InternetRetailing
Selling in the digital age

MULTI-CHANNEL MARKETING

An Internet Retailing investigation

Problems, priorities and pain points of e-marketers

KEY POINTS:

- As cross-channel activity grows it becomes increasingly difficult to apportion sales and profits by channel and the same applies to marketing activity.
- While social media is a high priority on the marketing radar, many retailers seem unprepared for the impact it is having on their activities while others struggle to measure the impact their marketing efforts have in this space.
- Combating the discount culture will be a challenge for marketers as the UK moves out of recession and consumer spending increases again.
- Turning data into valuable insights is a challenge for many with a surfeit of numbers and limited staff capacity available to extract the necessary insights.
- Not all retailers can use predictive systems based on customer buying patterns as in some product sectors those transactions will take place very infrequently due to the nature of the merchandise involved. Personalised product recommendations thus have little relevance in these sectors.
- Cross-channel collaboration within the retail business could, in many cases, be significantly improved with e-commerce teams complaining of a lack of access to wider corporate data.
- Having made a sale, many retailers rarely follow up the interaction with any attempt to measure customer satisfaction or encourage advocacy. Given the cost and difficulty of initial customer recruitment, it is surprising that many retailers are making such minimal efforts at retention.

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MARKETING MATTERS

Whether it is called multi-channel, cross-channel, omni-channel – or whatever – retailing today involves multiple touchpoints and opportunities for engaging with the customer. For multi-channel marketers this represents both a challenge and an opportunity. A challenge for many retailers because e-commerce is still, all too often, regarded as a discrete entity entirely separate from traditional store operations. For some store staff online sales, and more importantly online returns delivered to the store, are thus seen as a threat to branch profitability and commission, resulting in general antipathy towards online operations.

For marketers, the wealth of information that online interactions enable present a heaven sent opportunity to learn more about consumers, to personalise interactions, increase loyalty and sell more to these committed customers. However, as anyone who receives regular e-mail blasts from websites they have visited or bought from knows only too well, well targeted offers are the exception rather than the rule.

The Internet Retailing survey and follow-up roundtable discussion were designed to identify the key priorities and problems experienced by today's e-marketers. It looked at six key areas:

- change,
- data,
- skills,
- RoI,
- cross-channel view, and
- customer relationships after the initial sale,

and sought to identify such issues as marketers' key concerns in times of both economic hardship and changing consumer behaviour; how marketers will respond to an era of "big data"; the skills that tomorrow's generation of marketing executives may be expected to possess; how effective are the various tools and tactics now available in terms of profitability; how the e-commerce team may influence the wider retail organisation; and, in an age of social media, just how closely do retailers really maintain contact with their customers post-sale?

Some results were reasonably predictable: use of social media, for example, is seen as of increasing importance – but very few are confident that they can accurately evaluate the benefits of such investments. Marketing departments also appear to trust their own home-grown judgements and analyses – including their sales figures – rather more than placing reliance on external sources of information. It is also unsurprising that many also want to improve both their creative and analytical skills or that – given how e-commerce frequently exists in a departmental silo – many would like more collaboration with the rest of the business.

Perhaps less predictable is the lack of influence many e-marketers feel when it comes to developing a single view of the customer or shaping their brand's reputation; or the lack of interest many appear to have on consumer issues which can affect their operations – such as privacy concerns, changing demographics, brand awareness or customer advocacy; or even that a third of respondents felt that financial constraints on their activities would have minimal impact in 2013.

This report follows the format of the initial questionnaire with a separate section devoted to each of the six subject areas: sections vary in length reflecting both the number of questions included in the survey, additional comments supplied by respondents and the importance the roundtable panellists gave to each topic.

METHODOLOGY

This study is based on an online survey of 230 e-commerce executives with marketing responsibilities held during the summer of 2012 with a follow-up roundtable discussion involving 10 invited multi-channel retailers and industry experts held in December 2012.

LIVING IN INTERESTING TIMES

In times of great change for retailers what are the priorities for multi-channel marketers?

Few would dispute that retailing is currently undergoing some of the greatest changes in its history. New digital channels are challenging the supremacy of the high street with many multiples already rationalising their bricks and mortar estates and developing new cross-channel formats.

A survey at the end of 2012 by the IMRG asked leading multi-channel retailers to estimate the proportion of sales that would be online by 2014 and the average resulting figure was 38%. Given that more than a third of sales are likely to take place away from the store clearly the viability of many outlets will be threatened: how many would still be profitable if they lost a third of their turnover?

As well as closing marginal stores, retail failures in 2012 were almost as great as in 2008 when the economy nose-dived. According to the Centre for Retail Research 52 retail chains went out of business in 2012 compared with 54 in 2008. In the fashion sector alone high profile casualties included: JJB Sports, Allders, Aquascutum, Firetrap, Peacocks, La Senza, Fenn Wright Manson, Ethel Austin, Masai GB, Famous Footwear, Houston Fashions, Ellie Louise, Shoe Envy, Madhouse, Rowlands Clothing of Trowbridge, Shoon, United Retail, Pumpkin Patch and Blacks Leisure.

“Deciding where to invest our resources is a major concern. We need to deploy them in the most profitable activities and initiatives.”

Actually identifying which channel is responsible for the sale is also increasingly difficult. Earlier this year US department store chain Macy’s announced that it had stopped analysing sales in this way. As the company’s CFO Karen Hoguet told analysts: “Candidly, it’s getting so hard to know what’s a store sale and what’s a mobile sale and what’s Internet. It’s getting harder to figure out the lines between them”. She refused to give any estimates for the company’s e-commerce sales saying: “I really can’t give you that number. I mean, I don’t know it. But clearly, the growth is continuing very aggressively. But sometimes, it’s being bought on a mobile device sitting in a store. So I’m not sure how to define that.”

At the same time consumers, too, are changing. High levels of youth unemployment have damaged spending among these age groups with many chains targeting the youth market groups suffering – as the recent demise of Republic well demonstrated. At the opposite end of the scale the newly retired “baby-boomers” remain one of the more affluent segments spending more, perhaps, on holidays and presents for the grandchildren than on the latest fashions or basic homewares.

FOCUSING ON DEMOGRAPHICS

For retailers this may not only mean a change in their basic product assortments and marketing focus, but also a need to re-evaluate and prioritise the key channels for a changing target market. Tomorrow’s “silver surfers” may well prefer online shopping for the grandchildren’s toys than a trip to an increasingly remote specialist store, for example, while the impoverished youth may prefer to opt for a few peer-group fashion preferences identified on social media rather than trusting their own judgement and happily discarding scarcely worn poor choices.

Perhaps not surprisingly presented with a selection of changing issues (see Chart 1) our survey respondents put “channel proliferation” as their top current priority with more than a quarter regarding this as key and only 3% believing it has no impact on their activities or strategic thinking. Vying for second place in the “key priority” stakes were “social media”, “new market opportunities”, and “RoI and accountability pressures”.

Combining “significant impact” and “key priority” left “channel proliferation” in joint first place with “RoI and accountability pressures”

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as a major occupation for 61% of those questioned. “Social media”, “transparency and consistent brand voice across channels”, and “new market opportunities” also preoccupied 50% or more of those surveyed.

At the opposite end of the scale 39% of respondents dismissed “changing consumer demographics” as having little or no impact on their activities or strategic thinking while 41% were equally dismissive of “customer privacy concerns”. Slightly under a third believed that “consumer demographics” had either a significant impact on their activities or were a key priority, while a similar proportion were concerned about customer privacy.

