

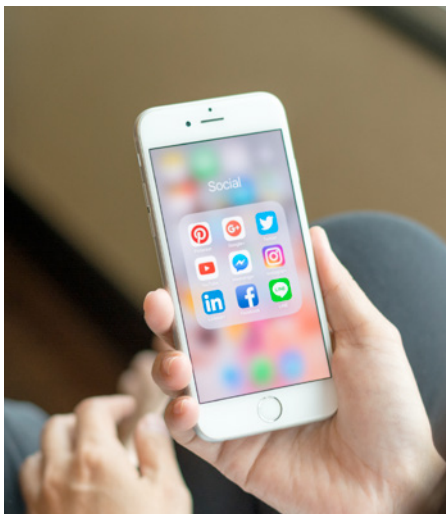


RetailWeek
CONNECT WHITE PAPER

In association with **IBM**

KEEPING UP WITH THE EVER-CHANGING CONSUMER

How to build long-lasting relationships
with disengaged shoppers



CHAPTER I: THE SCIENCE OF EMOTIONS

INTRODUCTION

According to research conducted by the *Harvard Business Review*¹, 77% of consumers do not have a relationship with a brand. In the age of big data, retailers continue to focus on such insight to understand shopper behaviour. However, should brands actually be tracking emotions to build more personal, long-lasting relationships?

From the rise of private sharing to the effects of new technologies on our cognitive behaviours, consumers are now more unpredictable than ever – and are arguably more disengaged with brands in our ‘always-on’ world.

This white paper, produced by Retail Week in association with IBM, investigates how consumer behaviour is fundamentally changing, revealing how brands can successfully connect with shoppers on a deeper level.

The paper delves into answering three central questions. How can retailers identify consumers’ ‘emotional motivators’? What is the solution to dealing with shrinking attention spans, low levels of trust and a lack of emotional investment from consumers? And, finally, what are the best ways to make personal connections in an age when one-to-one interactions are in decline?

“What is the solution to dealing with shrinking attention spans, low levels of trust and a lack of emotional investment?”

The amount of data collected on individuals has exploded over the past 10 years. From emails through to smartphones and apps, we are now in an era full of connectivity. This is changing the way we live, work and shop. Yet, even armed with a wealth of statistics, retailers still fail to understand their customers.

There is an argument, however, that despite knowing more about their customers, retailers still do not fully understand what drives shopper behaviour. So how can they better understand consumers on an emotional level, and should they try and pursue emotional connections as a science and strategy?

Martin Newman, executive chairman of multichannel consultancy Practicology, says it is a simple case of “yes or die”. In an industry where Amazon is everyone’s competitor, it is impossible to compete with it on range of products, logistics and price. Therefore, how a brand or retailer is perceived by its customer base is vital and building an emotional connection is part of that.

David Roth, chief executive of The Store, the global retail practice at marketing agency WPP, states that the emotional bond and connection between brand and consumer is the “most relevant relationship a shop can establish”. Without an emotional attachment, the relationship a brand has with customers is merely based on “function and price”, which is “shallow and makes the brand rather vulnerable”.

A brand that has a good emotional connection with its customers will be able to get through tough times and mitigate against risk throughout this relationship.

The importance of having that connection and emotional attachment will depend on the type of retailer and its sector. Planet Retail analyst Miya Knights makes the case that food shopping generally has touchpoints based on speed and convenience. River Island customer director Josie Cartridge says fashion retailers suffer from a

“lack of product loyalty” and barriers for new brands to enter the market are relatively low, where the product is based on “want, not need”. Creating an emotional attachment is therefore “very, very important” if retailers want to succeed.

However, Ben Wittmann, senior marketing director at Gap, argues that, when looking at emotions, it is very hard to drill down to the key factors as there are so many. Human emotions have a propensity to change very quickly. For example, he suggests that the weather has a huge impact on human emotions, but it would be very hard to base a strategy around it.

An art, not a science?

So how can retailers use an understanding of emotional connections to attract and retain their most valued customers? Well, the consensus is that it is very difficult.

Roth says that the phrase ‘science of emotions’ when applied to retail is a misnomer, as it is “an art, not a science”. Ultimately, it is a process of understanding consumers and finding out what their perspective of differentiation is. If retailers can do this, there are many rewards.

