

# THE YEAR OF ~~COVID~~ THE CUSTOMER

Retention And Privacy Usher In A New Wave  
Of Customer-Centric Strategies

Sponsored by

**yotpo.**

# TABLE OF CONTENTS

- Forewords from CommerceNext and Yotpo ..... **3**
- Executive Summary ..... **5**
- Key Learnings ..... **6**
  
- Part I: Stacking Up: Benchmarking Now vs. 2020 ..... **10**
  - Budgets ..... **11**
  - Performance ..... **12**
  - Challenges ..... **13**
  
- Part II: The Year of the Customer: A New Era for Customer Centricity ..... **17**
  - Retention ..... **20**
  - Privacy ..... **26**
  
- Part III: Recommendations for Retailers ..... **31**
  
- Sources ..... **35**
- Acknowledgements ..... **36**

## FOREWORD

# An Open Letter from CommerceNext

Fellow Retail and Brand Marketers,

The most reliable part about the retail industry is that it never stops changing. Just because the U.S. reopened and we've resumed most elements of pre-Covid life doesn't mean our industry is resuming its own pre-Covid way of doing business. We've been tested this past year and we've come out more nimble, more innovative and more focused than could ever be expected.

**And the revolution has only just begun.**

In this report, we're taking a temperature check on our community of marketing leaders. We aim to understand where everyone landed after 2020 and how priorities have shifted now that we've got a handle on operating during a pandemic.

At CommerceNext, our mission is helping executives navigate through challenging moments and keep building upon their success. Many in our community are in the midst of doing both, so it's imperative that we all continue learning from each other wherever we can. Part of our founding purpose is to foster research and learning across verticals and retailer types. That's why, in this report, we're pleased to showcase the similarities and the diversity in strategy and priorities between what we refer to as "digital-first retailers" and "incumbent retailers." Digital-first are digitally native brands with an online genesis, whereas incumbent includes traditional retailers and those brands created before the rise of ecommerce.

More than most, marketers need up-to-the-minute data to gauge what's working with customers, what's not, where they're pulling ahead of the competition and where they're falling short. When the pace of change is this high, we have to rely on the best practices and knowledge of our peers. We hope this report helps our community do just that.

But the help doesn't stop here. We'll host a deeper conversation about the results of this survey with you at the CommerceNext IRL Conference on September 28-29, 2021 in NYC. With our community meeting in person for the first time in nearly two years, this is a two-day event of panels, keynotes, breakout sessions and more dedicated to sharing insights from what we learned in 2020 and what we should all look forward to in 2021.

Until then,



**Scott Silverman**  
Co-founder, CommerceNext



## A Note From Yotpo

Our mission at Yotpo has always been to help ecommerce brands develop strong, value-driven relationships with their customers. After all, newly acquired buyers need a reason to come back, which makes retention, engagement, and community advocacy essential pillars for all retailers.

This couldn't be more true now, after more than a year of living through a pandemic and emerging into a completely changed digital landscape. As regulations around consumer privacy continue to tighten, acquisition without retention becomes a losing cycle of churn and decreasing profits.

In this report, you'll see many retailers are validating our emphasis on putting customer value first. With acquisition costs on the rise, retailers are already hurting and in need of strong, tangible strategies to balance the scales. We believe that successful brands will ultimately get creative with loyalty, segmentation, SMS, UGC and other tactics that deepen organic brand to customer relationships.

Wherever you are in your retention plans, we hope this report provides you direction and motivation to discover your winning strategies.



**Rosa Hu**

Vice President Product Marketing

The Yotpo logo, consisting of the word "yotpo." in a bold, blue, lowercase sans-serif font. The logo is centered within a white rectangular box that has a subtle drop shadow.

# Executive Summary

If the retail industry named its years, this last one can't be entirely characterized by Covid. It should instead be the *Year of the Customer*.

Since March 2020, the conditions of the marketplace have been transformed and consumers with it. They adjusted to staying in, masking up and buying nearly everything online — all while macro market forces made major changes to consumer privacy law. Retailers then clamored to answer an ecommerce surge and, with it, consumers' heightened demands for efficiency, ease, privacy and personalized experiences.

Our June 2021 survey of high-level retail and brand marketing leaders sought to find out what our industry is doing now that the U.S. has reopened. Are they going back to pre-Covid budgets and strategies? No. They most certainly are not.

Even though marketing budgets stayed the same as 2020, and even though performance satisfaction went up in almost every marketing category, retailers are focused on retention, privacy and omnichannel more than ever before.

This report does two main things:

- 1.** Benchmarks budget investments, performance satisfaction and challenges against our 2020 surveys.
- 2.** Reveals an unprecedented emphasis on the customer as all retailers put retention first and digital-first brands build a value exchange economy.

We can also now establish a decisive split between digital-first retailers and incumbent retailers on 2021 strategies and tactics — the former is looking to the future of first-party data and the latter to omnichannel.

Regardless, customers and customer value are poised at the center of 2021, and we can't see any downside to that.

# Key Learnings

- **Marketing budgets unchanged since 2020, but investment choices differ.** As a percentage of revenue, digital-first retailers continue outspending incumbent retailers in marketing. They're directing their investments toward more retention initiatives and future-focused technologies, like new ecommerce models and advanced attribution models. After a year of unexpectedly pivoting to ecommerce and getting creative with pickup and delivery, the majority of incumbent retailers are still investing more dollars toward setup costs like customer data platforms and solving omnichannel challenges.
- **Marketing satisfaction up overall, but acquisition struggled.** Most marketers are happier than they were last year with retention marketing, personalization, data management, privacy compliance and ecommerce/site experience. But, given the residual effects of increased data privacy restrictions on ad costs, many digital-first marketers say acquisition performance came in below expectations.
- **Retention dethrones acquisition marketing as top priority.** Retailers agree that retaining customers is now more imperative than acquisition, and expect to direct more resources toward retention. We saw a rise in the number of tactics being deployed for customer retention that went beyond email to include SMS, user-generated content (UGC)/reviews, personalization and customer service programs.
- **Digital-first creating a value exchange economy within the new privacy landscape.** While the majority of all retailers are satisfied with their privacy compliance efforts (GDPR, etc.), digital-first retailers are taking it to the next level in navigating the major Big Tech privacy changes that make third-party data less valuable. They are committed to finding mutually beneficial ways to acquire both customers and first-party data. They're diversifying tactics beyond Facebook and Google and using incentives, promotions or contests to encourage opt-in from customers.
- **Important omnichannel initiatives are the priority for incumbent retailers.** Given the need to integrate their strong physical retail footprint with their growing digital presence, it's not a surprise that incumbent retailers are focused on priorities that will help them seamlessly advance customer centricity across channels. They're investing in customer data platforms, testing new channels and relying on omnichannel approaches like email and loyalty programs to accumulate first-party data.

When Covid hit, our industry went into overdrive. Retailers moved quickly to restructure overloaded operations, find different fulfillment tactics, optimize and innovate ecommerce experiences and untangle a slew of new privacy guidelines to meet the needs of customers who could not shop in-store. All of these efforts brought customer-centric strategies back to front and center. We noticed incumbent retailers continuing to invest in ways to make customer data actionable, and digital-first retailers exploring uncharted approaches to advance customer loyalty.

We're hoping you can use this report to not only benchmark your own business's investments and progress, but to also make pivots and plans where needed. This will be an unprecedented new era of engagement in a cookieless world where acquisition needs new channels and retention requires more creativity than ever. Seeing the direction these retailers are going, we're excited for a mutually beneficial, customer-centric future of retail.

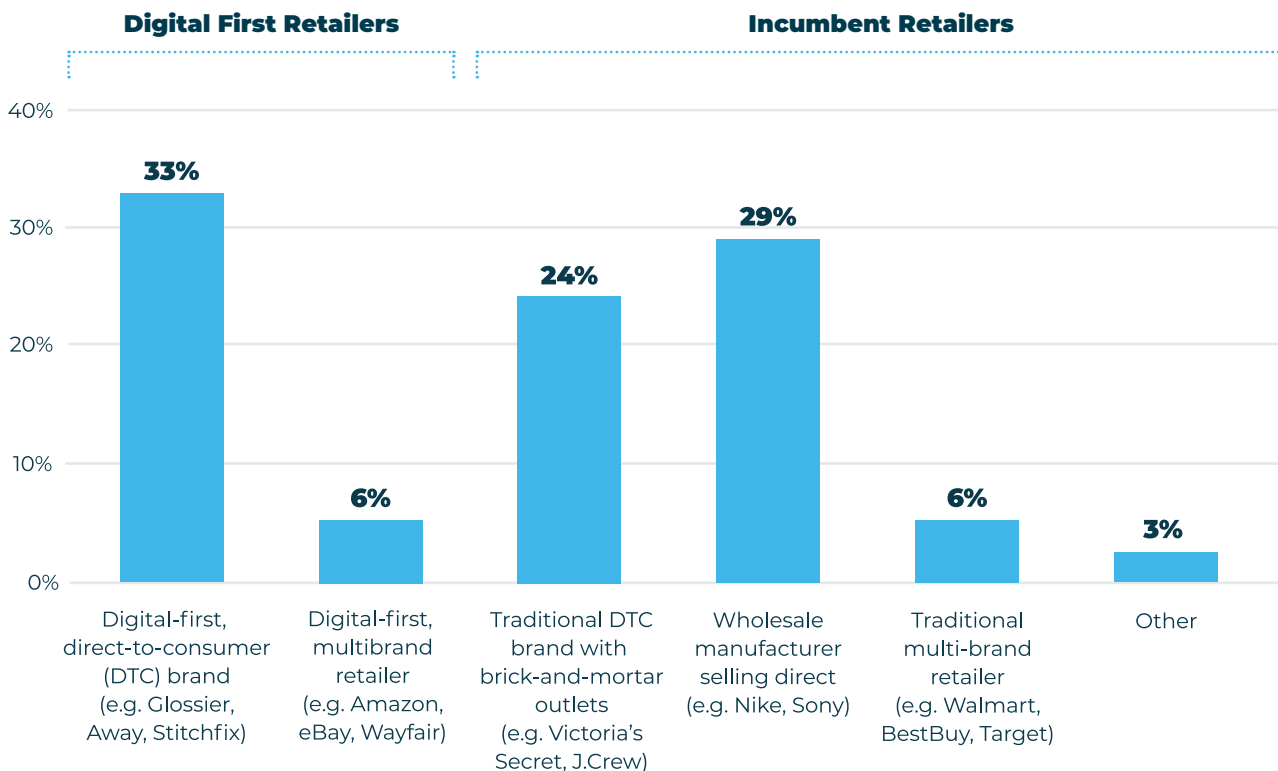
# Methodology

In June 2021, we conducted a robust survey with 104 participants that spanned retail and brand types and verticals. Throughout this report, we compare several of the baseline budget and performance questions also used in our 2020 survey to benchmark our industry's priorities.