As for levels of preparedness over the various change issues listed, fewer than half admitted to being well-prepared to cope in any categories other than “data explosion” or “RoI and accountability pressures” (Chart 2). Indeed, 17% of those questioned believed they were so well prepared for data explosion that they could “create advantage in this area”. In contrast only 1% of those surveyed were as confident about changing consumer demographics while 15% admitted that they “hadn’t even thought of” this issue. However, 40% were “in the process of planning” their response to changing demographics, so some seem to be intent on catching up.

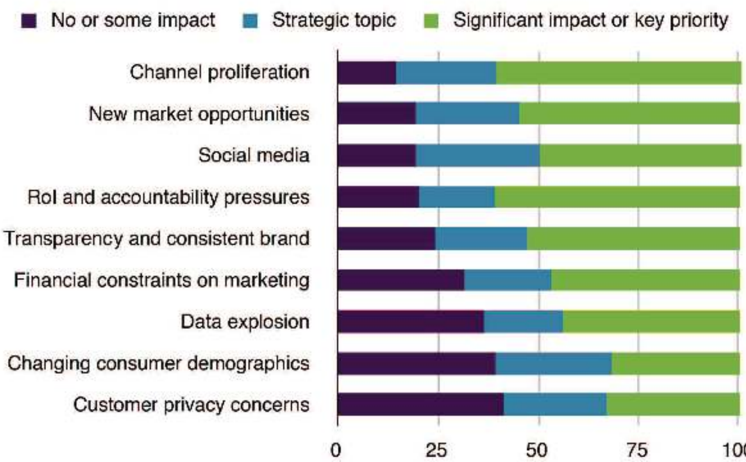
> *“We’re concerned about the implications of moving platforms and implementing new technologies.”*

Almost half (47%) of the respondents reported that they were “in the process of planning” their approach to social media which seems a rather high proportion to be still at the planning stage for a phenomenon which has transformed digital marketing in recent years. The roundtable panellists clearly felt they were rather more advanced when it came to social media. As the e-commerce manager for an outdoor chain put it: “Social media is really important for us. It's about engagement – being present in your customers' lives. It's vital for attention. By being present in social spaces we have an extra moment to talk to customers about who we are, how they want to interact with us. It informs our marketing and also our product development. We get to eavesdrop on how people have used our products or that they're about to go away for a half-term holiday. That used to be private but now it's not and we can use that data.”

LAGGING BEHIND

While almost half of our survey (48% and 46% respectively) were at the “planning” stage when it came to “channel proliferation” and “new market opportunities”, in each case around 60% of respondents said they considered these areas to either have significant impact or be key priorities, so it would seem that a significant number are slightly belated in their scheduling. Just over a fifth of those surveyed also admitted “I know I’m not prepared” when it came to social media – the highest level of unpreparedness in this category for any of the parameters listed.

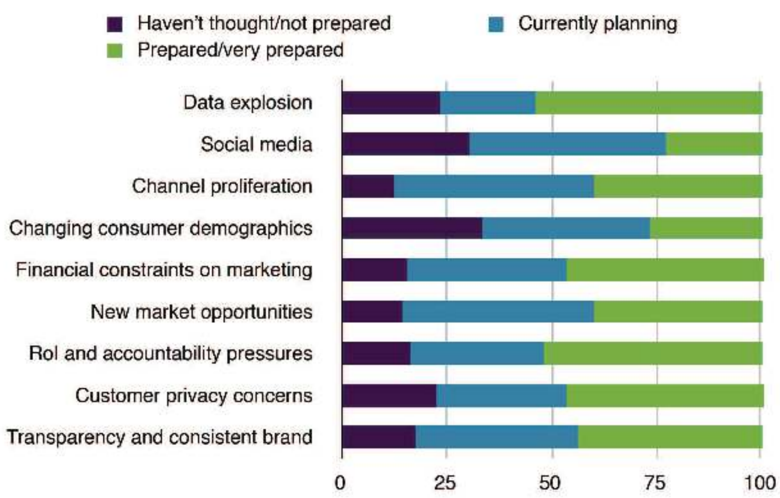
Chart 1: To what extent do the following impact upon your activities and strategic thinking?



While the survey asked marketers to consider a number of key change areas it also asked respondents to list any other issues that they felt to be significant. Several highlighted online payments with concerns over the impact of NFC (near field communications). As one online manager with a major multi-channel player put it: “Future payment issues will certainly be an issue – digital wallets vs NFC vs Paypal vs whatever...?”.

With shoppers in the future expecting to pay in-store using the methods that they prefer online the impact this could have for stores is significant. Online, too, it could be an issue: while mobiles can certainly cope with digital wallets and NFC it's rather different for PCs – especially the office-based devices where many consumers do their shopping. For marketers to find that all their efforts to build sales fail because the preferred payment system is not available is clearly already seen as a significant issue for some.

Chart 2: How prepared do you feel for these issues arising in 2013?



Given the growing choice of channels and marketing tools for smaller e-tailers with limited budgets deciding where to invest is a major issue. As one put it: "For us, deciding where to invest our resources – which are the winners and losers, which need pushing and which will work organically – is a major concern. We don't want to be sucked in by any one channel and need to deploy resources in the most profitable activities and initiatives".

For the multi-channel retailers on the roundtable panel the role of the store was also a significant issue. As one major food retailer put it: "We're in a place where we have to provide an experience, that it's worth coming to a place to do shopping rather than have it delivered. The model of home delivery is not viable – it costs a lot of money. There's a reason for supermarkets and a large car park. We therefore want to have a blended experience, using online and offline. The future of e-commerce is in bricks and mortar. We have to move food shopping from being a 'chore' to being an experience."

Others raised global issues with the head of e-commerce for a mid-tier fashion business highlighting how "...the price disparity across geographical markets impacts multi-channel and internationalised websites". For confident e-shoppers buying cross-border holds few terrors and whether it is European consumers buying electronics from the US or fashions from the UK, international pricing can clearly impact marketing effort.

For the e-commerce manager of a large non-food multi-channel business "...rising customer expectation coupled with a declining willingness to pay for the fulfilment of such expectations" was a worry as, for one large food retailer, was the: "Increasingly competitive market centred on price in tough economic times".

In recent years UK consumers have become used both to low prices, especially for food and apparel, and readily available online discounts. As Helen Roberts senior director of retail & shopper research at GfK said recently: "Voucher-culture has become part of British retail. Had the recession been short-lived, then this behaviour may well have been short-term but after four years of this behaviour it is now surely a way of thinking that is here to stay."

For e-marketers this can represent a significant challenge with the need to move their brand positioning away from price cutting to premium at a time when shoppers are determined to look for discounts. As one survey respondent said: "People are addicted to discounts but they want premium factors as well – everything else, more content, better quality, genuine brand....it is schizophrenic."

Equally, it used to be said that only half of advertising was effective, the problem was deciding which half. For the IS architect of a major retail group this also applied to marketing: "Is evaluating the commercial value of digital marketing likely to become a hygiene factor

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for companies, or a true source of differentiation?" he asked. As the survey section on return on investment (pp. 12-14) demonstrates, actually evaluating the benefit of marketing effort can present considerable challenges.