By making differentiation meaningful, brands that are strong by reputation can have a price premium. For example, in the technology space, Apple is a brand that

“A brand that has a good emotional connection with its customers will be able to get through tough times and mitigate against risk throughout this relationship”

YOUR SIX-STEP GUIDE TO BUILDING LONG-LASTING RELATIONSHIPS WITH SHOPPERS

1 Retailers competing on range of **products**, **logistics** or **price** without an emotional connection with their customers are at risk

2 Identifying customers' **'emotional motivators'** is a balance between talking to them and looking at the data

3 **Private sharing** is now the norm – retailers need to be more savvy and nimble on how they find out their customers' desires

4 Technology has made consumers expect a fast, seamless shopping experience – **50%** expect sites to load in fewer than **2 seconds** and will abandon if it takes longer than **3 seconds***

5 Impact is everything – retailers need to build sites and apps that create a **'thumb-stopping moment'**

6 **One-on-one** interactions will be made possible by those who allow customers to make their own **digital identities** and allow them to be in control

*Source: Marijn Bertsen, director of retail, Google

has a good emotional connection with its customers, and its products tend to be more costly than those of its competitors.

While creating an emotional connection is difficult, the basic principle of retail remains: have a great product and excel with your service.

Roth's three key points are to define what your brand stands for, work out every touchpoint within the customer journey and ensure that every single member of staff knows about it. Everyone on the shopfloor should be "evangelical brand ambassadors".

Newman agrees that the key is being "obsessive about customer service – align the brand's interests to those of the customers, show you care, and reinforce this throughout the customer journey". This

can only be achieved by strong education throughout the retailer. Similarly, Knights says that creating an emotional connection and loyalty is built from the retailer's offer and engagement.

A question of trust

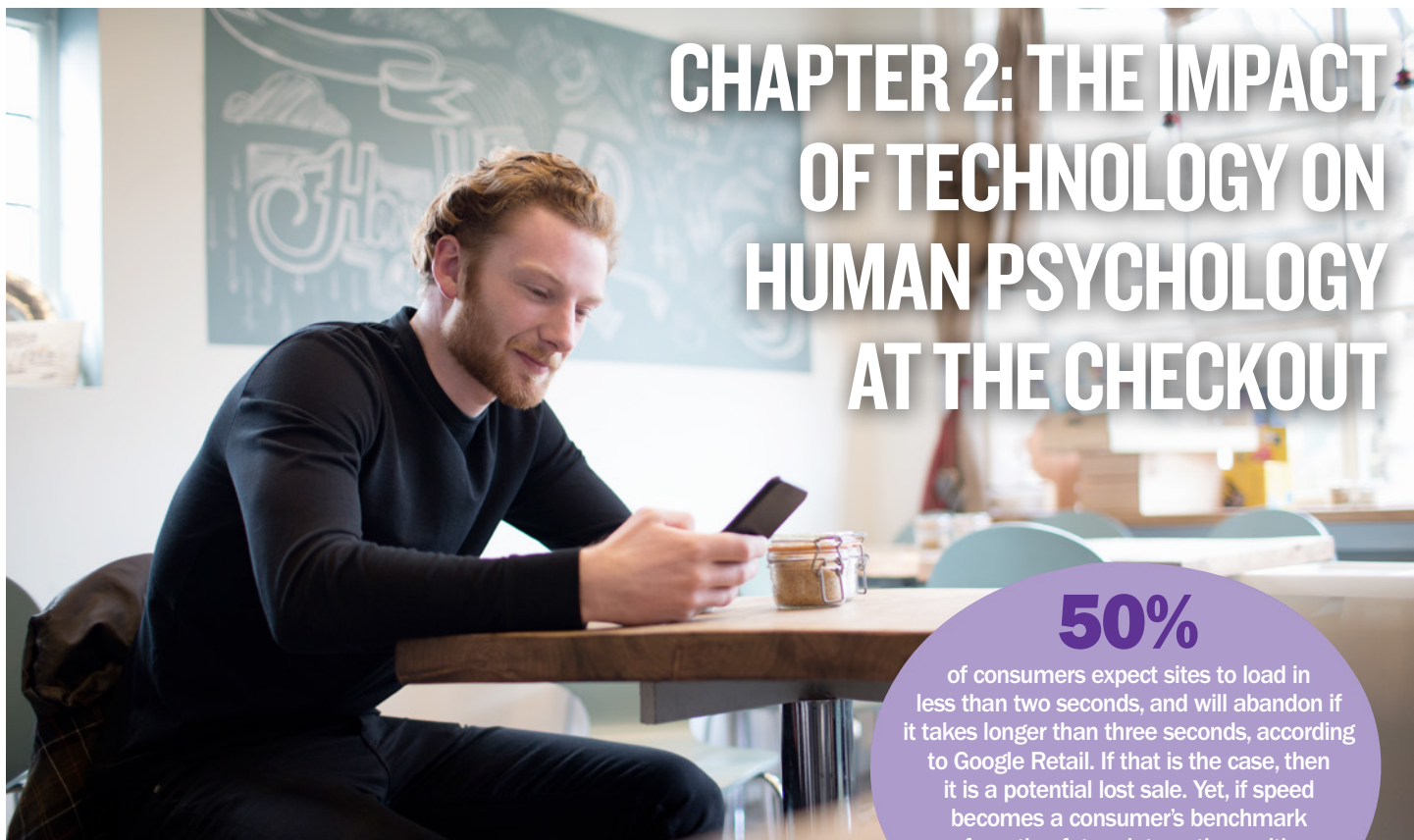
Do you have a relevant product? Is this supplemented with knowledgeable staff? If a retailer can answer 'yes' to both questions, then it is well on route to creating trust with its consumers, which is a crucial building block to success.

