6 Steps

To Engage The Socially Connected Shopper

Growing Market Share With
A Targeted Customer Strategy

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Executive Summary

Retailers are treading lightly in the world of social media and customer engagement. Approximately 70% have not changed their customer engagement strategy in the past three years, or have made "some modifications," according to recent research from Pitney Bowes Software. Additionally, most decision-makers at retailers are new to Digital (39.7%) or not involved in Digital at all (34.4%). The results may show the impact of a merchant's overall exposure to Digital; or whether Digital, as part of a major marketing initiative, could affect decisions related to channel adoption and management.

Broken down by industry segment, Big Box retailers are in the lead on updating their customer engagement strategies: 43.2% have changed their strategies significantly, while another 36.4% have made some modifications (a total of 35 out of 44 Big Box respondents). Office Supplies companies also are working to improve their strategies, with 3 out of 5 respondents noting a significant change. Could these segments be taking the lead in the next wave of change? It is interesting to note that the industry leaders such as Walmart, Home Depot and Lowes have performed very well during this period.

Across the board — among retailers in segments including Specialty Hardgoods, Specialty Softgoods, Big Box, Pharmacy/Convenience Stores, Grocery and Electronics — an average of 22% have maintained the same customer engagement strategies for the past three years. Some may wonder how that is even possible today. Although the majority of merchants report that they have made "some modifications," the question remains: Was that enough? The actions, activities and results delivered by merchants such as Best Buy or RadioShack may provide those answers.

Looking at the breakdown of respondents by revenue, the results were very similar across the board. Those companies with revenues greater than $100 million were about as far along with their strategies as those under $100 million.

> An average of 22% of retailers have maintained the same customer engagement strategies for the past three years.

How have your Customer Engagement Strategies changed compared to 3 years ago?


- 31%
- 47%
- 22%
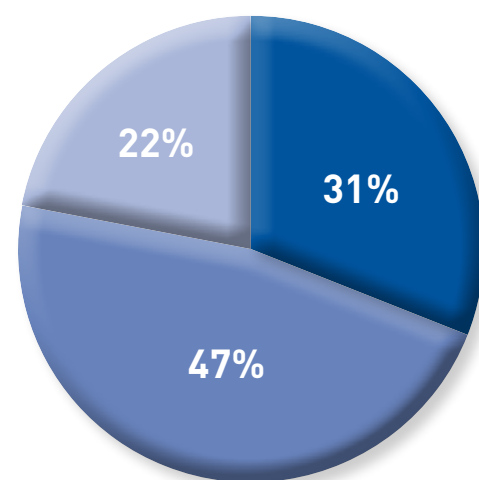
- Our Customer Engagement strategies have changed significantly
- We have made some modifications but the strategies are generally the same
- Our Customer Engagement strategies are the same as they were 3 years ago

Digitally savvy shoppers are in "fast forward" while retailers have just hit the "play" button. While 66.9% of the 302 retailers surveyed have a presence on Facebook and 34.3% are on Twitter, just 26.3% are participating on YouTube and only 18.0% have invested in Pinterest. These numbers are relatively consistent across industry segment categories. "YouTube is very successful and Pinterest is gold," noted Steve Topper, Business Solution Architect, Pitney Bowes Software. "There is a lot of room for growth in social media, but we are not seeing it being addressed broadly or widely enough yet."

This white paper will shed light on retailers' current strategies around social media implementations and where they can improve to achieve multichannel success in the near term, focusing on the results from the research study titled: *Next Generation Customer Engagement Strategies*. Retailers can grow market share by following the six steps outlined in this report:

Do you have a Facebook storefront?
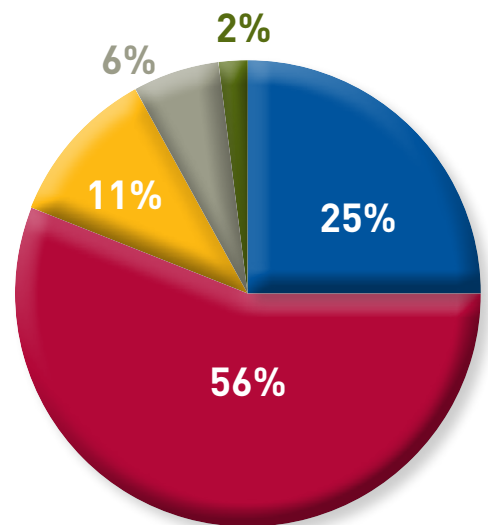
- ■ Yes
- ■ No
- ■ No but plan to add
- ■ No but are talking about it
- ■ No. We had one but shut it down

Do you have a presence on any of the following social media platforms?
(select all that apply)

	Facebook	Twitter	Foursquare	YouTube	Pinterest	Google +	Instagram	Tumblr
Yes	67%	34%	14%	26%	18%	22%	10%	9%
No	27%	53%	79%	64%	72%	70%	80%	82%
No, but plan to add	6%	13%	7%	10%	10%	8%	10%	9%

