Conference Report

Future of Brand Building and Brand Experience: The Blurring Boundaries between Advertising and Retailing

Prepared by Stephanie Finnel

Report Prepared by Stephanie Finnel
Doctoral Candidate, Marketing Department, The Wharton School

Contents

Overview

With the emergence of new technologies, advertising and retailing are becoming progressively less distinct. How can marketers capitalize on this change to create truly unique and captivating brand experiences for their target customers? This conference brought marketing academics and practitioners together with the aim of answering this question.

This report summarizes the proceedings of the conference "Future of Brand Building and Brand Experience: The Blurring Boundaries between Advertising and Retailing," cosponsored by the Jay H. Baker Retailing Center and the Future of Advertising Project of the SEI Center for Advanced Studies in Management and held on April 21, 2011, in New York City.

Observations and Questions about the Blurring Boundary between Advertising and Retailing

All conference participants had several opening observations and questions concerning the blurring boundary between advertising and retailing:

• *While some retailers benefit from the economic downturn (e.g., retailers offering deep discounts), others do not. How can retailers who suffer during difficult economic times win the battle for market share and how can retailers who benefit make the most of it?*

• *How can retailers be convinced that it is worthwhile to pay for high quality marketing services? How can they be encouraged to see that free marketing is not worth it if it does not add value?*

• *How can digital technology be integrated with other marketing efforts, including offline efforts? How can digital technology be used to increase the total number of customers, rather than just to move customers from the offline to online shopping or vice versa?*

• *How can companies figure out which technologies are overhyped and which truly contribute to the bottom line?*

• *How do online advertisements influence consumers' offline behavior?*

• *What makes some products popular and others unpopular?*

• *What does it mean to move money to digital marketing? How should companies allocate their marketing dollars across various forms of digital media (e.g., web sites, smart phones, etc.)?*

• *How can companies coordinate their various branches to deliver a cohesive brand experience to the customer? Relatedly, how can companies prevent each branch from believing it is the most important part of the organization?*

• *How can companies use their brands to "break through the clutter?"*

A Framework for Understanding the Relationship between Advertising and Retailing

Barbara Kahn

Patty and Jay H. Baker Professor; Professor of Marketing; Director, Baker Retailing Center, The Wharton School

Brand Building Through Customer Experience

Marketers' focus has evolved to prioritizing customer experience and building trust. In addition, we are seeing marketing budgets increasingly shifting to new media. While social/interactive marketing comprised 12% of companies' 2009 marketing spending, it is estimated to be 21% in 2014.

A key challenge of the trend to social/interactive media is companies' loss of control compared to the era of traditional media. In a social media world, word of mouth spread by customer communities is of even greater importance than it has been historically in traditional communities. This is due to new media's enormous reach and people's growing involvement in virtual communities, which have magnified the impact by word of mouth. In this new, more customer-controlled environment, companies can engage customers by creating meaningful, memorable brand experiences. The most impactful experiences are those that are authentic and provide true value to the customer.

Following are examples of such experiences. Companies can enhance the sensory experience at the time of search (e.g., Auntie Anne's pumping an enticing cinnamon scent around its storefronts in malls), amplify the social experience at the time of usage (e.g., Starbucks creating inviting cafes where friends can socialize while sipping their coffee), heighten the emotional experience at the time of consideration (e.g., a home alarm sales representative reminding prospective customers that their family's safety is priceless), and so forth. Ideally, marketers should strive to create a unique consumer experience at all stages of customers' purchasing process and via different dimensions of the experience.

Companies that deliver a unique experience in this way often generate a great deal of buzz. But precisely how valuable is buzz? As Bob Kantor of MDC Partners pointed out, today's technology enables companies to answer that question more quickly than ever before. Marketing managers can pilot lots of different ideas, observe and measure their effects, and remove or replace them as necessary. Therefore, waste of resources and manpower is minimized.

An Organizing Framework

To systematically think about opportunities to create valuable experiences at the intersection of advertising and retailing, an organizing framework is useful. It can help guide discussions, research, and practice. The proposed framework, developed by Patti Williams, focuses on two dimensions. The first is the stage of purchase decision making.

