



# **The Local Approach: The State of Localized Advertising in Retail**

## **2011 Prospective View**

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July 2011

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# Executive Summary

As retailers struggle to create relevant, "local" experiences in digital channels, they are also challenged to maintain their stores' relevancy - retailers must rethink the store's role in a shopping process that increasingly relies on digital experiences.

RSR undertook an evaluation of how well retailers are using digital experiences to drive traffic to stores. We divided the criteria into four categories: traditional advertising, digital advertising, alternative offers, and on-site communication. We chose as broad an array of criteria as we could - focusing on both traditional and new media channels, but with a particular emphasis on channels that are primarily used for communicating offers.

For the retailers, because the research required some in-depth background research on each one, we limited the participants to twenty, broken five each across four verticals: department/clothing stores, sporting goods, electronics, and casual dining. We chose these categories to represent a diverse pool of advertisers that tend to also be high-frequency advertisers.

Aggregating across verticals, we found a diverse range of top performers, drawing on every category except casual dining. The top five "local" advertisers were (out of a total of 45 points):

1. Macy's - 31.5 points
2. J.C. Penney - 31 points
3. Sports Authority - 30.5 points
4. Best Buy - 30 points
5. Kohl's - 26.5 points

Of the five, J.C. Penney, Sports Authority, and Kohl's appeared to take a primary strategy of ensuring at least mass coverage across all channels, with certain localization elements in only a few advertising channels. Macy's and Best Buy, while achieving a certain amount of coverage across all channels, appeared to follow more of a strategy of localization with a focus on key channels.

The net result across all retailers: while there are specific instances of localized inspiration, as a whole retailers have not implemented localization as a major part of their advertising strategy, particularly as it relates to driving traffic to stores.

Specifically, we identified four areas of opportunity:

- Be consistent in major branding elements across communications channels.
- And yet, leverage the strengths of each communication channel to create something unique.
- Include the store as part of the call to action.
- Rethink video strategies.

# Introduction

## Context

Retail is struggling with a proliferation of touch points - of engagement opportunities with consumers. This isn't necessarily new on the marketing front - retailers and brands have been witnessing media fragmentation for the last decade, and still struggle with how to adjust their communication strategies to accommodate the growth of new channels and smaller audiences. For retail, the challenge is compounded by a proliferation of *selling* channels alongside the fragmentation of *communication* channels - they increasingly have to drive traffic across more channels with communication tools that reach smaller groups of consumers, albeit potentially in a more targeted way.

Retailers feel the challenge the most in stores. The store is getting pinched between other selling channels that steal away transactions, while the traditional media channels that used to work best to drive traffic to stores are becoming less and less effective. However, for every challenge there is an opportunity, and for stores one of the most important opportunities is "local."

Stores used to be the original "local" face to customers - consumers knew their store manager, knew their sales associate or their local grocer, and retailers used their customer knowledge to create personal experiences for their shoppers. But as chain retailing grew in size, those experiences became more difficult to deliver in a way that was consistent with the overall brand promise to customers - in other words, the local experience gave way to a standard experience that could be delivered reliably no matter which store you were in. A "standard" experience had a certain amount of value, but it came at the cost of local.

*The results are almost as diverse as the retailers we evaluated, but one overall conclusion stands out: the industry is barely scratching the surface of the local opportunity.*

Technology is rapidly making the best of both worlds possible: a way to provide central control over the brand promise, while also providing a level of personalization to the shopper experience that brings back that local flavor. The industry tends to speak about localization in generic terms - some blend of customizing the message so that it appeals to a specific target area (whether people or geography) and/or customizing the delivery of the message so that it only reaches that specific target area.

Nowhere is localization more important than the channel that is the most geographically constrained - the store. The store is located in a neighborhood and a community, and it, too, provides a face to the customer - it, too, has a role to play in delivering on the brand promise.

So retailers currently face something of a dilemma. From RSR's research, we have found that retailers are laser-focused on providing a single brand identity to customers across channels. However, they are also extremely challenged to redefine the role of the store in a cross-channel world - and one of their biggest challenges is making sure that stores remain relevant as digital channels increase in importance.

This report tackles the question of localized advertising. Because of the store's potential role in localized communications, we chose to focus the research primarily on how well retailers are using localization in their communication strategies, particularly on how they are using localization to drive traffic to stores. The results are almost as diverse as the retailers we evaluated, but one overall conclusion stands out: the industry is barely scratching the surface of the local opportunity.

