

Engaging online with The Empowered Consumer

Imperative online insights and strategies for
retail and home shopping companies



Introduction

Welcome to the age of the Empowered Consumer where your customers and prospects have never had more information available on which to base their purchasing decisions.

Internet usage is evolving at a rapid pace. Individuals are not only using the Internet to find information, it is also morphing into a social activity with consumers creating content to document their views, experiences and commentary across all aspects of life. It is a trend that will continue with greater broadband penetration. The adoption of mobile browsing further increases accessibility and the use of social networking sites. This connectivity between consumers offers marketers' the opportunity to leverage a growth channel and face the disturbing reality that brands are no longer solely in charge of the information consumers have available to them. Consumers are undoubtedly firmly in control, and with this empowerment has come a greater sense of expectation around service levels and value.

Given the growing use of email and online as channels, it's not surprising that consumers are now changing the way they shop to integrate them. Previously, commodities such as books had dominated online shopping. However, the primary driver for online purchases is now convenience-driven, leading to upmarket brands

and high street retailers all accepting the importance in providing online presence. In the current economic climate we are seeing consumers increase their use of discount codes and price comparison sites demonstrating again that consumers are fundamentally changing the way they have traditionally interacted with the retailer.

In a recent webinar presentation, 'Engaging online with the Empowered Consumer' Deborah Womack, Principal Marketing Consultant at Experian Integrated Marketing and Robin Goad, Head of Research at Hitwise, presented a view of consumer and retail trends in the "era of the Empowered Consumer" conceding that organisations that look at their marketing strategies and operations from a customer-focused perspective will be in the best position to reap the rewards. The final section focused on a four-point rescue plan, to enable marketers to gain competitive advantage in challenging market conditions.

This paper provides a summary transcript of the webinar.

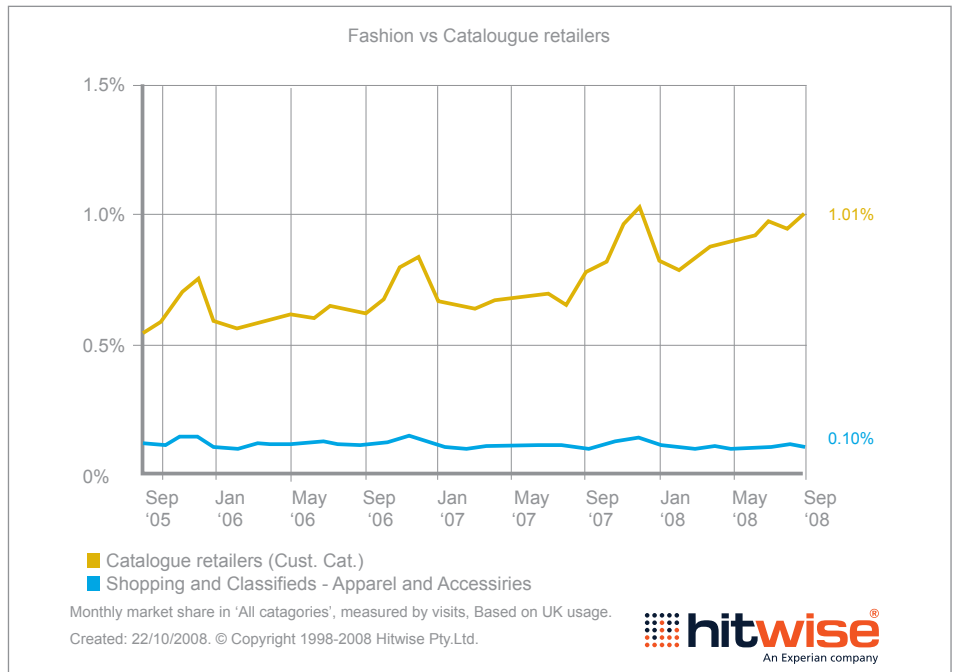
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Online consumer behaviour today

Robin Goad at Hitwise, Experian's online tracking division, offered an overview of the online retail and home shopping market.

Online shopping is maturing. There has been an emergence of many niche e-commerce sites, with both home shopping firms and high street retailers supplementing their traditional operations online. This has led to an increase in popularity of the online retail channel with growth of 40% predicted for online sales in 2008. Additionally, the profiles of visitors to shopping and classified websites are shifting to a more mature audience, with 27% aged over 55 in 2008 compared to 12.2% of the same age group in 2005. This upward trend in age profile is driving a shift towards more conservative tastes: consumers are more often searching for high street brands online overtaking those 'pure play' brands without a high street presence.



