

Navigating the New

4 Levers That Activate Today's Brick-and-Mortar Consumers



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Can anything keep consumers from securing the goods and services they need from the brands and retailers they love?

As it turns out, the answer is no.

According to data collected by Shopkick, nearly <u>60% of consumers</u> said that shopping in-store had become more stressful than usual throughout the pandemic, and McKinsey and Company reported a <u>27% decrease</u> in yearly retail foot traffic during the pandemic. But brands and retailers still found a way to deliver.

Consumers changed their shopping behaviors, but they still kept shopping. They just adjusted by...



Shopping online more frequently to the tune of an additional \$105 billion in U.S. e-commerce (Digital Commerce 360)

Using buy online pick up in-store (BOPIS), curbside, and third-party delivery apps for same-day and next-day delivery (Harvard Business Review)





Shopping less frequently and changing the length of their store visits (Shopkick)

Increasing their average basket size when they do shop (McKinsey and Company)

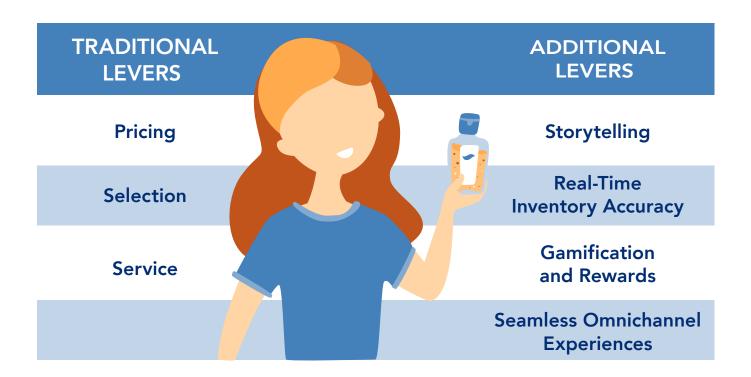


Today, shoppers are eager to return to their brick-and-mortar shopping experience. Even as COVID cases continue to surge and the retail landscape evolves, Shopkick reports that the majority of consumers are now doing the majority of their essential shopping (85%) and non-essential shopping (72%) in-store. But because of how their behaviors have changed, consumers now have new expectations for brands and retailers when it comes to the in-store experience.

The foundations of a good customer experience remain in place, with consumers preferring stores with the best pricing and rewards, selection, and service. But retailers and brands need to consider how they can adapt their approach to the shopping experience to build on how consumers have changed — and the new expectations they bring to the table.

"Adaptability is the name of the game," said Anne Mezzenga, Co-Founder and CEO of Omni Talk. "From grocery to apparel to other retail businesses, none of the retailers I'm hearing from are confident in what they're seeing now as a return to normal behavior. There's no resting point for retailers or brands — we're going to have to continue to evolve and stop relying on being able to predict the future."

In this white paper, we explore four new levers of customer experience retailers and brands can use to activate their consumer's interest and loyalty in in-store shopping:



"The lessons we have learned from 2020 are crucial to informing how retailers and brands should adjust their strategies. Physical retailers are not going away, they just need to be reimagined."

David Fisch, general manager of Shopkick¹

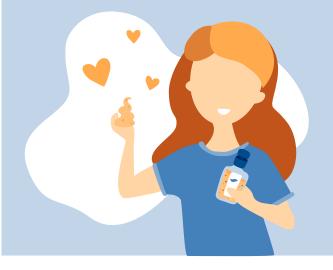
"The shopper can fire everyone in the organization from the chairman of the company on down by simply taking their money and spending it elsewhere."

- Sam Walton, Founder of Walmart²

NEW CONSUMER VALUE Emotional Connection and Values

Stocking issues and product outages had a significant impact on customer product loyalty over the past year.

McKinsey and Company reports that as much as <u>60% of global consumers</u> changed their shopping habits over the course of the pandemic.



Many shoppers became more brand-agnostic, prioritized product availability over a preferred brand name, and purchased store-brand products, citing value, availability, and quality as the main drivers for trying a different brand.

