

SoLoMo And The New Frontier Of Customer Loyalty

By Alicia Fiorletta, Associate Editor

Today's consumers are equipped with the tools and technologies that provide in-depth details on product information, prices and ratings/reviews anywhere and at any time. In addition, they are using smartphones to retrieve information on local inventory and sales, and share retail experiences and potential purchases with friends and family across social networking sites

Due to the always-on nature of mobile technology and social media, these more hyper-connected shoppers are demanding personalized retail experiences based on their individual wants and needs, as well as their locations. Together, these trends and behaviors are generating today's Social, Local, Mobile (SoLoMo) shopper.

Noting these trends, best-in-class retailers are utilizing marketing and data-gathering technologies to better track shopper behaviors and preferences, resulting in more efficient marketing and communication strategies.

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"Retailers need to understand their consumers' mindsets, where they flock to in the digital and mobile space, and use those insights to help determine their strategies, rather than relying on the latest bright, shiny object," said Joy Liuzzo, President of [Wave Collapse, LLC](#). "The most effective strategy for obtaining and retaining customer loyalty is to be available to your customers, no matter where they are. Think about your most loyal friends; they may not be with you every moment of the day, but you know where and how to reach them when you need them."

SoLoMo: The Loyalty Challenge And Opportunity

The proliferation of SoLoMo shopping habits has presented retailers with an opportunity to build more memorable, one-on-one communication with shoppers and deliver more relevant information and inventory. However, most merchants still are struggling to connect the dots between brand messaging, offers, pricing, inventory management and customer preferences, resulting in lackluster efforts to acquire and retain customer loyalty.

“Consumers increasingly expect a personalized experience in all facets of their interaction with brands.”

-Gary Edwards
Empathica

“Customers are willing to be loyal to merchants,” said Nikki Baird, Managing Partner, [Retail Systems Research \(RSR\)](#), “but it’s simply too easy for retailers to break trust with those customers through disconnected messaging and pricing across channels, and inconsistently applied policies across channels.”

Although a vast majority (84.5%) of retailers use customer retention marketing strategies, only 48.8% believe their strategies are working, according to a study sponsored by [Acxiom](#), a technology and marketing service provider, and facilitated by [Loyalty 360](#), an association for loyalty marketers.

Additionally, just under half (49.6%) of merchants are confident they know their best customers, as well as these customers’ preferences and browsing/buying behaviors, resulting in disconnected loyalty efforts, according to the Loyalty360/Acxiom report titled: *Making Every Interaction Count: How Customer Intelligence Drives Customer Loyalty*.

To maximize loyalty efforts, retailers must be armed with the SoLoMo tools and analytical insights to earn and keep shoppers’ trust and attention, noted Gary Edwards, Chief Customer Officer of [Empathica](#), a customer experience management solution provider.

“The bottom line with social, mobile and local is personalization,” Edwards told *Retail TouchPoints*. “Consumers increasingly expect a personalized experience in all facets of their interaction with brands. This also extends to loyalty programs — everything from the mechanism customers use to accumulate loyalty points (mobile phone with NFC vs. cards) to the activities allowing them to earn points (social media mentions and check-ins vs. purchases) to the rewards they get (highly personalized offers vs. generic discounts).”

The continued adoption of smartphones and the boost in sharing taking place across social networks have unveiled new channels for retailers to garner insight on customer sentiment and preferences, as well as track brand-focused discussions. By gathering and

integrating this detailed data with other customer information, such as purchase history and browsing behaviors, retailers can build a solid foundation for personalized retail experiences and more effective loyalty initiatives.

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By rolling out hyper-local and personalized messages, offers and brand experiences across channels, retailers can maximize exposure and pique consumer interest. Retailers then will have the competitive differentiation to combat the rise of showrooming and other price comparison strategies being utilized by tech-savvy shoppers.

The following three sections will outline the challenges and benefits of each of the three types of SoLoMo strategies: **Social**, **Local** and **Mobile**.

I. Social Media Communication: Tackling The Relationship Opportunity

Facebook, Twitter, blogs and other social networking tools have triggered a new norm for peer-to-peer and consumer-to-brand communication and information gathering. Consumers are learning about products and brands by gathering insight from social graphs before finalizing purchase decisions.