Clearly, to create an emotional bond, retailers not only have to define what the company stands for, but must also have a good product and ensure that it connects with its customers, permeating

through everything that it represents. This varies from good product development to strong communication and marketing strategies, along with seamless service at the point of sale.

For River Island, this means it must have a view on what value it contributes to its customers' lives. Cartridge feels it both has to inspire its customers and be inspired by them, and that this sense of reciprocity builds on an emotional connection. This then plays out in the company's communications strategy, through all touchpoints.

"By communicating what you believe to be important to your customers, [it] means behaving in ways that show your interests are aligned with your customers and demonstrate value above and beyond a functional engagement," she says.



CHAPTER 2: THE IMPACT OF TECHNOLOGY ON HUMAN PSYCHOLOGY AT THE CHECKOUT

50%

of consumers expect sites to load in less than two seconds, and will abandon if it takes longer than three seconds, according to Google Retail. If that is the case, then it is a potential lost sale. Yet, if speed becomes a consumer's benchmark for rating future interactions with brands, it can also be a great competitive differentiator.

Technology has had a huge impact on retail and has provided new and great opportunities for brands to interact with consumers, while social media platforms have given marketers a great insight into the desires and motivations of their customers.

Yet, as Jeremy Waite, an evangelist at IBM Watson Marketing states, "Big data is

getting bigger. Attention spans are getting shorter. Marketing strategies that worked three years ago do not work any more."

For example, according to a recent research study, more than 90% of social sharing now happens on 'dark social' platforms such as WhatsApp, email and copy-and-paste links in other messaging apps. Dark social is if somebody clicks a link on a retailer's site

from a site such as Twitter or Facebook, your analytics platform should tell you where that referral came from. But people are increasingly sharing links through private messaging apps such as WhatsApp, and continue to share through email or SMS platforms. This lacks referral tags, so when the recipient clicks on the link their visit will show up as 'direct' traffic.

If the increased use of private, 'dark social' platforms is revealing the real interests of consumers, it also restricts the opportunity for marketers to better understand a customer's journey.

The rise of 'dark social'

Knights argues that marketers "have grown fat and rich on click-stream data". Meanwhile, Roth asks: "Why should retailers get access to such information?"

They both argue that retailers relying on information sourced from social media and other public platforms have become lazy and ultimately forgotten that such information has been acquired without permission. This relationship has to change.

