richrelevance

The Power of ME

The Connected Consumer

Summary

Personalization as a business or marketing strategy isn't new: Burger King's "Have It Your Way" slogan debuted almost 40 years ago, and each generation seems to re-invent the concept. Back in 1970, Rosser Reeves touted the Unique Selling Proposition, which focused on a product's best feature or its differentiation from the competition (*Mad Men*'s Don Draper is allegedly based loosely on Reeves). In the 1980s, Michael Lanning's Value Proposition arrived (how do buyers benefit from purchasing?), with the Emotional Selling Proposition fast on its heels (forget ROI and instead target beliefs, desires, and feelings). Then we had ... well, you get the point.

Whether it's HTC's "It's YOU" or Rite Aid's "With us, it's personal," putting the customer first never goes out of style. Consider today's "Me Selling Proposition,"[1] enabled by the personalization tools and technologies that allow 24/7 mobile access to real-time price comparisons, reviews from trusted sources, and constant social media interactivity.

Because consumers have increasingly high expectations about how they interact with you, whether you're on the retail side or the brand side, personalization should be top-of-mind. It's the one thing that will help you raise performance level and ROI on all of your current business objectives. Luckily, you have a plethora of possibilities to reach customers throughout their day—from early-morning, bleary-eyed gropings for the smartphone to just-before-bedtime iPad swipes. Let's take a look.

RITE AID PHARMACY

With us, it's personal.

BURGER KING®

HAVE IT YOUR WAY®

Are You Keeping Up With the Joneses?

Are the customer's three channels of exploration (So-Mo-Lo: Social, Mobile, Local)—ALWAYS at the center of your thinking?

A decade after the rise of e-commerce, today's smartphones, various mobile technologies, and social media applications have resulted in the convergence of consumer demand and technology. (Global smartphone sales are expected to increase 25% in 2012, from 472 million to 630 million.[2]) All this connectivity means one thing: retailers can serve their customers like never before. However, many retailers face challenges embracing this new digital destiny, and lose customers to tech- and consumer-savvy online retailers such as Amazon or Overstock. 'Keeping up with the Joneses' these days applies less to consumers than to retailers and brand managers, and 'the Joneses' aren't your competitors but your customers—shoppers who are increasingly confident, connected, empowered, and entitled.

To compete and thrive in this new digital landscape, retailers must recognize that the future of shopping is NOW—and pursue what the Harvard Business Review calls "omni-channel retailing"—an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping. Omni-channel means seeing things from a consumer's eye view, not from the comfort of your own business boundaries. Noting that integration is key, best-selling author Bryan Eisenberg says "Consumers don't care about channels, so forget channel vs. channel … Best Buy includes customer ratings on price tags in stores. Ratings and reviews are popping up in store displays and on packaging everywhere."[3]

LOWE'S

NEVER STOP IMPROVING

"We live in an increasingly seamless, socially connected world with real-time expectations and a proliferation of customer service and selling channels. This is a world where you must meet customers on their terms. It's a world where one great or one bad experience can be broadcast to millions within seconds. It's a world where 4 out of 5 consumers trust online ratings but only 14% trust traditional methods of advertising."

——Robert A. Niblock
Chairman & CEO, Lowe's Companies
Shareholder Call (December, 6 2011)

24/7 Connectivity and Interactivity

7 am

Connected shoppers expect anytime/anywhere connectivity and interactivity. As new technologies emerge to make transactions faster, easier, or more user-friendly for consumers, don't be surprised if the words "pilot," "prototype," "test," or "beta" appear frequently in these innovations: we're in the equivalent of an Internet-circa-1994 retail period!

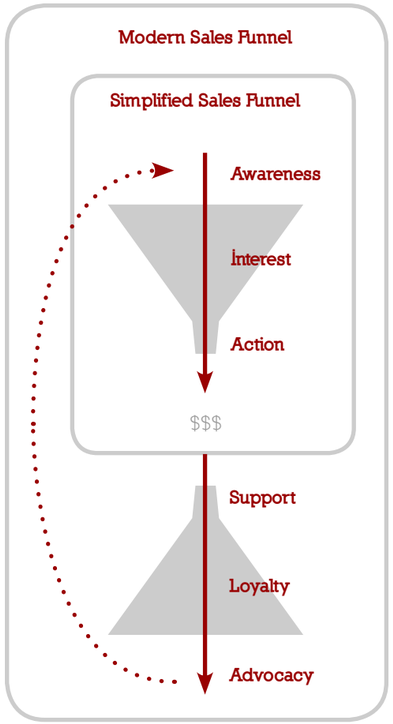
On the Nightstand: Fifty percent of social media users say they check in to their favorite networks first thing in the morning.[4] Think about your messages being the first thing users see each day.