As we analyzed the results, we noticed very clear lines in the sand between what we call in this report “digital-first retailers” and “incumbent retailers,” both of which are shown grouped below. Digital-first retailers started out online and are digitally native. Incumbent retailers started out with stores, catalogues or as wholesale brands; for them, digital was added after inception. As more consumers adopt ecommerce, we've seen the digital-first retailers benefit disproportionately, so we wanted to call out some of the differences in their approach to marketing, especially given the growth each experienced during Covid.

**Q1:** Which of the following best describes your retail model?

**Source:**  
CommerceNext Survey, June 2021



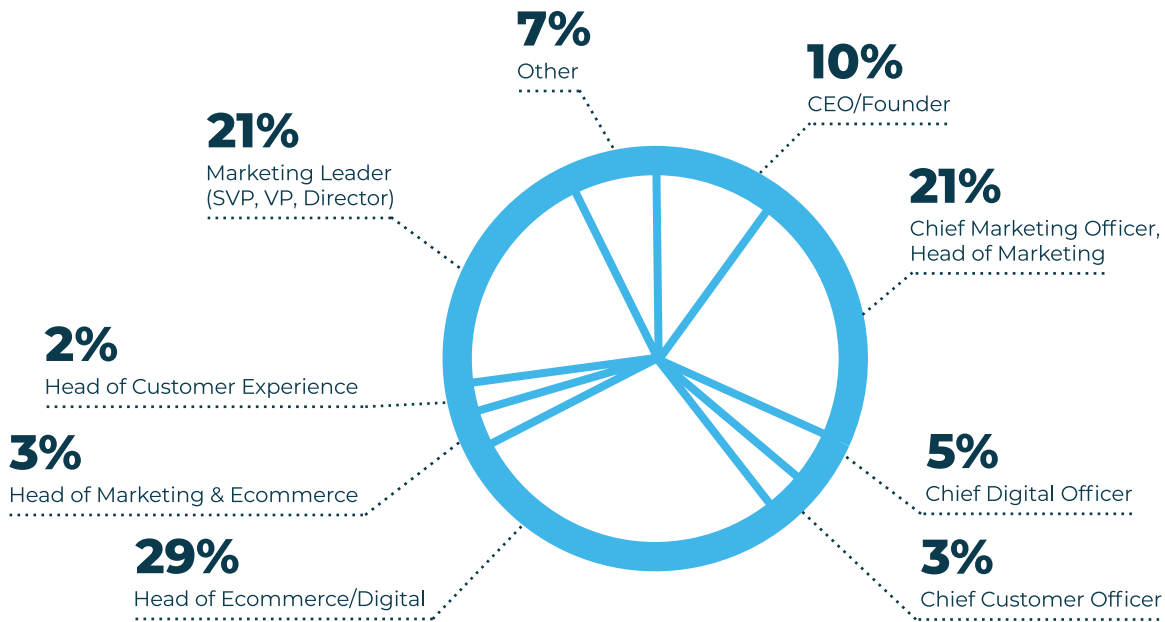
During the pandemic, digital-first could easily pivot their marketing and messaging. Incumbents were (mostly) at a disadvantage digitally and had to rethink entire business models.<sup>1</sup> Last year, direct-to-consumer (D2C) ecommerce sales rose by 40.0% because “most people spent more money shopping online than ever before, and that was a boon for digitally native brands that were uniquely positioned to weather store closures and capitalize on the shift to online.”<sup>2</sup>



## About our survey respondents

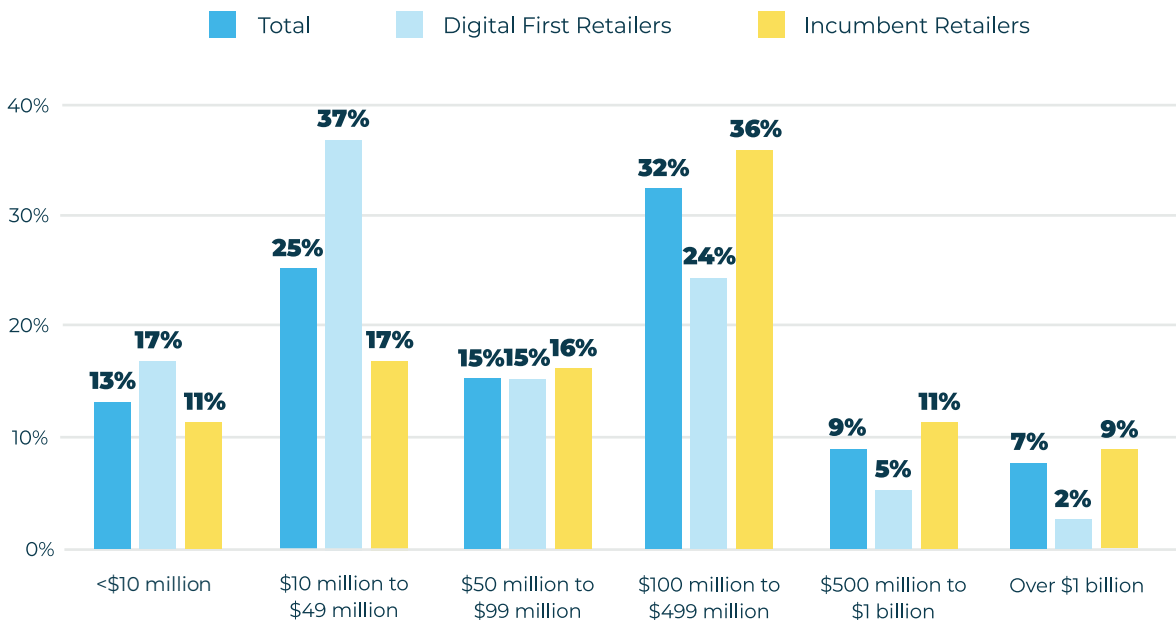
**Q2:** Which title best describes your position at your organization?

**Source:**  
CommerceNext Survey, June 2021



**Q3:** Using your best estimate, what is your organization's annual online revenue (USD)?

**Source:**  
CommerceNext Survey, June 2021



# **PART I**

## **Stacking Up: Benchmarking Now vs. 2020**



## PART I

# Stacking Up: Benchmarking Now Vs. 2020

Using a report released in July 2020 by CommerceNext that surveyed over 100 retailers with the same budget and performance questions as this survey, we dialed into how retailers are now prioritizing marketing efforts versus then — and what it all says about this next era of retail.

In this section, we're benchmarking: (1) budgets, (2) performance and (3) challenges in 2021. Having this bird's eye view revealed stark differences in areas of progress made throughout our industry during Covid.

Compared to March 2020, businesses may be investing similarly in marketing, but how they are performing and where they see challenges vary considerably. Digital-first retailers were disappointed with their performance in acquisition marketing, and see their greatest challenges in retention while navigating the changing landscape of data privacy. Incumbent retailers were less satisfied with their customer data management approaches vs digital-first retailers, and therefore continue to be challenged with making data actionable.

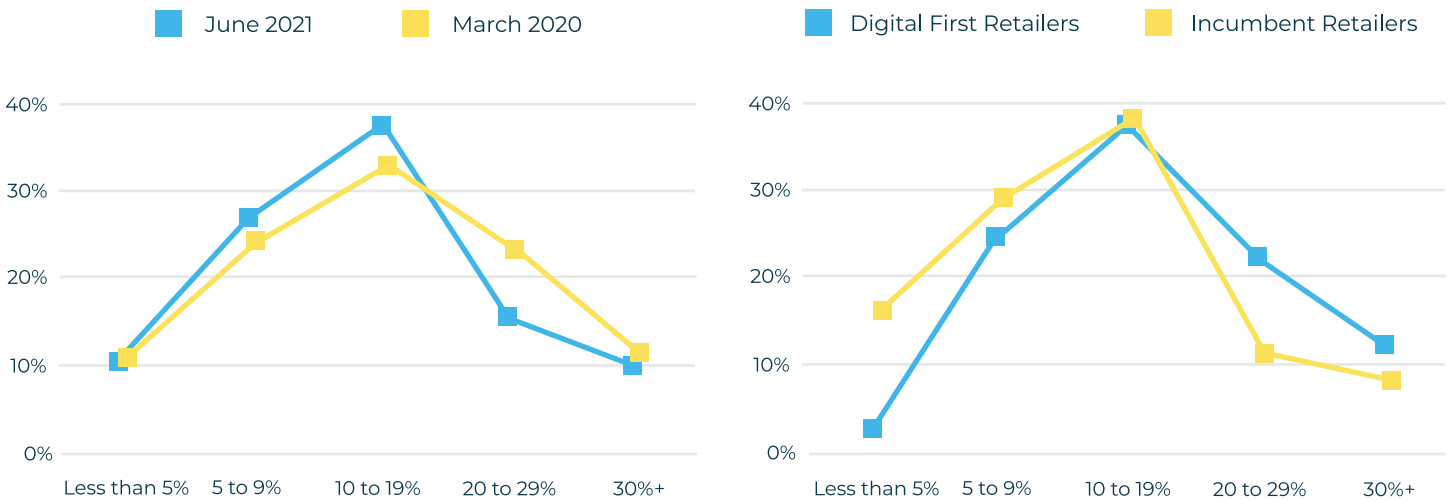
## Budgets: Investment Steadies

Although many Americans are spending more of their income on services and travel<sup>3</sup> with the country now reopened, retail demand overall remains consistent and strong.<sup>4</sup> This stability hasn't necessitated a drastic increase or decrease in marketing budgets for most retailers.

