



Trends in Digital Retail:

*Engaging & Converting Through
Personalization & Omnichannel Excellence*

A WBR Digital Whitepaper Presented in Conjunction with Sailthru, Criteo, & SOASTA
Summer 2015



This paper explores the latest trends in retail, including technology investment priorities, the push toward more personalized marketing, and how mobile is tying together omnichannel shopping experiences.

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Executive Summary

Retail brands are constantly evolving digitally, shifting their marketing budgets and technology investments to build better strategies to connect with consumers across their increasingly non-linear paths to purchase. In 2015, marketers are taking the next step toward personalizing their omnichannel experiences. By using data to better understand consumers, retailers are delivering tailored messages and offerings that bolster the bottom line while also improving the customer experience. The greatest retail marketing opportunities in 2015 are found in delivering highly relevant messages and creating a seamless, enjoyable experience on any device and across various channels. Retailers have become keenly aware of those opportunities and they are investing in the technologies they need to make them a reality.

eTail's fifth annual report on digital retail marketing trends assesses how marketing budgets and technology investment priorities are changing as retailers continue to develop more targeted, personalized digital experiences. The paper also explores how brands are using first- and third-party data to drive increasing relevancy, and finally, how mobile is emerging as the nexus for omnichannel retail initiatives.

By delivering personalized messaging with relevant product and content recommendations, retailers can improve overall engagement and boost conversion and revenue from individual channels, like email marketing.

Key Findings

1

Retail brands continue to mature digitally, using the wealth of data available to them to build more effective marketing and modern customer experiences. Now, they are reaping the benefits.

Retailers have been investing heavily in new digital capabilities, including tools to automate campaigns, use data to make offerings more personalized, and incorporate media-rich elements into websites without lengthening load times or causing site outages. Thanks to these ongoing investments, retailers are seeing significant growth in traffic and conversions on their e-commerce platforms. However, from shopping cart abandonment to maintaining media-rich websites, new challenges are emerging.

2

Better personalization is the next frontier in marketing, but it requires a more holistic customer view.

Consumers crave tailored, personal shopping experiences, even on digital channels. By delivering fully dynamic experiences, complete with personalized messaging, product and content recommendations, CTAs and discounts, retailers can optimize customer lifetime value. However, these more mature forms of personalization require a holistic view of customers, which can only come from rigorous data collection and analysis. Unfortunately, many retailers still struggle to follow their customers across channels and build out the attribution systems necessary for them to better understand their paths to purchase and the levers for long-term loyalty at the individual level.

3

Mobile is the glue that holds omnichannel shopping experiences together, enabling retailers to continuously engage with consumers as they move through an increasingly non-linear sales funnel.

Mobile capabilities tie together omnichannel shopping experiences by enabling consumers to research products, make purchases, and engage with brands whenever and wherever they want. As a result, it is now more important than ever for retailers to build user-oriented mobile capabilities.

In this survey, retailers reported robust growth across four key digital *performance indicators, including site traffic, conversion rates, average order value, and customer repeat visits.*

Research Findings

Revenue & Marketing Spending Trends

In 2014, retail brands continued to mature digitally, becoming more data savvy and activating impactful marketing strategies across a wide array of digital channels. By collecting and analyzing purchasing and behavioral data, marketers now have a deeper understanding of their customers, and they are using that understanding to optimize their processes. For these marketers, new digital tools provide them with the ability to influence, convert, and continuously engage with consumers.

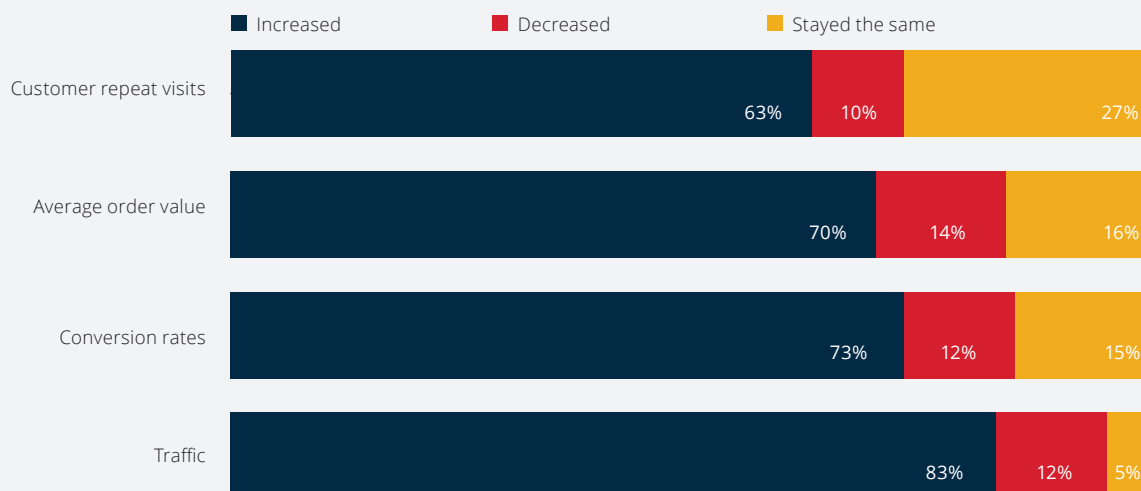
In this survey, retailers reported robust growth across four key digital performance indicators, including site traffic, conversion rates, average order value, and customer repeat visits. As with past years, search continues to be the strongest driver of this growth, accounting for more than a third of all revenue on average. However, retailers are turning to email and mobile marketing for customer retention.