^{1 &}quot;2021 Shopping Outlook: Most Consumers Say the Pandemic has Changed Their Shopping Habits Forever," Shopkick, https://www.shopkick.com/partners/blog/2021-shopping-outlook-most-consumers-say-the-pandemic-has-changed-their-shopping-habits-forever.

2 Sam Walton: Made in America, My Story, with J. Huey (1990)

Shopkick data confirms these findings, reporting that <u>85% of consumers</u> said brand names no longer mattered in the height of the pandemic, and 69% would purchase a different brand if their preferred brand wasn't in-stock.

So, how do you make sure customers feel connected to your brand, or that your brand stands out on the shelf when customers are about to make a purchase decision? And how do you bring back formally loyal customers who might have strayed during the pandemic?

As it turns out, enabling your customers to develop an emotional connection with your brand's values is one of the most important levers you can pull today. In fact, as much as <u>88% of business leaders</u> said they believe now more than ever, companies must lead with purpose.

And according to Shopkick data, <u>68% of Americans</u> say the pandemic has made them more conscious consumers, with 38% stating they want to spend more money with brands that align with their personal values, and 45% stating they plan to shop more frequently at retailers or with brands that align with their core values.



"We're seeing this play out at a national level with brands and chains across the country making more investments in sourcing from Black and People of Color-run businesses," said Mezzenga. "Large retail chains know next gen customers are very vocal about issues like racial inequality, sustainability, and locally sourced products. When the brand or retailer chooses to be overt about that support, people who make a purchase with them feel a sense of accomplishment for contributing to the cause."

NEW LEVER Storytelling

The most powerful way for retailers and brands to create an emotional, values-based connection with consumers is to develop and share a brand story that resonates with the target audience.

In fact, AdWeek reports that a customer that identifies with a brand's story or knows a brand supports an important cause will be far less likely to consider the store brand product that's \$2.00 cheaper.³



Brands must make it easy for consumers to know they align with their values when they're shopping in-store through signage, packaging, placement, and creative digital solutions. Customers who see your products on the shelf should be able to quickly understand what your brand stands for and what story they will be a part of when they make a purchase. If you can't successfully communicate those messages, you relegate your brand to the faceless shelf that may or may not win on price when it's time to make a decision.

"Looking at their spend in local communities over the past year, retailers certainly saw people shifting their money to causes they believed in," said Mezzenga. "Certain segments of customers don't care if they're paying \$10 more for a product if they know it's sourced locally and for a good cause. There's an overwhelming feeling of wanting to be able to vote with your dollar, and that leads to a win-win-win for the retailer, brand, and consumer."

^{3 &}quot;How Cause-Related Social Marketing Drives Results for CPG Brands," AdWeak, https://www.adweek.com/digital/darsana-vijay-unmetric-guest-post-cause-related-social-marketing-cpg-brands/

Here are a few ways retailers and brands are incorporating storytelling to build emotional connection and values with today's customers:

• <u>Walmart's TikTok</u> strategy which includes incentivizing employees to post on the social media channel





- Procter & Gamble, owner of brands such as Tide and Old Spice, sponsoring the <u>"Widen the Screen"</u> campaign to confront instances of racial injustice
- Target's commitment to <u>spend \$2 billion</u> with Black-owned businesses by 2025



Over the past year, it's been even more important to our customers that we show up and positively impact their lives. This responsibility has never been more important than it is today.

- William White, CMO at Walmart⁴

In the past, brands might not have had to think about expressing their values, but today people want to know. If you say nothing, you're saying something. You need to tell your story at the shelf-level to capture and maintain the interest and loyalty of your customers.

- Brad Godwin, Regional Vice President at Shopkick

 $^{4\ &}quot;Walmart\ CMO\ William\ White\ on\ navigating\ shifting\ shopping\ behaviors,"\ The\ Drum,\ https://www.thedrum.com/news/2021/08/19/walmart-cmo-william-white-navigating-shifting-shopping-behaviors$

"People buy products that represent what they stand for and that align with their values. The challenge before brands is telling your authentic story across the whole customer journey."