- ■ Yes
- ■ No
- ■ No, but plan to add
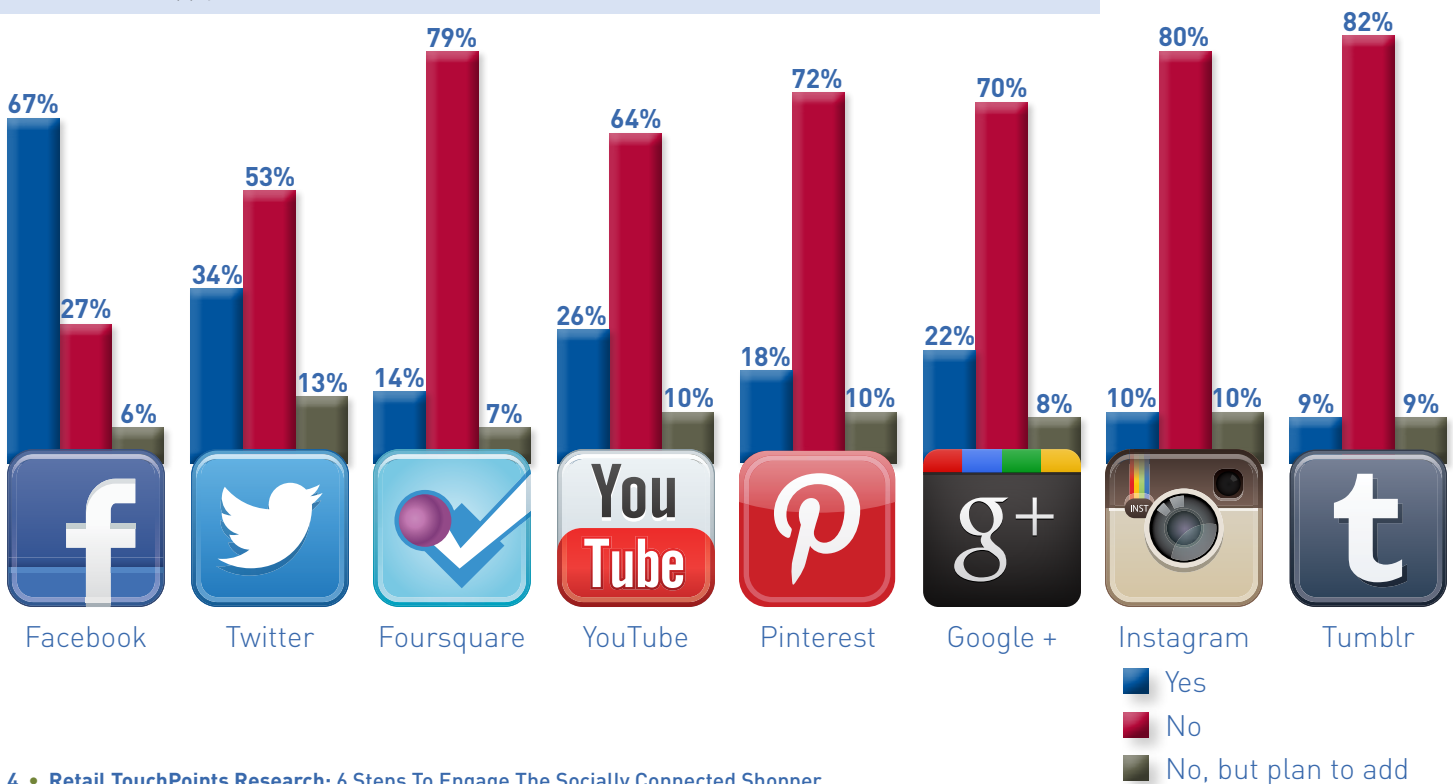
I. Choose The Right Communications Vehicles

While social media is growing rapidly, most retail companies continue to depend on direct mail for the greatest percentage of their customer communications: 42.0% rated Direct Mail (1 or 2 out of 10). The second most-used communications vehicle was email (used for informational messaging): 36.3%.

Other **top choices** for communications with customers included:

- Print Advertising: 21.8%
- Email (for promotional offers): 19.6%

Also notably, several communications vehicles ranked firmly at the **bottom** (rated 9 or 10 out of 10):

- In-Store via Digital Signage: 35.4%
- Print Advertising: 28.5%
- Mobile Web Site/Apps: 19.7%
- SMS Text Messaging (push notifications): 18.0%

Interestingly, Print Advertising was ranked relatively **equally at the top and the bottom**: 21.8% (1 or 2) and 28.5% (9 or 10). This is very polarizing in the fact that it does not work for some, but when it works, it is very proven and trusted, and invested in heavily.
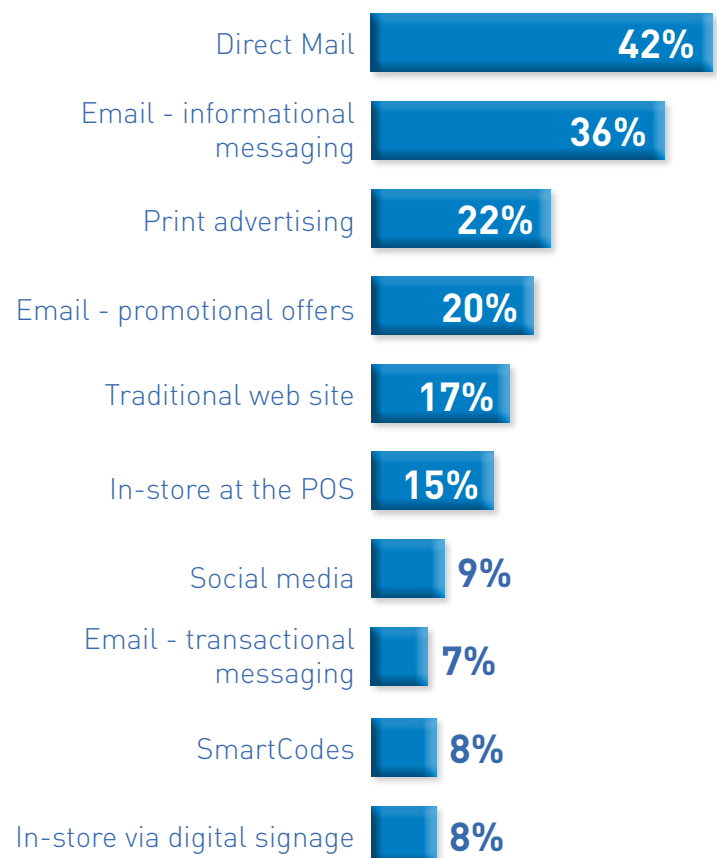
These results make it clear that retailers continue to struggle with the communications choices they face. Many resist reducing the amount of traditional print communications, and still others are hesitant to try new ideas beyond email and the traditional web site.

Unquestionably, retailers must hone their focus on all communications vehicles that will help deliver a consistent brand message across all channels. Retail Systems Research (RSR) emphasized this point in its *Omni-Channel 2012: Cross-Channel Comes of Age* report: "Retail winners demonstrate a relentless focus on the customer: 100% of those retailers plan to consolidate the shopping experience, loyalty programs, and social and digital marketing across all channels."

