Data Wars:

A deep dive into the
transformation of retail

ClickZ

Contents

An Introduction

The idea of collecting customer data is not unique to the digital age.

Long before social media, email, mobile, or even the internet, retailers took note of which items were selling to specific customers in order to keep products customers wanted in stock (as well as avoid wasting money on products they didn't), but also so they might offer personalized experiences to valued customers.

The ability to greet regular customers by name and offer them product suggestions based on items they've bought in the past has been an integral part of good business for as long as retail has existed. And loyalty programs offering rewards to customers based on purchase history have been around since the nineteenth century.

However, the digital era has given customers virtually limitless access to brands. Buyers are generally interacting with retailers on websites, social media, search, email, and myriad other ways -- all before they ever make their first purchase.

All those touches mean better insights for retailers looking to create personalized experiences for buyers. But increased access to consumer data comes with a new set of problems. Most retailers, both ecommerce only and brick-and-mortar with ecommerce, are absolutely flooded with data.

Managing all of this data has become time-consuming, costly, and not always helpful for shaping strategy. And

unfortunately, not all data is good data. Poor quality data can take a business from semi-informed to misinformed. For instance, last-click attribution models give 100% of the credit to the final touchpoint in the buyer journey, ignoring all the other ways a customer may have interacted with a brand on their journey to purchase. Relying on narrow, misleading data could mean wasting ad spend on channels that don't necessarily convert.

A recent study by ClickZ and Fospha found that businesses are using seven solutions on average to extract insights from their data. And of those respondents, 34% said that their companies analyze less than 20% of all data available to them.

In order to better understand the challenges retailers face when it comes to collecting and analyzing data, Fospha and ClickZ surveyed ClickZ's audience of senior brand-side marketers within the retail industry about the data they collect and their strategies for using that data.

Survey methodology

The main focus of this report is to explore the ways that the influx of data in the digital age is changing the retail industry, both online and offline, along with identifying the challenges marketers face when it comes to using consumer data to gain insights into the customer journey and path to conversion.

The report also features recommendations from data experts at Fospha for a data-driven approach to mapping the customer journey and offering customers greater personalization at scale based on first-party insights.

For this report, ClickZ surveyed 235 senior brand-side marketers in the US and globally in March 2019. Respondents were split between ecommerce only marketers (52.0%) and senior marketers for businesses focused on both ecommerce and brick-and-mortar (53.2%).

The survey was comprised of 23 questions covering the types of data respondents collect, the ways in which they are using that data, and challenges they are currently facing around data. It also asked questions around senior marketers' thoughts on the future of the retail industry.

The quantitative data collected in this study was used to provide insights into the progress the retail industry has made in terms of efficient collection and usage of data, as well as to provide a look at what progress has yet to be made.

Key findings

48% of ecommerce with brick-and-mortar businesses expect an increase in sales from third-party sellers (Amazon etc) and **49% of ecommerce only** also expect an increase.

68.9% of respondents say that increasing customer retention and customer lifetime value is what they are trying to achieve. **Yet, only 10% of organizations** feel they are using customer data effectively.

Both ecommerce only and ecommerce with brick-and-mortar **see Amazon as the biggest threat** to their organization as well as technology, a lack of time, and AI.

Only 39% of ecommerce only businesses stitch together customer journeys. **16% of ecommerce with brick-and-mortar** businesses say it is not a priority for their business.

SECTION 1:

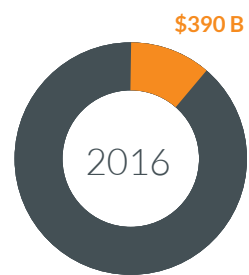# The changing face of the retail industry

There was a time when needing pet supplies, groceries, and electronics meant an afternoon spent sitting in traffic, running in and out of stores, comparing prices, and finally, coming home completely exhausted.

The ecommerce revolution means that consumers are increasingly choosing to forego giving up precious free time spent running errands and opting to shop online instead.

In fact, 2018 marked one of the biggest years for ecommerce yet. The US Commerce Department estimates that last year, American consumers spent $515 billion online. That number is up from $453 billion in 2017 and $390 billion in 2016, a 15% increase.

In the UK, consumers also spent more money online than in years past. According to eMarketer, online spending was up 4.7% in the UK for 2018 for a total of £466.15 billion (or $600.21 billion).
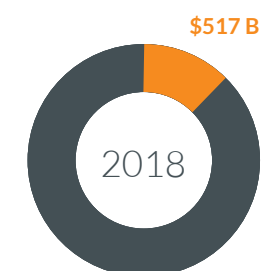
U.S Ecommerce vs. Total Retail sale