 Lee Esmond, Senior Vice President for U.S. Shopper, Experiential and Retail Marketing at Mosaic

Click here
to learn more
about storytelling
for retailers
and brands



NEW CONSUMER VALUE Knowing What to Expect



Whether BOPIS, curbside pickup, or delivery, using technology to organize and place orders for retail and grocery goods gave customers unprecedented digital insight into what's on the shelf at their local retailer. It's also given them countless experiences of placing an order for a product only to be disappointed by an inconvenient out-of-stock notice due to supply chain delays.

According to Shopkick data, <u>72% of consumers</u> found prolonged periods of out-of-stock products the most stressful aspect of the in-store experience during the pandemic.

As consumers head back in-store, they'll want ongoing reassurance that the store has exactly what they need, just as if they were to order online.

Not only is this a matter of building trust when a retailer truly has what it says it has in stock, but it's also a matter of convenience. For some consumers, the products available determine which retailer they'll shop with. You don't want a customer to make a special trip to your store only to find the product they need out of stock. And when they show up to walk the aisles, they'll want organized, visually appealing store shelves. Especially in an era when consumers are sensitive to cleanliness, a messy store feels unsanitary.

"Retailers should be asking themselves, 'How am I paying off convenience to my customer?' and 'What do I need to work on with a brand so customers know they'll get exactly what they want when they order from my store?'" Mezzenga said. "The foundational elements of convenience come from the point of sale system, order management, and inventory accuracy."

NEW LEVERReal-Time Inventory Accuracy

Merchandising is more than just a back of the store issue. Retailers need to make sure they adopt cutting edge technology to fulfill all the different modes of delivery, from BOPIS orders, ship from store, curbside, and more.



A cloud-based retail analytics and execution platform like <u>Trax</u> can offer SKU-level visibility to changing store conditions so customers know exactly what they'll get when they head in-store. Merchandising technology keeps your store in order and gives you visualization where you might not have had it historically, allowing you to deliver on the clean, full-stocked store experience consumers demand.

Mezzenga notes that real-time inventory accuracy also enables brands to have more control over how customers experience their products in-store and in-app, too.

"We're seeing that more can happen on the brand side, especially in e-commerce and shopping apps," said Mezzenga. "Updated product images, descriptions, and pricing, not to mention having insight into delivery logistics and replenishment is helping influence decisions retailers are making when determining products they're going to stock."

Trax has found that on average, <u>8% of a retailer's products</u> are out-of-shelf, causing a 4.1% loss in sales even though back rooms have the items in inventory. By using advanced technology like shelf-scanning robots, digitized shelves, and autonomous in-store cameras, retailers can reduce out-of-shelf situations by 35% and increase sales by 1%+.

"We've conditioned a new customer, one that has made a determination we've never seen before: When and how I can get a product now trumps who I can buy the product from. Inventory accuracy used to be a nice-to-have, but now it's a critical component of customer loyalty."

– Anne Mezzenga, Co-Founder and CEO Omni Talk

NEW CONSUMER VALUE Fun and Rewarding Experiences

With essentials frequently out-of-stock and many consumers prioritizing low prices during the pandemic, consumer brand loyalty changed in an instant. But as life returns to normal, retailers and brands need to get back to building genuine long-term loyalty rather than focusing on one-time sales and competing based on price alone.

While retailers and brands have traditionally offered price reductions or coupons to drive purchases, a focus on adding value avoids the long-term focus that comes with discounting strategies. The shift from transactional discounts to fun and rewarding experiences is an important one, as it trains customers to be loyal to the brand and the experience, not the price. Brands and retailers that use Shopkick bring the focus to rewards instead of discounts as a brand-aligned way to create positive associations in shoppers' minds and avoid margin dilution.



NEW LEVER Gamification and Rewards

Rewards can facilitate that transition by providing a meaningful value exchange, essentially thanking customers for purposefully choosing them.



"One-dimensional shopping is over — people want to engage with the brands they buy," said Lee Esmond, Senior Vice President for U.S. Shopper, Experiential and Retail Marketing at Mosaic. "Gamification ups that sticky factor that encourages customers to stay in the store and engage with a brand."

