



# Retail CRM 2017:

Customer Engagement and Loyalty  
Trends Retailers Can't Afford to Ignore

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# A letter to the modern retail executive...

Dear Retail Executive,


In the past decade, the business of retail has changed forever. You see it in every one of your stores. You hear it when you talk to customers. Through your digital channels you have borne witness to the wholesale reinvention of the shopping journey.

For generations, retailers held firm to the “build it and they will come” mentality: build stores, develop assortments that appeal to target markets, roll out campaigns and offers, and repeat as needed. The theory generally held, and shoppers flocked to their stores, opened their wallets and surrendered their loyalty with abandon.

But times have clearly changed. Consumers essentially have all the power. They have unlimited and unfettered access to information. They compare products, prices and reviews with the click of a mouse or tap of a screen.

As a result, their expectations have reached unprecedented new heights: they expect personalized experiences, relevant offers, and to receive products when and where they want them. And they have very little tolerance for disappointment.

Retailers that have invested a significant amount of time, energy and financial capital into designing new experiences have had great success. These progressive organizations have successfully met – and in some cases even *reset* – shopper expectations. **Amazon**, for one, has achieved unprecedented success by offering fast and easy access to a virtually limitless variety of products at highly competitive prices. Fast fulfillment options, offered at no additional cost through Amazon Prime, coupled with Dash buttons, satiate consumers’ appetite for retailing on-demand.



**Rent the Runway**, on the other hand, has put capital into creating a curated fashion experience where consumers can rent apparel and accessories from coveted brands. Peer reviews, user-generated images, and detailed data around different body shapes and garment fit, help Rent the Runway shoppers make the best decisions.

These two brands merely scratch the surface on the innovation occurring in the retail industry today.

As brands like these continue to disrupt the competitive landscape, and consumers' browsing and buying behaviors continue to evolve, retailers need to stay in tune with the latest trends and must constantly adapt. Our experience tells us that successfully adapting and evolving to relentless disruption requires a tenacious awareness of retail's new power broker: the consumer.

Deep, persistent and ubiquitous customer insight has become retail's new imperative. Without it, staying aligned to shifting expectations and evolving shopping behaviors becomes impossible. "Educated guesses" are too often wrong, leading to far too many dollars spent and too many opportunities missed.

To help your organization grow, evolve and innovate, we've compiled a list of CRM-related trends that we believe will become critical to helping your organization gather, analyze and leverage customer insights. As a result, we hope you will be better able to anticipate and exceed consumer expectations in 2017 and beyond.

We hope you find this white paper valuable as you plan your campaigns and strategies moving forward.

Sincerely,

The *Retail TouchPoints* Editorial Staff  
and the CRM Team at Aptos

# Trend #1: Marketing and merchandising will continue to converge

More than half (56%) of retailers say customer data and analytics are “very important” to their success and 47% say tailoring assortments to customer preferences is a top priority for improving merchandising processes, according to [Retail Systems Research](#).

To truly become “customer centric,” however, retailers need to ensure that the customer plays a vital role as the “fourth branch” of their planning tree, right alongside product, location/channel and time. And for most retailers, that has proven challenging. In fact, in the [2016 Retail Systems Research Merchandising Benchmark Report](#), understanding customer preferences was the business strategy challenge cited most often by retail respondents.

Despite the challenges, the fact remains that the day-to-day goals and requirements of marketing and merchandising are becoming more similar and interconnected. Both departments directly serve the customer and both departments rely upon a combination of art and science to capture their attention (and, hopefully, their wallets). Incorporating shopper insights and data into their planning strategies has now become even more critical.



56%

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of retailers say tailoring assortments to customer preferences is a top priority

However, we have yet to see a large number of retailers make such a dramatic move to bring merchandising and marketing together. In fact, far more have been slow (or even reluctant) to merge. Only 26% of merchandisers say they collaborate daily with their marketing counterparts, according to the [2016 Merchandising Maven](#) survey from Retail TouchPoints and Aptos. Others are satisfied if they connect on a weekly, monthly or even yearly basis.

