Capitalizing on cross-channel retail opportunities

Using analytics and personalized marketing to increase revenue and customer loyalty

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Executive summary

With widespread use of mobile devices and social media, today's consumers are connected and empowered like never before. Shoppers enjoy an abundance of channels and choices and increasingly expect a consistent and relevant experience across all touchpoints. They reward retailers that can deliver a personal touch and guide them to the products they want—and are quick to look to the competition if the experience is off-target and uncoordinated.

How can retailers market to these discriminating consumers? Merchants are challenged to increase their understanding of customer behavior and use those insights to deepen cross-channel marketing engagement. They need to enhance cross-channel consistency as shoppers purchase more goods and services online, shifting business from physical channels. Retailers report that online revenues rose an impressive 28 percent in the 12 months ending in mid-2011, according to a study by Shop.org and Forrester Research.[1]

This white paper explores the challenges that face retail chief marketing officers (CMOs) and their divisions. It outlines strategies and technologies to effectively market across digital and traditional channels to achieve such strategic business objectives as:

• Acquiring and retaining more customers to grow top-line revenue
• Delivering the personalized cross-channel experience that consumers want
• Cultivating long-term loyalty and high-value customers
• Optimizing marketing efforts across online and traditional channels
• Building agile and innovative capabilities to capitalize on new opportunities

The retail priority: Understanding and serving customers

The priority for retailers is clear—to better understand, predict and serve customers. This objective is shared across merchandising, marketing and sales and in many cases is driven by C-level executives, from the CEO down. A remarkable 93 percent of retail CEOs surveyed by IBM cited greater customer understanding as their chief priority, illustrating the critical nature of the challenge. [2]

But how? Meeting customer demands is not a new objective, but one that has remained elusive as customer behavior shifts, new channels emerge and complexity mounts. Many retail marketers struggle with such issues as:

• Limited access to silos of customer data
• Large-scale increases in data volumes and complexity
• Proliferation of channels and touchpoints, including mobile and social media
• Lack of automation and integration in data collection and marketing execution
• Limited insights into customer cross-channel behavior
• Inflexibility to react swiftly to threats and opportunities

The irony is that retailers possess the key to understanding customers through the huge volumes of data generated by website browsing and purchasing, in-store shopping, call center and catalog orders, tweets and Facebook posts, product reviews and more. What most retailers lack are the unified processes and technology to turn that data into a single customer view to power sales and marketing.

As a result, the "data explosion" is the top pain point facing CMOs according to an IBM® study of more than 1,700 CMOs across industries. Seventy-one percent felt unprepared to deal with the data explosion, followed by social media and the growth of channels and devices, as shown in Figure 1. [3]

Percent of CMOs reporting underpreparedness

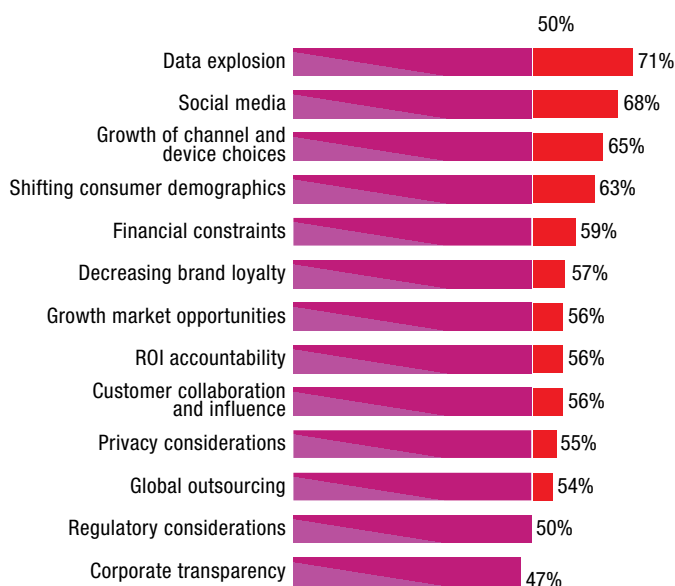|	
Data explosion	71%
Social media	68%
Growth of channel and device choices	65%
Shifting consumer demographics	63%
Financial constraints	59%
Decreasing brand loyalty	57%
Growth market opportunities	56%
ROI accountability	56%
Customer collaboration and influence	56%
Privacy considerations	55%
Global outsourcing	54%
Regulatory considerations	50%
Corporate transparency	47%

Figure 1. A majority of CMOs feel unprepared to deal with the ongoing "data explosion."