Decision Making Stages						
	Search	Consideration	Purchase	Usage	Disposal	Repurchase
Decision Making						
Inputs						
Sensory						
Rational						
Emotional						
Behavioral						
Social						

Consumers go through six stages when making a purchase decision: search, consideration, purchase, usage, disposal, and repurchase. The second dimension is the type of input used for a purchase decision. Consumers may use five types of inputs at each of these stages: sensory, rational, emotional, behavioral, and social. Crossing these dimensions with each other, marketers can see the different areas where they can focus their attention. *(See slides in Appendix, page 14).*

A Need to Rethink and Move Away from Traditional Advertising
Jerry Wind
The Lauder Professor; Professor of Marketing; Director, SEI Center, The Wharton School

Two new trends in advertising are leading practitioners and academics to rethink traditional advertising, where the company emits a message through a select few mediums (e.g., television, radio, and print) and the consumer receives it. First, consumers are more empowered and skeptical than ever before. With so many sources of information at their fingertips, they can easily comparison shop, find the best value for their money, and communicate with firms. Thus they can easily check the claims made in traditional advertisements and can give companies feedback on what they seek in products. Second, emerging technology has changed the way consumers and firms interact. Rather than the firm being the message emitter and the consumer being the message receiver, the lines of communication are now bidirectional. Traditional media does not work as well in this environment.

How then can companies connect with their customers in this new environment? The key is to "start with business objectives, not advertising objectives." That is, set the overarching business goals first and then develop advertising to meet those goals, bearing in mind that traditional advertising on its own is no longer sufficient. Rather than focusing just on traditional advertising,

companies need to deliver value at multiple touch points, that is, at multiple decision making stages and through multiple decision making inputs (see table above). This insight leads to three related questions:

• **How should resources be allocated across the various touch points?** Little empirical research exists on this issue. Thus, there is a need for controlled experimentation to answer this question.

• **How can advertising and retailing be integrated at these various touch points?** With the boundaries between advertising and retailing growing more porous, a natural way to address the limitations of traditional advertising is to incorporate advertising into retailing.

• **How can all of these touch points be linked to each other?** If companies are promoting themselves through these various touch points, they need to ensure that they are delivering a consistent, cohesive message across all of these touch points.

Leveraging Technology in an Age of Empowered Consumers
Sean Sondreal
Vice President of Strategic Marketing, Kohl's Corp.

Customers have much more control and power than ever before. While fashion retailers such as Kohl's have traditionally relied on push marketing (where Kohl's determines what products to sell and promotes them to customers), the increased ease with which customers can get information and communicate with retailers has led Kohl's to rely much more on pull marketing (where customers can tell Kohl's what they want and Kohl's delivers). With this move toward pull marketing, Kohl's has repeatedly asked how it can best take advantage of new technology and integrate it with traditional media.

Although empowered consumers and emerging technology have changed the marketing landscape, traditional media continues to play a role. In terms of sheer reach, they are still highly effective. Moreover, many customers still enjoy traditional media. For example, women enjoy the experience of leafing through a Kohl's insert in the newspaper. No web site can quite replicate this experience.

Nevertheless, new technology has changed how Kohl's and other retailers connect with customers. With smartphones, consumers can browse a retail store's offerings, and without even leaving the store, they can check to see whether the same products can be found at a better price elsewhere. However, it is unclear precisely how big of an impact this and other marketing factors (e.g., issuing a coupon or encouraging customers to check in at FourSquare) have. While customers do gravitate toward better values at competing stores, they also like immediate gratification and may therefore buy an item available at their current location merely because it is there and within easy reach. This insight underscores the need for research on the incremental benefits or drawbacks of different marketing tools.

The proliferation of new technology creates two key challenges for marketers:
• How can they shelter the customer from the disturbance by an increasingly cluttered landscape of marketing tools and by marketers' experiments with new tools?
• How can marketers manage pricing profitably in the new scenario of potentially multiple discounts and loyalty incentives for the same purchase (coupons, price matches, loyalty credits, check-in incentives, etc.)? *(See slides in Appendix, page 17).*

Connecting the Touch Points
Joe Feckzo
Senior Vice President, Innovation, Integration, and Marketing, Macy's, Inc.