HOW PREPARED DO YOU FEEL FOR THE ISSUES ARISING IN 2013? RANKED IN ORDER OF PRIORITY 1 TO 9

Haven't even thought of it		So prepared we'll create advantage in this area
1	Changing consumer demographics	9
2	Social media (including customer collaboration and voice of the customer)	6
3	Data explosion (sources, quantity, complexity)	1
4	Customer privacy concerns (at payment, their data, cookies)	6
5	Financial constraints on marketing and engagement activities	8
6	RoI and accountability pressures for e-commerce	4
7	Transparency and consistent brand voice across channels	3
8	Channel proliferation (new channels, devices, choices)	4
8	New market opportunities	2

MEETING GENERATIONAL NEEDS

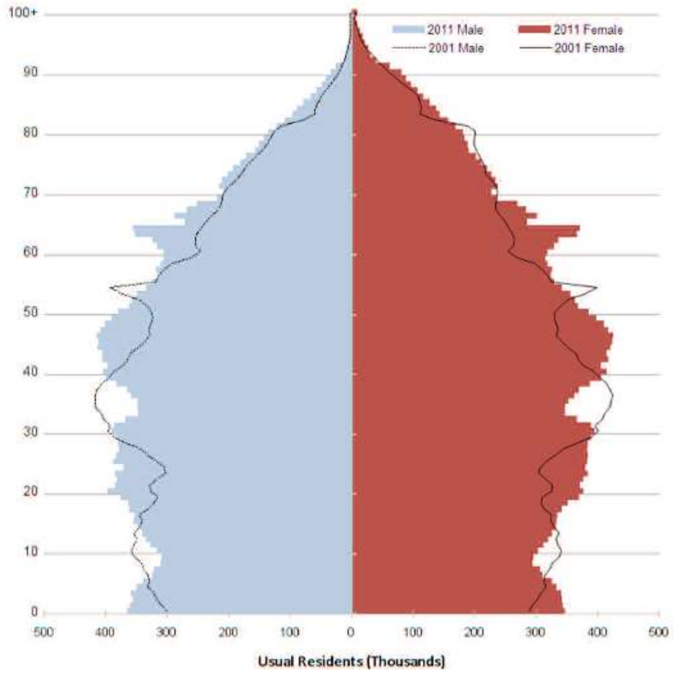
While many of those surveyed showed little interest in changing consumer demographics, for many retailers the shifts in our population will have significant impact in coming years.

There are now more than 10 million people in the UK over 65 – almost 16% of the population compared with fewer than 12% in the 1960s. These ageing "baby-boomers" are more affluent and aspirational than previous generations of pensioners and will be looking to an active old age with money spent on travel and technology: iPads and Kindles are among their favourites.

The latest census also shows other "bulges" moving through the population (Chart 3) with an increase in 20-somethings – where youth unemployment is currently highest – over the past decade, a fall in the numbers of 30-somethings, and a new "bulge" in the numbers aged 40-50. The result is a changing pattern of demand and spending power that seems to be ignored by many of our survey respondents. Equally significant for future planning is the current dip in the 5-15 age group. Over the next decade this decline in the numbers of young people will certainly have an impact on retailers targeting the youth market.

While population statistics can help highlight new marketing opportunities – an increase in 50-somethings over the next decade, for example, with a dip in the 40-plus market may well affect demand for certain types of fashion or sportswear – so too can generational profiles. Today's 15-30s, who have grown up with the Internet and are generally firm enthusiasts of social media, mobile technology and discount vouchers represent yet another "bulge" in the population. Over the next decade they'll become the dominant "family" group – a group that considers multi-channel and discounting as the normal way to buy and, unlike earlier generations, may have abandoned the ambition of home ownership for rented accommodation and will take an entirely different view of our consumerist society.

Chart 3: The changing population (England & Wales) – 2001 and 2011
Source: Office of National Statistics



Note: Comparison with 2001 is based on mid-year population estimates, comparison with 2011 is based on census results. For the 2001 comparison lines, the 2001 mid-year population estimate of the number of people in the 90+ age category was distributed across single years of age for 91 to 99 year olds using proportions as estimated in the 2001 Census. 100+ year olds are shown as a group.

FINDING THE RIGHT NUMBERS

With "big data" continuing to hit the headlines, many marketers are struggling to see the wood for the trees.

Marketing used to be more about flair and imagination with success measured in how many more cans of beans or T-shirts were sold during the promotional period. If marketers were interested in quantitative analytics then the numbers tended to be about sell-through or margin, while qualitative studies included focus groups and surveys to assess brand awareness and customer perceptions.

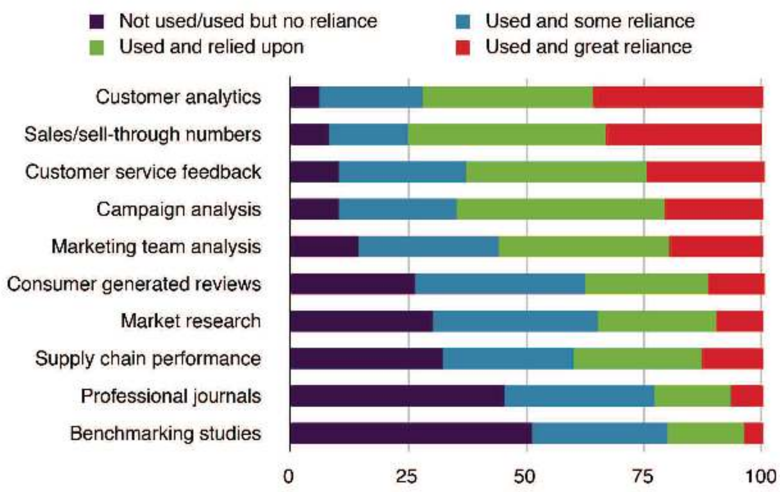
"Analysing and maximising the benefit from the large amount of real-time quantitative data available is challenging."

In today's world of "big data" with powerful – and low cost – computers capable of number crunching an almost endless array of parameters, analytics have moved rather higher up the agenda. As the answers to our survey questions of desirable skills shows, (see p.11) almost two-thirds of those questioned put improving analytical ability as either a medium or high priority.

Making sense of the wealth of data options now available is also a concern for many. Several respondents – from small, to mid-tier and large companies – highlighted the problems of combining data from different sources. As the e-commerce marketing director of a large sportswear business put it: "Different sources of information are sometimes not consistent", while the marketing director of a smaller clothing retailer said that: "We have problems of matching different data sources with our internal numbers with any degree of reliability."

For our survey respondents, the data most valued by marketers tended to be internally generated and largely traditional: "customer analytics as measured by the company" and "sales or sell-through" numbers were the preferred and most reliable metrics for 72% and 75% respectively (Chart 4). Almost two-thirds (65%) also favoured "campaign analysis" with "customer service feedback" in fourth place – relied upon by 63% of the sample. Least popular were "benchmarking studies to which the company had contributed" and "professional journals or trade media". Perhaps surprisingly little more than a third (35%) placed any signifiant reliance on "market research" with 13% claiming never to use such resources.

Chart 4: Rate your use/reliance on these sources of data and insight



"Supply chain performance" was an equally neglected sector: a fifth of respondents made no use of supply chain data while 40% had either "no reliance" or "some reliance" on such information. Given that in a multi-channel world stores are becoming fulfilment centres with traditional replenishment models replaced by a "deliver to customer order" mindset, one might have thought that marketers would be more interested in the efficiency of such services.

Given the amount of data now available to marketers it was also perhaps not surprising to find many complaining of a surfeit of numbers and the difficulty of extracting useful information from the volume. As one small pure-play put it: "A challenge is collating and making use of all the data we have. It is quite possible to get obsessed with data and get disconnected from the actual business, on the other hand essential information can be missed if not using enough data – it's a balance". The head of marketing for a large food retailer agreed: "Sheer volume is a major issue – processing it all and getting meaningful insight is a challenge".

