eTail™

Digital Retail Study 2016

Evaluating the Changing Landscape of Retail Marketing

WBR DIGITAL   RetailMeNot inc.

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Executive Summary

For several years, digital retailers have been focused on uniting their presence across multiple channels, measuring their successes and assessing how their customers relate to them across platforms. The acknowledged reality is that consumers now access brands across a range of devices with the expectation that their experience will be seamless each time. For many retailers, a presence on social media, mobile devices and partner networks is already in place. The calibration of these efforts and implementation of new leading-edge features to enhance the customer experience continues to be at the forefront for brands.

The rising importance of mobile as a platform that influences conversions in all channels, as well as the potential for it to sync with features such as beacons, in-store interactivity and the ability to order online and pick up in-store, have elevated its position among many retailers. Relative to long-standing priorities, such as the optimization of email and SEO ranking, mobile still has room to grow. The majority of retail executives feel that mobile is set to grow dramatically within the next 12 months.

Additionally, retail executives acknowledge the role of social media as useful but are less aligned on the ways in which it impacts their brand most—debating whether it is effective for conversions, engagement or both. In general, brands are utilizing analytics to shape their strategies and help allocate resources in order to optimize the platforms they currently have a presence on. Data on traffic patterns, conversions and, eventually, revenues, will be the guiding hand when prioritizing each component of a cohesive, omnichannel brand presence.

Key Findings

Mobile is gaining on incumbent technologies as a key commercial and marketing priority.

As mobile conversion rates increase and mobile devices continue to be powerful touchpoints for creating engagement, digital marketers will invest more in the channel. Mobile's potential extends far beyond its baseline function as a dynamic commercial channel on which consumers can make purchases. Rather, through capabilities like geofencing, in-store beacons and programmatic ads, mobile is becoming a vital mechanism in omnichannel retail, helping to drive purchases in stores and on other devices. As a result, retailers' top mobile investment priority over the next 12 months is to build capabilities that enable mobile as a cross-channel marketing tool.

Data is key for personalization and predictive marketing… but resources remain a challenge.

It is extremely important for retailers to build out personalized experiences that are seamless across channels. However, a third of retailers struggle with the availability of necessary data to create a personalized experience. For those retailers who do have access to the data, they may lack the resources needed to build and execute personalization and predictive marketing frameworks.

In the next 12 months, almost half of retailers will invest in integrating mobile payments into their strategies.

Digital retailers are focused on tapping into new facets of mobile technology, including the ability for customers to use device-based payment when making purchases. As brands continue to make mobile purchasing a frictionless process for consumers, they will also begin to see revenue and customer satisfaction increase.
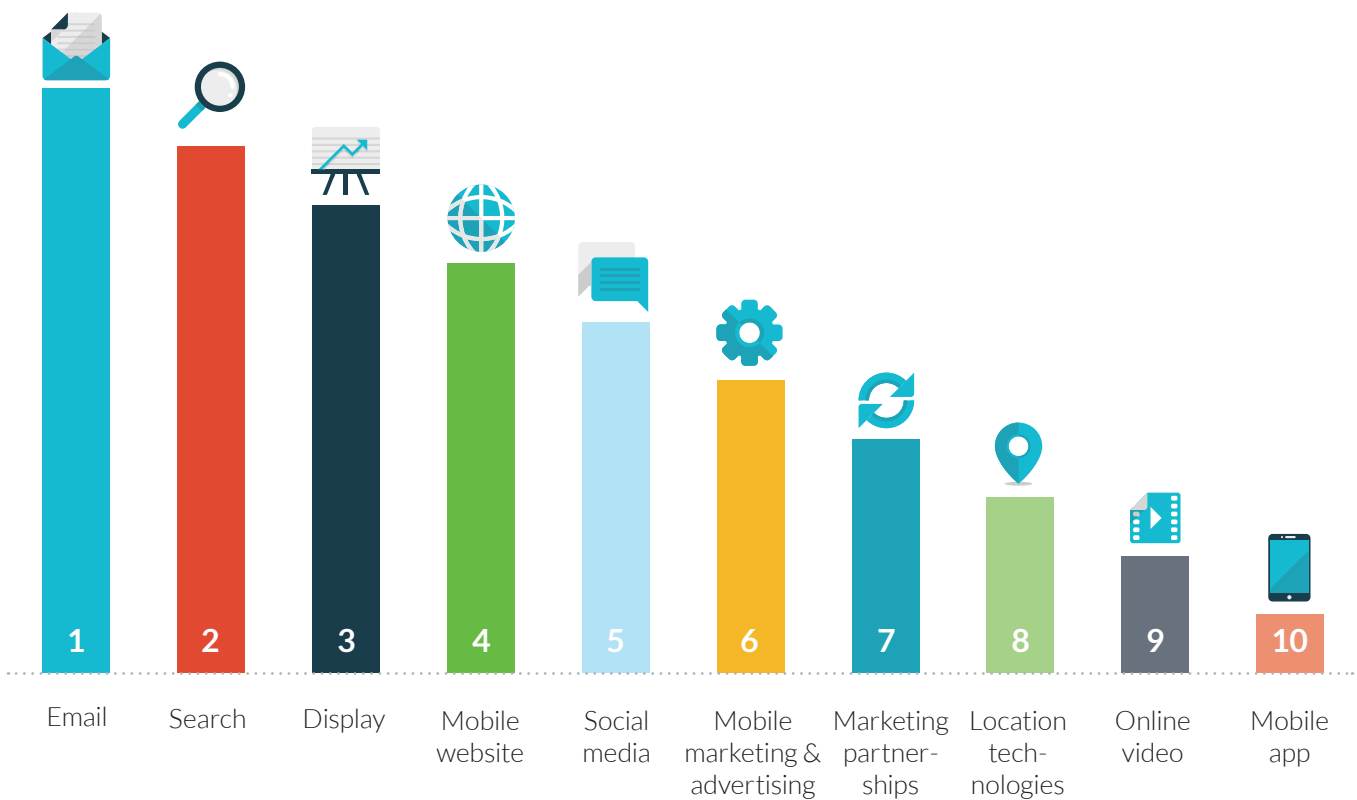
Research Analysis

How digital retailers are prioritizing their investments

? Please rank your investment priorities for the following digital capabilities for the next 12 months.

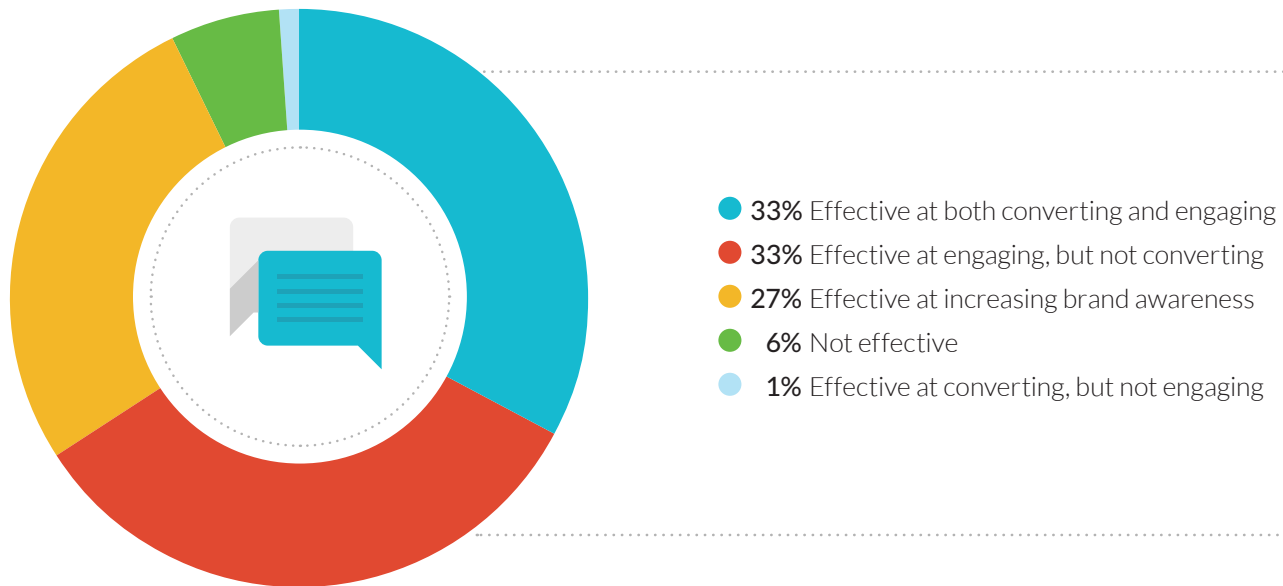| 1	2	3	4	5	6	7	8	9	10
Email	Search	Display	Mobile website	Social media	Mobile marketing & advertising	Marketing partner-ships	Location tech-nologies	Online video	Mobile app