Now that companies can communicate with customers through various touch points, a key goal of the omni-channel strategy is to deliver a consistent, cohesive message across these touch points. That is, the information consumers receive at the various decision making stages and through the various decision making inputs should all contribute to delivering a "seamless customer experience." For instance, what a company delivers through the sensory information at the consideration stage should be consistent with what it delivers through the social information at the usage stage.

Macy's has launched several marketing campaigns that nicely integrate multiple touch points into a single, coherent brand experience. These campaigns include:

• **Believe Campaign.** Each holiday season, Macy's launches the Believe Campaign, which nicely integrates marketing through traditional media with marketing in the retail store. This seasonal campaign runs each year, building on itself over time. Advertisements encourage customers to write a letter to Santa and bring it into a Macy's retail store. For every letter a customer deposits, Macy's donates $1 to the Make a Wish Foundation. By coordinating the message in television and print advertisements with the message in the retail store, Macy's delivers a consistent experience that reinforces its brand name and its relationship with its customers.

• **Come Together for a Cause.** Macy's Come Together for a Cause Campaign integrates marketing through traditional media with marketing in a social setting. Advertisements encourage customers to host a dinner, charge each guest a small fee, and donate the proceeds to Macy's, which in turn gives the money to food banks. By weaving a consistent Macy's brand image into both traditional media and customers' social interactions, Macy's ensures that its brand name, as well as all the associations to the brand name, will figure prominently in consumers' minds.

• **Fashion's Night Out.** Fashion's Night Out, a late-night shopping event in New York, provided Macy's with yet another opportunity to integrate

its marketing across multiple touch points. Macy's coordinated its marketing through an in-person, sensory experience with its marketing through new technologies like smartphones. Customers could try Macy's clothes on in a special fitting room and could post photos of themselves wearing the clothes on Facebook. They later received text messages telling them where they could find the clothing items in a Macy's store. This campaign illustrates the role that new technologies can play in reinforcing old-fashioned, in-person selling efforts.

• **Backstage Pass.** Macy's Backstage Pass coordinates marketing in the retail store with marketing through new technologies like smartphones. As customers walk through the store, they come across posters placed at strategic points throughout the store with QR codes in the Macy's logo. They can take a photograph of these posters with their smartphone, and these photographs then direct them via the QR codes or a text message to online videos containing fashion and makeup tips. Of course, the product offerings in the retail store can help customers implement the tips. Therefore, Backstage Pass connects with customers through both the retail shopping experience and the digital experience. Macy's tracks conversion and lift as metrics to assess the effectiveness of the campaign.

• **Million Dollar Makeover.** Macy's Million Dollar Makeover integrates social inputs to decision making with new technologies. The campaign offers eight lucky customers a complete makeover. Customers log into Macy's Facebook page and explain why they believe they deserve a makeover. Eight customers are chosen to receive a small makeover, and Macy's customers vote to select one of these eight to receive a large makeover valued at $1 million. This campaign reinforced the Macy's brand through both social interactions and digital experiences. A success measure of the campaign is the creation of goodwill for the brand by making a difference in individual people's lives.
Through these various campaigns, Macy's aimed to reach customers through as many touch points as possible. The company's marketing managers

view what they do now in the digital age as pretty similar to what they did before in the pre-digital age. As before, they still strive to deliver a cohesive, unique brand experience and reinforce it through multiple means. Emerging technology simply provides an additional means through which to reinforce the brand ("It's just a different canvas that we're communicating on."). The comprehensive, multiple-media reach has established the 360-degree customer paradigm, yielding a significantly higher return than the sum of the individual components' return. This approach to emerging technology may or may not be optimal, and marketing managers at Macy's seek to determine whether they should treat this technology differently from how they treated media in the pre-digital age. In addition to the exponential shift in spending, campaigns' objective has changed from being relevant and creating affinity to being authentic, which is key to the customer.

Apart from its multi-channel new media approach, Macy's hosted a unique revenue-generating promotional event by Procter & Gamble's fabric softener line Downy in the window display of its Herald Square store in New York City. A comedian in the window interacted with passers-by, which created buzz for Macy's as well as revenue for renting the space. Promoting Macy's linen department in conjunction with the Downy promotion was a secondary objective. This selling of ad space is similar to Harrods' use of its in-store TV monitors as paid ad space for Harrods' vendors.