Even if some retailers are not yet ready to go “all in” and make the customer part of their planning hierarchy, every retailer needs to give their merchandise planners access to relevant CRM data so that they can access customer information in their dashboards and reports. This will help give the customer greater influence on merchandise plans, price lines, and assortments, and help merchants tailor their approaches to specific markets and audiences.

Only **26%** of merchandisers say they collaborate daily with their marketing counterparts.

- APTOS/RETAIL TOUCHPOINTS

## Trend #2: Marketing attribution at the customer level will be key to success

Just like every snowflake is unique, each shopper has her own unique characteristics, preferences and behaviors. Through a survey of 1,000 American shoppers, [PowerReviews](#) found that consumers' go-to browsing channels vary widely. More than one-third of consumers (38%) start on Amazon, while nearly as many turn to search engines (35%). Others, however, still lean on brand or retailer web sites (21%) and e-Commerce marketplaces, such as eBay and Etsy (6%).

In addition to search engines and shopping sites, an increasing number of consumers turn to couponing platforms, content hubs and social networks to discover and share products. As the number of shopping channels and touch points continue to proliferate, omni-channel shopping journeys become more complex and difficult to track. It can be a dizzying process for marketers to take all these channels into account and, most of all, measure their impact on customer engagement and sales.

While retail products and services purchased online still only account for 7.4% of the global retail market in 2015, according to [eMarketer](#), digital marketing, social media and e-Commerce combined are mission-critical elements of any comprehensive retail marketing strategy. The complexity and challenges inherent in understanding the reach, influence and conversion power of these varied and fluid channels, offers and promotions can be overwhelming.

And when you add the physical store into the mix – especially with the rise of showrooming, web-rooming and other integrated experiences such as endless aisle – most retailers struggle mightily to maintain the influence thread from email to web site to social network to store.

Unfortunately, when the thread is cut, so are the analytics. Without sophisticated technology in place to stay connected to every shopper in every channel and every touch point, critical analytics are lost, and key questions regarding offer, message and campaign performance, remain unanswered.

**38%** of consumers start their shopping journeys on Amazon.

- POWERREVIEWS



Over the next year, leading retailers will focus on eliminating those broken threads. They will begin implementing tools and platforms that allow them to connect digital behaviors with in-store sales, so they can get a comprehensive view of shopper behaviors, as well effective attribution of behaviors across channels. Doing so will have a profound impact on the future of digital marketing and engagement, because when retail marketers better understand the path-to-purchase and which channels drive action, they can refine and optimize their marketing investments at the consumer level.





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## Trend #3: Data and actionable intelligence will continue to flow into the store

It's no surprise that there is still a significant knowledge gap between consumers and store associates. While shoppers can easily take their phone out to access information, many employees do not have comparably seamless access to the same information. This lack of information and insight does a disservice to everyone involved: the retailer, the associate and most of all, the customer.

Over the next year, we'll see more retailers roll out enterprise technology and applications to empower associates while they're on the store floor. Although 91% of sales associates strongly agree that positive interactions with shoppers result in higher conversions, 94% believe they need more advanced technology, tools and training that they currently don't have access to, according to [Grail Research](#).

Whether it's in the form of tablets, smartphones or wearables, technology can empower associates with real-time access to comprehensive shopper and product information, so they can extend the personal shopping experience to *all* consumers. Retailers can also leverage in-store Wi-Fi data and beacons to alert shoppers of offers relevant to their profiles and to notify associates when high-value customers walk in the store.




**91%**  
of sales associates agree  
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For example, **True Religion** uses tablets, Apple watches and large digital screens to create immersive, high-touch service experiences. With new CRM integration and clienteling functionality, True Religion store associates obtain detailed insights into shoppers' overall lifetime value, the products they've purchased, purchase frequency and other important data points. Not only does this data help employees better serve customers while they're in store, but it also gives associates an inclination of shoppers' likes and dislikes, so they can call them, text them or send an email if similar products are available.