## Methodology

RSR primarily surveys retailers about their business challenges, opportunities, organizational inhibitors and technology enablers, in order to understand their business strategies and how those translate into technology adoption plans. However, sometimes retailers' intentions aren't enough - sometimes it's more helpful to take a current snapshot of how close retailers' strategies match what they are currently doing in the marketplace.

RSR covers the gaps between retailers' intentions and their current state through Prospective Views. The methodology of each approach differs, depending on the topic covered and the objective of the research. For our analysis of localized advertising, we evaluated retailers' current efforts across four categories of customer communication, detailed below.

### The Criteria

We divided the criteria into four categories: traditional advertising, digital advertising, alternative offers, and on-site communication. We chose as broad an array of criteria as we could - focusing on both traditional and new media channels, but with a particular emphasis on channels that are primarily used for communicating offers. The only exception to this definition was TV advertising within traditional channels, however even TV advertising has become more and more targeted, and several providers within that channel have been developing localization capabilities for years.

**Traditional advertising** consists of TV advertising, newspaper circulars or free-standing inserts (also known as FSI's), radio, in-store specials and events, direct mail, and print advertising (including both newspaper and magazines) - effectively, all of the traditional, mass media advertising channels. For these channels, we evaluated whether the retailer was executing locally-controlled campaigns with no central theme or consistency, centrally-controlled campaigns with no localization, or centrally-controlled campaigns with localized execution.

**Digital advertising** consists of display or banner ads, video advertising, mobile advertising, and search term advertising - all of the new, online methods of reaching consumers. For these channels, we evaluated whether the retailer provided brand-level advertising only, whether they targeted their advertising, either by category or customer segment, or whether they provided localization on top of their targeting - i.e., whether they customized their digital advertising by geography.

**Alternative offers** are defined as some of the new, deal-of-the-day type offers like Groupon and Living Social, as well as any promotional offers made via the retailer's own Twitter and Facebook presences. For these channels, we evaluated whether the retailer had a presence in these channels, and then whether they provided any offers via these channels, or if they localized these offers at all.

Finally, **on-site communication** evaluates how well retailers currently collect the kind of information that helps them localize their own communications with consumers. For this category, we evaluated two criteria: whether the retailer offered localized information about their own stores on their eCommerce site, and whether they solicited customer information, particularly email address and mobile number, prominently on their site. For these criteria, we evaluated whether the retailer provided for any information capture or store information (which could be as basic as a store locator), up to providing prominent offers in exchange for email or mobile information and dedicated pages for stores.

## **The Retailers**

For the retailers, because the research required some in-depth background research on each one, we limited the participants to twenty, broken five each across four verticals: department/clothing stores, sporting goods, electronics, and casual dining. We chose these categories to represent a diverse pool of advertisers that tend to also be high-frequency advertisers.

One unanticipated result of the study is that two of these verticals tend to be very brand-focused in their advertising efforts (department stores and electronics), while sporting goods and casual dining retailers tend to take more of a category strategy - sporting goods retailers, for example, tend to segment their communication efforts by sporting goods category (baseball, soccer) and casual dining retailers tend to cluster their promotions around dining themes ("It's lobster month!"). This posed an excellent opportunity to contrast how the two different advertising strategies play out within localization, and those results will be called out below.

To identify which retailers to evaluate, we leveraged a combination of Stores Magazine's 2010 Top 100 Retailers and the 2010 Hot 100 Retailers. The Top 100 Retailers are ranked by total revenue. The Hot 100 are ranked by fastest growing revenues. Given the recent economic environment, the growth rates of the Hot 100 fall off rather quickly, so there is actually a large degree of overlap between the two lists.

We started out with a goal of three retailers from the Top 100 and two from the Hot 100 for each vertical, as a way to contrast large, established advertisers against those with a heavy growth strategy. In some cases, we had to take up to four retailers from the Top 100 in order to reach a quorum of five retailers in the category. The list of retailers and their rankings on both lists is included in Appendix A.

## **The Evaluation**

We evaluated the retailers against the criteria through a number of methods. Primary methods included direct review of retailer digital assets, including online presentation of FSI's, review of their social media properties and online site, and review of current traditional and digital advertising in their respective channels. We also conducted secondary research through a variety of sources to find past evidence of advertising in the evaluated channels - case studies, trade articles, brand profiles, etc.