Social networks and blogs reach nearly 80% of active U.S. Internet users, according to a Nielsen report titled [*State Of The Media: The Social Media Report Q3 2011*](#). Additionally, time spent on these platforms account for approximately 25% of all U.S. users' online sessions. As a result, social media is "no longer seen as a science experiment but as a strategic asset," Edwards explained.

"Social media has now passed the point of consumers merely checking into locations," Edwards said. "Brands now universally recognize social media as an integral part of the customer communication strategy. I expect that resources and marketing budgets will begin to be allocated accordingly."

More retailers also are honing in on tracking conversations and responding to customer comments and questions. Just more than half (53%) of B2C companies are tracking mentions and following up with them through comments or personal emails, according to the [*Worldwide Social Media for Business Study*](#) from Satmetrix. Moreover, an additional 25% only tracked conversations, while 4% just followed up with social media acknowledgements.

"From a social perspective, the voice of the customer has never been louder," said Chris Cunnane, Research Analyst for Retail and Hospitality at Aberdeen Group. "Consumers can share their experiences, feedback and marketing offers in real-time with their peer network. Retailers can track the journey of an offer and use the information as a guide to rolling out future social campaigns."

Some retailers also are integrating social activities and promotions into brick-and-mortar locations by making it possible for consumers to access Facebook to "Like" items within a store location, as well as displaying how many "Likes" an item has received. For example, **C&A**, a Brazilian fashion retailer, is testing a strategy that allows shoppers to view and "Like" items in stores. These "Likes" are updated automatically in real time on clothing hangers.

II. Localization: The Key To Personalization and Engagement

Today's SoLoMo shoppers rely on their smartphones and social networks to receive information on products, as well as feedback from social graphs on current and potential purchases. Retailers are tackling these trends by developing mobile apps, SMS campaigns, and Facebook and Twitter accounts. However, localization is a low-hanging fruit opportunity for optimal SoLoMo strategies, by creating relevant assortments, marketing campaigns and offers for specific stores and geographic areas.

"The most difficult part is 'Local,' because it requires engaging stores and their high-turnover employees — who will have to be retrained constantly," Baird said. However, she added, companies such as **Guitar Center**, **Trader Joe's** and **Whole Foods** all are enabling their stores as well as some of their associates to take a more localized approach to online and social marketing.

Retail industry experts and analysts are spotlighting localization as the 'be all, end all' of successful SoLoMo programs. "Localization will continue to be vital to the success of initiatives going forward," Liuzzo said. "It brings that relevancy component to the forefront for consumers."

For example, retailers are tapping into customer data to improve inventory and assortment decision-making. More than half (53%) of retailers strongly or somewhat agreed that localizing assortment was an important strategy for their companies, according to RSR's *Retail Supply Chain 2012: Globalization, Localization, and Cross-Channel* report.

"Local stores are where the most important experiences will always happen," Edwards reaffirmed in support of these findings. "Even the world's largest online retailers are realizing

this and have begun experimenting with pop-up physical stores so that consumers can touch and feel a product before making a purchase, or ask questions of a live associate. Brands that really want to stay in touch do so across all channels, not separately within each channel."

Just as small and medium-sized merchants remember consumers' faces, names and favorite items/goods, big-box retailers and large brands also are implementing more localized marketing strategies based on demographics and psychographics gathered across channels and integrated into a cohesive platform. Larger merchants, such as **Nieman Marcus** and **Whole Foods**, are using social media to promote specific store events and sales, and are tailoring print and digital advertisements based on geographic location.

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III. Mobile: Connecting Shoppers To Brands Any Time and Anywhere

The smartphone has become consumers' top shopping tool, especially while in store aisles. Overall, 53% of men and 38% of women say they use smartphones in-store to check prices at other stores, according to research from InsightExpress.

To effectively combat this comparative shopping, and win against Amazon and other discount e-Commerce competitors, brick-and-mortar retailers can utilize mobile to share relevant deals and timely offers while consumers are still shopping. Additionally, the always-on capabilities of smartphones offer merchants the opportunity to link loyalty programs with their mobile strategies.

For example, best-in-class retailers are enabling customers to access loyalty programs to check offer/reward balances and redeem points directly through their mobile devices, Cunnane explained. Mobile technology puts loyalty in the hands of the customer, "a move that is paying dividends in terms of customer satisfaction, customer retention, and customer frequency improvements," he stated.

Through this new approach to loyalty programs, merchants can use localization as the linchpin for engagement, whether it's an offer or targeted announcement for a specific store, according to Baird. "Together, 'Mobile' and 'Local' provide an opportunity for retailers to re-boot their credibility with consumers," she said, "by putting a more genuine local — and hopefully more relevant — face on their communications."