Personalized emails are now the most common means of communication between brands and consumers, and they form the core of customer retention initiatives for 82% of retailers. The growing emphasis on email marketing is due in part to how customized and personal retailers can make email messages. Better personalization is a goal that extends to all retail channels, but organizations are especially focused on improving the level of personalization in emails. Many organizations now have basic email personalization capabilities, such as the ability to include customer names and geographies. However, only about a quarter of all retailers currently have full dynamic email templates that enable them to customize content and product recommendations based on customer segment. In order to take the next step in email personalization, brands will need to marry data-driven customer insights with dynamic templates to deliver wholly personalized experiences at the individual level rather than to demographic or behavioral-based segments. That process can be complex and time-consuming, leading many retailers to invest more in marketing automation technologies.

Retailers are also facing some new challenges, including cart abandonment and website performance issues. Based on past eTail research, cart abandonment results in an average loss of 13% of all revenue during the holiday season, and it continues to be a major issue throughout the year. Retailers continue to rank abandonment as the biggest factor impacting conversions conversions, especially on mobile, where conversion rates are already lower than on desktop or tablet. Meanwhile, website performance is now a central challenge for retailers, whose websites have become extremely media-rich. Consumers want high-resolution images and videos on e-commerce sites (even on mobile), but they have very little tolerance for the crashes or slow page load times those media-rich experiences can create.

Retailers saw consistent growth across digital KPIs in 2014.

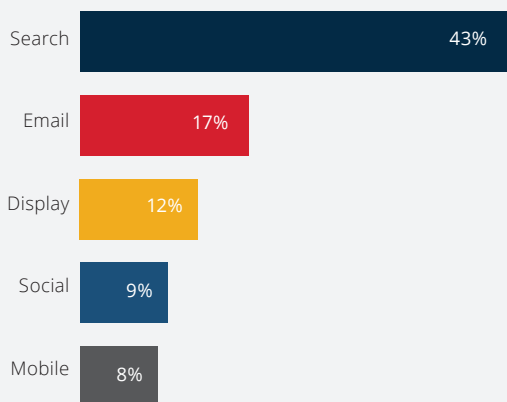
Retail Trends in 2014



Retailers reported stronger increases in these categories than they did in 2013.

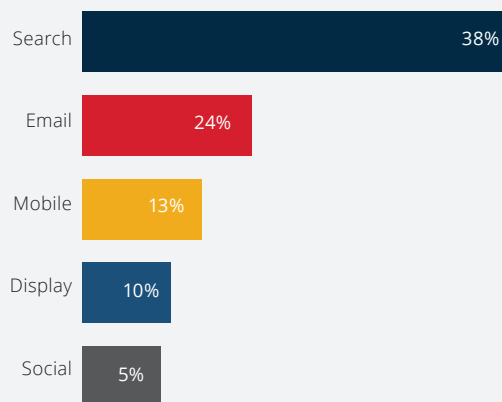
Marketing spend vs. revenue generation

Average Percentage of Marketing Spend by Area



The order of these investment priorities stayed the same as in 2014.

Average Percentage of Total Revenue by Area

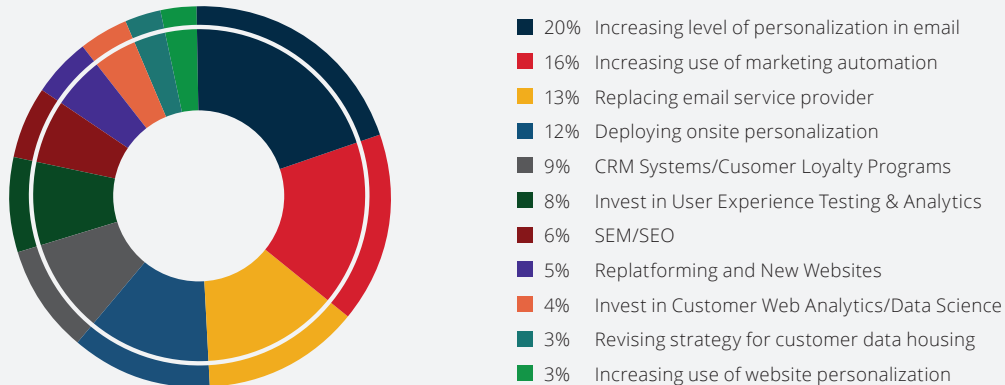


The order of these revenue drivers stayed the same as in 2014.

Search continues to dominate as the largest category of spend and the biggest revenue driver. Similarly, email has remained a crucial source of earnings, representing a quarter of all revenue. Mobile's impact on revenue outpaced that of display and social, despite receiving a smaller percentage of marketing spend.

Personalization and automation are taking center stage as retailers work to deliver more relevant messages more efficiently.

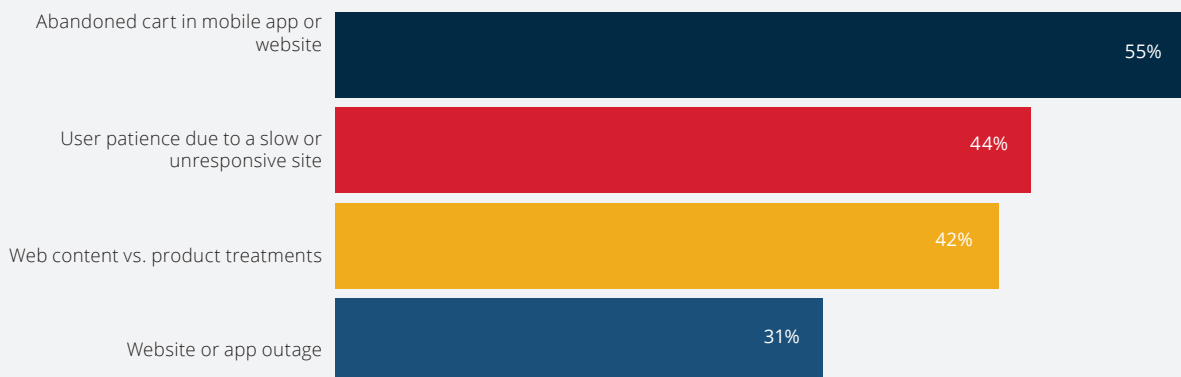
In 2015, the marketing technology decision that you are prioritizing most is:



