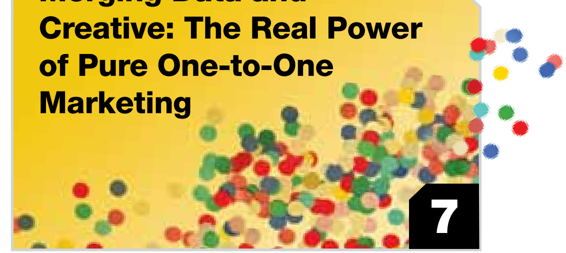
Volume 2 - Issue 2

The Future of Retail: The Destination is You

Merging Data and Creative: The Real Power of Pure One-to-One Marketing



IN THIS ISSUE:

DEAR <FIRSTNAME>,

What does it mean to be a brand? The definition is shifting every day. This issue explores the **changing face of retail**. As the recession drove consumers to discover store brands—also known as private label brands—they are now competing on value and price to win customers.

Michael Kitz, vice president of OfficeMax Brands and Product Development, spoke at the Store Brands Decisions Innovation and Marketing Summit about how the lines are getting blurred between national brands versus private label brands. Many retailers are now creating their own brand departments and investing in consumer insights, savvy design and new business models.

As retailers continue this trend, consumers will be hard pressed to know whether a brand is a national brand or a private label brand. And they won't care—as private label brands start offering better value and quality.

Customers can now buy anything, anytime, anywhere. Purchases can happen on your mobile phone, your computer or in a brick-and-mortar store.

OfficeMax is evolving two of their private label office product brands, DiVOGA and TUL, into national stand-alone brands. Their customer persona "Eve" will start to see OfficeMax products in the aisles of her grocery store, perhaps multiple times a week.

Customers can now buy anything, anytime, anywhere. Purchases can happen on your mobile phone, your computer or in a brick-and-mortar store. So it's important to keep in mind that all of your customer touch points are integrated and provide positive experiences—from signage to mailers to employee interactions. Drive repeat purchases for your brands by tapping into customer data and engaging in one-to-one marketing through loyalty programs and rewards.

We all must evolve as fresh marketing trends take hold. I'm looking forward to exploring this brave new world with you.

Sincerely,

<Signature here>

<Your Name>
<Your Company>

CO. LOGO

TIMELESS TRUTHS ABOUT BRAND LOYALTY

By Denise Lee Yohn, brand as business bites™

Yogi Berra once lamented that “The future ain’t what it used to be.” Today, companies have a related complaint: “Brand loyalty ain’t what it used to be.”

No longer can brands expect long-term loyalty, even from their most faithful customers. As economic pressures mount, competitive landscapes shift and life simply happens, it may seem pointless for companies to try to lock in customer loyalty.

Nonetheless, the folks at SymphonyIRI Group released a study titled “Brand Loyalty: How Understanding Brand Equity Impacts Brand Loyalty and Delivers to the Top and Bottom Line,” which attempts to deconstruct the drivers of brand loyalty.

The scope of the report is limited to consumer packaged goods, so the findings may not apply to all categories. Also, the analysis defines loyalty as “greater than 50% of buyer’s total purchasing is of a single brand, not including private label.” While you can argue whether or not this is an accurate definition of loyalty, the report points to a few truths about brand loyalty which stand on their own and which stand the test of time.

1 PRICE DOES NOT EQUAL VALUE.

Perceived value drives loyal purchase behavior. The report explains, “…even when times are tight, brands are important. However, in the context of the new, more conservative world of CPG, brands that provide value are critical.” But value isn’t about price alone.

The researchers found that when it comes to brand decisions, 79% of consumers consider price and 76% consider past usage and trust of the brand. Shoppers also factor requests of household members, product labels, in-store displays and much more into their buying decisions.

Further, twice as many people agree with the statement, “I tend to buy the items that give me the best value for the money” as those agreeing, “I tend to buy the lowest price item.”

So, bottom line, brands can’t bribe customers into loyalty with price.

2 AS BRAND LOYALTY INCREASES, CONSUMERS ARE LESS SENSITIVE TO PRICE CHANGES.

While marketers may know this intuitively, SymphonyIRI reports category data to prove the point: “In sugar and butter, where loyalty is pretty low, substantial price hikes have led to sharp drops in loyalty during the past three years. In blades and dish detergent, on the other hand, relatively high brand loyalty has continued to grow despite rather sharp price increases.”