Also consider: Just 6 percent of marketers surveyed by IBM across industries rate their online and digital marketing capabilities as excellent, revealing a massive gap between goals and reality. [4] And "turning data into action" was the top issue facing marketers, cited by 62 percent of respondents to an IBM Unica® study. [5] That is followed by attributing success to marketing and determining optimal channels and contact frequency, as shown in Figure 2.
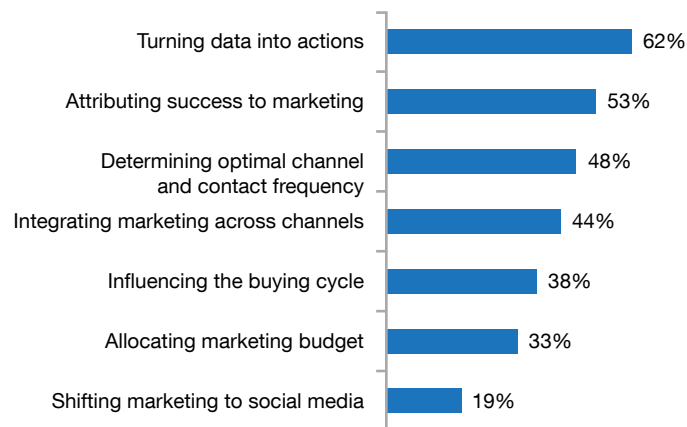
Turning data into actions	62%
Attributing success to marketing	53%
Determining optimal channel and contact frequency	48%
Integrating marketing across channels	44%
Influencing the buying cycle	38%
Allocating marketing budget	33%
Shifting marketing to social media	19%

Figure 2. "Turning data into actions" is the top issue facing marketers.

Data science and the art of retail marketing

Those problems may seem unsolvable, but they're not. Technological advances have opened new frontiers for retailers to introduce data-driven science into the art of marketing. Platforms have evolved that enable retail marketers to track, understand and react to every customer action, from an abandoned shopping cart to a Facebook post to a click on a marketing email to a QR code scan with a smartphone.

With the right technology, leading retailers are capitalizing on customer data to tailor offers, build loyalty and drive revenue. They are gaining flexibility to react to changing behavior and competitive opportunities. Today's best retailers have introduced data science to the art of marketing and can move from insight to action in a matter of clicks. Such capabilities are particularly valuable during the November-December shopping season and other seasonal opportunities.

Four key focus areas for multichannel retailers

To lift revenues and customer loyalty, leading retailers are focused on cross-channel optimization, web analytics, mobile devices and social media.

Cross-channel optimization: A unified brand experience

The term *multichannel* defines today's retail shopper. Consumers research online, and buy in a store. They browse your print catalog, and order online. They order through your call center, they expect an order confirmation email. They scan a QR code with a mobile device and print in-store coupons from your Facebook page. In the future, they may order goods through a television with a remote control. Whichever channel they choose, consumers expect a personalized and relevant experience.

For retailers, marketing is a multichannel effort that covers websites, email promotions, call centers, print and television advertising, postal mail, social media and more. But these channels work in isolation of one another at most retailers, compromising ability to measure overall performance and risking customer alienation with off-target or duplicate campaigns. In a study of nearly 150 retailers, Aberdeen Group found that just 20 percent could quantify the impact of multichannel marketing. [6]

For example, a furniture store may have credit card information for an online customer, but cannot make the connection after the shopper browses leather couches online before buying one in a store. If the merchant could make the connection, it could tailor content and offers and enrich the customer's profile with the latest activity.

Cross-channel marketing is the evolution of multichannel marketing, seeking to deliver a unified customer experience across outbound and inbound channels. A unified platform enables retailers to progressively choreograph messaging and offers across all touchpoints, rather than simply repeating the same message through different channels.

Orvis: Effective cross-channel marketing

Orvis, the oldest mail order company in the US, has evolved into a thoroughly cross-channel company with a robust website, about 50 US retail stores and a worldwide network of 500 retail partners to go along with its catalog sales and call center. IBM Unica solutions are helping the company, founded in 1856, engage customers and drive sales of outdoor gear, clothing, home furnishings and more.

