

Surviving the Current Marketing Mania with a Solid 2012 Plan

By Lauren Freedman, President, the e-tailing group, inc

RESEARCH ORIENTATION AND KEY FINDINGS

Introduction

There is a new “mania” in the marketing world and marketers are riding an ever-changing wave where making the right decisions means the difference between success and mediocre performance or even failure. How marketers can best deal with this constantly changing landscape of options is not a new idea itself, but under today’s frenetic change, it has become more important than ever to develop a solid 2012 plan. As consumers are more accessible via more channels, retailers must make choices about how to best deploy their finite marketing resources. The e-tailing group, in sponsorship from Bronto, a marketing platform for commerce, took a two-pronged approach to exploring the current marketing madness.

We began our project with a quantitative research study fielding a 10-question survey that was graciously completed by 110 merchants. At the same time, we conducted merchant outreach to explore retailer sentiment regarding current and proposed marketing strategies, investments and tactical approaches gaining an “in-the-trenches perspective”. Our goal with both efforts was to understand what companies will do in 2012 from a marketing perspective to better prepare for the changing consumer landscape where customers can be engaged almost anywhere and at any time.

Food-for-Thought Questions

Our thinking and line of questioning for both centered on a series of questions:

- Where are merchants placing their 2012 marketing bets?
- What tactics are ripe for testing and delivering strong results?
- Are mobile investments forthcoming and can you compete effectively in this growing channel?
- Will social’s greatest role center only on branding and engagement?
- Are retailers ready for SMS and have they been capturing phone numbers for future marketing endeavors?
- Are retailers able to tap into the deluge of available data effectively to make confident business decisions?

Engaged Marketing Research 3 Key Findings

Rather than looking at each of these efforts independently, we have chosen to synthesize the quantitative and the qualitative addressing each of these three important topics. It is the marriage of the numbers to the wisdom of the retail community that serves as the foundation of this white paper addressing investment, spending, data and their embrace of technology.

1. Overall digital spend will increase with most individual marketing elements commensurate

Knowing the changing dynamics of today’s potential marketing opportunities, we certainly expected that retailers would be evaluating how best to **spend** their increasing marketing dollars. Assessing what **tactics** would deliver the best results for their brand and their customers saw a mix of strategies.

2. Mobile and social dominate merchant thinking while SMS sees limited traction to date

Rapid customer adoption of new technology means merchants are embracing social and mobile channels with **evolving communications** the order of the day. Many retailers find themselves in catch-up mode as they scramble to deploy marketing messages for both engagement and selling. An understanding of their customer’s current utilization provides insight into the direction they chose and the aggressiveness of their stance. Additionally, merchant indicators suggest the role SMS currently plays and what role it plays with regard to other channels are still early stage in their thinking.

3. Data will determine success

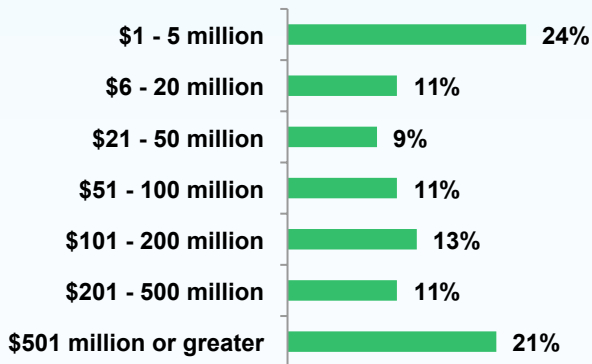
The underlying **data** about one’s customers should be crucial to impact marketing for optimizing conversion yet unfortunately, from our discussions, that data is **not in a “ready” state** to support the need for quick, accessible and effective decision making. This particular topic garnered the greatest discussion from those we interviewed; guiding our analysis and white paper direction.

SURVEY DEMOGRAPHICS

We surveyed 110 merchants in 3Q11.

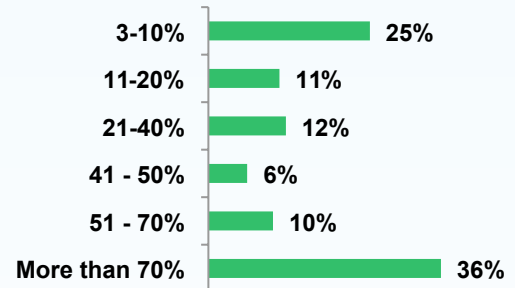
In which of the following ranges do your company's annual sales fall?

Balanced mix of company annual sales



What percent of your overall business do online sales represent?