Finally, we called the retailers directly and invited them to both participate and review the results. Almost universally, the retailers declined participation.

The research was conducted in late June and early July of 2011. The results that we obtained may not fully represent the retailers' advertising or communication strategies either at the time of evaluation or in their entirety throughout the year. These results are intended as a snapshot, a picture in time, and comparative only. Given the timing of the evaluation, also keep in mind that strategies change, campaigns change, and also that retailers can be very holiday-oriented, so what may have been found when we conducted the study may not be what you would find if you conducted the study in November or December.

All of the criteria and our scores are available as a separate spreadsheet, and the summary details are included in Appendix B of this document.

# Breaking Down the Scores

## Overall Results

Aggregating across verticals, we found a diverse range of top performers, drawing on every category except casual dining. The top five "local" advertisers were (out of a total of 45 points):

1. Macy's - 31.5 points
2. J.C. Penney - 31 points
3. Sports Authority - 30.5 points
4. Best Buy - 30 points
5. Kohl's - 26.5 points

Of the five, J.C. Penney, Sports Authority, and Kohl's appeared to take a primary strategy of ensuring at least mass coverage across all channels, with certain localization elements in only a few advertising channels. Macy's and Best Buy, while achieving a certain amount of coverage across all channels, appeared to follow more of a strategy of localization - but with a focus on key channels.

Across the board, retailers appear to be looking more to social and digital channels to provide localization opportunities, shunning the more expensive forms available to them via more traditional channels. None of the retailers evaluated seem to take advantage of localization in traditional TV advertising, not even to plug local stores in the area (much as a car manufacturer's ad might feature local dealers at the end). While several retailers appear to offer the ability to localize print circulars/FSI's, Staples was the only company where we could find a visible example of where the circular differed based on geography. Retailers who excelled at mobile and display advertising focused on local events and implemented a page "takeover" strategy to give their brands extra oomph on the page - but most retailer implemented half-hearted display strategies with no localization at all. And while several retailers also provided unique events in specific stores, only Bass Pro Shops, Gander Mountain, Best Buy, and Olive Garden provided a place on their site where shoppers could find detailed, store-specific information.

*The net result across all retailers: while there are specific instances of localized inspiration, as a whole, retailers have not implemented localization as a major part of their advertising strategy, particularly as it relates to driving traffic to stores.*

Part of the challenge in localizing advertising is the ability to know what to say and who to say it to. In that regard, the retailers we evaluated also revealed some significant gaps. Seven out of the 20 retailers solicited mobile numbers on their site, and three retailers did not provide a way for customers to sign up at all without first creating an account.

The net result across all retailers: while there are specific instances of localized inspiration, as a whole, retailers have not implemented localization as a major part of their advertising strategy, particularly as it relates to driving traffic to stores.

## Department/Clothing Stores

In the department store vertical we evaluated five retailers: Macy's, J.C. Penney, Kohl's, Gap, and Nordstrom. Macy's and J.C. Penney topped the list across the advertising channels evaluated, with Macy's scoring 31.5 points and J.C. Penney, 31. Macy's scored higher in traditional advertising channels (14.5 points vs. 13), while J.C. Penney edged out Macy's in the site-based information they collect and provide (4 points vs. Macy's 3). However, while the two retailers tied

in the other two categories (digital and non-traditional channels), the details reveal two different strategies at play.

Macy's has invested in a brand strategy that currently focuses on "My Macy's" - a localization strategy based on Macy's stores. To that end, Macy's has targeted certain advertising channels over others as ways to drive traffic to stores. So Macy's scored higher in display and mobile advertising, and in how they are using Facebook and Twitter. J.C. Penney had more consistent coverage across all digital channels, including video advertising (where Macy's had no discernible presence) and has additionally experimented in single-offer channels (Groupon and the like), where Macy's has not yet participated.

Outside of the top two, localized advertising efforts fall off quickly among the remaining three clothing retailers. Kohl's and Nordstrom finished close to each other with 26.5 points and 25 points, respectively. Again, the same kind of differences can be seen between these two retailers as between Macy's and J.C. Penney. Nordstrom has taken the approach of fully exploiting localization in certain channels, and in other channels has little to no presence, while Kohl's has focused more on covering all available advertising channels before taking the next step to drive more localized or targeted communications.

