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Retail Loyalty in the Midst of a Pandemic: Part 1

January, 2021

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Public

This is the first in a series of whitepapers exploring how retailers can build loyalty and thrive in these unusual times.

Over the last decade, retailers have faced a sea change of shifts, from consumer expectations and behaviors to technology-based innovations and a dramatically different competitive landscape. Retailers have been reinventing themselves — finding new ways to help consumers browse, research, and buy through their preferred channels. Now, more than ever, retailers are focused on building customer relationships with robust loyalty programs. They are investing in ways to deliver unique and relevant content experiences that span both the digital and physical commerce world.

Now layer on the 2020 global pandemic and the pace of change for retailers has accelerated, bringing new meaning to the concept of digital transformation. Today's landscape and people's everyday lives have been reshaped in ways we are only just beginning to see and understand. The pandemic is changing everything from what people buy, to how much they buy, and how they buy.

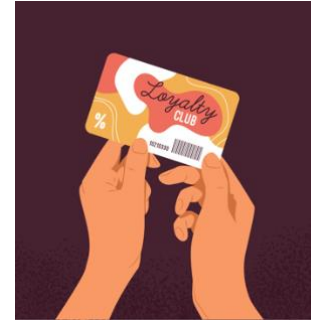
How does this inform retail brands struggling, surviving, or thriving during and after the pandemic? Read on for strategic considerations, tactics, and input from marketers that will help retailers build trust, deepen loyalty, and drive authentic positive sentiment during this unprecedented and unpredictable time.

Making a good impression

One thing is clear: retail brands must communicate gracefully now by striking the right tone to help ensure a swift and authentic response. This is no small task, because brands are also juggling the ability to deliver in the midst of possible supply chain disruption, uncertain inventory and shipping changes, leaner staff, and ever-shifting degrees to which the economy is “open.”

As brands adapt their marketing efforts, they should optimize for product selection and messaging that is meaningful and relevant to the current consumer mindset, which is a moving train at best.

- [39% of consumers](#) say they will purchase more in the future from brands that responded well to the crisis (Deloitte)
- [34% of consumers](#) say they will purchase more locally-sourced products going forward, even if they cost more (Deloitte)
- [43% of consumers](#) say they are willing to spend more on convenience in the future (Deloitte)
- [41% of consumers](#) are delaying making large purchases (Deloitte)
- [25% of consumers](#) are reporting a decrease in net holiday spending intent (McKinsey)



A recent study published by McKinsey about consumer sentiment and behavior during the coronavirus crisis noted:

- [73% of U.S. consumers](#) have changed stores, brands or the way they shop
- 40% of U.S. consumers are becoming more mindful of where they spend their money
- 31% of U.S. consumers are buying less expensive products to save money
- 80% of Americans have yet to return to their pre-COVID-19 levels of comfort about everyday out-of-the-house activities

Key shifts and how to respond

Trend: radical shifts in shopping patterns

“Out-of-stocks may be driving consumers to seek alternative brands.” A McKinsey report found that more than 75% of consumers have tried new brands, places to shop, or methods of shopping so far during the pandemic.

As we move through the different waves of the pandemic, consumer buying behavior continues to shift as well. Early on, in February to April 2020, we saw that stay-at-home orders impacted traditional spending patterns immensely, and in some cases that spending was panic driven. Sales were greatest initially for:

- *Household essentials:* Toilet paper, diapers, thermometers, cleaning supplies, masks, hand sanitizer, paper towels, hand soap, tissues, water filters, and groceries (especially organic)
- *Entertainment:* Books, board games, puzzles, Nintendo switches, bakeware, yeast, flour, fitness equipment, sewing machines, hair dye, and lounge wear
- *Tech and office products:* Printers, monitors, laptops, office chairs, desks, and webcams