This should be good news to the many companies whose categories have been hit with rising raw material and manufacturing costs. It suggests that consumers accept some price increases—loyalty is leverage.

And just because a category may not inspire high loyalty in general, it’s not stuck. The research shows that brands can still build loyalty during inflationary times. Chocolate candy is an example of a category with relatively low average loyalty (16%) that has seen an increase in loyalty between 2008 and 2011.

3 PRIVATE LABEL ENJOYS LOYALTY TOO.

“Private label products have captured the attention, the respect and the wallets of American consumers,” the report declares. The researchers found nearly all consumers purchase private brand products these days, and more than one in three actually seek out private label products.

Although 47% of consumers are buying more private label today versus before the economic downturn began, the strength of private label isn’t simply a result of belt-tightening. Consumer perceptions of the quality of private label products have become quite favorable in some categories. Across retail channels, store brands are viewed as offering the same or better quality as national brands by more than 50% of the population.

Private label loyalty is strong and growing across many of the top 100 CPG categories, the report shows.

Concluding recommendations come straight from the report:

- Invest heavily in establishing and strengthening brand loyalty, focusing on and delivering against the most meaningful needs of key and target shoppers.
- Leverage frequent and granular assessments of core and target shoppers to ensure a comprehensive and always-current understanding of value drivers for key categories and brands.

ITEMS SOLD 9
TC#

As shops turn into showrooms, retailers must change with a radically shifting landscape in order to compete. There's one upside to economic crisis: it can be the mother of great invention. The Wall Street crash of 1929 gave birth to Mickey Mouse and sliced bread, among other things. Who would ever argue that Mickey Mouse hasn't lit up our lives? Or that sliced bread hasn't helped us get more from our daily loaf?

SHOPS ARE NOW SHOWROOMS

For retailers, the challenges are coming thick and fast. Consumers are treating shops as mere showrooms, trying out products before going home to order it online for the best price. Price transparency may be great for consumers but it can devastate a brick-and-mortar retailer who showcases wares only to line the pockets of others. The fall of Borders coinciding with the rise of the Kindle is a poignant example.

And so the pillars of traditional retail are being challenged, one by one. Technology is making price comparisons easier than ever before. There's more choice online and fast home delivery is more convenient than any retailer location. These days, quality of service is mainly judged on speed.

SO WHAT ARE RETAILERS TO DO?

The answer, of course, isn't straightforward—retailing is hugely complex and becoming more so every day. However, retail brands could be the catalyst for change and survival. Retailers need to truly understand their brand and what it means to their customers' lives. Once the brand is understood, every activity—from marketing and distribution to product launches and innovation—flows from that core philosophy, strengthening the retailer's proposition.

For many, this represents a major shift in mindset and culture, particularly for those entrenched in the rational science of retailing led by merchants, accountants and operations people rather than marketers, insights experts and brand managers.

Yet retailers with a differentiated and relevant brand story and point of view are best placed to weather the storm. Customers are loyal to Trader Joe's because they connect with what the retailer stands for—not just because of the price. Trader Joe's also has a robust private label program that gives them a unique point of difference.

Private label can be a hugely valuable business brand tool, but only if you get it right.

R.I.P. "GOOD, BETTER, BEST"

Customer attitudes are rapidly changing too. People spend more time considering each purchase, shopping with their hearts as much as their wallets. This makes the old "good, better, best" (good being the opening price point, better mimicking the national brand equivalent and best being the more premium range) retail concept irrelevant. This model suited rational buying, where people picked private label because it did the job at a lower price. Nowadays, shoppers want emotion and experience as much as functionality. In the changing world, private label needs to offer something more.

Back in 2004, the Australian supermarket, Coles, worked with Elmwood brand consultancy to create "You'll Love Coles." Their previous

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private label was very "me too" and rationally price-focused whereas "You'll Love Coles" used real people as advocates on pack to say why they liked the product. This idea engaged with consumers beyond the functional on an emotional level. In a few years, sales doubled.

Elmwood's revamp of Walmart's Great Value private label was a similar success story. A new design made it easier for customers to find the range on shelf. Great Value became an important ally in helping customers meet their tight weekly shopping budget.