Even though average marketing spend as a percentage of total online revenue is similar to last year in the 10-19% range (37.5%), digital-first retailers are more likely to have higher budgets than their incumbent retailer counterparts. In 2021, 35% of digital-first retailers had marketing budgets that represented 20% or more of their online revenue, vs only 19% of incumbent retailers.

**Q4:** Using your best estimate, what is your 2021 total ecommerce marketing budget as a percentage of your company's online revenue?

**Source:** CommerceNext Survey, June 2021



Moreover, if the following bumps in performance satisfaction among retailers hold, budgets may stay in this range for several quarters to come.

## Performance: Improves Overall, Except Acquisition

2020's rapid shift to online forced many retailers to move up their martech roadmaps to address newly home-bound consumers' expectations for robust, engaging personalized experiences. With that came the inevitable upgrades to data management tools and retention strategies needed to keep digitally inundated consumers coming back.

As shown below, we consequently see the highest satisfaction jumps from last year in performance of customer data management (increase from 36% to 64%), personalization (39% to 49%) and retention marketing (56% to 68%). And, asked for the first time this year, retailers were most satisfied with performance in privacy compliance (85%) and ecommerce/site experience (77%).

**Q5:** As you look at your 2021 initiatives year to date, how well are they performing?

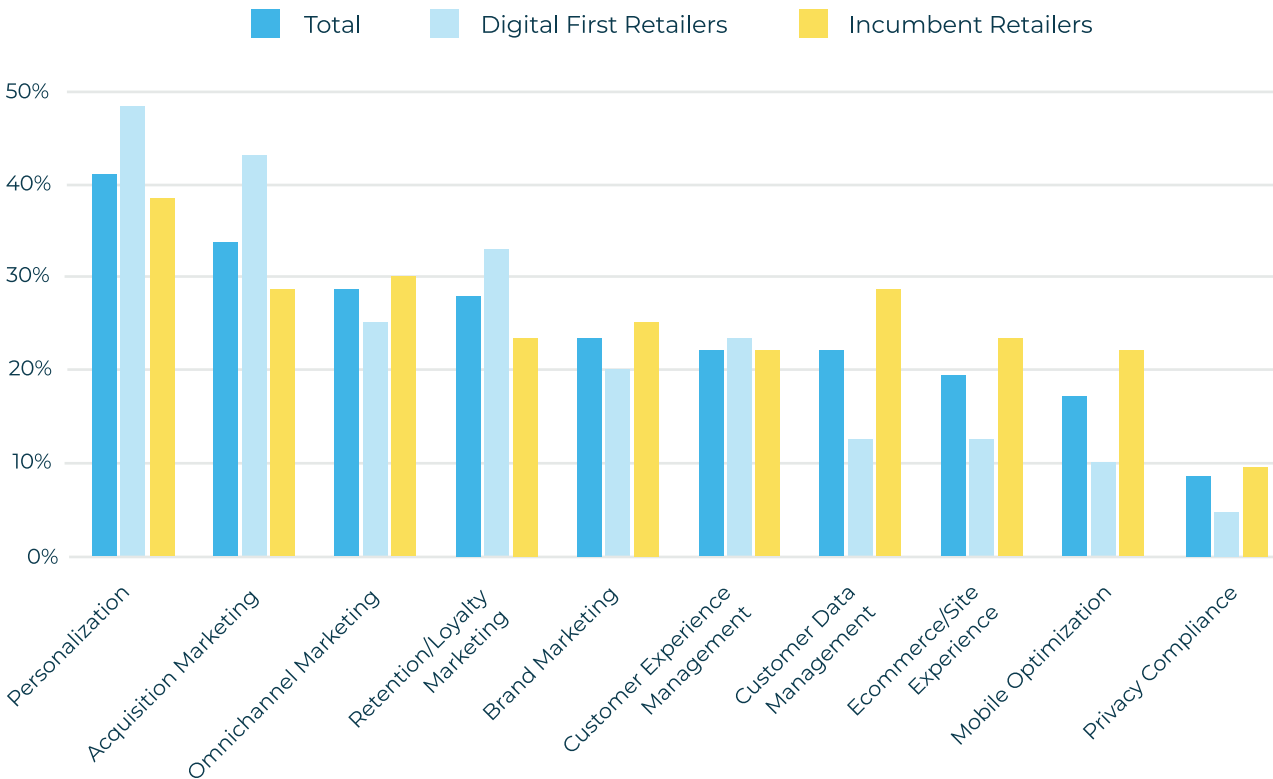
**Source:**  
CommerceNext Survey, June 2021



Unfortunately for retailers — especially digital-first retailers — acquisition satisfaction took a dive. Forty-three percent of digital-first retailers said acquisition marketing was tracking below expectations in 2021 so far.

**Q6:** As you look at your 2021 initiatives year to date, how well are they performing? (% below expectations)

**Source:** CommerceNext Survey, June 2021



Because of the latest privacy restrictions impacting ad targeting and measurement, and subsequent higher costs per click, those (digital-first) retailers who need a continuous flow of new customers and rely more heavily on ads to get it are experiencing a marked uphill acquisition battle. In her post-survey interview, Emily Culp (Former CEO CoverFX & Board Member at Mizzen + Main) agreed this is why acquisition is failing retailers: “It is very expensive. It is harder to break through and when you spend more now, you get less data. It’s also more of a guess as to what will resonate.”

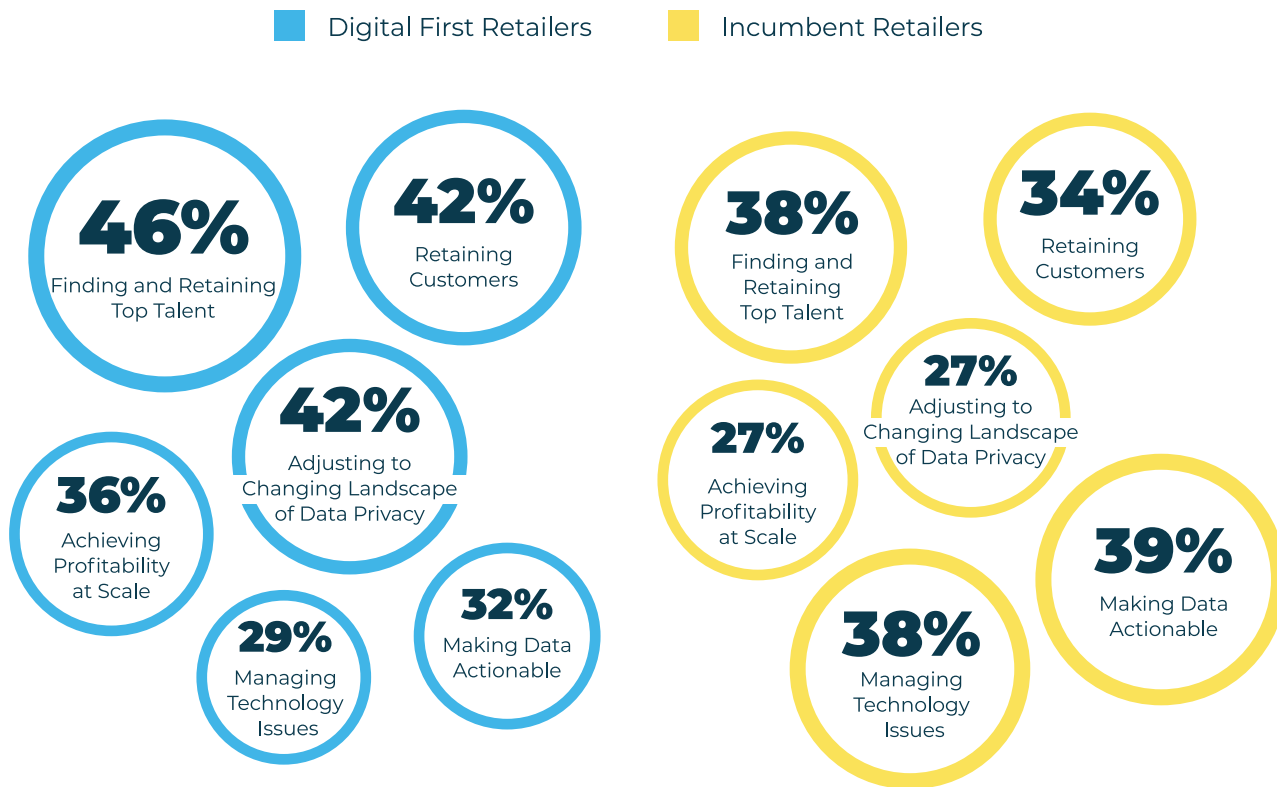
While digital-first retailers felt the pains of diminishing performance on acquisition, incumbent retailers seemed more challenged with customer data management; 28% were dissatisfied with efforts here vs only 13% of their digital-first counterparts. These variances in their self-assessed report cards indicates a broader trend in how each group of retailers is facing their challenges and re-thinking customer centricity.

