COMMERCE NEXT

The Ascension To Digital Maturity: A Benchmark Report

Retailers Graduate From Setting Table Stakes To Scaling Long-Term Strategies

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FOREWORD
AN OPEN LETTER FROM COMMERCENEXT

CommerceNext is excited to publish our third annual marketing benchmark report. We make this data available to help the industry understand important trends and so individual companies can benchmark their efforts against the rest of the industry. Thank you to Attentive for sponsoring this year's report. And, thank you to the 100+ retailers that took this year's survey and shared their data.

As you'll read in this report, a key finding is that the digital channel has reached maturity.

Many years ago I asked an ecommerce leader at a major retailer what it will take for ecommerce to be taken seriously in the boardroom and to be funded in a way that is commensurate with the opportunity. "People will have to die," was the flippant response from this executive. She was referring to retail leaders that grew up before the Internet, but were still controlling the business.

As someone who has been in this industry since 1999, it's heartening to see digital finally be a boardroom priority. It would have been preferred that it didn't take a pandemic to get us to that point, but here we are.

There are benefits and drawbacks to this maturity. Up until now, digital commerce was mostly immune from macro-economic trends. At the time of this writing, the economy is facing a number of headwinds including significant inflation, continued supply chain disruptions and speculation about an upcoming recession. Digital leaders must be prepared to respond to these overall economic trends — some for the first time. CommerceNext hopes that this new data provides useful guidance to understand the lay of the land and navigate an uncertain future for digital and retail overall.

Scott Silverman
Co-founder of CommerceNext

A NOTE FROM ATTENTIVE

As the leader in conversational commerce, our fundamental mission at Attentive is to improve the way businesses and people connect. Over the past two years, we've seen major shifts in how consumers communicate and what they prioritize. Consumer expectations are higher than ever and marketers have to rethink their traditional toolkits and table stakes strategies and channels.

As 2022 progresses, we expect successful brands to capitalize on personalized interactions with customers, expand and deepen their loyalty and retention efforts, deliver more convenient digital experiences, and rethink how they not only capture customer data but put it to use.

When reading this report, you'll see that retailers are continuing to invest in long-term digital growth strategies. But now more than ever brands are repositioning themselves to get ahead and stay ahead, especially as consumers get more and more discerning. We're seeing brands take customer-centric experiences to the next level, and driving engagement, retention, and revenue as a result.

Ultimately, marketers are realizing that they have to continue to work smarter to integrate their acquisition and retention efforts, seamlessly move between digital and physical spaces, and ensure that they deliver a highly curated experience for each and every customer.

We hope this report provides you with the insights you need to keep refining your marketing tech stack and improving your relationship with your customers.

Sara Varni
CMO of Attentive

attentive®

EXECUTIVE SUMMARY

Our industry is officially in a place it's never been before — the dimension of digital maturity.

Forced by macro circumstances, retailers accelerated their digital roadmaps over the past two years. Out of short-term necessity, they finished laying their ecommerce foundations. Now, in the name of long-term success, they're building up and out in every digital direction.

As in 2019, 2020, and 2021, we surveyed 100+ retailers in an effort to plot the course and progress of the industry for this, our fourth annual benchmarking report. In the following pages, we have two goals:

1. Benchmark the various priorities and challenges reported by retailers in the areas of acquisition, retention, technology, and data against the past two years since the pandemic began.

2. Demonstrate digital's prowess and maturity as seen through retailers' efforts to scale by: doubling down on retention, managing data, investing in sophisticated technologies, and expanding acquisition tactics.

The days of struggling for resources have been replaced with struggling to scale and hire. The focus on collecting data shifted to organizing and leveraging data. Traditional acquisition tactics no longer have a vice grip on budgets, while retailers diversify and prop up retention as their end game.

This isn't just another growth spurt — digital commerce is nearly all grown up and we're delighted to watch it keep blooming.

KEY LEARNINGS

Digital budgets rebound from 2021 dips with the extra dollars earmarked for scaling. Digital-first retailers continue outspending incumbent retailers in digital (as a percentage of revenue). But, *all* are spending more than they were previously on the types of investments geared toward long-term growth, particularly: polishing loyalty programs, enhancing segmentation, integrating advanced customer data platforms and attribution tools, and expanding community engagement tactics. Antes are in, now it's all about the bigger bets.

Higher dissatisfaction with acquisition, but channel diversification will revitalize performance. Aside from rising acquisition costs and disappointing talent searches, performance satisfaction remains steady in most areas. Unlike last year, when retailers were stuck in neutral watching CACs climb with no immediate game plan, they're overhauling their strategies by investing in TikTok, direct mail, connected TV, and influencers.

Talent recruitment and retention top list of challenges two years running. As retailers turn their attention to advanced growth tactics, they need more seasoned and specialized talent to help them do it. They've carved out the budget, but the lure of higher salaries and unlimited PTO isn't proving attractive enough. Larger cultural and lifestyle issues are at play making retailers continually deal with the fallout of the "Great Resignation."

Data collection is getting solved — the bigger priority is data management. Retailers implemented new first-party data collection tactics last year that continue into this year (i.e. email, messaging, SMS, and promotions) and are really reaping the benefits. Now, they're determining how to organize it and utilize it in optimizing acquisition *and* retention efforts.

Retention clinches as the most critical growth strategy and leans into community. Proving itself as the dominant growth strategy over the last two years while acquisition declined, retention is now officially the golden child. Organic social and brand marketing are utilized more than ever, revealing retailers' need to build trust so as to increase loyalty, bring in more first-party data to fuel segmentation and personalization, and re-engage lapsed customers.

Measurement and technology upgrades reaffirm commitment to digital's development. With retention as the cornerstone strategy and significant infrastructure laid, even more retailers are integrating SMS, customer data platforms, and advanced attribution tools to track and boost metrics like CLTV. Incremental and media mix modeling are now also in play, but more so for digital-first retailers who are still a bit further along with their IT than incumbents.

Every year, this report strives to help our community of retailers and brands benchmark its own investments and progress. We're watching digital continue to transform. It was an immature business that had marketers struggling for investment while hitting technology roadblocks. Today, digital is the adult in the room, enabling marketers to build upon their foundational assets, hone their strategies, and scale. We're thrilled and proud to see how far the industry's come.

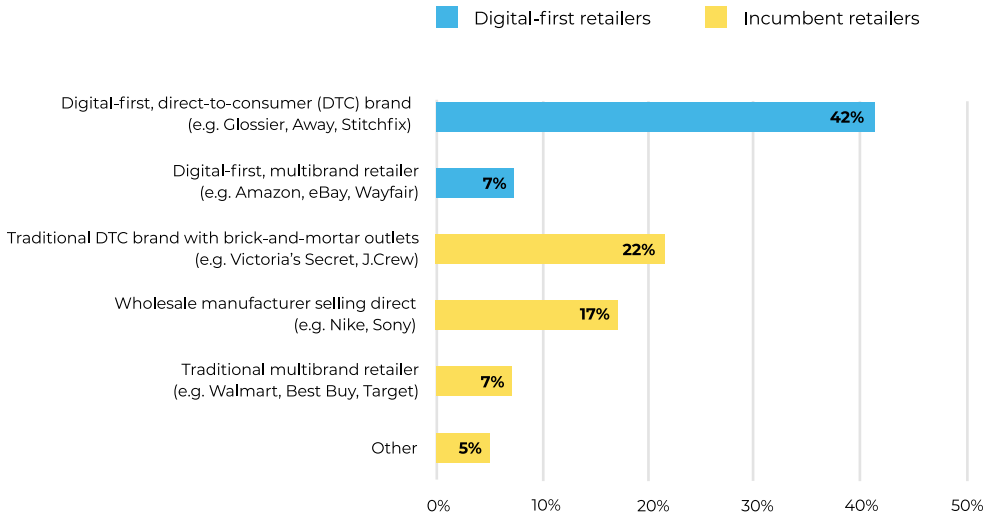
METHODOLOGY

Beginning in February 2022, we conducted a robust survey with 114 participants that spanned retail and brand types and verticals. Below is the breakdown of demographics by: organization type, respondent position, and company revenue.

In previous years, we recognized distinct differences in responses between what we referred to as "digital-first retailers" and "incumbent retailers." Since the onset of Covid and consumers' subsequent rapid adoption of ecommerce, we've seen different priorities and challenges surface among the two groups, which we're able to call out using these classifications. We've defined the groups as follows: *digital-first retailers* started out online and are digitally native, whereas *incumbent retailers* started out with stores, catalogs or as wholesale brands; for them, digital was added after inception.

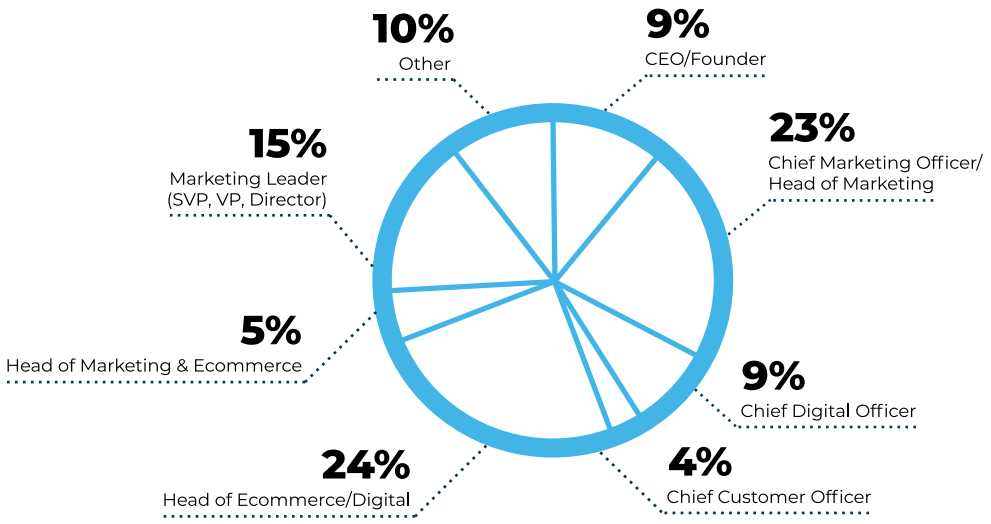
Respondents by Retail Model

N=557



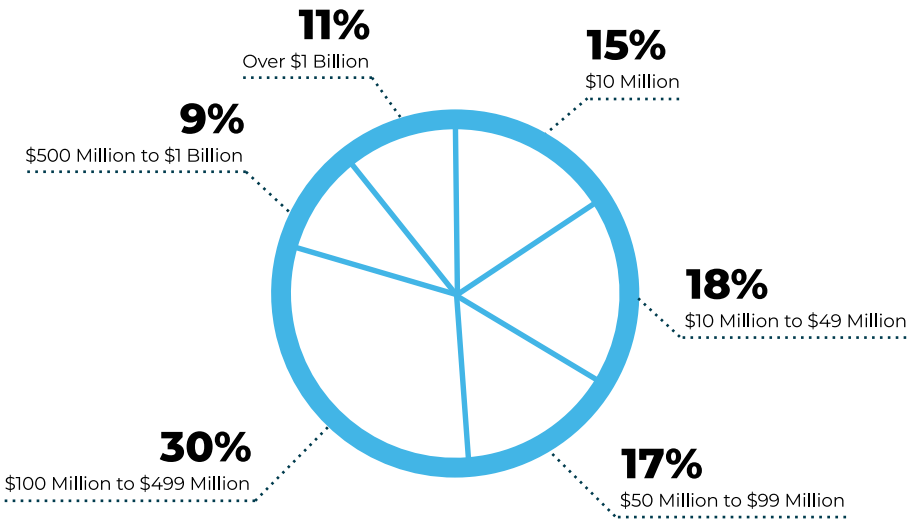
Respondents by Company Position

N=557



Respondents by Company Annual Revenue

N=557



I How It Started. How It's Going.
Benchmarking Against 2021 & 2020

We've come a long way from the more nascent digital age of just two years ago. Last year, retailers fixated on retaining the pandemic-spurred surge of ecommerce shoppers and delivering exceptional customer experiences in the face of an evolving privacy-centered environment. This year, instead of dialing investment back to pre-Covid levels or throwing their hands up at data collection obstacles and acquisition cost challenges, we found digital blossomed into *the* strategic priority for 2022.