FROM PRIVATE LABEL TO PRIVATE BRAND

The consumer packaged goods brands a retailer stocks are no longer a key differentiator. If retailers want to get more people in-store, they need to be the only ones who do what they do. Private label is the perfect vehicle to drive that difference. By operating on a more emotional level, private label can inspire and excite shoppers with products that have a point of view they can relate to.

Private label could soon become private brand—going way beyond a simple packaging solution and making compelling stories with a unique point of view the mainstream strategy. This is one way to drive more footfall, boost margin and differentiation, and compete with online products.

Asda, the U.K. grocery chain, is a retailer that sensed the changing winds and got on-board early with private brand. They worked with Elmwood brand consultancy to create the strategy behind Chosen By You, the U.K.'s first "branded" private label range. More than just pretty packaging, Chosen By You is a big, brave idea. It has a point of view (real customers test and approve every item) and a distinct personality, as well as terrific shelf standout. Asda treats Chosen By You like a true brand and it's bumped up sales by a significant amount.

As brand-power gathers steam, private label has a golden opportunity to come of age. Retailers simply need to recognize the potential and make it reality. However, they should move at pace. As fast as we think the world is changing now, it's worth pausing to realize that we're only standing on the edge of unprecedented change to come.

LOOKING EAST

The pace of change is being set by those hungrier for it—namely, India and China. Able to meet high demand with ultra-competitive pricing, their economies are expanding at a phenomenal rate. Three-quarters of India's billion plus population—that's 750 million people (three times the population of the US)—earn a dollar a day, which breeds aggressive price competition. India's transport systems reflect this pace of change, as high-speed train networks spring up over roads frequented by ox and cart and new affordable cars like the Tata Nano retail at around $2,000.

China and India's retail environments are ahead of everyone else when it comes to innovation and meeting consumer needs. Consider a perfume counter that dispenses perfume using spirits optics. Customers keep their original, beautiful bottle and simply go back to the store for a refill. Blending premium with value, this counter is a simple, handy and quirky idea—more importantly, it's an experience you wouldn't be able to get online.

As far as change goes, it's fair to say we ain't seen nothin' yet. But to end on a positive note, retailers that embrace the changing world could be the famed successes of the future.

THE FUTURE OF RETAIL: THE DESTINATION IS ***YOU***

By Doug Stephens, Retail Prophet Consulting

Since the time of the Roman Empire, retail as a concept has been about destinations. Whether a small specialty shop, a department store or a website, retail has always meant going *somewhere* to get *something*.

As retail has evolved over the centuries, each new type of destination has delivered an increased level of convenience. The urban specialty shop put multiple stores within walking distance of one another. The department store offered multiple categories under one roof. The big box gave us more categories and products than most of us ever imagined and now the Internet—the biggest of big boxes—is the ultimate category killer. But while these innovations have improved the relative ease with which we can shop, the concept of destination has remained. We are still required to consciously make a trip, be it physical or otherwise, to get what we need.

This is about to radically change. Increasingly it will be the products that seek out consumers and in the process, render consumers the destination.

As we move through our day, opportunities to make purchases will present themselves in a completely synchronous and contextual way. We will not think in terms of destination as much as in terms of opportunities to buy the things we need, wherever those opportunities arise. The "rules" about where we can find the things that we need will be challenged as "anything/anywhere" shopping becomes the expectation and ultimately the norm.