For both Gap and River Island, peer-to-peer sharing has not been considered overly important. River Island has not found this method that accurate when listening to

HOW TO IDENTIFY CONSUMERS' EMOTIONAL MOTIVATORS

River Island and Gap both say talking to consumers is key to identifying what drives them, yet Newman says very few retailers actually do this. Echoing Roth's notion that looking at consumer emotions is "an art, not a science", Josie Cartridge expresses River Island's belief that, despite a lot of research and data collection, "there will always be a leap of faith" on what they believe will emotionally entice their customer base.

Research into working out consumers' motivations is a matter of identifying why some brands will be chosen over others, while mapping their journey. Roth argues that, if done well, it enables the retailer to "course-

correct" the brand when there is a change in the emotional motivation of the consumer. Such research should be conducted every day. Emotions and requirements have a habit of being fluid, therefore, for brand differentiation to remain meaningful and relevant, a retailer has to ensure its antennae is always out.

Google, unsurprisingly, has a more technology-driven method: it finds the answer in user data. Using web analytics provides it with browsing patterns: what else people look at online in general, what that person looked at last time they came to the site and even what frame of mind they may be in.



its customers. Cartridge sees the public peer-to-peer exchange overly influenced by “well-known bloggers”, while Wittmann says Gap has always placed more weight on other KPIs – such as time spent looking online at a particular product – and will always prioritise media spend accordingly.

However, if we accept that the rise of ‘dark social’ and private sharing represents a problem for retailers in the short term, the potential responses do provide opportunities. Not only does it help to map how and why products have been purchased, but it also builds on engagement and creates an emotional bond with consumers. Much of this is made possible by new interactive technology, and consumers’ response to it.

Roth and Newman think marketers need to be “more nimble” and “refine targeting methods”, with retailers being more thoughtful on how and where they get data from via customers. While creating their own communities is difficult and expensive, it can be vital for creating trust, loyalty and an emotional bond with the customer, with the added bonus that the information and data they receive is self-generating.

Compelling content

Google’s director of retail, Martijn Bertisen, says the lack of sharing should not matter to retailers, with their focus on offering compelling content that is easy to share.

“It would be a mistake to try to build proprietary solutions and systems and forbid other ways of sharing,” he says. “Similar to the way retailers have worked hard developing multichannel, commerce solutions are opening up as many channels for consumers to transact seamlessly. Should they follow the consumer and enable existing channels?”

“Technology has created a ‘want it now’ environment,” says Newman. “Customers not only demand now, but they also expect



some form of instant gratification when shopping and buying goods and services.”

Just take a look at the rise of Uber to understand that speed and convenience are becoming key priorities for consumers. This is no different for retail. Consumers have become more empowered, and in turn retailers have to work harder and faster to retain and attract new customers.

We live in an always-on world, and with smartphones and their instantly available apps, retailers “have to be omnipresent on all platforms” says Wittmann. No retailer should think again about the concept of opening hours. Retailing is a 24/7 business.

Roth says that great brands in the future “will have absolute respect for the time of their customers”. Time, in a sector transformed by technology, is now a very important commodity.

Bertisen says Google recognises that “seamless experiences are critical to driving not just short-term conversions, but also long-term customer loyalty”.

As a result, retailers need to make sure they build sites and app experiences that

work seamlessly, are fast, intuitive and compelling and have a reason for consumers to come back again and again to entertain themselves – and ultimately buy. For instance, US retailer Coach enables brand interaction on its Instagram page, making it shoppable via Apple Pay.

A clear communication and engagement strategy is therefore required from retailers. Google’s own research has shown that mobile audiences are willing to give brands with an authentic, genuine style more time than ever before.

While River Island has seen a demand for relevant, timely content, Cartridge says the key challenge for the company is to inspire and convert that inspiration by creating a “thumb-stopping moment” on someone’s screen and to recreate that in store.

While this has become more difficult, technology and the ways brands can now interact with consumers has created new channels and opportunities from which to build a relationship. The difference is that retailers today have to be better at it – and in a shorter amount of time.

THE RISE OF PRIVATE SHARING

So, why are people now sharing privately? There appears to be two main reasons.

First, Bertisen suggests, “consumers will find ways that are most convenient for them to share”, often bypassing what brands think they may want to do.

WhatsApp, the messaging app for which group and private messaging has risen exponentially over the past few years, is quick and very easy to use. Roth says that with private platforms the “individual is in control a lot more than they are on more public platforms”, where the functionality is built for all, rather than for that particular individual.