Digital marketers are focused on not only investing in the traditional channels but also on making investments in new areas that have the potential to help grow their business. Email continues to be a top priority due to its reliability and the direct connection to customers that it gives brands. Search ranks second, prized for its ability to funnel new, interested customers into the sales pipeline. Next, display is followed by the development of mobile websites, reflecting recognition of growing mobile commerce and the need for a seamless experience. Retailers rank social media fifth on their list of investment priorities, and while this channel can serve as a major asset to a brand in terms of engagement, its bottom-of-the-funnel benefits are still in question. Mobile marketing and advertising comes in as priority number six, reflecting the desire to widen the funnel that attracts customers to their sites across a variety of platforms. Aiding in the expansion of these audiences are marketing partnerships, another important tool for drawing customers to revamped online presences.
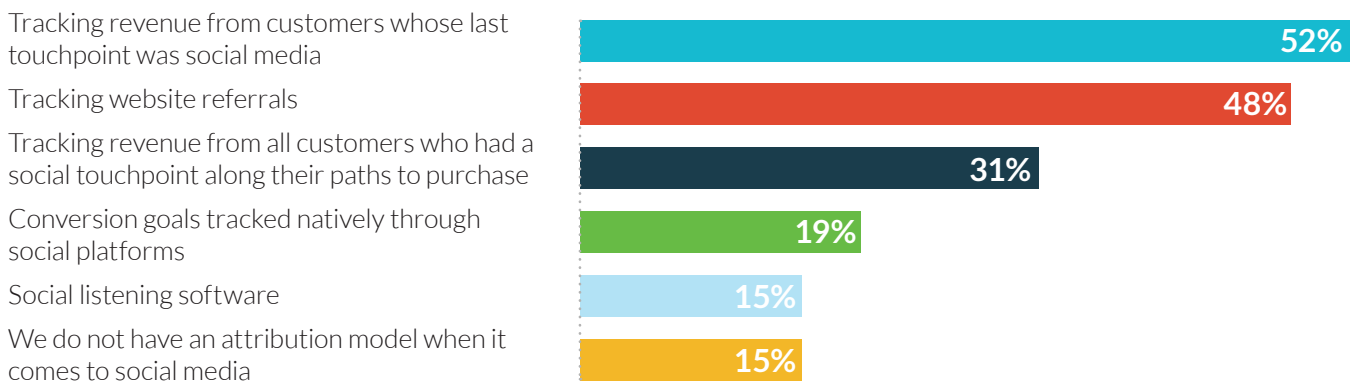
Measuring the role of social media

? How effective do you perceive social media to be?

- **33%** Effective at both converting and engaging
- **33%** Effective at engaging, but not converting
- **27%** Effective at increasing brand awareness
- **6%** Not effective
- **1%** Effective at converting, but not engaging

More than 9 out of 10 digital marketers agree that social media is effective to some extent. However, retailers are less aligned around the ways in which social media impacts their brands. For a third, social media is regarded as effective both for converting and engaging customers. An equal percentage find that they can engage their customer base using social media, but they are not able to reliably create conversions through the channel. Another 27% feel that the channel is useful primarily as a means to create brand awareness only. Alternately, only 6% believe social media is not effective at all, and a mere 1% see it as a source of conversions rather engagement. A brand's view of social media and its impact will vary between retailers. However, it should be noted that the majority of retailers feel that social media platforms do have some effect on their overall strategy.

? How do you attribute success to your social media marketing? (Select all that apply)

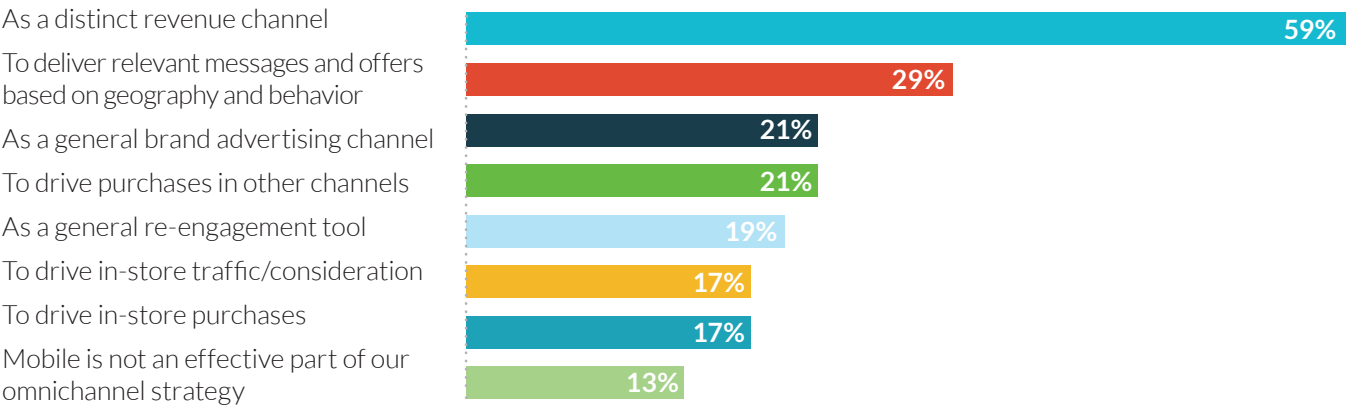|	
Tracking revenue from customers whose last touchpoint was social media	**52%**
Tracking website referrals	**48%**
Tracking revenue from all customers who had a social touchpoint along their paths to purchase	**31%**
Conversion goals tracked natively through social platforms	**19%**
Social listening software	**15%**
We do not have an attribution model when it comes to social media	**15%**

In an effort to track and attribute their social media success, brands are utilizing an array of metrics. Just over half (52%) are tracking revenue from customers whose last touchpoint was on social media, while 48% are tracking referral traffic coming from social media to their website. Thirty-one percent are tracking revenue from all customers who at some point in the sales cycle passed through a social network, a much more broad-based approach. This method is effective at helping retailers piece together the consumer journey and better recognize the ways in which social impacts throughout the funnel. Surprisingly, only 15% utilize social listening software to gain greater visibility around their performance. Social listening tools can aid in giving brands a better look at the social content that is resonating with their followers, as well as increase engagement. While the majority of brands have some form of measurement in place, 15% state that they do not have any attribution model in place for monitoring the effect of social media on their brand.