Our roundtable panellists had similar complaints: "We've all been in a business where we get 300 pages of information each week, and people's eyes glaze over," said the e-commerce director of a large multi-channel player. "Many of the challenges now faced are around how you translate data from the technical tools into insight, either to drive initiatives tactically or to inform strategy over time."

While too much information was clearly a problem, so was trying to analyse an assorted mish-mash of data with any consistency. For the e-commerce manager of a large non-food player the problem was: "Bringing together multiple sources of data in order to create powerful decision-making tools and translating that data into actionable information". It was the same for many smaller players. The online marketing manager of a small pure-play lamented that: "Accurately consolidating data derived from multiple sources always causes issues".

Several respondents – notably those working in analytics – also made the point that senior management in marketing had traditionally put greater emphasis on creativity, flair and brand image than on data-based insights. "CMOs are more proficient in brand considerations than in data and the sources of data," said one. "Over time as data proliferates people will become more literate and that capability will gradually move 'up' the organisation to the more senior levels." Our roundtable panellists agreed as one said: "The resistance at Board level to using digital data has created a block – waiting for the Board to change. It is a frustration and challenge for people who have 'data as part of their DNA'. There's a 'glass ceiling' on the use of that data."

The roundtable discussions also highlighted the problem many in e-commerce find when it comes to accessing data from other departments. "In the past e-comm has tended to be a smaller part of the organisation," said the e-commerce director of an electricals player. "Data has been limited and not widely shared, so the challenges you face are often around organisational structure and culture: where the CEO comes from and his or her view of life."

INFREQUENT SHOPPERS

While today's emphasis on customer centricity and tracking shopper's interactions at every touchpoint is behind much of the need for "big data", the numbers of those interactions can vary dramatically. The data trail left by a shopper visiting a supermarket – online or in-store – every week is very different from that resulting from the same shopper's interactions with a sports equipment retailer or a furniture specialist.

"You have to consider the lifecycle of the product," said one e-commerce director of a large non-food retailer at the roundtable. "People buy washing machines every 10 years while an outdoor equipment specialist may see a customer on average 1.2 times a year. It is very different from food purchases every week. Even if you have a full customer and transaction database, with a low level of transactions, it is virtually impossible to use that information to drive transformational increases in transaction volume. It's also difficult to make the business case for the cost of maintaining the data when you have fewer than three purchases a year."

Another online manager agreed: "The number of data points you have per customer when they purchase infrequently is very, very low and so it is very tricky to try to extrapolate this to provide insights about their tastes, intentions or whatever. You might have a complete database of people who've completed two transactions with you – but good luck predicting the third!"

This is clearly an issue for a great many multi-channel retailers outside the food and fashion arenas. Specialists in the field of customer data analytics often argue that it is not worth keeping customer data for more than three years since both the shoppers and the retailer will have changed in that time, so future behaviour cannot be predicted from past

PERSONALISATION IN ACTION

Netherlands' largest retailer, wehkamp.nl, is retargeting browsers and abandoners with display ads, personalised e-mail and on-site product recommendations – a multi-pronged personalisation strategy that is driving large gains in top-line revenue. With help of IBM, wehkamp.nl, which sells thousands of products across dozens of categories, is realising return on investment (RoI) that is 15 times greater than from its previous use of generic banner ads, with a five-fold increase in click-through rates. The company also uses IBM Campaign and IBM LiveMail for personalised email, netting an almost three-fold increase in sales-per-send ratio and 68 per cent higher click-through than non-personalised e-mail. IBM Product Recommendations is driving substantial sales gains while enabling wehkamp.nl to move five employees, who had run a custom-built site recommendations and cross sell solution, to other roles. "I'm very impressed that the RoI numbers from personalised banners are so much higher than from standard, non-targeted banners," said Ewald Hoppen, senior web analyst at wehkamp.nl. "We firmly believe that retargeting is a valuable way for improving our marketing communications."

Source: The information above has been extracted from the IBM Case Study "wehkamp.nl retargeting drives relevance, reach and ROI." www.ibm.com/software/success

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> Our problem is measuring in-store sales as a result of online efforts. I feel we are only measuring the tip of the iceberg. Our online channel is contributing a great deal more to the bottom line.

performance. If a retailer is in a sector where a customer only buys once every other year then clearly trying to personalise offers on the basis of known behaviour is an impossibility.

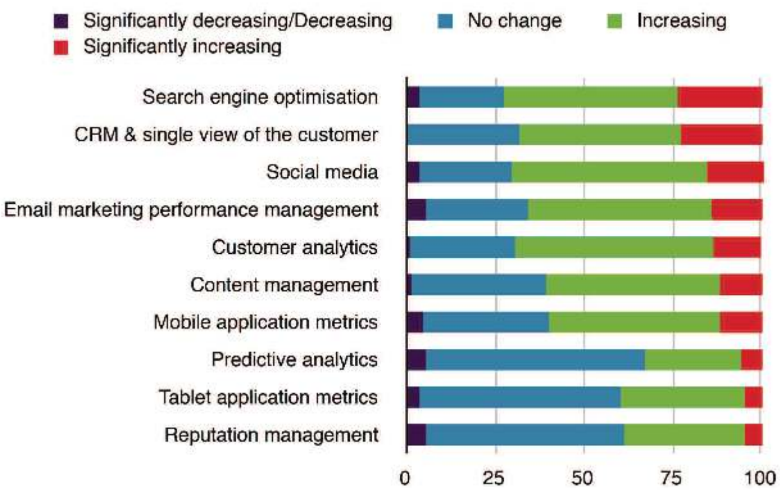
Inevitably data accuracy was mentioned by many of the survey respondents. As the md of one small multi-channel business put it: “Keeping information up-to-date and clean is a major concern”. For the head of e-commerce of a mid-tier fashion chain the problem was even worse: “The age of the data! Some areas of the business are still relying on research carried out several years ago to make decisions about areas which change from day to day, like CRM.”

PRESSURE ON RESOURCES

Keeping databases currents and accurate can be complex, time consuming and expensive and – as our roundtable panellists noted – it can also be difficult to justify that expense where individual customer touchpoints are low.

As well as problems with combining different data sources and accuracy many of those surveyed also complained of a lack of time, money or manpower to actually do anything with the information. The director of business development at a mid-tier non-food retailer summed it up as: “Our greatest challenge is a lack of time and resources to delve effectively into all of the potential areas to expand our business based on what we could find out about the customer.” Another e-commerce manager for a mid-tier food retailer lamented: “We don’t have the skills internally to interpret and utilise data”. For a small pure-play it was a similar story: “We’re lacking the manpower to analyse, review and implement”, while for the web-manager at a small multi-channel fashion business it was: “A lack of funding to invest in good analytics software to help us make the best possible strategic decisions”. One general manager of a mid-tier fashion business put it succinctly: “Too much data and not enough action!”.

Chart 5: Are you increasing or decreasing your use of resource, technology or skills to manage date?



We also asked survey respondents to identify the areas where they were increasing or decreasing their use of resource, technology or skills to manage data (Chart 5). Hardly anyone (of the order of 0.5%) was “significantly decreasing” their use of data in any category while combining this group with those simply “decreasing” lifted numbers to a maximum of 5% in such categories as “e-mail marketing performance management”, “reputation management” and “predictive analytics”. At the opposite end of the scale almost a quarter were “significantly increasing” their use of “CRM and single view of the customer” and “search engine optimisations”. Also gaining ground were “social media” and “customer analytics” with around 70% either “increasing” or “significantly increasing” their use of such tactics.