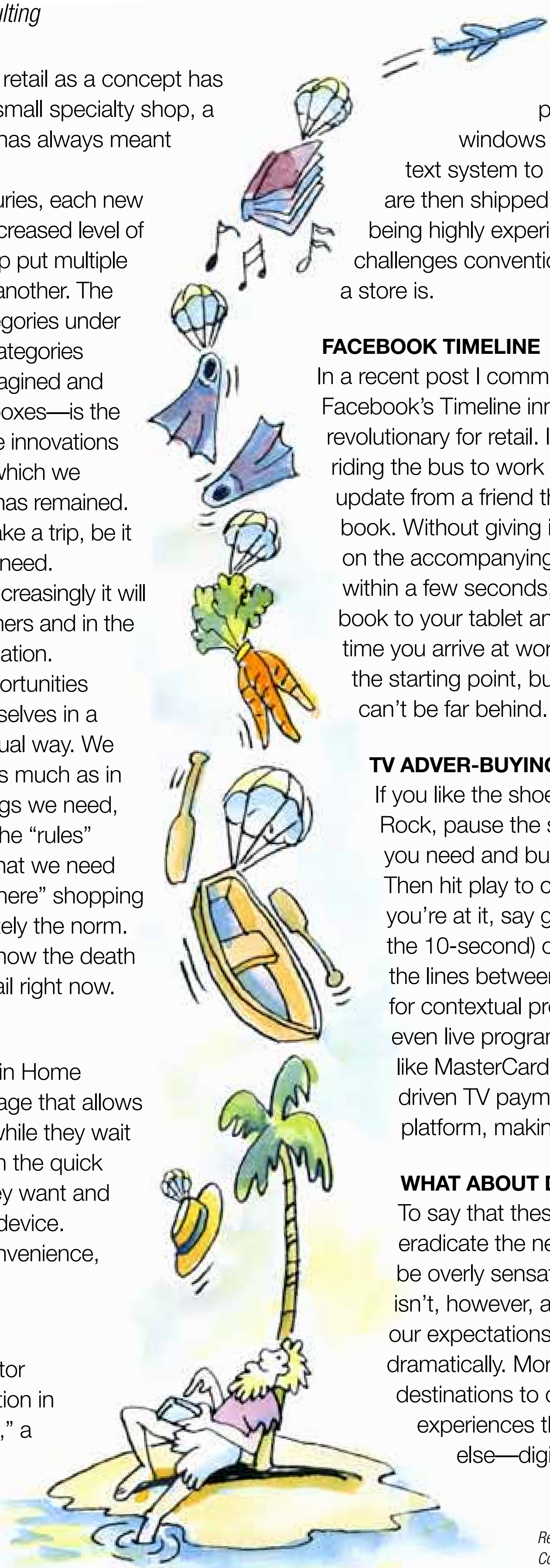
Here are four recent examples of how the death of the destination is playing out in retail right now.

HOME PLUS QR CODE SHOPPING

Recently Tesco's Korean grocery chain Home Plus installed innovative subway signage that allows busy commuters to order groceries while they wait for their train. Consumers simply scan the quick response (QR) codes of the items they want and pay for their order using their mobile device. The order is then shipped, at their convenience, to their home.

SHOPBOX

Recently the 3rd Ward design incubator made news with its ShopBox installation in Brooklyn's Dekalb market. The "store," a recycled, retrofitted and completely unmanned steel shipping container, allows shoppers to browse products through storefront-like windows and then using an order-by-text system to complete a purchase. All items are then shipped directly to their home. While being highly experimental, ShopBox nonetheless challenges conventional thinking around what a store is.



FACEBOOK TIMELINE

In a recent post I commented on the extent to which Facebook's Timeline innovation could be literally revolutionary for retail. In short, very soon you may be riding the bus to work when you get a mobile Facebook update from a friend that says they've just read a great book. Without giving it a great deal of thought, you click on the accompanying book title in their update and within a few seconds, download a copy of the same book to your tablet and be well into chapter one by the time you arrive at work. Music, books and movies are the starting point, but other products and services can't be far behind.

TV ADVER-BUYING

If you like the shoes that Tina Fey is wearing on 30 Rock, pause the show, select the shoes in the size you need and buy them by waving at your television. Then hit play to continue watching the show. While you're at it, say goodbye to the 30-second (or even the 10-second) commercial. Internet TV will blur the lines between surfing and viewing and allow for contextual product placement within taped and even live programming. Furthermore, companies like MasterCard are playing with motion and sound driven TV payment based on their QkR payment platform, making checking out instant and easy.

WHAT ABOUT DESTINATION RETAIL?

To say that these and other technologies will eradicate the need for physical retail would be overly sensational and highly unlikely. It isn't, however, an exaggeration to say that our expectations of physical stores will change dramatically. More and more we will expect these destinations to deliver unique and memorable experiences that we simply can't find anywhere else—digitally or otherwise.

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MERGING DATA AND CREATIVE: THE REAL POWER OF PURE ONE-TO-ONE MARKETING

Everyone knows that a well-thought-out marketing campaign can help you grow your business. However, creative, personalized pieces can further differentiate your brand, drive higher response, and generate positive word-of-mouth that extends to a larger audience.

This is where the real loyalty nuggets are. Industry expert Rafi Albo, chief executive officer and owner of SEGMARKETING, suggests that marketers need to tap into the massive amounts of customer data available to meet the need for excellent customer relationship management (CRM). This gap offers a perfect opportunity to grow your business—by using this data creatively, you will be able to make your customers feel special.