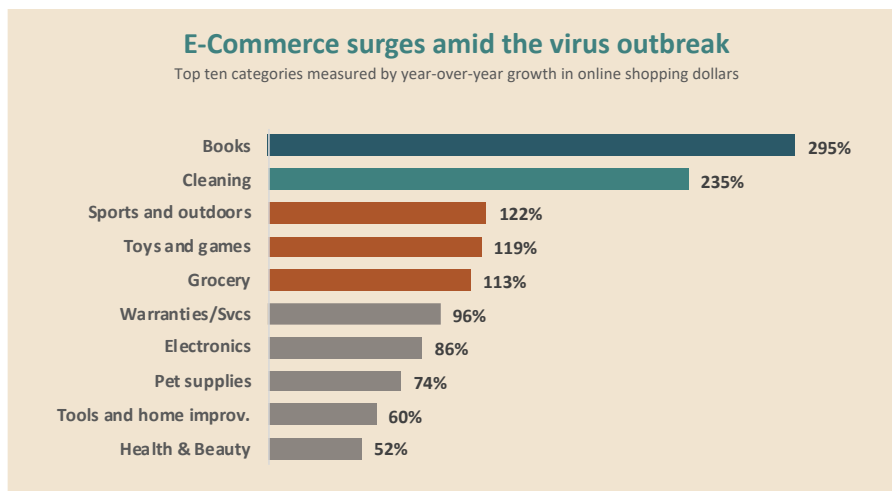


Image 1. Rakuten Intelligence. Data uses the periods from March 4, 2019 to April 12, 2019 and March 2, 2020 to April 12, 2020 for the year-over-year comparison

Certainly, there have been both early benefactors and those hit harder during the pandemic. As many consumers hunker down in their homes, there has been a marked uptick in:

- Home renovation and décor
- Casual clothes and leisurewear
- Home exercise equipment
- Crafting, puzzling, and other hobbies
- Pet ownership and the resulting accoutrements
- Gifting

Alternatively, some retail categories have been hit harder than others:

- Luggage
- Suiting and dress clothes
- Jewelry

As the pandemic continues, lockdowns wax and wane, and fatigue sets in, people have been reaching beyond the essentials and shifting their focus to self-improvement and comfort items, despite many consumers seeing their incomes fall. However, even among those who have more stable incomes (technology jobs, essential workers, etc.), the overall financial uncertainty affects buying choices.

An interesting side effect of COVID has also been the concept of “stress spending,” examined closely in a [survey](#) by Credit Karma last spring. It noted that 35% of respondents made impulse buys to deal with feelings of anxiety and stress during the pandemic. And close to half (45%) of those same respondents said they spend money because of stress at least once a week and another 17% make daily impulse buys.

Response: how to adapt to these shifting patterns

Tactic 1: understand your shifting audience

It is a near certainty that who’s buying, where they are buying, and what they are buying has shifted since the beginning of 2020. The most successful retailers are adopting a data-driven approach to understand how segments have shifted pre-and post COVID.

For example, JOANN a leading provider of fabric and craft supplies, saw a large spike in new orders. They built segmented datasets based on trending user-level activity. After analyzing statistically relevant cohorts, they identified specific behavioral changes in the customer lifecycle. Through data visualization, they pinpointed and updated messaging at key engagement moments. The outcome was new data schema based on propensity score, updated lifecycle marketing programs, and optimized channel messaging to address changing customer needs. The adjustments positively impacted Buy-Online-Pick-Up-In-Store (BOPUS) and new “digital first” customer segments.

Loyalty program engagement data is also an excellent source for retailers to mine. By incentivizing members to complete surveys and reviews, retailers get feedback on what’s driving customer loyalty, what’s working, what’s not, and where to allocate budget. It can also lead to targeted programs to engage and-or win-back less satisfied or dormant customers.

Of course, loyalty programs also provide a great avenue to reward customers for trying new ways to shop, or shopping through specific channels.

Tactic 2: give consumers choices in how they shop

Buy-Online-Pick-Up-In-Store or BOPUS has never been more popular, especially in the retail and restaurant industries. What was once seen as a convenience now has the added benefit of keeping buyers and retail workers safe as well. BOPUS looks like it’s here to stay, well beyond when the pandemic has passed. For elderly,

disabled, immune-compromised, and pregnant customers as well as parents of young children, contactless shopping is a lifeline to essential supplies and items.

Adoption to this delivery economy has notably been strong among younger shoppers (Millennials and Generation Z). Primary motivations for trying BOPUS are:

- Convenience
- Reduced costs (e.g. no shipping charges)
- Faster access to purchases

Curbside pick-up is an even nicer touch for those not wanting to leave their vehicles to go in-store. This model works best for retailers with locations outside of shopping malls.

