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Retail Marketing Strategy: How to Win Customers in an Era of Disruption

Course Introduction

Barbara E. Kahn, Patty and Jay H. Baker Professor of Marketing

Introduction

Module 1: COVID-19 Has Transformed the Retailing Environment

1. Changes in shopping behaviors due to COVID-19
2. Enduring trends post-COVID-19
3. Focus on the winning strategies

Introduction

Module 2: Winning Retailing Strategies

1. Focus on the leaders

- Amazon, Walmart, Target, Costco, TJ Maxx, Home Depot

2. Luxury strategies

3. Customer-centered omni channel strategies

- Technology and data management

Introduction

Module 3: Customer Experience

1. Integration of online/offline strategies
2. Digitally native vertical brands
3. Legacy brands and retailers
4. Lessons from China
 - “New retail” and social commerce

Introduction

Module 4: Brand Strategy

1. What is a brand?
2. Brands with purpose
3. Examples of brand strategies
4. Conclusions



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Changes in Shopping Behaviors Due to COVID-19 (Part 1)

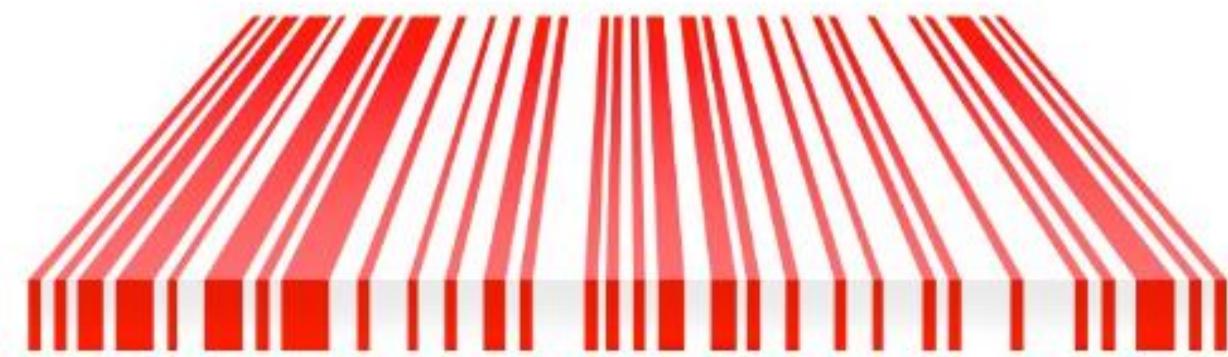
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COVID-19 Has Transformed the Retailing Environment

- Changes in shopping behaviors due to COVID-19
- Enduring trends post-COVID-19
- Focus on the winning strategies

BARBARA E. KAHN

THE SHOPPING REVOLUTION



*How Successful Retailers
Win Customers in an Era
of Endless Disruption*



2017: The Year of the Retail Apocalypse

2017

- More than 8,600 stores closed
- Worst year on record

2020

- 250,000 stores closed during COVID-19
- 12,000 stores EOY 2020



BARBARA E. KAHN

UPDATED AND EXPANDED EDITION

THE SHOPPING REVOLUTION



How Retailers Succeed
in an Era of Endless Disruption
Accelerated by COVID-19



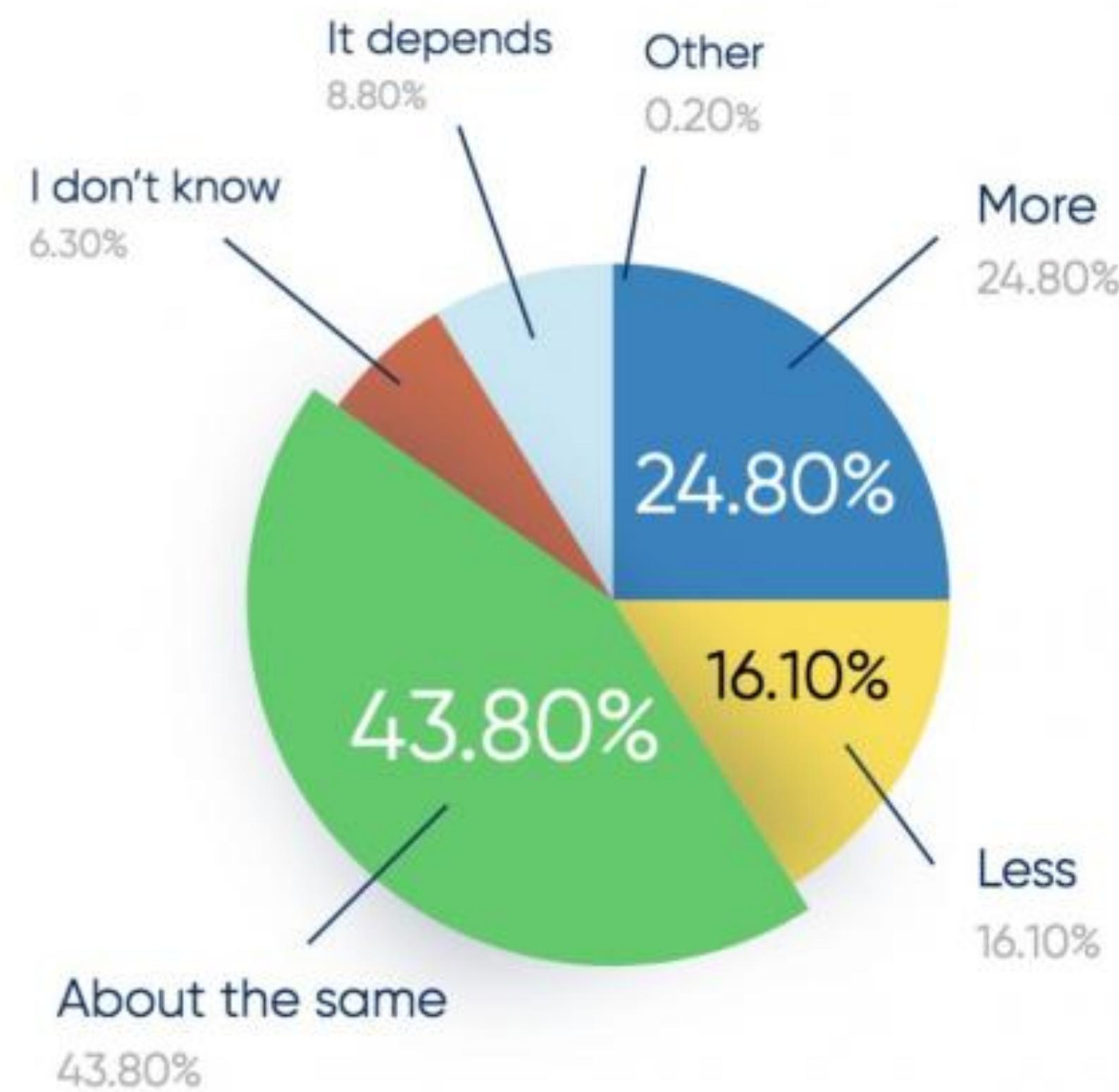
Changes in Shopping Patterns Unique to COVID-19