For a deeper understanding of overall digital progress and the differences in priorities between incumbent and digital-first, this first section sets a baseline. We're tracking the variation since the onset of Covid, from 2020 to 2022, among:

1. Budgets
2. Performance satisfaction
3. Challenges (broken down further by acquisition, talent, data, and retention)

While we expect digital to remain a strategic priority, it's important to note that there are a number of economic warning signs pointing to challenges in the second half of 2022. We'll be watching this closely to see if and how retailers may reel back investment and spending.

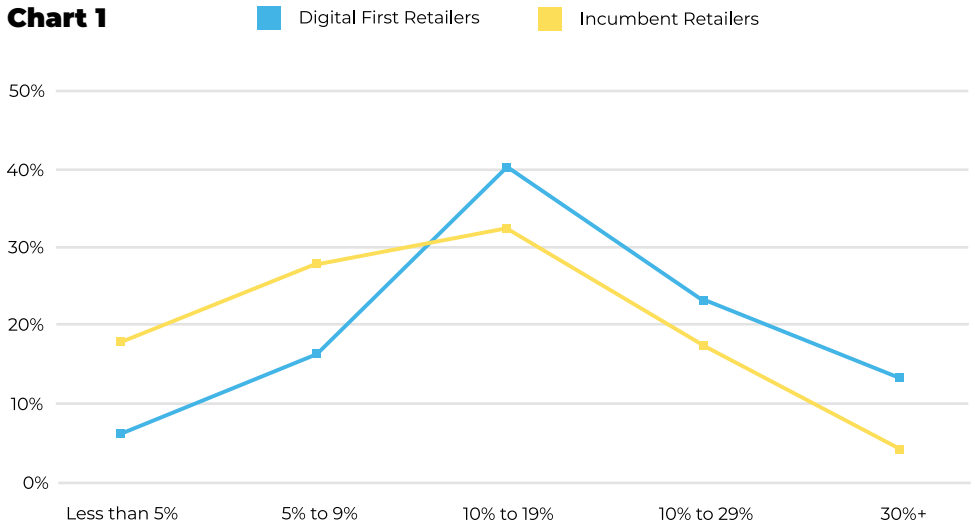
Budgets: Digital Dollars Flowing Strong

As retailers seemed to predict would happen, January ecommerce sales started the year off strong. It remains to be seen if February and March's slight dips[1] in consumption will be the trend for the coming months, or if they were temporary reactions to world events and the uncertainty around continued inflation.[2] Either way, retailers show confidence in their digital businesses, banking on slightly bigger budgets than 2021 to keep up with the increased demand.

Q: Using your best estimate, what is your 2022 total ecommerce marketing budget as a percentage of your company's online revenue?

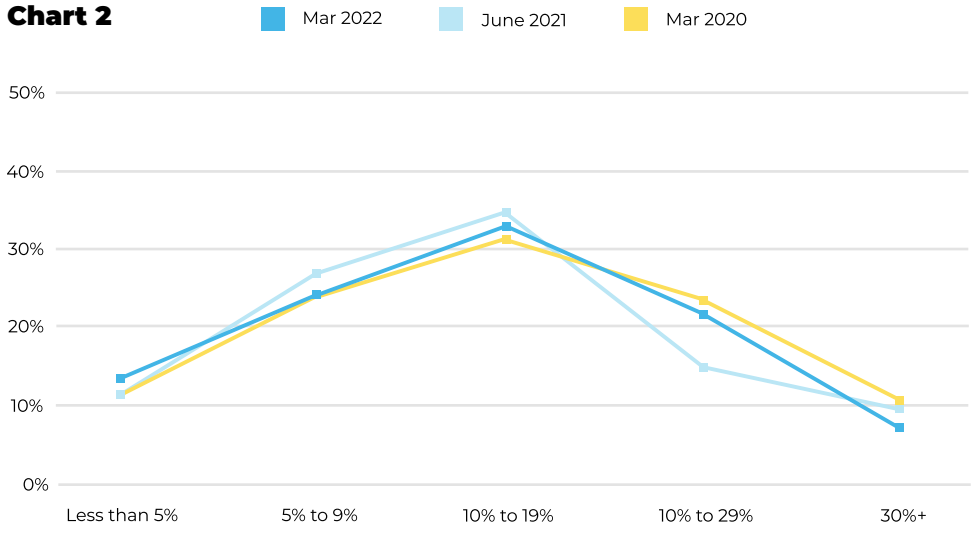
Source:
CommerceNext Annual Benchmark Survey
N=114

Chart 1



While digital-first retailers continue outspending incumbent retailers on marketing as a percentage of revenue (per Chart 1), budgets on the whole seem to be rebounding back to 2020 levels. In a 4% increase since last year, 29% of retailers are spending 20%+ of their revenue on marketing, creeping back up to 2020 levels (see Chart 2).

Chart 2



Performance: Satisfaction Keeps Consistent

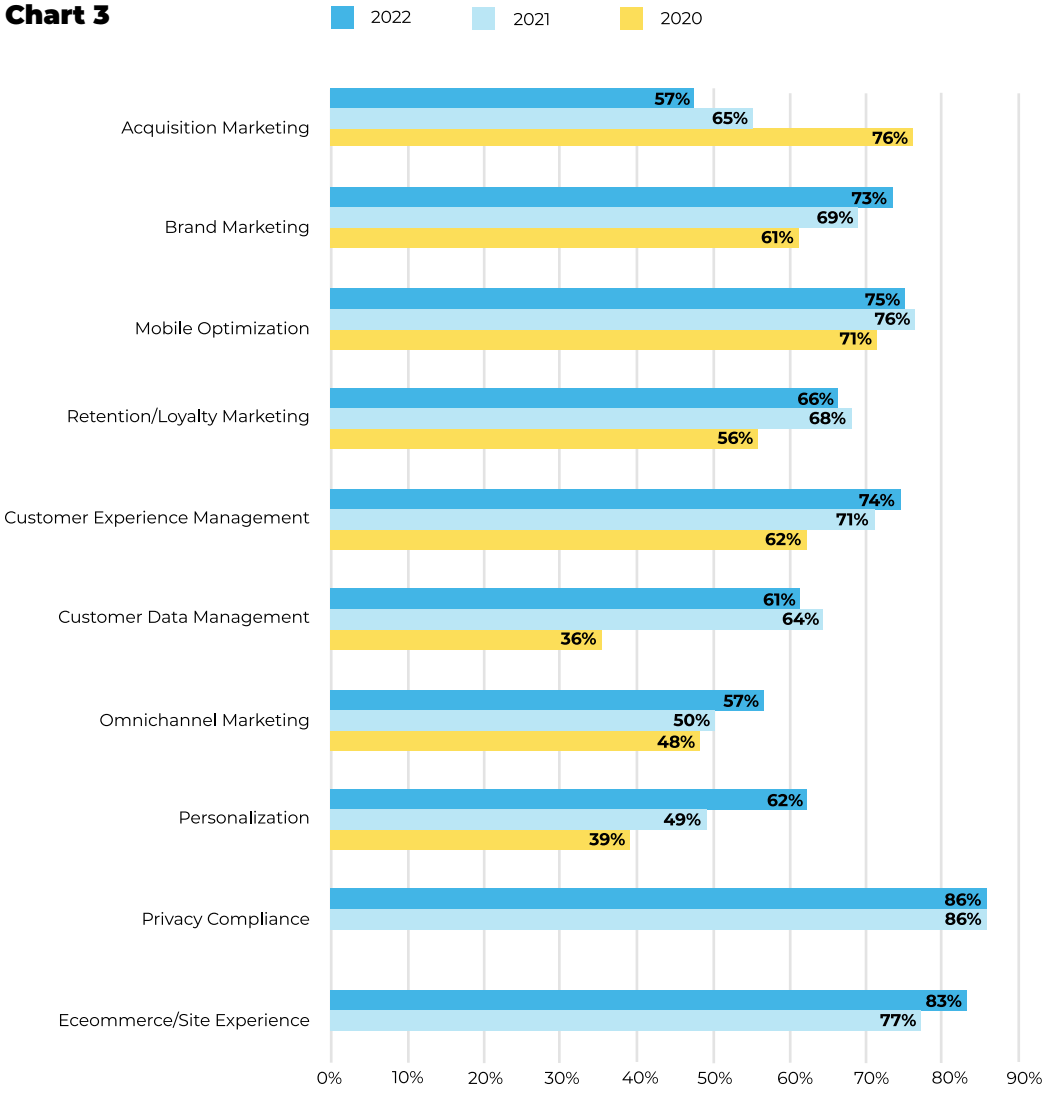
We dubbed 2021 the *Year of the Customer*[3] for good reason. Retailers funneled a sizable portion of their resources into creating customer-centric experiences online (e.g. customer experience, personalization, and site experience) that would drive more engagement and lift ROI. After investing heavier in these areas, it's not surprising that satisfaction in their performance increased both last year and this year. Predictably, acquisition is again taking the brunt of retailers' dissatisfaction.

Thus far in 2022, retailers are meeting or exceeding performance expectations in: *customer experience management* (up 3% since 2021), *brand marketing* (up 4%), *personalization* (up 13%), *site experience* (up 6%), and *omni-channel marketing (*up 7%) (see Chart 3). Satisfaction with *acquisition marketing* declined 8% for all since last year (even more so since 2020), and especially so among digital-first retailers who have historically relied on acquisition, including paid social, to fuel growth. We'll see later, however, this doesn't mean all is hopeless in acquisition.

Q: As you look at your 2022 initiatives year to date, how well they are performing? (meeting or exceeding expecatations)

Source:
CommerceNext Annual Benchmark Survey
N=114

Chart 3

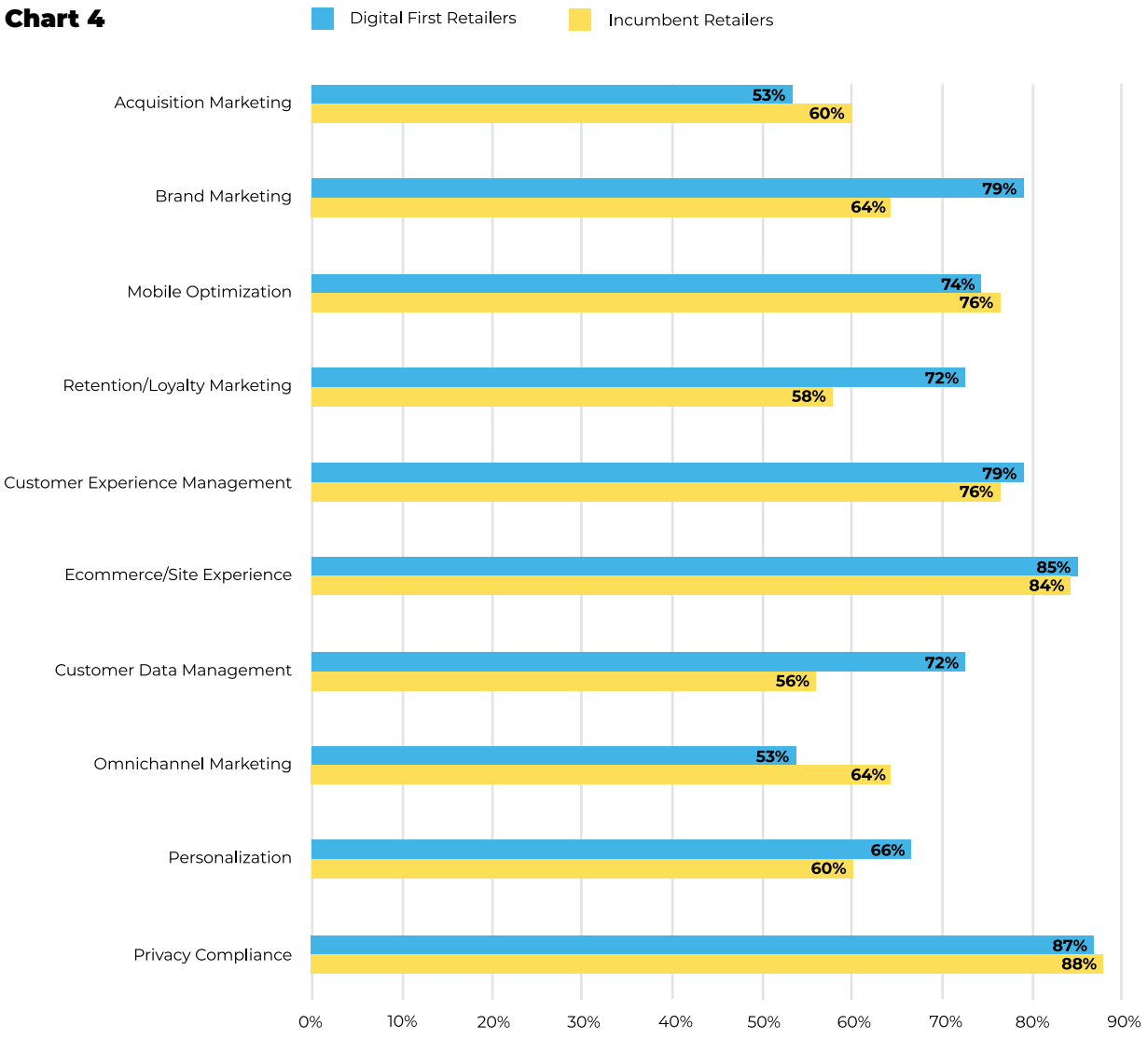


As seen below in Chart 4, digital-first companies are generally happier with performance than their incumbent counterparts across most ecommerce channels, except *acquisition marketing* and *omnichannel marketing*. Incumbent retailers are less satisfied with their efforts in *brand marketing*, *retention marketing*, and *customer data management* than digital-first

Q: As you look at your 2022 initiatives year to date, how well they are performing?

