

DON'T STOP BELIEVIN'

As retail marketers prepare for the 2009/10 holiday key selling period, **Matty Soccio** investigates how investment in online strategy, as well as a consideration of consumer trends, will be essential for success.





“Understanding consumers’ behaviour in relation to the products and services you sell is probably the precursor for defining that strategy.” STEPHEN OGDEN-BARNES, AUSTRALIAN CENTRE FOR RETAIL STUDIES

2009 will be a year where retailers will need to plan and execute marketing programs based on timely online research to survive the financial crisis.”

This is the summary of the ‘Retail Review Christmas 2008: Insights for Retail Planning’ report brought out by Hitwise in February 2009, following the federal government’s stimulus packages that were aimed to keep the country from heading into recession. The fact that the government timed the packages to arrive for this part of the year shows how incredibly important the health of Australia’s retail sector is.

The report goes on to reiterate a number of statistics explaining the state of online retail during that key holiday selling period (leading up to Christmas and Boxing Day sales) – appliance and electronics was a no-brainer with a 27.2 percent increase on 2007, with electronics driving the highest rates of paid search. One of the big surprises was the performance of the bricks-and-mortar retailers’ online offerings, which according to the report attracted a year-on-year growth of 19.2 percent.

To Stephen Ogden-Barnes from the Australian Centre for Retail Studies, this comes as no surprise. He’s adamant that if you can motivate people online to visit in-store, it’s an important part of the relationship a retailer can have with them.

“There’s no sense for retailing in driving people away from stores – that’s where the majority of the investment is still. You might be able to grow online sales independent of store sales, but you don’t want to grow online sales at the expense of store sales because that just means your economies of scale don’t work out. Some consumers just go to store, some look online and buy online, and some look online and buy in-store... getting people to visit your premises with a freshly printed voucher coupon or discount in their hand is, again, a nice additional point of motivation.”

But will the investment made in online retailing take away from the consumer retail experience? Ogden-Barnes doesn’t think so – the in-store performance of the bigger retail brands that have put huge amounts of spend into their online offering is an example of how a balance can be achieved, even if you’re an SME.

“I think it’s one of those ‘you can’t ignore the elephant in the room’ scenarios. Everything that we’ve come across research wise and in relation to consumer opinion shows that almost half of consumers here in Australia look online before they buy in-store (based on research that we’ve conducted for Google in the past 12 months).

“It’s as imperative now to have a web strategy as it was 100 years ago to have a print strategy,” continues Ogden-Barnes. “It’s now really a condition of entry for anybody serious about the market. Most large retailers have got it covered to an extent, have fully transactional websites, many of them have very good informational and promotional websites, but I think really their happy hunting ground is in the mid or the small market.”

How do small businesses get a presence, particularly when people are searching more locally? “I think there are already some good examples of mainstream retailers who have taken the challenge head on, companies like Myer, Supercheap Auto and BCF, but I think where more strategic thinking is to happen is in the mid tier of the markets, and certainly down to the independents and the stand-alone players,” says Ogden-Barnes.

One company that plays in the big boys’ arena is Dick Smith Electronics, a company that has been a staple of the Australian retail scene for many years. Jocelyn Forsyth is advertising manager at Dick Smith and is quick to report the importance of the company’s online offering in its overall marketing strategy. The challenge, indicates Forsyth, is to make sure that a balance is created between its already successful traditional marketing strategies and its online presence – something that all retailers struggle to achieve.



“Traditional media makes up a significant part of our overall marketing mix, with regular distribution of catalogues (letterbox/inserts), TV, press and radio. However, it also plays a role in driving awareness and traffic to our website.” JOCELYN FORSYTH, DICK SMITH

“Traditional media makes up a significant part of our overall marketing mix, with regular distribution of catalogues (letterbox/inserts), TV, press and radio. However, it also plays a role in driving awareness and traffic to our website. Our online offer is an important part of our business. The Dick Smith website provides another channel for customers to access our range, whether for research, checking availability in their local store or buying online for home delivery. We are continually investing in our website capability to ensure we are relevant to today’s online consumer,” explains Forsyth.