- Consumers are much more likely to buy online than in the past
 - Data are indicating at least a 10% higher inclination to purchase online than in the past, post-COVID-19
- Payment processes move to more frictionless
- Consumers have different expectations for physical retail environments
 - Expect retailers to exercise good hygiene practices, wear masks, have hand sanitizers accessible, social distancing rules, gloves for employees, disinfection
 - Low touch environment
- Flexible working patterns — more people working from home

Survey: December 2020, n=1000



Do you believe you will shop in physical locations more, less, or the same compared to 2020?



State of Consumer Behavior Report, Dec 2020

Survey: December 2020, n=1000

COVID-19 has had a major impact on consumer habits

- “How has your behavior during COVID-19 influenced your habits?”
- 40% of respondents have visited physical locations less frequently since COVID-19 hit

Many consumers still prefer shopping in person

- “If you could shop in person, would you prefer to shop in person or would you prefer to shop online?”
- 46% of respondents said that given the choice, they prefer to shop in person rather than online



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Changes in Shopping Behaviors Due to COVID-19 (Part 2)

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Survey: December 2020, n=1000

Retailers are doubling down on improving the offline customer experience

- 29.8% of respondents said in-location customer service has gotten better in the past year

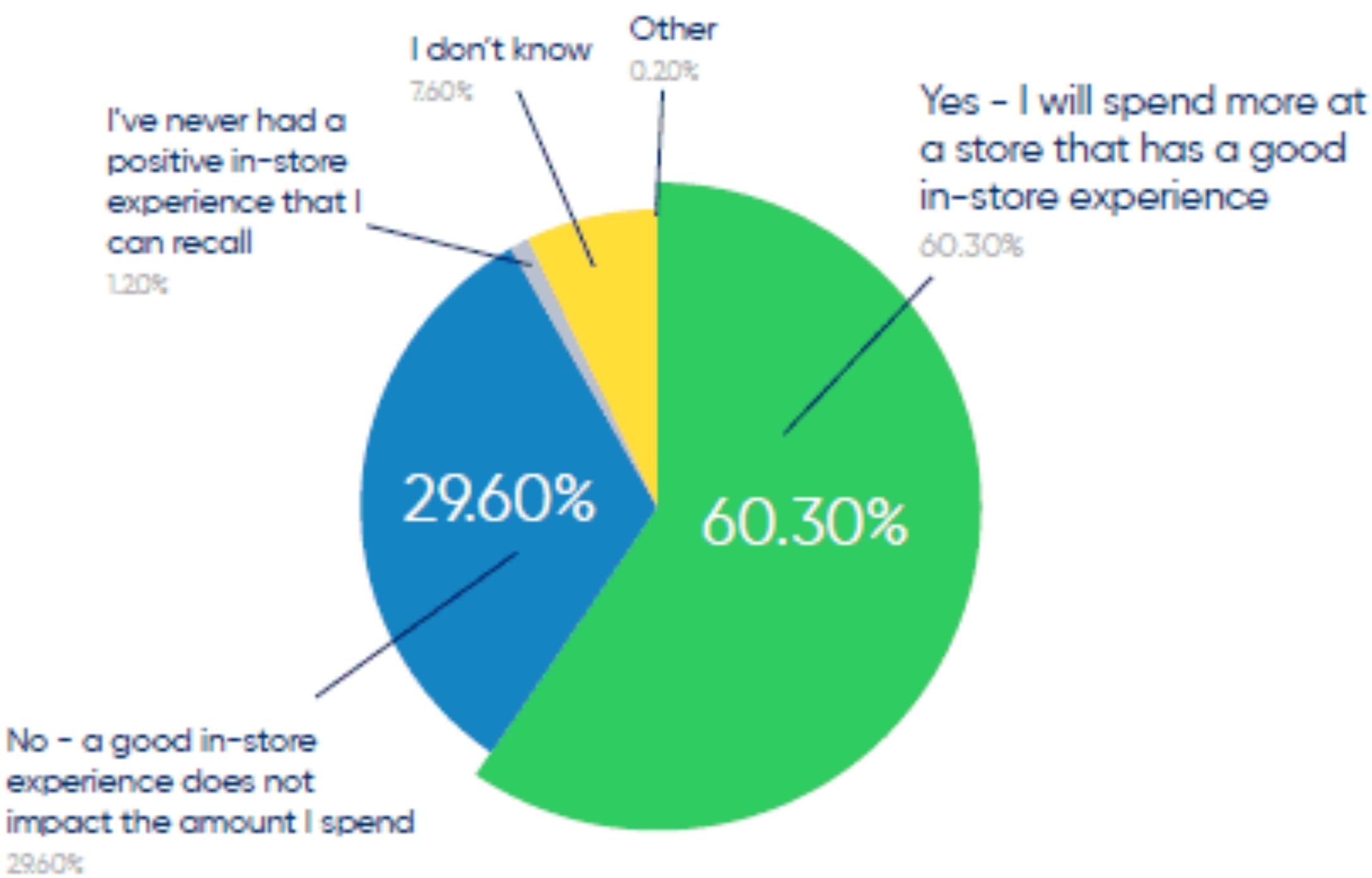
Brand loyalty is lacking

- 48% of respondents said they have replaced products they typically purchase at physical stores with competitors' online alternatives