Source:
CommerceNext Annual Benchmark Survey
N=114

Chart 4



When we first surveyed retailers about their performance expectations in 2019, incumbents were struggling at notably higher rates than their digital-first competitors in integrating across the marketing stack and unifying customer data, given their aging legacy technology systems. Fast forward three years and incumbents are behind in retention, likely due to the same inherent tech disadvantages in things like data management and personalization. Is this the year they'll catch up?

Challenges: Less Burdened And More Prepared

In addition to benchmarking the high level ecommerce challenges, our survey broke down each top area of concern among retailers surveyed (acquisition, talent, data, and retention) to discern what's been conquered and what still poses a threat.

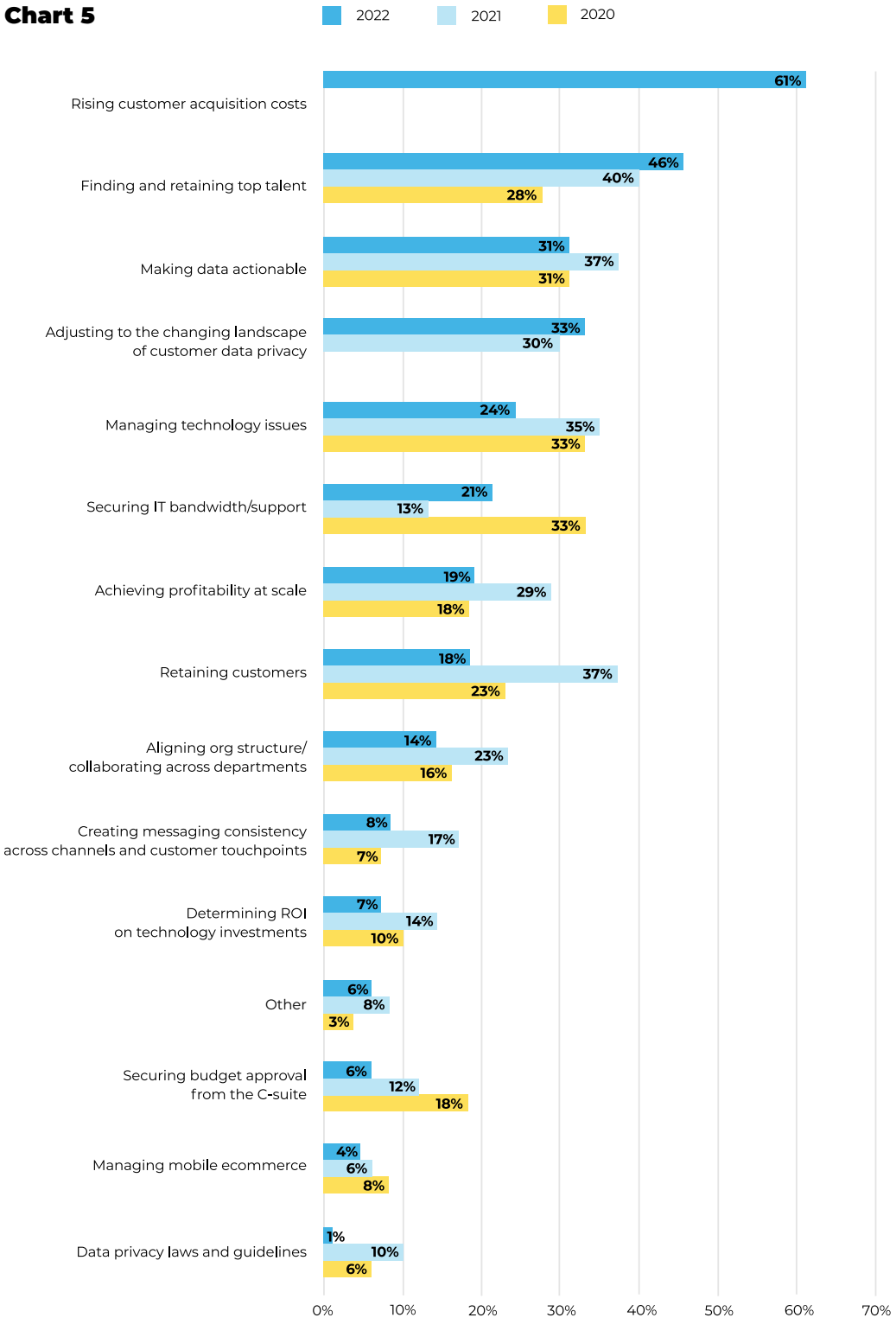
This year, even retailers' top concerns speak to their digital progress and determination to mature the business further. It's no secret rising customer acquisition costs (CACs) and the "Great Resignation" have been hitting everyone hard. But, retailers are poised to surmount the roadblocks, having built themselves some very solid digital footing with budgets and infrastructure largely in place. Even retailers' anxiety over retaining customers dropped drastically because those table stakes are set.

Concerns about securing budget from the C-suite is not only lower on the list, but it has decreased dramatically in the past three years. This is an important milestone for the digital channel, which has struggled to be a strategic priority for most of the first 20 years of its existence.

Q: Looking ahead, what do you see as your greatest challenges to achieving your 2022 ecommerce goals?

Source:
CommerceNext Annual Benchmark Survey
N=114

Chart 5



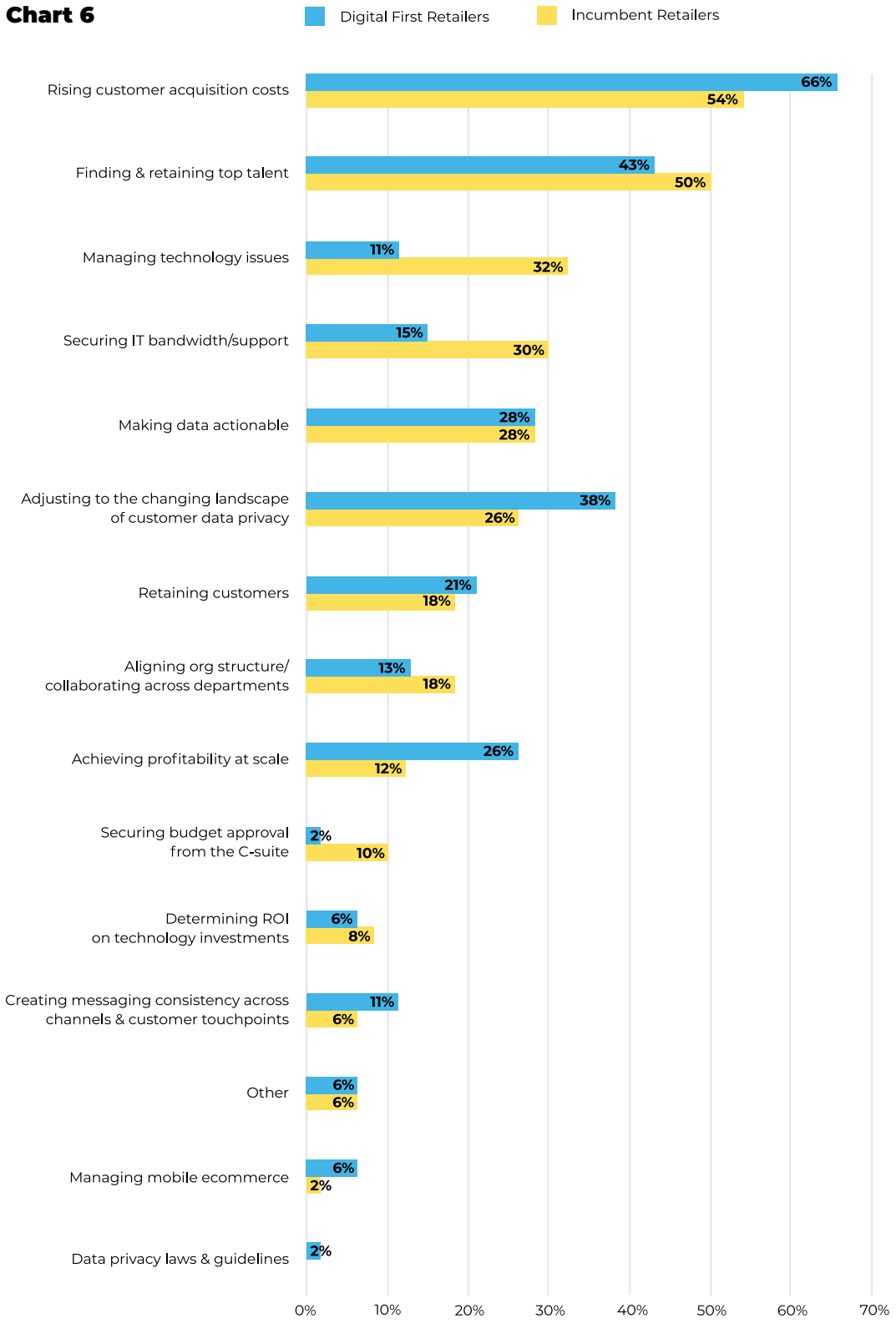
After headlines last year, we could have predicted that *rising CAC's* and *finding talent* would top our 2022 challenges chart for all retailers (as they do in Chart 5). *Making data actionable* and *customer data privacy* also continue to be important, but less so.

At 32%, *managing technology issues* (integrations, updating aging systems, etc.) is incumbent retailers' third most important challenge while they aim to catch up with digital-first companies who are significantly less concerned over infrastructure (11% vs 32%) (per Chart 6).

Q: Looking ahead, what do you see as your greatets challenges to achieving your 2022 ecommerce goals?

Source:
CommerceNext Annual Benchmark Survey
N=114

Chart 6



While digital-first may have an inherent leg up in IT-related issues, they know they're at a disadvantage in acquisition and are still busier than their incumbent counterparts in *adjusting to the changing landscape of customer data privacy* (38% of digital-first vs 26% of incumbents, per Chart 6). Given incumbents increased satisfaction in omnichannel (as seen previously in Chart 4), they're clearly experiencing less of an uphill battle to acquire customers through a wider spectrum of tactics that aren't as affected by newer privacy restrictions.

An aside on supply chain and inflation: Supply chain was mentioned anecdotally by a number of respondents — an issue meriting more concern given China's continuous Covid-related shutdowns.[4] We suspect if this survey was distributed after February 24th's world events, inflation would also rank among the issues discussed. As reported in the New York Times, the latest consumer sentiment index showed that "consumers were pessimistic about the year ahead because of inflation and the potential impact of the Russian invasion of Ukraine."[5] Consumers are continuing to spend, for now, but retailers are wisely keeping attuned to world events and consumer reactions.

Acquisition: We've Done What We Can With Traditional... So What's Next?

The Senior Vice President of Marketing at Ten Thousand, Jason Nickel, is bullish on retailers' ability to overcome acquisition challenges this year. In his post-survey interview, he declared,

"We do have control. The answer is a continued diversification of marketing channels and the strengthening of those channels as part of the total portfolio... they need to make up a larger share of the marketing dollar."