10 am

At the Grocery Store: Grocery shoppers, who've been able check out their own items for a decade, may soon have a new option: a prototype developed by Chaotic Moon that's being tested at Whole Foods in Austin. The "Smarter Cart" incorporates a Samsung Windows 8 tablet, RFID (radio frequency identification) tags, a UPC scanner, and a Microsoft Kinect (to track movement and voice commands). The cart follows docilely behind the shopper—or can even lead her through the aisles to specific products. Both the Kinect and the scanner are connected via USB to feed information to the app, which runs on the tablet. The cart scans bar codes as the shopper places items in the cart, and "speaks" reminders based on an uploaded shopping list as well as recipe and allergy data: "Your recipe calls for baking soda" or "This item contains peanuts/gluten/shellfish." Unless shoppers want bagging help, they pay their tab with a credit card via an automated check-out feature, and are free to leave the store—after dismissing the cart with a clearly enunciated "Goodbye" so it doesn't follow them outside.[5]

Rather than waiting skeptically for the ultimate proof of social media's ROI metrics, acknowledge your customers' expectations about social, mobile, and local engagement. In fact, you may want to embrace this new sales funnel, which acknowledges the importance of interactivity.

The continued growth of online shopping, estimated to reach as much as $327 billion by 2016, is fueled not only by social media's ubiquity, but increasingly by the expansion of flash-sale sites (Groupon, Gilt Groupe, One King's Lane), online loyalty programs (Amazon), and tablet-optimized retail websites.[6] (Even sales of virtual online goods hit $2.3 billion in 2011; half of the 70% of consumers classified as gamers bought virtual items last year.[7])



Adam Helweh/Secret Sushi

24/7 11 am

At the hardware store. PayPal is running its own new pilot at 2,000 Home Depots nationwide, to add in-store payment processing to its existing online and mobile coverage. After registering with PayPal, Home Depot customers can enter mobile numbers and PIN codes—or swipe a PayPal card—and get instant electronic sales receipts on their mobile devices. Paypal's parent firm, eBay, sees itself shaping how shopping and payment will evolve, and vows that it can save retailers money over debit and credit card payments.[8]

How Do You Stack Up Against Other Retailers?

Is Your Personalization Strategy "Highly" (54%), "Moderately" (33%), or "Not At All" (13%) Sophisticated?

According to a recent survey from the E-tailing Group:

- The most common form of personalization implemented by retailers is post-order e-mails, with 77% of respondents saying they personalize those messages to some extent. Fifty-two percent of respondents personalize their shopping cart pages, 44% personalize product pages, 41% home pages, 21% category pages and 17% search results. (Survey respondents could give more than one answer.)
- E-retailers consider triggered shopping cart abandonment e-mails the most successful personalization tactic from an ROI standpoint, with 26% of respondents saying these e-mails were somewhat to very successful.
- Other ROI winners include personalized product recommendations via e-mail, with 14% of respondents viewing these as the most successful. Twelve percent say recommendations on product pages are best, while 11% give top marks to retargeting (that is, presenting ads on other websites based on consumers' browsing behavior on the retailer's site), and others point to personalized recommendations on the shopping cart page and home page personalization based on past browsing and buying behavior.[9]

"Social media may not yet be driving a ton of direct retail ROI—though that varies by retailer—but it's become an expected part of retail," says Vicki Cantrell, NRF senior vice president of communities and executive director of Shop.org. "Customers expect to be able to talk to a retailer, and they look to share their feedback, ideas, and comments." In fact, says Altimeter Group's Jeremiah Owyang, "today's consumer is empowered with information from three powerful sources: mobile devices that allow anytime/anywhere access, apps that can deliver best prices and inventory availability at the touch of a button, and trusted friends and family members."[10] Overstock.com, for instance, plans to include extensive consumer-generated product reviews and buying guides on their new O.info domain, acknowledging the consumer trend toward trusting other buyers more than advertisers and even brand messaging.

This technology convergence means retailers must cope with other emerging consumer expectations and behaviors. Free shipping, once a lure, is so ubiquitous that many consumers now take it for granted. Some shoppers have learned to postpone immediate gratification and leave their online cart contents in limbo until they're offered sweeter deals or discounts.[11] And recession-sensitive consumers in all income categories continue to embrace price-comparison sites and bar-code scanning apps to ensure the lowest price. The new connected consumer, for instance, often "showrooms"—standing in a brick-and-mortar store to peruse products in person, while reading reviews—and often buys (if prices are lower) via such apps as ShopSavvy or RedLaser on their mobile devices.