THEY’RE DOING THEIR HOMEWORK

Something that retailers need to take into account is that consumer awareness has become much more sophisticated in the past 10 years – access to product information is unprecedented, meaning that retailers big and small have to be sure that they have an online presence that will do justice to their in-store experience. The Hitwise ‘Retail Review Christmas 2008’ report points to a concerted effort by retailers to leverage their online presence to connect directly with their consumers, as a vast portion of con-

sumers themselves spend a significant amount of time on the web – looking for a new coat, shoes or that fragrance from Britney Spears.

Ogden-Barnes talks poignantly about retailers and their attitude toward online strategy, as if it is something that should be factored in but isn’t really given the budget required to produce anything useful. “When you’ve got half your consumers conducting at least part of their research online in relation to you, it’s really naive, to say the least, to think that you can’t or you shouldn’t

have a web strategy. It’s not a question really of whether you should or you shouldn’t; it’s more a question of how quickly you can get on top of it and how commanding your online presence should be.

“The other thing, of course, is people often assume that consumers are quite linear, so they’ll either buy online or buy in-store. Now we’re looking at blended consumers who may look online and buy in-store on one occasion, or who may look online and buy online on another occasion. Understanding consumers’ behaviour in relation to the products and services you sell is probably the precursor for defining that strategy. I think a lot of retailers in particular were quite undereducated in how people use their web presence and what they use it for,” explains Ogden-Barnes.

From Forsyth’s perspective, Dick Smith is making sure that it’s attuned to the needs of its consumers, having devoted much time and money to its website’s presence and, just as importantly, its usability. She accepts that due to the ever-increasing gap between customer knowledge and fast advancements in technology, consumers are searching for more information on products before making a purchase in fear of making the wrong choice.

“We’ve been in retailing for a long time and we know the way customers shop continues to change. Consumers are looking to research and buy products how and when they want. There will always be a need for retail stores to provide consumers with the opportunity to touch, feel and test the products they are interested in before they buy, but the online environment provides a unique opportunity for bricks and mortar retailers to extend their retail offering. We hope that Dick Smith is helping to bridge this gap for the consumer, offering advice and guidance in-store from our ‘Techxperts’ as well as educational information online,” asserts Forsyth. And it’s this educating of the consumer that retailers need to adopt.

Research by consumers isn’t restricted to online search. According to David Trewern, managing director of DT Digital-OgilvyInteractive in Melbourne, catalogues are still a popular marketing tool for Australian retailers – but he cautions those retailers who go for the easy option of replicating the same content from a catalogue on a website. It is, in his opinion, doomed to sour a potentially good consumer relationship. “Catalogues offer a great user experience in paper form, but a terrible user

experience when simply loaded onto a website using the same format. The benefit to consumers of researching online is the ability to search, share, bookmark, add to a wish list, find best sellers, and read reviews and recommendations. Putting a catalogue online that was designed for print is the equivalent of designing a car that looks like a stagecoach – it’s something consumers have to live with for the time being, but the sooner retailers invest in proper, functional product databases online, the better the online consideration experience will be,” stresses Trewern.

TAKE ON THE FUTURE; LEARN FROM THE PAST

At the 2009 Retail Forum and Expo in August, there seemed to be trepidation about how the retail sector would fare in the coming months – would it, along with the economy, pick up the strengths of previous years? Would online strategies help or hinder its triumphant rise to the top?

One of the key speakers was Ross McDonald, industry marketing manager for retail and consumer goods at Google, who spent his session like the search equivalent of a television evangelist – and why shouldn’t he? A very healthy percentage of Google’s revenue comes from the retail sector, a sector which

HOW ARE RETAIL CONSUMERS BUYING ONLINE?



PRANAV, 24, STUDENT

Do you research what you’re going to buy before you leave the house? Yeah, I normally do that to check the prices. The quality you can always judge at the store, but the prices you never know about until you are online. Being a student I always have the motive to save money.

Would you do all of your shopping online if you could, or do you still like visiting the store? I believe that you still need to go into the shop, because you need to look at the product before you buy it, as you’re investing money in it. But if it’s the kind of day-to-day kind of shopping that you’ve already bought before, then I don’t mind shopping online for that. It definitely saves time and resources.

What would you buy online that you wouldn’t go to a store for (or vice versa)? Probably groceries would be one of the things I would buy online, but apart from that would be electronic products, because if you have all the specifications of the products online you can already know what the quality will be. With electronics it’s usually the brand, the specs and the cost which all can be judged online.