$390 B
2016
$3,375 B

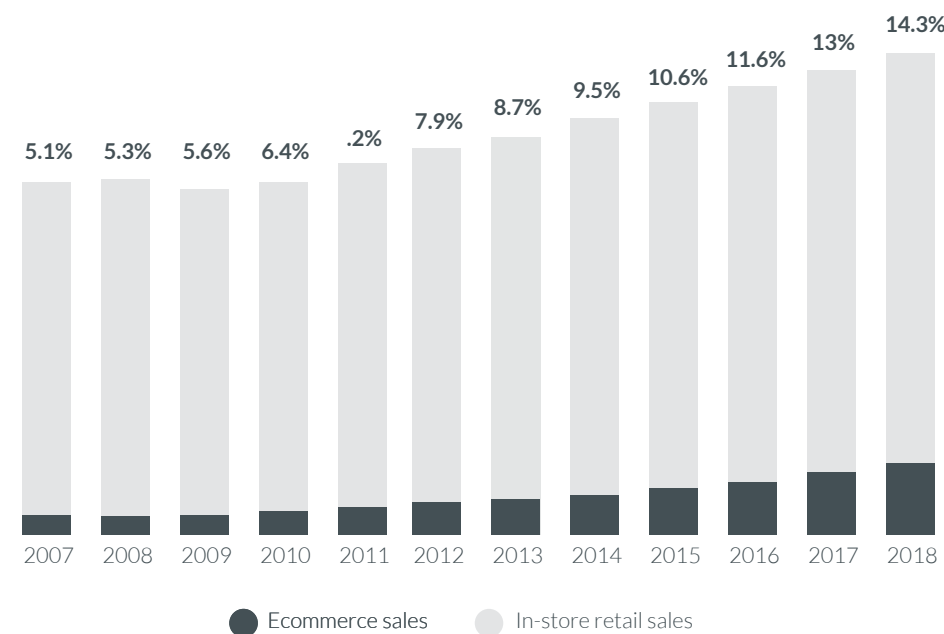$453 B
2017
$3,496 B

$517 B
2018
$3,628 B

The rise of ecommerce means that online spending is up over 14% in the last year alone, with no signs of slowing.

U.S Ecommerce Penetration

U.S Ecommerce sales as a percentage of total retail sales

5.1%	5.3%	5.6%	6.4%	.2%	7.9%	8.7%	9.5%	10.6%	11.6%	13%	14.3%
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018

● Ecommerce sales   ○ In-store retail sales

More online sales mean greater opportunity for growth. The US Commerce Department also found that ecommerce sales accounted for more than half, 51.9%, of all retail sales growth, the highest percentage since 2008, when ecommerce sales accounted for 63.8% of sales growth. And according to the National Retail Federation (NRF), 2019 is set to be
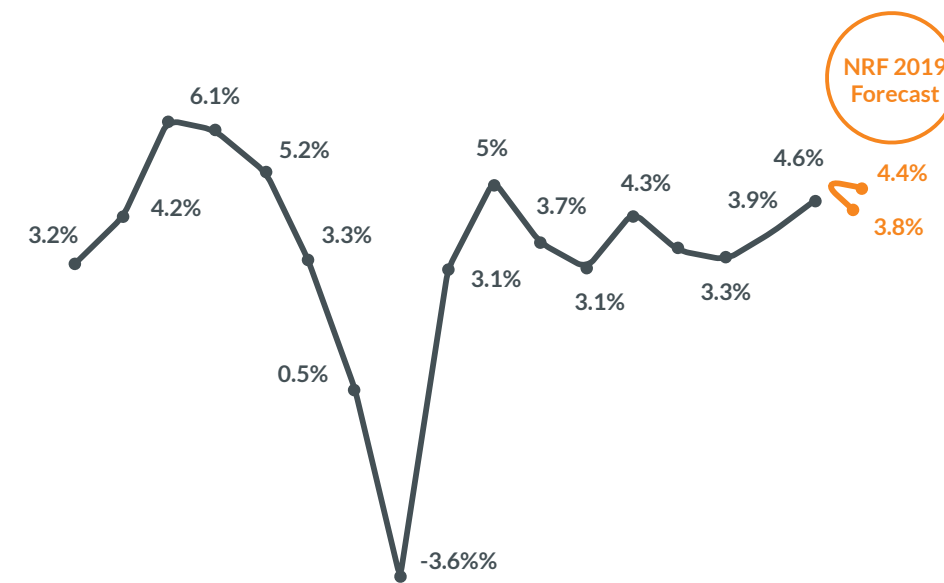
another banner year for ecommerce; next year online sales are predicted to shoot as high as $764.8 billion.

In the UK, online spend accounted for 20.6% of total retail sales in 2018, up 14.9% from the previous year.

While ecommerce represents the biggest area of growth for retail, the NRF also predicts that 2019 will be a good year for the industry as a whole. The NRF estimates that consumer spending should top $3.8 trillion in the coming year, meaning retail sales will grow by 3.8-4.4%. If these predictions are accurate, 2019 will mark the tenth consecutive year of increased retail sales.
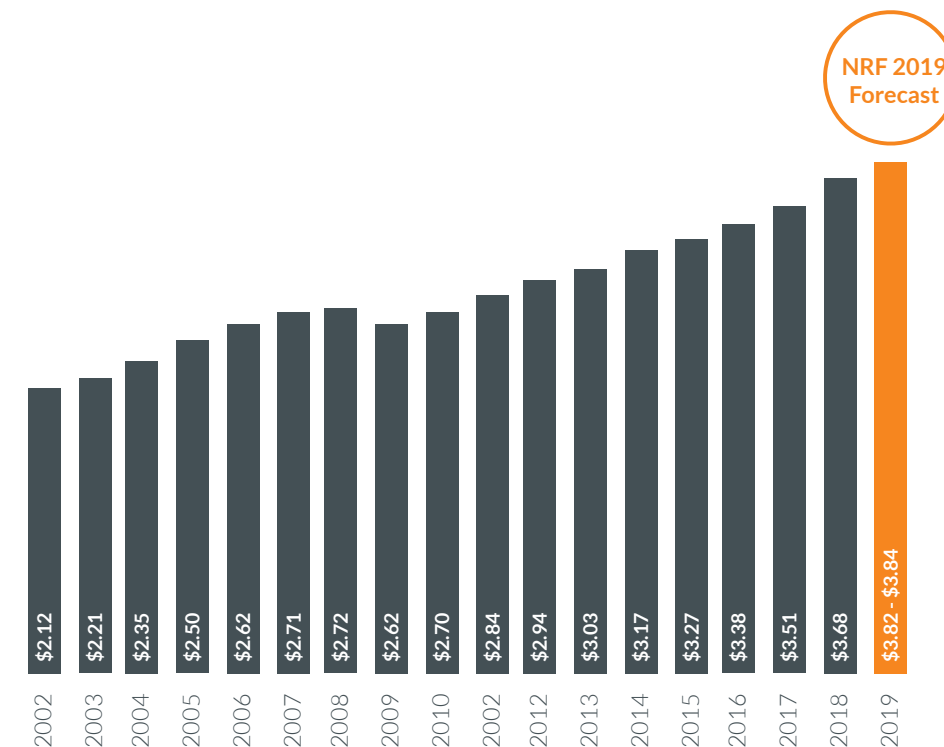
NRF Annual Sales Forecast