Orvis relies on IBM Enterprise Marketing Management solutions to coordinate interactive marketing across channels and increase understanding of customer behavior. For instance, with IBM Unica's email solution, Orvis has cut its email marketing costs by 40 percent while improving customer response. IBM Coremetrics® Intelligent Offer has increased revenues from product recommendations by 70 percent. IBM Unica NetInsight is delivering insights into customer activity on the website, enabling continuous optimization.

With IBM, Orvis has expanded customer analytics beyond a couple of specialists to dozens of marketing managers, empowering them to segment data and execute campaigns. "We can really understand what's driving people to our website and use that information to refine future campaigns," said Orvis CIO Mark Holmes. "We can evaluate our catalog not only on its power to sell through our call center and website, but also on its ability to drive customers into our retail stores."

Figure 3 compares the silos that can result among standalone multichannel initiatives versus the focused funnel of cross-channel marketing.

Effective cross-channel marketing requires a unified foundation that's lacking at most retail organizations. Given the siloed nature of multichannel marketing, it's no surprise that 87 percent of respondents to an IBM Unica survey expressed interest in a fully integrated marketing suite that would eliminate barriers.[7]

A unified foundation makes possible a complete portrait of the customer by consolidating data from web activity, loyalty programs, call center interactions, CRM applications, transactional systems and a data warehouse. That single view helps ensure you can provide the shopper with a consistent experience regardless of which channel the person chooses and positions you to orchestrate campaigns using the best channels:

Inbound call center and website. Using cross-channel customer data during inbound interaction is a proven way to drive cross sell. For instance, a retailer with visibility into customer behavior is positioned to make relevant cross sell offers when a customer phones a call center to place an order. An automated engine that recommends products to site visitors based on historical and in-session behavior has been shown to substantially increase sales and average order value.

Personalized email marketing. Emails alerting customers to discounts, new products or inviting social media interaction enable retailers to increase website visits and sales. The ideal email marketing solution enables you to launch campaigns to customers segmented in another channel, such as paid search, and measure performance of both initiatives in a single interface. Email can work with display ads to retarget browsers who left a site without conversion, and offers a chance to provide cross sell recommendations in order confirmation emails.
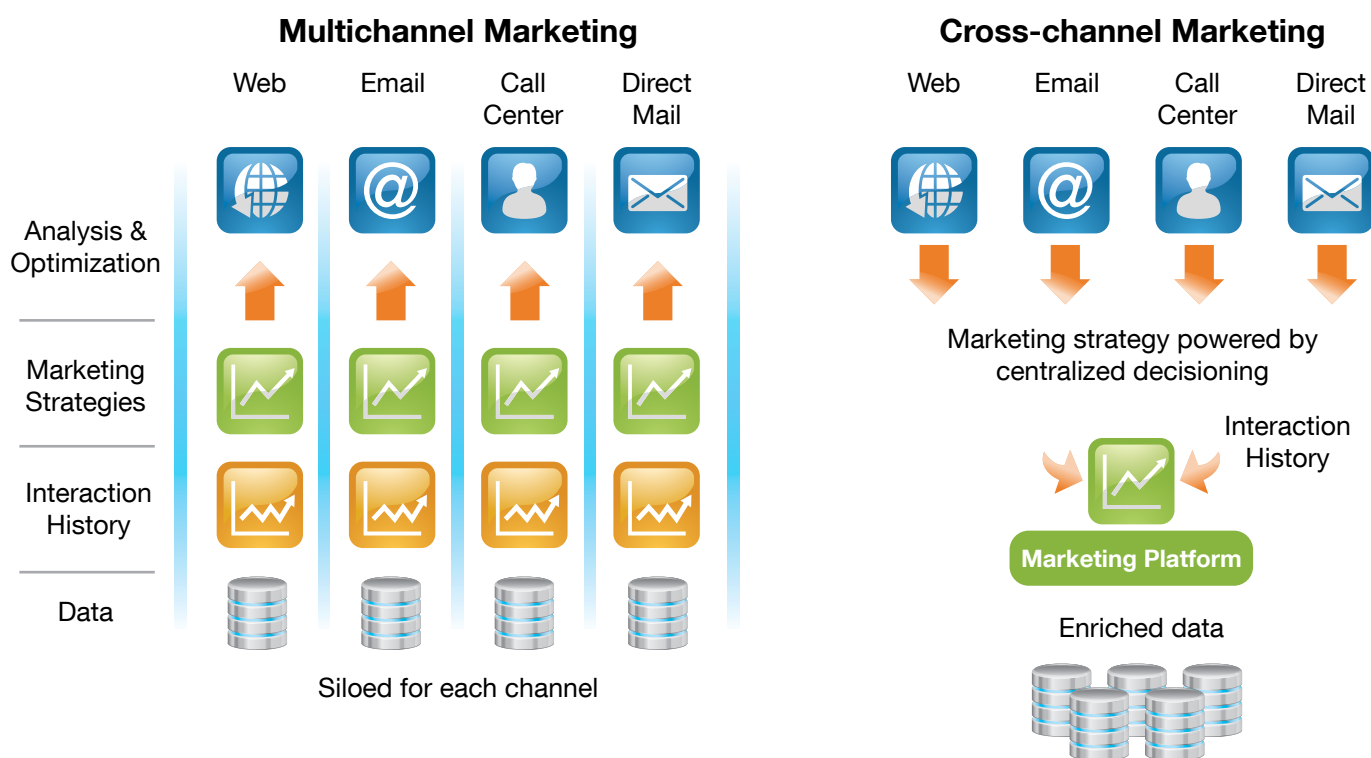