What are your most successful methods of communicating with customers?
(rating of 1 or 2 out of 10)

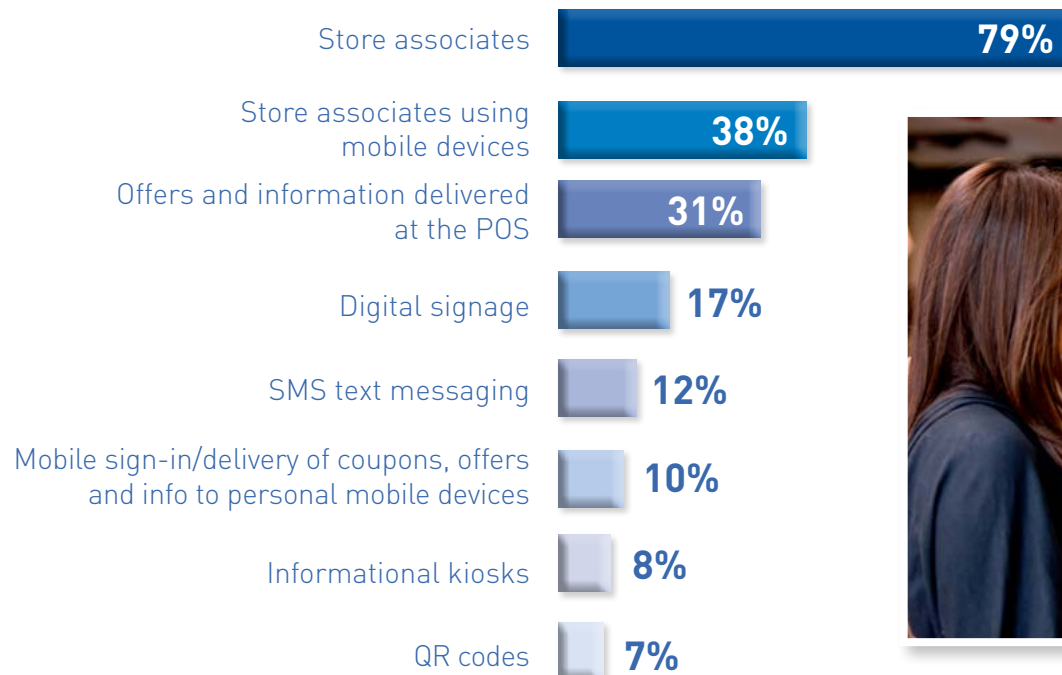| Method	Percentage
Direct Mail	42%
Email - informational messaging	36%
Print advertising	22%
Email - promotional offers	20%
Traditional web site	17%
In-store at the POS	15%
Social media	9%
Email - transactional messaging	7%
SmartCodes	8%
In-store via digital signage	8%

Embracing In-Store Communications

Once retailers entice shoppers to walk into the store, they depend on their store associates to provide high-quality customer service: 79.2% of retailers surveyed ranked Store Associates 1 or 2 out of 10 for most successful means of in-store customer engagement. Additionally, 38.2% have found that arming their store associates with mobile devices is extremely successful. Realizing those significant statistics, merchants must be sure they are effectively training, managing and motivating store staff.

Retailers also depend on the POS to deliver relevant communications to shoppers: 31.0% use this tool. But while this method of promotion and offer delivery has been effective in the past, forward-thinking companies are now seeking to engage with customers before they get to the checkout line. Mobile POS and apps, location-based targeting and interactive digital technologies are just some of the solutions retailers are using to connect with shoppers before their purchase decisions are final.

31% of retailers depend on the POS to deliver relevant communications to shoppers.

What are the most successful means of Customer Engagement used within your Brick-and-Mortar stores? (rating of 1 or 2 out of 8)

Store associates	79%
Store associates using mobile devices	38%
Offers and information delivered at the POS	31%
Digital signage	17%
SMS text messaging	12%
Mobile sign-in/delivery of coupons, offers and info to personal mobile devices	10%
Informational kiosks	8%
QR codes	7%

The Role Of Digital Technology

As digital technologies are playing a more significant role in the retail experience, executives are struggling to catch up. Just 25.8% of survey respondents said they were "Always in Digital" and 39.7% noted that they are "New to Digital, with original roots in Traditional Marketing." That leaves 34.4% who are completely unfamiliar with Digital.

This digital divide will come into play more significantly as a greater percentage of shoppers become digitally savvy. Retail companies will need to react to succeed. "Those retailers who were 'Always in Digital' are more likely to change customer engagement strategies, or at least be able to adjust more quickly, to meet the needs of digital shoppers," said Topper.

Apparel merchants, in particular, need to be on top of digital trends. A recent study titled: _Who Are Digital Divas And Why Should Retailers Care?_, uncovered the demographics and shopping preferences related to Digital Divas, defined as "consumers that are highly engaged with both fashion merchandise and digital technology." Currently, Digital Divas represent 22% of all fashion shoppers, according to the study, and represent 29% of all fashion spending, making the sub-segment highly valuable to fashion retailers.

> "Those retailers who were 'Always in Digital' are more likely to change customer engagement strategies, or at least be able to adjust more quickly, to meet the needs of digital shoppers."
>
> - Steve Topper
> Pitney Bowes Software

Please describe yourself as one of the following:
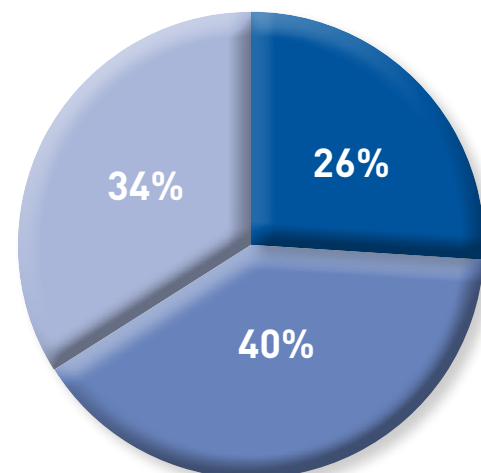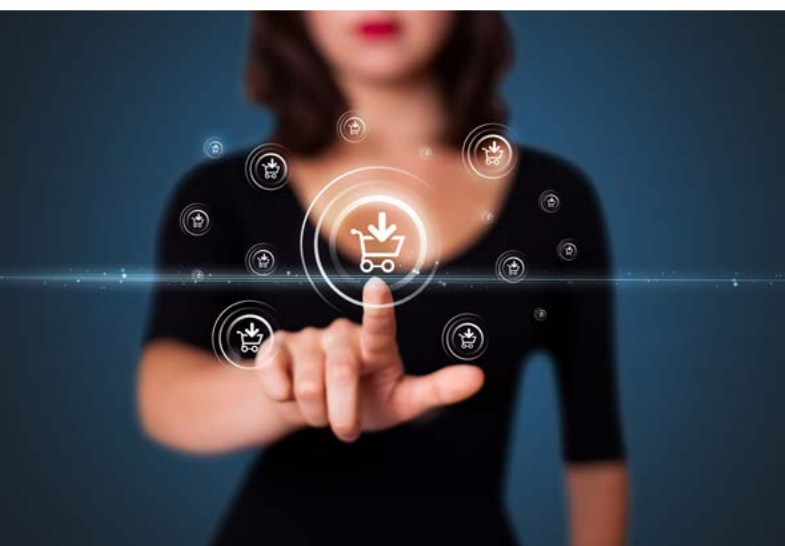
- Always in digital — 26%
- New to digital, with original roots in traditional marketing — 40%
- Not in digital — 34%