Understanding Consumers' Decision Making Patterns and Modes
Joel Rubinson
President, Rubinson Partners, Inc.

"We have to study not just what decisions people make but how they make their decisions."

Understanding how consumers make decisions can help companies succeed in a time of increasingly porous boundaries between advertising and

retailing. In examining their prospective customers, companies can distinguish among three groups of customers: customers who never buy the company's brand, customers who always buy the company's brand, and customers who sometimes buy the company's brand. A significant proportion of sales comes from these latter customers. Further, half of purchase decisions are made in store

Therefore, companies are fighting tooth and nail for every sale, and marketing in the retail store can make all the difference. An insert, a pamphlet, or other educational materials can reinforce the brand at the point of purchase. Procter & Gamble has taken this approach a step further: It has defined the store as the ultimate test where its brands have to succeed, and therefore determined it as the guideline for the design of all components of a brand's marketing mix. The particular in-store marketing that companies do may vary depending on what decision making mode consumers are in when they enter the store.

• **Finder Mode.** Customers in Finder Mode decided what brand they were going to purchase before they even entered the store, and they go into the store just to find that brand.

• **Decider Mode.** Customers in Decider Mode know they need a product in a particular product category when they enter the store but do not know which brand they are going to purchase. They make the brand decision in the store.

Clearly, brands will use very different promotional tactics in the retail store depending on the decision making mode their customers have adopted. Understanding the way consumers behave when they are in each of these modes is thus critical for companies as they attempt to integrate marketing across the various touch points. This is especially critical as the long-established 80/20 rule, i.e. 20% of customers accounting for 80% of sales, may not be valid any more. According to research, the most engaged customers of non-durable goods make up only 5% of the customer base, generating 43% of sales (see slides). This is due, among

others, to buyers' shopping styles and heuristics (satisficing vs. optimizing) and POS conditions (e.g., target item unstocked, thematic displays, price). The greatest sales growth potential is with the nearly 90% fringe buyers. *(See slides in Appendix, page 21).*

Bringing Marketing Academics and Practitioners Together to Study the Blurring Boundaries between Advertising and Retailing and Research on Online and Offline Word-of-Mouth
Jonah Berger

James G. Campbell, Jr. Memorial Assistant Professor of Marketing, The Wharton School

Marketing academics and practitioners can accomplish more together than they could on their own. Through years of experience, marketing practitioners have launched lots of successful and lots of failed marketing campaigns. When practitioners think back on and talk about prior marketing campaigns, they typically highlight the successful ones. However, this focus on the successful campaigns leaves many important questions unanswered. What led some of the campaigns to succeed and others to fail? What set the successful campaigns apart from the failed ones? Answering these questions is important if marketers are to glean any lessons from their prior experience.

Now of course marketing practitioners have some intuition concerning the answers to these questions. While some of these intuitions may be correct, others may not be. Marketing academics can put these intuitions to the test by conducting rigorous, controlled research ("Opinions are good. Let's test those opinions."). In doing so, academics can shed light on aspects of consumer psychology that led to the success versus failure of different campaigns.

Academic research focusing on basic consumer psychology can also prevent marketers from getting too carried away when they see new technol-

ogy, such as Facebook or Twitter. "Facebook and Twitter are technologies, not strategies," Professor Berger noted. While these tools have spawned many marketing success stories, they may be replaced by other technologies a few years or decades down the line. Marketers who merely focused on learning to use Facebook and Twitter may not know what to do when new technology comes along; by contrast, marketers who focused on learning the basic psychological processes that made certain Facebook and Twitter campaigns successful can readily apply this knowledge to new technologies.

One recent project sheds light on how basic psychological processes can account for marketing successes and failures. This project examines the drivers of immediate and ongoing word of mouth (WOM). While much research has examined how characteristics of social networks or of people in those networks (e.g., a person's so-called KLOUT score, a measure of influence on others) may drive WOM, less has looked at how characteristics of products may drive WOM. The purpose of this project was to examine which types of products tend to get talked about more and why. Using data from BzzAgent, a company that conducts WOM marketing campaigns for a wide array of products, this research found that more interesting products are talked about more initially but that common products, that is, products that consumers use frequently, are talked about more in the long run because they are top of mind around each usage occurrence. Therefore, a WOM campaign will be especially successful in the long run if consumers frequently think about or use the product.