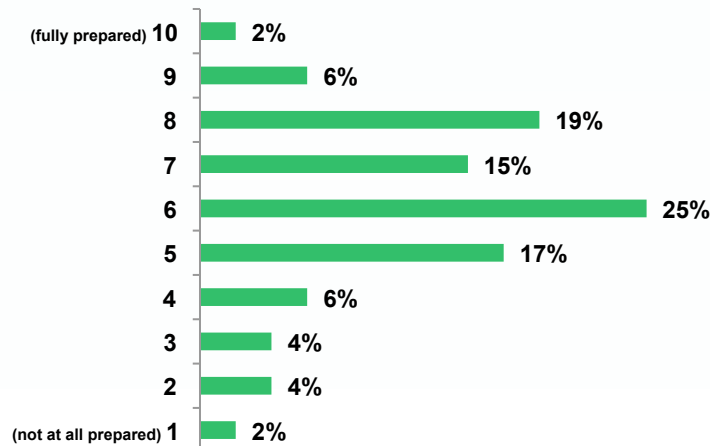
For 46% of those surveyed, online sales account for more than ½ of their overall business



THE READINESS FACTOR

Merchants are **moderately prepared** to deploy engaging messages in a timely fashion where most rolled a score of 6 out of 10 on our readiness scale. They realize that smart decision-making is predicated on data and tools to take their marketing to the next level and therefore most do not find themselves in a perfect state.

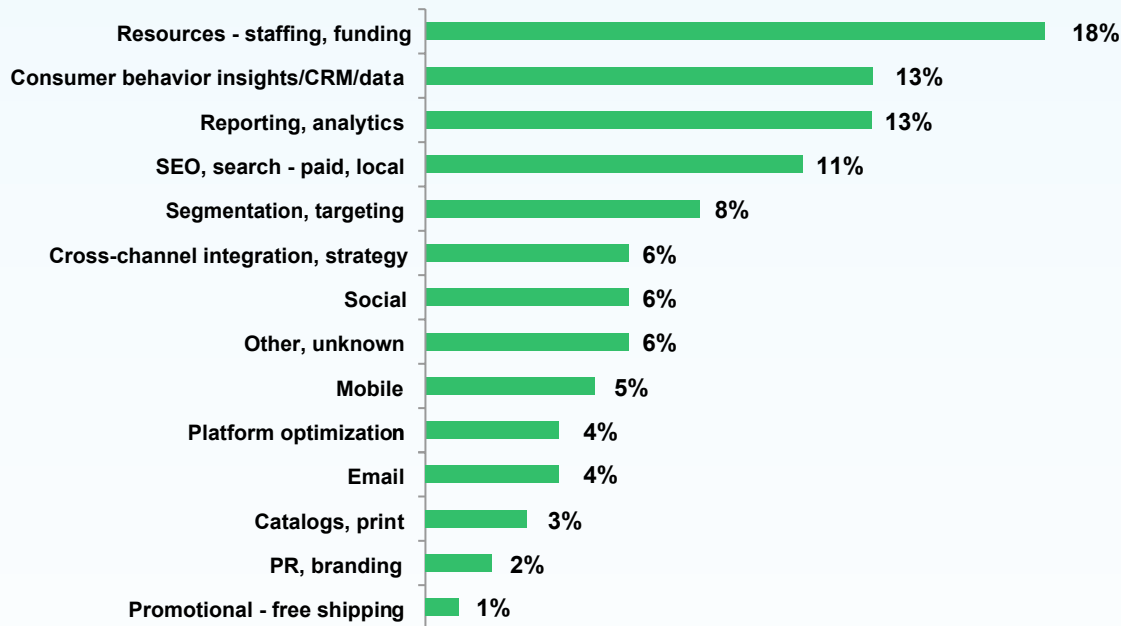
Thinking about your company's ability to deploy engaging messages in a timely fashion, on a scale of 1-10 how prepared are you to meet the evolving challenges where 10 is fully prepared and 1 is not at all prepared?



Despite being somewhat ready, we all understand that new technologies and a myriad of marketing opportunities will continue to be presented, posing challenges for maintaining marketing momentum. Retailers believe they need to be everywhere given the “**pace of change**” but this approach requires resources and suggests evolving organizational structures. Merchant feedback is summed up in the thinking of one apparel pureplay, “There is a need for ubiquity, to be everywhere pushing out as far as one can; it is important to get in early so as not to be left behind.” This means continually testing tactics to learn which deliver and immediately deploying your learning to evolve your marketing.

Preparedness begins with data, analytics, and people.