True Religion loyalty members opt in to the mobile app, which integrates with geo-fencing and in-store beacons. Whenever an opted-in customer walks into a store, associates are alerted via haptic response on the Apple Watch. They can then tap into the back-end system to uncover the shopper's personal information so they can begin the conversation armed with the insights they need to personalize the interaction.

We've seen a few high-profile examples of clienteling similar to True Religion over the years. But in 2017, this trend is truly going to take hold. Retailers are realizing the customer engagement and bottom-line benefits and, in turn, are looking for new ways to empower associates so they have better, more profitable conversations.

A woman with long brown hair, wearing a dark sleeveless top, is in a retail store. She is holding a tablet in her left hand and reaching up with her right hand to touch a blue garment hanging on a rack. The store has dark wood shelving and various items on display.

**94%** of store associates believe they need more advanced technology, tools and training that they currently don't have access to.

- GRAIL RESEARCH

## Trend #4: Brands will bring experiences to consumers... wherever they are

In 2017, experiential retail will reach an entirely new level. In addition to adding experiences to their stores, retailers in much greater numbers will bring their brands, products and the point of sale to customers as they attend events that enrich their lives.

A variety of retailers, such as **Bloomingdale's**, **Rebecca Minkoff** and **Whole Foods**, hold events, product demonstrations and trunk shows in stores. Other brands have added an experiential layer to their stores. For example, Reebok has stores outfitted with Crossfit gyms, training classes and locker rooms, so consumers can live the fit life the retail brand represents.



Over the next four years, non-essential categories, such as vacations and dining, will see the greatest gains in overall spending, according to [Intel](#). Some best-in-class brands have already made this transition in light of the research that indicates that more people find experiences more valuable than things. Some recent examples include:

- ▶ **Casper:** The quirky mattress manufacturer [puts a napping hub on wheels](#) (literally), and travels the U.S. to make tired folks feel at ease.
- ▶ **Alton Lane:** This men's apparel manufacturer and retailer takes a similar approach by sending its branded Airstream trailers to events – and even consumers' front yards – so they can enjoy a glass of whiskey and get fitted for luxury suits.
- ▶ **H&M:** The fast-fashion behemoth considers Coachella a [go-to festival](#). For this year's festival, the brand "tent" was outfitted with air-conditioning, beverages, charging stations and Wi-Fi. A video booth added a fun, interactive touch, allowing consumers to take a tour through the colorful desert landscape.

Technology plays an important role in creating a more immersive and enjoyable brand experience at these events. Some examples include:

- ▶ **Smartphones** that enable an endless aisle experience and facilitate the online purchasing process;
- ▶ **Tablets** that tout product recommendations and inspiration based on customer data;
- ▶ **Digital displays** that tout user-generated content and social posts featuring the brand or event hashtag;
- ▶ **Interactive photo booths** that engage customers in the moment and collect email addresses so they receive a free copy of images; and
- ▶ **Augmented reality technology** that allows consumers to digitally try on items before they buy them.

The technology options are practically endless. To be successful, though, retailers will need to be strategic about the events they partner with – identifying the supporting brands, causes and happenings that captivate target customers. Most of all, they will need to think carefully about how they can adapt their brand experiences to these events in authentic ways, and how they will use technology to maximize the engagement potential of each event.



Nonessential purchases, such as vacations and dining out, are expected to increase by **27%** over the next four years.

- MINTEL

## Trend #5: Loyalty programs will get a makeover

For decades, loyalty programs have played an integral role in retailers' marketing and engagement practices. And while loyalty programs may vary in their strategy and design, their value in attracting shoppers is undeniable. Up to 86% of consumers say loyalty programs are worth the effort and 83% say they're more likely to continue doing business with certain companies because of their loyalty programs, according to Bond Brand Loyalty's [2015 Loyalty Report](#).