Generally, people talk more about items that are used in public (e.g., beverages) than items used in private (e.g., toothpaste). While the share of WOM is smaller online since most of our communication is still face to face, online conversations are predominantly about interesting as opposed to top-of-mind items and brands. The reverse is true offline: the fact that something is top of mind drives WOM more than the appeal of an item or brand, often filling conversational space. Manipulations of WOM can create distrust if customers uncover them as

not authentic. According to a study on newspaper articles, content with a strong emotional load (anger, awe, anxiety, emotionality) or practical value is shared more online than other content (see slides).

In sum, marketing academics can contribute to the effort to craft marketing strategies lying at the intersection of advertising and retailing. Academic research can put practitioners' experience and intuition to the test, and practitioners can then test insights from this research in their own companies. Therefore, the link between academics and practice is bidirectional and can lead to many more marketing success stories. *(See slides in Appendix, page 23).*

Connecting the Online and Offline Shopping Experience
Rob Goulding
Head of Channel Solutions, Google Inc.

Companies clearly seek to leverage new technology (e.g., the Internet) to increase sales. Given this, some may find it surprising that 93% of sales still occur offline. However, 41% of media consumption occurs online, up from a share in the teens just five years ago. This suggests that the Internet primarily contributes to sales not by getting customers to buy online but rather by driving them to retail stores, where they will then make purchases. In 2009, the rate of offline purchases preceded by online media consumption was 24% and is estimated to grow to 64% in 2019. On the other hand, offline purchases preceded by exposure to traditional media is projected to decline from 68% in 2009 to 21% in 2019. Meanwhile, "retailers are terrified that they are going to become the showroom for Amazon." Managing this O2S (Online to Store) process is thus critical for many firms.

Since customers are now able to research products online, they now have a better idea of what they want and of what products are out there before they even enter the retail store. They are thus in a very different mindset from the one they would have been in years ago, when online product research

was not possible. Accounting for this new twist in consumers' decision making process is important for retailers. *(See slides in Appendix, page 25).*

Connecting the Touch Points to Appeal to a Specific Target Segment
Tony Spring
President and COO, Bloomingdale's, Macy's, Inc.

Bloomingdale's has chosen a very specific target segment: middle aged women who want to feel younger but without looking like their teenage daughters. The challenge is to craft a brand identity around these customers and consistently reinforce it. Bloomingdale's is leveraging an array of new technology in conjunction with traditional media to achieve this goal. The omni-channel strategy seeks congruency between the individual media and the preemption of silos. One objective of using digital marketing elements is to simplify the shopping experience. *(See slides in Appendix, page 26).*

Making the Most of Social Networking and Online Media
Bob Kantor
Chief Marketing and Business Development Officer, MDC Partners

With emerging social networking and online media, companies now face four key challenges.

• Make Sure Customers See the Link. With so much information available online, many customers rely on a daily news feed that summarizes what is out there. They then click on links within the news feed if they want more information about a particular retailer or store. Thus, the link finds the customers as opposed to the traditional reverse way. Therefore, getting the link into customers' news feeds has become just as important as building an appealing web site.

• Leverage Social Media. "Retail needs social media more now than ever before." Social media can serve several purposes. First, it can increase awareness of the brand name, thus increasing brand recognition. Second, it can serve as a link to a retailer web site. In fact, 60% of links originate in social media, and 25% of those links are user-generated. Consumer reviews, which 60% of buyers rely on and which are shared via links, are 16 times more trusted than other reviews. The value of the online community will grow over time. In browsing social media sites, customers may click on retailer links they find interesting. Moreover, they spend more money at an online retailer's web site after reading online reviews of that retailer.

• Distinguish between the Customer Online and the Customer in the Store. Customers behave differently when they are online versus in a store. Retailers need to understand how consumers' habits and behaviors differ across these two touch points.