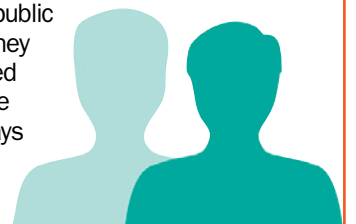
Second, a public sharing of personal preferences is, in the grand scheme of things, rather new.

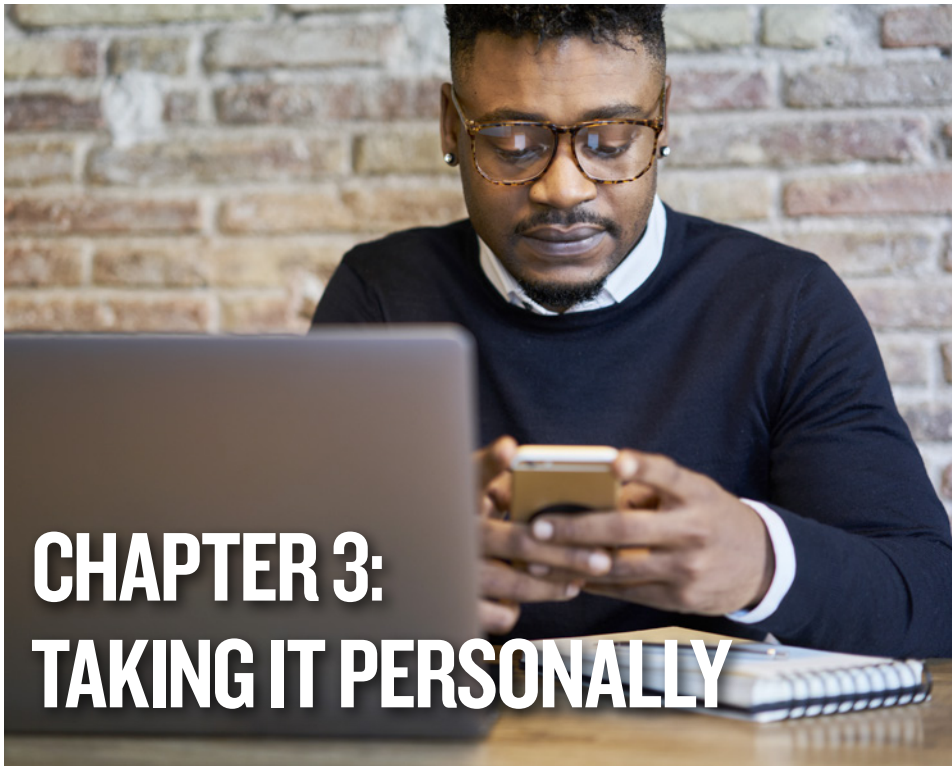
While Facebook and Twitter are still relatively young – both under 15 years old – their increased use has triggered a backlash for how consumer data, preferences and ‘likes’ are being used to target them.

At Gap, Wittmann says they are very aware of the “stalking aspect” of social media and other public platforms, and of their customers “feeling exposed” by increasingly intuitive and clever algorithms that are created for the

benefit of the platform and the advertiser more than the user.

Roth argues that it is a line retailers should tread carefully for fear of being perceived as “creepy or spooky, rather than useful”. So, as consumers have become more and more aware of issues around privacy and security on public platforms, they have reverted to what Josie Cartridge says is “natural behaviour”.





CHAPTER 3: TAKING IT PERSONALLY

In an age where consumers are more demanding than ever – expecting speed and convenience as standard – creating and sustaining emotional connections is difficult. This varies by brand, sector and touchpoint. How can retailers make personal connections that last?

Wittmann says research is at the heart of understanding a customer's journey. Gap is now trying to find out more about consumers' daily routines, to the extent that in the US it knows that the majority of its customers also like avocados. This process, however, is still in the early stages, and Gap understands that talking to customers will allow it a better understanding of what goes through their minds.

For River Island, emphasis is placed on technology to understand customer thought processes and journeys. However, this is not an exact science and Cartridge admits it "can only create a range of hypotheses".