Gap scored the lowest among the five clothing retailers evaluated (17 points), however, more of this came from a lack of participation in certain channels than a lack of localized or targeted efforts across channels. Gap has historically been hot and cold towards TV advertising, for example, and with their laser focus on overall brand promise, they have not chosen to take on a strategy that would lend an individual voice to each store.

Across the five retailers, Macy's and Nordstrom did the best overall in terms of supporting stores. They provided the most online information about special events going on in stores and provided the most support for stores to convey an individual voice to customers. However, even with the strong support of these two retailers, overall the clothing/department store vertical appears to have a big opportunity to do more to bring a sense of "local" into stores.

## Electronics

As a group, electronics stores (Best Buy, Radio Shack, Staples, Office Depot and hh gregg) boast the second highest overall rating, (22.7 out of a possible 45), bolstered in large part by category-leading Best Buy's ability to be seemingly everywhere at all times. The only category in which any retailer out-performed Best Buy was the digital channel, where Radio Shack's use of video and mobile advertising was in a league of its own. At this particular time of year, Radio Shack has leveraged its affiliation with bicycling legend Lance Armstrong to sponsor the "Tour of California" bicycle race; highlights included a dedicated series of branded YouTube videos on the retailer's frequently updated YouTube channel featuring interviews, stage results, and promotions at Radio Shack locations along the race route. Radio Shack also features full-screen advertising within the Graystripe Network - popular video games which consumers play on their personal mobile devices.

hh gregg (a fast-growing appliance and electronics chain with locations primarily in the Midwest, mid Atlantic, and Southeast United States), is also worthy of calling out for its use of YouTube to drive traffic to stores for such special events as grand openings and specific-store promotions. Amid its highly-branded YouTube channel featuring high quality advertisements, Office Depot

### Department/Clothing Stores:

1. Macy's - 31.5
2. J.C. Penney - 31
3. Kohl's - 26.5
4. Nordstrom - 25
5. Gap - 17



uses the platform to run the “Ask Christopher” series, based on a fictitious talk show host. While the content is informative, the intended goal here was clearly to create viral videos for a younger demographic's unpredictably quirky sense of comedy, a fairly risky move for the chain. Radio Shack appeared to implement a more on-target approach to a younger demographic, investing in mobile display advertising within a mobile gaming site.

While all electronics retailers' run single offer promotions, most seem resistant to pay to participate in increasingly popular branded alternative networks such as Groupon and Living Social. All of the retailers we researched had some variation of a “buy a \$20 coupon for \$10”, and as you might expect, all are frequently picked up by such “deal-hunter” sites as TechBargain.com and GiveAwayScout.com. In every case, the consumer is then linked back to the retailer's printable coupon to be used in stores. RadioShack does use ShopRunner to provide unlimited deals on two-day shipping via Groupon. While BestBuy has multiple appearances on Groupon as well, we could not find any Best Buy deals on Living Social. Only Staples appears to be experimenting with both name-brand deal-of-the-day networks Groupon and Living Social. In fact, Staples Canada is even more active in both networks.

#### Electronics Stores:

1. Best Buy - 30
2. Radio Shack - 25.5
3. Staples - 25
4. Office Depot - 18.5
5. hhgregg - 14.5

The electronics category does, however, truly belong to Best Buy. Claiming 30 out of a possible 45 points, it is difficult to find much flaw with Best Buy's current tack. Traditional advertising efforts are nationally controlled, seemingly on the brink of being localized. Mobile and video efforts are clearly underway, and while neither is being leveraged to its full potential, one can only imagine what the chain has in store for its YouTube and mobile branding in the near future. Within Facebook, the retailer runs the usual mass promotions, but also occasionally features targeted events (reward zone private shopping events, promotions at select stores, etc.). Considering the consumer passion associated with much of Best Buy's product mix (tech devices, movie, video games, and music), we were somewhat surprised we didn't find more “special event” hours and promotions surrounding product releases; this could be attributable to the time of year this research was conducted.

All in all, electronics retailers appear to be successfully leveraging across the more established of the social networking channels, (namely Facebook and Twitter), but have far to go as it relates to video, mobile, and alternative social branding.