YoY Change in Retail Sales:

NRF 2019 Forecast

| 3.2% | 6.1% | 4.2% | 5.2% | 3.3% | 5% | 3.1% | 3.7% | 4.3% | 3.1% | 3.9% | 3.3% | 4.6% | 4.4% | 3.8% |

0.5%

-3.6%%

Historical Retail Sales:
(In Trillions)

NRF 2019 Forecast

2002	2003	2004	2005	2006	2007	2008	2009	2010	2002	2012	2013	2014	2015	2016	2017	2018	2019
$2.12	$2.21	$2.35	$2.50	$2.62	$2.71	$2.72	$2.62	$2.70	$2.84	$2.94	$3.03	$3.17	$3.27	$3.38	$3.51	$3.68	$3.82 - $3.84

Of course, it's hard to ignore online retail giant Amazon's role in the rise. After all, shoppers in the market for a bag of dog food, a new TV, and a blazer generally know that Amazon is singular in the fact that one can find all those things on the third-party platform -- not to mention have them delivered within a few days for free.

Last year, eMarketer reported that Amazon's retail sales were set to hit $258.22 billion in 2018, meaning Amazon would account for nearly half of all online retail spend and 5% of all overall retail spend.

And while the term "retail apocalypse" might be a bit drastic, 2018 did see some pretty high profile store closings. Last year, we said goodbye to iconic chains like Toys 'R Us as well as Payless. As of August 2018, the U.S. saw the number of brick-and-mortar stores closing at a rate not seen in 10 years, since the height of the Great Recession of the late 2000s.

And yet, there are actually some areas where brick-and-mortar storefronts have been seeing an increase in store

openings during recent years. We'll actually be getting more grocery stores, convenience stores, and drug stores this year, to name a few.
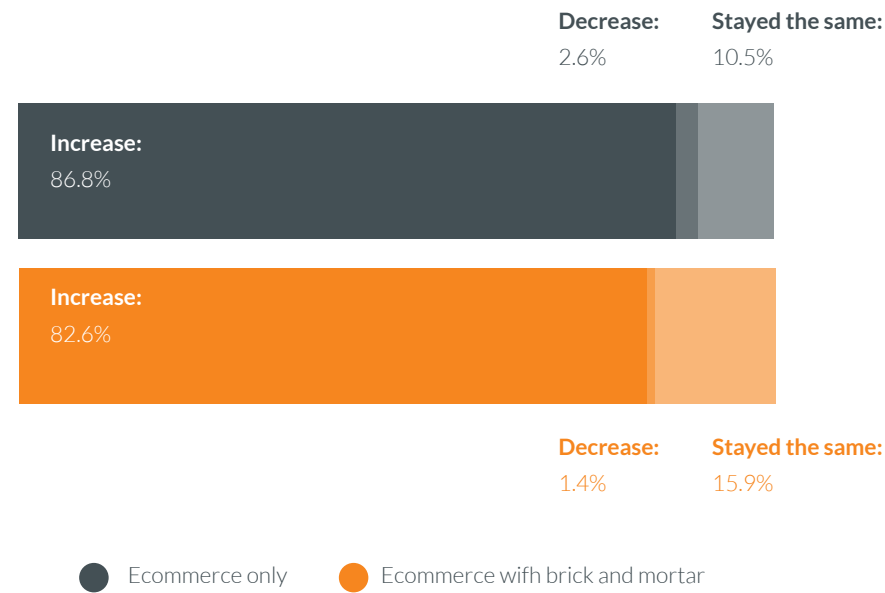
And even Forrester contends that brick-and-mortar stores aren't going away any time soon, estimating that physical stores still account for 86% of all U.S. retail sales.

On the surface, all of these numbers may seem a bit contradictory. But in reality, most people are shopping both online and in-store. Businesses need to find ways to reach customers who are just as accustomed to using their devices to shop as they are to walking into a physical location and simply picking up what they need.