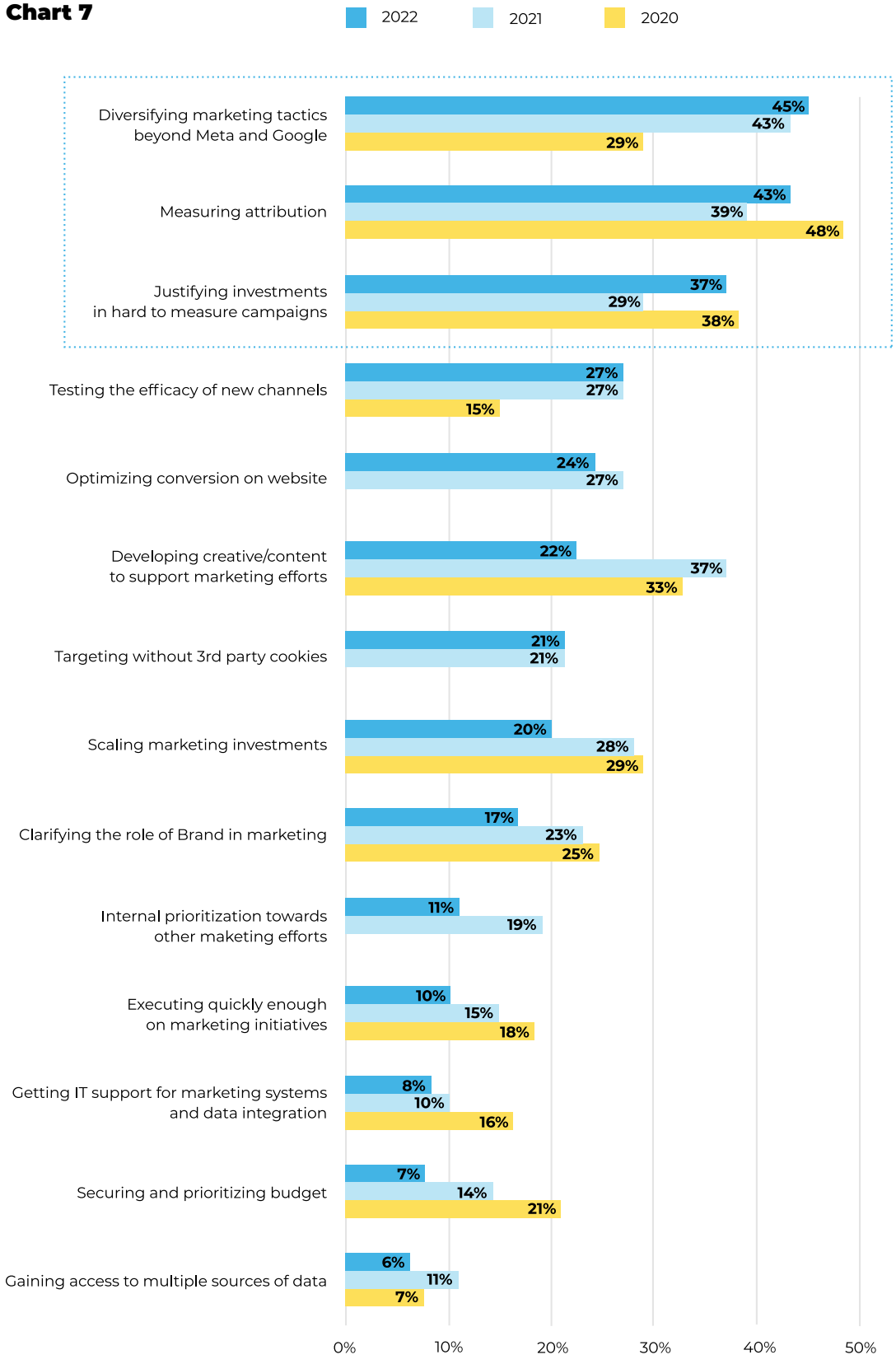
- Jason Nickel

Nickel is on the same page as the rest of the industry's marketers in his readiness to modernize acquisition strategies — *diversifying marketing tactics*, *measuring attribution*, and *justifying investments in hard-to-measure campaigns* are increasingly top challenges/opportunities for ecommerce marketers (see Chart 7). The basics like *securing budget*, *developing creative*, and *scaling investments* are not as much of a concern vs previous years, proving retailers are ready for the next phase of acquisition.

Q: What are your greatest challenges around Acquisition Marketing?

Source:
CommerceNext Annual Benchmark Survey
N=101

Chart 7



Talent: We Have The Openings... But Where Is Everyone?

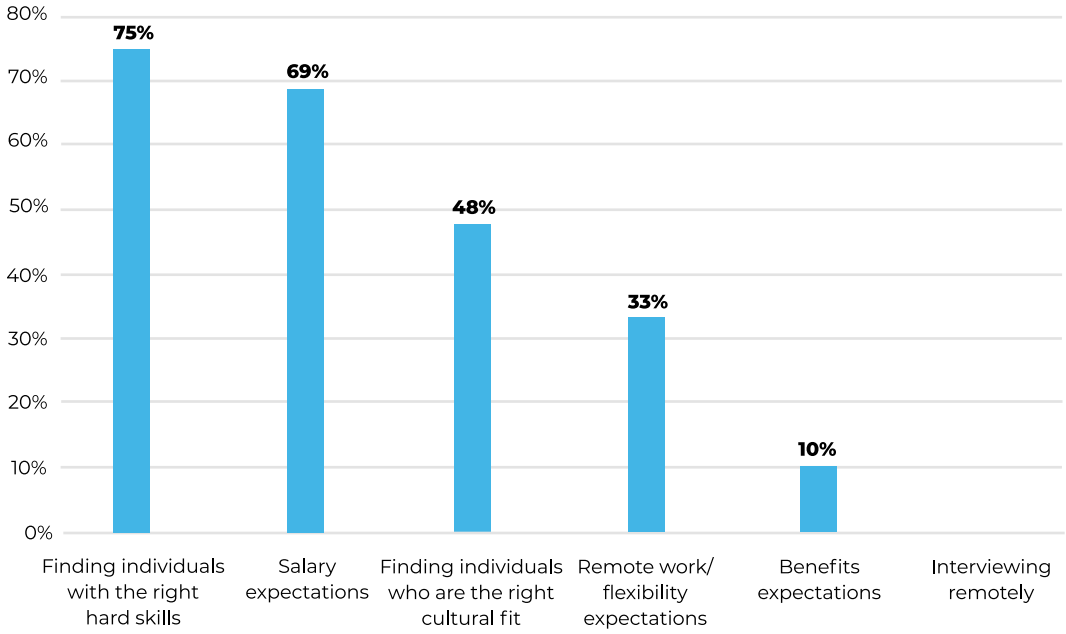
Finding & retaining top talent is more of a concern with incumbent retailers (50%) vs digital-first (43%) (per Chart 6 above). Despite this being a carry-over concern from 2021, macro forces are largely responsible for the talent shortages, rather than a lack of resources. The jobs are there, the budget secured, but workers with the needed skills who are aligned in salary and culture expectations are harder than ever to track down.

The panic felt by incumbent retailers with brick and mortars isn't unfounded, as staff shortages across sales and fulfillment will likely trouble retailers into 2022 holiday.[6] Wherein retailers usually bulk up with seasonal workers during the holiday and then go back to pre-holiday levels, many seasonal workers were kept on to fill year-round positions.[7] Keeping employees happy is another issue altogether, one that can easily reflect bottom lines if low morale affects customer experiences.

Q: What are the greatest challenges your are facing with recruiting talent?

Source:
CommerceNext Annual Benchmark Survey
N=557

Chart 8



Digital-first retailers have equal cause to worry as they need workers well versed in the more complex initiatives that will ultimately scale the business (i.e. customer data platforms, attribution, etc) (see Chart 8 above). To find the talent, they're responding with equal fervor in improving culture and salaries. But, the gap continues to widen and during various CommerceNext webinars, retailers are reporting taking months to fill one marketing position.

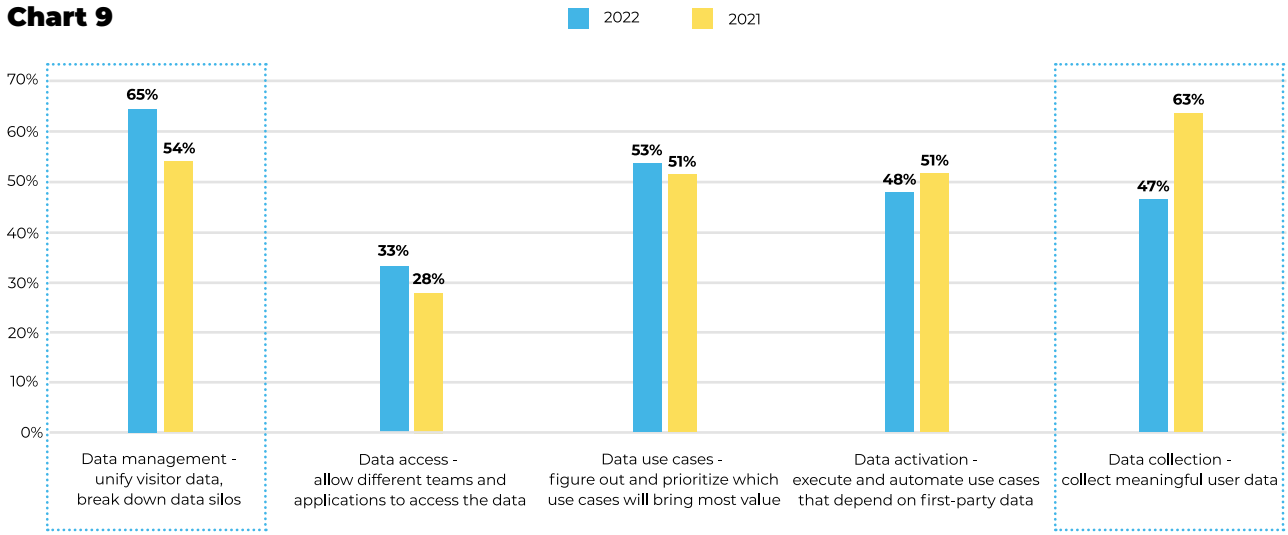
First-Party Data: It's Coming In Hot... Now How Do We Use It?

A key challenge for 2022 is data management (per Chart 9 below). In one year, the first-party data conundrum has flipped from "How do we get it?" to "What do we do with it now that we have it?" Retailers reporting this significant headway in collecting meaningful user data means they've really hit their digital stride.

Q: When it comes to leveraging first-party data, what challenges does your business currently face?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 9



Retention: We Know It Works And We Have A Plan... But Can It Be Better?

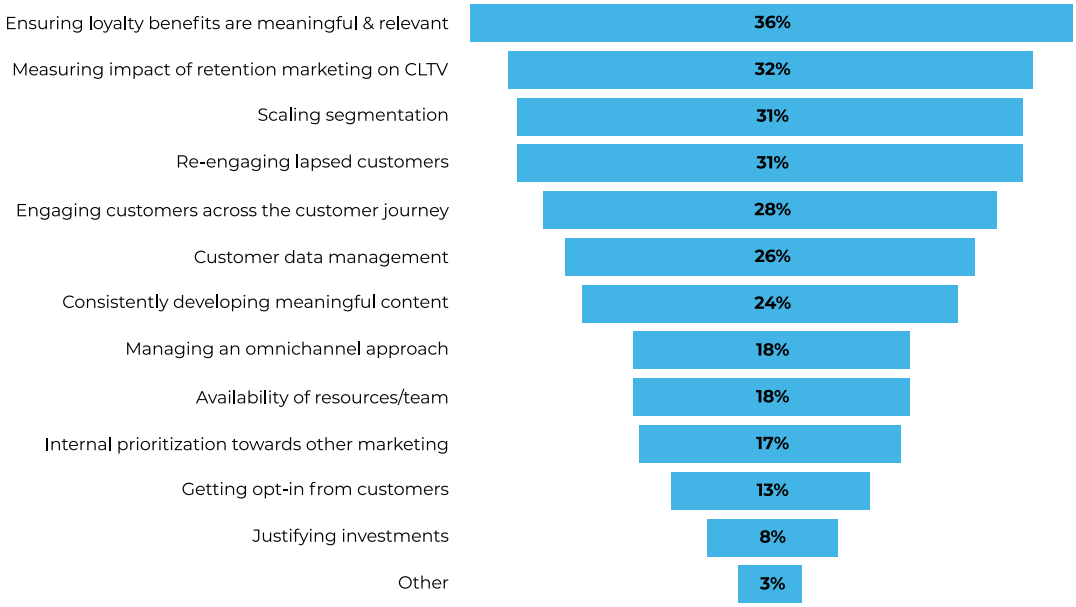
CommerceNext reported last year that retailers were encountering heightened challenges in retention as they redirected resources to try and retain the influx of new ecommerce customers in 2020. This year, we saw concern plummet from 37% to 23% (in Chart 5), which means retailers must have had success in rolling out their various digital retention strategies. We can also infer that retailers are comfortable with the baseline of their retention programs, as they move onto the fine-tuning phase this year.