With personalization, retailers can improve engagement and enhance the customer experience with targeted messages. However, personalization is not as easy as flipping a switch; it requires organized, actionable data for customer segmentation and dynamic creative to tie in the right messaging. Marketing automation technologies can help by collecting and sorting data from multiple channels and using that data to deliver the right information to the right customer at the right time.

Cart abandonment and site functionality are the top two factors impacting customer conversions.

What events have the highest impact on customer conversions?

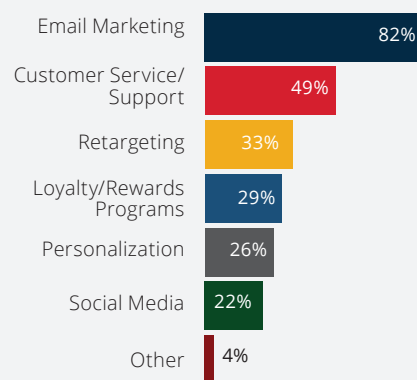


Paid search leads acquisition, but email is the top retention tool.

Digital Acquisition Drivers



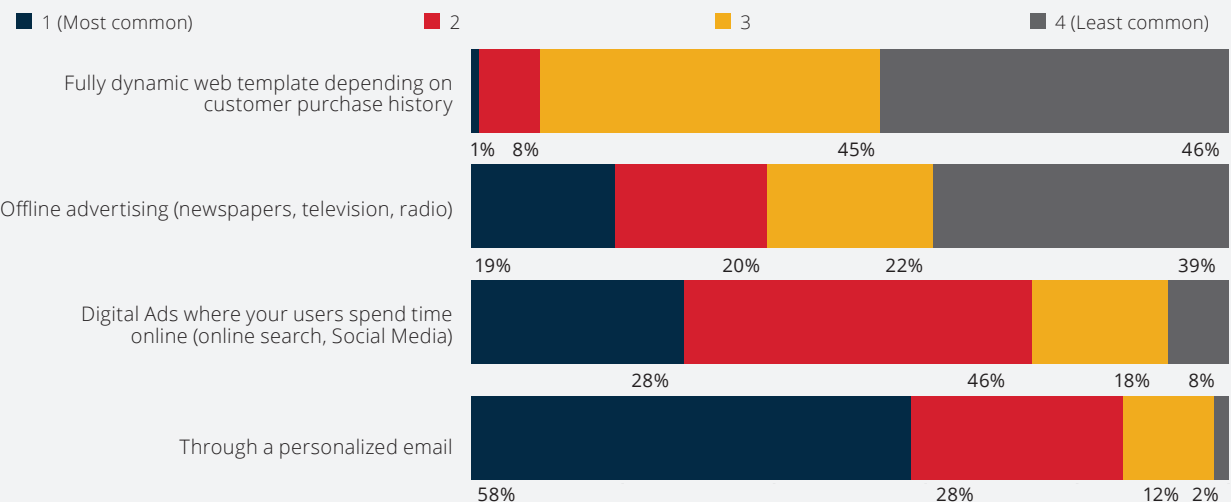
Digital Retention Drivers



Paid search and email marketing continue to be the cornerstones of customer acquisition, while email stands alone as the most important digital driver of customer retention. Perhaps more interesting is the expanding use of retargeting for retention and upsells. Retargeting, which has traditionally been thought of as an acquisition-driver, is now being used by a third of retailers for customer retention.

Personalized email has become the go-to marketing tool for retail brands.

Rank how you reach your customers for a standard marketing campaign



In the age of personalization, email is the most effective channel for marketers to engage with their customers in a more individualized way. Digital and offline advertisements are lower priorities, in part because they are much more difficult to personalize. However, as new capabilities, such as programmatic media buying, become more refined to enable greater personalization, retailers will likely move more marketing focus and budget to digital advertising. The ability to use retention data to optimize acquisition will also support an increase in smart ad deployment.

By understanding customers at the individual level based on behaviors and preferences, retailers are delivering individualized experiences that are more engaging and more likely to convert.

Making It Personal: Engagement and Conversion Using Personalized Marketing

“Two of the biggest challenges that marketers face today are in developing a single customer view and then delivering personalization across multiple channels. Brands who have prioritized solutions in these areas are seeing 10% increases in Customer Lifetime Value and lift across all revenue-bearing KPIs.”

- Neil Capel, Founder and Chairman of Sailthru

For retailers, one of the most important developments of the big data era is the ability to learn about customers as they engage and shop. By collecting and analyzing online and offline data, brands are able to formulate a much better picture of who their customers are at the individual level. Retailers use these insights to create much more personal, targeted, and relevant marketing. By understanding customers at the individual level based on behaviors and preferences, retailers are delivering individualized experiences that are more engaging and more likely to convert.