## Sporting Goods

As noted previously, sporting goods retailers (and casual dining chains) are far more inclined to segment their advertising by category (football, lacrosse) than electronics and department store retailers. Overall, with 20.8 out of 45 points, sporting goods stores are the second lowest performer of our four groups - only restaurant chains score lower. The chains we looked at were Sports Authority, Bass Pro Shops, Dick's Sporting Goods, Gander Mountain, and Hibbett Sports.

#### Sporting Goods Stores:

1. Sports Authority - 30.5
2. Bass Pro Shops - 22.5
3. Gander Mountain - 22.5
4. Dick's Sporting Goods - 19.5
5. Hibbett Sports - 9

Sports Authority has made far greater strides to target and localize its advertisements than any of its competitors. While most of its targeting is still done by sport, with 30.5 out of the possible 45 points, Sports Authority leads across every category except in-store promotions.



One reason for its dominance is the chain's use of Facebook. Dick's and Bass Pro only use the channel for mass promotions, Gander Mountain doesn't even get that far, and Hibbett primarily uses its page as a blog to answer questions such as "I signed up for your loyalty program, where are my coupons?" Yet Sports Authority not only features mass promotions on Facebook, it also targets local weekly promos by zip code – one of only four retailers in this study with the capability to localize via the social network.

It is, however, worth mentioning that while Sports Authority does lead across nearly every category here, advertising and promotions may not be the final word on the in-store shopping experience to consumers. Both Bass Pro Shops and Gander Mountain do more interesting things to get customers through their front doors, and then keep them engaged once there. These tactics include special events, instructional staff, special guests, and unique store images (even though some common themes prevail).

Gander Mountain has also done some creative things via deal-of-the-day networks like Groupon and Living Social in order to bring customers in house. Specifically, the retailer has featured multiple promotions through both alternative networks for shooting lessons, as well as a handgun safety course for women. Hibbett Sports' one-time offers are frequently picked up by deal hunter sites, but showed no signs of participating in the major networks. Display advertising tended to target specific segments - near-takeovers of display ad space on hunter-oriented websites or blogs, for example. In mobile advertising, Dick's Sporting Goods has experimented with mobile ads, but they are the exception rather than the rule for sporting goods retailers - ironic, given the extreme popularity of the mobile arms of sport-related properties like ESPN and the NFL.

## Casual Dining

Casual dining restaurants (Outback Steakhouse, Carraba's, Chili's, Red Lobster and Olive Garden) bring up the rear in our points-based system, but that is not to say the category is entirely void of valuable practices from which retailers – of any category – can learn. On the contrary, some of the chains we researched have undertaken some very clever initiatives.

For example, while all of our chains feature centrally-controlled Free Standing Inserts in local publications, only Outback Steakhouse, the points leader in the category (21 out of the possible 45), provides access to its FSIs online. This is a fairly simple undertaking that all retailers would be advised to consider adding to their online offering.

Other chains would also be wise to emulate Outback's use of Facebook, Twitter, and YouTube: the latter is loaded with the chain's mass television ads, as well as information about its "Feeding Freedom" program, whereby customers can volunteer to bring food to troops deployed overseas, as well as its "Operation Homefront" menu, of which proceeds are donated to military families. Outback is also highly active on both Groupon and Living Social.

The Carraba's brand (also under the OSI umbrella) has recently undertaken some well-designed mobile campaigns. Starting in 2010, Carraba's began piloting SMS campaigns to promote to multiple consumer touch points at the times of day when consumers would be most likely to be influenced. The categories for these campaigns include early dining (4-6pm), late dining (8-10pm), Carside Carryout, Sunday Lunch, and Happy Hour. This just makes good business sense: a text promotion that hits customers in bulk may work well in one time zone, but be completely

### Casual Dining:

1. Outback Steakhouse - 21
2. Carraba's - 19
3. Chili's - 18
4. Olive Garden - 17
5. Red Lobster - 17

ineffective in another. If you are going to be contacting customers on their mobile devices during their busy days, consider the times when such messaging would have greatest effect to your store's peak shopping cycle, and whenever possible, localize time of delivery by geography. Given the highly targeted capabilities of online advertising, this can kind of strategy can work online as well.