ShopSavvy

RedLaser

24/7 12 pm

At a restaurant or bar: Paypal has another debut with partner Tabbedout, which allows customers at participating venues to settle a tab—after they open it with a credit or debit card linked to their Tabbedout account—by using their e-mail addresses and passwords. And Tabbedout itself is testing a new system that allows merchants to offer discounts to the product's users.[12] RichRelevance CMO, Diane Kegley, attending the recent SXSW Interactive Conference says "The demise of the wallet is near, as more and more consumers prefer to use their smartphones to engage with merchants."

Layar's bleeding-edge augmented reality browser, for example, merges price comparison with location-based technology, allowing users to view digital data superimposed on location-based layers, including information from stores and businesses. By pointing smartphones at the world around them, users can interact with local e-commerce "landscapes."

Google takes this augmented reality concept one step further with its widely speculated-upon eyeglasses, which will use Android software and come equipped with GPS, motion sensors, a camera, and audio inputs. Purportedly available in late 2012, the glasses will stream information via the camera. Rather than holding up a smartphone to the larger world—à la Layar—glasses-wearers will see location-based data literally right in front of their eyes.[13]

Of course, this type of geo-location interactivity is the backbone of FourSquare, which melds social interaction (friends' locations) with commercial discounts and promotions from neighborhood merchants. As the site promises: "If you are a brand with physical locations (Starbucks, Sports Authority, Applebees … you can use the Foursquare Merchant Platform to reach your customers and visitors.") And so we arrive back at social—a very short trip in today's retail and brand arena.

The Power of "Me": Consumers in Control

Cosseted consumers are enjoying other trends and tools that put them front and center. Here's a quick summary of other trends—and the innovations arising to address them.

Use technology rather than staff to shop.

A recent shopper quoted in The New York Times said, "because I shop so much … sometimes I know the brands better than some of the associates." Many next-generation consumers prefer to research and buy digitally rather than rely on less-than-informed staff—even while in a store. But stores and brands can try to prevent shoppers wielding mobile devices from supplanting face-to-face customer service. How? By equipping the one asset they have and e-tailers don't—salespeople in stores—with at least the same technology as shoppers enjoy, and by investing in training as well. (To keep pace, stores may need a different type of staff. "Retail executives in a Deloitte survey listed "tech-savvy," "brand ambassadorship," and "specialized product knowledge" as the most important skills for sales associates 5 years hence.)[14]

Are your favorite associates in the store?

For those shoppers who still value in-store staff, Neiman Marcus is testing an iPhone app in four stores: Austin, Dallas, Palo Alto, and San Francisco. It has two parallel interfaces for customers and sales staff. After the customer downloads and opts in to the app, they enjoy alerts of upcoming events, new product arrivals and sales, QR code scanning, and the ability to learn which of their favorite associates are in the store. On the sales side, in-store sensors alert staff when customers enter the store, and provide a purchase history (and even a Facebook picture for easy recognition) to ensure they offer better service.[15]

24/7 2 pm 3 pm

In a taxi: Mobile payment company Square (led by Twitter co-founder Jack Dorsey) is pilot-testing special iPads in 30 New York cabs, which will provide passengers with location, fare, and route information as the devices simplify credit card processing—and perhaps replace the ubiquitous Taxi TVs, which now run ads under the auspices of Creative Mobile Technologies and Verifone Media. No word, as yet, on ad partnerships with retailers for the new system.[16]

At the mall: Shoppers frustrated by the lack of standard sizing in apparel will soon benefit from Me-Ality walk-in body-scanning stations, developed by a Canadian firm, Unique Solutions Design. Now debuting at West Coast malls, the technology aims to transform the in-store shopping experience for consumers, as well as ensure increased sales and decreased returns for apparel manufacturers and vertical retailers. How? A fully-clothed shopper enters the kiosk and is "wanded" using scanner technology similar to that found in airports. During the 20-second scan, RFID signals bounce off moisture in the skin to accurately record 200,000 data points. After the scan, a unique bar code prints out, which contains the shopper's detailed measurement data. This bar-code is then matched to the sizing specifications of various apparel brands to produce a customized shopping guide which lists, say, the top ten jeans styles the shopper should try, and what size she is in each brand. The "My Best Fit" shopping guide shows her which stores in the mall carry the recommended brands—and allows her to sort by brand, style, store, or price.[17]

NRF Stores®:

Top Five Reasons Retail Needs Social Media

1. Social is too big to fail.

It's been a long time since the retailer–customer relationship existed solely during business hours and within a store's four walls. Social networking has quickly become part of the cultural fabric of retail.