Although most retailers have seen at least some success from customer segmentation, many are still struggling to create more holistic views of their customers at the individual level. In fact, the present study found that only one in four retailers is currently able to attribute data from all sales and engagement channels to unique customer profiles, and another 36% are prioritizing 360-degree customer views in 2015. This challenge becomes even more formidable when considering that retailers must integrate online and offline data to fully understand their customers' preferences.

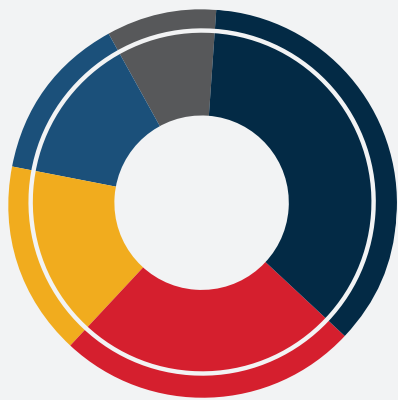
For those retailers who are successfully formulating a single view of their customers, there are many ways to turn those insights into revenue opportunities. While there are many levels of personalization available to these retailers, perhaps the most common has been field insertion to include a customer's name; however, marketers are adopting more advanced levels of personalization to include product recommendations and are setting goals to personalize message treatments, discounts, and send time. By evaluating a customer's past purchases and product browsing history, marketers can identify patterns that can help them tease out product offerings that are more likely to resonate with that particular customer.

While retailers see clear value in tailored product recommendations, some brands are also using personalized messaging to deliver content-driven messages. For example, the Home Depot is experimenting with customized messaging for cases in which consumers have not yet defined the specific products they are looking to buy. Instead of sending those consumers product recommendations that may not be relevant to them, the Home Depot is using browsing and purchasing data to deliver content based on the product categories – or even home improvement projects – those consumers are interested in. That content can take the form of softer messages, like do-it-yourself suggestions based on the type of project, as well as harder sales messages touting the features of a range of products. Personalization can bring together content and commerce for an innovative strategy that more brands are starting to adopt.

Another brand employing mature personalization strategies is Country Outfitter. This fast growing lifestyle retailer uses a single dynamic template for email newsletters and personalizes it from the get-go with acquisition signals such as search terms, then delivers general marketing and other emails with content, products, discounts and calls-to-action that are personalized to the individual, rather than a demographic segment. With this approach the brand doubled both email purchase conversions and revenue per email sent.

A quarter of respondents are able to unify their customer data across channels and another 36% are prioritizing it for 2015.

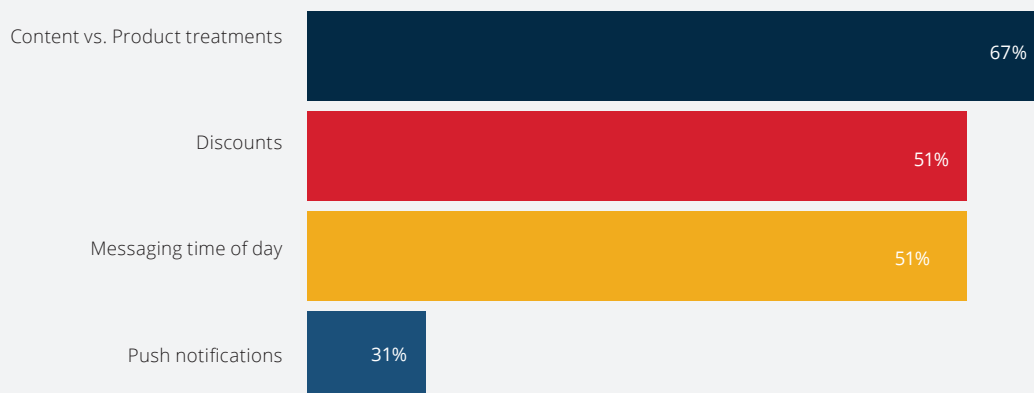
To what extent have you created a single, 360-degree view of your customers?



- 36% We currently keep data from all channels in separate databases, but are prioritizing single customer view in 2015
- 25% We attribute data from every channel to customer profiles based on a single identifier
- 16% We do not have a way to analyze all our customer experience data and do not have a near-term plan to prioritize this
- 14% We attribute data from one or two channels to customer profiles based on a single identifier
- 9% We keep data from all channels in separate databases and do not have a single customer view and do not have a near-term plan to prioritize this

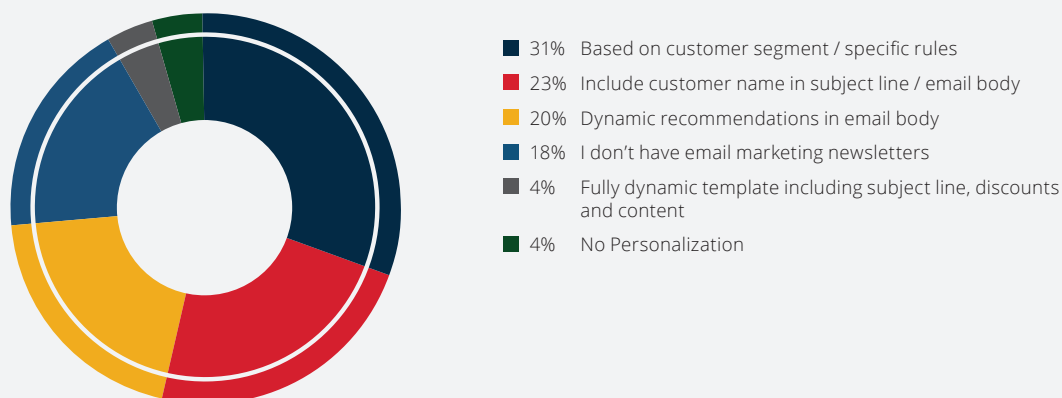
Digital marketers see the value of personalizing content alongside product recommendations, because tailored content can be extremely efficient at engaging customers and driving them back into the purchasing funnel.