## Help Wanted — Pretty Much Everyone Needs Ecommerce Pros

They're calling it "The Great Resignation."<sup>6</sup> Despite more ecommerce jobs (re)opening, retailers are struggling to find people to fill them. A combination of stressful work environments plus the desire for both better pay and work/life balances is leading workers to resign in droves, and leaving many retailers in the lurch. Charlie Cole (CEO, FTD) elaborated on this challenge which doesn't seem to be going away: "The pandemic has made the world virtual. Companies' office decisions are going to have a huge positive/negative effect on talent retention."

Finding and retaining talent topped the challenge chart for our retailers (see Table 1), who need knowledge workers to fill gaps across their in-house ecommerce teams. Without them, retailers worry they won't be able to execute the brand, data and marketing strategies they see as priorities this year.

**Table 1: Top 5 Challenges in Achieving 2021 Ecommerce Goals**



Source: CommerceNext Survey, June 2021

## Privacy, Please — Digital-First Evolving Beyond Compliance

Digital-first retailers moved on from addressing the data infrastructure and compliance challenges they faced in 2020. Now, one their greatest challenges is adjusting to the changing landscape of data privacy (42%) in ways that bring customers value (per Table 1). According to Table 2, they're facing new challenges in acquiring customers without third-party data such as figuring out how to diversify marketing tactics beyond Facebook and Google (55%), optimize for conversion (38%) and test new channels (33%).

**Table 2: Top 5 Challenges in Acquisition Marketing**

Digital First Retailers		Incumbent Retailers	
Diversifying Marketing Tactics Beyond Facebook/Google	<b>55%</b>	Develop Creative/Content to Support Marketing Efforts	<b>44%</b>
Optimizing Conversion	<b>38%</b>	Clarifying the Role of Brand Marketing	<b>30%</b>
Testing Efficacy of New Channels	<b>33%</b>	Executing Quickly on Marketing Initiatives	<b>19%</b>
Targeting without 3rd Party Cookies	<b>28%</b>	Securing & Prioritizing Budget	<b>19%</b>
Scaling Marketing Investments	<b>30%</b>	Getting IT Support	<b>11%</b>

**Source:** CommerceNext Survey, June 2021

## Evolution Before The Revolution

Digital-first retailers, who depend heavily on acquisition marketing in a digital world, clearly frame up the challenges ahead as finding ways to adapt to the future. For incumbent retailers, there are more pressing fires to put out. Having to maintain more brand touchpoints than the average digital- first retailer, clarifying the role of brand marketing is still very much a top challenge. Additionally, incumbent retailers continue to face challenges in evolving their acquisition marketing efforts, like developing content (44%) and securing budgets (19%). These baseline challenges need to be optimized before these retailers can fully focus on the challenges of dealing with the future cookieless environment.



# **PART II**

**The Year of the Customer:  
A New Era for Customer Centricity**

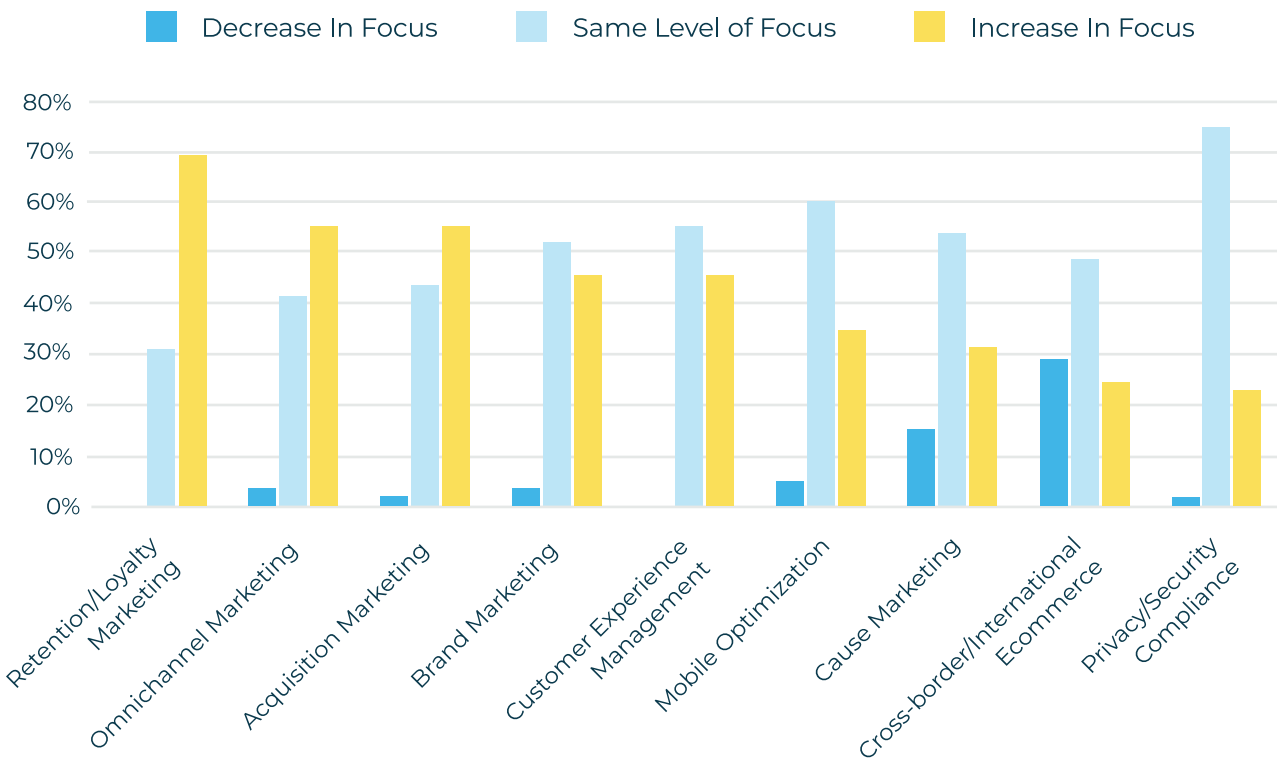
## PART II

# The Year of the Customer: A New Era for Customer Centricity

Covid made retailers pivot strategies in ways that would keep them relevant and growing, including international expansion and getting their brands involved in social conversations. Now, 15% of those surveyed expect to decrease their focus on cause marketing after a year of hyper spending, and 29% will decrease spend on cross-border with the U.S. reopening.

**Q7:** Post Covid, as more people resume their in-person lives, how do you see your marketing strategies evolving?

**Source:**  
CommerceNext Survey, June 2021



Seeing what trends flamed out, this year's new dominant marketing trends have clearly risen from 2020's ashes: retention, acquisition and omnichannel marketing are top three areas retailers agree will receive an increase in focus this year. Even though privacy compliance was a major investment area in our 2020 report, retailers seem to be stabilizing their focus here this year (75% same level of focus as 2020). And after last year's pendulum shift to brand marketing, it is great to see that almost all retailers (96%) plan to maintain or increase their focus on brand in the coming year.

Yet, the two most glaring 2021 themes of this survey are:

- The massive pendulum swing among all retailers toward retention.
- All roads leading back to customer-centricity.

Let's dig into these big two.

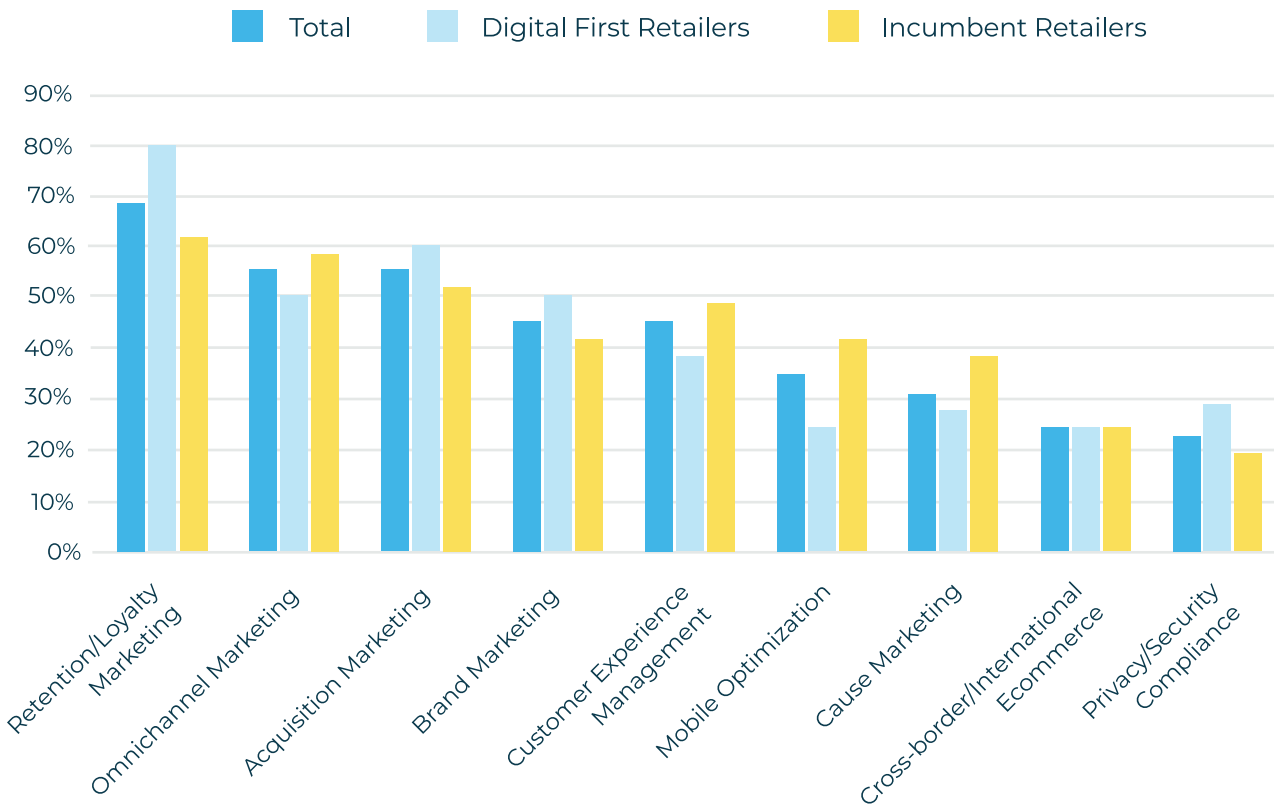
## Retention: Acquisition Headwinds Shift Retailer Attention

It's been around forever, so why is retention having its moment now?