If you could do one thing to elevate your current marketing strategy, what would it be and why? (open-ended question)



Our one open-ended question from the survey sought to understand the #1 thing a merchant would do to elevate their current marketing strategy and here too resources, including staffing and funding, rose to the top, revealing the other important aspect of being ready. Commentary also centered on resources as most retailers agreed with this industry veteran, "We know we need to be there; just need someone to 'own' it. There is little justification for spending marketing money without staff resources as another retailer rightfully emphasized, "Before we spend marketing money, we need our ducks in a row for someone managing; will then test small amounts of money in varying places." It is this 'crawl, walk and run' thinking that pervades the sentiment of marketers.

3 KEY FINDINGS

Overall digital spend increases with most individual marketing elements commensurate

Percentage-wise, how will you likely allocate your holiday and 2012 online/cross-channel marketing budget? (Total should equal 100% and each box must contain a number even if it is 0%)



Rethinking the marketing mix orients the merchant mindset and therefore we want to share the train-of-thought when interviewees were asked, “How do you plan to tweak your marketing budget in the coming year?”

There is simply not a one-size fits all approach to marketing spend. One can see that most of the core elements remain part of the mix, to varying degrees. Not surprisingly paid search still dominates marketing dollars being planned for 2012. Email holds its own with growing lists and maintained frequency levels. Insider insights from the retailers on their respective spending follow:

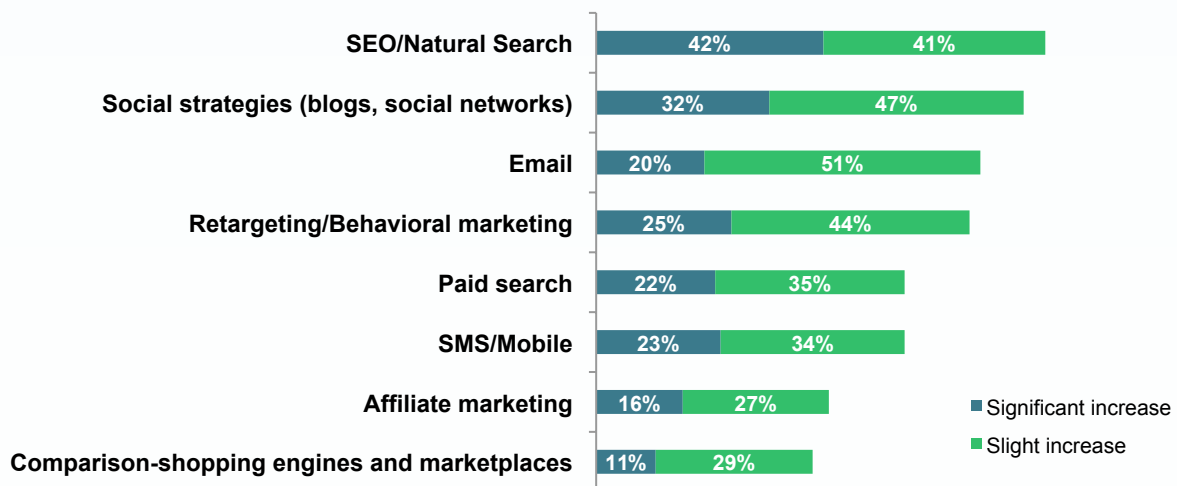
“We will be making major investments in new digital space (content, content, content) and upping new media across the board, including social ratings and reviews, mobile apps for recipes along with a more personal/tailored experience including liendefestyle recipe and food suggestions.”

“Our company is biased towards catalogs but needs to be less biased towards this vehicle and more towards loyalty—moving more into digital, particularly mobile. Using data to decide which digital programs are best, we will evaluate vendors as who you bet on is important beyond the technology or tactic.”

“Overall we are spending more money on finding customers online, through techniques such as retargeting and prospecting. This includes investing in building our email list and program; plus we instituted online chat. Redesigning our site to improve engagement, email capture and conversion rate is also part of the mix.”

“We need to enhance our digital platform and increase our social media presence; reorienting email marketing and messaging. Enhanced store signage (noting social media) is also in order and we want to empower associates to be out there in a logical way commensurate with our brand.”

Given the changing dynamics of today’s marketing programs, please assess how you plan to tweak each of these available tactics as a percent of your overall marketing budget in the coming year. (Top 2 Significant/Slight Increase)



Tactics vary significantly by merchant. As a percent of marketing budget, merchants plan to tweak SEO, social, email and behavioral marketing the most. Increases are seen across-the-board as a shift to digital spending prevails, eliminating the need to reduce dollars in any given area. The merchant community takes varying approaches when it comes to investing in new technology. One camp errs on the side of caution and tends to be fiscally conservative in their thinking primarily funding all initiatives from internal cash flow. Their conservative demeanor is clear in their commentary which includes sentiments such as, “We don’t invest for the future before the future’s here; we’ll continue to test, measure and tweak and this approach is no different than the road we took for early e-commerce.”