In addition to personalized product recommendations, what components of your digital marketing do you most want to personalize?



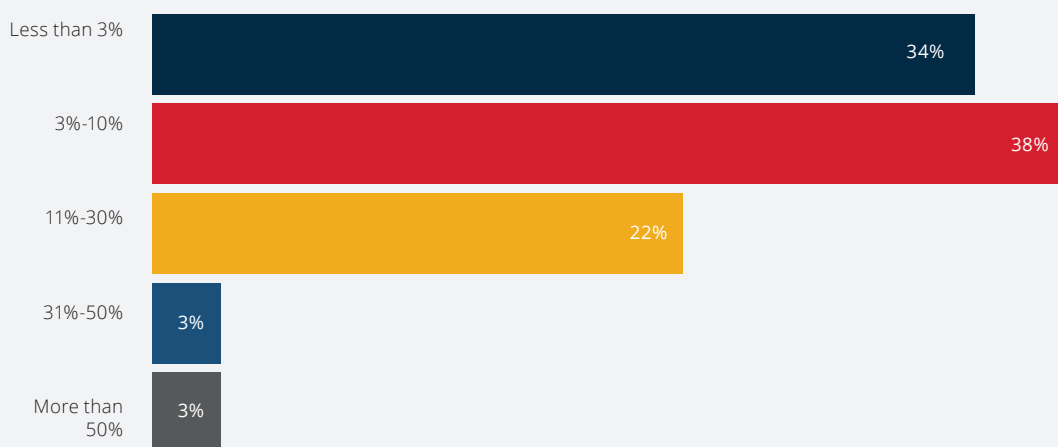
Four out of five retail marketers are using some sort of personalized email, from insertion fields to fully dynamic templates.

To what extent do you currently personalize your email marketing newsletters?



As more brands incorporate advanced capabilities, we can expect to see an even greater rise in email revenue attributable to personalization.

What lift in email revenue do you directly attribute to personalization?



Despite representing a revenue increase of 10% or less for most retailers, personalization has had a strong impact on email marketing. As we have seen, less than a quarter of retailers are using innovative email personalization tools, such as dynamic templates that tailor product recommendations, discounts, and content to each customer segment. As more brands incorporate these capabilities into their email campaigns, we can expect to see an even greater rise in email revenue attributable to personalization.

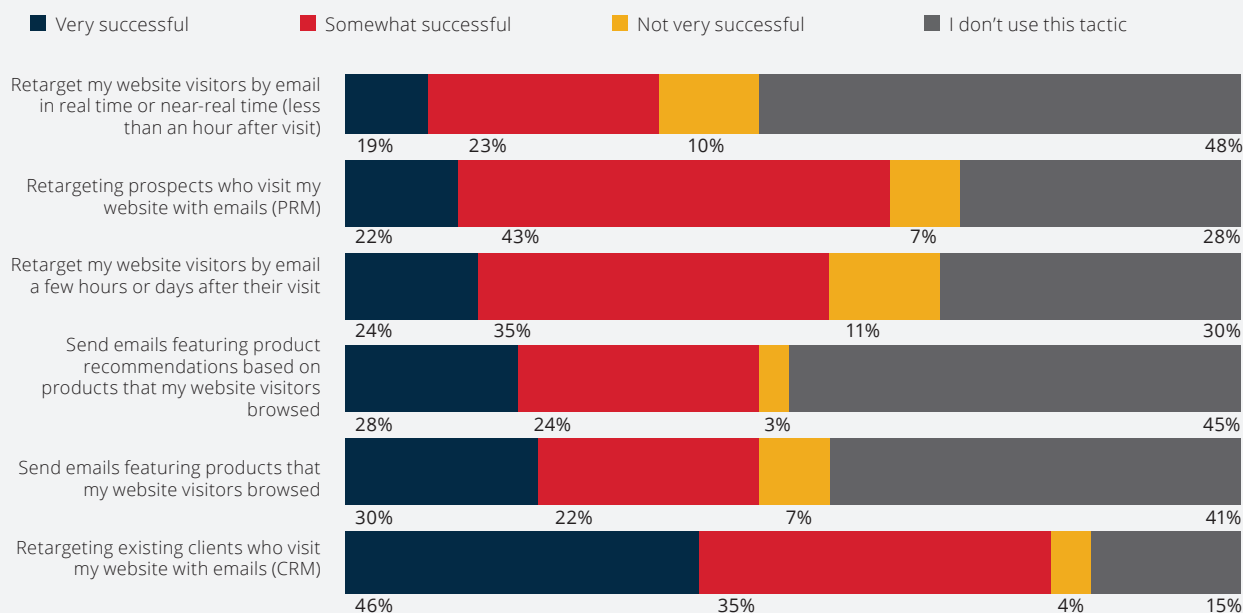
Many retailers successfully leverage hyper-contextual remarketing to encourage consumers to return to their sites and complete abandoned purchases.

A Word on Retargeting

Retargeting is a powerful asset in the retail marketers toolkit. Retailers can use first party data (how users arrive at their sites, what they view and when they leave) to retarget site visitors with highly contextual messages and offers. Third-party behavioral data, linked to first party data with a hashed key, can provide more background on demographics, interests and location. Together, first- and third-party data provide the raw materials to build hyper-personalized ads across the web and effectively drive targets further down the new digital funnel.