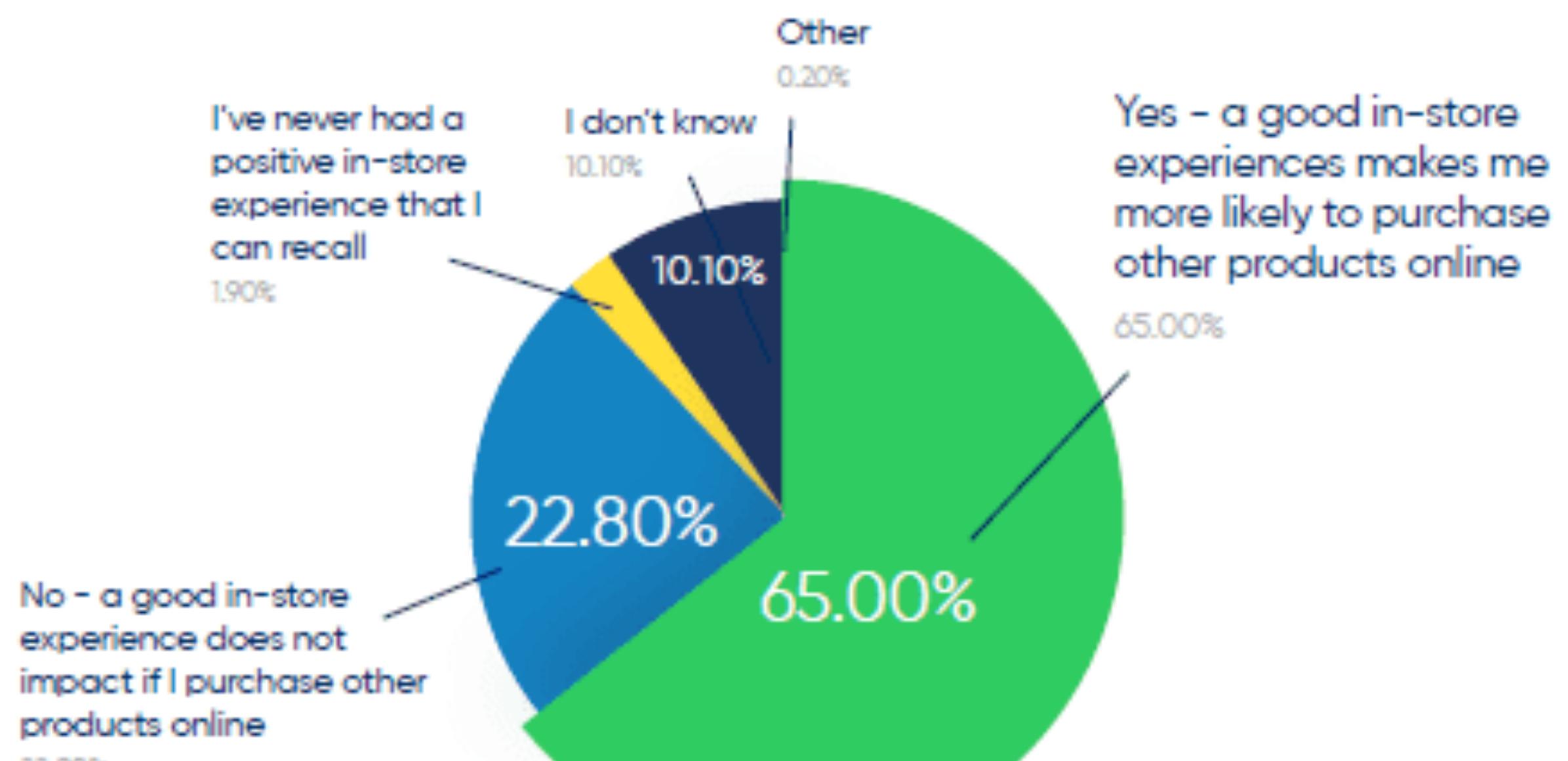
Survey: December 2020, n=1000



When you have a positive in-store customer experience, are you more likely to spend more at that visit?



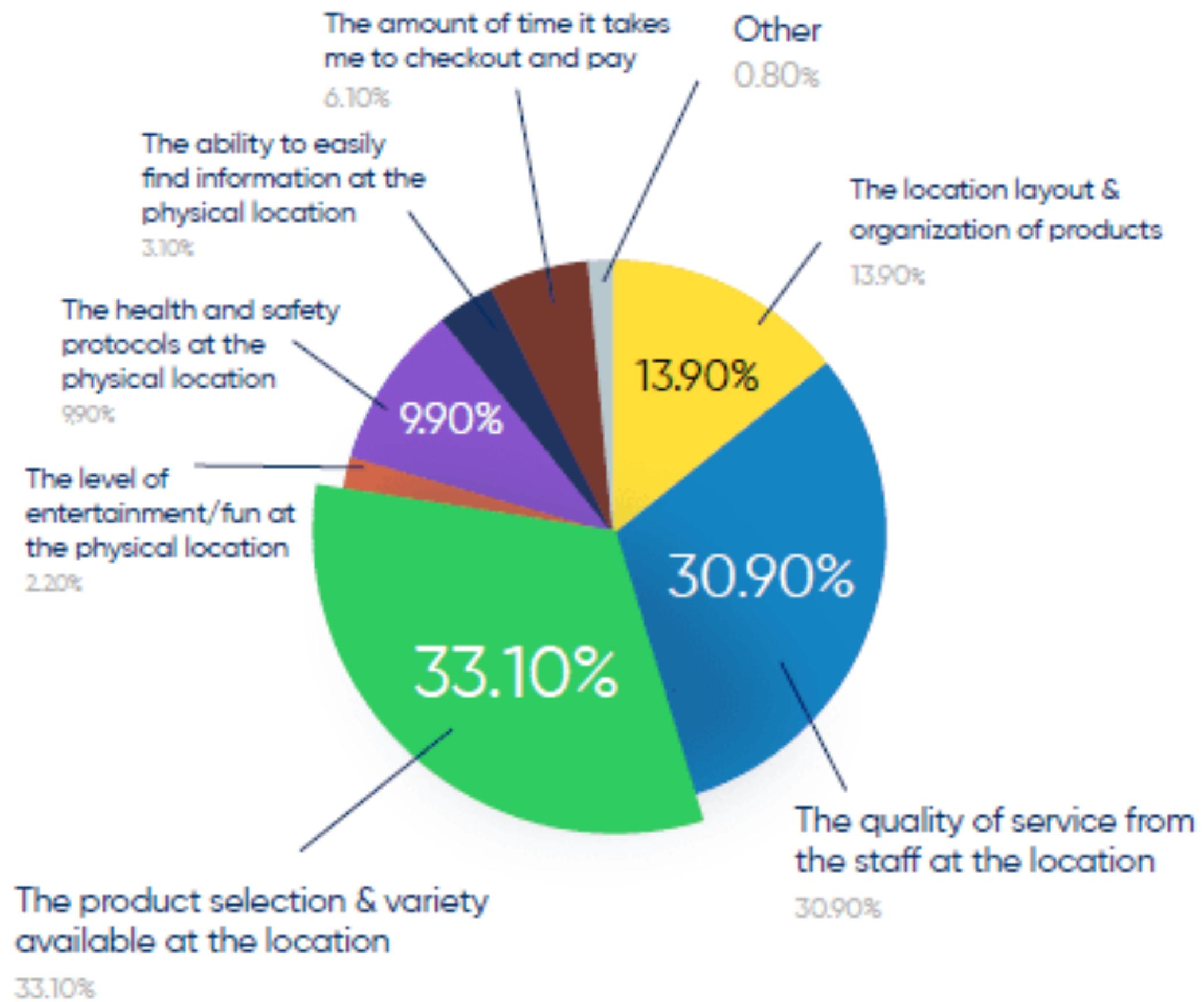
When you have a positive in-store customer experience, are you more likely to purchase from that brand online?



Survey: December 2020, n=1000



What factor has the biggest influence on your in-store customer experience?