Retailers' greatest challenges around retention for 2022 are: *identifying meaningful benefits to drive loyalty* (36%), *measuring impact* (32%), *scaling segmentation* (31%), and *re-engaging lapsed customers* (31%) (see Chart 10 below).

Q: What are your greatest challenges around Retention Marketing?

Source:
CommerceNext Annual Benchmark Survey
N=101

Chart 10

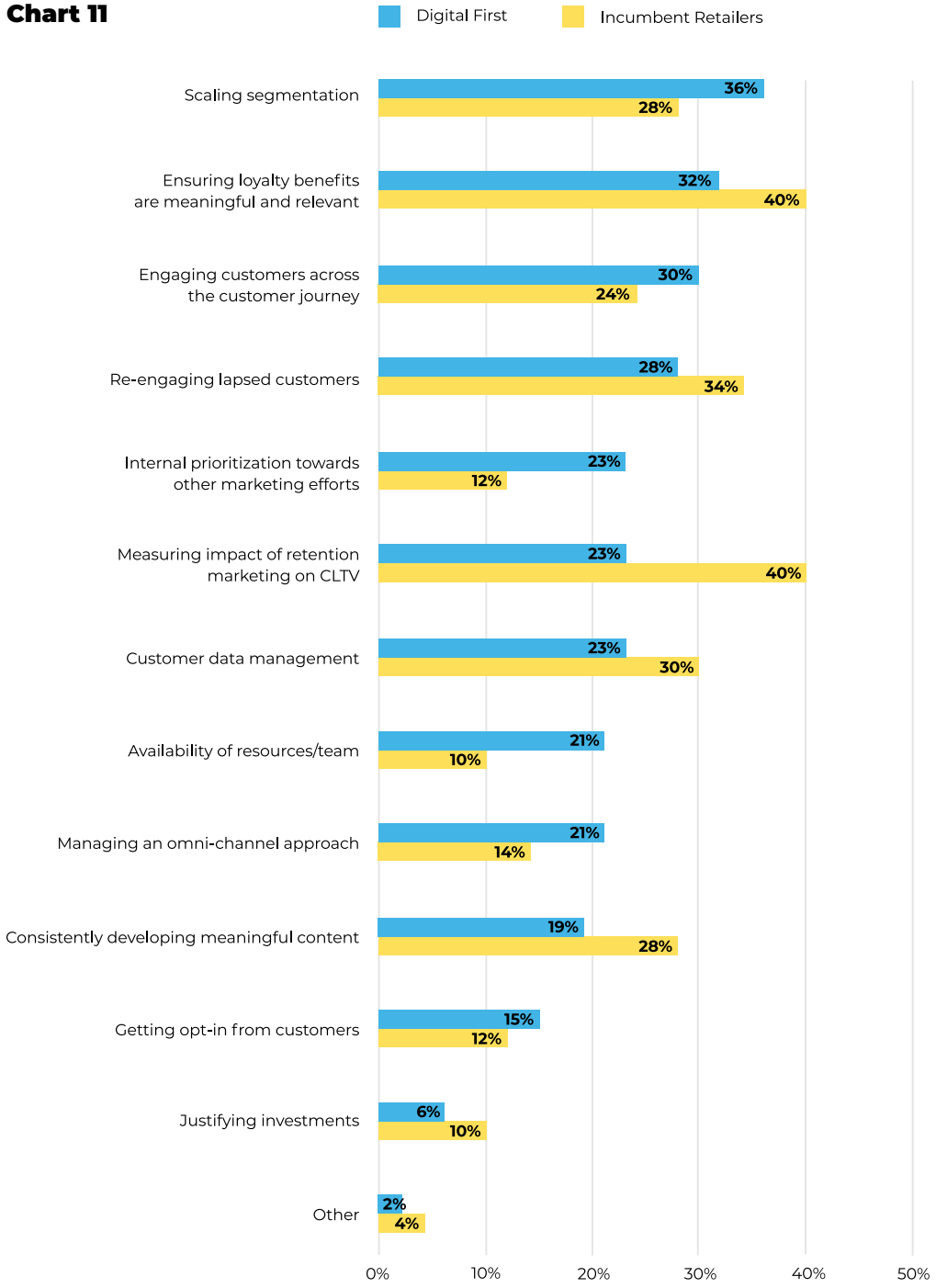


With everyone now tightly dialed into retention, it follows that scaling and calibrating efforts in loyalty, segmentation, and re-engagement would become the next big hurdles (as seen in Chart 10). After that, the obstacles that face digital-first and incumbent retailers differ given the core nature of their business. In Chart 11, we see digital-first retailers are finding more difficulty in *engaging customers across the customer journey* (unlike their counterparts who have more practice in balancing customer expectations throughout an omnichannel experience), whereas incumbent retailers incur greater challenge on the digital side in *measuring the impact of retention marketing on CLTV*.

Q: What are your greatest challenges around Retention Marketing?

Source:
CommerceNext Annual Benchmark Survey
N=101

Chart 11



Although this year's survey showed the same headaches are plaguing retailers as in 2021, we'll see in the next section how retailers aren't using the same traditional remedies. Instead of reacting in defensive mode from the volatility of a pandemic market, retailers are now in a position to be proactive and scale. They're done getting bogged down in the problems of a less mature channel, like creative development and securing budgets. With their focus on segmentation, talent, loyalty, and modern acquisition tactics, retailers are making it clear that they're ready to play some professional digital hardball.

II Digital In Its Prime

The digital side of retail grew up quickly over the last two years. In this section, we break down the two big ways retailers will continue nurturing their maturing digital businesses:

1. Scale what's working.
2. Build long-term strategies around engagement.

At A Scale's Pace

What do you do when all the digital groundwork is done, when your budgets are secured, and your site experiences are humming? You scale and differentiate from competitors.

We spotted three specific ways in which retailers are proving they're now in a strong position to scale in 2022: diversifying acquisition channels, expanding measurement mixes, and investing in advanced technologies.

Acquisition Grows Up (And Out In All Directions)

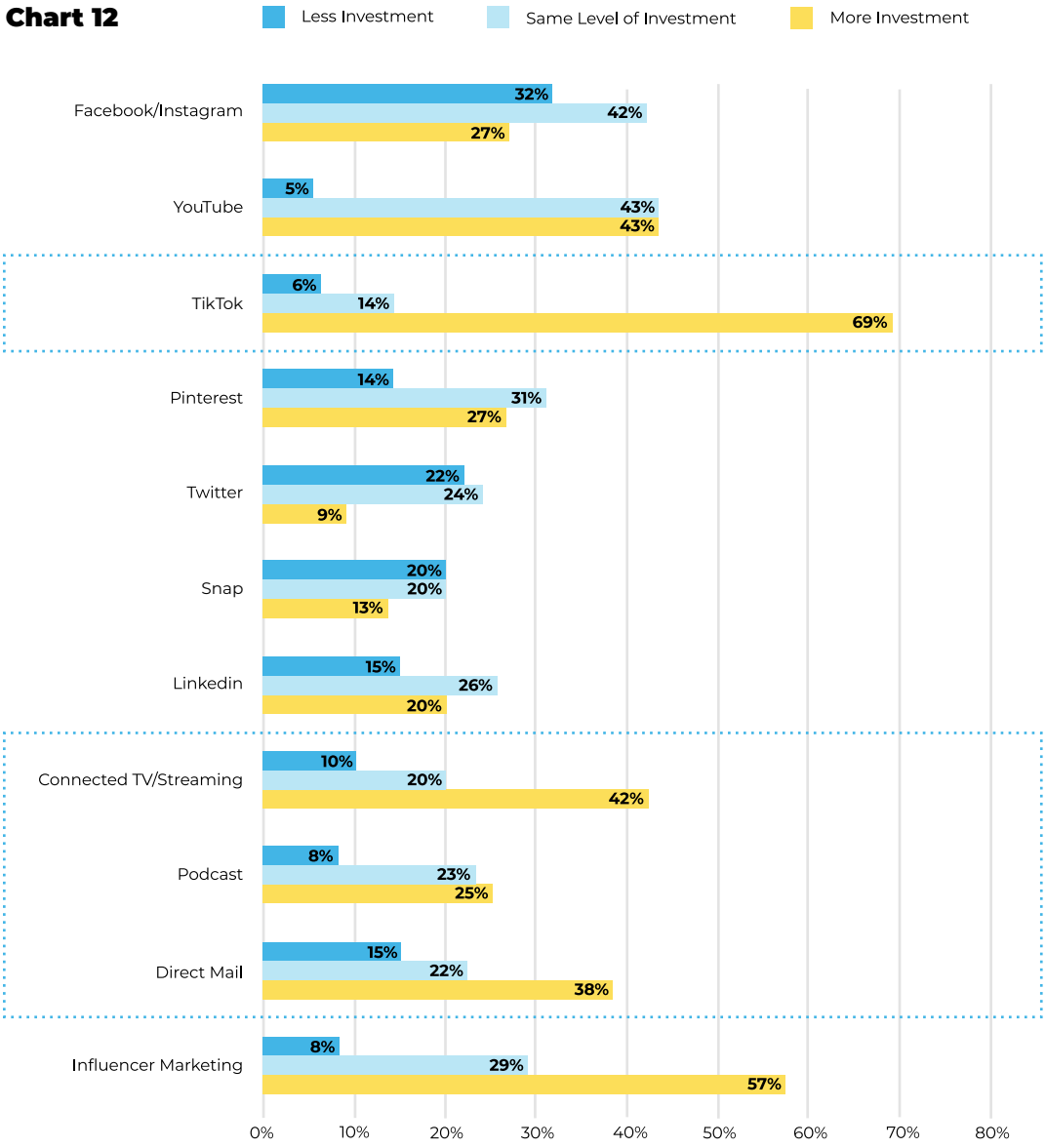
It's about time we played offense against rising CPMs and CPCs on established media channels. After experiencing more than two years of declining KPIs, and after spending last year securing budgets and developing creative for new channels, retailers are prepared to venture into new acquisition territory.

This year, most retailers anticipate the same or less investment on *Facebook/Instagram*, while *TikTok*, *influencer marketing*, *connected TV (CTV)*, and *direct mail* will receive significantly more (per Chart 12).

Q: How do you expect your investment to change in 2022 for the following acquisition channels?

Source:
CommerceNext Annual Benchmark Survey
N=101

Chart 12



As we learned during our post-survey interviews, retailers like Diane Von Furstenberg (DVF) and Vince Camuto are already testing and measuring impact in other channels aside from Meta and Google. Sherry Shi, Chief Brand Officer at DVF, confirmed her company is already spending less on Facebook while looking at connected TV (CTV) and direct mail. At Vince Camuto, Stephanie Urban (Vice President Direct to Consumer) started running ads on Pinterest and upper funnel advertising through both CTV and video on YouTube.