Retailers also still believe loyalty programs are key to communicating with consumers in a consistent way. In fact, 64% of retailers say their loyalty and rewards programs are the best way to connect with consumers, according to [Forrester Research](#).

However, the old-school approach of sending one-size-fits all offers and batch-and-blast messages will separate the retail losers from the winners. These generalized tactics are negatively impacting consumers' overall engagement with loyalty programs and, in turn, retailers' results. Although Colloquy's [2015 Loyalty Census](#) noted that U.S. loyalty program memberships exceeded the three billion mark and the average household belongs to 29 loyalty programs, they are active in just 12.

Over the next year, we'll see more retailers refine or completely overhaul their loyalty programs to create more relevant offers and incentives, and even experiment with more experience-driven rewards, such as exclusive access to new product lines, sale events or parties.

For example, Nordstrom [expanded its loyalty program](#) by allowing *all* consumers to participate and rake in rewards. Previously, program members had to be private-label credit card members. While Nordstrom Visa credit card holders still reap a number of unique benefits, all shoppers can participate: non-credit cardholders earn one point for every dollar spent and credit card holders earn two points. Cardholders do however receive exclusive early access to annual anniversary sales, private holiday shopping parties and more.

**83%** of consumers are more likely to continue doing business with certain companies because of their loyalty programs.

- BOND BRAND LOYALTY



In 2017, retailers will use customer insights to build more enticing loyalty programs for their best customers. Using CRM, POS and other forms of unstructured data, retailers will develop a 360-degree view of customers, their behaviors, preferences and desires. They will use this data to tailor offers and rewards at the segment or individual level. As consumers participate in programs, retailers will be able to track their activity (across all digital and physical channels), as well as their purchase frequency and lifetime value, and ensure they're engaging high-value customers.



## Trend #6: Retailers will need to prepare for the new wave of shopper: the Centennial

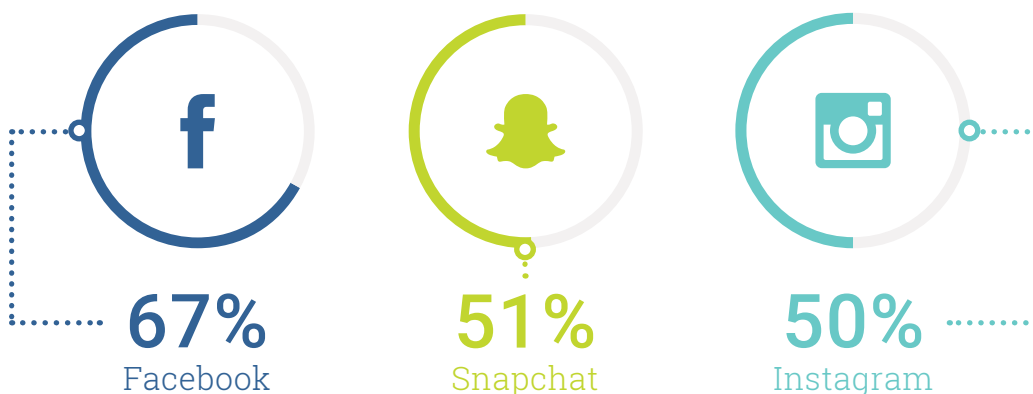
Retailers have been buzzing about Millennials for quite some time, but now they already need to plan for another consumer group: Centennials.

Centennials, also known as Generation Z or iGeneration, were born in the digital age. Millennials were growing up as we transitioned from dial-up Internet connection to Wi-Fi and from beepers to iPhones. Centennials, however, were born and bred in the connected era.

Mintel estimates that Centennials have approximately \$200 billion in annual spending power when their influence on parental or household purchases is factored in. And as this generation matures and eventually enters the workforce, they will only acquire a larger share of the commerce pie. Retailers will need to keep a constant pulse on this audience, test new engagement channels, and craft offers, marketing campaigns and assortments that resonate with these consumers.