• Train Great Digital Thinkers. Companies can provide professionals with high quality digital media training. For instance, MDC delivered a digital course in collaboration with the University of Colorado and met with great success.

Using Multiple Touch Points to Tell a Compelling Brand Story
Kurt Kostur
Senior Vice President of Marketing, HSN, Inc.

Like Macy's, HSN has sought to tell a compelling brand story across multiple touch points. This dedication to delivering a coherent brand experience through multiple media was evident in HSN's launch of the Mary Blige Fragrance. It was designed as a comprehensive sensorium program incorporating innovative sampling, personal experiences, virtual community, and e-mails. HSN spread the word about the fragrance launch through its web site, its 24-hour television stream, and its Facebook page. Moreover, it constructed a station at the mall where customers could try the product and interact with others. Finally, HSN

linked the product, called "My Story," to the story of Mary Blige's life. Together, these marketing efforts created a coherent brand experience for customers across different decision making stages and inputs. *(See slides in Appendix, page 30).*

Creating Interaction between Customers and Retailers
Carol Reindel

Senior Director of Marketing,
Daymon Worldwide

Now more than ever, customers want an interactive grocery shopping experience. They want to tell the retailer what they need, and they then want the retailer to help them satisfy these needs ("I want my retailer to make me feel valued, and then my retailer will be valuable to me.") This mode of shopping stands in stark contrast to how grocery shopping used to work, where grocers laid out their offerings and customers selected from this set of offerings. Now customers have more of a say as to what the offerings will be.

Consistent with this intuition, marketing research has revealed that women who do grocery shopping for their family no longer view themselves as "managers" or "accountants" (old model of grocery shopping as transactional activity) but as "treasure hunters," "explorers," and "researchers." These labels reflect the more active role that these women are playing in shaping the grocery shopping experience. Grocery retailers need to craft their marketing in their retail store to meet these new shopping preferences.

Adding a Global Dimension to the Blurring Boundary between Advertising and Retailing
Mainak Mazumdar

Senior Vice President, Center for Innovation,
The Nielsen Company

The boundary between advertising and retailing is also growing blurrier at a global level. This global dimension is evident in Coke's experience in Africa. With $12 billion committed to invest in Africa, Coca Cola pursued a social marketing strategy, working with communities to empower women. Leveraging the country's high cell phone penetration (16 million users), Coca Cola accepted mobile payments for purchases of its products, making women, traditionally the primary shoppers, more independent in their shopping. The impact of this message was significant for Coca Cola.

Media consumption habits are changing. Despite the importance of new media, TV is still a crucial marketing medium. Data suggests that in 2011, 65% of consumers watch TV on their TV set, 6% watch online, and 29% are viewing TV across both platforms.

Online shopping is a substantial business today and offers an important opportunity for companies. E-commerce shares of category sales are 50% for computers, 25% for electronics, and 10% for apparel.

Accounting for Gender Differences in the Use of New Technology
Anne Hunter

Project Manager for Ad Effectiveness, com-Score, Inc.

Men and women differ in their use of smartphones, a new technology that retailers are trying to exploit in their marketing. Women lag behind men in smartphone ownership and usage. Even when women do have smart phones, they have lower quality data plans. When women receive a phone with a better data plan, they use their phone much more. Therefore, retailers should expect much more growth in smart phone use in the years to come. Accordingly, marketers need to integrate the brand experience in smart phones with the brand experience at other touch points.

Summary and Conclusions

This conference brought together marketing academics and practitioners to discuss the blurring boundary between advertising and retailing. Participants noted trends driving this development and described how their companies have leveraged new technology to make the most of the blurring boundary. In addition, they noted questions that remain to be answered and challenges that remain to be confronted. The conference sparked interest in academic-practitioner collaboration to better understand the melding of advertising and retailing.

The key points of the conference can be summarized as follows:

• The trend to social/interactive media has given customers more control over communication at the expense of companies' ownership of the communication process. Customers are empowered, and communication is bidirectional. Word of mouth spread by online communities is even more impactful than in traditional communities because of the reach of new media and people's increasing participation in virtual communities.

• In this new media world, companies can engage customers by creating meaningful, memorable brand experiences through unique events and promotions, which have the potential to create buzz. The most impactful experiences are those that are authentic and provide true value to the customer.

