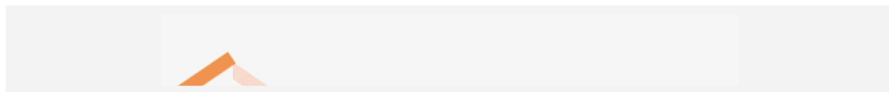
“We aren’t going to throw out the work that we are doing in performance, as it will still make up the majority of our budget. However, there will now be greater interplay between brand and performance to drive greater sales efficiencies.”

For now, Gracie says the balance will most likely remain where it is, as post-campaign analytics will need to prove the value of the investment.

He says the decision about continuing to invest above the line will not “live and die” on the results from the current brand campaign and Catch will continue to find new ways of growing its brand equity with Australian consumers.

“We’re in a crowded marketplace, that’s for sure. Amazon and eBay are out in front but there is a strong pull towards Australian brands at the moment and we need to capitalise on that,” Gracie says.

“As a team, we understand that can’t be achieved solely by dumping all our budget into performance, so expect to see more campaigns across traditional media as we begin to extract further learnings from this first effort.”



Hiring a new agency in lockdown

As part of the development of the brand campaign, Catch put its creative account out to pitch in March. AJF Growth Ops won the business, in June becoming Catch’s first creative agency.

Starting with a conversation with five agencies, the pitch was narrowed down to Cummins&Partners and AJF.

“We’d planned to pitch well before COVID, as we had begun to think more deeply about our investment in brand building,” Gracie says.

“Literally a day before lockdown was enforced in Victoria, I met with five agencies, three face-to-face in Melbourne and two in Sydney.

“After that, there wasn’t a single physical interaction with any of those agencies, right through to signing the contracts with AJF.”

Gracie says the experience of hiring a new agency during lockdown was “a mixed bag”.

Describing himself as a “to the point” marketer, he says the remote pitching process forced agencies to “cut the fluff” out of presentations and conversations.

“There was a greater focus on the outcomes and capabilities they could offer,” Gracie says. “Too often pitches become bogged down in how you interact with the team and the ‘chemistry’ that comes with that.

“COVID is proving that it’s about the work and which agency is going to deliver, not which

one you'd have a beer with."

Gracie says agencies pitching for new business at the moment should be praised. (Toyota, ANZ, Westpac, BMW and Craveable Brands are among the companies that have conducted, or are conducting, agency pitches during the pandemic.)

"There's less physical brainstorming [and] fewer opportunities to practice how you are going to present," Gracie says.

"While I think it has shown agencies that they now need to worry more about the work and less about the performance, you can't undersell the talent they have in delivering brilliant creative."

One unusual aspect of the pitch was that Catch negotiated with Cummins&Partners to use part of the creative concept it presented.

Gracie says it was Sean Cummins and his team that came up with the "Checkout Catch" tagline.

He says while AJF presented the better overall creative work, it was "hard to ignore" the catchphrase.

However AJF secured the account with the creative concept around using first names and products that mirror famous celebrities, contrasted with everyday Australians.

Starring in the campaign is Justin's Timber Rake, Camilla's Pasta Bowls, Reese's Wooden Spoon, Sylvester's Cologne and Al's Pair of Chinos, to name a few. The ad also includes pitch consultant Darren Woolley, who assisted in the virtual pitch, as "Darren's Woolly Jumper".

"It was an odd scenario, but we [decided] to go back to Sean and his team and negotiate terms to buy the 'Checkout Catch' element of the work," Gracie says.

"Full credit to Cummins as well for meeting us at the table and allowing us to put their work to good use."

Cummins told *Mi3*, gave credit to AJF for finding such a "wonderful bit of joy" in connecting the consumer with the products.

"AJF found this cute-ass idea and God bless them and the power of creativity," Cummins says.

"What we were also trying to do is find a platform - a call to action - and 'Checkout Catch' was our way to create a consideration behaviour with consumers who have multiple online shopping options.

"Ryan could see the power and value of this and like a lot of the work we create, we try to find the platform not just the execution. Ryan got both from two agencies and we are happy to be associated with the Catch brand."

Managing crisis

Gracie says having a Melbourne-based business has required Catch to "constantly update" its customer conversation strategy.

He says communications around delays, stock availability and work restrictions have all had to be factored into Catch's marketing approach.

"The way we personalise our social and digital communications has been an ongoing issue, as some states accelerate out of COVID restrictions, while others remain in lockdown," Gracie says.

"Our warehouse is located in Victoria, so it's not only about managing customer expectations and keeping them update on orders, delivery methods and stock but also looking after our workers."

Gracie says the brand utilised its social and digital channels to push out state-based messaging, using geo-targeting to communicate the most relevant updates to customers.

In the warehouse, rotating rosters, social distancing and sign-in systems were all enforced to ensure workers were protected in line with Victorian regulations.

Gracie says he's also had to take into account the impact of lockdown on his own team.

He says, much like managing consumer expectations, the same has to be done for the mental health of staff.

"We've been essentially 'cut off' now for five months and we know enough about the strain that's putting on everyone," Gracie says.

"But then I think about the nature of marketing and the creatives that I have in my team who are so used to being able to communicate face-to-face, share ideas and motivate one another.

"That in itself has been a challenge that requires just as much attention internally as the work we are doing for the business externally."

The team has made every effort to keep communications frequent, constantly looking for feedback from staff on their mental health, work load and performance.

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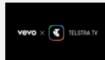


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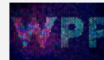
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