Figure 3. Cross-channel marketing unifies complementary customer initiatives.

wehkamp.nl: Personalization in action

wehkamp.nl, the Netherlands' largest retailer, is retargeting browsers and abandoners with display ads, personalized email and on-site product recommendations—a multi-pronged personalization strategy that's driving large gains in top-line revenue.

With IBM Coremetrics AdTarget, wehkamp.nl, which sells thousands of products across dozens of categories, is realizing return on investment (ROI) that's 15 times greater than from its previous use of generic banner ads, with a five-fold increase in clickthrough rates. wehkamp.nl also uses IBM Coremetrics LIVEmail for personalized email, netting a 271 percent higher sales-per-send ratio and 68 percent higher clickthrough than non-personalized email.

With on-site product recommendations, IBM Coremetrics Intelligent Offer is driving substantial sales gains while enabling wehkamp.nl to repurpose five employees who had run a custom-built site recommendations and cross sell solution.

"I'm very impressed that the ROI numbers from personalized banners are so much higher than from standard, non-targeted banners," said Ewald Hoppen, senior web analyst at wehkamp.nl. "We firmly believe that retargeting is a valuable way for improving our marketing communications."

Display ad retargeting. Display ad retargeting is helping retailers prompt return website visits, heighten brand awareness and increase clickthrough and sales. The best display ad retargeting technology gives you flexibility in delivering brand-level ads or ads specific to products a customer browsed. You can control the timing of delivery by segments, for instance, immediately retargeting cart abandoners before they make a purchase at a competing site.

Search engine marketing. Paid search marketing is the primary vehicle for new customer acquisition for most retailers, accounting for 55 percent of interactive marketing spend in the US in 2011, according to Forrester Research.[8] But paid search marketing can deliver subpar results unless you have deep visibility and real-time control over your solution. The ideal platform provides automated and real-time keyword bid management, and enables comparison of paid search performance against other channels, supporting data-driven decisions on marketing mix and budget.

Web analytics: Site usability, marketing measurement and customer profiles

As online purchasing continues to grow, web analytics is increasingly essential to improve site usability, measure cross-channel campaign performance and understand consumer behavior. The majority (76 percent) of respondents to a Forrester survey cited site measurement and analytics tools as the tactics that they find effective.[9]

"With the explosion of available data from more sources with increasing frequency, (e.g. site analytics, vendor analytics, performance monitoring, cross-channel analytics), retailers will invest even more to develop consistent reports and analyses for executives, and to gain deeper insights from the disparate sources available," Forrester writes.

Another factor is the declining time that consumers spend at retail websites. According to IBM Coremetrics Benchmark data, the average session length of 7:12 minutes in October 2011 was down 28 percent from 10:04 in April 2008, as seen in Figure 4. Analytics can help marketers determine whether less time on site means that personalization efforts are working and consumers are quickly finding the goods they want—or whether shoppers are departing quickly because of an unsatisfactory experience.

A common weakness in online retail is reliance on a standalone site measurement and optimization tool. Such technology helps marketers identify usability problems that deter customers from conversion, but fails to support customer analytics and marketing. For example, an IBM Unica study found that less than 24 percent of respondents feel they make "very effective" use of web data for customer analytics and marketing.