• Shopping preferences have changed, including for necessities such as groceries. More grocery shoppers seek interaction with retailers and an active role in satisfying their needs, transforming a chore to something more engaging.

• It is crucial that marketers' voices in social media are authentic to gain, build, and retain customers' trust.

• While new media have been growing, traditional media such as print and TV as well as store associates continue to be important. Digital technolo-gies, which are simply additional communication channels, can complement traditional media. Thus, they can benefit the brand, provided that marketing campaigns are integrated and reinforce a consistent brand experience with consumers, who are generally media channel-agnostic. Well-integrated campaigns can create an impact exponentially larger than the sum of their individual components.

• New media also provide an opportunity to simplify the shopping experience and to facilitate corporate social responsibility initiatives, for example by leveraging mobile payment technology in developing countries with a high cell phone penetration.

• Retailers have been creative in designing promotions with multiple customer touch points, using traditional and new media in conjunction with unique promotional events. Campaigns connecting new media communication and in-store experience generate store foot traffic and interaction with the brand.

• With price and loyalty incentives ubiquitous, retailers have to strike a balance between staying competitive and staying profitable.

• There are two co-existing scenarios of the online-offline interaction. The first is that shoppers use the Internet to collect information about target brands and items and purchase offline. In this scenario, the Internet drives offline sales. The online-to-store process is projected to grow from 24% to 64% between 2009 and 2019, while the rate of traditional media driving offline purchases is expected to decline from 68% to 21% during the same period of time.

• The second scenario, juxtaposing the first, is that shoppers collect information offline and purchase online, causing retailers' fear to "become the showroom for Amazon." The contrasting views underline the need to understand the online-offline interaction to be able to manage it.

• Customers behave differently online and offline. Companies need to understand the differences to design marketing programs that maximize the overall impact.

• Today, "it's all about the link." Links to websites reach the customer via targeted communication, which is a departure from the traditional direction of the customer seeking out links. Thus, it is important for marketers to place links in their target customers' communications channels. The majority of clicked links (60%) originate in social media, and a fourth of them are user-generated.

• Echoing this importance of social media and online communities for marketing, reviews by consumers are 16 times more trusted than other reviews.

• The long-established 80/20 rule, i.e. 20% of customers account for 80% of sales, may no longer be valid. Today, the most engaged customers make up a significantly smaller fraction of the customer base and of total sales. Retailers therefore have to gain their business with a large segment of shoppers less committed to a certain brand and on each of this segment's purchase occasions. Thus, in-store marketing is crucial. Reflecting this new appreciation of the store's significance, Procter & Gamble has defined the store as the ultimate criterion around which to design brands' marketing mix.

• The development of new media strategies is currently more of a trial-and-error process rather than a science. Marketers using digital marketing tools are experimenting as they try to find an effective and efficient mix and budget allocation across media. In this experimental stage, it is important to not confuse the customer.

• As retailers and academics are trying to understand fundamental principles of new media and optimize companies' marketing programs, research collaborations can benefit both groups. An example for applicable research is a recent academic study on online and offline word-of-mouth (WOM) communication. While everyday face-to-face WOM is by far more frequent than online WOM, it is top-of-mind and not necessarily the most interesting experiences that are shared face-to-face. In contrast, online WOM mostly disseminates interesting and emotionally charged content.

A video summarizing conference participants' take-aways is posted at:
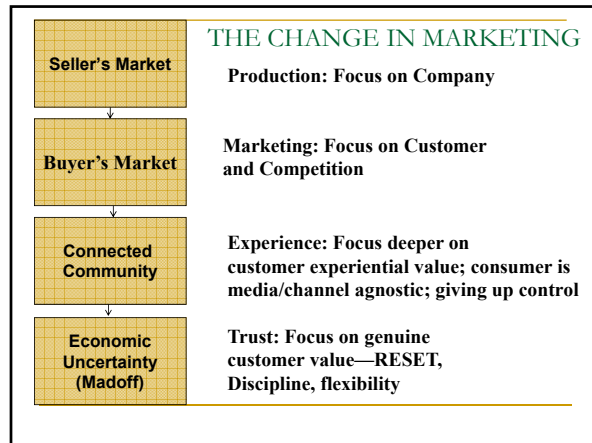http://www.wharton.upenn.edu/bakerretail/research-publications.cfm.