JO, 59, ADMINISTRATOR

Do you research what you’re going to buy before you leave the house? No, I don’t, never. Say if wanted to buy a vase, I would just go to a shop where I know they sell really good vases, but I wouldn’t necessarily go on the net to see if I could get it cheaper in David Jones than in Myer.

Would you do all of your shopping online if you could, or do you still like visiting the store? I don’t enjoy the store experience at all, but because it’s only me on my own I don’t shop very much. I think if I had a family, I would definitely shop online.

What would you buy online that you wouldn’t go to a store for (or vice versa)? I possibly would buy groceries online to get them delivered.



SOPHIE, 23, MUSICIAN

Do you research what you’re going to buy before you leave the house? Yes, extensively. I’m well-known for it among my friends, which is slightly embarrassing. I want to make sure that I have all the information, that I can compare and I want to know that when I hand my money over I’m getting what I want.

Would you do all of your shopping online if you could, or do you still like visiting the store? I always like visiting the store, especially if it’s clothes, shoes or make-up – anything to do with fashion or my appearance, because you can’t try anything on online.

What would you buy online that you wouldn’t go to a store for (or vice versa)? Probably CDs. I have to source a lot of obscure CDs and sheet music and the only place I can buy it is online. I buy all my violin accessories online, because it’s much cheaper to buy it from the US and there aren’t very many stores around where you can buy that sort of stuff anymore. I guess it’s the hard to find stuff that I would only buy online.

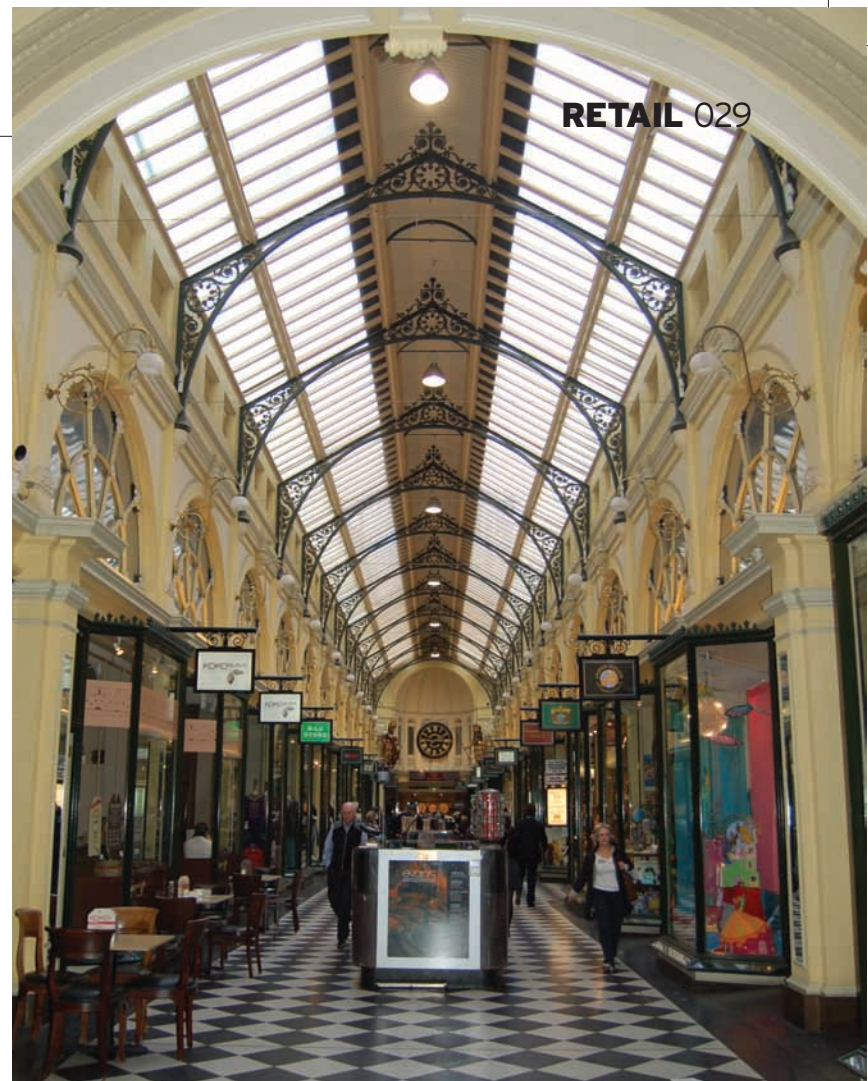
has offered it and other search engines new avenues of incomes, undreamed of in the past. Search essentially is the reason why retail marketers, whether they're from big corporations like Wal-Mart or SMEs, are screaming for the budget to expand landing pages and invest in online advertising.