The ideal solution uses a single, integrated platform for web analytics, building customer profiles, executing and measuring cross-channel marketing campaigns, and understanding customer lifecycle progression.

Build a complete customer profile. With customer behavior in constant flux, it's important to capture real-time data from all sources. Technology can enable you to track and integrate behavioral data from online activity, in-store and call center purchasing, campaign response, and social and mobile channels. With a complete profile, you're able to make personalized offers based on such factors as historical behavior, real-time in-session activity and campaign response. By scraping data from Facebook fans and Twitter followers, you can further enrich customer profiles.
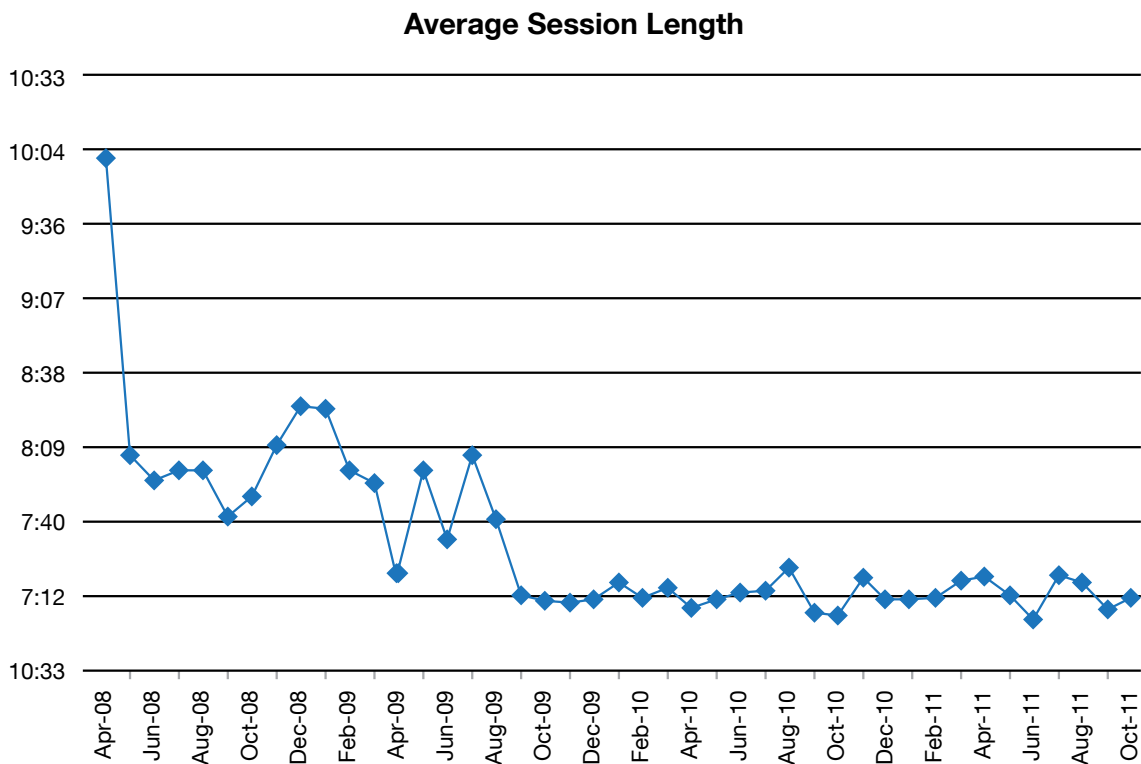

Average Session Length

Figure 4. Consumers spend less time on retail websites than they did several years ago.

Measure campaign attribution and performance. Measuring how diverse campaigns contribute to sales is essential to sound marketing mix and budgeting decisions. Yet many retailers continue to rely on flawed attribution models, crediting the channel last clicked by the customer for conversion.

Sophisticated attribution modeling lets you understand the multiple interactions that customers have with your brand over time, including search marketing, email, mobile devices and more. In addition, attribution models enable you to calculate the influence of unclicked display ads and other assets (called impressions) on conversion.

Mobile: Meeting demands of the on-the-go shopper

If you're not building and executing a mobile strategy, you're likely to lose ground to enterprising competitors that can meet growing demand for mobile device browsing and shopping and engage users with innovative capabilities.