II. Provide Social Media Incentives

Many retailers still have a long way to go with social media. Almost 30% of the total survey respondents are not yet offering social media incentives for their shoppers.
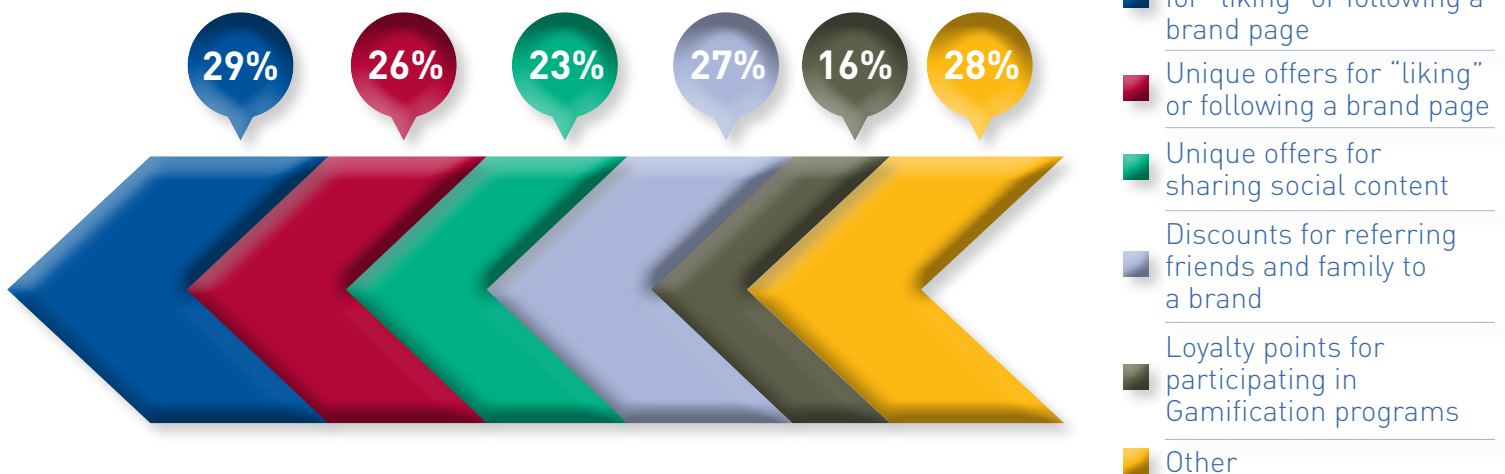
The social media "newbies" can take the lead from an equal number of companies that are investing in social media incentives including:

- Discount code for "liking" or following a brand page: 28.8%
- Discounts for referring friends/family to a brand: 26.8%
- Unique offers for "liking" or following a brand page: 25.8%
- Unique offers for sharing social content: 22.5%

These statistics are relatively consistent across industry segments, although "Unique offers for sharing social content" is more widely used among Pharmacy/Convenience Store (42.9%) and Big Box (40.9%) retailers. Additionally, 80.0% (4 out of 5) Office Supplies retailers offer discounts for referring friends/family to a brand.

Companies that use and track these activities are finding greater success, according to a recent study from the Aberdeen Group. In its 2012 *Measuring Social Media Marketing* study, Aberdeen found that "best-in-class companies are 18% more likely than other companies to track and report on 'activity-level' social media metrics, such as the number of followers/fans, re-tweets and likes." Additionally, these companies are "38% more likely to be able to connect social media activities with measureable business results, such as in-bound web site traffic or marketing responses and conversion."

Which social media incentives/offers do you provide to your customers? (select all that apply)

29% **26%** **23%** **27%** **16%** **28%**

- Discount code or coupon for "liking" or following a brand page
- Unique offers for "liking" or following a brand page
- Unique offers for sharing social content
- Discounts for referring friends and family to a brand
- Loyalty points for participating in Gamification programs
- Other

III. Make The Most Out Of The Call Center

Call centers are important components of an omnichannel strategy for many retailers, but some have not embraced the channel as a potential revenue producer. Approximately 60% of survey respondents operate call centers. Of those, the majority of call center operations are used specifically for Order and Delivery (22.8%) and offer Product Detail (15.9%). A substantially lower percentage are using the call center to help initiate Product Upsell/Cross-sell (8.9%).

One standout in the call center category is the Office Supplies retailers, 4 of 5 stating that they use the call center for Product upsell/cross-sell.

Merchants should not undervalue the benefits of the call center. In a recent report titled: _2011 Global Customer Service Barometer_, American Express reported that 90% of U.S. respondents preferred to "speak with a real person on the phone," versus 22% for text messaging or interactions on a social media site.

Some companies are realizing the potential of their call centers. In 2012, RSR reported that 35% of retail study respondents designated the call center as "very important" in regards to cross-channel process consolidation; and 25% were in the process of synchronizing call center operations with other channels.

Retailers that have embraced the call center as a potential selling and customer service channel are reaping the benefits. In one example, **Red Wing Shoes** has implemented new call center technology in order to improve overall customer service and loyalty.