Measurement and attribution can be challenging goals when it comes to social media marketing, given the critical role the channel is playing in branding. In other words, although social is evolving into an increasingly important conversion center, revenue gains should not overshadow the channel's contribution to consumer engagement and brand management. This study reinforces this fact, with the vast majority of respondents noting that social media is an effective way to engage consumers and improve brand awareness.

Mobile's growing importance and integration within an omnichannel environment

? How do you use mobile as a part of your omnichannel strategy? (Select all that apply)

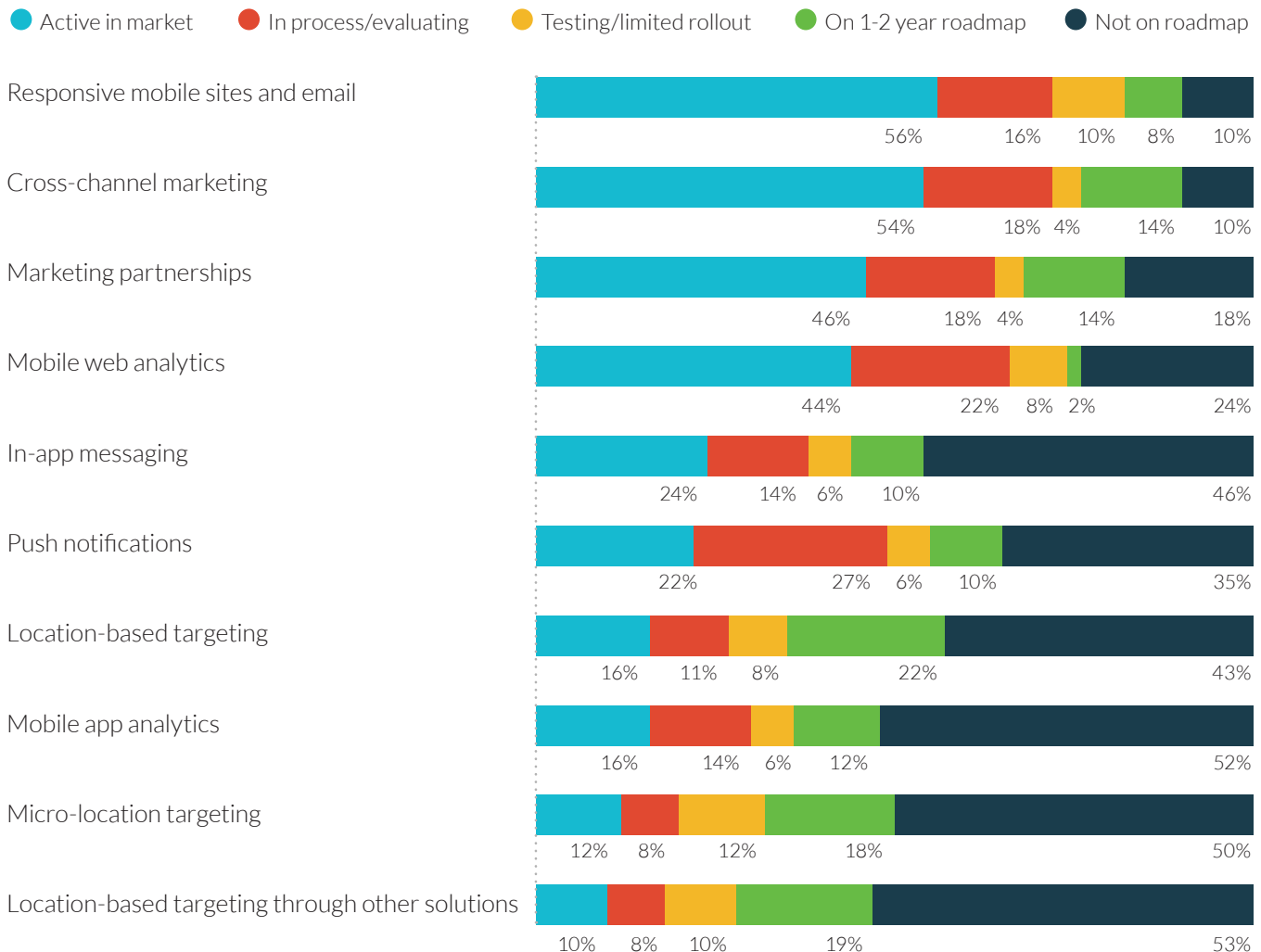|	
As a distinct revenue channel	59%
To deliver relevant messages and offers based on geography and behavior	29%
As a general brand advertising channel	21%
To drive purchases in other channels	21%
As a general re-engagement tool	19%
To drive in-store traffic/consideration	17%
To drive in-store purchases	17%
Mobile is not an effective part of our omnichannel strategy	13%

For 59% of digital retailers, mobile is seen as its own distinct revenue channel, reflecting the growing recognition of its potential to drive conversions as consumers become more comfortable using their device to shop. More than a quarter of digital retailers (29%) deliver relevant messages and offers to their customers via mobile devices, which offers the benefit of allowing them to immediately follow up with a conversion on their device.

Only 17% look at mobile as a channel that drives in-store traffic and purchasing. As consumers shop in physical locations, they likely do so with phone in hand. This could be an area of opportunity for retail investment as on-the-go, mobile shoppers can be reached anywhere and anytime, not just online. And surprisingly, 13% of retailers feel that mobile is not an effective component of their multichannel strategies, a sentiment that could potentially be detrimental for brands as consumers move more and more toward engaging with retailers on their smartphone devices.

❓ Describe your current status regarding the following mobile marketing initiatives

● Active in market ● In process/evaluating ● Testing/limited rollout ● On 1-2 year roadmap ● Not on roadmap