This test of new tactics was articulated by one large manufacturing conglomerate and reiterated by others, "We are keeping the program workhorses going (search, email, affiliate) as these are the revenue generators; from there we will layer on the new (Google+, product listings), intending to keep those that work." She emphasized that one of the biggest challenges faced for manufacturers is that, "We find ourselves in a bidding war with our retail partners."

It is important to remember that online programs based on direct spend to return is the conventional formula that most retailers follow in determining marketing spend. Paid search continues to see strong investment and is continually tracked for performance. In contrast, for many the social spend has a different return expectation thus more experimenting prevails, with a goal to drive likes and email referral. Social has tripled from 1% two years ago to 3% of revenue today, one merchant expressed.

Evolving Marketing Dynamics

Several marketing tactics are worth highlighting either for their newness or their volatility. There is strong interest in retargeting due to performance and this is not surprising given these results reported by one retailer: "We are seeing a 5% click-through on retargeting and remarketing versus straight advertising at 2%." Initially these retargeted efforts were seen by some as creepy where merchants were following customers. This concern rarely applies where a willingness to test is pervasive, knowing that retargeting is "targetable, checkable and attributable," according to one merchant.

Cross-channel efforts change dynamics centering on barcodes. Our own research finds that "46% of 1,000 consumers surveyed have scanned barcodes with their smartphone to learn more about a specific product at least some of the time during their visits to retail stores." Given the early days of marketer adoption and the low cost of entry across most sectors, we would expect this will be a universal tool and part of the marketer's arsenal to educate shoppers. A diversified company with many manufacturers under their umbrella reported "testing barcodes on packaging (despite limited usage) as the more it's out there the more usage we're seeing." One cataloger suggested that they have had barcode tags in the catalog for two years that show supporting content that one would find naturally on the web. He believes, "We are educating customers about these tools where they can scan reviews for videos and see lots of usage which helps to bridge the cross-channel gap."

Lastly, local targeting also assumes a greater role and retailers are responding by placing bets on opportunities such as Shopkick and FourSquare.

Local also means "finessing what we're doing regarding local search by understanding where directories fit into the local picture. Google allows us to get close to retailers and stores where we are constantly changing algorithms with feeds of daily inventory." Driving store traffic will continue to be important for those with both online and a brick and mortar presence so understanding cross-channel opportunities is essential.

The Revenue Relationship

Revenue generation is interesting to discuss now in the context of these shifting spending patterns. SEO is important for retailers as they look to put cost-effective marketing in place. One in three merchants foresee that mobile initiatives and search engine optimization will generate significant revenue increases. From an SEO perspective they acknowledge the complexity but nonetheless seek to optimize for long-term benefits where sentiments include:

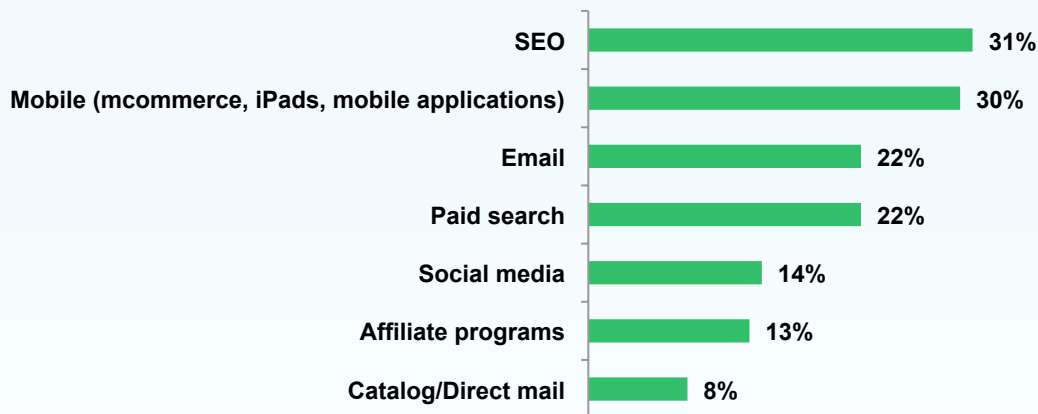
"PPC used to drive 50% of sales four years ago but today it's less than 10%. Sales come via paid search and the number of pages actively indexing is increased; we currently have 50,000 keywords on Google."

"Our e-commerce platform has changed where SEO is a huge piece of the puzzle (we believe that 60% of traffic should come from SEO despite our 35-40% baseline today)."

"We're shifting dollars into SEO due to its higher return yet more resources are required as we are optimizing internally versus outsourcing."

Mobile is more a factor in the way consumers want to connect. The projections retailers see from these growing activities, and more importantly larger spending initiatives, are just the beginning.

