

TRANSFORMING CUSTOMER CONVERSATIONS

THE NEW
FRONTIERS IN
RETAIL MARKETING





INTRODUCTION

The retail sector is changing at breakneck speed – with the decline of the local high street, the unstoppable rise of ecommerce and increasingly technology-enabled customers, retailers are having to work harder than ever to win spend and loyalty from shoppers.

Against this backdrop, how retailers market to their customers has pivoted significantly in recent years.

Long gone are the days of the print advert and Christmas campaign being enough to stay front of mind. The importance nowadays lies with businesses being unique and differentiating themselves from their competitors, utilising data to create true personalisation and providing added value that creates an all-encompassing experience for the consumer.

But with so many different marketing channels and platforms to utilise, and new tech advancements happening daily, how do retailers decide which avenues

METHODOLOGY

Retail Week, in association with Williams Lea Tag, surveyed 50 senior-level retailers in April 2018, who are responsible for marketing activities at companies with an annual turnover of more than £50m.

to focus on? And how can businesses keep a cohesive brand message when communicating with customers across multiple touchpoints and countries?

Emerging frontiers

Utilising exclusive new research from 50 senior-level retailers, this Retail Week white paper, produced in association with Williams Lea Tag, will delve into three new battlegrounds that have emerged in retail marketing – the rise of FMCG brands, the ever-growing impact of influencers and the power of innovative technology to drive customer engagement.

CHAPTER ONE

THE RISE OF CHALLENGER BRANDS

The continual rise of ecommerce has impacted the traditional retail model on multiple fronts – shoppers no longer need to go to shops to buy the products they want and brands no longer need a retailer’s shelf space to be in front of consumers.

Multichannel integration allows brands to differentiate themselves from competitors, and further investment in supply chain and logistics has allowed them to get their products into their consumers’ hands with ease.

In 2017 Unilever-owned Hellmann’s partnered with on-demand delivery startup Quipup for its first direct-to-consumer trial. The concept targeted shoppers in London who are likely to make impulse purchases, allowing them to have all the ingredients for a chosen Hellmann’s-based recipe delivered directly to their door within an hour.

And retailers are clearly taking note of the rise in direct-to-consumer. According to Retail Week’s exclusive research, 48% of retailers say they are competing directly with FMCG brands when targeting their customers and highlighted it as a concern.

Valuable lessons

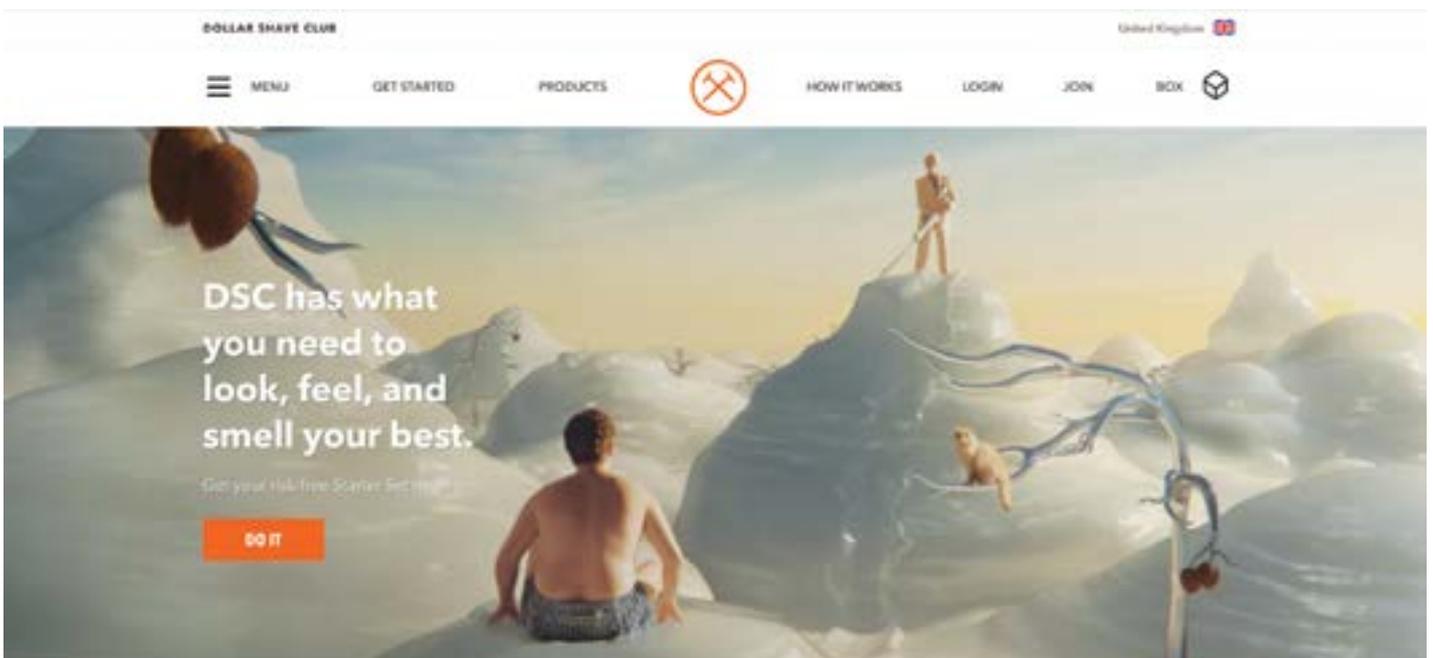
The direct-to-consumer trend has caused major disruption in multiple