Responsive mobile sites and email
56% 16% 10% 8% 10%

Cross-channel marketing
54% 18% 4% 14% 10%

Marketing partnerships
46% 18% 4% 14% 18%

Mobile web analytics
44% 22% 8% 2% 24%

In-app messaging
24% 14% 6% 10% 46%

Push notifications
22% 27% 6% 10% 35%

Location-based targeting
16% 11% 8% 22% 43%

Mobile app analytics
16% 14% 6% 12% 52%

Micro-location targeting
12% 8% 12% 18% 50%

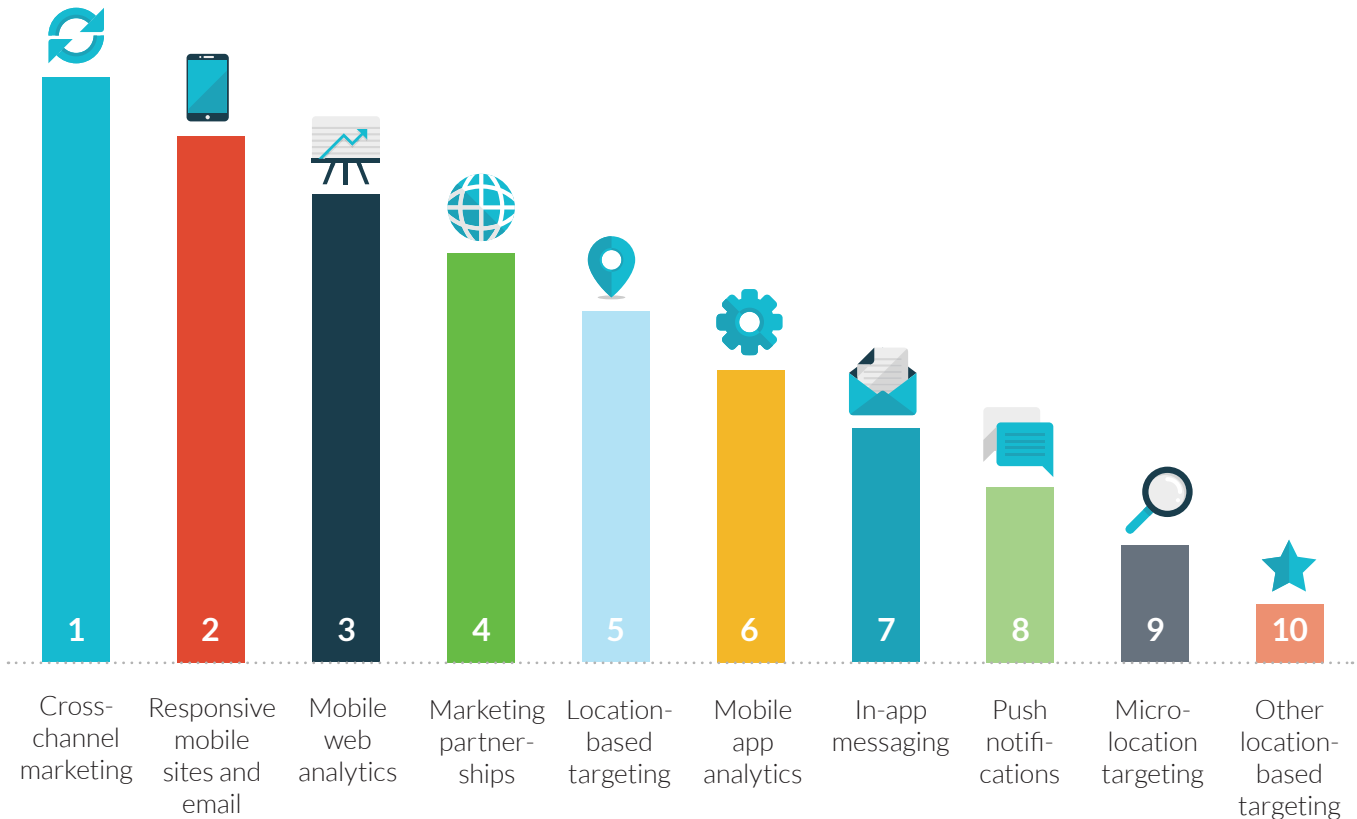**Location-based targeting through other solutions**
10% 8% 10% 19% 53%

As brands work to improve how they handle their mobile efforts, some features have already been widely implemented, while others beckon further on the horizon. Fifty-six percent of digital retailers have already rolled out responsive mobile sites, as well as emails, and an additional 16% are either evaluating the technology or plan on rolling it out in the near future. As a complement to a successful mobile platform, more than half (54%) of retail marketers have executed cross-channel marketing efforts, recognizing the need to reach consumers across a variety of channels.

Additionally, half of digital marketers either currently invest in marketing partnerships or are in the process of testing and rolling out on a limited basis. Marketing partnerships can prove to be highly valuable for retailers, as they allow brands to tap into additional mobile moments on the sites and apps where consumers are already browsing.

Conversely, strategies that involve location-based targeting such as geofencing, magnetic positioning and hypertargeting with beacons, are not on the roadmap for a majority of the brands surveyed. Some of these initiatives may hold the key to personalization in the future, but for now, it appears that initiatives involving building functional and seamless mobile experiences rise to the top of retail leadership's priority lists.

Please rank your investment priorities for the following mobile marketing initiatives for the next 12 months.

Rank	Initiative
1	Cross-channel marketing
2	Responsive mobile sites and email
3	Mobile web analytics
4	Marketing partnerships
5	Location-based targeting
6	Mobile app analytics
7	In-app messaging
8	Push notifications
9	Micro-location targeting
10	Other location-based targeting

The greatest priority for retail marketers over the next 12 months is integrating mobile into a broader cross-channel approach, reaching customers as they move between devices. Providing a seamless experience for consumers across desktop, mobile and in-store includes retargeting across channels and utilizing mobile as a driver—both online and off. Following cross-channel marketing efforts, retailers will invest in areas such as responsive mobile sites and emails, and the analytics needed to process the ROI of these strategies.
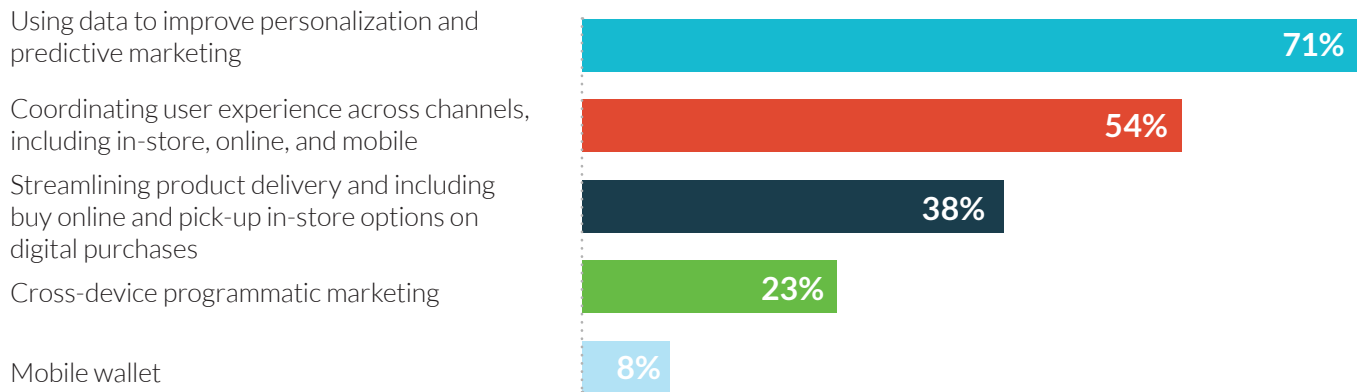
Beyond making investments in proprietary mobile platforms and data, retailers will embrace marketing partnerships as an important method for gaining access to new mobile audiences. By partnering with external retail experts and consumer mobile destinations, marketers can tap into additional mobile moments with their consumers, driving more engagement and sales.

Creating seamless, personalized shopping experiences

? **What strategies are you currently leveraging to create a more seamless shopping experience across channels? (Select all that apply)**

Strategy	Percentage
Using data to improve personalization and predictive marketing	71%
Coordinating user experience across channels, including in-store, online, and mobile	54%
Streamlining product delivery and including buy online and pick-up in-store options on digital purchases	38%
Cross-device programmatic marketing	23%
Mobile wallet	8%

In order to implement a consistent branding experience, nearly 3 out of 4 (71%) digital retailers are looking at the data to help improve personalization efforts. Having more data and analytics measurements in place allows retailers to become more scientific in how they approach the customer experience.

As mentioned previously, retailers are also interested in ensuring that their communication tactics and content provide a frictionless shopping journey. More than half (54%) are focused on creating a seamless experience across channels. Lastly, retailers are also looking at ways to improve their product delivery, and the emergence of buy online, pick up in-store programs has become a strategy that 38% of retailers say they are currently leveraging.