Consider the following ways retailers and brands are delivering a fun and rewarding experience with gamification:

- •Halo Top ice cream partnered with Shopkick to drive in-store engagement and sales while also scaling distribution nationally by rewarding shoppers for viewing engaging video content, interacting with products at-shelf, and making a purchase.
- •Sally Beauty launched an in-store program called Colorview, where customers virtually try out hair colors before purchasing the hair dye using digital screen kiosks.
- •Kraft worked with Shopkick to develop an in-store scavenger hunt that delivered elevated rewards to customers who found or purchased three unique items, resulting in 18 million impressions of the brand's advertisements and a 7.6:1 ROI.

"The goal is to make shopping something that isn't 'I have to do this,' but 'I get to do this.' Note that one-word shift:

Do I have to go to the store or do I get to go to the store?"

- Brad Godwin, Regional Vice President at Shopkick

"Being in the store drives engagement, inspiration, and aspiration, but retailers have to give shoppers a reason to come in, whether that's entertainment or an experience."

Lee Esmond, Senior Vice President for U.S. Shopper,
 Experiential and Retail Marketing at Mosaic



NEW CONSUMER VALUEConsistency Online and Off

Even though consumers are excited to get back to in-store shopping, they've become accustomed to seamless omnichannel experiences that blend digital with physical. Consumers no longer view shopping as a choice between in-store or online — a survey from **Deloitte** reveals that consumers want the best of both worlds: personalized interactions combined with the convenience of digital.

Retailers and brands need to find ways to seamlessly integrate the at-home and in-store experience, using at-home messaging to drive in-store visits. Meet consumers where they want to be met and provide them with control over how they engage with and purchase a product.



NEW LEVERSeamless Omnichannel Experiences



When considering how to ensure you're presenting a seamless omnichannel experience, Mezzenga recommends retailers start with evaluating areas of success over the past year. What are customers most happy with? What are customers most frustrated with? Let those answers dictate your priorities in-store.

"Listen to your customers as to whether you need to focus on technology or customer loyalty or merchandising," said Mezzenga. "Retailers can apply an agile mindset to how they approach their business. Much like a software product, priorities are constantly moving and it's up to the retailer to decide on the top three each week."

Here are a few ways retailers and brands are building consistency and trust with today's customers through consistent omnichannel experiences

•Retailers like <u>Target</u>, <u>Walmart</u>, and more are increasingly offering an omnichannel experience where customers can use their loyalty program or app as their dashboard for all shopping, including shipping to home or store, BOPIS, curbside pickup, or same-day delivery





•<u>Timberland</u> uses near-field communication (NFC) technology to connect shoppers to in-store products and additional information online via tablet. As the shopper uses the tablet, the technology makes suggestions based on the items the customer selects in order to provide a more customized and personal shopping experience.

•Brands like P&G, Unilever, Church & Dwight and more utilize Shopkick's **full-funnel engagement** approach to connect with consumers whether they're shopping from home, on-the-go, or at physical retailers.



"Customers today have so much choice that every interaction now matters more. You don't have three opportunities to get them back into the store anymore."

Anne Mezzenga, Co-Founder and CEO Omni Talk

Embracing the opportunity to re-engage and re-envision

Practically overnight, the pandemic forced all businesses to shift focus and restrategize. For some brands and retailers, it was a matter of staying afloat. For others, it was a matter of innovating and iterating fast enough to keep up with demand and embrace the opportunity to meet a rapidly growing need. The brands and retailers that will thrive are the ones that are able to assess and react to changes in consumer behavior and their preferences for new levers of storytelling, real-time inventory accuracy, gamification and rewards, and a seamless omnichannel experience.

Shopkick helps leading brands and retailers drive engagement and loyalty whether consumers are back to brick-and-mortar, or shopping from home. Our unique omnichannel approach enables our partners to authentically connect with shoppers, elevate their experience, and meet their new expectations as the shopping landscape continues to evolve.



To learn more about how Shopkick can help you optimize your omnichannel strategy, contact us at partners@shopkick.com

Shopkick, a Trax company, is a leading shopping rewards app, bringing moments of joy to everyday shopping – both on- and off-line. For brands and retailers, Shopkick provides high consumer engagement along the entire path to purchase. The company's unique pay for performance model has been proven to deliver high ROI, driving incremental traffic, product engagement, and sales. Some of its leading brand and retail partners include Barilla, Kellogg's, P&G, Unilever, Best Buy, and TJ Maxx, among others.