IS YOUR BUSINESS COMPETING WITH FMCG BRANDS WHEN MARKETING PRODUCTS TO CONSUMERS?



retail sectors – with men’s grooming a particularly pertinent example.

Having recently expanded into the UK, the tactics used by Dollar Shave Club for raising awareness are striking. Since being founded in 2011 in the US, the business has had a stratospheric rise, due in no small part to its canny and cost-efficient marketing campaigns.



The men's grooming start-up launched its first advert in 2012 with founder Michael Dubin espousing the virtues of his product – and taking direct swings at its competitor Gillette's brand endorsements from athletes such as Roger Federer.

It was a gamble that paid off and within two days of the video being released Dollar Shave Club had 12,000 new customers.

It has gone from strength to strength since then and caught the eye of FMCG giant Unilever, which bought the start-up for US\$1bn (£753m) in 2016. At the time of the acquisition, Dollar Shave Club's forecasted revenue was US\$200m (£151m) and it had nearly 300 million subscribers. However, Unilever's ambitions for Dollar Shave Club go beyond adding another brand to its stable of household names.

In a regulatory filing last year, the FMCG giant said it planned to "preserve" Dollar Shave Club's "entrepreneurial approach, taking valuable lessons for the rest of our portfolio".

Indeed, Unilever has launched two new direct-to-consumer brands since acquiring



Perhaps it's time for retailers to take a leaf out of Dollar Shave Club's book with marketing that favours authenticity over fantasy



Dollar Shave Club, including skincare subscription service Skinsei in the US, and is developing a direct-to-consumer grocery proposition that could slash grocery bills by 30%; the Hellmann's-Quiquip partnership being part of this.

Speak the truth

A key lesson for retailers here lies in the need for authenticity in their marketing.

The advert that put Dollar Shave Club on the map reportedly only cost US\$4,500 (£3,400) to make and starred

the company's own chief executive, a warehouse employee and a man in a bear costume. While not every retail boss will have the chutzpah to front an advertising campaign, it's clear that customers responded to a no-frills endorsement of a product that offered a genuinely convenient solution for them.