2. Numbers don't lie.

Sixty percent of people who use three or more digital means of research for product purchases learned about a brand or retailer from a social networking site; 48% of these consumers responded to a retailer's offer posted on Facebook or Twitter….Nearly 40% of users access social media content from their mobile phone….53% of active adult social networkers follow a brand.

3. This year is different.

Will retailers derive true ROI from social in 2012? New social analysis tools may offer the chance to finally understand and monetize social media engagement. New data from Kenshoo suggests that Facebook advertising budgets are growing by double digits, outpacing paid search budgets; seasonally adjusted impressions grew 47% between Q3 and Q4, and ad clicks were up 105%.

4. Being there matters.

"Participate or abdicate … Social is where the consumer goes first to start a conversation and retailers need to pay attention," says Verizon vice president of retail and distribution, Ravi Bahal. Don't fixate on just boosting sales: build brand goodwill, develop an influential marketing channel (fan-to-peer rather than advertiser/brand-to-customer), and gain insight, since two-way social media is "an always-on research channel" according to Ron Ladouceur, executive vice president and creative director for Media Logic.

5. It's working.

According to Facebook, several sites had quantifiable successes: More than half of Fab.com's $1.1 million in sales logged from Black Friday though Cyber Monday came from people who arrived via social sources. Giantnerd said conversions from FB traffic increased 20% this past holiday season, and average order value was 300% higher than the site average. And social Yardsellr's holiday gift guide for friends yielded a 1,000% year-over-year traffic increase.

Reda, Susan. "Social Gets Down to Business." http://www.stores.org/social-gets-down-business?adid=ST_Weekly.

Save money via your influence.

Gilt Groupe and Klout teamed up in early March to offer shoppers discounts based on Klout scores (which measure online influence on social media sites). Klout can "identify influencers, and Gilt has the platform to connect those influencers with brands and an engaged shopper audience," says Gilt Groupe President Andy Page.[18]

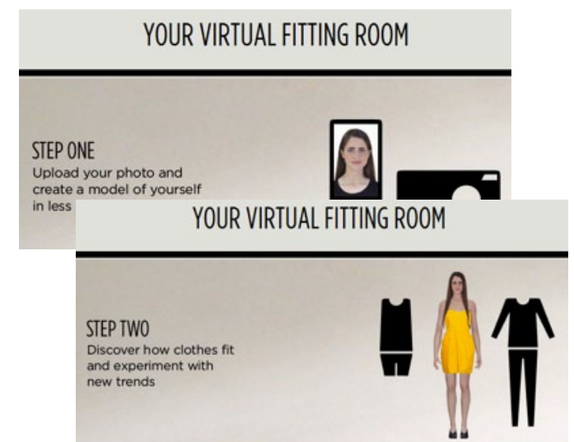
Klout

Clothes Horse

Find clothes online that really fit.

- Clothes Horse co-founder Vikram Venkatraman says 70% of shopping cart abandonment and 60% of customer returns from online purchases are fit-related. "Instead of being excited about the great new thing you're about to buy, you think about the last time you had to return something, or you start wondering if it's really going to look as nice on you as it looks in the picture." His firm just launched customizable widgets for merchants to add to their websites to combat this type of customer hesitation. Built over a database of human measurements (like Me-Ality), the company is discussing its platform with several large retailers, and eventually plans to integrate with Facebook to build user profiles based on brands the shopper and her friends "like."[19]
- Macy's and True-Fit have partnered to offer Macy's website users a pre-purchase process to ensure an item's suitability; in exchange for completion of a 3-minute profile, users will receive a suitability assessment (on a 5-point scale) of particular brands and styles—as well as a size recommendation.[22]
- Along the same lines, the troika of Tesco, Metail, and We Are Social, offers Tesco shoppers a trial run of how its F&F clothing brand will look on their virtual bodies. Customers can try mix and match outfits and accessories on their digital selves and, just for fun, switch their hairstyles as well.[23]

Metail



Earn points and perks with virtual closets.