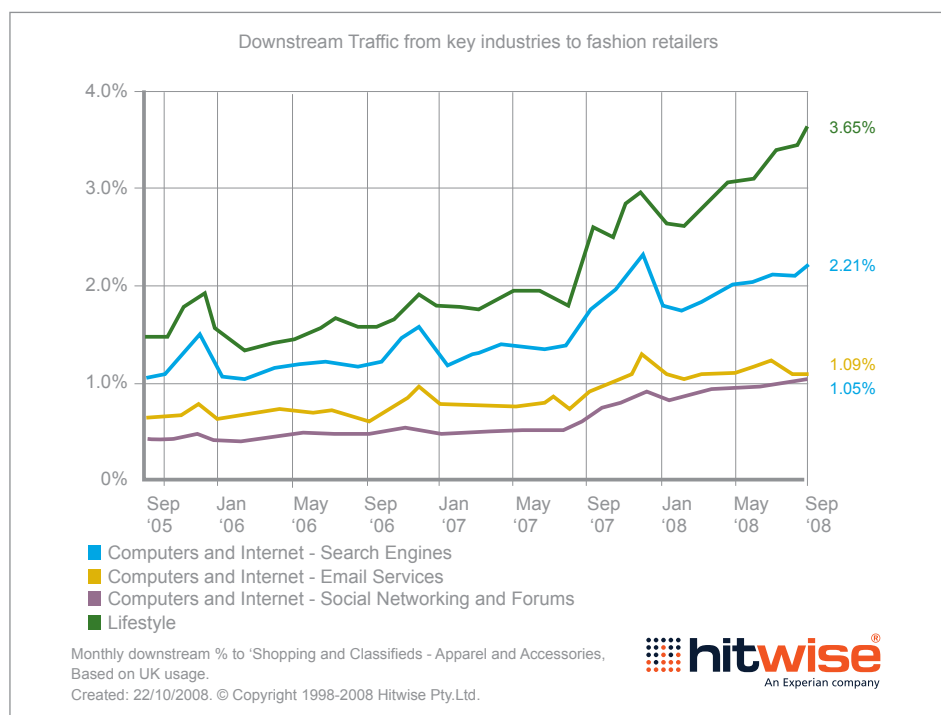
So within this new era how are traditional catalogue retailers faring? Traditional catalogue retailers have experienced a 1% growth in UK Internet traffic over the last 12 months – compared to a 31% increase for online fashion retailers.

“Just having a web site is not enough – it is about how and where you engage with your consumers making them want to visit your site.”

Drawing on lessons learnt from fashion retailers who successfully

drive traffic by expanding search strategies beyond brand-specific search – by far the largest driver of a web traffic, new strategies are emerging demonstrating that considerable growth in web traffic can be gained from lifestyle sites such as Handbag.com and social networking sites such as Facebook and MySpace. Paid search strategies alone are not enough to win the battle over consumer consideration: niche retailers and pure play retailers appear to be better at SEO (search engine optimisation) strategies as well, driving more organic search for generic terms such as 'dresses' compared with their traditional counterparts who are more reliant on paid search to drive traffic.

Incorporating a lifestyle and social networking presence into your online marketing strategy is not necessarily the Holy Grail of engaging empowered consumers online: understanding who is visiting your site, via which search terms and where are they coming from, provides the best possible way forward for devising a successful online strategy.



What is the multi-channel reality?

The empowered consumer is the driving force in the current channel shift in retail and home shopping. Consumer expectations of an integrated, multi-channel experience are high but the reality is often a let down.

Most organisations have responded to the consumer online trend by implementing touchpoints across multiple channels such as web, email bulletins, offline (catalogues and 'magalogues'), and in-store promotions. However these channels often operate in silos with little or no integration between them. This has led to a poor customer experience with consumers frustrated by inconsistent information and disjointed service levels.

Those organisations that integrate online and offline channels and take advantage of new insights offered by the online channel in particular are in a much stronger position to predict and react to consumers in a positive way, strengthening brand perception. Research supports the notion that offline materials such as catalogues and vouchers continue to drive both online and in-store traffic and consistent messaging in a multi-channel environment is a prerequisite of good customer experience.

Analysis carried out on customer bases within Experian's home-shopping transactional co-operative, Club Canvasse, shows a harsh reality in terms of current customer engagement:

45 % within customer bases are single purchasers

With figures as high as 75% in some cases, organisations need to understand who is likely to be profitable and focus their efforts on encouraging second order conversion utilising an appropriate channel mix.

60 – 70 % of 'best' customers haven't purchased in last 12 months

Many companies can take one or two seasons to recognise that high-value customers have lapsed. This is unrealised opportunity in a fast-paced environment where customers with established relationships and high buying potential go un-tapped.