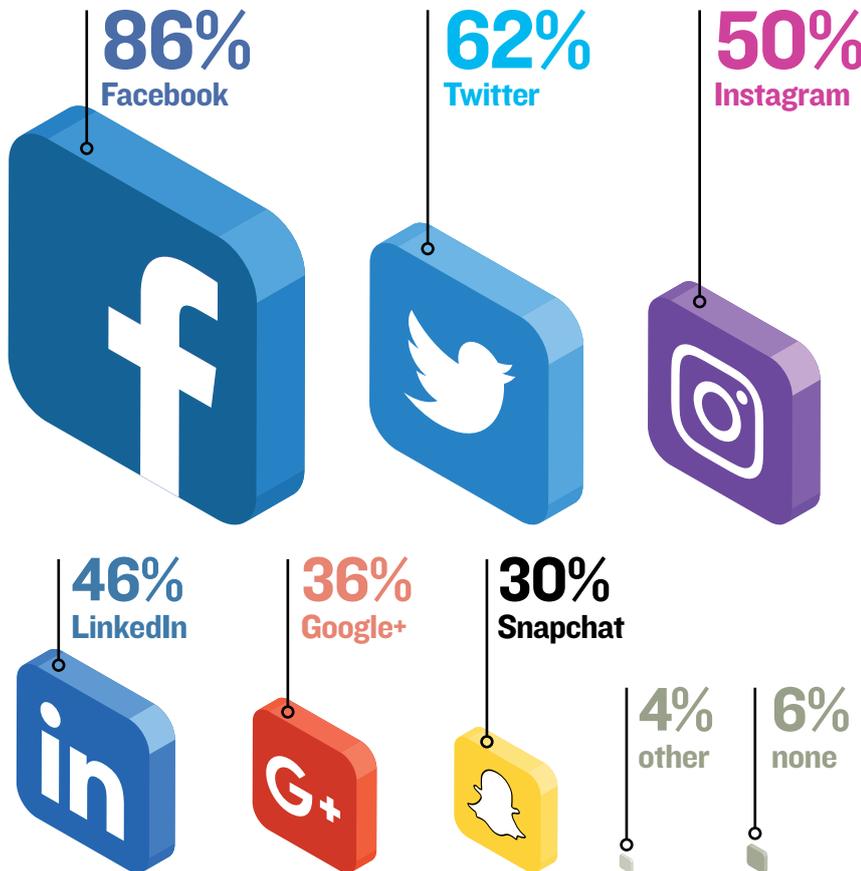
Perhaps it's time for retailers to take a leaf out of Dollar Shave Club and, by association, Unilever's book with marketing that favours authenticity over fantasy. Secondly, use social media to build your brand's personality, not to sell to customers.

Dollar Shave Club offers users who post pictures of their monthly razor deliveries on social media sites the chance to win prizes. It also creates tailored content for each of its social media channels, such as a 15-second Instagram advert suggesting a Dollar Shave Club subscription as a Father's Day gift.

Broadening digital horizons

With only half of the retailers surveyed for this white paper currently using Instagram for marketing purposes and only 30% using generation Z favourite Snapchat, retailers may need to broaden their digital horizons in order to create a fully integrated approach across the marketing channels available to them.

WHAT SOCIAL MEDIA PLATFORMS DOES YOUR BUSINESS CURRENTLY USE?



WILLIAMS LEA TAG'S ACTION POINTS FOR RETAILERS

- Learn from FMCG brands – be agile and work with agile partners.
- Test and deploy integrated tactics across digital channels to boost your brand.
- Use social media to build your brand's personality, not just to sell to customers.



CHAPTER TWO

INFLUENCER MARKETING FOR BRAND ACTIVATION

It's testament to the power of social media that more than half of retailers say they engage with online influencers as part of their marketing strategy.

However, only 30% are satisfied with the results from their work with influencers and a further 28% say they are yet to see any tangible return on

investment. The first question any retailer needs to ask themselves before joining forces with an influencer is what a successful result from that partnership will look like. Of those surveyed, 86% say success is defined by the reach of the influencer's audience and the number of people who see the tie-up by association.

DOES YOUR BUSINESS CURRENTLY USE ONLINE INFLUENCERS IN ITS MARKETING STRATEGY?



58% of retailers **engage with online influencers** as part of their marketing strategies

... but only **30%** are **satisfied** with the results

However, 80% say that in order for a collaboration to be successful, audience involvement has to go beyond social media users just seeing a post to liking or commenting on it.

And nearly 67% of those surveyed say that success is measured by the rate of conversion based on the partnership.

Utilising online influencers to increase your brand reach comprises of more than simply tapping into a large audience; true brand activation is achieved through a passion for innovative content, and the ability to mobilise the public.

Creative and emotive storytelling is the key to inspiring action among your audience, and is a strategy that has driven phenomenal success for UK brands including Boohoo and Gymshark.

In 2016 Boohoo began a highly targeted social-first campaign, working with social media agency Social Chain, that focused on increasing brand awareness among its target audience of digitally savvy gen Z and millennial consumers.

Leveraging a range of online influencers, the retailer ran a series of social competitions and publicity stunts across multiple platforms, including '#BoohooNothingToWear Wednesdays', a weekly initiative encouraging women

across the UK to contact Boohoo for fashion advice. The hashtag trended on Twitter for 13 weeks in a row, amassing almost 20 million impressions.

Over a 12-month period the brand's social media activity reached an audience larger than the entire UK population, and gave it 2016's most viewed Facebook Live branded video.

The strategy paid off and Boohoo reported a 129% surge in profits in the six months to August 2016, and its social activity has continued to deliver results. In 2017 the etailer's number of active customers rose 22% to 6.4 million, driving a revenue increase of 97% to £579.8m.