As online revenues continue to rise, it should come as no surprise that many retailers, both ecommerce only and ecommerce plus brick-and-mortar, expect to see sales from their website increase.
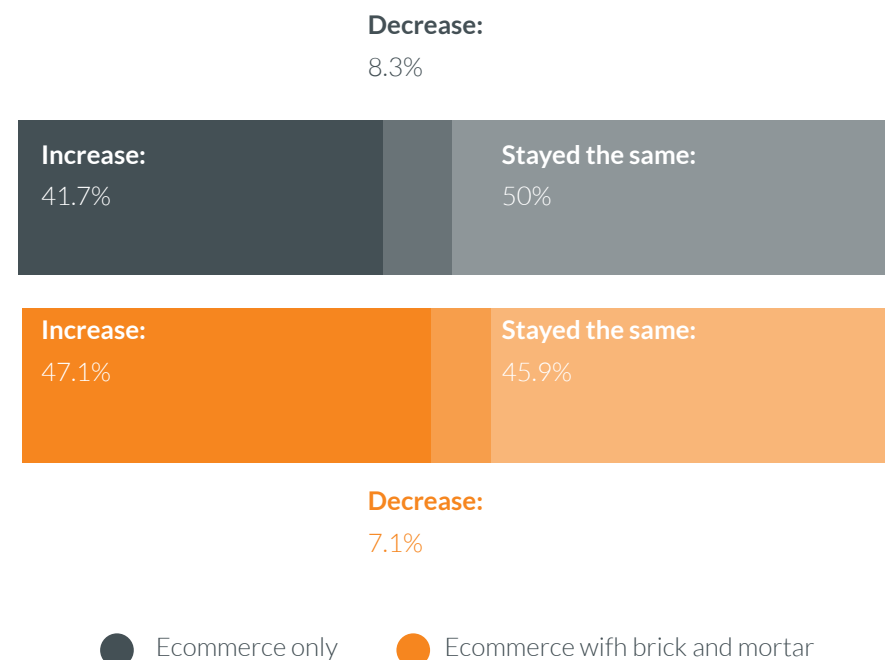
According to our study, 86.8% of ecommerce only businesses expect to see an increase in sales from their website, while 82.6% of ecommerce with brick-and-mortar expect to see an increase.

Over the next five years do you anticipate an increase or decrease in sales from the following channels?

	Decrease: 2.6%	Stayed the same: 10.5%

Increase: 86.8%

	Decrease: 1.4%	Stayed the same: 15.9%

Increase: 82.6%

- ● Ecommerce only
- ● Ecommerce wifh brick and mortar

Both types of business are expecting a boost in sales for other areas of their businesses as well.

For example, both are expecting to see in-app purchases take off, with both ecommerce only (41.7%) and ecommerce and brick-and-mortar (47.1%) businesses expecting a boost.

Decrease: 8.3%

Increase: 41.7%	**Stayed the same:** 50%

Increase: 47.1%	**Stayed the same:** 45.9%

Decrease: 7.1%

- ● Ecommerce only
- ● Ecommerce wifh brick and mortar

According to Forbes, those brick-and-mortar businesses hoping to see a boost in in-app sales just might be onto something.
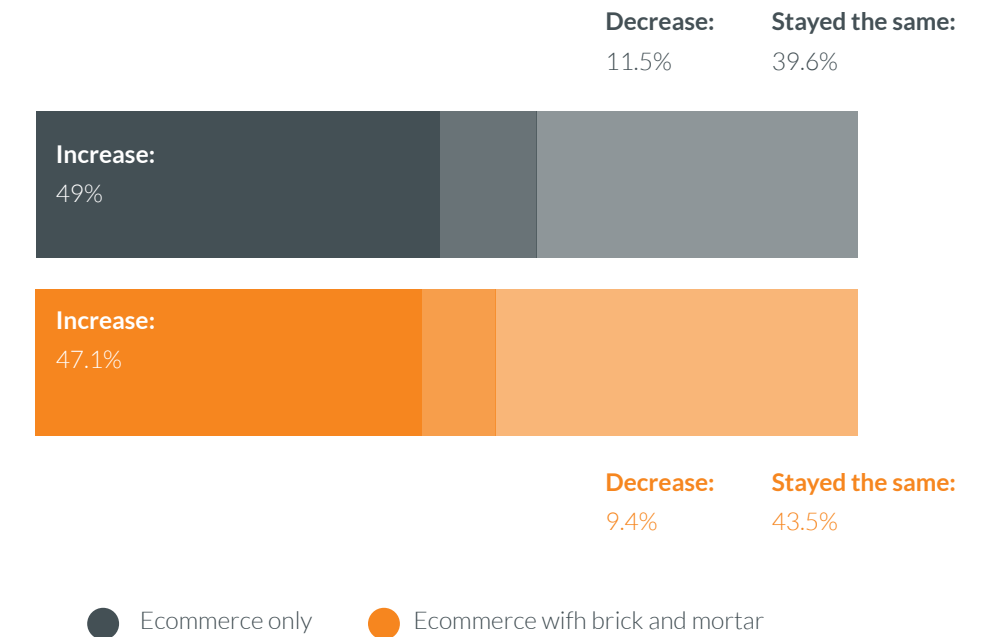
Big retailers like Sam's Club are increasingly relying on mobile apps to streamline the shopping process for customers who are becoming more accustomed to shopping both on and offline.

The company's new Scan and Go mobile app enables users to purchase goods in-store using the app, not to mention make shopping lists and arrangements for one-hour pickup.

Another projected area of growth for both ecommerce only and ecommerce with brick-and-mortar stores is via third-party sellers such as Amazon.

The survey found that nearly half of ecommerce only and ecommerce plus brick-and-mortar retailers (49.0% and 47.1%, respectively) expect to see an increase in Amazon sales in the near future.

Over the next year do you anticipate an increase or decrease in sales from the following channels?

	Decrease: 11.5%	Stayed the same: 39.6%

Increase: 49%

	Decrease: 9.4%	Stayed the same: 43.5%

Increase: 47.1%

- ● Ecommerce only
- ● Ecommerce wifh brick and mortar

However even as Amazon presents new opportunities for sales, competition with the platform is a real concern to both physical stores and online stores alike, with both types of business listing Amazon as their biggest threat.

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SECTION 2:

Retail has a data problem

Whether a business is ecommerce only or ecommerce plus brick-and-mortar, pretty much every interaction we have with a customer these days gives us an important piece of data.