On average 30% customer bases generate 60 – 70% of revenue

Although organisations can no longer rely on loyalty, there will always be a core group of customers that drive the majority of sales. These are often consumers who have a desire to stay connected and have opted into communications. Making communications and offers more relevant ensures the maximum value is retained.

Integrating marketing activities across multiple channels is an absolute marketing and operational necessity. Dependent on an organisation's ability to capture and use data in a planned, coordinated

and timely manner, integration is the foundation which drives a two-way dialogue alongside successful tactical activities delivering mutual benefit for the consumer and organisation.

Turning online into opportunity

Deborah Womack from Experian Integrated Marketing offered a four-point rescue plan for leveraging the online channel to engage with consumers and drive new opportunities.

1. Know your customer by leveraging new insight

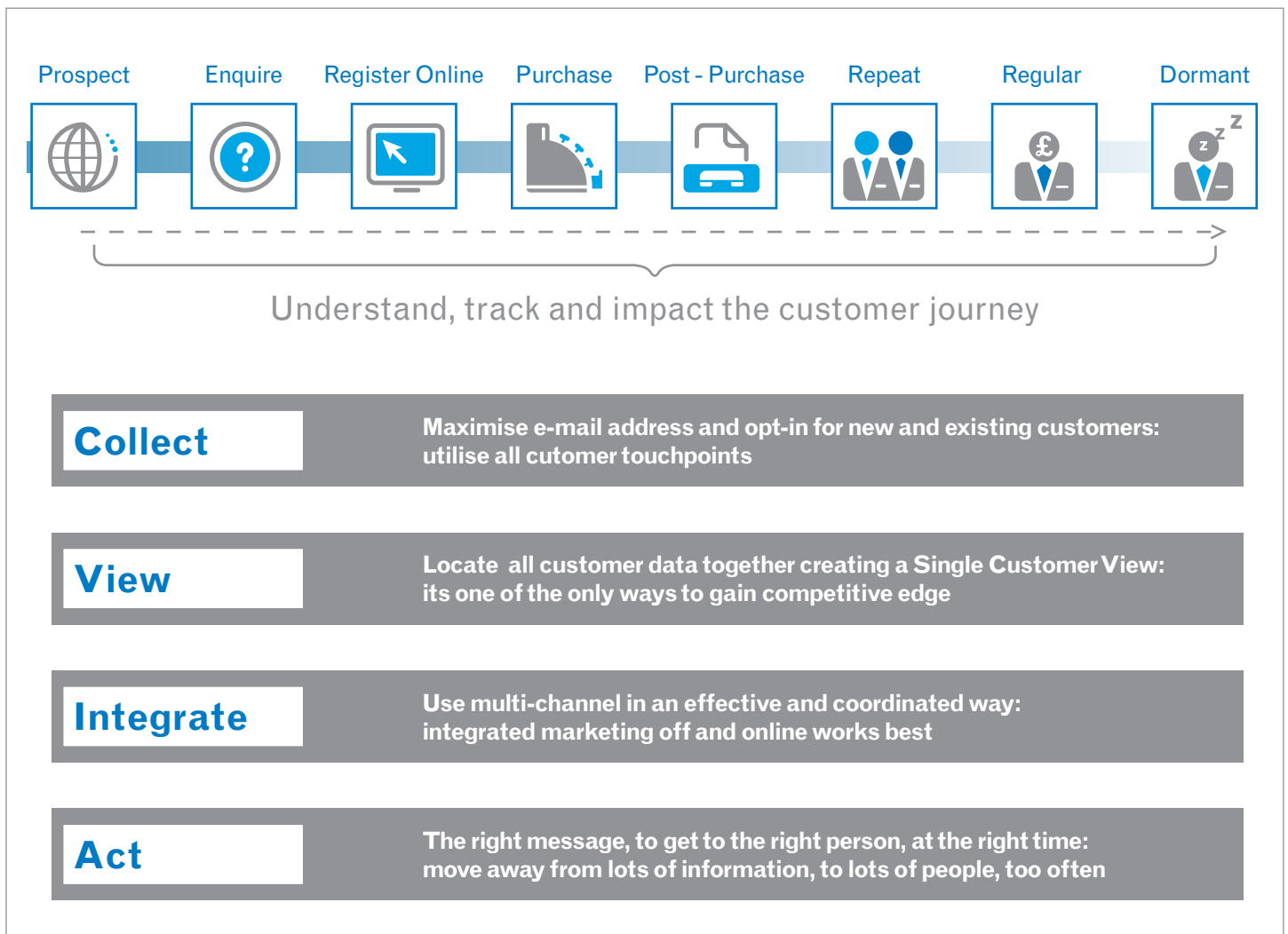
Marketing in challenging times requires keen focus on the consumer: Who are they and how do you stay relevant in order to maximise value? Deriving new insight through the online channel should no longer be thought of as secondary. Marketers must begin to utilise new technologies and fall inline with consumer buying habits by tracking and understanding their online behaviours and shopping trends. New insight should focus on the consumer; not clicks and page views. Web analytics, social media analytics and demographic and lifestyle profiling need to be integrated with insight

drawn from offline data to ensure that the right information is delivered to the right customers at the time when they are looking for products and services. This will forge mutually successful relationships that encourage repeat visits and purchases.