Ensuring an authentic approach

Fitnesswear etail brand Gymshark has integrated online influencers into its marketing strategy since its launch in 2012, leveraging social platforms to build brand authenticity and awareness.

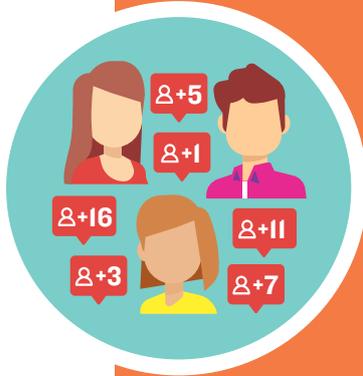
Founder Ben Francis, who posts his own videos of behind-the-scenes workings at Gymshark on YouTube, was clear from the get-go that social media influencers would be the face of the brand.

Today, the etailer's Instagram account, which boasts more than 2 million followers, is comprised entirely of videos



Founded by Ben Francis, Gymshark partners with a roster of 38 social media influencers

HOW DO YOU MEASURE RETURN ON INVESTMENT WHEN USING INFLUENCERS?



87% audience reach
– number of followers of influencer

80% engagement
– number of likes, comments and shares due to influencer campaign



67% impressions
– number of times people view an influencer's post



67% conversion
– increase in sales/sign-ups/subscriptions



and photos from its 38 influencer partners. Francis has previously said the size of an influencer's following is not a factor in deciding whether to collaborate with them. Gymshark has turned down partnerships with big-name influencers in favour of those who fit with its brand ethos.

The consistency of content from Gymshark's own social media accounts, and the long-term partnerships it has developed with its influencers, gives the brand a level of authenticity on social media that many retailers would envy.

The desire to maintain authenticity was factored into its decision to use ecommerce tools – such as Instagram's recently launched shopping capabilities – sparingly. It has deliberately not used social platforms to chase sales, and that strategy has proved extremely successful. Year-on-year sales growth to July 31, 2017 was a staggering 217% to £40.5m, and it is forecast to hit sales of £100m in the current financial year.

Francis has said that social media "is what TV once was" when it comes to reaching customers and marketing to

them effectively. Gymshark has defined return on investment from its influencer partnerships as those that embody and strengthen its proposition for customers.

Retailers will need to create robust strategies regarding who to work with and why in order to ensure their brand is as authentic and relevant as possible.

WILLIAMS LEA TAG'S ACTION POINTS FOR RETAILERS

- **Choose the right channel and amplify – know what your success measures are for influencer marketing.**
- **Don't worry about the size of the influencer's following; favour those who match your brand's ethos and target audience.**
- **Create a consistent message across channels, whether your own or through your influencers' posts.**



CHAPTER THREE

VISUALISE THE FUTURE

It's all very well having a robust store estate and online proposition, but if a retailer cannot market the two effectively – and in conjunction with one another – it's easy for one to lag behind in terms of sales and customer experience.

Retailers seem to be closing the gap between their online and offline channels. Almost half of those surveyed (47%) say social media plays an equal role in environments, 52% use hashtags in store to promote marketing campaigns and 46% utilise QR codes to lead customers to their website.

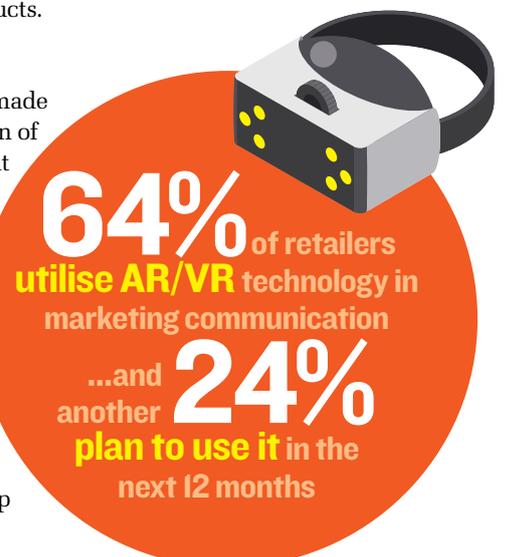
Experiential customer-facing technology, such as virtual and augmented reality, has been flagged as a key way to bridge the channel divide. Of those surveyed, 64% have incorporated this technology into their marketing communications, and 46% say they are deploying it across online and in store.

However, with shoppers increasingly engaging with augmented reality (AR), are

today's businesses utilising this technology to its full potential? Of surveyed retailers, 88% say they currently use AR and/or virtual reality (VR) to allow customers to gain further information about a product, and more than half of those surveyed (53%) provide customers with the ability to virtually try on products.