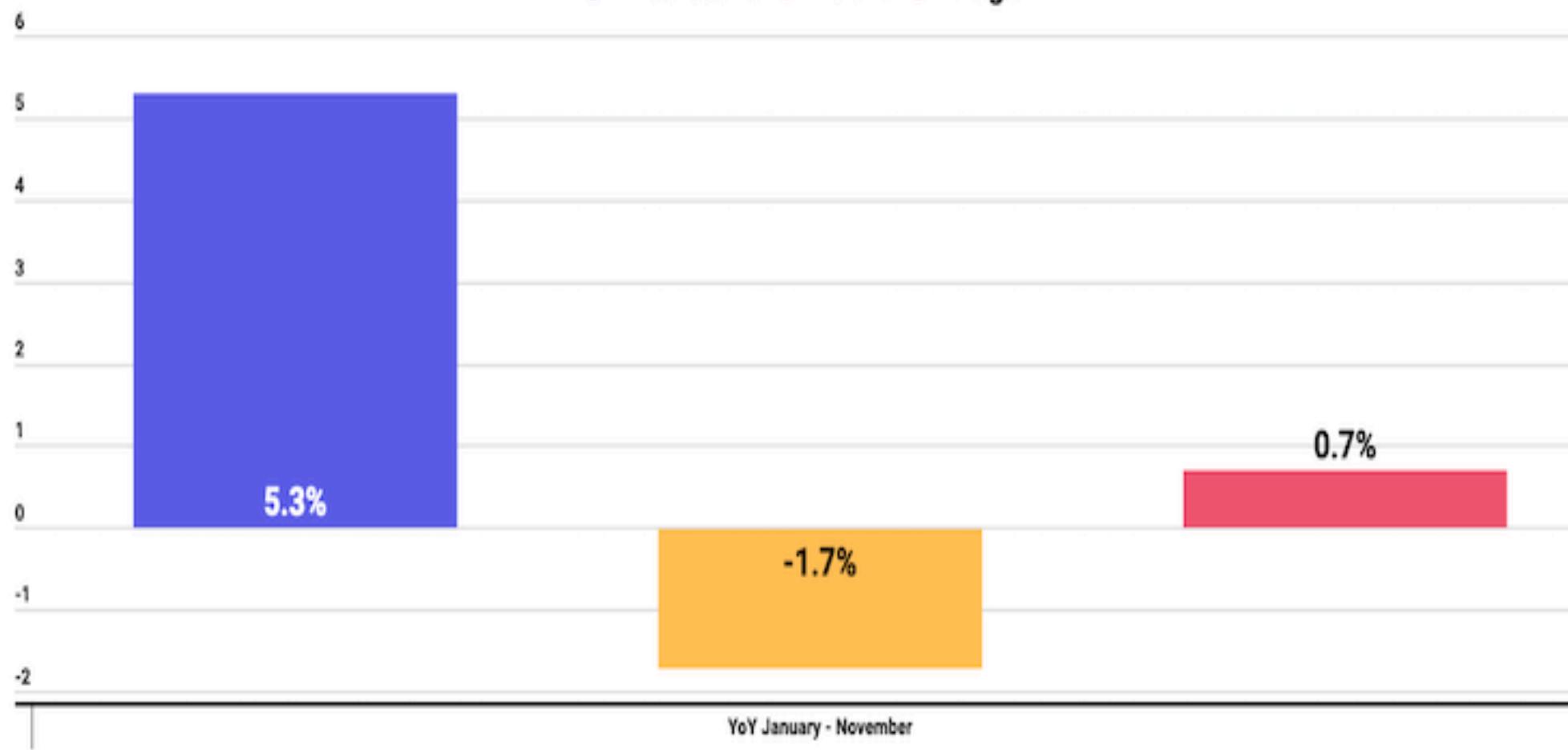
State of Consumer Behavior Report, Dec 2020