Retargeting is becoming a popular and effective marketing tool. In particular, retailers experienced success with email retargeting of customer who have recently visited the website.

How much success have you seen from the following email tactics?



Marketers deliver more relevant communications to consumers with retargeting by using a wide array of criteria, including recency of a site visit and the types of products viewed.

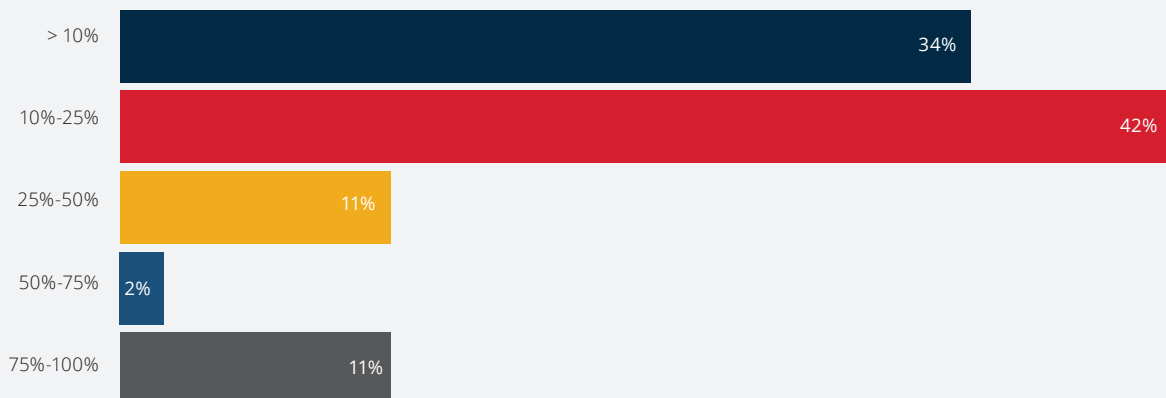
On average, retail brands have seen a 7% conversion rate on retargeted emails.

What are your average click-through and conversion rates for retargeting?



From 2013 to 2014, email retargeting increased e-commerce revenue by at least 10% for nearly two-thirds of retailers.

What percentage increase did you see in online sales from email retargeting from 2013-2014?



Mobile-friendly websites are becoming more important than ever for businesses that rely on organic search, retailers included.

Mobile: The Glue That Holds Omnichannel Together

Much has been made of the modern omnichannel retail paradigm and the role that mobile plays in it. The proliferation of digital commerce channels makes the path to purchase more diffuse than ever, as consumers move from device to device in order to research products, compare prices, and make purchases. In this paradigm, mobile is the glue that holds omnichannel shopping experiences together, enabling retailers to continuously engage with consumers as they move through an increasingly non-linear sales funnel.

Best-in-class mobile capabilities help retail brands serve numerous critical goals throughout customer lifecycles. Perhaps the starkest example of mobile's value to retail brands can be seen in the rise in sales from mobile browsers and apps. In fact, retail revenue from mobile devices is climbing rapidly, with Forrester Research forecasting that m-commerce will continue to grow at a manic pace, even potentially representing 54% of all e-commerce revenue by 2018 (US eCommerce Forecast: 2013 to 2018, Forrester Research). That projection is bolstered by the strong growth in tablet purchases.

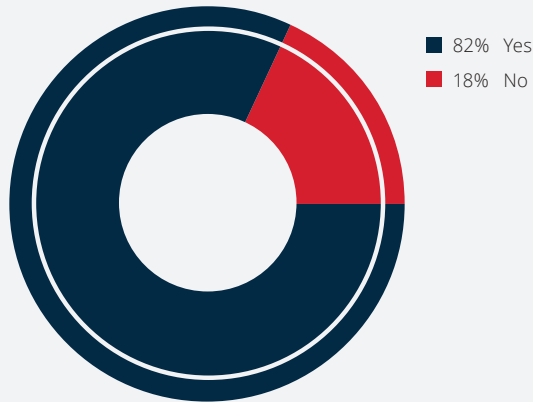
Although mobile clearly represents a strong revenue stream, its value to retail brands goes beyond transactional opportunities. Mobile is quickly becoming the nexus of the omnichannel shopping experience, because it allows consumers to research products whenever and wherever they want, even if they do not make the final purchase on a smartphone or tablet. With so many consumers taking advantage of the convenience of mobile apps and browsers to help make buying decisions, it is imperative for retailers to reach users through mobile marketing tools like email, search, and geotargeting, all of which can be optimized for mobile.

The importance of mobile marketing was further underscored by Google's recent announcement that the search giant will be changing its mobile search algorithm to give priority to mobile-optimized websites. For the time being, this change will only impact searches conducted on mobile devices, but the message is clear: mobile-friendly websites are becoming more important than ever for businesses that rely on organic search, retailers included.

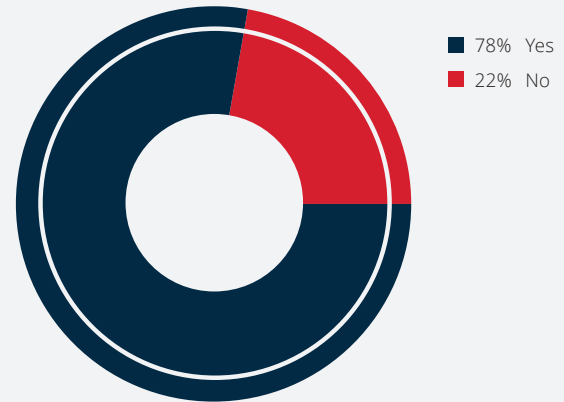
Once a consumer makes a purchase, retail brands can combine mobile capabilities with social media campaigns to improve customer retention and engagement. Furthermore, the data that brands can collect from mobile searches, purchases, and social media posts can help them learn about their customers and their customer journeys. For example, by better understanding how consumers are moving from device to device and what they are accomplishing at each interaction, retailers can build better attribution models that help them understand each touch point's fractional contribution to a sale. From there, they can optimize those experiences by delivering personalized, contextual messages and content.