As ad costs rise because of the new privacy landscape, so do acquisition costs. Until that becomes less expensive through more creative and emerging channels, 69% of all retailers surveyed (80% of digital-first per Q8 below) expect to direct more resources toward retention (with the exception of holiday when acquisition trades spots).

**Q8:** Post Covid, as more people resume their in-person lives, how do you see your marketing strategies evolving? (% represents increase in focus)

Source: CommerceNext Survey, June 2021



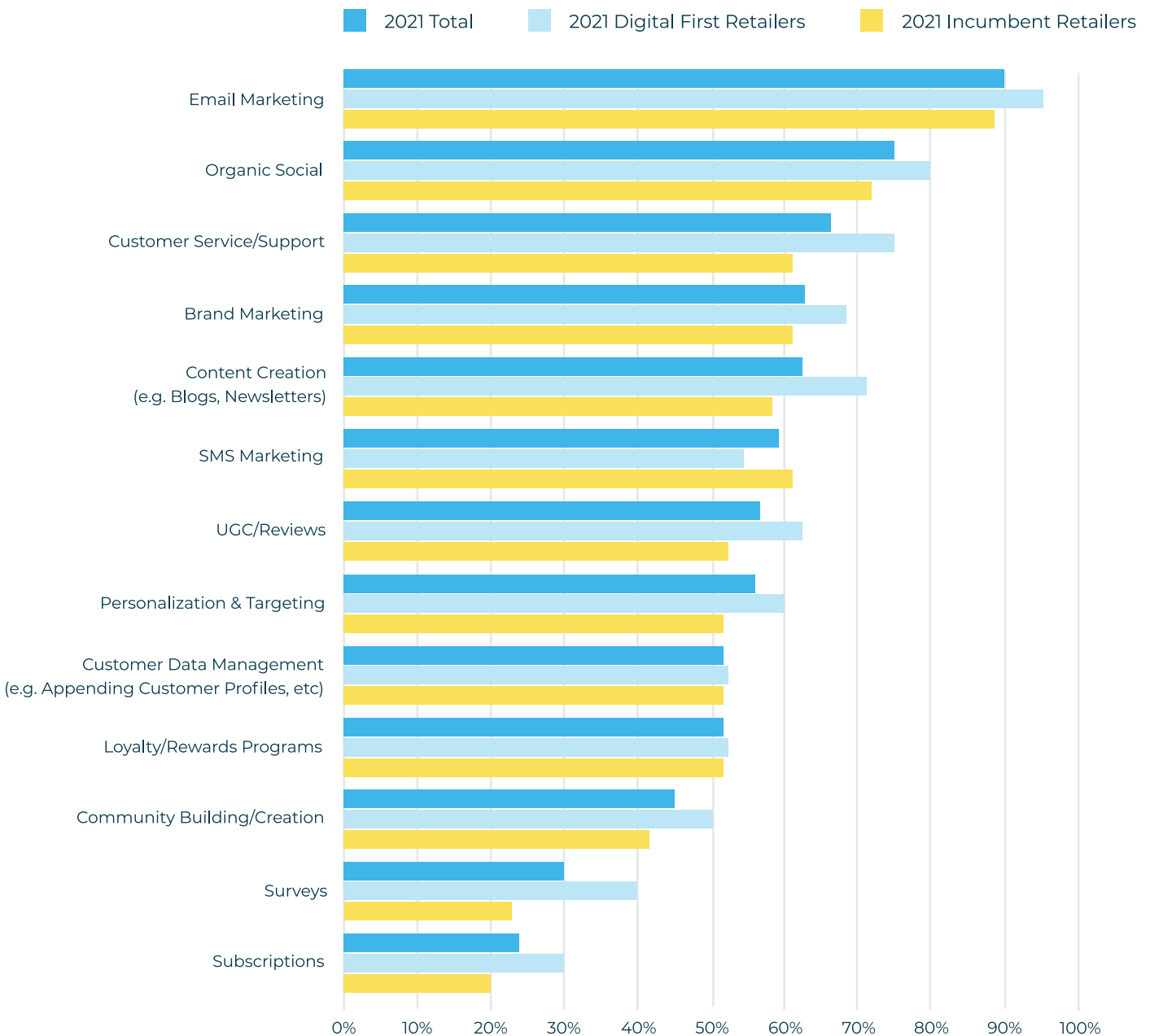
In a post-survey interview, Aaron Magness (CMO, Thistle) added to the argument for focusing on retention by noting, “Marketers are finally learning to appreciate that the cost of acquisition is going to get more expensive. How do you counteract that? A marketer’s best friend is a good product that people love, and a good marketer’s job is to make customers more loyal by providing them value.”

## Inbox Full — Retention Tactics Diversify Beyond Email

The top 10 retention tactics have at least 50% utilization by all retailers, as seen in Q9. So, while digital-first and incumbent retailers may invest unevenly across retention tactics, their actual marketing strategies significantly overlap under the goal of retaining customers (see Q8).

**Q9:** Which of the following Retention Marketing tactics are you currently involved in? (Select up to 3 responses)

Source: CommerceNext Survey, June 2021



Knowing how flooded our own inboxes are and how effective it's been over decades, we're not surprised that email marketing is still the most used tactic for retention marketing across all retailers (90%). But, as Q9 shows, other customer-centric tactics are catching up in popularity, especially among digital-first:

- Almost 60% of retailers engage in SMS (and are reaping amazing results, like our Success Spotlight, Princess Polly).
- 75% of digital-first retailers consider customer service a retention tool.
- Over half of marketers polled use user-generated content (UGC)/reviews (57%) and personalization (56%) as tactics, as well.

### **Retention Success Spotlight: Princess Polly Skyrockets Via SMS**

Having uniquely established itself as a Gen Z fashion brand spanning two continents, SMS made perfect sense for Princess Polly to integrate into its retention strategy. As a channel with a 98% text open rate, it answered all their needs: it's already familiar to their target demographic; it's a global technology solution that integrated easily with their tech stack; and it synced well with their tiered loyalty program.<sup>7</sup> The marketing team set up SMS and loyalty flows to trigger highly personalized messages throughout the customer journeys to: (1) bring customers back to the site and (2) send review requests. The payoff was huge and they crushed their goals.

**The company saw 61x ROI on abandoned cart flows, 84% conversion rate on welcome flows and 43% month over month subscriber growth from their checkout and pop-up flows.**



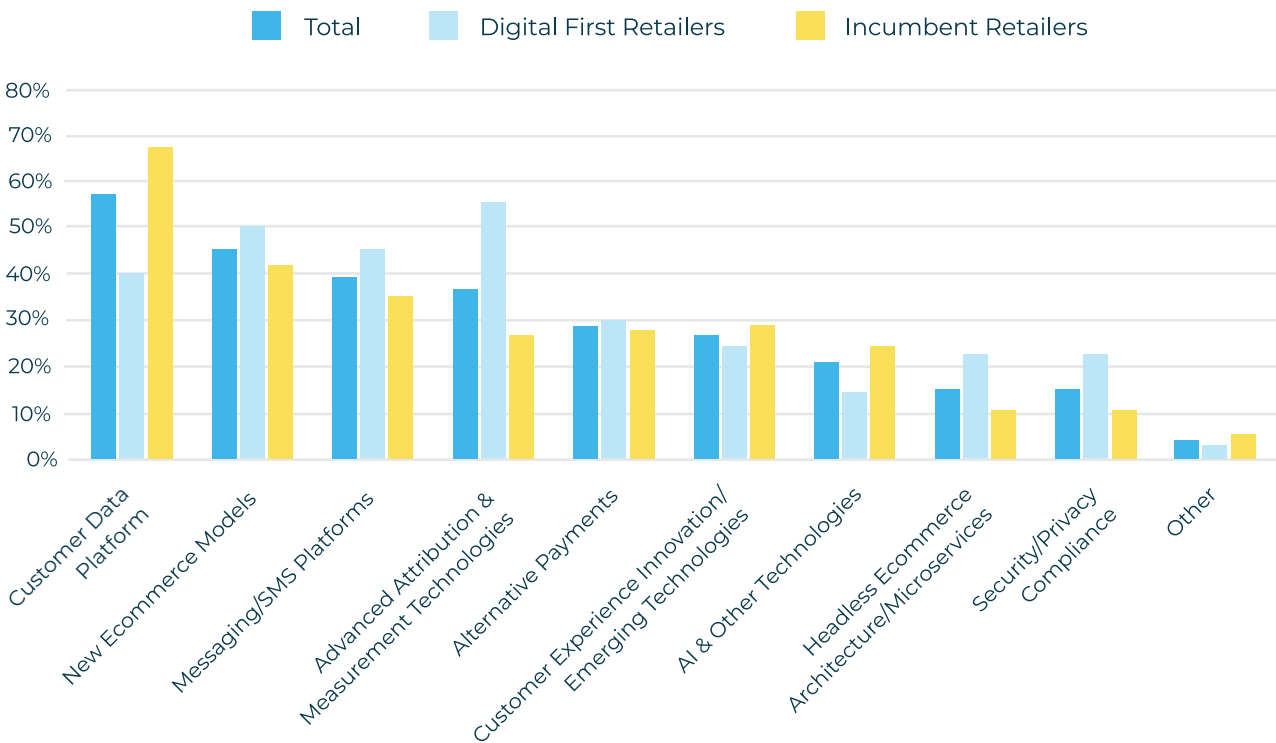
## Nice To See You Again — Retailers Invest In The Known

Charlie Cole (CEO of FTD) reiterated to us, “People are reinvesting in what they know versus what they might fear.” Top investment areas prove retailers aren’t just talking up retention, but that they’re really anteing up. Most retailers are spending on tech tools that support collecting, understanding and measuring the impact of customers’ connections with their brand.