From in-store purchase history to abandoned online carts, each time a customer touches a brand, they leave behind vital clues. When connected, these data points can piece together a full view of the customer journey in terms of engagement and the quality of their brand experience.

Unfortunately, most businesses are swimming in so much data that pulling it all together seems nearly impossible.

According to Harvard Business Review Analytic Services, a scant five percent of global businesses consider their organizations truly data-driven. However, 67% are hoping to move toward that approach.

If the examples of Amazon or Alibaba are to be believed, then retailers with the most customer data and the tools to transform that data into actionable insights will be the retailers who win the online sales wars. Amazon is particularly adept at using customer order history, location data, and abandoned cart information in order to recommend relevant products to customers tailored to their highly specific preferences.
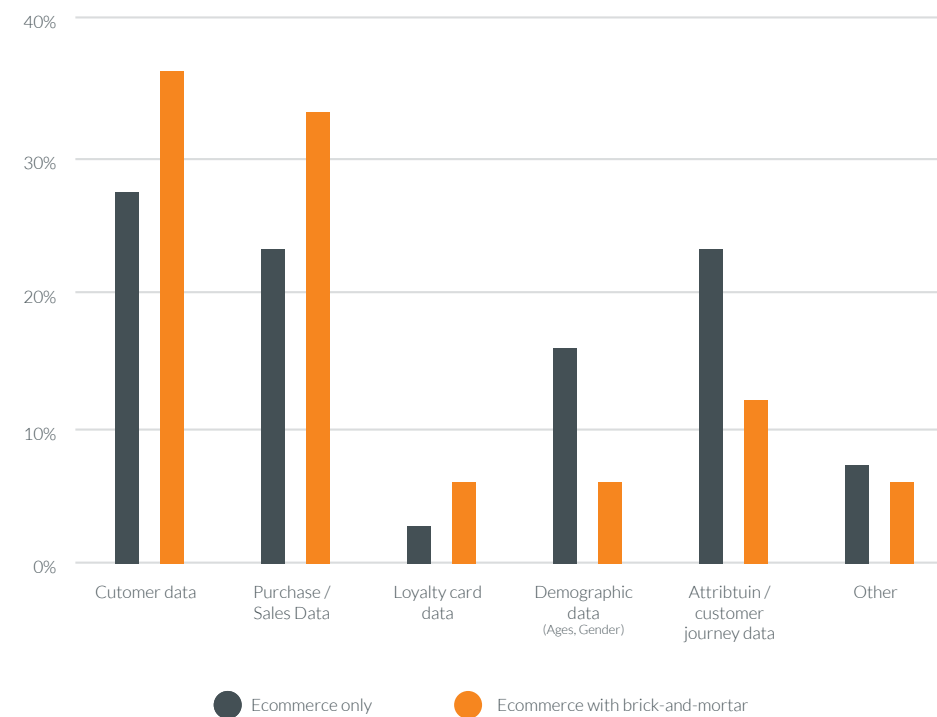
So what can other companies do to keep up with data trends in the Amazon age?

For most retailers, the biggest pathway to personalization is through the collection of first-party customer data, such as activity recorded in existing databases and website collection, where customers have given brands access to information such as name,

address, phone number, email, and purchase history.

Our study found 27.5% of ecommerce only respondents say they collect customer data, along with just 36.4% of ecommerce plus brick-and-mortar businesses.

What data points do you collect?

Ecommerce only ● Ecommerce with brick-and-mortar ●

While customer data is important to both types of businesses, our study found that other critical data is being ignored. Just 15.9% of ecommerce only businesses say demographic data, such as age and gender is one of

their main data points, and a scant 6.1% of ecommerce with brick-and-mortar businesses said they also collect demographic data.

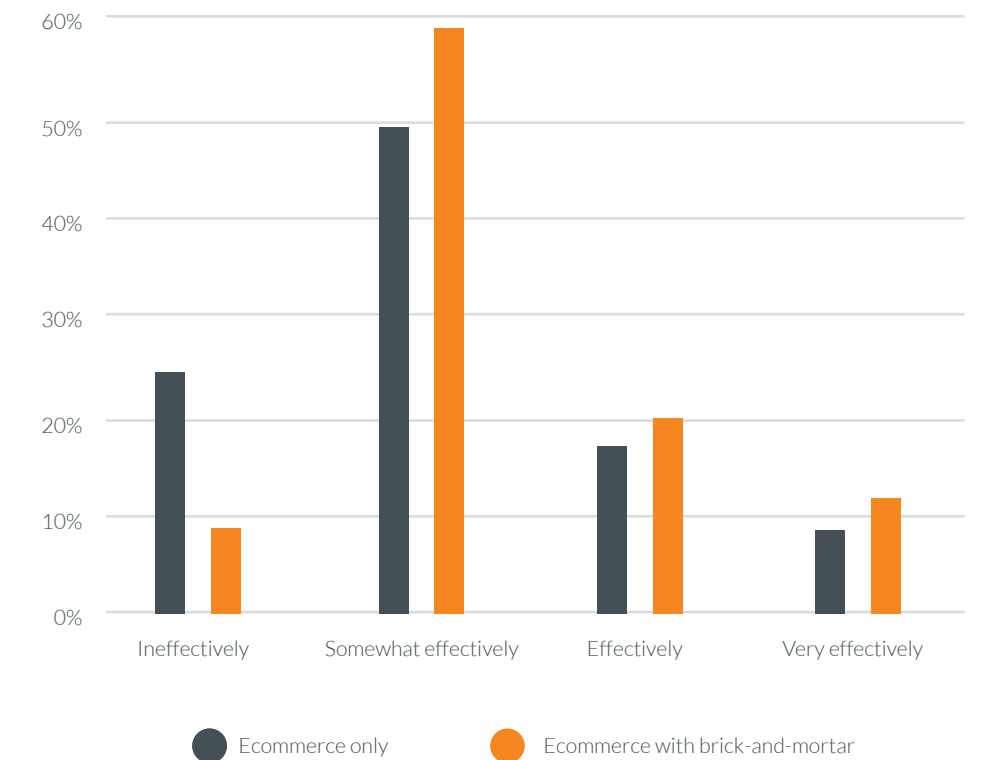Perhaps a bit surprisingly, 31.3% of brick-and-mortar/

ecommerce hybrids said that their organizations collect purchase history and sales data, while 23.2% of ecommerce only businesses said the same.