Measurement Grows Up (And Mixes It Up)

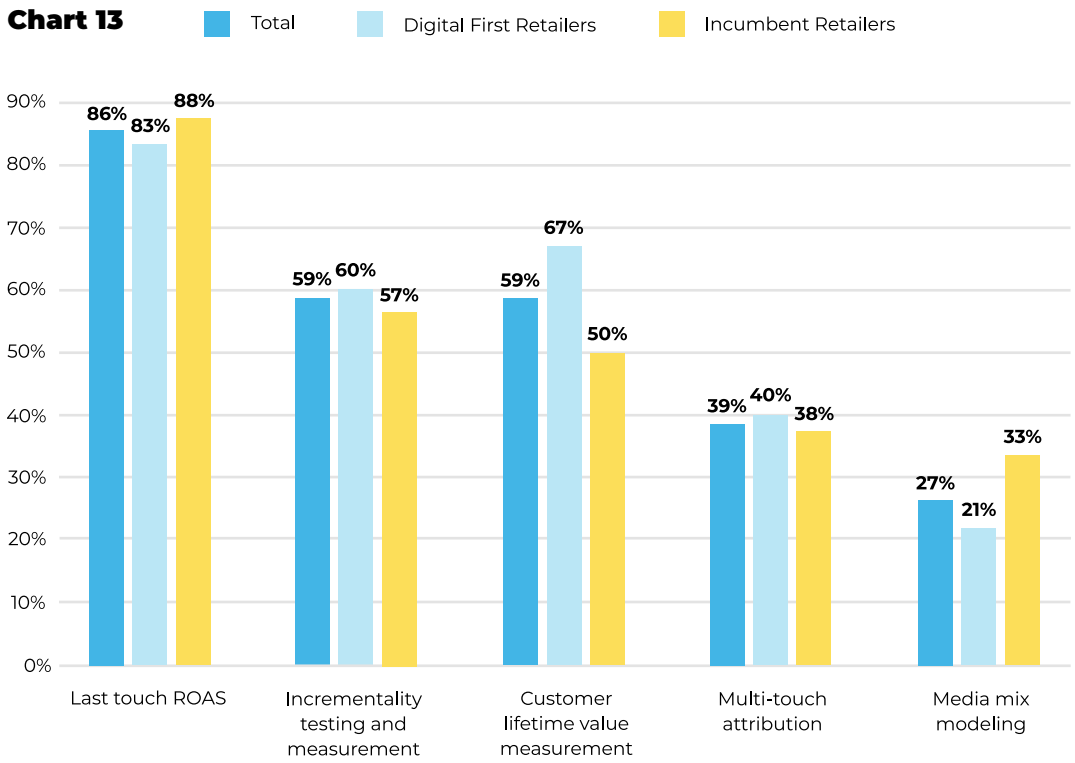
The evaluation phase is over — marketers are turning it all on. Attribution leveled up, wherein retailers are triangulating metrics and expanding strategies to measure top-of-funnel channels.

Although nearly all retailers are currently using *last touch ROAS* and it's obtained status as a mainstay data point, the days of blind loyalty to it are over. Sixty-seven percent of digital-first brands and 50% of incumbent retailers are measuring *customer lifetime value (CLTV)* (per Chart 13). In 2022, digital-first brands are also planning to implement *incrementality measurement* and *media mix modeling (MMM)* while incumbent retailers will launch efforts to measure *CLTV* (per Chart 14).

Q: What do you use as part of your marketing measurement toolkit today?

Source:
CommerceNext Annual Benchmark Survey
N=98

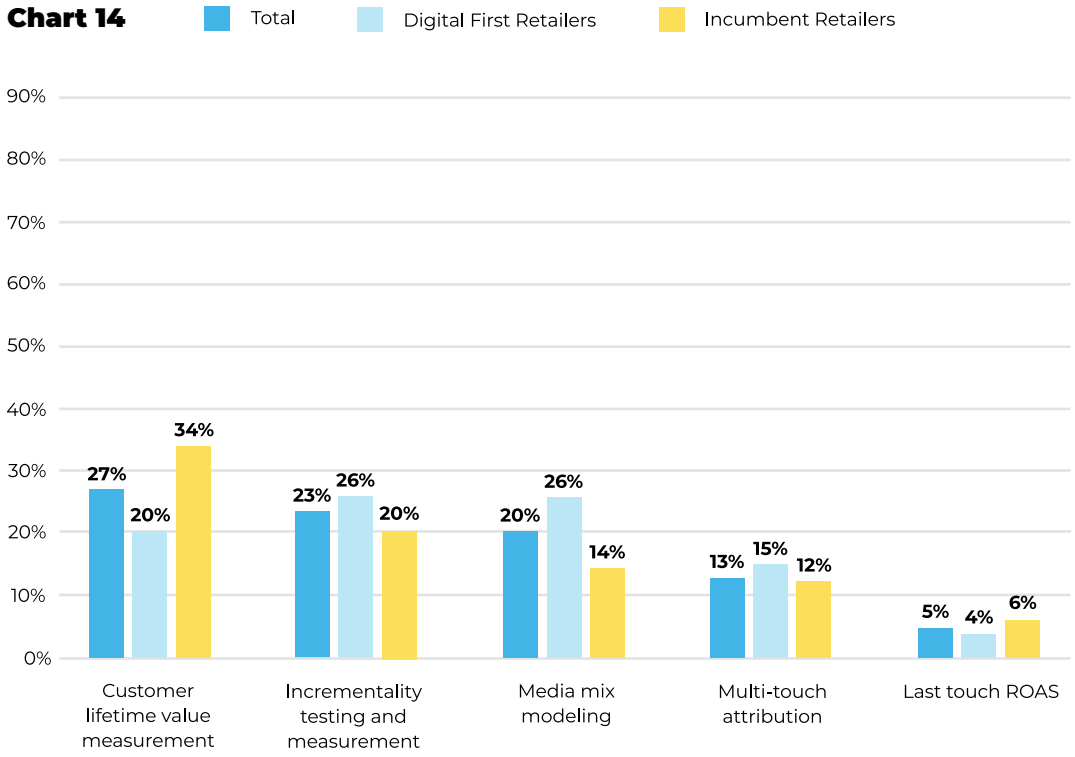
Chart 13



Q: What do you use as part of your marketing measurement toolkit launching in 2022?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 14



Like so many of our respondents, Nickel at Ten Thousand is enjoying a veritable measurement buffet, launching incrementality and moving away from single source toward *CLTV*. As is Urban at Vince Camuto, where they're currently experimenting in new channels and "measuring success by determining the lower funnel impact on how we're diversifying across upper and middle funnels, e.g. new visits, impressions, and the ability to build out our retargeting pools."

Balancing last-touch ROAS, incrementality, MMM, post-purchase survey data, in-platform reporting, and brand-lift studies (like Ten Thousand and others are doing) seems daunting, but according to this survey, this is the complex new attribution arena our industry has entered.

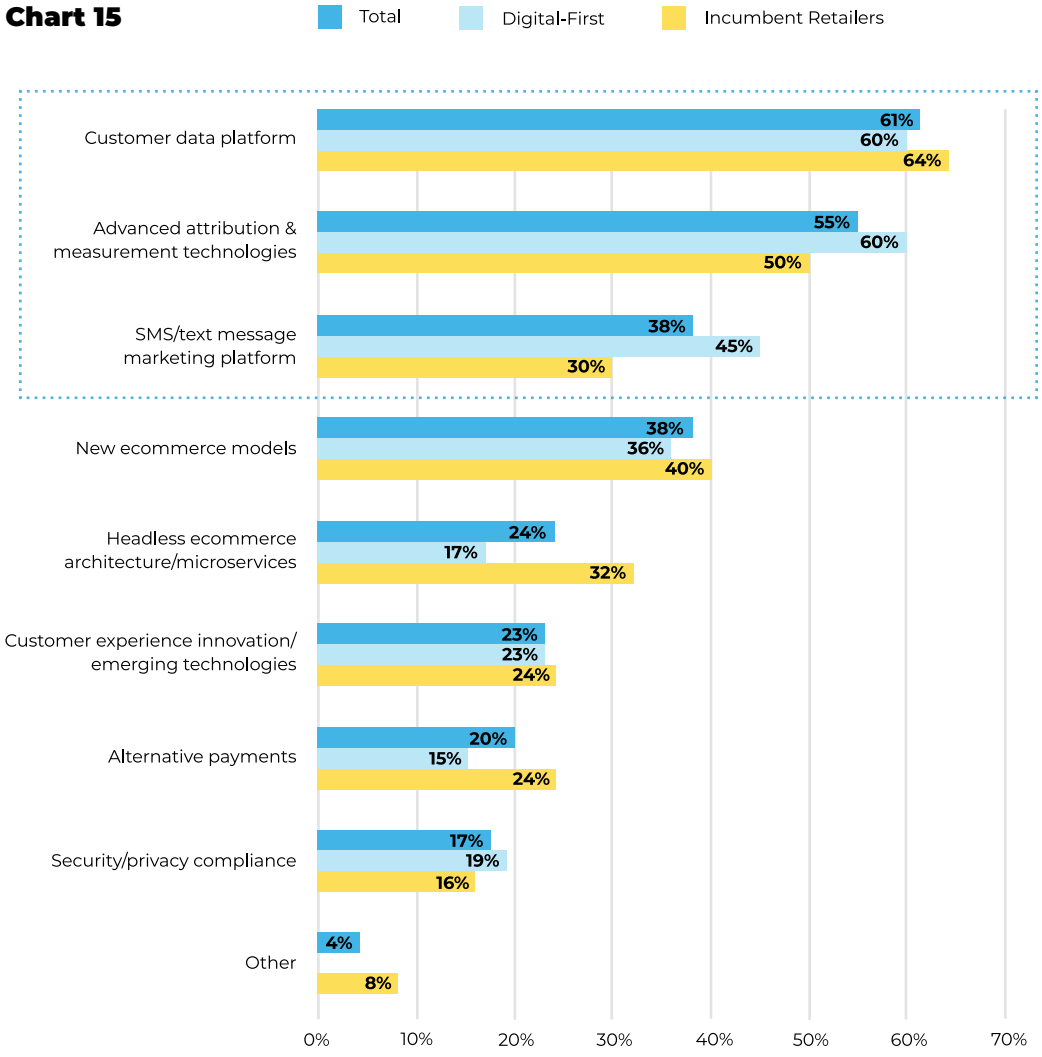
Technology Investment Grows Up (And Gets Wiser)

Data isn't anything without the ability to leverage it. Now that retailers have largely figured out how to acquire first-party data, they're in more dire need for smarter segmentation that can scale personalization and advanced measurement technologies to help scale new channels.

Q: What do you see as your most important technology investment priorities?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 15



Digital-first brands have been quicker to adopt *SMS/text messaging platforms*, but, as we'll later, the percentage of overall retailers implementing SMS has increased since 2021.

Whereas last year, mainly incumbent retailers prioritized *customer data platforms (CDPs)* and *advanced attribution technologies*, this year (as seen in Chart 15 above), the majority of all retailers are invested in both. The most logical way to respond to the volatility in consumer shopping habits over the last two years is with technologies like CDPs that can relearn and track consumer needs, tastes, and behaviors. And, with less data coming in to evaluate performance as a result of the iOS14/15 privacy changes — and the subsequent channel diversification needed to mitigate rising costs — we suspect attribution tools will remain a high investment priority for the foreseeable future.

For Shi at DVF, this all tracks — data is the struggle, and the perfect CDP is the solution. She outlined their technology plans for us: "We're looking for a good customer data platform that can give us the right customer insights and we decided to go with something more action-driven. We're taking transaction data/browsing history and all the data customers share with us to then trigger the right messages at the right time using predictive analysis. For example, a lapsed customer who hasn't shopped for a while is a risk indicator, so we're triggering the email to re-engage."

New Rules Of Engagement

As acquisition marketing spiked in cost over recent years, retailers invested in retention and saw it become the winning strategy. All types of retention strategies are receiving more love and higher investment injections this year, reiterating the industry's evolved outlook on long-term digital growth.

This year, we'll see SMS technology and first-party data collection power community-based retention tactics utilized throughout 2022 and even into holiday.