? **How well are you capturing and using customer data to make your marketing messages and offerings more personalized?**

- 54% Somewhat well
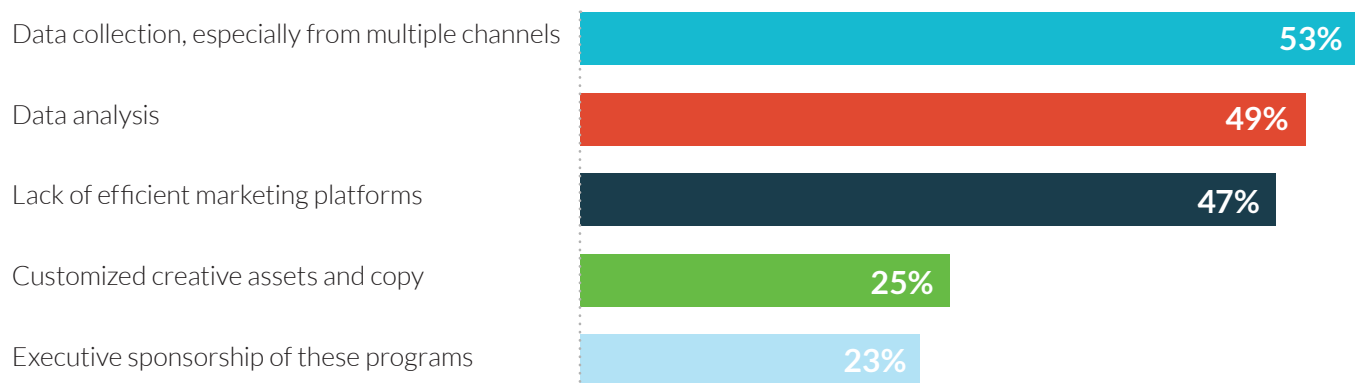- 32% Poorly
- 14% Very well
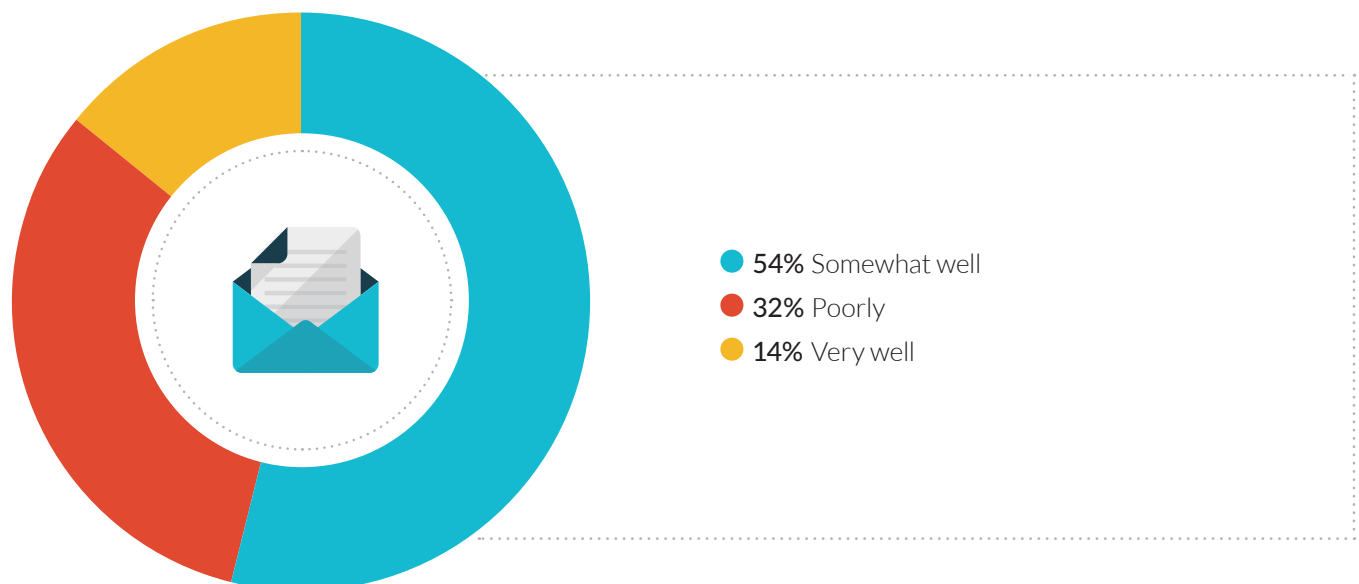
Being consistent in delivering personalized customer experiences can be a challenge for many retail brands. Consumers have come to expect relevant, targeted messages and experiences, an expectation that has been difficult for some retailers to fulfill. At the core of personalized marketing is the ability to collect, interpret and act on customer data.

Only 14% of respondents in this study believe they are using customer data "very well" to improve marketing personalization. Meanwhile, nearly a third (32%) of respondents say that they are doing a poor job of using data to make their marketing more personal. For those companies that are not yet taking advantage of customer data, it is essential that they build out processes to capture this information. Retailers who have taken this step now have access to a new age of sophisticated performance indicators, such as conversion rate, shopper yield, Average Transaction Value (ATV) and entrance traffic.

What are the major obstacles preventing you from delivering more personalized messages? (Select all that apply)

Data collection, especially from multiple channels	53%
Data analysis	49%
Lack of efficient marketing platforms	47%
Customized creative assets and copy	25%
Executive sponsorship of these programs	23%

Perhaps unsurprisingly, the biggest barriers to personalized marketing are data collection and analysis, especially for omnichannel commerce. Without a better understanding of customer behavior, it is impossible for brands to deliver more relevant messages and promotions. In addition to data demands, many retailers believe that they need more efficient marketing platforms to help them turn consumer insights into marketing messages in a way that is scalable. This study reveals that there is support among executive teams for these programs, indicating that for many brands the challenge is to find and implement the right technologies—a tricky task, without a doubt.

Brand adoption of programmatic marketing strategies

What is Programmatic Marketing?

Programmatic marketing is the application of automated technology through which media buyers and sellers may align organizational processes in support of ongoing, channel-agnostic customer engagement (and to allow for the continuous optimization of that effort as business strategies evolve) in order to drive revenue.
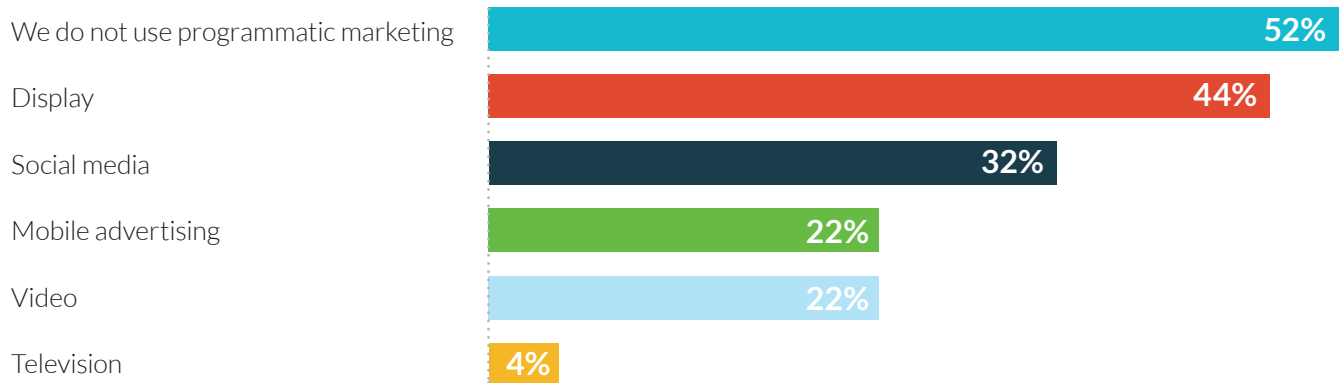
? **Are you using programmatic marketing?**