Another critical data point that is perhaps being overlooked by retailers is attribution, or customer journey data. Just 23.2% of ecommerce only respondents were paying particular attention to their customers' paths to purchase, and only 12.1% of ecommerce plus brick-and-mortar retailers said the same.

And while nearly all the businesses we surveyed were collecting at least some customer data, many are still struggling to decide how to best use that data. About a majority of both types of businesses say they use their data "somewhat effectively": 49.3% of ecommerce only businesses and 59.1% of ecommerce plus brick-and-mortar.

Perhaps more alarmingly, 24.6% of ecommerce only businesses said their organizations use customer data "ineffectively."

How effectively would you say your organization uses its customer data?

Ecommerce only ● Ecommerce with brick-and-mortar ●

So what is the most effective use of customer data? Using those key touchpoints to map customer journeys from the very first interaction with your brand right up to purchase in order to offer greater personalization and customize consumer experiences.

Customers are more aware than ever before that brands are collecting their data, and many are giving up that data in hopes of more personalized experiences.

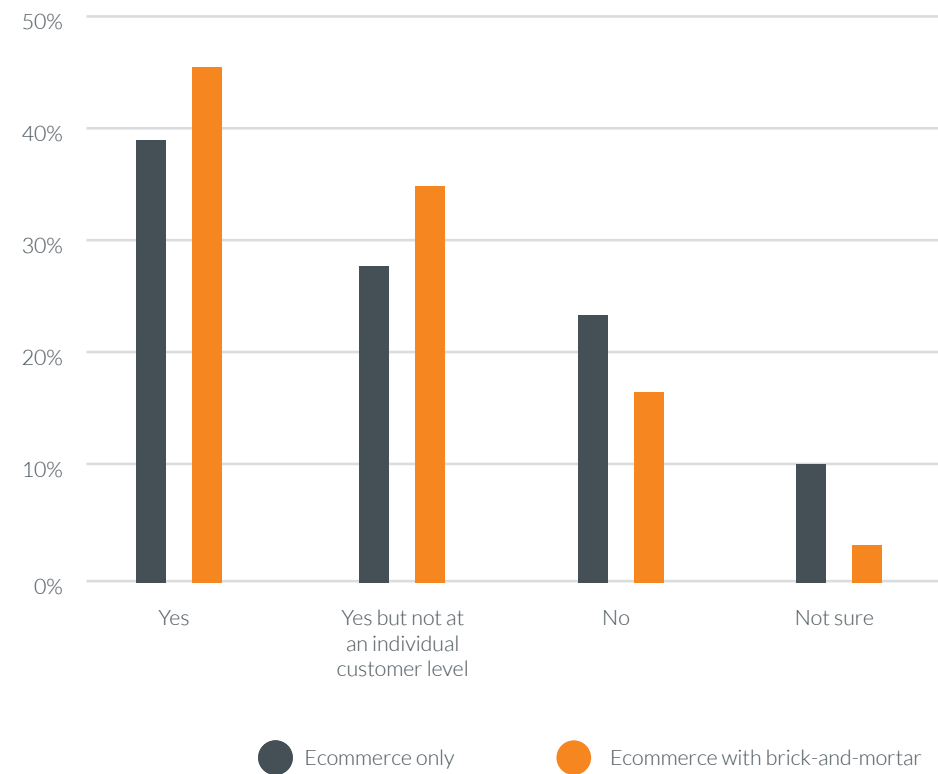According to Accenture, 88% of consumers are likely to choose companies that

use data for personalization without compromising trust. The study indicates consumers are not just expecting responsible data use, they also increasingly expect thoughtful data use in the form personalized experiences that make their interactions with brands easier.

Our study found 39.1% of ecommerce only respondents report they're stitching together different data

touchpoints to show individual customer journeys, while 45.5% of ecommerce with brick-and-mortar businesses said the same. Additionally, 27.5% and 34.8%, respectively, said that while they do stitch together data touchpoints, they're unable to glean insights at an individual customer level.

Do you stitch together different touch points to show individual customer journeys?

points in order to get a big picture view of the individual customer experience remains a challenge, even as we gain access to more insights than ever before.

Fragmented or incomplete data can be a barrier to companies hoping to compete with data-savvy third-party sellers like Amazon.

In order to offer the personalized experiences that audiences have come

Adopting a unified customer data platform will help to fill in data gaps and stitch together all touchpoints for an individualized view of the customer journey.

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| | Ecommerce only | Ecommerce with brick-and-mortar |

These numbers suggest that for many retailers, connecting the dots between data

to expect, mapping the customer journey from first touchpoint to last is crucial.

SECTION 3:

Solutions are in the data

As retailers increasingly become comfortable with data, the next step in creating truly personalized customer experiences comes from connecting the dots using available technology.

However, not enough retailers are using the right tools for both collecting and analyzing valuable data. This means leaving dollars on the table -- as well as baffled customers who gave up their data with the expectation of receiving better experiences.