"Just 9% of our survey respondents say they are using their call centers for revenue generation — cross-sell and upsell," noted Topper. "There is a lot of room for improvement in this area — to turn the call center into a profit center. Being able to have more intelligent interactions is what it is about...being able to offer up what the customer wants or needs. What we would like to see is retail marketers trying to figure out ways where the call center can be more of an interactive channel experience, and moving it from an operational cost center to a revenue engine."

> Red Wing Shoes implemented new call center technology in order to improve overall customer service and loyalty.

What are the most important types of customer communications conveyed via your Call Center operations?

- 23%
- 16%
- 9%
- 12%
- 40%
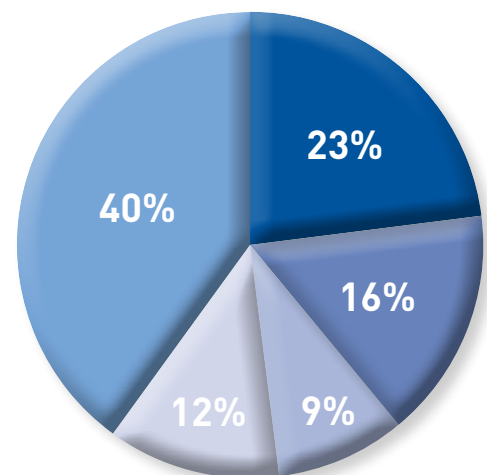
- ■ Order and Delivery
- ■ Product detail
- ■ Product upsell/cross-sell
- ■ Responses to complaints/negative experiences
- ■ N/A. We do not use a Call Center

IV. Embrace Mobile Offerings

There's no question that mobile technology is now a vital component of the shopping and buying experience. Survey results show that there is still a lot of room for improvement when it comes to retailers' investment in mobile tools. Between 47% and 64% of survey respondents report that the different types of mobile services are not being used by their shoppers.

When targeting customers' personal mobile devices, merchants are helping shoppers in a number of key areas:

- Locate nearest store: 40.7%
- Access retailer's Facebook page/other social site: 37.3%
- Find coupons/offers: 36.8%
- Gather product information: 35.6%
- Access retailers' mobile web site: 33.0%

In-store, associates are using their mobile devices to help shoppers:

- Complete purchases: 33.3%
- Purchase gift cards: 28.1%
- Redeem gift cards: 27.8%
- Redeem coupons/offers: 25.0%
- Update loyalty status: 22.0%

> Between 47% and 64% of retailers report that the different types of mobile services are not being used by their shoppers.

"We've been hearing for a while that 'e-commerce is dead, long live omnichannel' and there is a general awareness that the physical and online are melding together," Topper noted. "For the traditional retailer which still interacts with consumers in a brick-and-mortar store, working across the mobile channel while the customer is in store is imperative. NFC technology for loyalty programs and mobile payments will make the mobile device a natural and pervasive component of the in-store experience and customer loyalty in general."

Many forward-thinking retailers are embracing the concept of mobile POS and mobile apps for use in-store. **Perry Ellis**, for one, recently introduced mobile technology into its 45 stores in order to improve overall customer service and loyalty. "The main reason we pursued mPOS was for clienteling," noted Luis Paez, CIO of Perry Ellis International. "Being able to approach and work with the customer more effectively was very important. Employees and store managers now are equipped with the tools to build that relationship with shoppers and create more interactive experiences."

Which mobile services are your customers using most often? (select all that apply)

- Via personal devices
- In-store via sales associate devices

Service	Via personal devices	In-store via sales associate devices
Locate nearest store	41%	13%
Check in upon arrival at store	22%	17%
Gather product information	36%	20%
View product videos	28%	19%
Access product reviews and ratings	34%	15%
Find coupons/offers	37%	18%
Redeem coupons/offers	27%	25%
Complete purchases	25%	33%
Update loyalty status	21%	22%
Purchase gift cards	18%	28%
Redeem gift cards	18%	28%
Access retailer's mobile web site	33%	16%
Access retailer's Facebook page/other social site	37%	13%

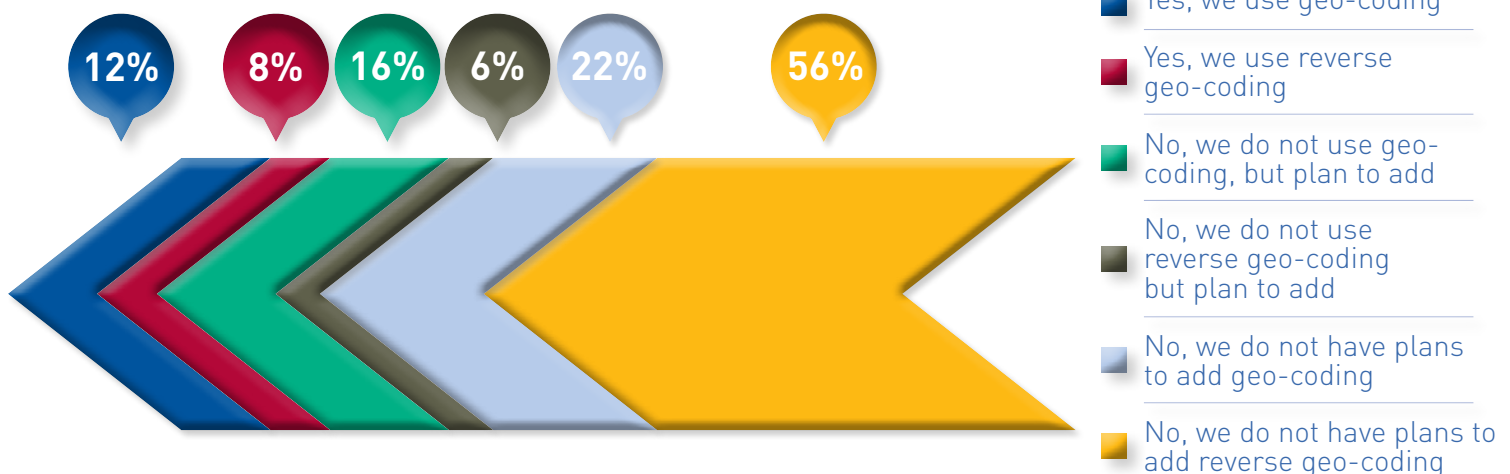# V. Adopt Location Services: Geocoding and Reverse Geocoding

Location-based services are still in their infancy in retail. As many as 56% of retailers said they do not have plans to add reverse geocoding; and 21.9% said they do not plan to add geocoding. Just 19.2% currently use geocoding (11.6%) or reverse geocoding (7.6%). These statistics are relatively consistent across industry segments, although a larger percentage (28.6%) of Pharmacy/Convenience Store retailers currently plan to add geocoding and reverse geocoding.