Understanding Mobile Experiences

Do you know how mobile users are experiencing your website? (I.e. types of devices, browsers, OS versions, locations, etc.)

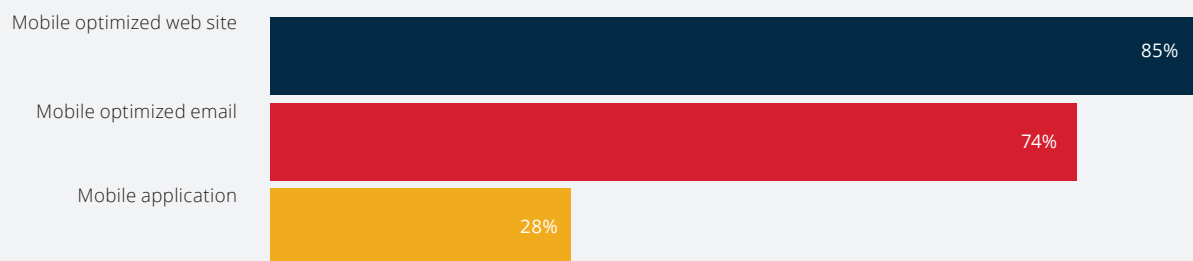


Is it important for you to know how users are experiencing your site on mobile?



Mobile optimized websites and emails have become standard in the retail industry, but few retailers are building mobile apps.

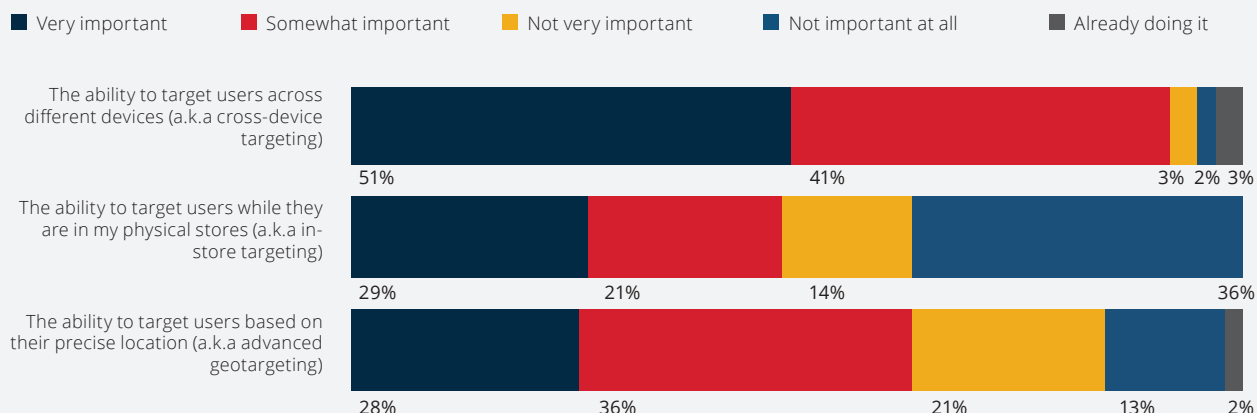
For your mobile strategy, which of the following do you have in place (or plan to have in place this year)?



Mobile optimized email has become increasingly popular among retailers, with utilization jumping 12% over last year.

Cross-device targeting is a top priority.

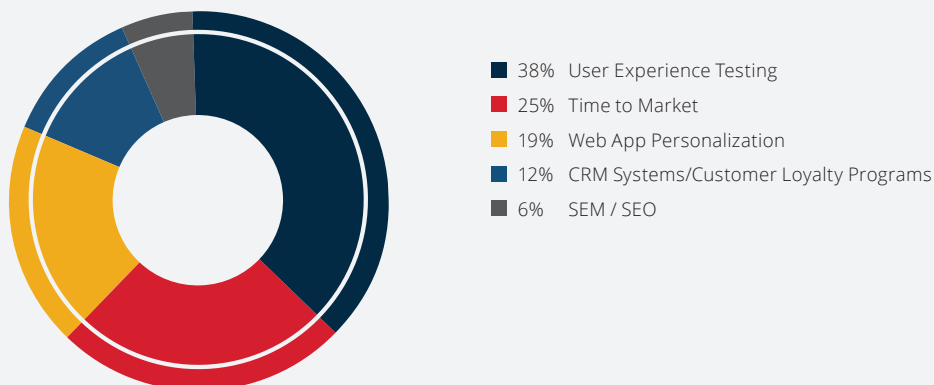
Which of the following would you like for your mobile marketing efforts?



The importance of cross-device targeting cannot be understated: it affords marketers the powerful opportunity to reach their consumers with customized 1-to-1 ads. Retailers are increasingly retargeting prospects with programmatic media buys and dynamic product recommendations across desktop and mobile display, social media, and even in-app advertisements. These personalized messages and recommendations not only convert, but they also enable retailers to more accurately understand each touch point's fractional contribution to the final sale.

UX testing and time to market considerations are central to mobile app spending decisions.