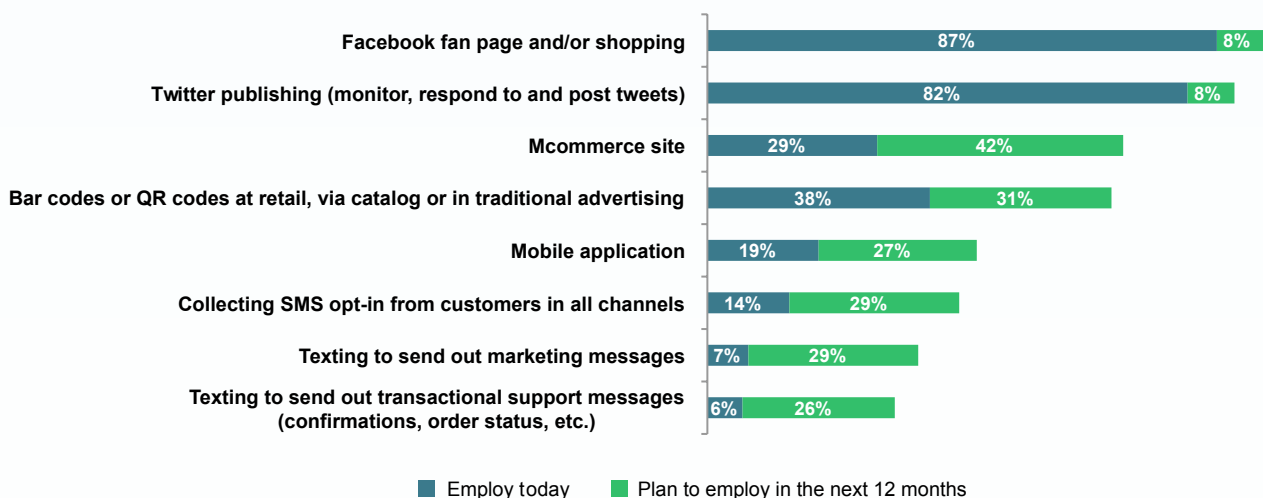
In the coming year what changes do you foresee for the revenue that each of these tactics will generate via your e-commerce/cross-channel initiatives? (Top 1 Significant Increase)



Continuing review of one's marketing spend based on shifting consumer engagement and return-on-spend performance are necessary to optimize budgets and garner greatest results.

MOBILE AND SOCIAL DOMINATE MERCHANT THINKING WHILE SMS SEES LIMITED TRACTION

Which mobile and/or social capabilities does your company employ or plan to employ?



Mobile and Social are of course the 2012 twin darlings of the media and merchant community. While Facebook and Twitter are in place, merchants are looking to expand their mobile and social capabilities over the next 12 months. Mobile dominates discussion but it is a work in progress. Current merchant status centered on those still in the evaluation mode, where several catalogers had sentiments along the following lines, "We will come up with a mobile plan that makes sense as more traffic is coming from mobile devices. Last year apps were trendy and today it's all about m-commerce, thus we will wait until the technology is consolidated more and invest smartly."

This conservative tactic however is not in line with the thinking of the majority who are investing in and enhancing existing efforts to keep pace with consumer embrace. Merchants are addressing the platform of choice and preferred tactics among m-commerce or apps-driven efforts, along with the budget to support desired initiatives. One sporting goods retailer noted, "We are launching mobile sites this week as we know our customers are taking advantage of mobile to do research similar to how they use our site." They reported activity that ranged from viewing QR codes, price checking, perusing reviews to checking on inventory in the stores. It is such consumer usage that is driving merchant adoption and will fuel further revenue-generating activity.

For many merchants we interviewed, email was top-of-mind along with traffic growth and conversion as they deploy mobile initiatives. They shared the need to “address the design of emails to ensure that they work well on a mobile device because many customers are viewing email on smartphones.” In fact, based on an e-tailing group survey of 1,000 consumers in September 2011, 58% somewhat to strongly agree that they like the ability to browse and preview emails from retailers and sometimes make a purchase directly on their smartphones.

One upscale multi-channel retailer concurred, “Our customers definitely read email on mobile devices.” He also suggested that they’ve seen large percentage increases in site traffic from mobile devices, though it’s still not a huge percentage of the total. “Our customers are also early adopters of the iPad and other tablet devices (which is probably true for most upscale stores).” Such insights should, at minimum, force retailers to review all mobile opportunities as they seek a solution that best meshes with their customer base.

For some, apps take center stage as marketers embrace them to continually inspire, engage and drive shopping among their affluent customer base. Exploring and ensuring that one has a digital catalog and a site that works well for the iPad was also on the minds of many we interviewed believing that apps will be beneficial for their brands. Several are also exploring how to leverage mobile to connect customers to their stores, reinforcing our findings from the prior section.