Three new sites—TheFancy.com, Stylitics.com and Clothia.com—feature virtual closets and encourage brand-consumer interactivity. (The latter is so new it's still in beta—that is, "invitation only" mode.) The message to consumers? "Everything you do in the platform earns you points, which you can redeem for amazing rewards like gift cards, VIP discounts, and access to private events like fashion shows," according to the Stylitics website. Billing itself as a fashion insights company that provides a better way for brands to understand and connect with consumers, it uses "social media, games, rewards, and virtual closet features to give engaged, stylish, hand-picked consumers a fun and easy way to share their styles and opinions with their favorite apparel brands."

24/7 6 pm

In the air: More than 160 million annual Delta flyers can now shop Amazon en route, using laptops, smartphones, and tablets. Passengers already enjoy exclusive shopping deal via on-board wireless provider Gogo. The Gogo website boasts "affluent, tech-savvy travelers who are seeking connectivity and engaging content," and suggests brand partnerships to reach this captive consumer audience.[20]

10 pm

At bedtime: Retailers' hearts may gladden over a new study indicating that 10 pm is the most common iPad-browsing hour: if tablet-owners are posited to bring these über-portable devices to bed far more frequently than laptops—and to use them for more than reading—pre-sleep shopping opportunities could result in new purchasing patterns. Advertisers and brand strategists who want to avail themselves of this new just-before-bed window may want to explore developing mobile interfaces and apps specifically for this platform.[21]

RichRelevance Delivers on the Power of Me

Personalization is a *continuum*. Each layer of personalization enhances the overall experience for the shopper, regardless of the channel.

> "Brand amplification without personalization is just noise."
>
> —David Selinger
> Founder and CEO, RichRelevance

1 Manual Merchandising

A first-time shopper arrives on a site and receives a "You might like this" message, based on most popular items shopped on the page.

2 E-mail

An e-mail blast sent from a retailer.

3 Personalized Site Log-In

Remember the first time you logged onto your favorite site and were greeted with a "Welcome Back, Sarah!" headline? (The first real step for retailers to determine who the shopper is, and what their likes, dislikes, habits, and frequent buys are.)

4 Recommendations

Now, in addition to the personalized "Welcome Back" header, the customer is served relevant recommendations to guide her to the products she is most likely looking for, based on her previous visits and behavior.

5 Promos

Next on the personalization continuum, personalized promotions give the customer the most relevant campaigns, again based on previous shopping habits.

6 E-mails + Recommendations + Promos

This 'combo approach' allows retailers to maximize every opportunity to communicate with customers. E-mails (order confirmations, newsletters, or promotions) are personalized and unique to each shopper—and highlight relevant products.

7 Ads

Relevant ads enhance the customer's overall site experience.

8 Mobile

Finally, mobile incorporates *all* personalization elements (both on-site and in-store) and delivers them to customers who are on the run *or* relaxing at home.

RichRelevance's CEO pioneered relevance for e-commerce as the head of personalization R&D at Amazon, where he increased revenue by $50 million dollars, over 25%. As VP of Personalization and Data Mining at Overstock, he saw the opportunity to replicate Amazon's experience for a multitude of retailers. He established {rr} with the principles of retail focus and 360-degree personalization—the foundation of Amazon's success.

Today, the enRICH Personalization Engine is the most advanced real-time decision making engine in the world, delivering precise consumer-specific content in under 60 milliseconds, allowing RichRelevance to offer the entire continuum of the personalization experience: dynamic merchandising discovery (recommendations), targeted promotional content/campaign management (promos), and personalized brand advertising (monetization).

Our full product suite can take your brand through each phase of the personalization continuum as you navigate the path to a highly personalized omni-channel experience with your customers.

Our team helps you:

- Decide which areas to personalize first
- Discover how you're doing relative to others in your category
- Learn recommended merchandising rules
- Develop a roadmap for next steps

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richrelevance®
Dynamic Personalization for Retail

Over 350 million times per day, RichRelevance is powering the personalized shopping experiences for consumers shopping the world's largest and most innovative retail brands like Walmart, Sears, Target, Marks & Spencer and John Lewis.

Founded and led by the e-commerce expert who helped pioneer personalization at Amazon.com, RichRelevance helps retailers increase sales and customer engagement by recommending the most relevant products to consumers regardless of the channel they are shopping. RichRelevance has delivered more than $5 billion in attributable sales for its retail clients to date, and is accelerating these results with the introduction of a new form of digital advertising called Shopping Media which allows manufacturers to engage consumers where it matters most—in the digital aisles on the largest retail sites in world.

RichRelevance is headquartered in San Francisco, with offices in New York, Seattle, Boston and London.

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The Power of ME