Chili's is the only other casual dining chain utilizing the mobile channel, but is doing so with great effect. In 2010, Chili's started trials of location-based mobile advertising; up to 39 percent of consumers responded to mobile calls-to-action, including click-to-navigate offers. Chili's use of video is limited to YouTube; while the company's channel is well branded and full of content, it makes no use of video promotions on its own site. Even more surprisingly, Chili's does not appear to do any type of promotion via search engines – not even when searching by the company's trademark "baby back ribs." Like Outback, Chili's is the only other restaurant making use of Groupon and Living Social.

That said, there are many misses, and casual dining as a category measured out at the bottom of the group we evaluated. Some of the biggest misses include search and display advertising - Chili's, for example, didn't return a search against even their near-trademark term "baby back ribs." Many of these chains have their restaurants listed in local guides (Yelp, Metromix, etc.) but few seem to be taking advantage of display opportunities related to those guides, let alone in related entertainment categories. All of these chains also miss the opportunity to offer localized in-store promotional specials, a tactic which could no doubt yield positive results in helping local branches of a large chain connect with the consumer on a more personal and localized level.

## Conclusions

Stores make up an enormous asset in retail - between the real estate, the inventory to fill it, and the people to staff it, the store is expensive. It is also where a clear majority of transactions occur for all of the retailers that we evaluated. While it is true that a lot of digital marketing efforts have been driven primarily by the online channel, retailers are increasingly recognizing that all marketing efforts need to work together to help customers navigate multiple points of engagement on their way to a purchase.

However, the proof just currently is not visible. A lot of infrastructure appears to be in place, with more going up as we speak - collecting contact information to reach out to customers individually, identifying and developing campaigns that appeal or reach out to local markets. But true localization - both in the targeting and in the execution - still lags.

## Recommendations

How should retailers proceed if they want to become more localized? Here are a few suggestions based on the results of this research.

**Be consistent in major branding elements across communications channels.** If your logo is on a green background in your print and TV ads, it should be on a green background on Facebook or Twitter. If you have a strong, short-and-sweet tag line, you should use it in all of your communications, whether mobile, online, or in print. When such elements are lacking, it's clear the retailer doesn't have the same people in charge of each of those channels. But worse yet, it gives consumers pause - especially in social channels where cyber-squatters (individuals occupying a brand's name but not actually representing that brand) still abound. And given the

cost of certain types of content - like TV advertising - there is an enormous opportunity to leverage video content created for a mass campaign directly into other channels as well, providing consistency and increasing the opportunity for return on the creative's investment. Consistency leads to recognition, which leads to more engagement.

**And yet, leverage the strengths of each communication channel to create something unique.** On the flip side of consistency, one consequence of going too far down the path of consistent elements is wholesale cut-and-paste of content developed for one channel into another. Facebook revealed these challenges best, with images clearly not sized for Facebook's design and layout, often taken directly from the retailer's home page or print properties. The call to action in a mobile campaign needs to be very simple and to the point, more so than even a traditional display or banner ad - you simply won't have enough real estate on the screen to do more than that.

Another advantage of certain channels is a specific strength in localization, and the majority of retailers we evaluated specifically did not take advantage of this capability. For example, display ads rarely were found on local sites (sites specific to a region) and almost none of the display advertising we saw included a local call to action.

**Include the store as part of the call to action.** Especially in mobile campaigns, but really this applies to any targeted promotion, the call to action may not be primarily online. In the course of our evaluation, only Nordstrom and Radio Shack truly took advantage of targeted online campaigns (primarily via YouTube) that were designed to drive traffic to stores - Radio Shack with its Lance Armstrong campaign, and Nordstrom with some behind-the-scenes videos on preparing stores for its half-yearly sales. YouTube can be a great channel for leveraging national ads as a starting point for local twists or calls to action - leveraging the investment of a national campaign, but still driving localized results.

We found very little evidence of retailers using mobile - a communication channel that may already be near a store - to create a store-based call to action. In part this may reflect a common situation where the online group has taken on mobile communications within the retailer and is simply not tasked with driving traffic to stores, but in fact this is a huge opportunity - especially for restaurants, which have both a geography- and a time-based incentive to reach consumers with a well-placed call to action, like a 4pm text or display ad: "Don't know what's for dinner? We do." This is by no means limited to mobile advertising, either. That 4pm online check on traffic is a perfect opportunity to create a targeted offer, complete with a local store call to action. The call to action can be very specific, thanks to the digital nature of localization capabilities, to include the local store address or in the case of a restaurant, present a local phone number to make a call-ahead reservation.