An IBM study found that more than two-thirds of mobile users want to use their devices to identify store locations and check pricing and inventory, as shown in Figure 5.[10] A notable 50 percent are interested in using devices to pay for goods in stores as phones with near-field communication (NFC) chips become available.
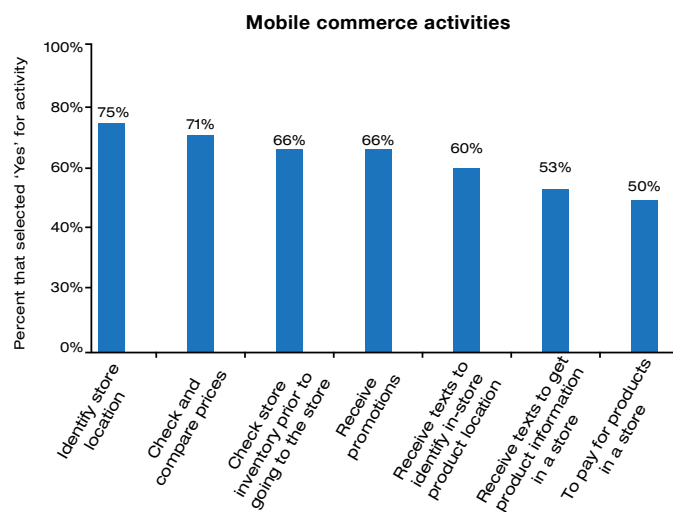
While the percentage of respondents who want to purchase with mobile devices may seem low at 13 percent, according to IBM's study, this number is up dramatically from several years earlier. In fact, ABI Research calculates that US mobile commerce more than doubled in 2010, to USD3,400,000,000, compared to the previous year. [11]

But mobile users are among the most fickle of customers. The time they spend on a website is half that of conventional web users, Coremetrics Benchmark shows. Retailers are challenged to deliver a superior experience by testing and optimizing mobile site usability by device type, operating system and screen size and resolution.

Beyond that, leading retailers are rolling out innovative apps and capabilities that are reshaping the mobile retailing landscape. Some offer mobile apps that enable in-store customers to scan and tally prices, and use that information to deliver real-time promotions to a device. Others deliver location-based marketing offers to opt-in customers when a device shows the person near a store.

Online merchants such as Amazon and eBay offer mobile apps by which an in-store customer can scan a bar code or photograph a product to check its price and availability from the online store. Many offer QR code promotions and mobile-only discounts. Such innovations are heightening competitive pressures and the need to measure mobile ROI.

The ideal mobile analytics solution enables granular analysis of mobile performance and comparisons between mobile and other channels. It provides capabilities for usability testing and optimization, enabling retailers to find glitches that can frustrate mobile users and send them to a competing site.

Mobile commerce activities

Activity	Percent that selected "Yes" for activity
Identify store location	75%
Check and compare prices	71%
Check store inventory prior to going to the store	66%
Receive promotions	66%
Receive texts to identify in-store product location	60%
Receive texts to get product information in a store	53%
To pay for products in a store	50%

Figure 5. More than two-thirds of mobile users want to use devices to identify store locations and check pricing and inventory.

Social media: Driving sales, customer engagement and loyalty

Social media has opened up a world of marketing opportunities for retailers to engage with customers, build loyalty, elevate brand awareness and capitalize on word-of-mouth marketing. Product reviews and forums have proven effective in building consumer communities, while large retailers have gained millions of Facebook fans and Twitter followers.

Social media fans are a valuable segment to cultivate. For instance, Coremetrics Benchmark shows that visitors arriving at a website from social media are more than twice as likely to convert than the population at large (10.7 percent to 5.2 percent). Integrating campaigns across social media and complementary channels, such as email or direct mail, can have a symbiotic relationship.

Personalized email inviting customers to submit product reviews is a good way to prompt return website visits while building a community. IBM customer Nebraska Furniture Mart saw a seven-fold increase in product reviews with emails encouraging customers to share their opinions. Nebraska Furniture supports that effort with personalized on-site recommendations, which account for about 10 percent of its site sales.

Consumers are willing to follow a brand if they receive something in return, with free samples and discounts the top incentives, an IBM study found.[12] Consumers rank co-creation — the ability to influence product development—as the third most important reason to follow a retailer, as shown in Figure 6. Leading retailers are capitalizing on this tendency to turn customers into product evangelists.