Our survey found the most commonly used attribution/ measurement solution for both ecommerce and ecommerce plus brick-and-mortar was website analytics, with 44.8% and 39.3%, respectively, listing it as their main attribution and measurement tool.

The second most popular measurement and attribution solution came from platform-specific analytics, such as Facebook Analytics and Google Ads. Of survey respondents, 19.4% of ecommerce only retailers and 18.0% of ecommerce plus brick-and-mortar retailers are using these tools.

HOWEVER, EVEN THOUGH MOST RESPONDENTS SAY THEY'RE DOING A SOMEWHAT EFFECTIVE JOB AT COLLECTING AND USING CUSTOMER DATA, MANY SEEM TO STILL BE SEARCHING FOR STRATEGIES THAT PUT THOSE INSIGHTS TO SOME GREATER USE.

When asked what strategies their organizations were

implementing to stay competitive, both ecommerce and ecommerce plus brick-and-mortar businesses said they were analyzing competitors' strategies, with 15.6% and 13.3%, respectively, listing this tactic as their top means of staying competitive.

From there, tactics diverge. Ecommerce only businesses tend to prioritize investing in optimizing for mobile (23.4%) and creating customer segments (20.3%). Ecommerce plus brick-and-mortar placed a higher priority on creating customer segments to offer personalized customer experiences (20.0%) and integrating physical and digital experiences (23.3%)

The one thing that all of these tactics have in common is the fact they they all require a careful evaluation of first-party data in order to give a comprehensive overview of audience behavior as well as identifying and solving for pain points.

In order to gain this bird's eye view, brands should evaluate the wealth of data they already have by engaging

with an independent data analysis platform. A data analysis platform will evaluate real visitor data in order to determine the role an individual channel has played in a given conversion. It can also look at all visitors' journeys in order to assign real value to each touchpoint.

Just as it's impossible to deliver effective, personalized mobile experiences without first understanding which parts of existing mobile experiences are actually converting, there's no chance of effectively integrating physical and digital experiences without mapping customer touchpoints from one to the other.

Strategies for staying competitive vary from company to company. But an overarching view of connected data touch points via an independent data analysis platform leads to more effective marketing spend, a better customer experience, and greater potential for fusing online and offline experiences.

SECTION 4:

Established brands vs. ecommerce

What can the midmarket learn?

Most consumers have businesses and brands they are consistently loyal to, whether it's a favorite local shop, a particular food item, or a specific style of clothing from a single designer.

But building relationships with customers who keep coming back is about more than the product; it's about cultivating relationships that brand loyalists know they can count on.

Just as a skilled barista in a local coffee shop can remember the drink orders of customers who stop by every morning, a brand that uses its data to make customers feel seen and valued has an immediate advantage over

competitors who aren't stiching together data points at an individual level to personalize communication, product offerings, and customer service.

And building loyalty goes beyond boosting sales. A recent study by Yotpo found that 60% of customers will tell friends and family about a brand they're loyal to, and 39.4% will actually spend more on a product from their favorite brands, even if cheaper options are available.

For brands they are loyal to, consumers are willing to:

Recommend

50% of custoimers will tell friends & family about a brand they're loyal to.

Join loyalty program

52.3% of customers will join a loyalty or VIP program

Spend more

39.4% of customers will spend more on a product even if there are cheaper option elsewhere

Our study found that most respondents were aware of the importance of building customer loyalty, with 53% of ecommerce only businesses responding that increasing the value and loyalty of customers was a major goal, and 54% of ecommerce plus brick-and-mortar brands responding the same.

However, using data to build those long-lasting, loyal relationships is a challenge for businesses struggling to glean meaningful insights from their data.

SECTION 5:

The future

In the 25 years since Amazon made its debut, a lot has changed about the way we shop. Consumers now live most of their lives online.

Where we used to have to wait in line at a bank to find out our balance, we now have that information at our fingertips via connected mobile devices. Instead of opening a kitchen drawer filled with takeout menus, we can peruse an online list of all possible options available and order on mobile or desktop with the click of a button.

All this choice -- not to mention the ease of choosing -- has changed consumer expectations when it comes to shopping.

Just like we expect Grubhub to remember our last order, we expect retailers to know what we like -- and what we don't. This change in consumer attitudes is dubbed "The Amazon Effect," wherein shoppers increasingly demand frictionless and personalized service. Retailers who don't keep up could be the ones left behind.

However, that doesn't mean shoppers want their experiences to take place completely online.

Rather, they expect a merging of their online and offline lives. According to a recent study by SOTI, 92% of shoppers prefer stores that offer mobile experiences, 65% want location-specific coupons, and 47% expect personalized service.

And while those expectations introduce challenges, they also provide retailers with unprecedented opportunities to cultivate brand loyalty by offering customers the experiences they crave.

Our study found that ecommerce only retailers and ecommerce plus brick-and-mortar retailers

believe that the future lies in responsiveness, data, and personalization. This is interesting due to recent studies by Mark Ritson and Peter Field that suggests mass marketing may in fact have greater returns.

For example, when asked what the future holds for their business, one ecommerce only respondent replied, "More competition, more differentiation, customers who might grow tired of non-personalized experiences."

Ecommerce plus brick-and-mortar respondents seemed to feel the same way. A respondent from that space answered,

"

ONLINE IS BECOMING A GOLDEN INDUSTRY IN THE FUTURE. WE SHOULD FOCUS ON DIGITAL MARKETING, AI, AND ANALYTICS.

For most retailers, the future lies not just in data, but in adopting the technology to successfully interpret and utilize that data.