What Happened to Grocery Stores During COVID-19

2020

Grocery Visits YoY: January - November

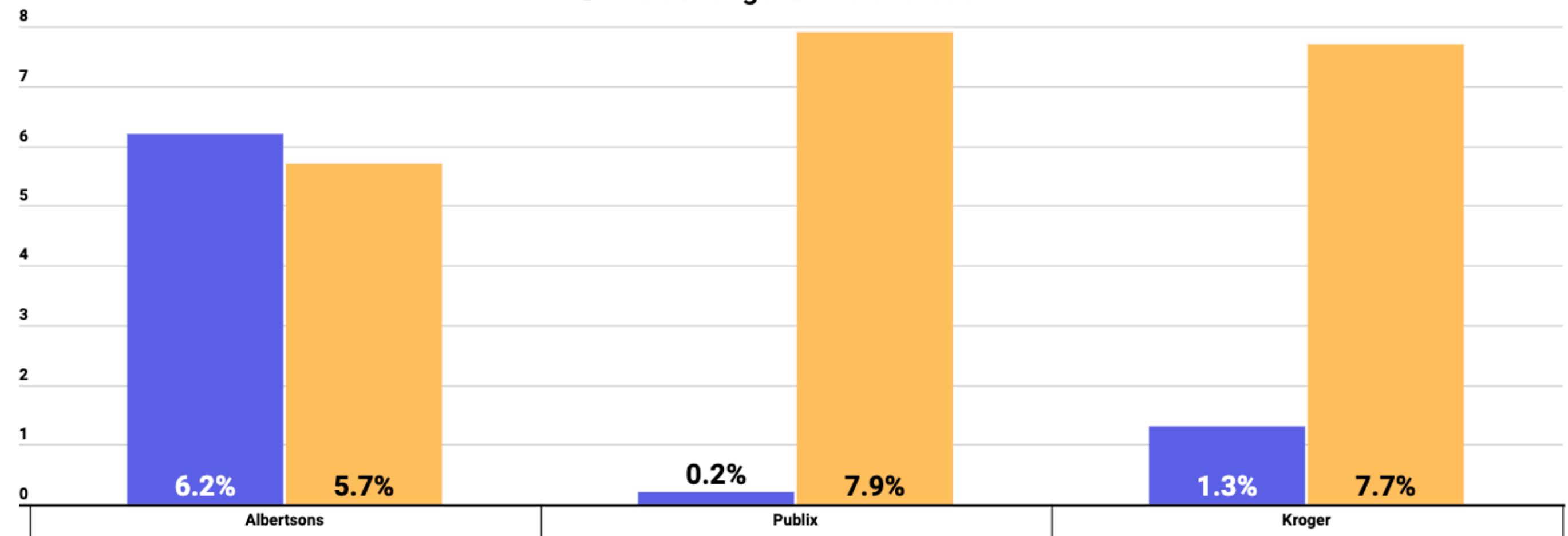
● Albertsons ● Publix ● Kroger



June through November, 2020 (YOY)

Visits Picking up as Duration Grows

● Visit Change ● Visit Duration



COVID-19 Impact on Consumer Habits

- Consumers spend more time shopping online
 - But, many consumers still prefer shopping in physical stores
 - Consumers behavior in physical stores affects online behavior
- COVID-19 caused switching

COVID-19 Impact on Consumer Habits

Even though COVID-19 caused some switching, we still see strong patterns of loyalty

- 57% of consumers remained loyal to a brand during a chaotic 2020
 - 45% of consumers saying they wanted to "feel like the brand appreciates my business"
 - 14% said they wanted to feel like a brand "knows me"
 - 14% want to feel connected with the brand "on a common cause or set of values"

Merkle's 2021 Loyalty Barometer Report: Survey of 1500 US Consumers

COVID-19 Impact on Consumer Habits

Even though COVID-19 caused some switching, we still see strong patterns of loyalty

- Among those who switched in 2020, 18% said their old brand was unavailable and 16% said a new brand offered a better discount or price than other options
- 88% of marketers say collecting first-party data is a 2021 priority

Merkle's 2021 Loyalty Barometer Report: Survey of 1500 US Consumers



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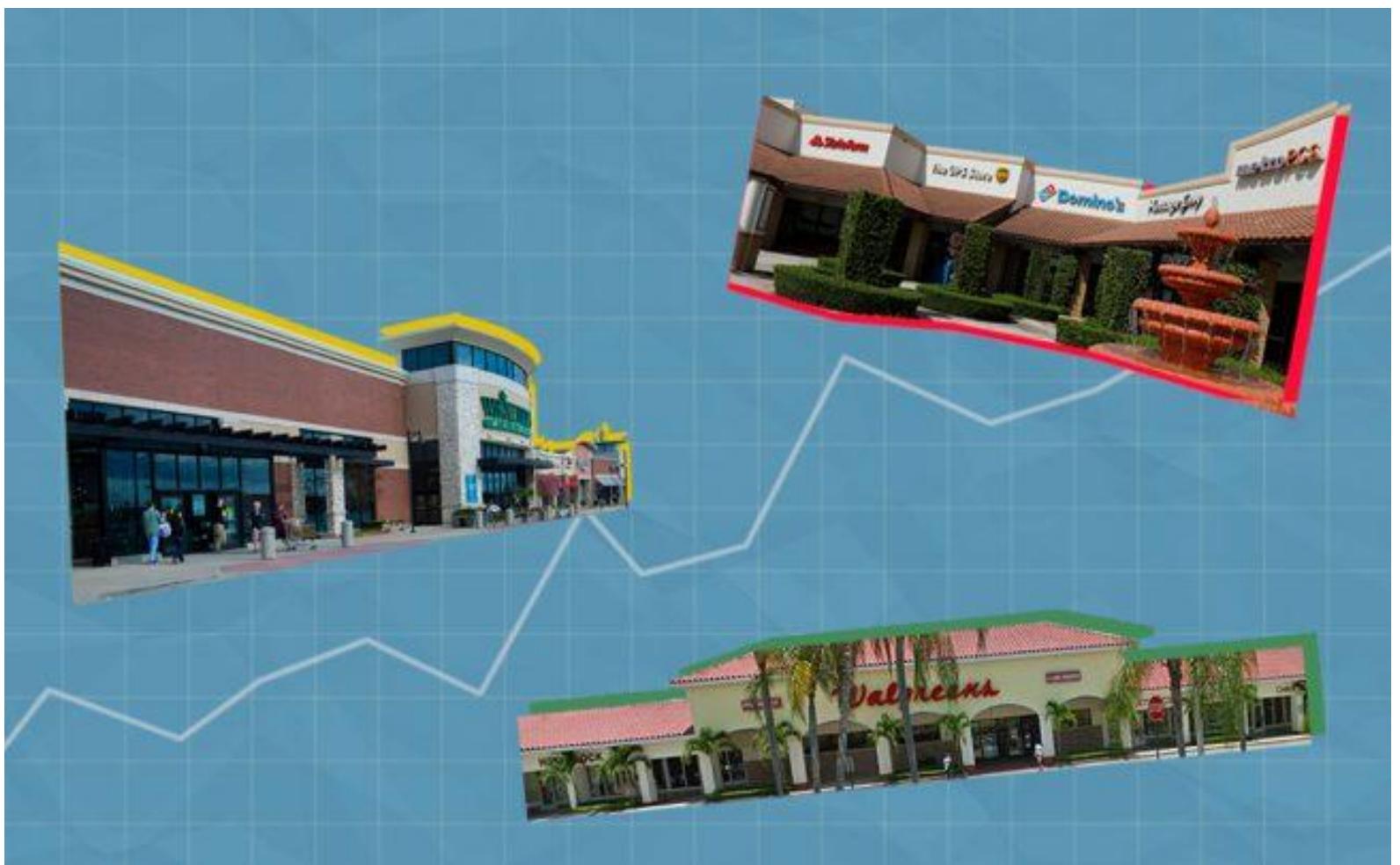
Enduring Trends Post COVID-19

