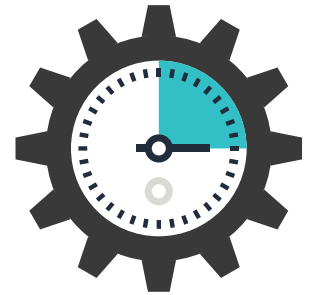




The Sky Is Falling: How Not To Get Crushed in the Retail Apocalypse



If the dismal earnings reports from retailers are any indication, the retail industry is in trouble. For many retailers the trouble is as serious, if not more, than the Great Recession. Some see this as the death knell for retail. Brands across all markets are shuttering their doors at varying speeds. But despite this, there is hope. No, really. Who are we to offer hope? We're people who have been marketing in the retail space for more than three decades.

The sky is not falling. Are retailers closing at alarming rates? Yes. There's no way around the reality of thousands of people losing their jobs and malls across the country having increasingly large volumes of available space. But this isn't the end. Retail is not dead. People still need to and want to buy things, even in person.

E-commerce may be a real, tangible threat that is changing the way consumers want to shop but it's far from the only way people shop. Yes, e-commerce has doubled in the past five years but online sales still only make up less than one-tenth of US retail sales. The sky is not falling, but change is coming, and fast. If retailers want to weather this storm, they need to adapt quickly.

Recognize the Change

The world of retail is forever changed. Despite this, many brands have simply not changed the way that they do business in decades. "The biggest challenge is that legacy retail models can't evolve quickly enough." Brands are offering the same shopping experience and marketing to consumers the same way.

The woes of the retail industry cannot be placed at the feet of Amazon or any other online retailer. With less than one-tenth of retail being conducted online, the problem is not with e-commerce alone. Amazon is only an excuse for the retail industry's failure to adjust to changing consumer habits.



Decided to change? Great. Time to get to work.

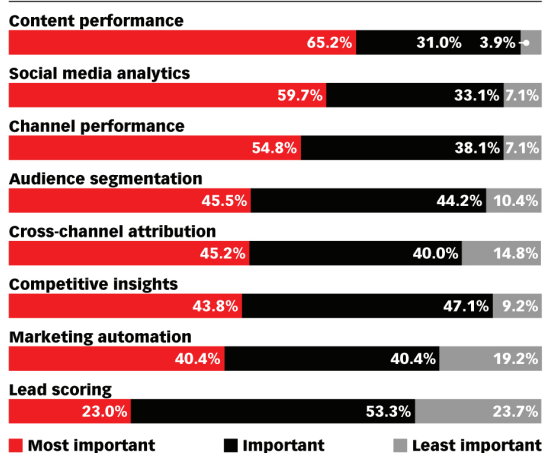
Segment Your Audience

You must know who your customers are and what they want. The act of creating and understanding key customer segments is critical to meaningfully addressing their needs and increasing the success of your marketing programs.

Segments provide holistic views of customer groups, detailing their general behaviors and reactions. The commonalities shared by each segment reflect the purchasing tendencies of each. This information should directly drive marketing strategies from messaging, offer development and optimization, to product development and media spend.

Importance of Select Technology and Tools Used to Measure Marketing Performance According to US Marketers, Feb 2017

% of respondents



Note: numbers may not add up to 100% due to rounding
Source: TrackMaven, "Marketing Leadership Survey: Strategy, Technology, and Data-Driven Management 2017," April 13, 2017

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The insights into emotional and behavioral triggers work in tandem with segmentation to create accurate customer categories and subsequent targeting opportunities. Rather than taking a one-size-fits-all approach to customer messaging, segmentation allows you to create messages unique to each customer subset.

Subset filtering might include spending patterns, age, or socio-economic group. Messages are tailored for each group since each will relate and react differently to your offer based on their personas.

Segmentation provides the opportunity not only to create messaging with maximum impact but to direct spending based on segment. Knowing which segments are most likely to convert helps you to increase spending where it will have the biggest impact. That's where targeting comes in.