Interestingly almost two-thirds (62%) reported “no change” in their use of “predictive analytics” – which could either mean that a large number of e-marketers are already using such systems to their full extent, just as many haven’t yet thought about what they could do with such tools, or for many such systems are irrelevant given their product assortments. Similarly with “tablet application metrics” 57% reported “no change” in their usage while 40% were either “increasing” or “significantly increasing”. Since such metrics are a rather more recent phenomenon it seems likely that the 5% “significantly increasing” are ahead of the curve.

For many of the marketers surveyed, integrating data across channels to achieve a single view of the customer is still challenging. As the head of website for a large fashion chain commented: “The collation of customer data across different channels, devices and countries is a huge challenge. Our IT is not 100% joined up.” For the online manager of one of the UK’s largest multi-channel businesses the challenge was: “Understanding the customer across channel and payment methods”, while the director of customer retention for a large men’s wear chain put his greatest challenge as “...creating a single view of customer behaviour across all channels”.

“There is an explosion of data and this will be the death of the KPI. We'll stop looking at averages and move to actionable data.”

While many analytical tools exist for monitoring and tracking customer behaviour online or via a call centre, finding out how shoppers behave in-store is not quite so easy and clearly remains a major problem for many retailers. As the head of e-commerce for a mid-tier clothing chain said: “We have great information and can market actively to online customers, but the next level is to do that for our store customers. The challenges are basic infrastructure: how can we take their details securely and match credit cards under PCI. It can all be very demanding and we have to get it right. It is a huge challenge and opportunity for us. I have a well-established network of stores where data is used well as we are a very performance and metric-driven business. But there are many bubbles of metrics – store, e-mail, category – and the challenge is to understand how the customer moves between these bubbles.”

IGNORING DATA SOURCES:

the least popular parameters among those surveyed (percentages show those NOT using such systems)

1.	Benchmarking studies (where you contribute as a participant)	36%
2.	Supply chain performance	20%
3.	Consumer generated reviews	16%
3.	Professional journals and trade press	16%
5.	Market research (qualitative and quantitative)	13%
6.	Marketing team analysis (of internal and external data)	5%
7.	Sales/Sell-through numbers	4%
8.	Campaign analysis	3%
9.	Customer analytics (measured by your company)	2%
9.	Customer service feedback	2%

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INVESTING IN CREATIVITY AND COLLABORATION

Marketers look to improve collaboration and analytics.

When it comes to acquiring new skills the marketers in the survey clearly had multi-channel operations in mind, laying greatest emphasis on "cross-team collaboration" – cited by 29% of the sample as a "must do" high priority area. Commercial realities were also not forgotten with "demand creation/sales pipeline" cited by a quarter of the sample as a "must do" (Chart 6)

Other traditional marketing attributes – "creative thinking" and "competitive trends/insights/analysis" – tied for third place on the must-do list with each cited by 22% of respondents. "Analytics aptitude" was fifth on the high priority area list, again reflecting today's need to accurately measure the effectiveness of any marketing efforts.

For the roundtable panellists, the need to develop a wide range of skills to reflect today's multi-faceted marketing demands was paramount. "You need to have a broad range of skills," said one mid-tier e-commerce manager. "Someone may be skilled in customer data, but not know the commercials or how one thing impacts the rest of the business. The silos exist and you need to have people who have an understanding of everything."

"Social is under-utilised and the moment but it'll become a major part of what we do"

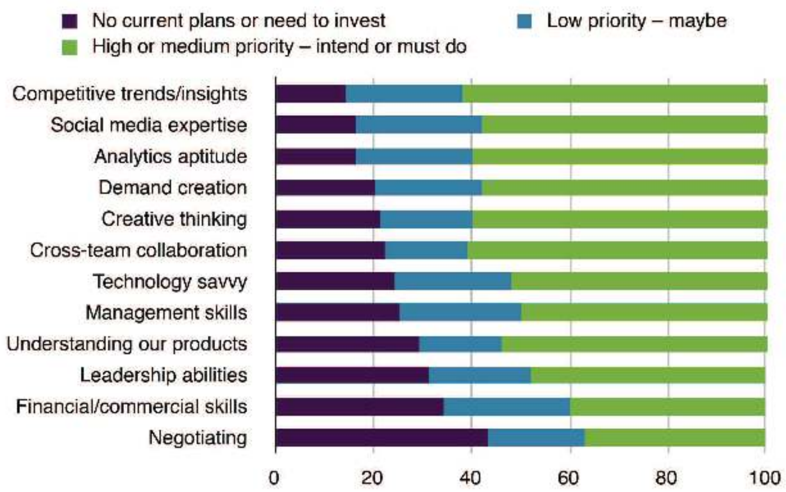
Once again social media was a significant priority for many. "Social media expertise", was cited by 41% of the survey sample and was top of the list in the "medium priority" category of skills, where the marketers intended to invest in the near future. It is an area where retailers already have problems assessing the RoI of any investment, so clearly a need for skills to evaluate the benefits of social media is much needed (see pp.12-14). Close behind in the "medium priority" category were "competitive trends/insights/analysis" and "analytics aptitude" – each cited by 40% of the respondents as a clear investment intention for the coming year.

Combining the "must dos" and the "intend doing" categories reinforced these priorities with around three in five of those surveyed considering:

- creative thinking,
- cross-team collaboration,
- analytics aptitude,
- competitive trends/insights/analysis
- social media expertise, and
- demand creation/sales pipeline

as of major importance for investment in the near future.

Chart 6: Priority areas for investment in improving skills



Less important were more generic management skills: "leadership abilities", "finance/commercial skills", "management capabilities" and "negotiating" all came towards the bottom of the list with little more than a third of respondents putting "negotiating skills" in the medium or high priority areas.

However, as the chart suggests acquiring new or improved skills of whatever description is regarded as important with very few considering that they have no need or plans to invest in anything other than the basic "management capabilities". Some 10% also believed there was no point in investing in any further training when it came to "understanding the company's products or services" although more than half put this in the medium or high priority areas.

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MEASURING THE ROI

Still focusing on products and promotions rather than customer metrics and struggling to measure social success.

In the traditional world of retailing, the success of any marketing campaign was generally easily quantifiable: typically how many additional products were sold during a promotion, how many discount coupons were redeemed or by how much did brand awareness increase. In the multi-channel environment things are a little different. Marketing activity in one channel may lead to increased, but difficult to attribute, sales in another, for example; money spent on social media may deliver only soft benefits; or so-called "new customers" online may have been regular shoppers in-store for years and are simply switching the same spend to a new channel. Macy's decision to end the release of sales data by channel (see p.3) is thus hardly surprising.

With more retailers finding themselves in a similar position actually estimating the RoI for various IT and analytical investments will become ever harder, so it was understandable that our roundtable panellists found calculating RoI just as difficult. As one online analyst with a large multi-channel player put it: "It's difficult to give an RoI to insight. I get my investment through via the back door. Sneak it in. Piggy back on another project."

"It's difficult to give an RoI to insight. The role of analytics people isn't to just create the insight, but to make money."