However, the split shown below in Q10 of who is investing where is another indication that incumbent retailers are seemingly still focused on building data infrastructure, whereas digital-first are now iterating on and evolving their own. Customer data platform is the largest investment priority for incumbent retailers (67%) while advanced attribution technologies ranks highest for digital-first (55%).

**Q10:** Based on these evolving marketing strategies and focus areas, what do you see as your most important technology investment priorities? (Select up to 3 responses)

Source: CommerceNext Survey, June 2021

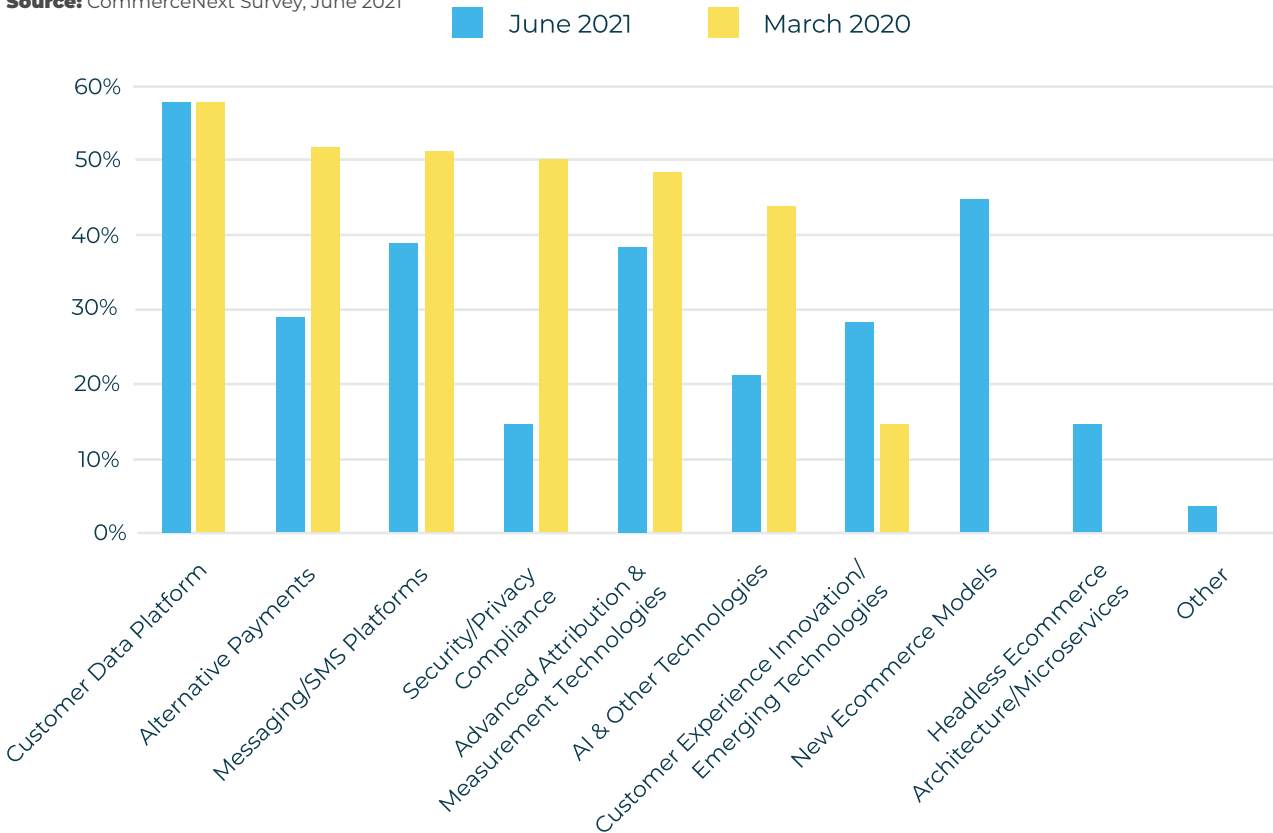


Other noteworthy investment trends include:

- Digital-first retailers, who are outspending incumbent retailers when it comes to marketing as a percent of revenue (per Q4), are investing more in advanced attribution and measurement technologies (55% compared to 27%) to better understand the payoff of their marketing spend.
- A considerable reduction in prioritization for AI and other technologies (21% vs 44%), alternative payments (29% vs 52%) and investments in security/privacy compliance (15% vs 50%) compared to our 2020 survey (see Q11 below)

**Q11:** Based on these evolving marketing strategies and focus areas, what do you see as your most important technology investment priorities? (Please select your top 3 responses)

Source: CommerceNext Survey, June 2021



For the first time, retention is taking the driver’s seat, but that doesn’t mean acquisition won’t need to take over again in the future. Put plainly by Bill Bass, CMO of FULLBEAUTY Brands, in his post-survey interview: “Retention rates are hard to move and absent 100% retention, you have to do a lot of acquisition marketing just to stay even.”

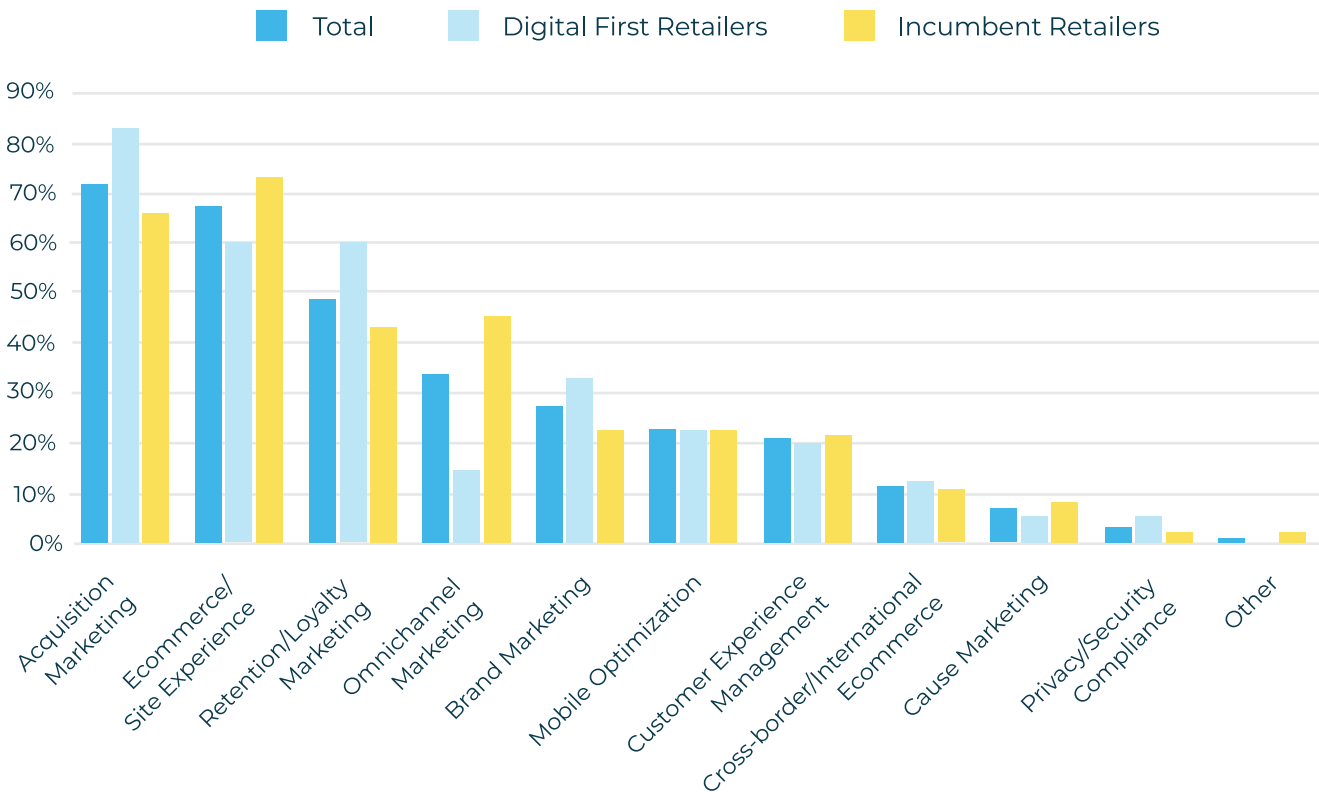


## Acquisition Comes Home For The Holidays

The only time in 2021 when retention won't hog the majority of resources is during the holiday season. Collectively, our retailers surveyed ranked their top three focus areas for holiday: acquisition (72%), ecommerce/site experience (68%) and retention marketing (49%).

**Q12:** When it comes to marketing initiatives for the 2021 holiday shopping season, what are your top priorities? (Select up to 3 responses)

Source: CommerceNext Survey, June 2021



Specifically, digital-first companies will focus on acquisition (83%) and retention (60%) for holiday, but incumbent retailers will prioritize ecommerce experience and omnichannel marketing in addition to acquisition. Only 7% overall plan to prioritize cause marketing.