Sweet On Community-Building Tactics

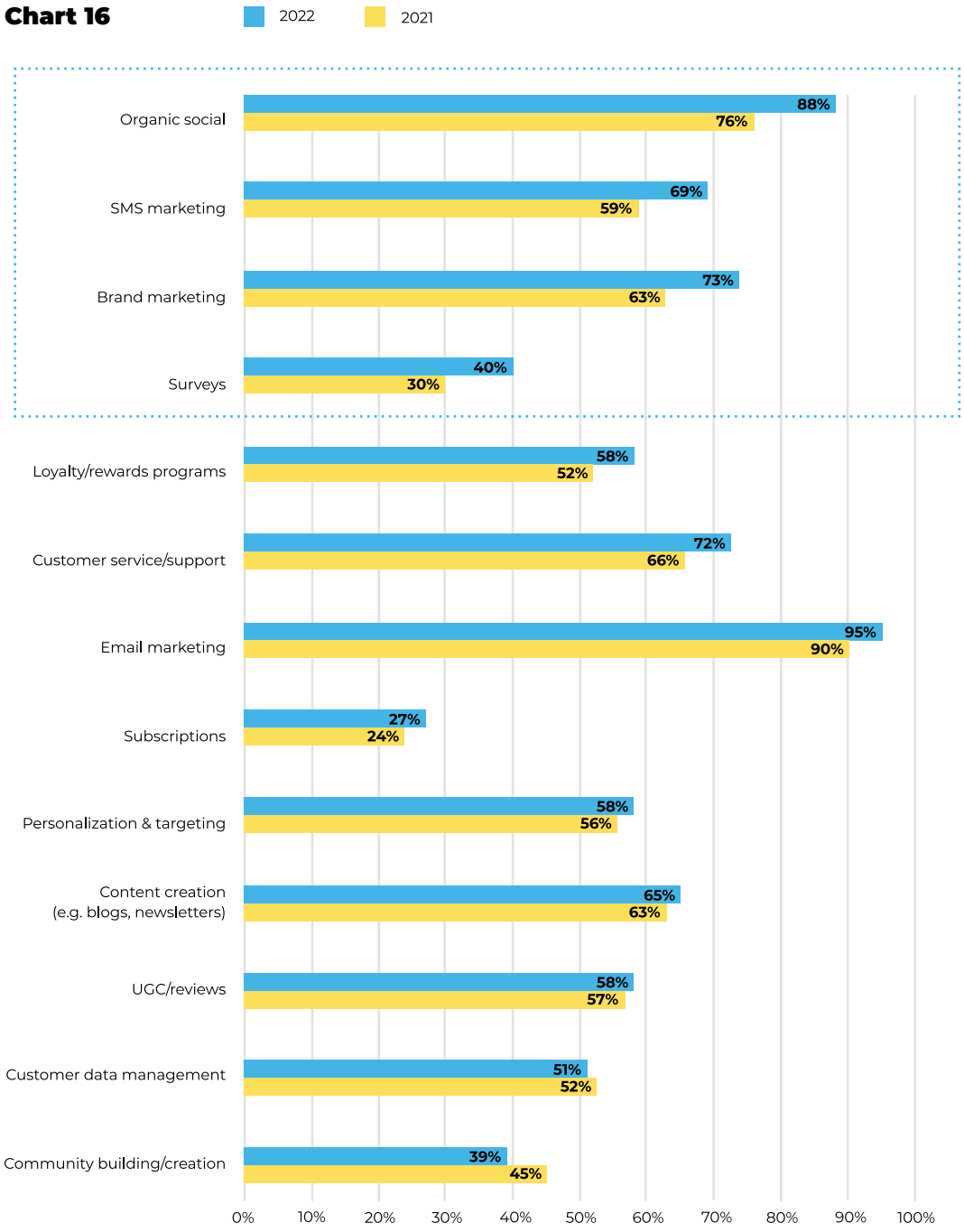
Brands are looking to boost CLTV through engaging their communities. Last year, retailers prioritized consistently producing meaningful content, setting up the systems and strategies to mitigate passive churn. They're connecting with consumers more often, in more places, and in more relevant ways.

How? *Email marketing* maintains its lead as the most used tactic, but we're heartened to see *increases in organic social* (which has never before been at the forefront of priorities), *SMS marketing, brand marketing*, and *surveys* (see Chart 16 below).

Q: Which of the following Retention Marketing tactics is your company currently involved in?

Source:
CommerceNext Annual Benchmark Survey
N=101

Chart 16

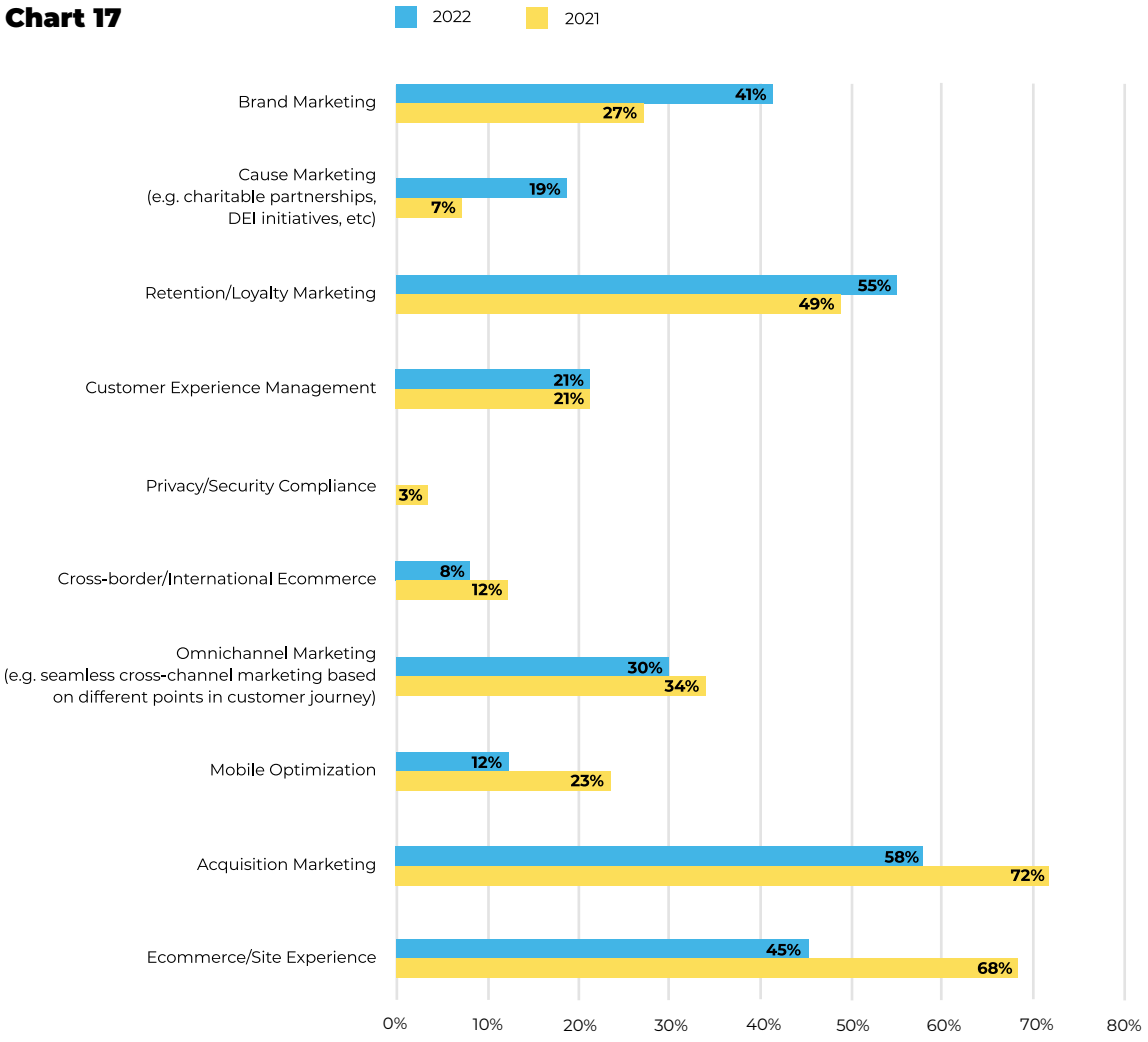


Community is the latest strategic through-line for brands in 2022, all the way to holiday. For the first time ever, retailers are giving nearly equal weight to retention as to acquisition (55% vs 58%), unseating acquisition as the traditionally dominant force during the holiday season (see Chart 17).

Q: When it comes to marketing initiatives for the 2022 holiday shopping season, what are your top investment priorities?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 17



Site experience remains a top priority during holiday, but with its sharp decline from 2021, we can assume some of that investment will go into *brand marketing* and *cause marketing*, both of which jumped by double digits.

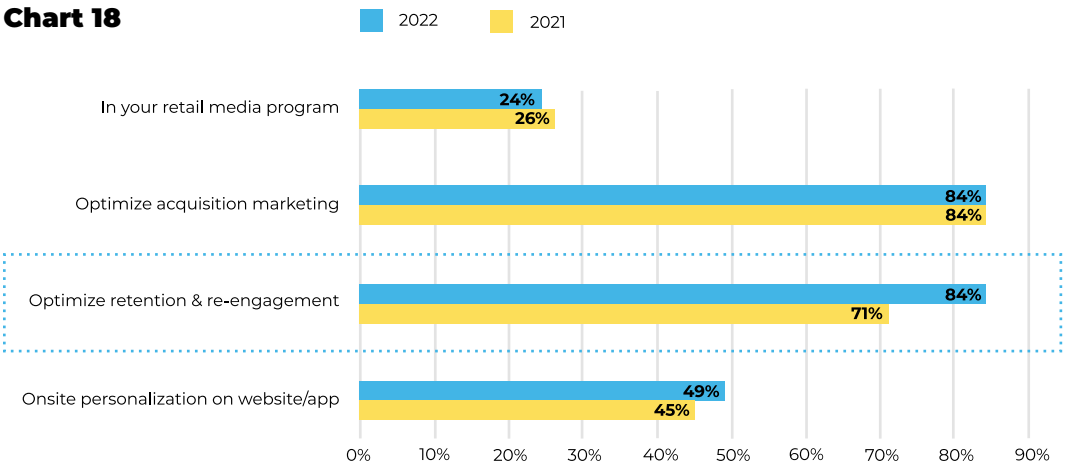
Sweet On First-Party Data Collection And Re-Engagement Strategies

Even first-party data collection is now multi-purposed, further evidence of retailers' digital maturity. While still used as much for acquisition purposes, there has been a significant increase in brands utilizing first-party data to re-engage customers (+13% YOY, as seen in Chart 18).

Q: How are you leveraging first party data today?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 18

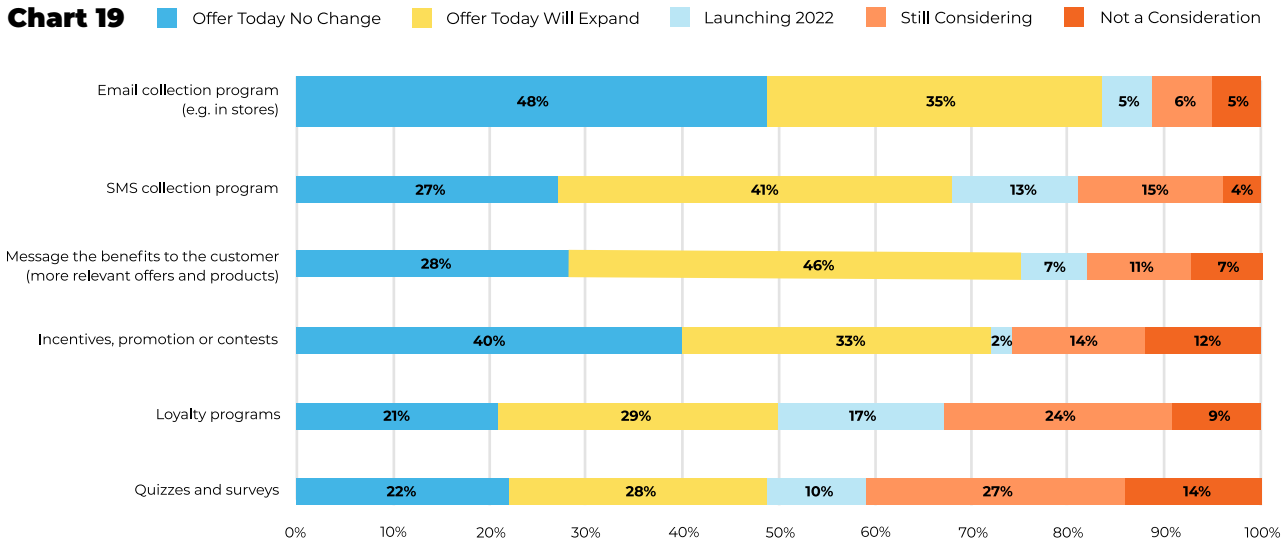


Email and promotions are the historically relied-upon tactics to gather more first-party data. In 2022, the story isn't much different, except *SMS* and *messaging the benefits to customers* are catching up to email in importance and effectiveness (see Chart 19). Thirteen percent of respondents will be launching SMS collection programs this year and 17% of brands will be launching loyalty programs.

Q: What are you doing to encourage customers to share more data with you or to opt-in to receiving information?