Facebook is now integrating global geocoding, reverse geocoding and other location intelligence applications/data into Facebook applications and services. Understanding property locations, GPS coordinates, altitude and parcel assignments provides a clearer, more accurate view of customers and their context, maximizing the value of their customer data.

Retailers are seeking to benefit from services beyond the traditional site location tactics, such as:

- New store optimization: 55.6%
- Automated address management: 55.6%
- Demographic analysis: 55.6%
- Customer profiling: 46.7%
- Marketing/promotional strategies: 44.4%

Do you use location services, such as geo-coding or reverse geo-coding? (select all that apply)

12% 8% 16% 6% 22% 56%

- Yes, we use geo-coding
- Yes, we use reverse geo-coding
- No, we do not use geo-coding, but plan to add
- No, we do not use reverse geo-coding but plan to add
- No, we do not have plans to add geo-coding
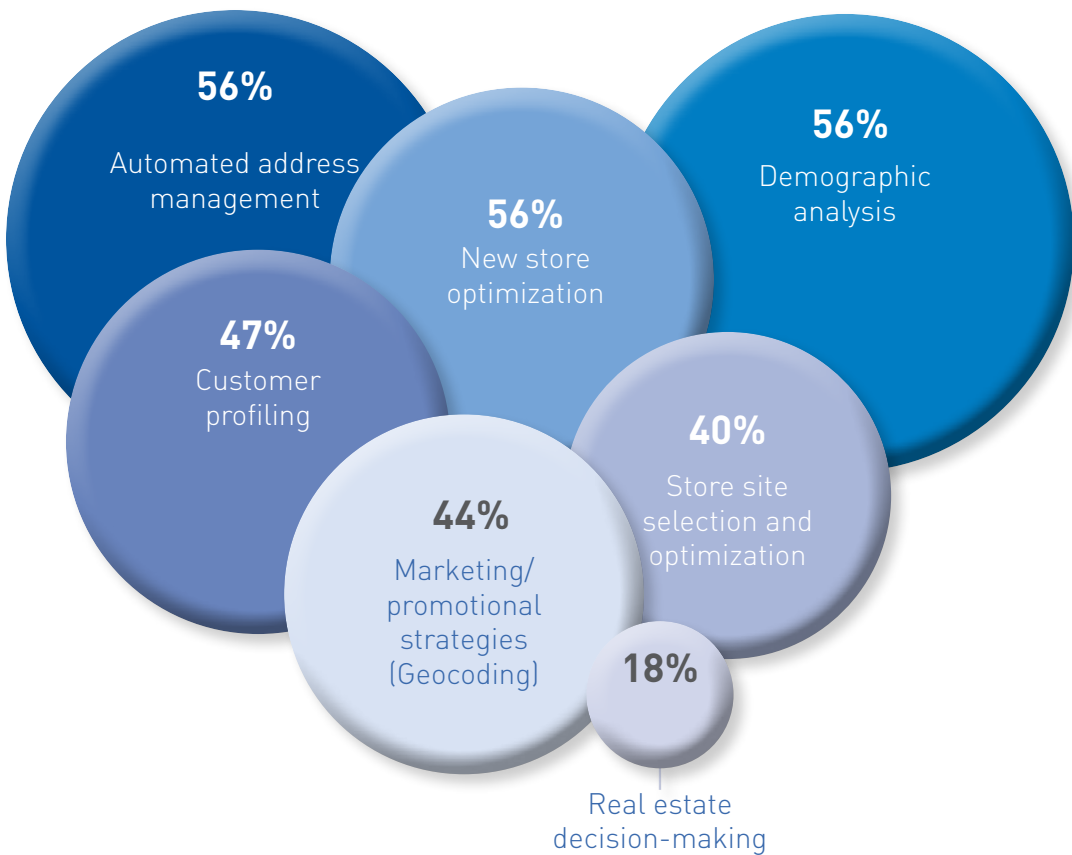- No, we do not have plans to add reverse geo-coding

Retailers are using existing knowledge on the location of "Where," and going that extra mile to also leverage Location Context: "Where did consumers come from?" and "Where they are going?"

"The first thing you've got to do is look at your customer experience and decide what you want to get from that," Topper noted. "Then look at how geocoding and reverse geocoding fits into the strategy. A lot of retailers are doing it in the reverse order and that is creating a lot of challenges."

Perceived benefits of location services — including site location analytics, geocoding and reverse geocoding — vary by industry segment. Specialty Hardgoods retailers are focused on Automated Address Management (81.3%); Specialty Softgoods want to use the tools for New Store Optimization (81.8%); and Big Box retailers believe these tools will help with Customer Profiling (75.0%).

> Perceived benefits of location services — including site location analytics, geocoding and reverse geocoding — vary by industry segment.

Do you use location services for any of the following purposes?
(select all that apply)

56% Automated address management

56% New store optimization

56% Demographic analysis

47% Customer profiling

44% Marketing/ promotional strategies (Geocoding)

40% Store site selection and optimization

18% Real estate decision-making

VI. Realize The Benefits Of Predictive Analytics

The term Big Data has come about as the result of an emergence of more and more information collected from more and more channels. Following the realization that "Wow…we have a lot of data to deal with," company executives knew they needed to figure out how to manage and use that data. Enter: advanced analytics.

Although there are many different types of analytics to use post-purchase, in order to determine if strategies worked, Predictive Analytics can help plan effective future strategies, and be deployed operationally in real time. Yet, many merchants have not yet begun using Predictive Analytics. Almost 59% of survey respondents said they do not have plans to use Predictive Analytics; and 16.6% do not use, but plan to add the tool.

The 24.5% of retailers currently using Predictive Analytics primarily use the tool for site analytics including Customer Profiling (59.7%), Competitive Analysis (47.6%), Store Budgeting (33.9%) and Store Clustering Analysis (32.3%).