# Privacy: Restrictions Spur More Customer Value Exchanges

## Hands Off The Cookie Jar — Retailers Are Challenged To Comply

It's no secret that most in our industry were initially panicked at the thought of a cookieless world. Yet, 86% of retailers surveyed stated their progress with privacy compliance (i.e. GDPR and the Consumer Privacy Act) as meeting or exceeding their expectations (see Q5), and only 15% expect to prioritize security & privacy compliance as an investment area in the coming year (see Q10).

However, 42% of digital-first and 27% of incumbents still believe adjusting to the changes from the larger Big Tech customer data privacy push (e.g. the loss of third-party data) will be a major challenge (see Table 1).

Digital-first retailers skew higher on confronting challenges relating to the future of acquisition marketing in a cookieless environment. After conquering compliance, digital-first retailers recognized the complex relationship between privacy, data and retention — and they're starting to say "Bring it on.":

- 55% are diversifying marketing tactics beyond Facebook/Google. (Table 2)
- 28% want to target without third-party cookies. (Table 2)

Digital marketers like Charlie Cole (CEO, FTD) see the relationship between privacy, data and retention clearly: "The connection between data privacy and the new future is directly solved with focus on customer retention by really focusing on the 'why'. Why are customers coming back to you?"

Incumbent retailers, on the other hand, find themselves still focused on the "how", as we'll see coming up.

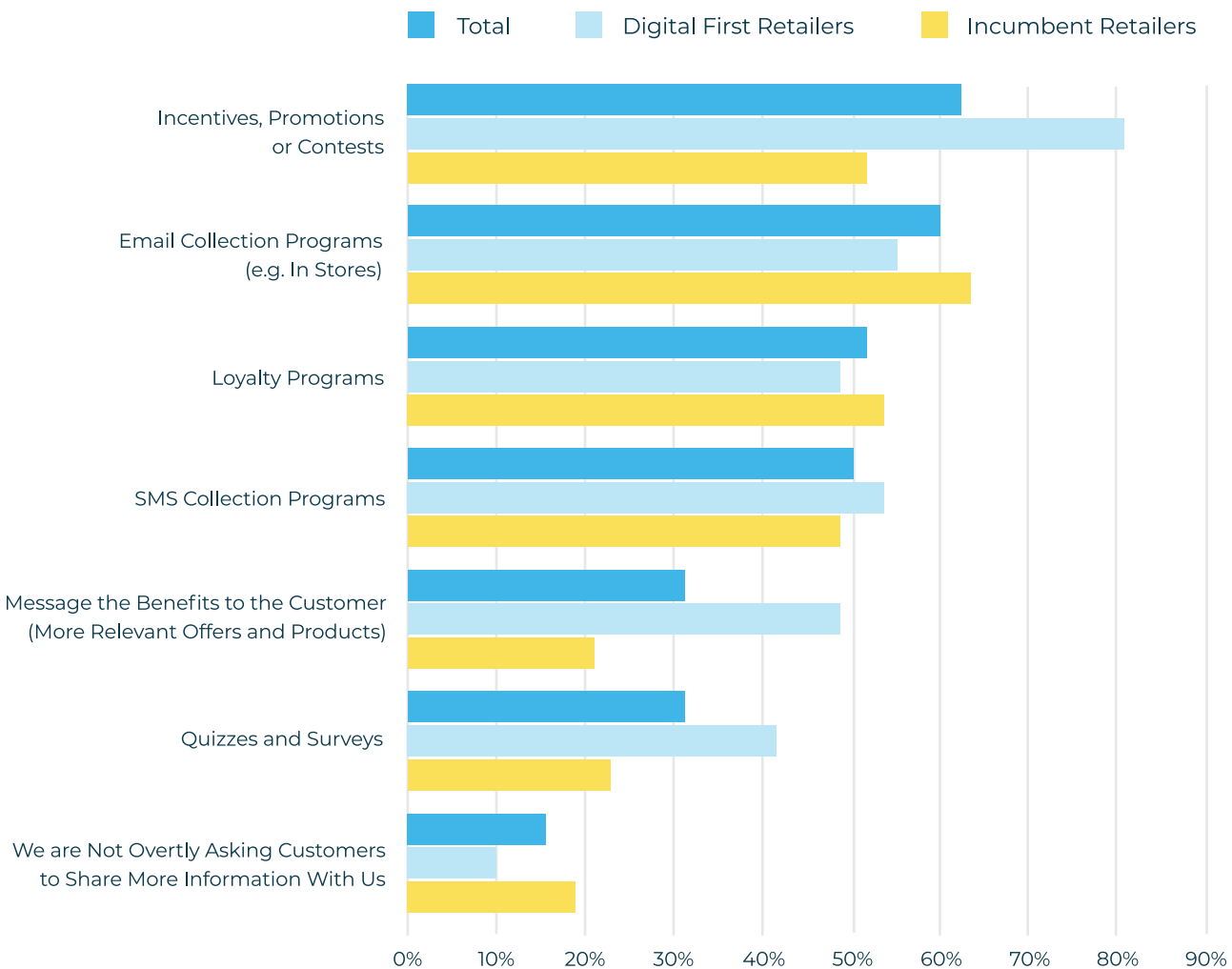
## Sharing Is Caring — Digital-First Determined To Create Value Exchange

Digital-first retailers are at the forefront of finding new, mutually beneficial ways to encourage customers to share data. Aaron Magness, CMO at Thistle, is one of them, telling us in his post-survey interview: “You can’t expect [customers] to give information about themselves if you are not giving value to them. Customers want to work with brands they trust, so get them to trust you.”

To start, they’re more likely than incumbent retailers to initiate a data related dialogue with customers by messaging the benefits of an exchange to customers (48% vs. 22%). Furthermore, they are more likely to be using tactics beyond email and loyalty programs. They’re leveraging incentives, promotions or contests much more than incumbent retailers (83% vs. 53%) and creating engaging tools like quizzes and surveys (43% vs. 25%) to provide value back.

**Q13:** What are you doing to encourage customers to share more data with you or to opt in to receiving information? (Select all that apply)

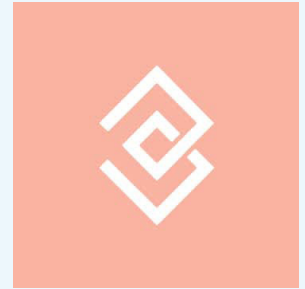
Source: CommerceNext Survey, June 2021



Our digitally native community is poised to evolve away from cookies, testing meaningful ways of presenting true value back to customers in exchange for the first-party data that will power their retention strategies. Incumbent retailers are more likely to take advantage of their omnichannel presence to leverage tools like loyalty and email to connect with customers across channels. Over time, they may have opportunities to add more tools to build their value exchange toolkit

### **Value Exchange Spotlight: ThirdLove Leans On Loyalty**

Sixty-nine percent of consumers are willing to share personal information or create an account to receive a discount.<sup>8</sup> Tapping into this, ThirdLove refreshed their loyalty and referral programs in a more customer-centric way.<sup>9</sup> Building a tiered points system that gives perks based on lifetime spend, they honor the fact that customers don't buy lingerie every month, or even every year. Within three months of launching, ThirdLove saw a 400% increase in account creation. Some loyalists frequently added new items to their cart when just signing in to redeem a free or discount offer after jumping tiers. This is the way to do loyalty that values customers, builds trust, captures first-party data and boosts bottom lines.