Leading Retailers Implement Innovative Loyalty Strategies

Forward-thinking retailers are utilizing innovative strategies, such as personalization, real-time videos and Voice of the Customer (VoC) strategies to increase customer engagement and loyalty across channels. Wine.com, Lenovo and The Container Store have taken the lead in implementing these initiatives.

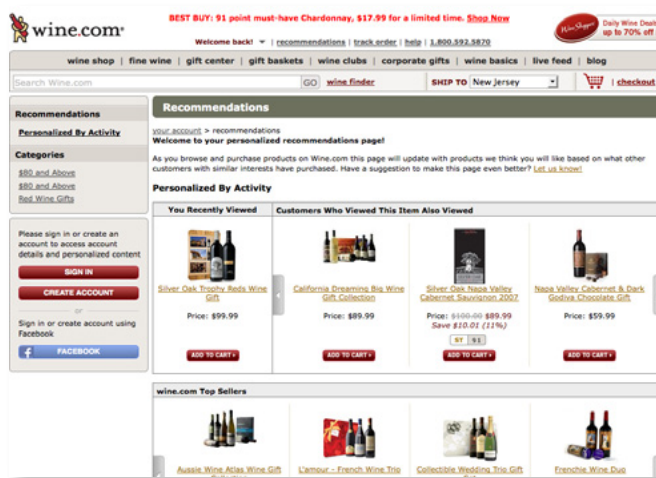
“Personalization can be important, but retailers should focus more on being highly relevant.”

-Nikki Baird
RSR Research

Wine.com Drives Engagement With Recommendations And Personalized Assortments

Retailers, such as Wine.com, are tapping into recommendation engines and creating personalized assortments based on past purchases and browsing behaviors in an effort to recreate the Amazon shopping experience.

“Personalization can be important, but retailers should focus more on being highly relevant,” explained Baird. “That means understanding a lot more than just who the shopper is. It means understanding what they’re trying to achieve — in life, in a shopping trip, in an experience. That’s a lot harder to achieve.”



Wine.com has amped up its personalization strategy by tailoring assortments and item lists based on consumers' browsing behaviors, as well as past purchases. The more shoppers search the site, the more tailored and relevant the shopping journey will be, Cam Fortin, Director of Business Development for Wine.com, told *Retail TouchPoints*.

The eTailer has developed an account page, through which Wine.com "is leveraging a lot of data to offer products that are truly useful to consumers," Fortin said. "By surfacing relevant content based on past behavior, we keep shoppers engaged and offer pertinent information such as most recent orders, order delivery status information and more."

To increase customer engagement, Wine.com also offers seamless access to customer ratings, as well as articles and reviews from wine critics. This strategy also allows the company to be seen as a thought leader in its market, Fortin added.

"Buying wine can be an intimidating process," noted Rich Bergsund, CEO of Wine.com. "We've tried to build consumer confidence to make the decision-making process informative, easy and fun."

A key component of building consumer confidence is providing relevant information, Bergsund explained, so customer ratings/reviews and scores from wine critics help making a purchase decision an easy process. "We also want to give consumers a choice regarding how deep they want to go into the researching and browsing journey," he added.

Additional features offered by Wine.com to create a more personalized and compelling shopping experience include:

- Mobile- and tablet-optimized applications;
- Browsing capabilities based on price, item type and other categories;
- The Stewardship Program, which offers discounted shipping for Wine.com's "most loyal shoppers"; and
- A quick checkout option that allows shoppers to save preferred credit card information into their accounts.

Lenovo Taps Online Video To Drive Conversion And Engagement

Merchants today are considering the benefits of implementing more interactive tools, such as video, to educate consumers on their offerings and increase purchase likelihood. For example, [Lenovo](#), a technology company and PC vendor, utilizes SundaySky's [SmartVideo](#) solution to deliver personalized, real-time video experiences throughout its online product catalog.

Since deploying the SmartVideo solution throughout its product catalog in the U.S., Lenovo has successfully boosted customer engagement. While the videos viewed are only a fraction of overall web traffic, "almost 90% of customers who start viewing videos watch until their completion," according to Lewis Broadnax, Executive Director of Sales and Marketing for Lenovo.

"Customers who watch product videos are converting at a higher rate and at a higher order value."