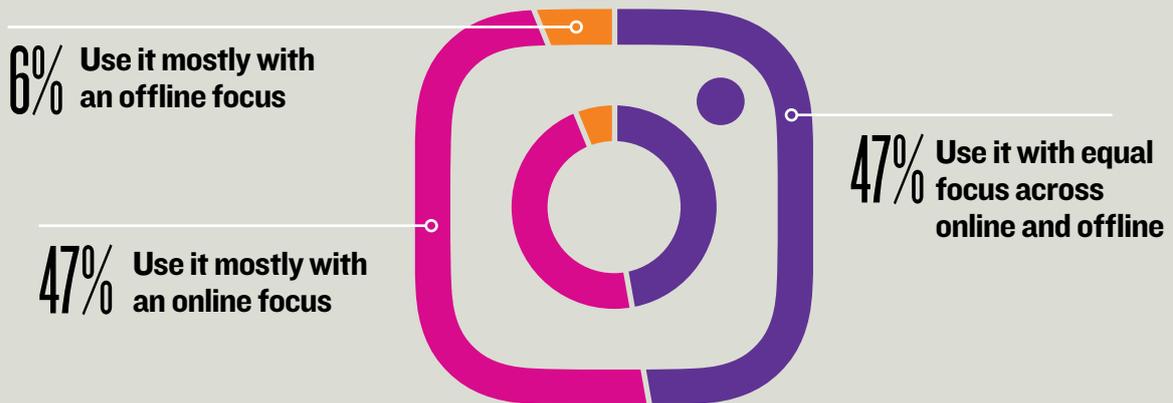
AR success

One brand that has made strides in its adoption of AR is cosmetics giant L'Oréal. The business developed and launched its own AR-enabled make-up testing app, called Makeup Genius, in 2014. The free app allows users to see how full make-up



SOCIAL AND TECH TRENDS

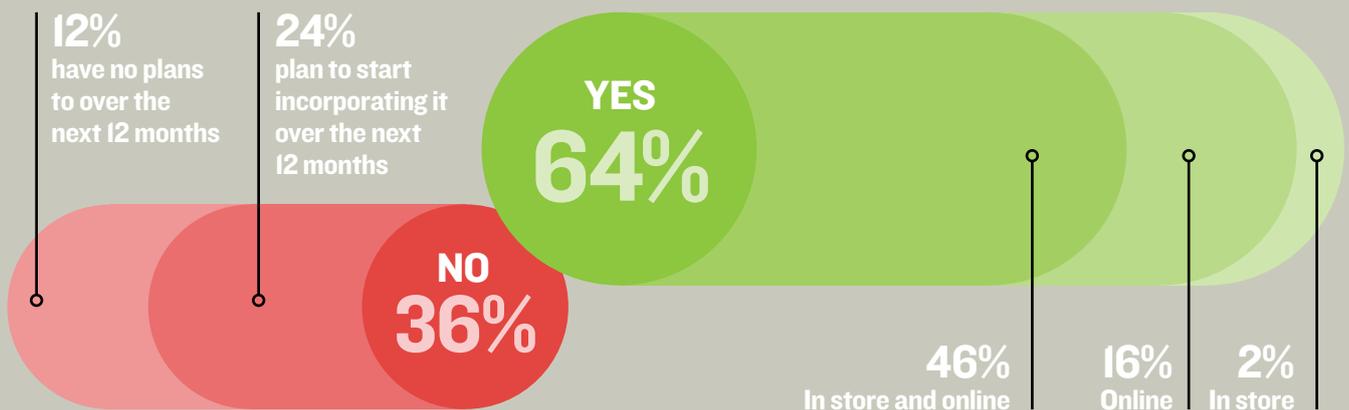
HOW SIGNIFICANT IS SOCIAL MEDIA AS PART OF A MARKETING STRATEGY, BOTH ONLINE AND OFFLINE?



WHAT TECHNOLOGY IS USED AS PART OF AN OFFLINE MARKETING STRATEGY?



DO YOU CURRENTLY UTILISE AUGMENTED REALITY OR VIRTUAL REALITY TECHNOLOGY IN MARKETING COMMUNICATION?



would look on them, or a single product from the L’Oreal range using the front-facing camera on their smartphone and AR technology incorporated into the app. Users can buy products within the app, save their looks and share them on social media. Cleverly, the app also allows shoppers to scan product codes in store to see how the product would look on them via their smartphone.