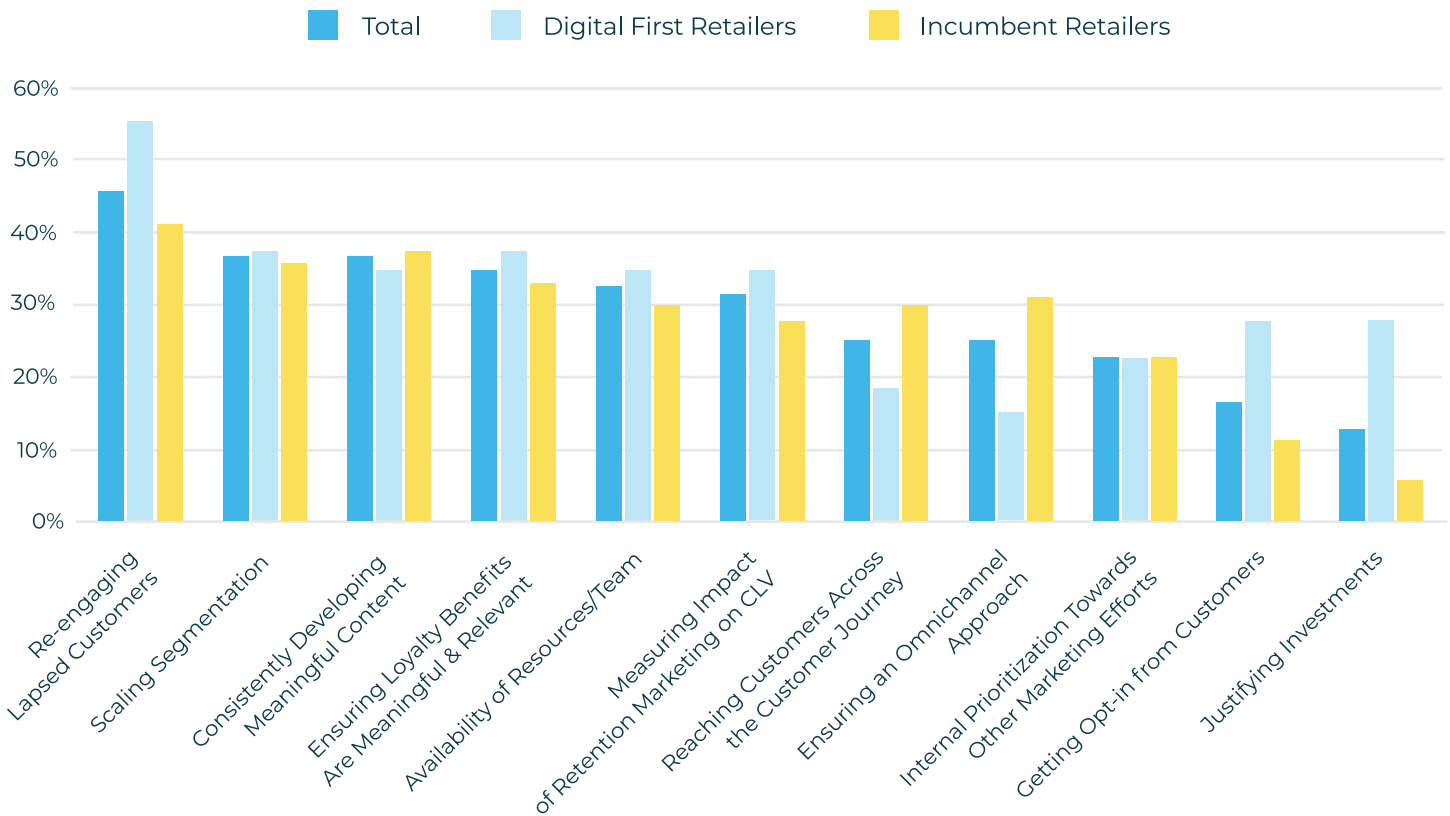


## Covering The Spread — Incumbent Retailers More Focused On Omnichannel

Thirty percent of incumbent retailers reported: (1) their omnichannel efforts are below expectations so far in 2021 (see Q6). Additionally, in driving their retention strategies, they feel the pain around reaching customers across the customer journey (30%) and ensuring an omni-channel approach (31%) more so than their digital-first peers.

**Q14:** What are your greatest challenges around Retention Marketing? (Select up to 3 responses)

**Source:**  
CommerceNext Survey, June 2021



Seeing omnichannel so far up the priority list, we found incumbent retailers are more likely to rely on omnichannel approaches to collecting first-party data from customers: 61% intend to use email programs (e.g in-store) and 52% utilize loyalty programs (as shown in Q13).

With data coming in from so many directions, it's no surprise that this group's top investment this year is in customer data platforms (see Q10), and making data actionable sits as the number one challenge to their ecommerce goals (see Table 1). For digital-first retailers, making data actionable is no longer a huge concern, sitting at the number five spot on their own list of ecommerce challenges.

Bill Bass, CMO of FULLBEAUTY Brands, confirmed his brands have already moved on from collecting the data to now using it in new combined ways: "Many companies have an email strategy, a direct mail strategy, a package insert strategy and each of these operate in a silo. I think the future is not channel focused, but customer segment focused (i.e. getting one time buyers to become two time buyers using all our communication channels)."

# **PART III**

## **Final Thoughts And Recommendations For Retailers**

## PART III

# Final Thoughts And Recommendations For Retailers

To help our community further, we asked our friend Sucharita Kodali, lead retail analyst at Forrester Research, what she thinks of the data and what retailers should do moving forward. Her ideas are incorporated into our recommendations below, along with some thoughts from our post-survey interviews with top industry executives.

### **On Measurement: Kill Last Click**

Ditch the last click as quickly as you can and turn more focus on advanced attribution and incrementality measurement. Seeing how many customers touch Google or Facebook before buying something they were likely to already buy isn't the most accurate way to measure your marketing success. Instead, she believes the best way to measure success is by asking "Did the company's overall revenue grow?"

Many digital-first retailers are starting to test channels outside of Facebook and Google. Kodali references the many studies she's seen demonstrating that retailers see little to no decline in revenue from cutting out these channels entirely.



## On Privacy: Form Your First-Party Data Collection Strategy Now

Digital-first retailers have already been thinking through their first-party data collection options. Following their lead, it's time for everyone to figure out how to create meaningful value exchange for your customers<sup>10</sup>:

- Work on developing organic brand-to-consumer connections through loyalty programs, referrals, SMS, UGC and reviews.
- Liven up your incentives to create accounts — offer discounts, branded merchandise and truly personalized rewards that will actually be appealing. It will all have the added bonus of earning loyalty, too.
- Implement incentivized quizzes and polls throughout the journey, not only to acquire emails, but to also build trust with customers by promising value down the line (i.e. personalized product recommendations).

Lastly, Emily Culp (Former CEO at Cover FX Skincare) also recommends hiring talent in-house to help get your first-party data organized and in a format that is actionable for future use.

## On Retention: Diversify Your Tactics

Retention competition is at its fiercest now. Deepen your connections with organically grown communities and start standing out in more ways than in an inbox. Do the market research to see where your brand stands in a shopper's consideration set and evaluate your tactics from there.

Even though re-engaging lapsed customers is the number one retention challenge for our polled retailers (see Q14), only half of retailers actually use one as a retention marketing tactic (see Q9). While loyalty programs may be a heavier lift than other retention tools like SMS and UGC, they pay off in the long run. Retailers who build agile loyalty programs notice that they can iterate along with their customers' specific needs and encourage high value actions.

Culp describes what she considers the winning retention strategy, working to build relationships with customers from the inside out: "In order to build deeper relationships with consumers, make sure your employees understand the brand mission and are advocates, realize brands need to be authentic and consistent. Be bolder in your marketing, and continue to produce innovative products or launch entirely new categories."

With this much change comes growing pains, but that's not necessarily all bad. In a cookieless world, customers are in more control of their data and will be more discerning about who earns it. Some will use that to their advantage when forming their marketing strategies, and some won't. Either way, we're staring at an exciting new, retention-forward era of customer-centricity and data ownership.

Kodali sees the disappearance of cookies as "the best thing in the world for marketing spend! It forces different ways to measure incrementality — old fashioned A/B tests and holdout samples." While this may be more work or require different approaches, Aaron Magness agrees that this shift is the right thing for brand building and loyalty development: "Everything becomes more difficult, but long term, [cookieless marketing] is probably a good thing. As marketers, our job is to tell a story that drives inspiration, passion and belonging. Brand marketers are now saying, 'Finally, a chance to tell our story again!' We got by pretty effectively and efficiently for a long time."

## Sources

<sup>1</sup> [shopify.com/enterprise/direct-to-consumer](https://www.shopify.com/enterprise/direct-to-consumer)

<sup>2</sup> [emarketer.com/content/digitally-native-brands-weathered-storm-grew-ecommerce-sales-by-40-2020](https://www.emarketer.com/content/digitally-native-brands-weathered-storm-grew-ecommerce-sales-by-40-2020)

<sup>3</sup> [reuters.com/world/us/us-retail-sales-fall-may-producer-prices-increase-2021-06-15/](https://www.reuters.com/world/us/us-retail-sales-fall-may-producer-prices-increase-2021-06-15/)

<sup>4</sup> [cnbc.com/2021/07/16/us-retail-sales-unexpectedly-rise-0point6percent-in-june-.html](https://www.cnbc.com/2021/07/16/us-retail-sales-unexpectedly-rise-0point6percent-in-june-.html)

<sup>5</sup> [emarketer.com/content/digitally-native-brands-weathered-storm-grew-ecommerce-sales-by-40-2020](https://www.emarketer.com/content/digitally-native-brands-weathered-storm-grew-ecommerce-sales-by-40-2020)

<sup>6</sup> [npr.org/2021/06/24/1007914455/as-the-pandemic-recedes-millions-of-workers-are-saying-i-quit](https://www.npr.org/2021/06/24/1007914455/as-the-pandemic-recedes-millions-of-workers-are-saying-i-quit)

<sup>7</sup> [yotpo.com/case-studies/princess-polly-case-study-sms/](https://www.yotpo.com/case-studies/princess-polly-case-study-sms/)

<sup>8</sup> [yotpo.com/blog/this-is-what-consumers-want-in-exchange-for-their-data/](https://www.yotpo.com/blog/this-is-what-consumers-want-in-exchange-for-their-data/)

<sup>9</sup> [yotpo.com/case-studies/thirdlove-case-study/](https://www.yotpo.com/case-studies/thirdlove-case-study/)

<sup>10</sup> [mytotalretail.com/article/how-retailers-leverage-the-value-exchange-economy/](https://mytotalretail.com/article/how-retailers-leverage-the-value-exchange-economy/)

## About CommerceNext

CommerceNext is a community, event series and conference for marketers at retail and direct to consumer brands. Now in its third year, CommerceNext has grown to include webinars, virtual summits, industry research and an online community, in addition to the annual CommerceNext summit and the esteemed “CommerceNext’s Awards program. Inc. magazine named the CommerceNext Summit one of the Top 5 ecommerce conferences for 2019/2020. To learn more about CommerceNext visit [commercenext.com](https://commercenext.com).



## About Yotpo

Yotpo is a leading eCommerce marketing platform that helps thousands of forward-thinking brands like Steve Madden, Moroccanoil, and Thinx accelerate direct-to-consumer growth. Yotpo’s single-platform approach integrates data-driven solutions for Loyalty, SMS Marketing, Reviews, and more, empowering brands to create smarter, higher-converting experiences that spark and sustain customer relationships. Yotpo integrates with the tools online businesses use every day, including Google and Instagram, and is available on all major eCommerce platforms, including Shopify, Salesforce Commerce Cloud, Adobe Commerce, and BigCommerce. Yotpo is a Forbes Cloud 100 company with teams across the world including New York, London, Israel, Bulgaria and Australia. Learn more at [yotpo.com](https://yotpo.com).



## Acknowledgements

CommerceNext would like to thank Rachel Klein, Radha Badani, Liis Peetermann, Carolina Usbeck and Brittany Kleinfelter from Chameleon Collective for their work on this report. Special thanks to every retailer surveyed and to our featured thought leaders for sharing their time, experience and perspective.