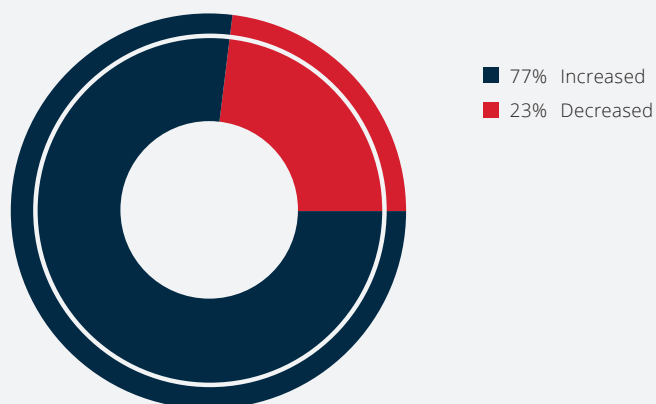
For your mobile app technology spend, what is the most important factor?



Retailer brands are very cognizant of the impact that mobile capabilities have on the consumer experience. Consumers expect seamless, streamlined, and secure shopping experiences, so brands are investing time and resources to guarantee that mobile capabilities deliver on those expectations.

Just over three-quarters of retail brands are increasing their investment in social media marketing.

Has your planned spend on social media marketing increased or decreased for 2015?



Spending on social media is increasing, in contrast to last year, when only 55% of retailers reported rising investments in social media.

Mobile is a central element to omnichannel retail, bringing marketing, commercial, and engagement opportunities together all in one place.

Key Recommendations

1

Retailers have made great strides in digital, and it is worth ongoing investment.

Consumers expect personalized, media-rich online shopping experiences. In order to keep up with those expectations, retail brands should continue to invest in cutting edge technologies to enhance their marketing campaigns, data analytics, and web experiences.

2

Retailers can activate better marketing personalization by combining first- and third-party data with automation tools.

Personalization is great, but in order for it to really make an impact, it must be brought to scale. In order to do that, retail brands need to integrate customer data into campaign automation tools that allow them to target and retarget appropriately.

3

Brands must build up mobile offerings that create smooth omnichannel experiences and allow them to better understand how their customers are interacting with them.

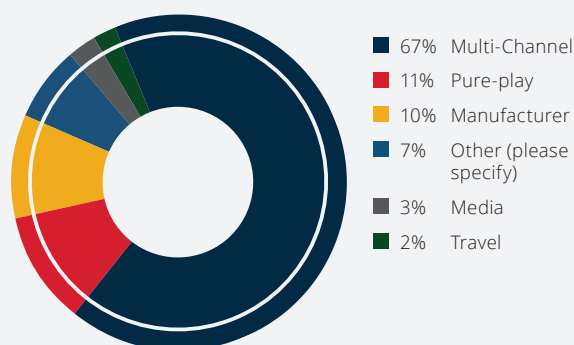
Mobile is a central element to omnichannel retail, bringing engagement and transactional opportunities together in one device. Brands need to take advantage of all mobile has to offer by delivering content and messaging that fits within the mobile context. However, mobile does more than engage and convert: it enables retailers to learn more about the omnichannel customer experience. Therefore, brands must also be able to track customer engagement on mobile and create attribution models that accurately demonstrate its value. Above all, these mobile offerings must be user-centric, giving consumers seamless access to the information they want, when and where they want it.

Appendix A: Methodology

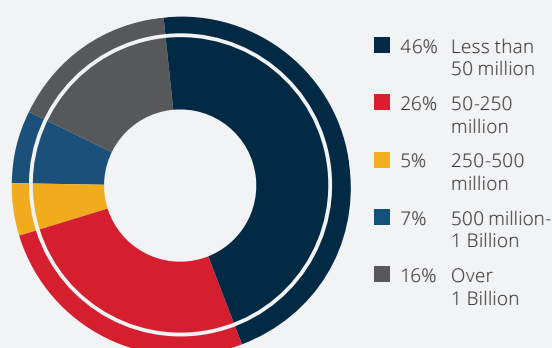
For this report, the eTail team conducted in-person and online surveys of 94 retail professionals from a variety of industries, including apparel, beauty, consumer electronics, hard and soft goods, home furnishings, books, music, and department stores. Survey participants included decision-makers and executives with responsibility for their firms' marketing, e-commerce, sales, and operations capabilities and strategies. In-person surveys and interviews were conducted on-site at the 2014 eTail West conference. Responses were collected in February and March of 2015.

Appendix B: Demographic Information

Company Type



Annual Online Revenues



Appendix C: Related Research

"Luxury's Digital Moment", WBR Digital, January 2015

[See It Here](#)

"The Mobile Opportunity: Shifting M-Commerce Strategies", WBR Digital, November 2014

[See It Here](#)

"Technology Trends in Retail", WBR Digital, October 2014

[See It Here](#)

A special thank you to our research partners, whose vision and expertise helped make this report possible.

Research Partners

SAILTHRU

Sailthru

Sailthru, the leading provider of personalized marketing communications technology, is driving a major shift in how companies engage with their individual customers and optimize their revenue opportunities. Through the automated analysis of large data sets, Sailthru Smart Data generates and delivers personalized, omnichannel digital brand experiences.

For more, go to www.sailthru.com

criteo

Criteo

Criteo delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 1,500 employees in 24 offices across the Americas, EMEA and Asia-Pacific, serving over 7,000 advertisers worldwide and with direct relationships with over 10,000 publishers.

For more information, please visit www.criteo.com

SOASTA

SOASTA

SOASTA is the leader in performance measurement and analytics. The SOASTA platform enables digital business owners to gain unprecedented and continuous performance insights into their real user experience on mobile and Web devices – in real time, and at scale.

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