The technology was a hit and notched up 14 million downloads in the first two years. It has also been a driving force of L’Oreal’s online sales growth, with ecommerce now comprising 8% of the group’s global revenue, up from 5% in 2015.

These encouraging early signs of augmented reality driving customer engagement and sales led to the cosmetics group acquiring AR technology firm Modiface earlier this year for an undisclosed sum.

Modiface has developed AR-enabled technology for beauty retailers ranging from Smashbox to Sephora, and its 70-strong team currently has 30 patents registered to continue its development of AR technology. It is telling that, at the time of the acquisition, L’Oréal chief digital officer Lubomira Rochet said the

cosmetics giant had snapped up Modiface to give the company the “ability to look at reinventing the beauty experience in years to come”.

The combination of L’Oreal developing its own AR-enabled app and then acquiring the leading developer of the technology demonstrates that the brand has a clear vision of how the technology will enhance its marketing proposition and customer experience.

WILLIAMS LEA TAG’S ACTION POINTS FOR RETAILERS

- **Market your store estate and online propositions in an integrated and consistent way.**
- **Utilise creative, sourcing and communication technology and partner with specialists to enable you to do this.**
- **Have a clear vision of how data analytics and technology will help enhance your proposition.**

WHAT DO RETAILERS BELIEVE ARE THE BIGGEST MARKETING INVESTMENT OPPORTUNITIES OVER THE NEXT 12 MONTHS?

“Using new technology to track customers’ requirements accurately”

“Personalised marketing and faster turnaround and delivery”

“Looking for new social media channels to showcase our products at an affordable price, while at the same time reaching a larger audience”

“The change of software and hardware for online purposes”

“Using technology to obtain more accurate customer feedback and thus target marketing/sales accordingly”

“Publishing through all social media channels”

“More versatile advertising offline”



PARTNER COMMENT

In an increasingly complex retail world, consumers have almost infinite choice of user journeys, channels, touchpoints and technologies along their path to purchase. Potentially this can provide an agile ecosystem for brands to build personalised relationships and deliver seamless customer experiences. But, back in the real world, the potential for mixed communication, loss of brand identity, misaligned price expectations and cultural misunderstanding is rife.

Digital transformation has caused organisations to wake up to the awesome power of 1:1 communications, but it has also exposed some of the flaws and excessive costs of the old agency models:

- No single source of truth – engaging multiple execution agencies across broadcast, display, social, ecommerce and physical point-of-sale inevitably leads to inconsistencies and loss of brand identity.
- Global versus local paradigm shift – to avoid cultural misunderstanding while

maintaining international consistency, brands have to be both global and local in execution: handing off a creative idea to multiple agencies is a recipe for confusion.

- Cost redundancy – channel complexity has made agency overheads and coordination challenges more transparent.
- Marketing ROI – the need to deliver more content and with lower budgets has made understanding channel effectiveness a high priority for marketers – a task not well-aligned with old-fashioned agency compensation models.

Digital transformation has enabled a fluid customer transition from offline to online e.g. moving from an interactive point-of-sale in store to engaging with online channels. This requires brands, operations teams, technology partners and marketing execution providers to work together in a more cohesive way.

Shoppers' ever-increasing demands for seamless cross-channel experiences mean retailers and brands are becoming



publishers and constantly investing in the latest technology to deliver compelling content via offline, online and mobile.

The power of digital transformation is in connecting this complex omnichannel world and requires marketers to know their audience, craft personalised messaging and deliver in real-time across multiple touchpoints and markets.

Success requires a true partnership between brands and marketing providers. Brands can benefit from innovation and speed-to-market but, above all, delivering that elusive smooth customer journey.

David Kassler, Group CEO, Williams Lea Tag

KEY POINTS

- **Plan early for success – plan your multichannel activation strategy with your marketing execution partner as early as possible.**
- **Integrate, integrate, integrate – engage an integrated marketing partner to deliver a unified customer experience and maintain brand identity across multiple touchpoints and markets.**
- **Avoid wastage and repurpose – create each brand asset once, adapt or repurpose, regardless of channel.**
- **Digital transformation – harness the power of multiple touchpoints to innovate along the entire path to purchase.**

ABOUT WILLIAMS LEA TAG

The leading independent marketing and communications partner to global brands worldwide. We support global brands on the ground in over 40 countries and we have regional hubs in London, Amsterdam, New York, São Paulo, Hong Kong and Singapore. For more information visit wlt.com

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