-Lewis Broadnax
Lenovo

"Customers who watch product videos are converting at a higher rate and at a higher order value," Broadnax told *Retail TouchPoints*. "We are currently expanding our portfolio with SundaySky with innovative new ideas for delivering an even better customer experience."

Through the solution, Lenovo drives e-Commerce traffic, retargets potential customers, maximizes customer support and enhances customer relationships. Due to the successful implementation, Lenovo is extending the SundaySky solution to its Canadian site.

SmartVideo was designed to deliver personalized, real-time videos based on inventory and other pertinent information to help convert prospects into buyers. "Our main goal was to deliver a video to customers who were looking for high level overviews of our products," Broadnax explained, "which provided enough specification detail to help with their purchase decision."



The Container Store Cashes In On VoC

Best-in-class retailers are leveraging Voice of Customer (VoC) technologies and solutions to ensure more memorable and consistent shopping experiences. To connect the dots across channels more efficiently, [The Container Store](#) partnered with [OpinionLab](#), a customer feedback solution provider.

The Container Store initially implemented OpinionLab's feedback solution in 2009 when the retailer re-platformed its web site. Upon deployment, the merchant also was able to obtain in-depth data on the efficacy of its storefront, as well as listen to and learn from online visitors.

The Container Store

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"Initially, we really wanted the opportunity to receive feedback on the site to better understand technical glitches that we didn't catch during testing," Davis explained. "However, it has evolved into something much more than that. We're getting great feedback about our stores, associates at locations, as well as comments on new features and product questions. Now there's a great opportunity for us to turn this information to our customer solutions department and help them address specific items as needed."

Due to the success of this initiative, the retailer expanded its VoC strategy to include a mobile comment card in the fall of 2011. By providing this mobilized service, The Container Store's technology, merchandising and marketing teams can glean contextual feedback on store experiences in real time.

"Mobile is very important to us because our target customer is busy," Davis said. "Many consumers want to access our site through smartphone or tablet, so we make the mobile

submission form available so we can easily pinpoint any features that could use tweaking and make the mobile experience more streamlined."

Approximately 44% of organizations indicated fragmented and siloed data was an ongoing issue.

-Aberdeen Group

The Container Store receives daily alerts and relays content to its technology, merchandising and marketing teams. Back-end toolkits interpret structured and unstructured VoC feedback, allowing team members to track and analyze customer goals, successes and frustrations, address them and apply solutions as needed. As a result, the retailer is able to refine campaigns, address technical glitches and create a memorable cross-channel experience, leading to greater loyalty among its consumer base.

"One of our inherent principles is: 'communication is leadership,' so we've always been a very transparent company," Davis explained. "One of the benefits of this principle is that many of us still feel like we're on the frontlines of stores because we get so much in-depth information from customers every day. This was a natural transition, which allows consumers to communicate with us directly through the web site."

Big Data's Role In The Loyalty Equation

Shoppers are growing more comfortable using digital tools to research potential purchases, price compare and share ratings and reviews. As a result, the overall dynamic and relationship between retailers and their customers is shifting. Retailers are seeking ideal strategies to not only offer the best prices and merchandise, but also create memorable shopping experiences, tailored to shoppers' preferences.

Due to the variety channels at consumers' fingertips — including mobile, social media and the web — merchants are facing a daunting sea of data. This sea, according to Cunnane, is becoming more difficult to manage, largely due to obstacles in overall data collection and analysis processes.

"Retailers are pulling customer data from myriad sources — online, social, mobile, call center, and in-store," Cunnane told *Retail TouchPoints*. "While collecting this information is important, without appropriate data collection guidelines in place, retailers will be sitting on disjointed data streams without a way to make sense of anything."

Findings from the Aberdeen Group report titled: [*Enabling Access to Big Data with Data Integration*](#), revealed that data analysis not being detailed/granular enough is a top

pain point for 33% of all companies. Moreover, approximately 44% of organizations indicated fragmented and siloed data was an ongoing issue.

"To say Big Data is foundational to measurable and sustained success for a customer loyalty strategy is an understatement," added Carlos Dunlap, Director of Business Development and Strategy for Kobie Marketing.

"Loyalty programs have always helped track customer transactions and have generated large quantities of data."

-Jonathan Marek
Applied Predictive Technologies

"Big Data is what separates successful marketing programs that have incremental impact, from promotional, goodwill or long-tail campaigns." However, the underlying problem, according to Dunlap, is that many retailers "are data rich and knowledge poor."