- **32%** Yes
- **52%** No
- **16%** In the process of implementing
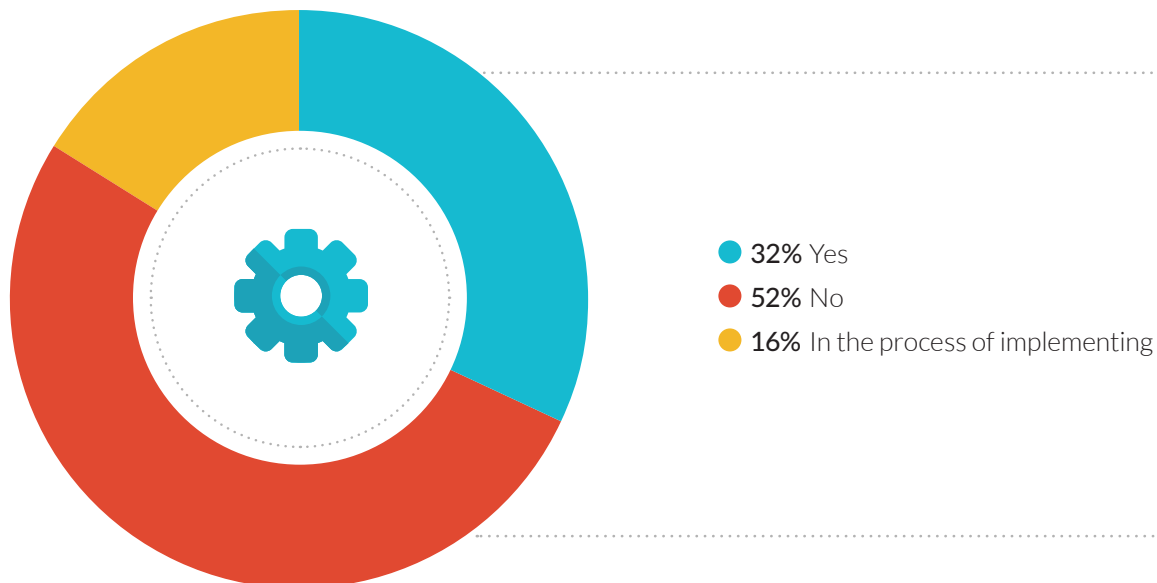
In the age of omnichannel retail, consumer journeys have become more diffuse than ever before, thanks in part to the rapid proliferation of digital media channels. That diffusion has made it imperative for retail brands to connect with consumers across all relevant digital channels in order to help influence consumer behavior. In this context, programmatic marketing can be a powerful tool to help retailers engage with those consumers who are most likely to buy. However, only a third of respondents are already taking advantage of programmatic marketing, with more than half (52%) in the process of rolling out programmatic campaigns in the future.
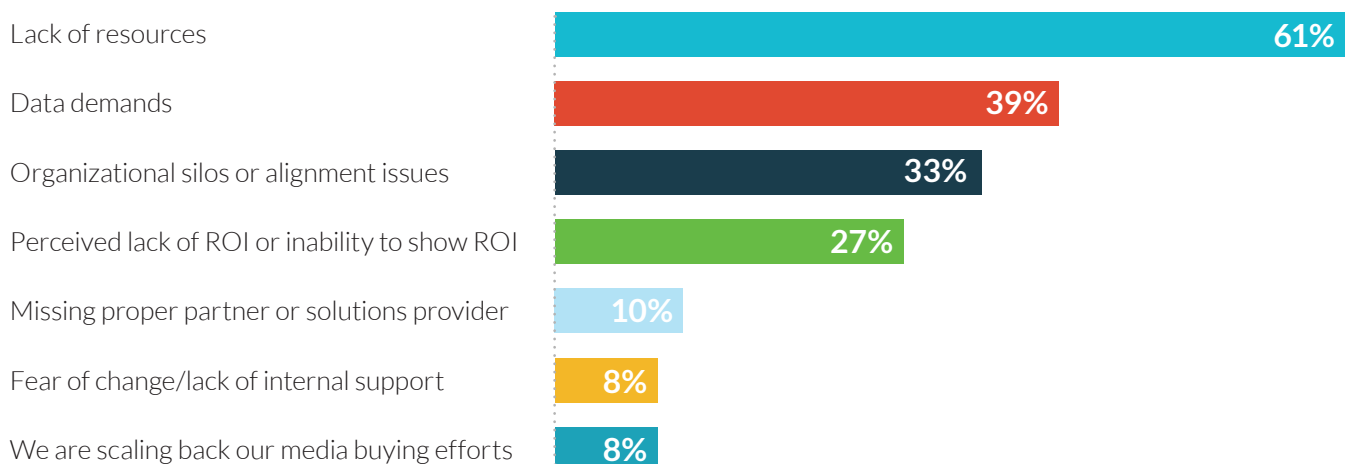
Which channels do your programmatic marketing program extend to? (Select all that apply)

Channel	Percentage
We do not use programmatic marketing	52%
Display	44%
Social media	32%
Mobile advertising	22%
Video	22%
Television	4%

Display and social media are the two most popular programmatic channels, likely because they are two of the most visible digital channels. Roughly 1 in 5 respondents are extending programmatic campaigns to mobile ads and video, and only 4% are running programmatic ads on TV. These stats underline the fact that many retailers are struggling to develop integrated omnichannel programmatic marketing campaigns.

What have been the greatest barriers to the adoption (or greater utilization) of programmatic marketing at your company? (Select all that apply)

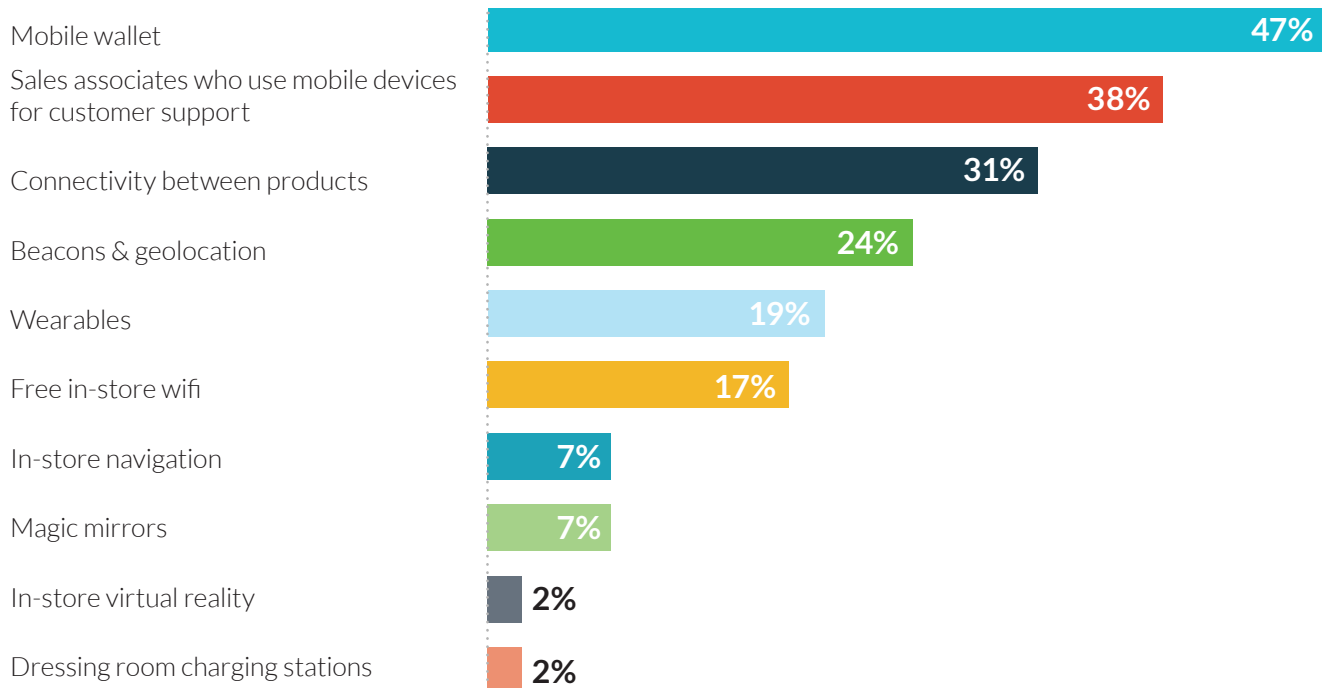| Barrier	Percentage
Lack of resources	61%
Data demands	39%
Organizational silos or alignment issues	33%
Perceived lack of ROI or inability to show ROI	27%
Missing proper partner or solutions provider	10%
Fear of change/lack of internal support	8%
We are scaling back our media buying efforts	8%

The biggest obstacle to programmatic marketing has been a lack of budget or staff. Although resource allocation is a very common problem, some retailers can solve this issue by establishing partnerships directly with technology providers or media agencies. Despite the financial and staffing demands, these brands have made it a priority to invest media spend in programmatic, because they expect to see a great return on their investments. In fact, among all respondents, only about 1 in 4 (27%) is skeptical about the ROI of programmatic marketing.