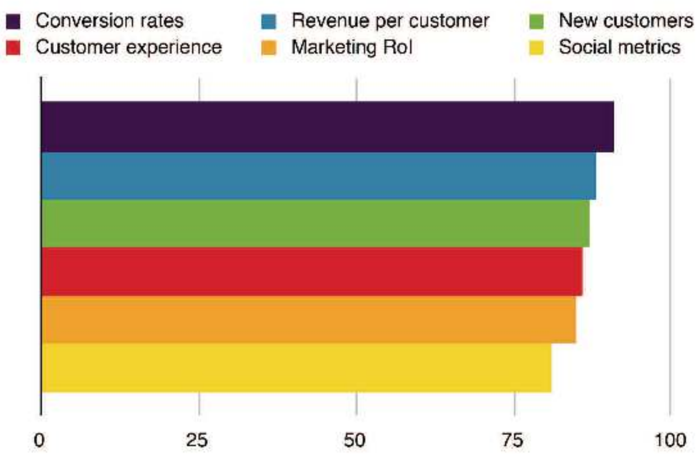
The survey looked at marketers' current methods of measuring return on investment in six areas:

- general marketing activity,
- customer experience,
- conversion rate,
- new customer acquisition,
- revenue per customer, and
- social metrics.

Not surprisingly the most readily quantifiable of these parameters were used by the majority of those questioned (Chart 7). Some 91% of the survey sample measured "conversion rate" with 42% of these suggesting that the measure provided useful insights. In comparison 81% looked at "social metrics" but clearly found the results less than satisfactory with only 27% finding any insights as a result.

Chart 7: Who measures what...

The percentage of survey respondents measuring different parameters



"Revenue per customer" was measured by 88% of the sample, with 39% believing that their monitoring provided insights. The results were very similar for "new customer acquisition" and "general marketing" RoI. Slightly less successful were measures of "customer experience" with 32% believing their investment delivered insights and only 12% claiming to be very happy with the measurements available, while some 22% were also either "unhappy" or had "some reservations" about their customer experience measures (Chart 8).

As one head of multi-channel at a large non-food retailer put it: "We're far more interested in the performance of the website and of our products and categories. We don't focus enough on the customer or group of customers."

Social metrics are clearly the most problematic area for many with 37% either "unhappy" or having "some reservations", less than a third (30%) believing that their measurements were sufficient for basic needs and only

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6% "very happy" with the measurements available – the lowest for any of the parameters reviewed (Chart 9).

One head of e-commerce at a small business put it plainly: "Social is hard to measure across multiple channels," he wrote. Adding: "How much does brand engagement contribute to commercial results?" The head of e-tail and social commerce for a large consumer electronics player was equally doubtful: "Current market measurement is still focused on a traditional approach to brand health. There's no established measurement on social media engagement, listening, or collaboration measurement for brand equities or net promoter score".

Chart 8: Levels of satisfaction with marketing RoI parameters

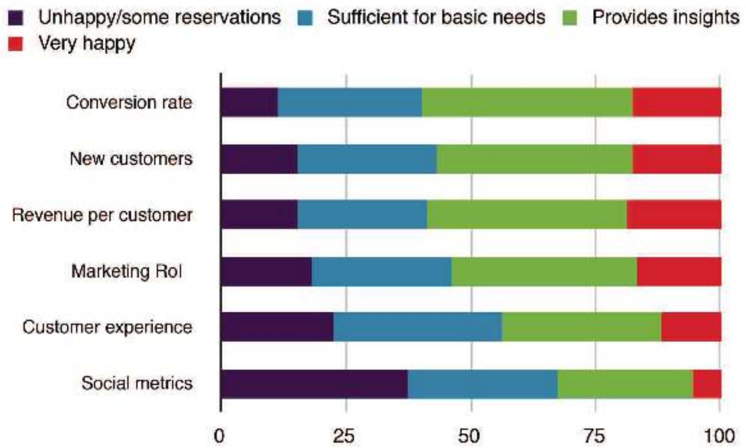
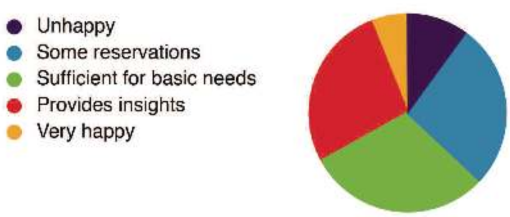


Chart 9: How happy are you with measures of social metrics
(190 responses)



Measuring social media activity by numbers of followers or "likes" may appear to suggest marketing success, but calculating how this translates into increased sales or better margins is as difficult as assessing which half of the advertising budget was actually well spent.

Our roundtable panellists also saw social media a major preoccupation – but one where success was difficult to quantify. "Social media is about engagement – being present in your customers' lives," said one e-commerce manager with a mid-tier clothing firm. "By being present in social spaces we have an extra moment to talk to customers about who we are, how they want to interact with us. It informs our marketing and also our product development. Currently there's nervousness in the business around whether we need to add fans, how does it relate to sales etc. Can we just not do it? It's essentially all part of content publishing – whether Facebook or anything else. It's having something interesting to say that's 'out there' on more regular intervals with our customers."

Such activity may interest and attract customers but it's a soft benefit and clearly difficult to justify when budgets are tight. "We were early in social and had similar discussions as to whether it was worth the effort," said another roundtable retailer. "However, we've learned a great deal about the brands that customers want and what they're talking about. Some people use social as a broadcast medium to pump out offers – a small piece of content created just to wrap an offer. We want to have more of a conversation not just promotion and so this requires more staff."

"There are too many reports from too many sources and no one definitive business view."

Social metrics were not, however, the only problem area highlighted in the survey. One website manager for a large fashion chain cited compliance: "We have good tools. The challenge is to ensure everyone buys into them and uses them on a day to day basis and we do not rely on the few." While an e-commerce analyst for a large beverage retailer was clearly rather sceptical: "Everywhere you look there are tools that say 'measure this and you will be able to improve your *insert metric here* rate by 300%'. If we used all of these tools and believed all of their forecasts we'd be soon outgrow the UK market! Picking the right one for your business is crucial:

many businesses focus on the wrong metric and invest in the wrong tools". Another large player was equally doubtful: "We have had to author our own tools, as available tools were not capable enough," while a third added: "There are too many reports from too many sources and no one definitive business view".

A NEED TO WORK TOGETHER

For small retailers the cost of buying effective measuring systems can also be prohibitive: "We want to create a single customer view," said the web manager of a small fashion chain, "but are unable to do this without investing in costly software programs and expertise."

The survey also asked respondents for comments on any problems they had synchronising their marketing activity across multiple channels and in general those who answered this section reported that good progress was being made. One head of digital at a large e-commerce player recommended hot desking: "We have a joined-up marketing team working literally together – they're in the same area, hot desking with no fixed space which mixes people up. That forces collaboration and delivers the results". For one online projects manager at a large multi-channel non-food retailer a single "over-all marketing calendar" helped to co-ordinate activity as did synchronised "creative planning for key events" although she admitted that it was "very hard to get a multi-channel view".

"Some people use social as a broadcast medium to pump out offers – a small piece of content created just to wrap an offer. We want to have more of a conversation not just promotion and so this requires more staff."

At the opposite end of the spectrum the web manager for one small women's wear business reported that: "We have a single marketing team that deals with both e-commerce and in-store marketing so they can ensure our message is consistent across both channels. We understand the difficulties with offering online exclusives as this can frustrate our other customers, so we ensure the same offer in store as online."