"Loyalty programs have always helped track customer transactions and have generated large quantities of data," added Jonathan Marek, SVP of Applied Predictive Technologies. "The advent of machine generated and social media data has further added to that data. Currently, many retailers are building the infrastructure, either on-site or in external clouds, to store and access 'Big Data.'"

While many retailers are still struggling to manage these disparate systems, merchants are acknowledging Big Data's growing role in future marketing and technology investments, as well as loyalty programs. A vast majority (87.6%) of retailers "strongly agree" or "agree" that Big Data access/use is very important to their ad spending during 2012, according to the [Advertiser & Agency Survey](#) from 33Across, a social marketing analytics company

Developing Data Guidelines

However, best-in-class retailers have firmly established data collection guidelines for all store associates and teams across enterprise channels, Cunnane reported. "This involves appropriate training of employees and a top-down approach to customer intelligence," he explained. "By standardizing data collection guidelines, customer information is more easily analyzed in a central analytics application."

To create more effective SoLoMo marketing and engagement strategies, retailers must implement optimal tools and technologies to aggregate and analyze data efficiently. As a result, they will obtain a detailed, 360-degree view of customers and more efficient marketing investments and communication best practices.

With a detailed understanding of consumer preferences, as well as browsing and buying history, merchants will be armed with the information to release more personalized offers, item recommendations and marketing messages. As a result, retailers will be able to develop more effective loyalty programs.

"The customer recognition, personalized treatment and loyalty value proposition needs to be consistent, regardless of channel being used."

Understanding The Preferences Of Loyal Customers

- Carlos Dunlap
Director of Business
Development and Strategy
Kobie Marketing

By aligning and integrating customer data, merchants can create more efficient offers, brand messages, events and even inventory assortments for specific locations, Baird told *Retail TouchPoints*.

"If retailers could effectively bring together a full picture of their customers, they wouldn't spend so much money doing the kinds of things that destroy loyalty," Baird explained, "such as retargeting a customer online after they already purchased that same item in a store."

Additionally, companies will be able to build more meaningful relationships with customers, with Big Data adding "richness to the potential of customer information, while giving IT and analytics teams new data to process," reported Chen.



"With the ability to create a single, holistic view of customers," Chen noted, "retailers can leverage their current data to understand who their high-value, loyal customers are, where they are in the purchase lifecycle, and listen to their needs based on data points gathered from various channels."

The Future Of Customer Loyalty

As SoLoMo shopping behaviors continue to evolve, retailers are recognizing the financial and customer engagement opportunities that come with revamping loyalty strategies and programs.

"The future for retailers is omnichannel loyalty, and it begins now," Dunlap explained. "The customer recognition, personalized treatment and loyalty value proposition needs to be consistent, regardless of channel being used. And just like any other corporate initiative, omnichannel loyalty strategies require an enterprise-level commitment, complete with involved C-level support."

To create more personalized brand experiences, retailers are asking shoppers to share detailed insights on their location, age, and other information, according to Tim Ritchie, VP of Sales and Account Management for OpenMarket.

"This information should be combined with purchase history and other engagement history – like technical support queries – for that particular customer to deliver a personalized experience," Ritchie explained. "Loyalty is driven by relationships, and strong relationships are built when consumers feel understood and valued. Fortunately, the tools and communication vehicles exist today to deliver this experience."



In fact, it is more important than ever for retailers to refresh their loyalty programs to address these new and emerging customer engagement strategies, according to Liuzzo.

“Having a foundational program with elements related to each channel — social, mobile, in-store and online — is a potential option to complete this update,” she reported. “Loyalty programs can be tailored to drive behaviors in specific channels when necessary and in turn, create a connection with consumers.”

Although traditional loyalty programs were developed with the goal of igniting purchases and driving foot traffic, this is no longer a top priority for loyalty, Baird explained. Instead, retailers must focus on leveraging tools and strategies to drive customer engagement and delight.

“The key is to create experiences, not offers,” Baird explained. “The more you delight a customer, the more loyal they will be to you. That means over-delivering on what you promise.”

Retailers should focus more on exclusive experiences that they can provide their most loyal shoppers, Baird added. “Hopefully they will invest more in putting a genuine local face on their brand,” she said, “utilizing targeting and segmentation to great better offers and targeting that next level of granularity in how they engage with their shoppers.”



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