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Pre-COVID-19 Trends Exacerbated by COVID-19 Trends



Pre-COVID-19 Trends Exacerbated by COVID-19 Trends



amazon

Pre-COVID-19 Trends Exacerbated by COVID-19 Trends



Gillette®



Pre-COVID-19 Trends Exacerbated by COVID-19 Trends



Enduring Changes to Retail Post-COVID-19

- Move to customer-centered omni-channel retailing
- Importance of creating an in-store experience that inspires trust
- Long-term sources of competitive advantage
 - Brand
 - Customer experience
 - Frictionless
 - Low price/value



Top Retail Brand “Winners” in 2020 YOY

Brand	Brand Value 2020	Brand Value % Change 2020 Vs. 2019	Category	Country
lululemon	\$9.7B	40%	Apparel	🇨🇦 Canada
Costco	\$28.7B	35%	Retail	🇺🇸 United States
Amazon	\$415.9B	32%	Retail	🇺🇸 United States
Target	\$10.6B	32%	Retail	🇺🇸 United States
Walmart	\$45.8B	24%	Retail	🇺🇸 United States
JD.com	\$25.5B	24%	Retail	🇨🇳 China
Sam's Club	\$6.8B	19%	Retail	🇺🇸 United States
Alibaba	\$152.5B	16%	Retail	🇨🇳 China
Tanishq	\$2.8B	15%	Retail	🇮🇳 India
Flipkart	\$4.7B	14%	Retail	🇮🇳 India



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Focus on the Winning Strategies

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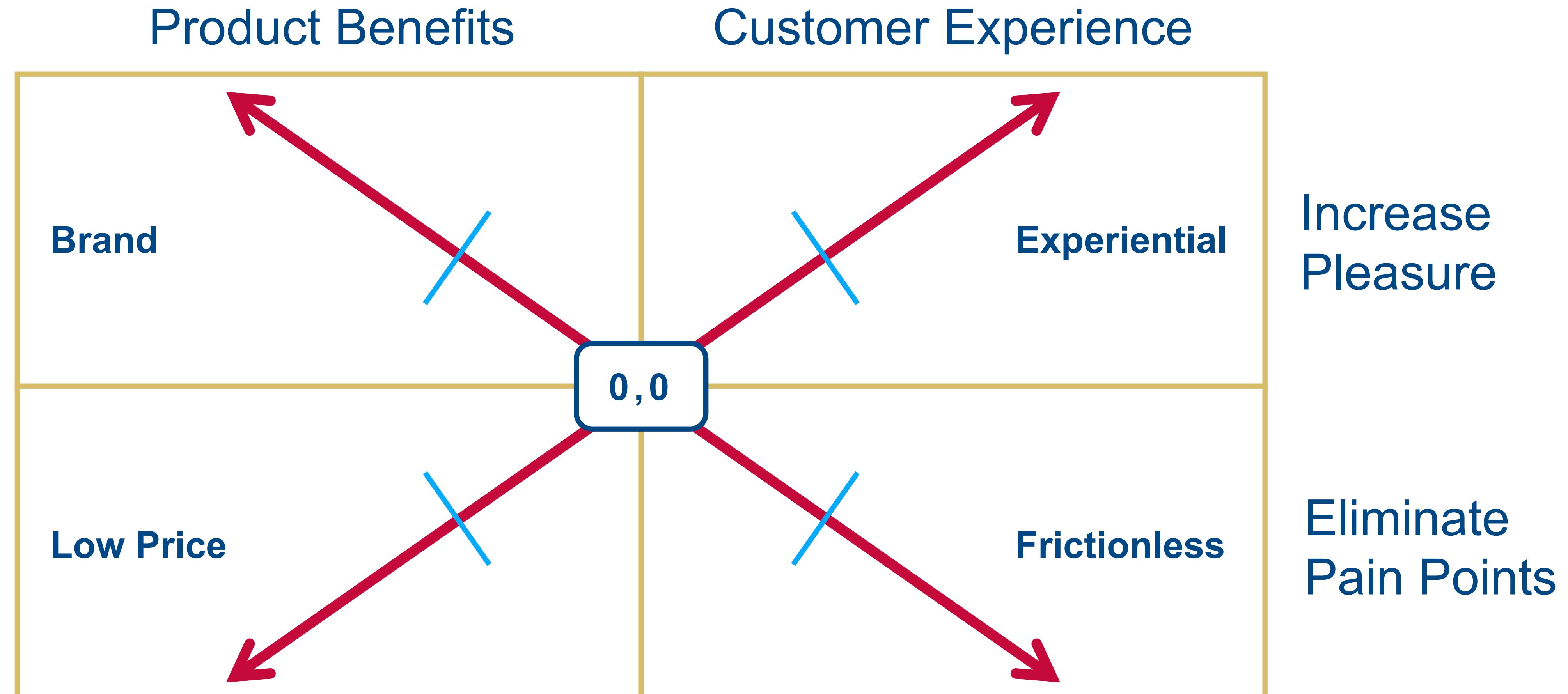
Two Principles