Early Days of Social

Social is at a crossroads for many retailers. Savvy sellers acknowledge on one hand that, “Our customers don’t have a game plan. We don’t know what they expect or will reach to do. If they are interested in your brand, they will find you.” On the other side of the coin, a multi-channel retailer was, “confident that customers accept new communication and it’s part of our diligence (social, ratings, talking to friends) so we must embrace social connecting in these new ways.”

Both branding and selling strategies are being tested. One outdoor retailer noted, “Social selling didn’t work so we switched to be more of a branding strategy. Most importantly, when we converse with the customers we want to ensure that these messages are consistent with other channels.” No matter your circumstances, the attitude shared by this retailer will likely produce the most interesting learning. She emphasized, “We are participating every way possible to be relevant to what customers are doing.”

In the spirit of supporting one’s business, Facebook is a 24x7 brand-play. This social endeavor is “the biggest face to brand, an opportunity to engage with people and also inexpensive to post a message.” The good news for

merchants is social is not a single channel strategy and many report a very low cost-to-build. Retailers don’t have pre-defined ROI requirements per one home merchant’s vision, “We don’t have a goal we’re trying to meet but social is seen as an experiment where sales will eventually come. We want to build relationships targeting influencers not just the one-time shopper.” This mindset is something all retailers should consider as they tackle the new world of social. They suggest fun campaigns, Facebook-only offers and funneling content to social where one’s brand rides along. This is especially true as “it’s nothing more than sweat equity to produce,” reminded one retailer. It’s being involved, learning and testing to ensure social is part of your mix that will set the stage for future endeavors.

Listen and Learn

Referring to the social consumer, one merchant shared an important piece of advice, “Everyone has a megaphone so listening and learning is important.” There is a great opportunity to leverage this information for future marketing efforts and the role of social becomes more intertwined with selling. Knowing that, “customers can and will figure out a way to talk about you” one retailer mentioned. “We are allocating dollars into brand advertising that includes social media. We are exploring where and why they talk about us by participating in these conversations.” They were forthright concluding that, “it’s worth it to engage but hard to measure.”

Another cited that they are “moving into new channels where social is a lab that allows us to learn more about what our fans think of us and often what they are not happy about. We poll them, inquiring when they want to shop from us, which also explains sales trends.” Yet another saw it all about engagement, not shopping, reporting that “our customers are completely engaged and Facebook is a good place for conversations.” He equated the dialogue to conducting a focus group every day. The insights are invaluable and social efforts seen as mostly successful especially given that they only spend an hour on Facebook and Twitter each week at virtually no cost.

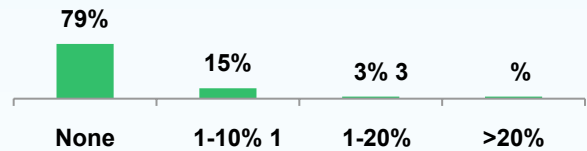
Embracing active customers should be foremost in retailer thinking. One sporting goods retailer reported that, “Customers are active; our 290,000 Facebook fans serve as a central hub where we can post and receive feedback in five seconds.” He believes participation is a direct result of the enthusiast nature of their customer base coupled with the consumer’s willingness to share. At this company, videos, how-tos and products on YouTube and Twitter are in place with reviews serving as the baseline. One fashion brand shared, “Our uber-fashionista customers are showing interest in social and we continue to see more of them on Facebook.” Such testing to gauge consumer interest is important, particularly in these early stages. This longer-term view will likely lead to superior results rather than unfulfilled promises for those who strictly bring an ROI bent to their social strategies.

There is also a new customer service dynamic playing out within social that should not be minimized. One retailer spoke from that perspective indicating, “We are moving funds into the social marketing area. Our channels are tied together via mobile and social including reviews. Today we receive 3-4X more questions from customers in Q&A and more posts overall. This means engaging our internal merchants to help answer questions instead of picking up the phone; answers are now handled via this new medium.” Adjustments will have to be made internally and the roles and responsibilities of personnel adopted to meet these evolving dynamics.

Mobile and social trial and error must be elevated given customer expectations with a range of options to pursue. A **“being in the game”** mentality is most important for short-term gains and long-term performance.