This is yet another instance where speed is of the essence for retailers. Consumer demand is strong now, and retailers are struggling to implement quickly. Operational changes of this nature can be challenging to implement, even though the ROI model is strong. Retailers are urged to ensure that consumers can pick up their items within two days or less. The value of BOPUS diminishes significantly if retailers can't execute more quickly than a shipment would arrive on their doorstep.

- 40% of consumers view BOPUS as a necessity that every retailer should offer and a “very valuable” aspect to online shopping overall. (eMarketer)
- 70% of consumers who shop online in the U.S. have used the click-and-collect model. (Business Insider)
- Walmart, with about 4,700 stores in the U.S., was one of the earliest chains to offer curbside pickup. Curbside orders contributed to an overall boost in its e-commerce sales, which accounted for 11% of the chain's revenue in the quarter that ended July 31, 2020 up from 6% a year earlier. (New York Times)

Tactic 3: ensure strong, proactive communication

Have strong, proactive, and transparent communication to build loyalty.

- Automate back-in-stock alerts (with possible interruption in supply chains).
- Set contingency plans around shipping dates/availability (especially during holidays) and utilize inventory APIs and self-service shipping trackers to help set expectations.
- In addition to the standard order and shipment confirmation, trigger an email and/or SMS message when the shipment is delivered.
- Optimize for customer convenience. Creating a frictionless end-to-end experience for customers by creating simple and intuitive ways to purchase, receive, and even return items. Have alternate messaging ready to go, especially if you utilize a modular template or design system approach with pre-built content modules ready to go.

- Incent most loyal customers. Use loyalty data to offer free shipping and free returns for high value loyalty program members. (These perks make a great selling point to encourage loyalty program sign-up.) Vitamix has executed this strategy particularly well by including live, dynamic loyalty messaging in their monthly recap email campaigns to [Vitamix Rewards members](#).

Hanna Anderson is a brand that has communicated especially well. This email from their CEO clearly articulated how customers might be impacted by changes this year. With clarity and high emotional intelligence, this message also outlined the ways Hanna Anderson is mitigating customer impacts. It closes with a warm message about focusing on what matters most this holiday season.

Without a strong sales push in this campaign, Hanna Anderson focused on the importance of shopping early and sets the tone for subsequent proactive communication from the brand. The strongest brands will not only survive these challenging times, but build even stronger customer loyalty and brand equity.

Hanna Anderson



To our Hanna Community,

our goal is to outfit your family for the simple joys and adventure of the season, and we couldn't be more excited to share both new products and iconic favorites to help spark the holiday spirit. But the broad impact of Covid-19 has created disruptions in how Hanna product gets from our partner factories to your homes in a timely way.

Factory delays due to temporary shutdowns resulted in some holiday inventory arriving at our warehouse late (most of it here in the next week), ongoing safety protocols in our distribution centers are slightly reducing our shipping capacity, and FedEx and USPS are seeing meaningful delays. **We encourage you to start your holiday shopping earlier than you might traditionally to avoid unexpected delays.** Also, please keep checking our website over the next 2-3 weeks for new holiday styles and replenishment stock of your favorite hannas.

Here is what the Hanna Team is doing to smooth out any bumps in your holiday shopping experience:

1. Providing clear in-stock dates for holiday items that are showing as out of stock.
2. Doubling our customer care team and adding personal shoppers to ensure you can always speak to a brand advocate.
3. Working round-the-clock, 7 days a week, in safe ways, to ensure every unit that arrives is available to be purchased right away.
4. Offering exciting holiday promotions early in the season, so it's even easier to make holiday purchase decisions well before Thanksgiving.

Now more than ever, we are all embracing these holiday events and everyday moments. From our Hanna Family to your family, we wish you joy and adventure. And, thank you for allowing us to help outfit the season.

Cheers,

Sally Pofcher, CEO

Next in our series we'll be addressing:

- Ways to build authentic connections with customers
- Accelerating shift to digital-forward interactions
- Frictionless and flexible approach to loyalty

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