Source:
CommerceNext Annual Benchmark Survey
N=98

Chart 19



Digital-first retailers are leveraging *quizzes and surveys* much more than incumbent retailers (66% vs 53%), but that's the only area (see Chart 20 below). Interestingly, incumbent retailers are leading in first-party data collection efforts across the board, especially in the areas of:

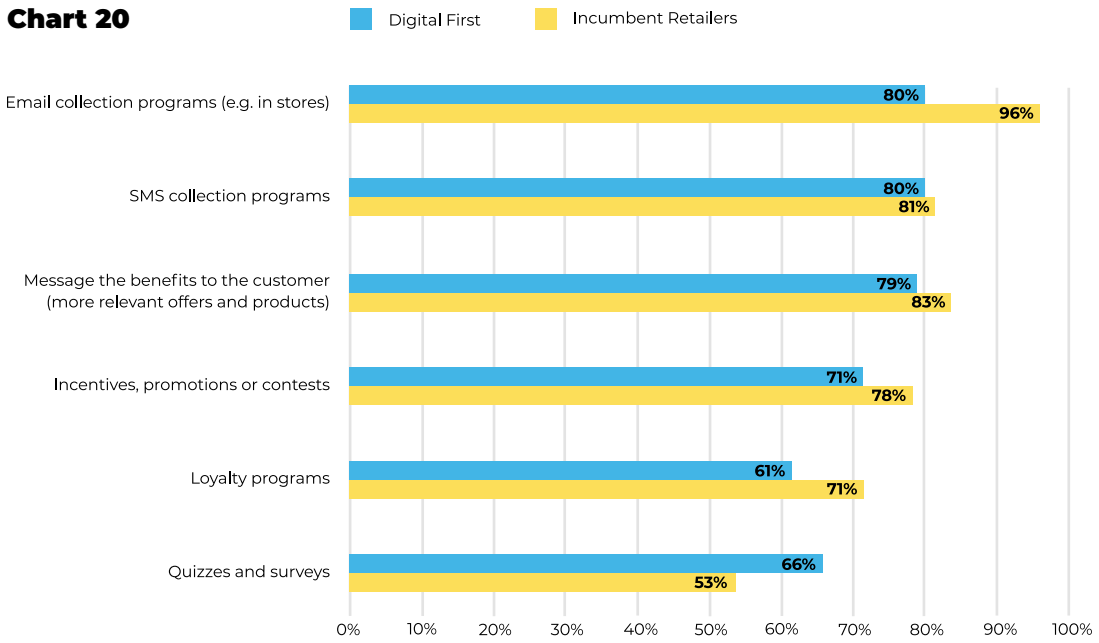
1. Email collection: 96% of incumbent retailers (offer today/expand/launch in 2022) vs 80% of digital first companies.

2. Loyalty: 71% of incumbent retailers (offer today/expand/launch in 2022) vs 61% of digital first companies.

Q: What are you currently doing and planning to do to encourage customers to share more data with you or opt-in to receiving information?

Source:
CommerceNext Annual Benchmark Survey
N=557

Chart 20



Overall, the majority of those surveyed are branching out and adding to their collection cocktails in the hopes of gathering enough data to advance their personalization, segmentation, and CLTV goals.

Sweet On SMS For Data And Retention

SMS graduated from rookie of the year to MVP in both the data collection and retention tactics categories. We've witnessed its steady gains in adoption over the last couple years and now it's here to stay — it's no longer an *if* for retailers, but a *when*.

Some are noticing email's declining effectiveness as a channel, nudging them toward SMS solutions. In his post-survey interview, Geoffrey Sanders (CMO at Firstleaf) touted SMS as "more nimble, and possibly just as effective [as email] given certain messages are so time sensitive that it makes more sense for consumers to get quicker responses via text (e.g. 'Your order is out for delivery' or 'last call' notifications)."

At DVF, Sherry Shi is one of the many retailers surveyed experimenting with SMS: "We set up a pop-up on the website to incentivize customers signing up for text in exchange for a discount. But, we make sure to not abuse it, by only sending out once a week and we're working on more personalized texts, as well, to improve the experience."

Retailers know there is a big opportunity to connect and build out different customer journeys through SMS, to leverage different segmentation, and garner insights into what top buyers are doing and why customers churn.

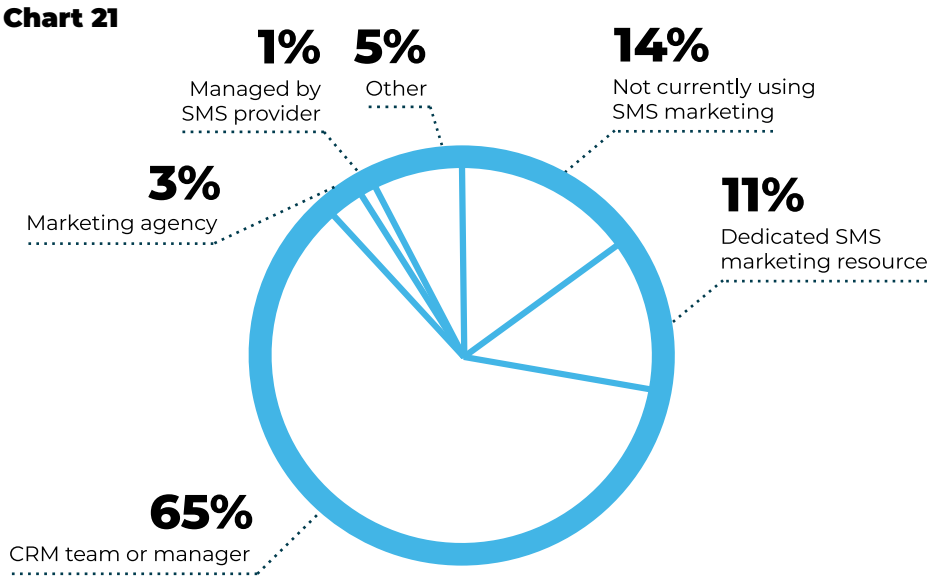
One such retailer who knows SMS's growth power firsthand is Michaels. The digital team integrated an SMS solution throughout their tech stack with multiple goals in mind, including fostering discovery, driving traffic to their site, and nurturing their "community of makers" through robust personalization.[8] In just one year, "Michaels has seen a steady increase in SMS-attributed traffic to their e-commerce site...and driven over $63.2 million in revenue from SMS."

Its benefits are clear, enabling retailers like Michaels and DVF to easily justify the resources that go into it. In most cases, SMS marketing is managed by a CRM or email manager, but 11% now have a dedicated team member working on developing their SMS program (see Chart 21 below). Retailers report it having a measurable impact primarily on revenue growth and customer re-engagement/retention (per Chart 22 below). SMS is proving to be effective throughout the entire customer lifecycle, with forty-nine percent of respondents seeing an impact on acquisition.

Q: What team or person manages SMS marketing at your organization?

Source:
CommerceNext Annual Benchmark Survey
N=98

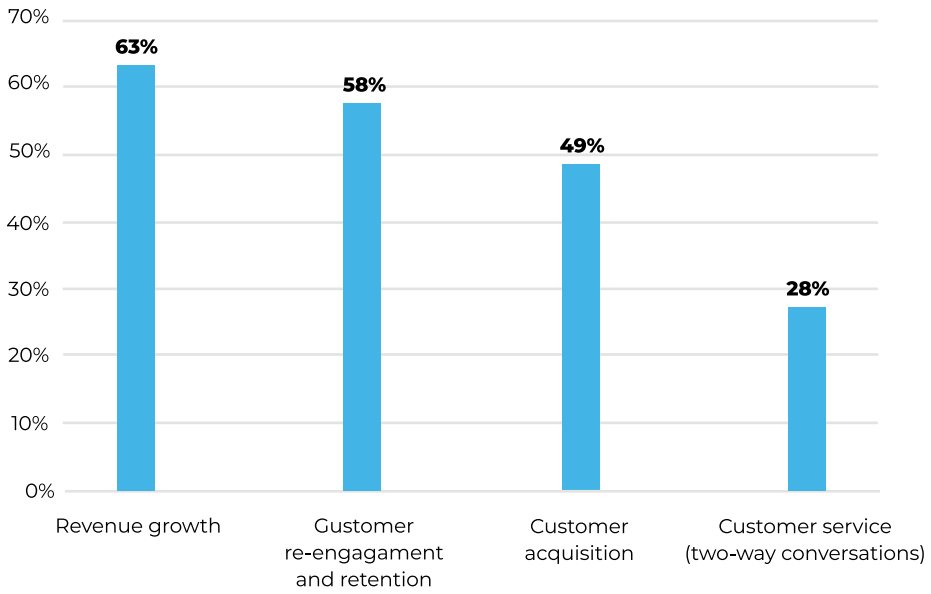
Chart 21



Q: Since implementing SMS marketing, what specific marketing goals has it had a measurable impact on? (select all that apply)

Source:
CommerceNext Annual Benchmark Survey
N=83

Chart 22



This isn't just repurposing email strategies — SMS is a unique channel with its own resources and use cases. Its scale and sophistication clearly meet this moment, when retailers are evolving their digital businesses from the basics.

III Final Thoughts And Recommendations

As our industry continues to plan for and execute on long-tail initiatives, we reached out for advice and insights from our community of leading marketers. Their post-survey commentary is quoted throughout the report, and their advice is organized into two areas of recommendations below.

Re: Retention, Acquisition, and Talent

Stephanie Urban at Vince Camuto still sees **acquisition** and **retention** as equals, with retail being "a full funnel and multi-channel experience. You have to think about the customer journey and every touchpoint, how those interact with each other, and how you can personalize within that workstream across each of those channel touchpoints — and have a team that thinks holistically about that, as well. There can't be silos, there have to be brainstorms and strategizing around each channel and an understanding of where they intersect with each other, while ensuring the messaging and visuals align throughout."

Per Geoffrey Sanders at Firstleaf, "There are a number of levers retailers can pull to drive **retention**, like: adjusting growth targets, driving up LTV, rolling out loyalty programs, adjusting pricing to give incentive to stay, and encouraging additional orders between subscriptions."

When confronted with challenging **talent** searches, Jason Nickel at Ten Thousand agrees it's a tough market, but one with promise: "Growth marketing as a specific category is a hot position for recruiters across the board, driven by the fact that a lot of companies have shifted to an in-house model versus using agencies. We all have to work with the new hybrid cultures and meet the expectations of our interviewees and current staff — as a company, you just have to make those larger decisions around what you're able to offer."

Re: Technology And Attribution

Urban is one of the 60+% of retailers who sees CDP as their most important tech investment this year (per Chart 15). And although Sanders hasn't yet finalized his company's **technology investments**, they see scaling segmentation as both a priority and as a challenge that can be addressed in stages: "Rather than making a huge investment, segmentation is, for now, more of an analytical investment while we seek solutions for churn prevention — we'll begin by testing hypotheses as to why a customer will churn, which signals are most meaningful and will *then* implement a technology solution. The technology piece will come in when we can use the historical data collected to predict customer actions and guide them along the journey as needed."

In this next era, where last-touch ROAS can't be the singular **attribution** prism, Sanders recommends reevaluating your answer to that ever-present core question: *What should my investment be given my budget?*

When thinking about his own investments and attribution budget, Sanders considers the pros and cons of each measurement tool: "Certain channels are easier to measure than others, and resources will shift depending on the channel. Direct mail is simpler, as you can perform a lift vs control test, whereas incrementality is riskier when pulling back spend to see what's working. CLTV is another metric you have to have, as it's the only way to evaluate longer-term success. MMM is a promising newer way to evaluate channels and doesn't involve pulling back spend with low-cost tools to help from a top down perspective."

For virtually all challenging areas of 2022, not just attribution, Sanders sums up most retailers' struggle: "There's no perfect answer; it's just a matter of getting better than before."

Positioned For Growth

Throughout this survey, it's obvious that retailers across the board are "getting better than before" on many fronts. From branching out into social commerce, to investing in advanced tech tools to support a unified customer journey, to upgrading measurement methodologies, to driving community engagement — retailers are in a new position of having the digital resources they need to play offense.

We're sure to still incur some growing pains, but digital matured before our eyes over the last two years. Many organizations are now going beyond reactionary solutions, as they planned for a permanent shift in the customer journey when Covid hit. Selling online is non-negotiable now. It's clear that those who pivoted to digital and started tailoring ecommerce plans for the long-term will be the best positioned to retain customers and achieve lasting growth.

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