Adopting next generation digital capabilities

? Which of the following innovative digital capabilities will you be investing in over the next 12 months? (Select all that apply)

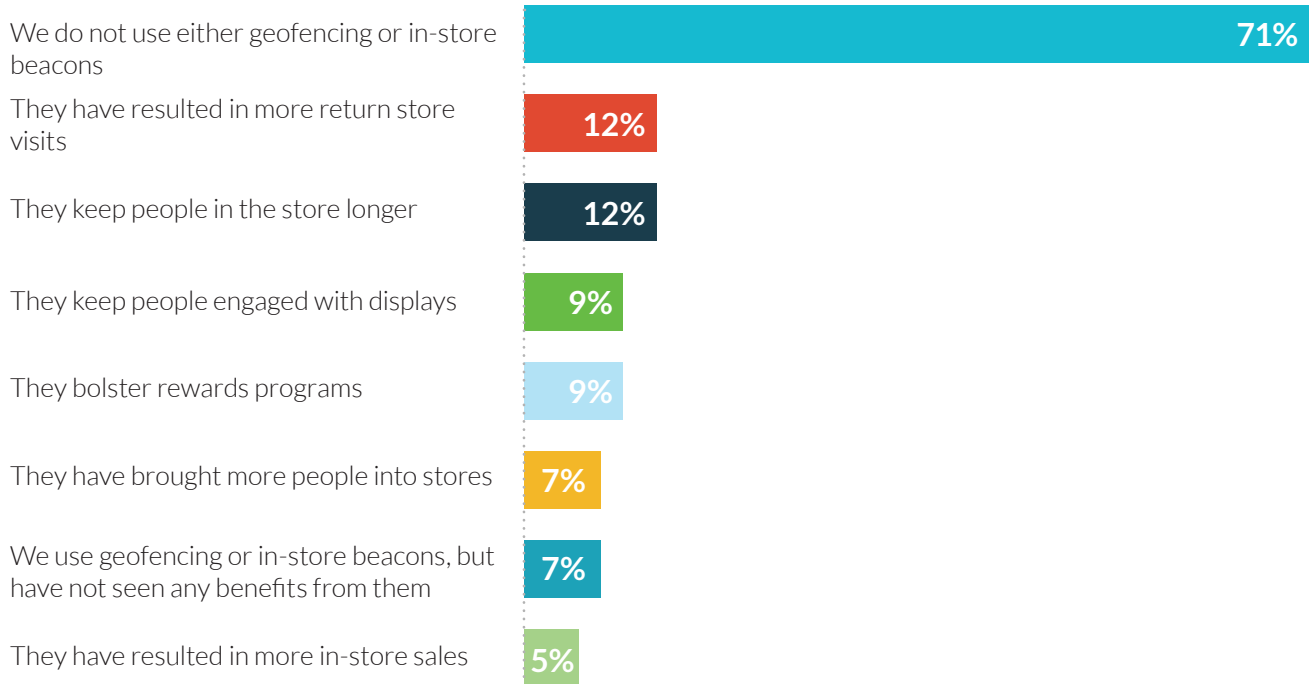| Capability	Percentage
Mobile wallet	47%
Sales associates who use mobile devices for customer support	38%
Connectivity between products	31%
Beacons & geolocation	24%
Wearables	19%
Free in-store wifi	17%
In-store navigation	7%
Magic mirrors	7%
In-store virtual reality	2%
Dressing room charging stations	2%

Mobile wallets are not currently widely utilized, in part because many stores still lack the technology to accommodate mobile payments. Consumer concerns over information security have also hampered the adoption of mobile payment methods. However, 2015 was an important year in the advancement of this technology, with both Apple Pay and Google Wallet ramping up their activities and pushing mobile payment methods closer to becoming mainstream. The popularity of mobile payments will likely continue to rise, largely due to their ability to simplify payment processes and link up with loyalty programs. Some mobile wallet programs, such as Starbucks Mobile Order & Pay, have already found success by solving a pain point for consumers: long lines. The best mobile payment programs remove friction from the purchase process and/or incentivize customers to pay with their mobile devices. Expect retailers to continue to find ways of realizing this potential, thereby driving up the utilization of mobile wallets.

Additionally, 38% of retailers are focused on arming their in-store associates with mobile devices in order to raise the level of support associates are able to provide customers. For instance, many retailers have implemented mobile point-of-sale (POS) devices to reduce checkout wait times and streamline the buying experience. These devices can also play a key role for programs like buy online, pick up in-store, which requires store personnel to quickly find the inventory they need to have available for customer pickup.

? What benefits, if any, have you seen from geofencing and in-store beacons? (Select all that apply)

Benefit	Percentage
We do not use either geofencing or in-store beacons	71%
They have resulted in more return store visits	12%
They keep people in the store longer	12%
They keep people engaged with displays	9%
They bolster rewards programs	9%
They have brought more people into stores	7%
We use geofencing or in-store beacons, but have not seen any benefits from them	7%
They have resulted in more in-store sales	5%

Many retailers are still working to understand where geofencing and in-store beacons fit in their omnichannel models. However, nearly 30% of respondents indicated that they do currently use either geofencing or in-store beacons. Moreover, of those brands that are using these capabilities, most respondents have seen an increase in store foot traffic as a result, as well as more time spent shopping in that particular store. While these results are modest, they indicate that there is potential to deliver relevant messages, offers and information based on users' locations. That potential, however, has yet to be fully tapped.

Location-based targeting is a top 5 priority for retailers when it comes to their mobile investments over the next 12 months, can bring big benefits like the ability to tap into consumer's mobile moments. For retailers who are not currently using geofencing and/or beacon technology due to limited mobile resources, investing in partnerships will provide them with the opportunity to reach shoppers at scale. The right mobile marketing partners can help retailers extend their reach, increase their mobile presence and incentivize shoppers to visit their stores.

Key Recommendations

Work to create a seamless experience across all platforms, identifying consumer actions across channels in order to sharpen the effectiveness of the sales funnel.

Depending on a business's unique customer journey, brands may find that certain platforms are more effective than others to help reach their goals—and that their viewpoint on the effectiveness of a channel may differ from competitors. That stated, today's omnichannel paradigm means that the relative value of each channel should be assessed and then shaped into a part of a larger, seamless customer experience.

Broaden the means by which consumers can engage with your brand.

Retailers who engage consumers in a variety of ways, such as through social media, marketing partnerships, SEO and banner ads, will be able to better reach new prospects and keep past customers engaged. Along with efforts to standardize a branded experience across all the platforms in use by a retailer, building and measuring reach is an essential component.