But like Trewern, McDonald believes that integration is beneficial to both sides of the coin – and coin is what both sides are seeking after all.

“We think catalogues still have a vital role to play – in fact all of the promotional media still have a vital role. All that online has done is change perhaps the mix marketers might want to have, and the way that they work them together. We work very closely with people like Salmat... because we think it works well to have those different media channels match each other, support each other and get maximum leverage. Often we get asked what the catalogue of the future will look like. Our guess is that they will work more closely with the online channel. You might have more catalogues being distributed online, it might be through a sign-up mechanism, it might be through an online display portal that you're able to go and have a look at yourself. The way those two things work together will change, but they'll still both exist, and they're still both important to make shoppers come into your store,” says McDonald.

In terms of strategy for the upcoming key selling period, Trewern points to the fact that online retail in Australia lags behind the rest of the world (at three percent of all retail) and can easily double as a percentage of all retail sales simply to catch up. He believes that the shift will continue as the Google generation reach the peak of their spending power.

“Already in the US, some large department stores boast online sales in the order of 10 to 15 percent of total sales. Online players such as Zappos predict online will eventually reach 30 percent of all retail sales in the US.



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“Putting a catalogue online that was designed for print is the equivalent of designing a car that looks like a stagecoach.”
 DAVID TREWERN, DT DIGITAL-OGILVYINTERACTIVE

There is no question that this holiday season, more people than ever before, will start their shopping journey at a search engine such as Google.

“The strategy should be to augment ‘push’ advertising with great online content, that allows shoppers to ‘pull’ the information they want – to ensure capturing as much of the online consideration cycle as possible. Getting extensive and compelling content online as soon as possible is critical to achieving market share on search engines, and then to websites, in order to drive people into store when they are ready to buy,” explains Trewern.

And how will the economic situation in the rest of the world affect Australian retail marketing strategies? Ogden-Barnes indicates that the US and UK have seen the rise of the ‘prudent shopper’. One thing that seems to be having some traction with these consumers, says Ogden-Barnes, is retailers who provide additional motivation at point of interface – for example, the use of online coupons and downloadable discounts.

“This includes ‘online only’ specials you might find on specific websites like Catch of the Day or on multidisciplinary websites like Cataloguecentral.com.au – but Catalogue Central I think has had 100 percent revenue growth in the past 12 months. That’s people looking clearly to establish the best deals via catalogue, but from their desktop,” says Ogden-Barnes. He mentions a website called Great Deals Singapore that not only features vouchers and coupons that you can access and download from the site, but

it’s also got a Twitter stream and a Facebook profile, which brings the retailer extra traction. What advice would Ogden-Barnes give retail marketers in the run up to Christmas?

“Retailers certainly need the basics of web search optimisation – if I type in ‘fashion’ plus ‘Chadstone’, then Myer should come up. If it doesn’t then I’m missing the speculative visit. I’d

be saying to retailers, ‘What kind of consumer types do you have?’, ‘Can you start the dialogue now to incentivise them to visit between now and the key selling period?’ It might be part of a three-tier strategy: one might be awareness [look what’s coming for the new season], the second might be engagement [here’s a 10 percent voucher for you to bring in-store] and the third might be reward [thank you for purchasing in-store, here’s a further 10 percent for you to spend on your last-minute shopping]. Plant the seeds now – don’t just hit people with sale, sale, sale, discount, discount, discount,” suggests Ogden-Barnes.

As a part of a strong marketing strategy, any doom and gloom ‘buy now before it gets worse’ advertising will also not help retailers. While fear was rife going into the 2008 Christmas period, a positive communications message will help any retailer, if not the whole industry, earn big.

As Chris Dutton, editor in chief of Australia’s *Best Retail* magazine, put it in his July editorial, “People need to realise that the situation will get better – indeed, we’ve already seen the bottom of the market and things are definitely picking up again. Putting a positive spin on the economy will help get consumers into our stores and buying products again. If all they’re fed is bad press, then that is all that people will believe.”

For the retail industry to really get to its previous peaks of years past, ‘optimism’, for the lack of a better term, is good... and certainly needed. **M**