

Retailers shower shoppers with made-to-order ad campaigns

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For the members-only flash sale site Gilt Groupe, every single e-mail it sends out to its more than 3 million subscribers can have tens of thousands of permutations.

In a direct-mail campaign that department-store operator Macy's Inc. pushed out in November, there were 30,000 versions tailored to shopper interests and patterns, compared with the roughly 10 versions it traditionally would have had.

"It's about customizing those experiences for the users, and how they'll interact with the brand," said HSN Chief Executive Mindy Grossman in an interview, adding HSN's [iPad](#) app doesn't duplicate its [iPhone](#) app, nor is it redundant with its online commerce site. "We are all looking to move forward and see what's going to differentiate us."

With recovering consumers just delivering retailers their best holiday season in years, the industry is seeking to carry its momentum into the new year and engage ever-more-savvy shoppers.

From personalizing store messages to using technology to address consumers on their terms, retailers are hoping they can build brand loyalty, generate incremental sales or offer differentiated experiences and products that give them pricing power by inspiring shoppers to open their wallets, even absent discounts.

That's especially critical after December's sales slowed from

November's, raising some concerns about the sustainability of consumer spending. Retailers also face headwinds this year, including rising gasoline prices and a job market that continues to wobble in the midst of an uneven economic recovery.

Looming on the horizon are higher cotton and other commodity costs and wages in China that have prompted companies from Nike Inc. to Jones Group Inc. to put forward disappointing outlooks.

"The stakes have never been higher," said Matthew Shay, CEO of the industry trade group National Retail Federation, at a recent industry gathering. "Higher commodity costs may slow the momentum."

In response, retailers are controlling their inventory and costs and studying the use of other materials to combat rising cotton prices and other inflationary pressures.

But they also are trying to engage shoppers in a way that will give them some leverage in terms of price. Part of the effort involves tapping the capacities of social media and mobile devices to engage in two-way communication with shoppers. New technology such as augmented reality and digital signs with motion-gesture navigation capabilities also are among the tricks up their sleeves.

"We use technology to personalize experience," said Stephen Finney, a Disney Store executive, speaking at an NRF presentation. Disney, in its redesigned stores, for instance, has replaced traditional window displays with different customized digital marketing signs and messages that it downloads daily to the various local markets.

Disney is even considering the use of facial recognition and RFID technology in its windows to recognize shoppers and target them on an even more personal level, he said.

"It's not just about merchandise," said International Council of Shopping Centers chief economist Michael Niemira in an interview, adding, though, that technology is not the end of the story. "Two-thirds of consumer spending is on services. Some of the traditional retailers have to think more of the service component for their content. That's where the future really lies."

In the next 12 months, sporting-gear giant Adidas is planning to roll out virtual footwear walls in some stores through a partnership with Intel Corp. The walls can feature the 4,000 pairs of shoes Adidas produces every season, compared with the 200 to 300 pairs a store can carry, said Chris Aubrey, an Adidas vice president, in an interview.

"Yes, consumers could (previously) have gotten a shoe from online" if they failed to find it in a store, he conceded. "But there's a big chance that, between walking in stores and going home, they could have forgotten about it or bought something else. Here, we have a chance to engage them and keep them in the buying frame of mind. We are looking to increase our conversion rate."

The Adidas wall, for instance, doesn't just allow shoppers to view products in full size. It links directly to Facebook and Twitter to show what other consumers are saying about a product. It also includes a built-in camera that helps the wall determine a customer's gender and age and thus adjust its featured selection accordingly.

Behind the scenes, the camera also allows Adidas to conduct video analytics and capture further demographic information.

And the effort to grab shoppers' attention doesn't stop when a store is closed. The wall features a motion navigation function that will allow shoppers to continue to browse and even purchase.

"It's about the experience," Jose Avalos, a general manager at Intel, told MarketWatch. "We want to provide an experience for shoppers that allows them to engage and interact with the brand and products in a whole new level. We have to really bring the product to shoppers. "

The shopping experience of the future also may include augmented reality. Electronics retailer Best Buy Co., for instance, also has partnered with Intel and MIT to test a system that can superimpose product information and virtual live help alongside real-life products.

While some of the technologies are still in testing phases, others are being piloted in stores. Tech firm Fujitsu has partnered with supermarket chain Kroger to test a new device that looks like a scanning tunnel and is equipped with 12 cameras for 360-degree scanning of product bar codes. Fujitsu has said the checkout system itself equates to as many as four checkout lanes, advancing chains' push to automate the checkout process, saving time and money. Kroger is testing the concept at a store in Hebron, Ky.

With an increasing number of [shoppers](#) armed with smart phones to indulge in price comparisons and to access Facebook and other social networks, retailers such as Macy's and U.K.-based Tesco also said they plan to boost wireless access inside stores.

"If you don't enable your store, the millennial (demographic group) won't walk into stores," said Macy's marketing chief Peter Sachse. "We have to have connectivity in stores. We are also actively engaged in social media. There's no question consumers want a two-way conversation. It's going to explode."

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