**Rethink video strategies.** For many retailers, YouTube is the home of their television ads. But there is so much more that can be done with video - and can be used to bring a local voice to their video presence. Old Spice took "localized" video to the extreme, by answering Twitter questions with custom-developed YouTube responses. So much more can be done - in line with the first two recommendations above, the content creation process for mass TV ads can include either unique elements that can be used for specific channels, or the TV ad itself can be repurposed with care to be leveraged across communications channels like video display advertising. And with video becoming a more important part of mobile - with a growing number of smartphones and the imminent arrival of 4G as the standard - localized videos potentially have more staying power and relevancy than a handful of slickly produced mass TV ads.

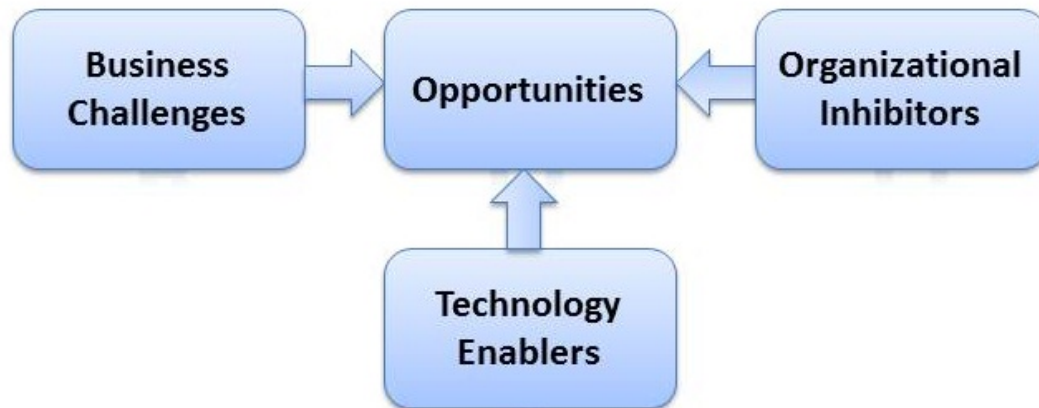
If retailers received a grade for localization, the highest-scoring vertical - Department Stores - would get a 58% - a high D grade. And that's about right. Not because retailers are close to failing at localization, but because they are just starting to learn the basics. There is certainly still a lot of opportunity.

## Appendix A: RSR's Research Methodology

The “BOOT” methodology is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and “also-rans.”** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT follows:



## Appendix B: Detailed Results

Poss. Points	Macy's	J.C. Penney	Kohl's	Gap	Nordstrom	Department	
3 TV Advertising	2	2	2	2	2	2	
3 FSI's	2.5	2	2.5	0	0	1.4	
3 Radio	2	2	2	2	0	1.6	
3 In-Store Specials	3	2	2	0	3	2	
3 Direct Mail	3	3	0	0	0	1.2	
3 Print Ads: Includes magazine and newspaper	2	2	2	2	2	2	
Traditional Sub-Total	14.5	13	10.5	6	7	10.2	
3 Display	3	2	2	0	0	1.4	
3 Video	0	2	2	1	1	1.2	
3 Mobile	3	2	2	1	3	2.2	
3 Search	2	2	2	2	3	2.2	
Digital Sub-Total	8	8	8	4	7	7	
3 Single-offer (Groupon/Living Social)	0	3	2	2	3	2	
3 Facebook	3	2	1	1	2	1.8	
3 Twitter	3	1	2	2	1	1.8	
Alternative Sub-Total	6	6	5	5	6	5.6	
3 Store Information	2	1	1	1	2	1.4	
3 Customer Information Collected	1	3	2	1	3	2	
Site Sub-Total	3	4	3	2	5	3.4	
45	Total	31.5	31	26.5	17	25	26.2