Today's Empowered Consumer understands the value of their personal data and expects companies to use information about their transactions and behaviours to develop a two-way dialogue – they respect and engage with companies that do this well, and there is an acceptance that this has mutual benefit.

2. Ensure your brand is on the list of considerations

Brand loyalty is almost a thing of the past. With the depth and breadth of information available from a wide variety of sources the purchase cycle is longer and more complicated than ever. Initially consumers tend to narrow purchase considerations down to a list of three. Their choice of final purchase might very well be dependent on brand affinity, but in many cases it is not. The key to ensuring your brand is first and foremost on “the list” is managing prospects through the value chain by delivering a positive, integrated experience throughout the customer



journey. Building a web presence is not enough. Marketers must pursue smarter, more effective communication tactics in all the places where potential customers are searching, talking and communicating. This means investing in tools and strategies to collect the right data, locate that data in one place, integrate on and offline data and act upon the information at an accelerated pace in order to manage customers through the journey to a positive purchase decision that is mutually beneficial.

Recognise that data and its availability underpin everything and you will gain access to the necessary building blocks to launch effective communication strategies that align to the customer journey. Examine your campaign planning processes based on new insights and look for efficiencies in automation and triggered activity that is highly targeted. Develop personalised messages and deliver these throughout the purchase cycle onsite and within service emails – especially when consumers have lapsed out of the purchase cycle. Remember to leave breathing space for marketing and communication innovation and interaction. For example, allowing consumers to act as advocates within peer-to-peer environments can be valuable marketing partners.

3. Find new customers where customers are looking for you

With brand loyalty under question, acquisition of profitable new customers and up-selling to existing customers is becoming a greater challenge. Marketing budgets are under the microscope of financial scrutiny leaving organisations to look at new and more cost-effective ways to acquire new customers and increase the value of existing customers.

It becomes necessary then to employ 'pull' techniques that apply two principles: look for familiar customer types in novel places and look for emergent customer types everywhere. This requires the bravery to invest in new channels without always having a complete business case. Marketers need to be aware that their focus should not necessarily be on acquiring additional marketing funds, but on acquiring new customers in a smarter way. Be prepared to:

- Engage in social networks and customer product review forums that attract your key customer segments and facilitate conversations remembering to capture insights along the way. If you don't have a customer feedback loop or a 'send-to-a-friend' facility; start there.
- Research emergent customer types (those customers not historically associated with your brand) by examining visitor profiles and natural search patterns beyond your own or partner websites.
- Use email as a cost-effective testing bed for new products and services amongst new customer profiles and integrate this into your campaign planning.
- Analyse current market trends and consider new areas of the population that could be potentially profitable if new propositions and refreshed messages were aimed at these groups.

4. Protect what you have

Concentrate your efforts on maximising customer relationships and encourage repeat spend and interaction. In the era of the Empowered Consumer, developing strategies to ensure consideration and drive repeat purchase in a cost-effective manner is the key to success. Build a formula for staying front of mind by combining relevance with value to provide offers which resonate with consumers without giving away valuable margins through poorly targeted offers and vouchers strategies.

Value is not always about cost reduction; voucher offerings are not exclusively about discount: consider their viral nature and potential to drive new customer types in-store and online. Building value-based strategies into a customer-centric contact program throughout the year is twice as effective as seasonal offers that attract low value customers. Adopting a customer-centric approach based upon new insights ensures that your offer and message resonates with your existing customers to encourage repeat purchase all through the year.

Summary

Engaging online with the Empowered Consumer is imperative to stay relevant in a challenging market. Whether we are in an economic downturn or not, the truth is consumers are moving online at a rapid pace and demanding change in the way we communicate with them. Whilst 'wow' factors are often memorable and generate chatter, innovations in marketing will be wasted if the basics are not right. Current conditions foster the need for clear planning and strategies to collect more data and derive actionable insights that lead to mutually beneficial relationships between the consumer and the organisation.

This document summarises the content of a webinar run by Deborah Womack, Principal Marketing Consultant at Experian Integrated Marketing and Robin Goad, Director of Research at Hitwise. To gain access to the slides and accompanying recording of this webinar then please contact empoweredconsumer@experianim.com.

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