For our roundtable panellists investment in marketing systems had to be focused on delivering better insights into the business. "I've worked in some places where there's an obsession with data and we need this, that and the next reports," said the e-commerce head of a multi-channel footwear retailer. "Before starting on any analysis I want to know what the point of it is. Some people want data just for the sake of having it. I always ask what action will result from the report."

Others agreed: "You can get a lot of insight, but you can't make people act on it. Having insight is one thing, but acting on it is hard. The role of analytics people isn't to just create the insight, but to make money. The RoI is intrinsically linked to your business' ability to act on this insight."

Such insights, however, come at a price, and in today's economic climate few retailers are willing to make IT investments that do not very quickly deliver a return. As one panellist said: "The major CRM systems of the past were easier to justify since they didn't need an RoI in year one. Nowadays every system needs a one-year RoI and this inhibits investment."

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TAKING A LEADING ROLE

Struggling to assess cross-channel consistency

With cross-channel now the name of the game in retailing we asked the multi-channel marketers in our survey how much they could influence several business-wide parameters from within the e-commerce team.

In some areas, it seems, the multi-channel team is a key player with half of respondents claiming to take a lead role in "customer engagement" issues and almost two in five (39%) playing a similar major part in maintaining "brand reputation" and driving "data collection strategy" (Chart 10). A third also provided consultative input when it came to both "collaboration systems within the business" and maintaining a "single view of the customer".

A small proportion, on average around 14%, were also wholly responsible for each of our list of business areas while a far smaller number, typically around 5%, claimed to have no influence in any of these areas. This probably reflects the range of job-titles of our respondents: from marketing and multi-channel directors to web managers and architects, which also mirrors the range of roles still given responsibility for e-commerce activities and marketing within retailing.

Typically at least three-quarters of respondents played a significant part in influencing all six of the cross-channel business areas examined:
• brand reputation,
• customer engagement,
• data collection strategy,
• collaboration systems within the business,
• single view of the customer, and
• orchestrating a single view of your brand.

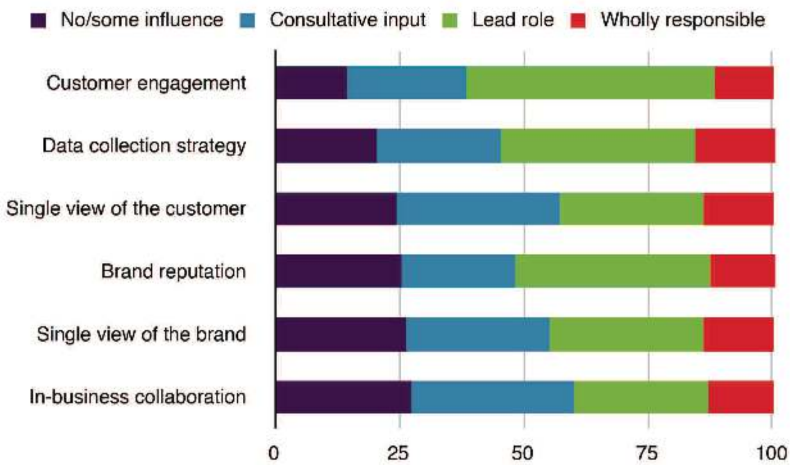
The picture was rather different when we asked how satisfied the e-marketers were with the measurement of these various parameters. Slightly more than two in five reported either no measurement or only occasional assessment for both a "single view of the customer" and "orchestrating a single view of the brand" (Chart 11). Surprisingly almost as many (38%) were similarly lacking any metrics about "brand reputation" or "collaboration within the business" (39%). Admittedly some of these concepts can be difficult to quantify but the survey asked for satisfaction levels with "the measure, the tools and reporting" thus 24% of those questioned would appear to have no means of monitoring a single view of their brands while almost a fifth (19%) similarly failed to report on "brand reputation" or "collaboration systems within the business".

Those who believed they had a more efficient grasp of these factors – either "good measurement" or delivering "insight that drives business opportunity" – were in a clear minority. Just 5% of those surveyed, for example, believed that their available tools and systems could drive business opportunity when it came to brand reputation while even fewer had the same level of confidence about "single view of the customer" or a "single view of the brand".

Talk to many systems providers offering software to improve personalised marketing or individual targeting and almost all will start from the premise that the e-tailer has achieved that single view and already knows just what

"Single view, personalisation and behavioural analysis sound all very well but how can we access this without a seven-figure investment?"

Chart 10: Which of the following areas can you influence from within the multi-channel or e-commerce team?



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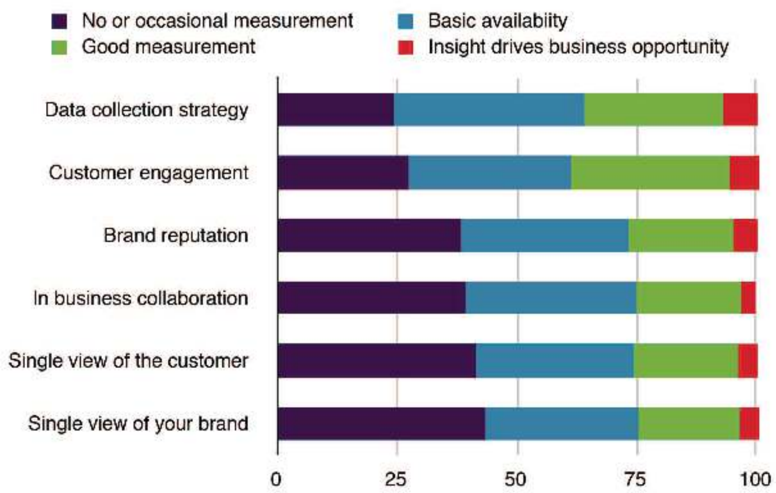
their customers prefer as well as their entire transaction history. This is, obviously very far from reality. The "single view" requires a level of systems integration and investment which is well beyond many retailers. For many it is also well down the priority list. A recent report by Martec International* covering the IT spend of 150 leading retailers, suggests that while 21% put "e-commerce/m-commerce" as their main IT investment priority – well ahead of store-systems in the number two slot cited by 10% – just 4% had marketing/CRM as the top priority while systems integration was joint third cited by 6%. As Martec points out, for many retailers e-commerce is the only growth area so it makes good sense to be investing in this area – especially if those investments can improve customer experience or enable better multi-channel integration.

Chart 11: How satisfied are you with the measurement (the measure, the tools and reporting) available to you within e-commerce/multi-channel?



Achieving a highly sophisticated "single view of the customer" may not, however, be such a vital necessity. As our roundtable panel spent some time discussing (see pp.8-9) in many product segments a customer may only visit a particular retailer once a year or even once a decade: how often does the average shopper buy a dishwasher, for example, a set of garden furniture, or a pair of walking boots? Clearly it is quite different for such categories as food, clothing or high-tech, as well as for mixed assortment retailers, such as department stores, where shoppers make purchases across many different product categories. For many specialist retailers, however, achieving any meaningful insight from repeat purchases is totally impossible. Software vendors and analysts, especially in the e-commerce area, may take great pains to promote the importance of personalised offers with clever tools to do just that, but for many retailers anything more complex than a system which responds in real-time to browsing behaviour and enables store or call-centre staff to be aware of recent online activity may be irrelevant.

"There is a danger that you drive your business by the metrics you can get, not the metrics you should get."