Most important reasons for 'following' a retailer	
Rank	Reason
1	Being able to trial new products (free samples)
2	Receiving preferred consumer status
3	Influencing product development or changes
4	Providing feedback to retailer on customer service or store experience
5	Learning news or industy trends
6	Interacting with other consumers
7	Sharing feedback and reviews with people in my social network

Figure 6. Free samples and discounts are top reasons for consumers to follow a retailer on social media.

Yet a large gap exists between social media spend and measuring how it influences sales. Most retailers lack the tools needed to gauge social media effectiveness versus other channels, such as email and paid search. Part of the problem is inability to measure the "view-through" impact of unclicked impressions on social media, without direct clicks to the retailer's website. The optimal solution enables retailers to:

- Measure social ROI against other online marketing channels
- Analyze the impact of referral visitors from social networking sites
- Monitor the downstream impact of social content impressions
- Track real-time conversations about your brands, products and competitors
- Make data-driven marketing and budget decisions

The IBM approach to cross-channel retail marketing

IBM offers retailers a comprehensive set of Enterprise Marketing Management (EMM) solutions to take control of data and optimize every aspect of online and cross-channel analytics and marketing. IBM EMM solutions include IBM Unica Campaign Management and the IBM Coremetrics Digital Marketing Optimization Suite, comprising a full range of capabilities essential for marketers to capitalize on opportunities in the fast-changing retail market:

- Customer profile building and management
- Cross-channel marketing management and execution
- Web analytics and site optimization

An integrated suite of IBM Coremetrics and Unica marketing applications enables retail marketers to turn data into action in a matter of clicks, launching personalized campaigns across any channel that zero in on a customer's known interests. Unlike the data systems in place at most retailers, these solutions do not exist in silos. They comprise a fully integrated platform — a 1+1=3 value proposition that gives marketers the insights and tools they need to capitalize on opportunities.

Conclusion

The new retail consumer is empowered and connected. Loyalty is down, mobility is up. With social media, mobile devices and a wealth of shopping channels and choices, consumers have more control of the retailer/shopper relationship.

Retailers recognize the need to adapt their strategies and technologies to these new realities and to improve their agility in understanding and serving customers. While delivering a personalized cross-channel experience is the common goal, many retailers will continue to struggle and risk losing market share because they lack a solid foundation for cross-channel marketing and analytics.

Closing the massive gap between goals and reality can't happen overnight—it's a journey that will pay dividends only with continuous measurement and optimization. IBM EMM solutions give you a complete set of integrated technologies to overcome roadblocks and achieve the revenue lift and customer loyalty that defines long-term and sustainable success.

About IBM Enterprise Marketing Management

The IBM Enterprise Marketing Management Suite is an end-to-end, integrated set of capabilities designed exclusively for the needs of marketing organizations. Integrating and streamlining all aspects of online and offline marketing, IBM's EMM Suite empowers organizations and individuals to turn their passion for marketing into valuable customer relationships and more profitable, timely, and measurable business outcomes.

The IBM EMM Suite helps marketers to understand customer wants and needs and leverage that understanding to engage buyers in highly relevant, interactive dialogs across digital, social, and traditional marketing channels. IBM EMM provides robust web and customer analytics, event detection, campaign management, real-time interaction management and recommendations, lead management, digital marketing optimization, email marketing, targeted advertising, search engine marketing, and marketing resource management capabilities. Over 2,500 organizations around the world use IBM EMM solutions to help manage the pressures of increasing marketing complexity while delivering improved revenue and measurable results.

IBM's time-tested and comprehensive offerings are giving companies such as E*TRADE, ING, InterContinental Hotels Group, Orvis, PETCO, United Airlines, Vivo and wehkamp.nl the power and flexibility required to provide their customers and prospects with what they expect today—a more consistent and relevant brand experience across all channels.

For more information

To learn more about IBM Enterprise Marketing Management please contact your IBM marketing representative or IBM Business Partner, or visit the following website:
ibm.com/software/marketing-solutions

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[10]IBM Institute for Business Value, "Retail 2010: Meeting the demands of the smarter consumer."

[11]ABI Research, "Mobile Commerce Sales Explode in United States: Will Top $3.4 Billion in 2010," news release, December 17, 2010.

[12]IBM Institute for Business Value, "Retail 2010: Meeting the demands of the smarter consumer."