By implementing predictive analytics in its 162 stores, **Weis Markets** is planning to improve efficiencies and decrease out-of-stocks, according to Scott Frost, SVP, CFO and Treasurer. The solution is designed to help streamline several retail operational areas, including inventory distortion, on-shelf availability, shrink, waste/damage, process compliance and operational risks.

"We needed a predictive analytics solution that could identify traditional asset protection challenges, but more importantly, improve the customer experience by reducing out-of-stocks and improving efficiencies in a proactive manner," said Mike Limauro, VP of Asset Protection at Weis Markets. The new solution, he added, "will help reduce the overall cost to our business while increasing profits across the entire enterprise."

> By implementing predictive analytics in its 162 stores, Weis Markets is planning to improve efficiencies and decrease out-of-stocks.
>
> - Scott Frost
> Weis Markets

Do you use Predictive Analytics to improve business processes?

- 24%
- 17%
- 59%
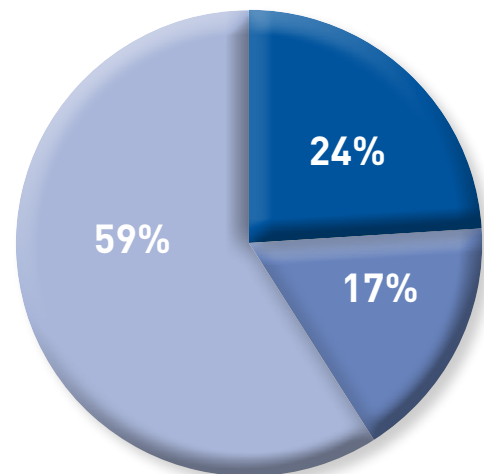
- Yes, we use Predictive Analytics
- No, we do not use Predictive Analytics, but plan to add
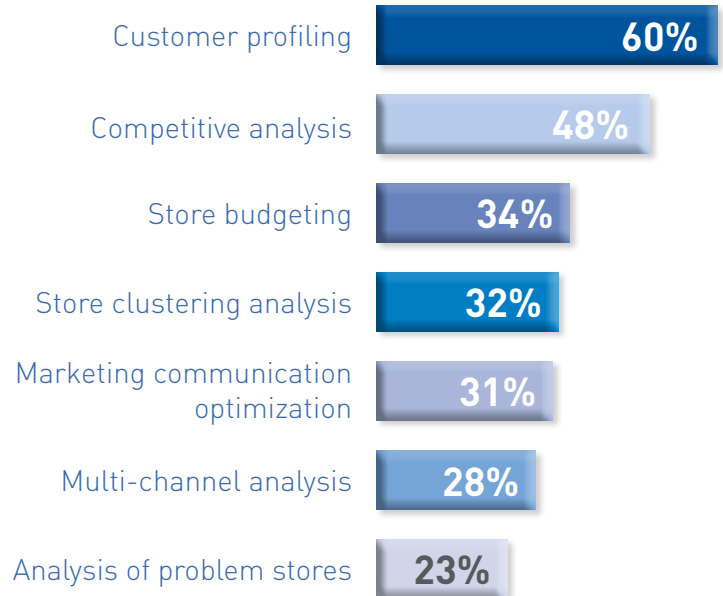- No. We have no plans to use Predictive Analytics

Aside from operational benefits, two customer service-related benefits stand out as the most important reasons retailers are implementing Predictive Analytics (ranked 1 or 2 out of 10): Transform transactional emails into powerful strategic tools (50.8%) and Provide call center agents with real-time, relevant information (46.0%). This is taking the value of analytics beyond just predicting response and purchase behavior.

"Accurate customer data is imperative as the first building block for effective in-store and 'in-device' interactions," said Topper. "In addition, it requires complex analytics to enable the right message to be delivered to the right consumer at precisely the right time, place and context. As a result, real-time decisioning tools will be in high demand as retailers seek to ensure that they are sending successful customer communications."

Topper continued: "The new tools that are out for the retail marketer in terms of analytics are easier to implement, more cost-effective, and now they are being designed better so you don't need to be a data scientist to use these tools and get insights out of it."
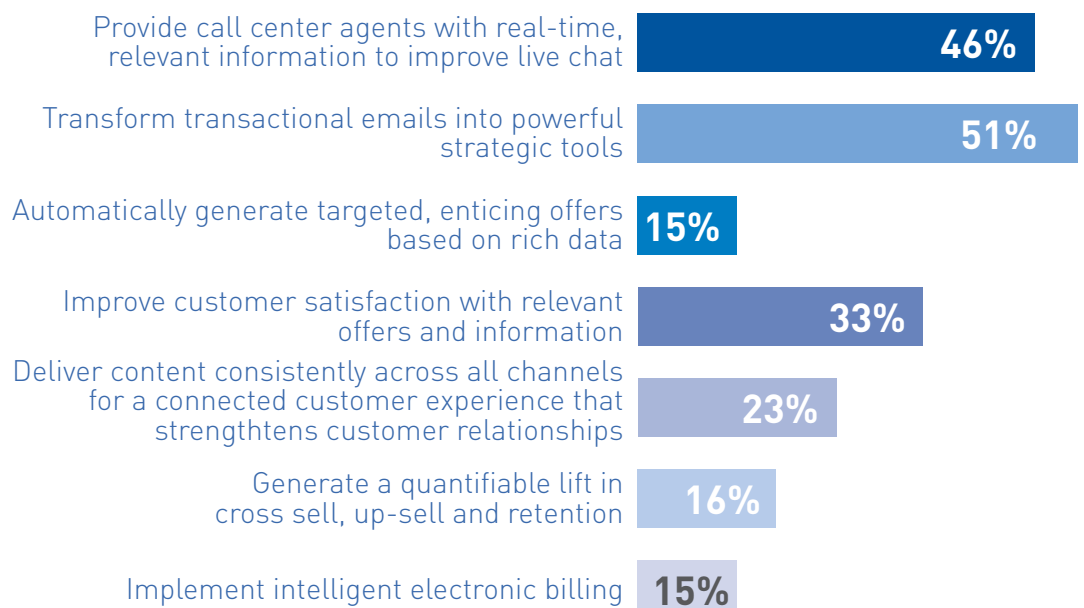
Do you use Predictive Analytics for any of the following purposes? (select all that apply)