- Customer value (retail proposition)
 - Customers want to buy something they value from someone they trust
- Superior competitive advantage
 - Customers buy from retailers who provide superior value

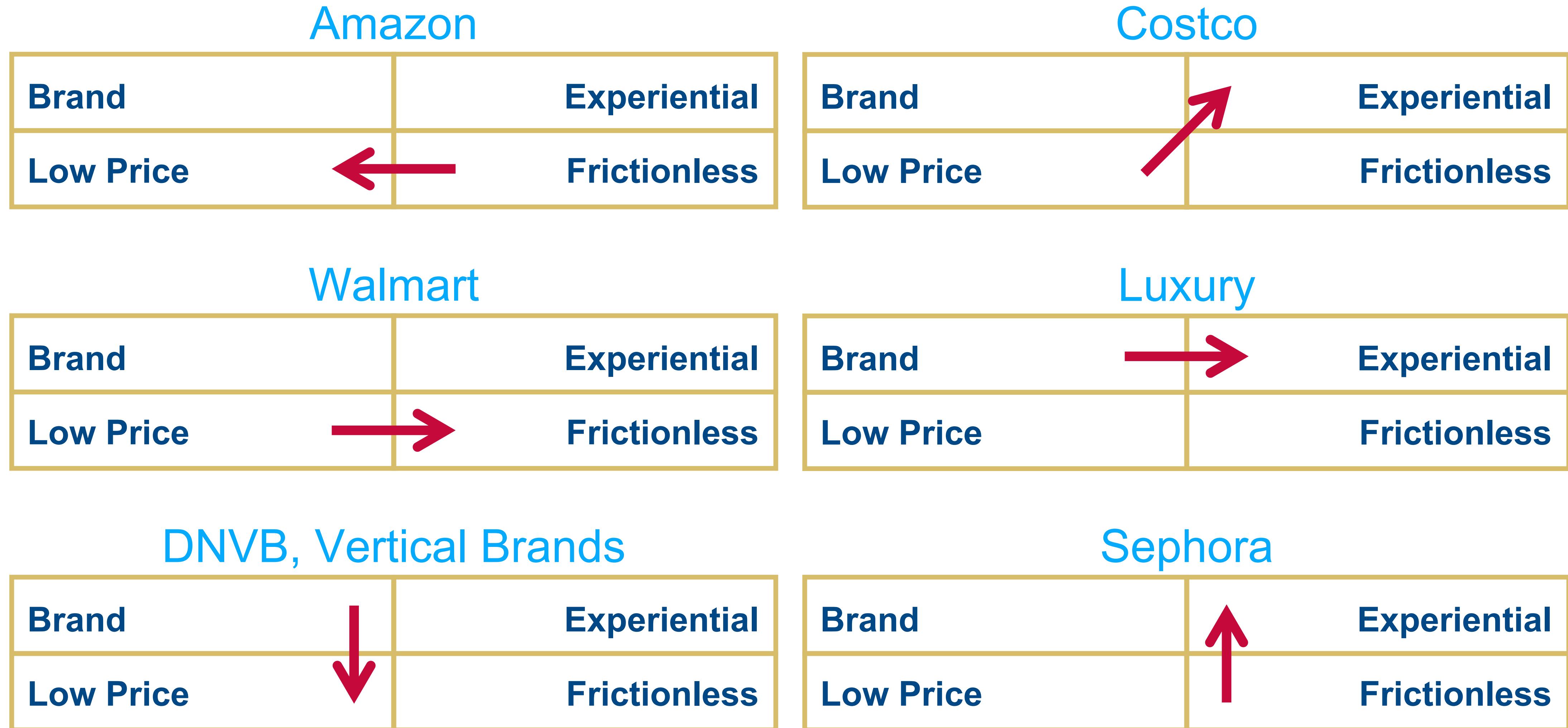
Kahn Retailing Success Matrix

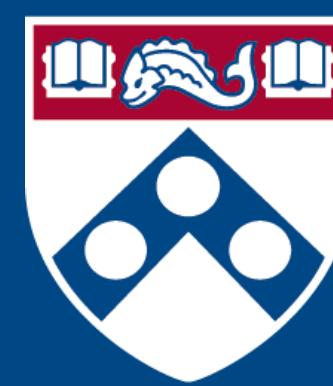


Kahn Retailing Success Matrix



Two-Quadrant Winning Strategies





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