Poss. Points	Dick's Sportii Sports Authc Bass Pro Sho Hibbett Spor Gander Mou					Sporting Goc	
3 TV Advertising	2	2	2	1	1	1.6	
3 FSI's	2.5	2.5	2.5	0	2.5	2	
3 Radio	0	2	2	0	2	1.2	
3 In-Store Specials	1	2	3	1	3	2	
3 Direct Mail	0	2	2	0	0	0.8	
3 Print Ads: Includes magazine and newspaper	2	2	2	0	0	1.2	
Traditional Sub-Total	7.5	12.5	13.5	2	8.5	8.8	
3 Display	0	2	0	0	1	0.6	
3 Video	1	1	1	1	1	1	
3 Mobile	1	1	0.5	0	0	0.5	
3 Search	0	2	0	0	1	0.6	
Digital Sub-Total	2	6	1.5	1	3	2.7	
3 Single-offer (Groupon/Living Social)	2	3	0	1	3	1.8	
3 Facebook	2	3	2	1	1	1.8	
3 Twitter	2	1	0	2	2	1.4	
Alternative Sub-Total	6	7	2	4	6	5	
3 Store Information	1	2	3	1	3	2	
3 Customer Information Collected	3	3	2.5	1	2	2.3	
Site Sub-Total	4	5	5.5	2	5	4.3	
45	Total	19.5	30.5	22.5	9	22.5	20.8

Poss. Points	Best Buy	Staples	Office Depot	Radio Shack	hhgregg	Electronics
3 TV Advertising	2	2	0	2	1	1.4
3 FSI's	2.5	3	2.5	2.5	2.5	2.6
3 Radio	2	2	2	0	0	1.2
3 In-Store Specials	3	2	0	2	0	1.4
3 Direct Mail	0	0	0	0	0	0
3 Print Ads: Includes magazine and newspaper	2	2	2	2	0	1.6
Traditional Sub-Total	11.5	11	6.5	8.5	3.5	8.2
3 Display	0	0	0	0	0	0
3 Video	1	1	1	3	3	1.8
3 Mobile	1	1	1	2	0	1
3 Search	3	1	1	3	0	1.6
Digital Sub-Total	5	3	3	8	3	4.4
3 Single-offer (Groupon/Living Social)	3	3	1	2	1	2
3 Facebook	3	3	2	2	2	2.4
3 Twitter	2	2	3	2	2	2.2
Alternative Sub-Total	8	8	6	6	5	6.6
3 Store Information	3	1	1	1	1	1.4
3 Customer Information Collected	2.5	2	2	2	2	2.1
Site Sub-Total	5.5	3	3	3	3	3.5
45 Total	30	25	18.5	25.5	14.5	22.7

Poss. Points	Red Lobster	Olive Garden	Outback Stee	Carraba's	Chili's	Casual Dining
3 TV Advertising	2	2	2	2	2	2
3 FSI's	2	2	2	2	2	2
3 Radio	3	0	2	3	0	1.6
3 In-Store Specials	0	0	0	2	0	0.4
3 Direct Mail	0	0	0	0	0	0
3 Print Ads: Includes magazine and newspaper	0	0	0	0	0	0
Traditional Sub-Total	7	4	6	9	4	6
3 Display	0	0	0	0	0	0
3 Video	2	2	1	1	1	1.4
3 Mobile	0	0	0	3	3	1.2
3 Search	1	1	2	0	0	0.8
Digital Sub-Total	3	3	3	4	4	3.4
3 Single-offer (Groupon/Living Social)	1	1	3	0	3	1.6
3 Facebook	1	2	2	2	2	1.8
3 Twitter	1	1	2	0	0	0.8
Alternative Sub-Total	3	4	7	2	5	4.2
3 Store Information	2	3	2	2	2	2.2
3 Customer Information Collected	2	3	3	2	3	2.6
Site Sub-Total	4	6	5	4	5	4.8
45 Total	17	17	21	19	18	18.4



## Appendix C: About Our Sponsor



MaxPoint Interactive is an industry-leading consumer targeting technology company. We help retailers, brands and shopper marketing teams reach the right online audience to drive in-store sales.

Our digital retail advertising platform enables advertisers to execute highly efficient and effective digital advertising that does more than grab attention – it drives foot traffic and in-store sales. This easy-to-use platform offers advanced neighborhood-level targeting with national scalability and reach.

Founded in 2007, MaxPoint has offices in New York, Chicago, Austin and Raleigh-Durham. Learn how our easy-to-use platform can generate brand safe, rapid ROI for you, by visiting [www.maxpointinteractive.com](http://www.maxpointinteractive.com). Follow us on Twitter: maxpoint\_int

## Appendix C: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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