Shift to personification

Newman says the key is to always be "talking to your customers" and "make them feel important". Also it is essential to treat them as knowledgeable – we have seen that

with new technology there has been a shift of control and power to the consumer.

Therefore, there should be a shift from personalisation to personification. This is defined as 'the delivery of relevant digital experiences to individuals based on their inferred membership in a defined customer segment, rather than their personal identity'.

This can bridge the gap between broad reach branding efforts, such as content marketing, and true one-to-one interactions – which should always be controlled by the customer, including the power to decide how and where their data is used.

Building one-to-one interactions is the holy grail for retailers, yet how can they fulfil the needs of their customers if such needs are often unconscious?

For River Island and fashion retailers in general, there is confidence in predicting what brings people into stores. So, while Cartridge accepts you "cannot access the unconscious", she maintains the reasons people shop with the retailer are "fairly well known".

Roth however, feels retailers are better placed than those in other industries

to "triangulate" via knowledge of their customers, purchases and lifestyle. As such, they are in a good position to have a holistic view of their customers, which with improvement in technology will give them an increasing ability to send bespoke communications that fulfil both functional and emotional needs.

The landscape in which retailers operate has changed enormously over the past 10 years. Technology has changed the dynamic of how consumers interact with brands. Customers expect quick, frictionless service. The internet and smartphones have left retailers with nowhere to hide. Those that have engendered an emotional bond with customers will not only ride the turbulence better than others, but will flourish.

New opportunities

Despite it being partly at the root of greater disengagement between consumers and brands, technology – for those that use it well – provides a way in which retailers can reconnect within their market.

Bertisen says: "Not only should brands and retailers take full advantage of the latest technologies allowing them to connect to consumers through personalisation, but personalisation also increasingly identifies consumer frustration when messages are not tailored to their individual preferences."

Retailers that ensure they have relevant products can move from personalisation onto personification via how they connect with their customers. Modern consumers are app-savvy and create their own digital identities within them. This enables retailers to have one-to-one interactions and develop a stronger connection.

While this may sound obvious, by following what it and its product stands for, finding out what its customers want (and what the key points in their journey are), and providing a seamless and swift service, retailers can grasp what is needed to become more personally connected to consumers.

Those that remain steadfast to these principles and embrace the opportunities that new technology offers will succeed. Those that do not will fail to build vital connections with their customers.

60%

of Netflix rentals stem from personalised messages based on previous viewing behaviour, according to research recently published by Forbes, and 35% of Amazon's sales are directly attributed to suggesting products an individual might like based on unique behaviours and purchases.



PARTNER COMMENT

For many hundreds of years, the role of the retailer has remained unchanged – to provide the right product, to the right customer, at the right time.

Only two factors have ever contributed to this exchange. One, they know you. Two, they trust you enough to buy from you. In 2017, while nothing has changed in the way that we trade and build relationships across markets and industries, the way that customers behave has changed dramatically.

In fact, the behaviour of customers has changed more over the past 20 years than at any other time in history, and will probably change at a greater rate over the next five years than it has over the past 20. At IBM, we put this report together with Retail Week because we feel so strongly that retailers need to be more informed in these dramatically changing times.

Because unlike any other time in history, the balance of power has shifted from the brand to the customer. Traditional sales and marketing channels don't work like they used to. Ads are being blocked. Many loyalty

programmes are not encouraging much loyalty. And social commerce, once heralded as the future of retail, is seeing a huge decline in engagement.

Within a few years, brands will be disrupted further as more people use voice technology to browse without a screen. We are already seeing retailers abandoning their apps – due to their expensive development costs – and returning to more mobile-friendly formats, possibly looking forward to a time when they won't need a website at all.

The world of retail is certainly changing, but as with all change, new opportunities arise. Customers will continue to shop in stores and relationships will continue to be built in the same way that they always have been. But in today's environment, retailers must keep up if they are to survive and succeed.

The retail marketplace is no longer about survival of the fittest, but survival of the fastest, and this is where technology can help. As customer journeys continue to evolve and become much more complicated to manage in real time, technology is revolutionising retail



and the speed at which brands are now able to adapt to the changing needs of their customers. There has never been a more challenging time to be a retailer in today's evolving market, but there has certainly also never been a more exciting time to be a retailer either.

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