SMS INSIGHTS

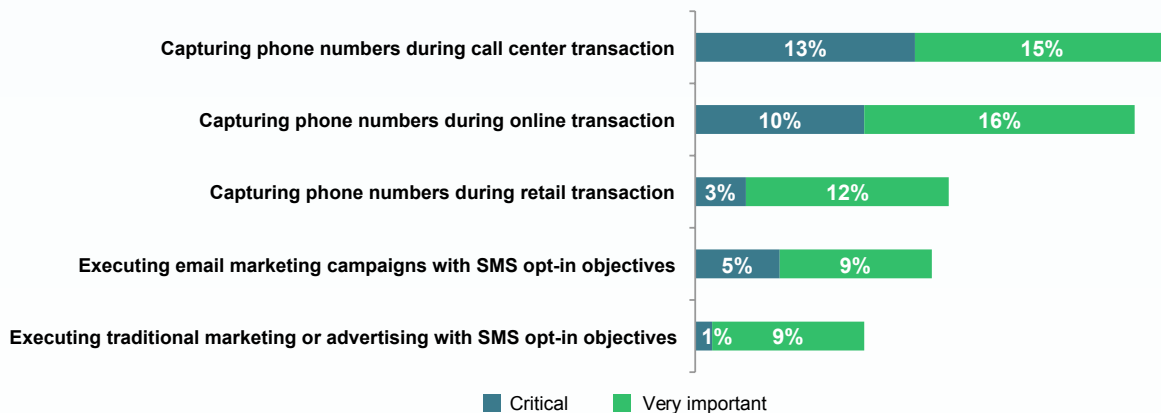
What percent of your house list has opted in to receive SMS/text alerts for marketing purposes today?



SMS is another topic garnering great attention so we felt it was also important to gather input in this emerging arena. Sentiments from both the larger survey and more focused interviews indicate that SMS is simply not a priority yet. With so many proven growth opportunities, most retailers seemed to take a “stay tuned” approach to SMS. Our research reported that to date just 21% of merchants are collecting phone numbers for future marketing text alerts.

The good news is that merchants are beginning to capture phone numbers to grow their files – primarily during call center and online transactions, despite limited SMS usage. For those collecting mobile numbers, the list size is typically less than 10% of the house file. It is wise to articulate a strategy for how your company views SMS and at a minimum, to follow the lead of those who have planned for future contingencies.

Regarding the tactics you are employing to grow your SMS file, please share how important each of these phone number capturing tactics have been in building your house file.



SMS capture starts online and here are just a handful of methodologies shared by fellow merchants:

“Collection of phone numbers via loyalty program”

“Asking for phone numbers softly in email preference center (i.e. “If we do this in future, would you be interested in our approach today?”

“Early on, B2B programs in-store via pro desk captured phone numbers; email registration very small today”

“Part of subscription preference center (opt-in and opt-out); let customer be in charge of these communication streams”

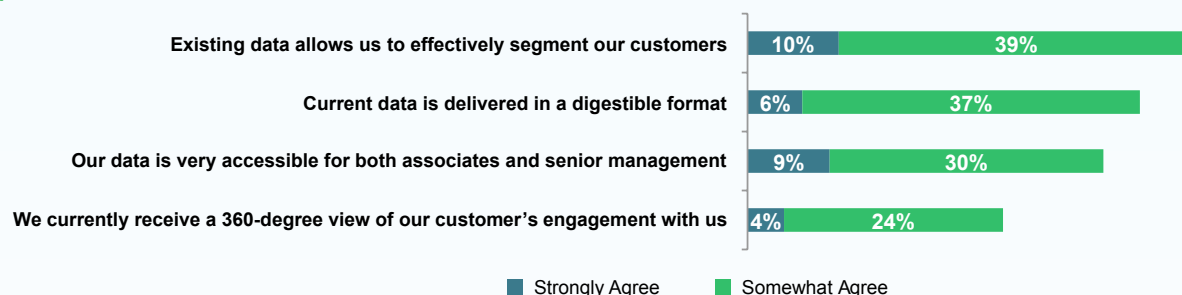
Connecting channels via SMS sparks interest as several retailers reported testing SMS this year tying into store traffic. “We are incentivizing shoppers in-store to opt-in to email or sign up from SMS. Coupons via SMS serve as the incentives. We don’t have any sense of how customers will react but are willing to test.”

It is early but nonetheless important to have a capture methodology to ensure building a robust list when you find yourself in a ready state.

DATA WILL DETERMINE SUCCESS

In the same way that consumers have access to information and marketing messages, retailers are “flush” with data, according to one merchant who emphasized that targeting and segmentation are more important than ever. “We find ourselves in a position of trying to build the perfect machine, seeking the ability to market to our customers on more of a one-to-one basis.” In order to accomplish this daunting task, most retailers will need new tools that can crunch large amounts of data. The availability and immediacy of data and a need for real-time decision making pervade retailer thinking. For some this means working on attribution and beefing up analytics to understand what works and what doesn’t, from loyalty programs to better information collecting.