Next: Targeting the Right Customers at the Right Time



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Target and Test

Once you know who your customers are and what they want, you must find a way to deliver a consistent, effective message across marketing channels, and to execute that messaging economically, maximizing your investment.

Targeting, and subsequent testing is critical to putting appropriate messages in front of desirable customers. But without ongoing tuning and refinement, companies miss opportunities to capitalize on every customer contact. “The retailers that survive will be the ones that recognize incremental change isn’t good enough.” Targeting is more than a functional tool. It’s a strategic asset that evolves and improves over time.

The predictive accuracy of your targeting efforts hinges on the depth of your customer information and your ability to score at the household or customer level. Each targeting instance must be designed specifically for your industry and geography, distinguishing for nuances in product, marketing, physical footprint and competitive differences. By increasing the predictive accuracy of your targeting, you will quickly be able to adjust your marketing spend, shifting dollars towards more effective, efficient strategies.

Targeting should never be a one-off endeavor. Testing and adjustments must happen in conjunction. Performance should be measured through month-to-month performance reports on a variety of KPI’s including sales and customer churn.

Attribute Your Sales

You know your customers and what they want. You can find them and message to them effectively. Well maybe effectively? Are you sure?

Multichannel attribution models are the tools through which companies are able to accurately track sales across multiple channels in an effort to measure the efficacy of marketing efforts. These models are a vital tool towards not only understanding the success or failure of a particular campaign but also to understanding the value of each channel with regards to future strategic spending.

Despite the value of these models, 50% of US companies still don’t use multichannel or cross-channel attribution for digital marketing efforts, let alone for traditional media efforts. The failure of companies to trace the effect of their marketing efforts cannot be understated. Ineffective or absent multichannel attribution leads directly to ineffective marketing. If you don’t know how your channels are performing for each of your customer segments, you’re wasting your money.

Once your business gains the correct understanding of which touchpoints are driving purchases, you can allocate dollars from a sale to the touchpoints the customer was exposed to before conversion. The dollar value can be assigned proportionally according to the touchpoint’s influence on the customer’s purchasing decision.



Attribute Your Sales

Your company needs an analytics platform that enables not only predictive analytics but also prescriptive analytics that suggest possible courses of action and their benefits or risks.

While predictive analytics can use past consumer behavior to predict future customer journeys, prescriptive analytics can propose options for customizing your media mix. Then, you can test options to reach the best solution for personalized customer engagement.

US Companies Using Multichannel Attribution Models, 2014-2018

	2014	2015	2016	2017	2018
% of total companies	22.9%	30.6%	39.4%	50.2%	58.5%
% of companies that use digital attribution models	37.5%	45.0%	52.5%	62.0%	68.0%

Note: companies with 100+ employees that use more than one digital marketing channel; multichannel attribution models are attribution models that include more than first- or last-touch attribution or a combination of both to differentiate the respective contributions of various marketing channels to a desired outcome

Source: eMarketer, Oct 2016

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These attributions can then be used to formulate the media mix used for each customer segment in future marketing campaigns. More emphasis can be placed on channels that had a larger influence over the purchasing decision so you can optimize your marketing spend and increase rates of conversion.

Because the journey is different for every customer, attribution will vary for each customer segment. Gathering information about each segment allows you to customize your marketing spend and media mix for specific groups of customers.

Survival

Surviving the Retail Apocalypse means more than cost-cutting, closing store locations or magically defeating the scapegoat known as Amazon. There are many strategies companies can employ to meet their customers where they are. The physical shopping experience should be just that – an experience. Improving the experiential nature of your store and creating in-person value and excitement will help keep people coming in.

“There’s an opportunity to employ technology to reduce friction in the shopping experience.”⁴ Technology is not the enemy of the retail industry. Embrace your online presence as a part of the in-person shopping experience.

But above all else, know thy customer and speak to them directly. By recognizing the change in the industry, creating customer segments, targeting and testing those segments, and attributing sales appropriately, retail companies can not only survive this economic shift but thrive despite it.

⁴eMarketer, Why Do Digital Players Beat Brick-and-Mortar Retailers At Their Own Game