It's not as easy as just putting someone's name on an email (perhaps with information that is not relevant or interesting to them). Taking it to the next level and providing them with information pertinent to their likes or interests that is also personalized creates a lasting impression—and brand loyalty, or at least action based on your promotion.

One of Albo's examples of how to grow your business easily is creating a birthday campaign. Everyone has a birthday, and reaching out to them on the special day makes a one-to-one connection and also keeps your campaign top of mind and memorable. Visa created a campaign in which its top customers received a direct mail piece with their name on the envelope and a message like, "Rafi Albo, we have big plans for November 7, what about you?" November 7 is Albo's birthday, of course, and inside the envelope was a die-cut brochure that said, "There are so many ways to celebrate your special day; what will you choose?"

The card also had the actual day of the week that the customer's birthday fell on, which made it even more personalized. Inside the envelope were gift cards and promotional pieces from local eateries and stores for the customer to enjoy.

It seems complex, but as Albo explains, most of this data is already available to you, and it can be plugged into a database and dropped into the promotional piece. While it might be more expensive, people are more likely to respond and tell their friends about it, allowing your brand to take advantage of the powerful tool of word-of-mouth marketing.

Wouldn't you love to have a buzz around one of your campaigns? Position your company as a marketing thought leader and differentiate yourself from the competition. Show your industry what it takes to have a unique and memorable one-to-one marketing campaign and increase your brand loyalty.

Founded in 2001, SEGMARKETING is an Israel-based consulting firm specializing in CRM. Founder and CEO of SEGMARKETING, Rafi Albo, is an expert in the loyalty marketing industry. In the six years since its inception, SEGMARKETING has established and supported CRM solutions for a wide range of industries. Clients have included Visa, Domino's Pizza, Marlboro, Hugo Boss, Armani, Gap, Aldo, Keds and more.

CO. LOGO

TREND WATCH:

The Mobile Consumer: NFC and the World of Retail

By John Foley, Jr., CEO, interlinkONE and Grow Socially

Do you know that feeling? You know, the one that comes when you're at a store, you're ready to make a purchase, and then you realize you've left your wallet or credit card at home?

Thanks to continued advancements in mobile technology, that may no longer be an issue. As long as you have your mobile phone with you, you'll still be able to purchase the desired product.

THE GROWTH OF MOBILE PAYMENTS

That scenario is already playing itself out in different stores across the world.

One of the major technologies driving the growth of mobile payments is Near Field Communications (NFC). NFC is wireless technology that allows an initiator and a target to interact within close range.

Or, to put it simply, NFC allows someone to tap a phone against a physical piece of material— perhaps a printed item or equipment at a cash register—to complete a transaction.

That "transaction" could mean that the person's phone is instantly redirected to a mobile website.

But in the case of retail, NFC makes it very quick and easy for consumers to complete a financial transaction. If their phone is connected to a credit card, a PayPal account, or some other sort of the online fund, tapping their phone would enable them to pay for their goods instantly.

There are many other scenarios where NFC could bring benefits to retail. If their phone was connected to their account for a loyalty program, a coupon, or a gift certificate, consumers could tap their phone against another NFC-equipped device in order to immediately redeem their reward or discount.

IS YOUR AUDIENCE READY FOR NFC?

As marketers, it's very important to keep an eye on future trends. But we also do not want to get too far ahead of our audience either. In the case of NFC, widespread adoption will not happen until more smartphones come equipped with the necessary components. For example, you cannot use NFC on your iPhone today by simply downloading an app—a hardware change must also be made to the device.

However, from everything I've seen, phones will adopt NFC sooner rather than later. It has already started on a number of Android devices. And if NFC is enabled on the iPhone 5, we can certainly expect to see the adoption of mobile payments grow even faster.

When that happens, will your business be ready to handle the mobile consumer?

John Foley is the founder and CEO of interlinkONE, an industry-leading marketing software company, and Grow Socially, an online marketing agency. He is the published author of multiple books, including Business Transformation: A New Path to Profit for the Printing Industry, and will soon release a book on how cloud computing and mobile technology are changing the worlds of business today. He is also a highly regarded public speaker who has delivered presentations at conferences, seminars and meetings across the world.

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