For our survey respondents, the greatest level of measurement satisfaction (39%) was recorded for "customer engagement" – also the only area where none of the e-marketers felt that they had "no influence". More than a third (36%) of respondents also believed that their "data collection strategy" provided either "good measurement" or could "drive business opportunity", while around a quarter were similarly well satisfied with their ability to measure "brand reputation", "collaboration systems within the business", "single view of the customer", and "orchestrating a single view of your brand".

A quarter well-satisfied, means that 75% are far from happy but it is unclear whether the necessary tools exist within the business but just happen to be unavailable to the multi-channel marketing team or whether a large proportion of e-tailers are actually frequently in the dark about the consistency of their cross-channel branding and collaboration.

** "IT in Retail: 2013 Report" by Martec International.*

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KEEPING TRACK OF THE CUSTOMERS

e-Marketers failing to make the most of the metrics.

Successful retailing is often said to be the art of "selling goods which don't come back to customers that do" and ensuring that shoppers, once recruited, become loyal regulars has long been a priority. Over the decades retailers have steadily adopted more sophisticated tactics to ensure that customers keep coming back: from Green Shield stamps in the 1950s, through the loyalty cards of the '80s and '90s, to today's e-mail discounts and social media sites, the emphasis has been on rewarding repeat visits.

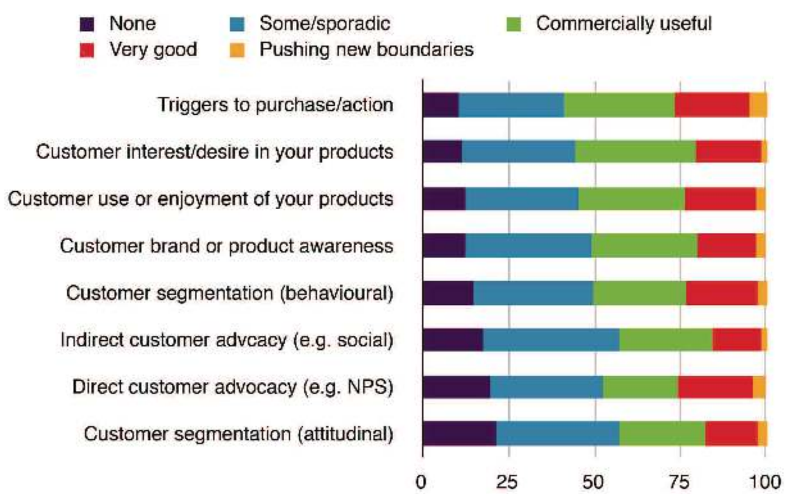
For marketers measuring the success of such schemes is clearly important. Back in the early days of loyalty cards companies such as Boots used the information on the individual buying patterns that they revealed to identify various consumer groups – from those who stockpiled on any special offer of their favourite lines and didn't return to the store for months, to the more responsive who could be tempted to try new lines and could thus be carefully targeted to keep on spending.

"It's easy, when you're only turning over 4% online, to undervalue the digital channels and their information."

Online retailing, of course, provides even greater in-depth knowledge of buying behaviour and preferences allowing marketers to personalise offers and encourage brand advocacy. We asked our survey respondents about their use of various standard parameters for measuring after-sales engagement with their customers and the results suggest that rather less well-targeted post-sales activity takes place than one might expect. While around a quarter to a third of respondents considered their activities "commercially useful" significantly fewer felt they were "very good" while those at the leading edge – "pushing new boundaries" – were in single digits (Chart 12).

At the other end of the scale around half or more of respondents either had no data on many basic customer metrics or admitted to only "some" or "sporadic" collection. Slightly more than one in five, or example, made no attempt to study "customer segmentation" by attitude while almost as many ignored "direct customer advocacy", as in net promoter score (NPS). In total 57% either made no attempt or only sporadic efforts to collect data on "direct customer advocacy", such as via social media, while just 16% of the survey sample felt they were either "very good" or "pushing new boundaries" at such activity.

Chart 12: Do you have data and metrics for the following?



In the "commercially useful" category collecting data or metrics on "customer interest/desire in your products" was marginally more common than other activities with 35% of the respondents active in this area. Least popular was "direct customer advocacy" with measurement undertaken by just over a fifth (22%) of those surveyed.

Respondents felt they were best at monitoring "triggers to purchase/action" with 27% declaring themselves to be either "very good" or "pushing new boundaries". "Direct customer advocacy" came a close second with 26% considering themselves to be "very good" or better at collecting data and metrics in this category. In contrast more than half (52%) either had no data or only sporadic collection in this category so a majority of e-marketers would seem to be lagging well behind best practice here.

As the chart demonstrates the respondents were generally fairly evenly split between those who regularly used data and metrics to assess the post-sales relationship with their customers and those who either never or only rarely used such information. As discussed earlier in this report, for product categories where purchases are infrequent there is very little point in trying to log customer transactions over time as one or two purchases a year, or less, are unlikely to provide meaningful insights into customer preferences or justify the cost of maintaining such databases. However, given the wealth of data available from online purchasing activity and the possibility of identifying trends and likely behaviour among identified segments, it does seem rather surprising that so many marketers make no attempt to find out if their customers even use or enjoy the products that they they have bought.

“Social media is a great way to get feedback and communicate immediately with people who are interested in your products.”

SUCCESSFUL ACTIVITIES:

use of data and metrics that range from “commercially useful” to “pushing new boundaries” (ranked 1 to 8 in decreasing popularity).

1	Triggers to purchase/action
2	Customer interest/desire in your products
3	How customers use or enjoy your products
4	Customer segmentation (behavioural)
4	Customer awareness of your brand and products
6	Direct customer advocacy (e.g. NPS)
7	Customer segmentation (attitudinal)
7	Indirect customer advocacy (e.g. social)

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IN CONCLUSION

So just what are the key priorities, problems and pain-points facing multi-channel marketers after almost five years of economic turmoil and doubts about the viability of many high street stores?

Top of the priority list are certainly concerns over the growing proliferation of channels and the need to focus development effort on those that will deliver the best returns. Calculating those returns is a major problem for many. Marketing benefits are often intangible: sell-through and increased sales are comfortable physical concepts with nice easily grasped numbers, but converting the results of social media activity, for example, into improvements on the bottom line is a clear challenge. For many there are similar problems with assessing the success of initiatives designed to improve customer experience while others struggle to achieve that elusive "single view".

Many retailers in the survey also struggled to cope with large amounts of data, which was often due to lack of resources, while some found that with customers buying from them very infrequently, creating an individual transaction history in order to improve personalised offers was irrelevant. Obviously such retailers can use other personalisation tactics to follow up known behaviour or interests with individual customers, while the data they collect could be used to flesh out their segment profiles and thus improve targeting for new customer recruitment. However, given the need to demonstrate rapid RoI, and the limited resources available, such efforts may be difficult to cost justify.

Multi-channel retailers also face increasing difficulties in identifying which channel must take credit for which sales. This may cause some to reassess their departmental divisions and budgets, focus on improving internal collaboration, or work at developing an omni-channel culture across the organisation.

ABOUT THE AUTHOR

Penelope Ody has been writing about the retail market since 1973 when she joined the staff of *Retail & Distribution Management* in the days before electronic point of sale or out-of-town superstores. She later became deputy editor at *Drapers Record*, editor of *Retail Automation* (1985-1995), and editor of *Retail Solutions*, a supplement of *Retail Week* (1998-2003). Freelance since 1983, her books include *Information Technology for Retailers* (Longmans, 1990), *Non-Store Retailing* (FT, 1998), and *Online Retailing* (FT, 2000). She is a regular contributor to *Internet Retailing* and its supplements.

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