Centennials are digital natives through and through. They have no qualms about consulting multiple sources and information streams to learn about new trends, especially social networks: Nearly three quarters of Centennials spend more than two hours on social networks each day, while 44% spend more than four hours every day, according to [Fluent research](#). And although 67% of Centennials say Facebook is their most-used platform, Snapchat (51%) and Instagram (50%) are close behind. As a result, retailers will need to test different campaigns and engagement tactics through these channels in the future and see how they perform.

Top social networks among Centennials



In addition to being social butterflies of sorts, Centennials are extremely price-conscious. They grew up in the midst of the economic downturn of 2008 and, as a result, always try to get the most value for their dollar. They gravitate to brands like Forever 21 and H&M because they're trend-focused, fashion-forward and extremely cost-efficient. But retailers don't need to hop on the fast-fashion bandwagon to capture this group's attention. According to Ernst & Young research, 80% of teens say free shipping and delivery is important to them, while 77% want special sales or discounts and 50% want flexible return policies.

Whether retailers want to experiment with new social networks, such as Snapchat, or refine their shipping policies to appease these consumers' frugal tendencies, they will need to use data and insights to better understand Centennial behaviors and preferences. Social data and analytics will be especially valuable as retailers strive to better engage these younger shoppers on an individual level and understand what truly makes them tick.



Centennials spend **\$200 billion** annually when their influence on parental and/or household purchases is considered.

- MINTEL



## Trend #7: Social good will become an imperative for all brands

Because consumers have access to more options than ever, it is no longer realistic or efficient for retailers to try to compete solely on price or product diversity. Consumers can easily tap into a comparison engine – or even Amazon – to find a variety of products at competitive prices.

When searching for opportunities to differentiate, leading retailers in the coming year will capitalize on consumers' desire to do business with brands that are doing good for local communities around the world.

Up to 90% of global consumers say they trust companies more if they address social and environmental issues, according to [Cone Communications research](#). Nearly as many (88%) say they'll be more loyal to brands that support specific causes that benefit the world in some way.

Consumers are the most loyal to brands that support the same causes they do, and contribute to efforts that matter to them. If the preceding data wasn't enough proof, more than half (55%) of consumers even say they're willing to pay more for products and services from companies that are committed to positive social and environmental change, according to [Nielsen](#).

In 2017, we'll see consumers continue to gravitate to brands that focus on social good, as well as humanitarian and charitable causes. Of course, retailers can embrace social good and charity in different ways. For example, **TOMS** and **Warby Parker** embed charitable giving into their businesses' DNA. For each purchase, the brands give a like item to a person in need, showing consumers that their purchases make a direct impact. Other retailers incorporate charity into the point of sale, which 55% of consumers say they appreciate, according to [Good Scout data](#). Moreover, 60% of shoppers said they "felt positively toward the retailer after being asked [to contribute]."

Retailers should use structured and unstructured data to better understand which issues and causes matter most to their target audience. And if retailers are just beginning their charitable efforts, they should start small with a single program or campaign, and scale up accordingly, based upon how consumers respond.

**88%** of consumers are loyal to companies that address social and environmental issues.

- CONE COMMUNICATIONS





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## About Aptos: “Engaging Customers Differently”

In an era of virtually limitless choice, sustained competitive advantage only comes to retailers who engage customers differently by truly understanding who they are, what they want and why they buy. At Aptos, we too, believe that engaging customers differently is critical to our success. We are committed to a deep understanding of each of our clients, to fulfilling their needs with the retail industry’s most comprehensive omni-channel solutions, and to fostering long-term relationships built on tangible value and trust. More than 500 retail brands rely upon our Singular Commerce platform to deliver every shopper a personalized, empowered and seamless experience, no matter when, where or how they shop. Learn more: [www.aptos.com](http://www.aptos.com)



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## About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich website featuring daily news updates and multi-media interviews at [www.retailtouchpoints.com](http://www.retailtouchpoints.com). The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