I Conclusion

In the digital age, when customers often have infinite retailers clamoring for attention across nearly every part of their day, what sets a particular business apart isn't necessarily having the flashiest ads or even the lowest price.

Customers who give up their data to businesses are doing so in hopes of building relationships with brands who use that data as the foundation for personalized relationships, which, ultimately, make the customer's life easier.

And brands with a firm understanding of exactly how their customers convert will ultimately better understand the specific needs and even pain points of customers at an individual level.

But the path to personalization starts with connecting data, filling in knowledge gaps, and streamlining strategy. Here are a few recommendations and tips for better understanding your data.

Recommendations

Connect your data

A high number of customer touchpoints makes it difficult for ecommerce and retail businesses to clearly visualize how customers and potential customers have interacted with their brand. These gaps in data can be bridged by bringing fragmented data into a unified Customer Data Platform. Connecting customer touchpoints using dynamic data-driven models, such as multi-touch attribution, enables retailers to better understand the customer journey at an individual level and unlock valuable marketing insights by using data to its full potential.

Prioritize trust and transparency when it comes to your data

Because of growing concerns around data privacy, retailers increasingly find it difficult to share customer data with external sources without feeling as if they are losing control and ownership of that data. However, as a globally trusted source, Fospha makes transparency a priority as we independently evaluate data in an unbiased way in order to help brands understand how to use insights more effectively.

Identify pain points to build solutions:

Businesses shouldn't need to invest huge amounts up front to solve their biggest challenges. The idea behind our philosophy of "Start small and grow" is to reveal an accurate view of overall objectives and demonstrate the biggest opportunities for making quick, initial wins that will save time and money while increasing revenue. By identifying the biggest pain points first, we enable our clients to channel their effort--and budget--into agile, ever-evolving solutions that incrementally solve industry-specific business problems while remaining capable of adapting in-line with the evolution of data-driven customer relationships.

Supercharge personalization to build brand relationships through relevant content

Customers give businesses their data with the expectation that offers and products will be personalized to their interests. Personalization is crucial for building better customer experiences, which leads to increased customer loyalty and critical customer retention. However, too many brands are still relying on guesswork rather than using their first-party data to personalize offers. Fospha help brands visualize the touchpoints in a customer's journey to purchase, providing insight into how customers interact with brands. It can reveal when and where customers convert, where they drop out, show every touchpoint and highlight those with the most interaction. This information can be used to create clusters, grouping customers together with similar traits to allow hyper-targeting and more relevant content to be served at scale (Fospha's Audience Clustering solution). This data-driven model allows brands to match their offers and tailor their content to increase engagement and build brand loyalty. Brands can drive effectiveness and ROI whilst differentiating their brand from competitors.

By following these recommendations your business will:

- Better understand your new vs. returning customers and their journey through connected data

- Get insights and results in a cost-effective and timely manner - allowing you to compete effectively, optimize spend and maximize marketing performance.

- Increase ROI through better personalization

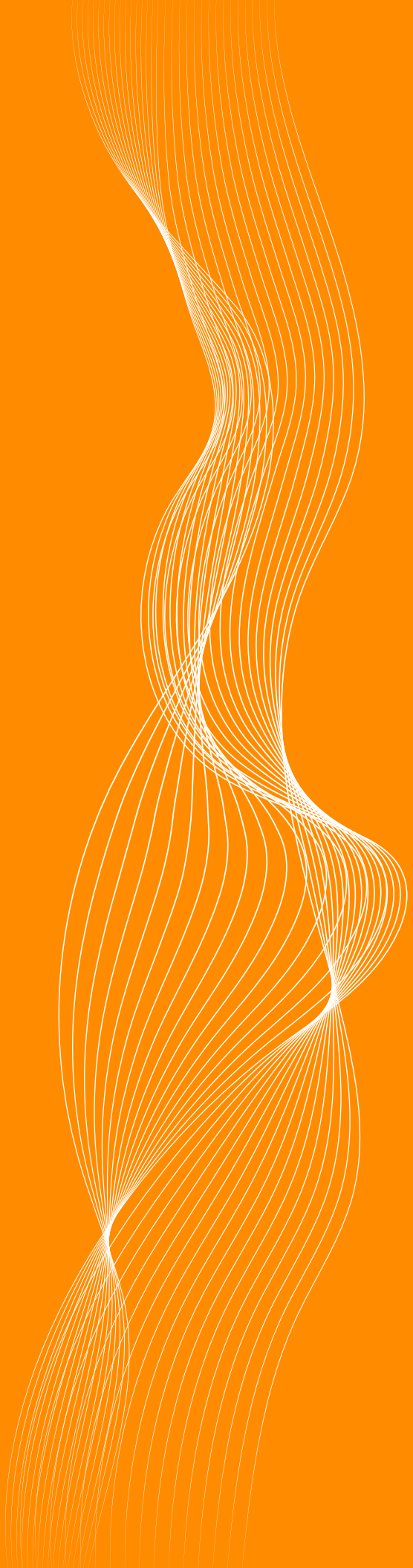- Increase Customer Lifetime Value (CLTV) through stronger brand loyalty

About Fospha

Fospha Marketing solves challenges using data science, AI, products, and people.

Recently voted "Best Attribution Platform" at the 2019 Marketing Technology Awards, we are an independent measurement and attribution provider. Fospha unlocks the hidden value in your data to reduce cost, increase efficiency, and drive growth.

We build customer data platforms to power data-driven Multi-Touch Attribution (MTA) and Marketing Mix Modelling (MMM) to maximize ROI.

Our people deliver better brand experiences for our clients' customers and better outcomes for marketing teams.