When thinking about your ability to access the right data to successfully market to customers and prospects, please indicate your level of agreement on the following aspects.



There is room for improvement when it comes to accessing the right data to successfully market to customers and prospects. Less than 10% of those surveyed are in an ideal position to tap into the data they have to effectively market to their customers. The data is typically not accessible for decision-makers and is rarely digestible within the time frame in which decisions need to be made. Additionally the inability to segment and effectively target unique audiences puts many retailers at a disadvantage.

Merchants aspire to a 360-degree view of their customers but have work to do to get there. One retailer expressed their sentiments in this regard, “We are driving to a 360-degree view of our customer with an enterprise data warehouse; Today transaction data is channel agnostic and we need to see all engagements (social and web browsing, ratings/reviews; in-store seminars) in order to make the right marketing decisions as this is a leading indicator of purchase intent.” There was no hesitation in this retailer’s mind that having this data is mandatory. The challenge is the path their organization would take to support such efforts. The price tag in terms of systems, integration and resources in general varies and not all companies are in a financial position to embrace the solution despite its expressed value.

Better attribution is essential to drive one’s marketing strategy. Without such attribution, merchants are not in the optimal position to make the right marketing decisions. One retailer emphasized the investment they are making relative to online attribution tracking, “We need to add a layer to web analytics. This means moving beyond assumptions to determine how we allocate funds to channels where sales activity is taking place as it is not always directly attributable.”

At the same time a forward-thinking sporting goods merchant is rethinking customer influence. He shed new light on influencers and the importance of sharing admonishing old school ways, believing that 99% of brands measure the value of a customer around life-time value. “We are now layering on the customer’s social influence on top of the purchase. One customer might spend \$100 while another could spend \$50 but influence two additional customers, making their actual value to the company twice as great. If they influence \$150 on top of their spend, their real brand value is \$200. CRM today only sees purchase patterns so unfortunately today we are limited.” It is this level of vision coupled with the CRM data to act on the data that puts retailers in the right marketing readiness state.

Loyalty programs have more meaning than ever before. There is a clear case of the haves and have-nots. A multi-channel retailer who recognized the value of their loyalty program early on looked beyond its mere retention strategy and was visionary, seeing its customer insights and analytical power. One specialty retailer spoke of their multi-channel loyalty program (1.5 million people) and its ability to allow them to close the loop on their customer. The level of information provided is very powerful from most people. It is this kind of thinking that has propelled retailers to make significant investments in loyalty programs. A home retailer reported that they are testing a new program in select markets in the fall, emphasizing that “our customers deserve it.” He also articulated the importance that such data will have on analysis and its targeting potential. For both retailers and direct marketers, there is an even greater appreciation of its value.

Merchants must address their current data scenario and make the crucial decisions necessary to control marketing and optimize selling. It is likely to be an evolution but having a path to follow is better than heading down a road with limited access and poor data choices.

2012 PLANNING CHECKLIST

Being prepared is predicated on thinking through the critical issues, making the right choices and taking actions needed to better one's business.

MARKETING SPEND

- ☐ Revisit 2012 budgets reassessing your mix given evolving consumer dynamics
- ☐ Test newer technologies to understand their potential value to your business
- ☐ Review current resources to ensure you can support proposed plans

MOBILE AND SOCIAL DYNAMICS

- ☐ Ensure mobile is part of your 2012 planning process
- ☐ Evaluate mobile marketing from both a device and methodology point of view
- ☐ Social strategies should be tested for engagement remembering that revenues may follow suit on a lagging timetable

DATA

- ☐ Know that data is the foundation for success
- ☐ Evaluate your current data position and put in place a roadmap to support business needs
- ☐ Define CRM strategies and be prepared to make necessary investments

About Bronto



Bronto Software provides the leading marketing platform for retailers and other commerce-focused companies to drive revenue through email, mobile and social campaigns. Over 1,000 organizations including Party City, Armani Exchange, Timex, Samsonite, and Trek Bikes rely on Bronto to increase revenue through interactive marketing. The company won the Stevie Award for Best Customer Service in 2009 and 2010, was named a CODiE Award Finalist for Best Marketing Solution in 2011 and is one of Inc Magazine's top 100 fastest growing software companies. For more information, visit bronto.com or call 888-BRONTO-1.

About the e-tailing group



the e-tailing group is a niche e-commerce consultancy that helps merchants deliver the right customer experience on their websites and across all of their channels while adeptly assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community and deliver cost-effective thought leadership and lead generation. For more background about our research or for additional information on the e-tailing group, inc. please contact Lauren Freedman via email at LF@e-tailing.com, by phone to 773-975-7280 or visit the e-tailing group website www.e-tailing.com