Increase the ease with which customers can make and collect their purchases.

Brands are now looking at blurring the lines between a digital and brick-and-mortar retail experience, especially with the rise of mobile and its impact on the consumer. Technologies that allow retailers to merge the facets of both online and in-store are increasingly being explored as ways to maximize the potential across channels. Mobile will play an increasing big role in the decisions of retail marketers and will help bridge online and offline efforts. In-store pickup is one example of how retailers are merging online and offline efforts. Additionally, geotargeting and other location technologies are being explored to push retail environments past the confines of the desktop or physical store.

Better data management is crucial if brands want to keep up with the rapidly evolving retail landscape.
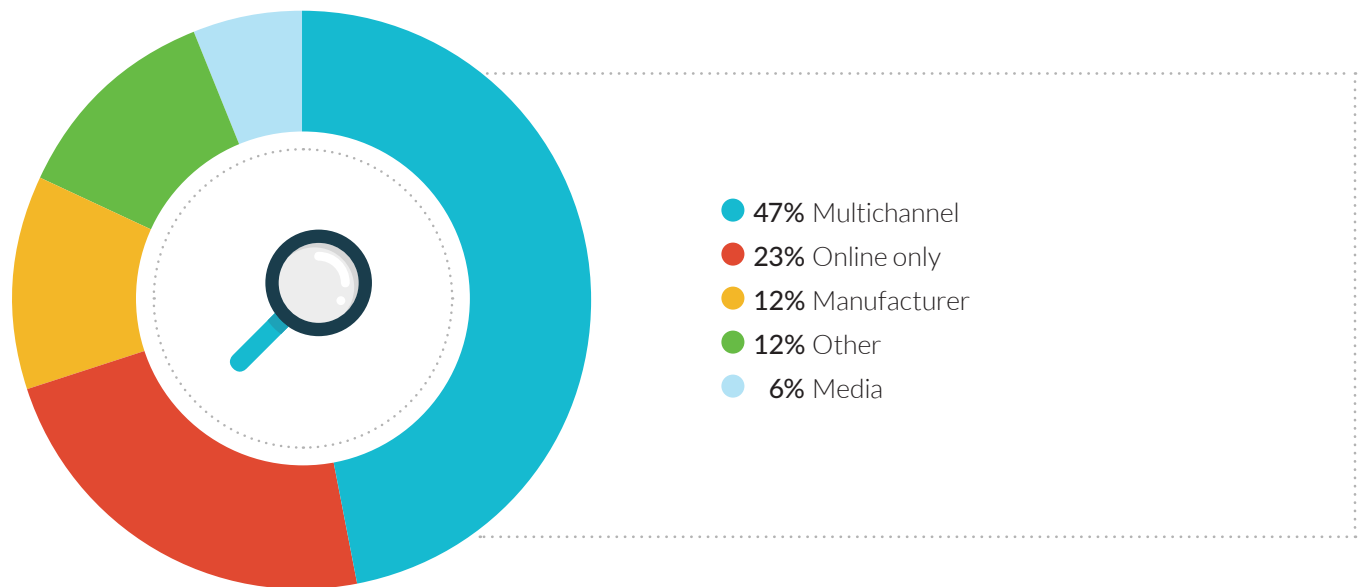
Data is the key to cutting-edge e-commerce and digital marketing strategies; it drives consumer insights to inform marketing strategies and enables brands to optimize each step in the path to purchase. Scattered data can mean fractured visibility of customers and campaigns, ultimately leading to less impactful initiatives and ineffective commercial strategies. Brands must ensure that they are not only capturing data related to consumer behavior but also using that data to personalize their messaging and improve the shopping experience. This requires strong, centralized analytics platforms and robust marketing automation tools, as well as, data sharing amongst partners and with attribution experts.
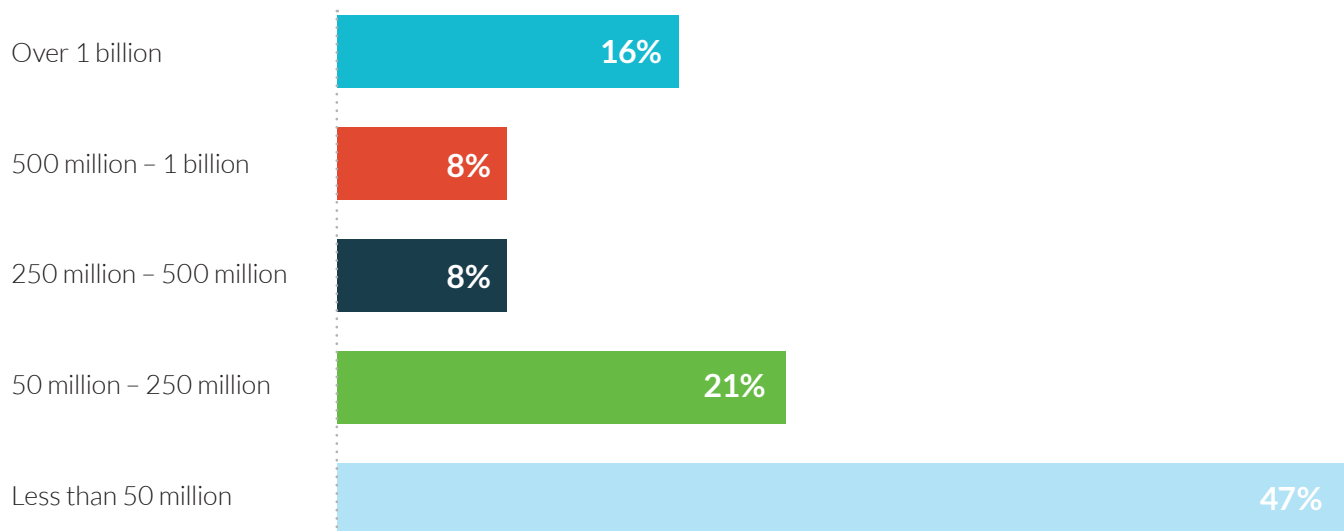
Appendix

Response breakdown

? What is your company type?

- **47%** Multichannel
- **23%** Online only
- **12%** Manufacturer
- **12%** Other
- **6%** Media

? What are your annual revenues?

Over 1 billion	16%
500 million – 1 billion	8%
250 million – 500 million	8%
50 million – 250 million	21%
Less than 50 million	47%

RetailMeNot, Inc.

RetailMeNot, Inc. (http://www.retailmenot.com/corp/) is a leading digital savings destination connecting consumers with retailers, restaurants and brands, both online and in-store. The company enables consumers across the globe to find hundreds of thousands of digital offers to save money while they shop or dine out. During the 12 months ended December 31, 2015, RetailMeNot, Inc. experienced over 718 million visits to its websites. It also averaged 23.2 million mobile unique visitors per month during the three months ended December 31, 2015. RetailMeNot, Inc. estimates that approximately $4.8 billion in retailer sales were attributable to consumer transactions from paid digital offers in its marketplace in 2015, more than $600 million of which were attributable to its in-store solution. The RetailMeNot, Inc. portfolio of websites and mobile applications includes RetailMeNot.com in the United States; RetailMeNot.ca in Canada; VoucherCodes.co.uk in the United Kingdom; retailmenot.de in Germany; Actiepagina.nl in the Netherlands; ma-reduc.com and Poulpeo.com in France; and Deals2Buy.com in North America. RetailMeNot, Inc. is listed on the NASDAQ stock exchange under the ticker symbol "SALE." Investors interested in learning more about the company can visit http://investor.retailmenot.com.

WBR Digital

WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.