Purpose	Percentage
Customer profiling	60%
Competitive analysis	48%
Store budgeting	34%
Store clustering analysis	32%
Marketing communication optimization	31%
Multi-channel analysis	28%
Analysis of problem stores	23%

What do you see as the key benefits of Predictive Analytics?
(rating of 1 or 2 out of 7)

Benefit	Percentage
Provide call center agents with real-time, relevant information to improve live chat	46%
Transform transactional emails into powerful strategic tools	51%
Automatically generate targeted, enticing offers based on rich data	15%
Improve customer satisfaction with relevant offers and information	33%
Deliver content consistently across all channels for a connected customer experience that strengthtens customer relationships	23%
Generate a quantifiable lift in cross sell, up-sell and retention	16%
Implement intelligent electronic billing	15%

Conclusion

Overall, retailers need to take a look at the current status of their customer engagement strategies and make adjustments where necessary, before they get left behind by their competitors. Shoppers are demanding consistent, personalized omnichannel relationships with brands; they are armed with mobile devices and are ready to use them at every moment.
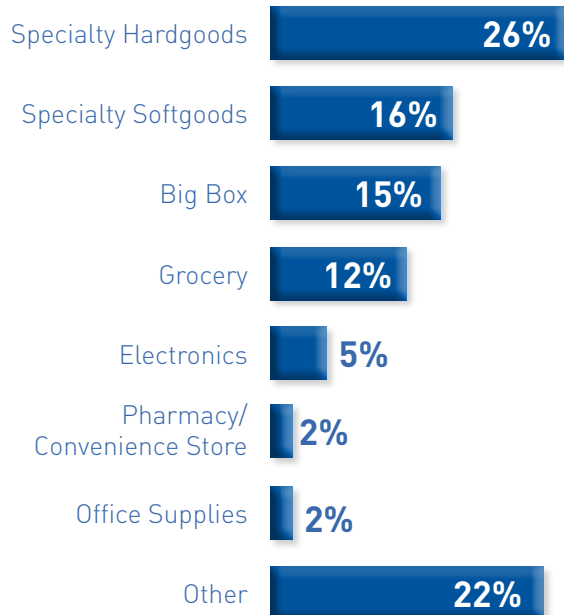
"We have always known that retailers are struggling to keep up with the empowered customer," Topper noted, "but when we saw the data we were shocked to see just how big that gap is." Innovative retailers will consider moving beyond Facebook and Twitter, he added. "Facebook and Twitter are being used effectively, but Pinterest and YouTube are under-implemented."

Other strategies that will be key to future customer engagement success include: location intelligence — geocoding and reverse geocoding, social media incentives, and advanced digital solutions. Based on responses from 302 retailers, this white paper has laid out 6 steps retailers can take in order to become up-to-speed with a growing number of tech-savvy and socially connected shoppers.
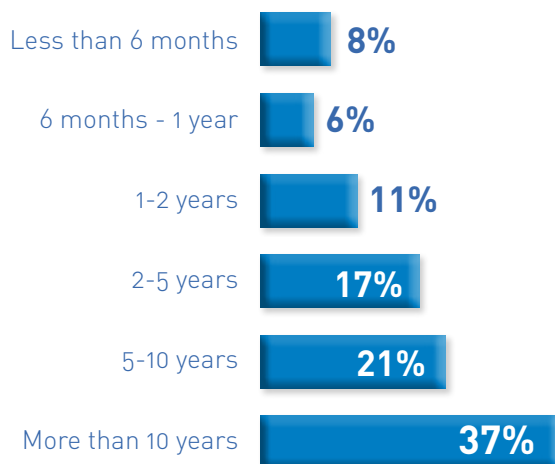
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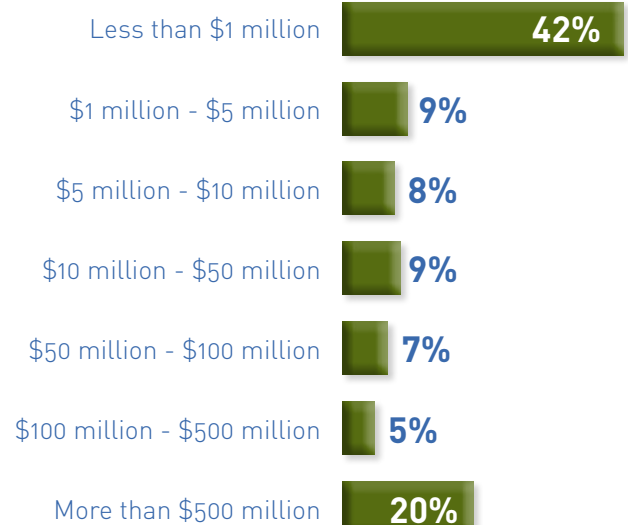
Survey Demographics

Please describe your retail vertical:

Category	Percentage
Specialty Hardgoods	26%
Specialty Softgoods	16%
Big Box	15%
Grocery	12%
Electronics	5%
Pharmacy/Convenience Store	2%
Office Supplies	2%
Other	22%

How long have you been in your current role?

Duration	Percentage
Less than 6 months	8%
6 months - 1 year	6%
1-2 years	11%
2-5 years	17%
5-10 years	21%
More than 10 years	37%

Please describe your company's annual revenue:

Revenue	Percentage
Less than $1 million	42%
$1 million - $5 million	9%
$5 million - $10 million	8%
$10 million - $50 million	9%
$50 million - $100 million	7%
$100 million - $500 million	5%
More than $500 million	20%

Pitney Bowes
Software

About Pitney Bowes Software

Pitney Bowes Software enables retailers to connect store and customer data to deliver outstanding customer experiences as well as realize significant operational efficiencies to improve profitability.

Our multi-channel solutions leverage data to create relevant dialogue between organizations and their customers. These solutions enable lifetime customer relationships by integrating data management, location intelligence, sophisticated predictive analytics, rules-based decision making and cross-channel customer interaction management to increase the value of every customer communication while also delivering operational efficiencies.

Pitney Bowes Software is a wholly-owned subsidiary of Pitney Bowes Inc. (NYSE:PBI), a customer communications management technology leader.

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retail TouchPoints

About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, category-specific blogs, special reports, web seminars, exclusive benchmark research, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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