Appendix

A Framework for Understanding the Relationship between Advertising and Retailing
Barbara Kahn
Patty and Jay H. Baker Professor; Professor of Marketing; Director, Baker Retailing Center, The Wharton School

THE CHANGE IN MARKETING

Seller's Market	**Production: Focus on Company**
Buyer's Market	**Marketing: Focus on Customer and Competition**
Connected Community	**Experience: Focus deeper on customer experiential value; consumer is media/channel agnostic; giving up control**
Economic Uncertainty (Madoff)	**Trust: Focus on genuine customer value—RESET, Discipline, flexibility**

Interactive /Social Marketing

- 2009: 12% of advertising/branding spend
- 2014: (est) 21% of spend
- Characteristics of interactive marketing
  - Transparency
  - Two (multi)-way dialogue
  - Need to be willing to lose some control for your brand

Social/Interactive Marketing

- Metaphor: Flock of birds flying
- Don't know who is leading or where they are going!

1996

What is an Experience?

- Experiences are processes that occur as a result of encountering, undergoing or living through situations.
- Triggered stimulations to the senses, heart and mind.
- They connect the company and the brand to the customer's lifestyle and place individual customer actions and purchase occasions in a broader social context.

Connecting Experience to the Brand

- Experiential Brand Positioning
  - What does the brand stand for
  - Should be a multisensory strategy
  - Should be different in some real and valuable way from all competitors
- Experiential Brand Value Promise
  - Describes what customers gets in experiential terms
    - **Sense Feel Think Act Relate**
- **Embrace all channels (experientially)**

A Framework for Understanding the Relationship between Advertising and Retailing
Barbara Kahn
Patty and Jay H. Baker Professor; Professor of Marketing; Director, Baker Retailing Center, The Wharton School
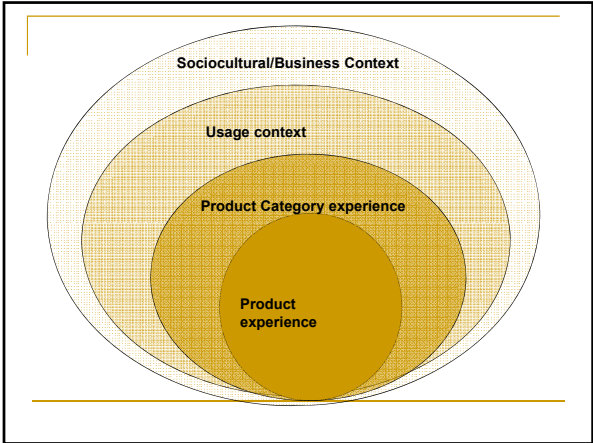
Channel

- design, music, fragrance, type of salespeople.

Hershey find experiential retailing, oh, so sweet! Pop Tart Store


What can be done P-O-S?

Store within a store; you may ask yourself, am I still in Target?

What is a Consumer Experience?

Search | Consideration | Purchase | Usage | Disposal | Repurchase

WESTIN

A Framework for Understanding the Relationship between Advertising and Retailing
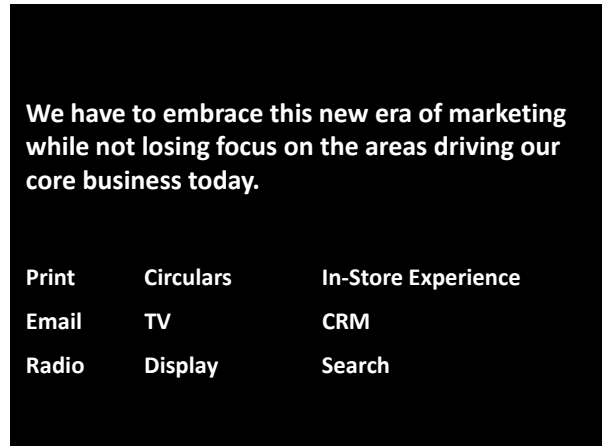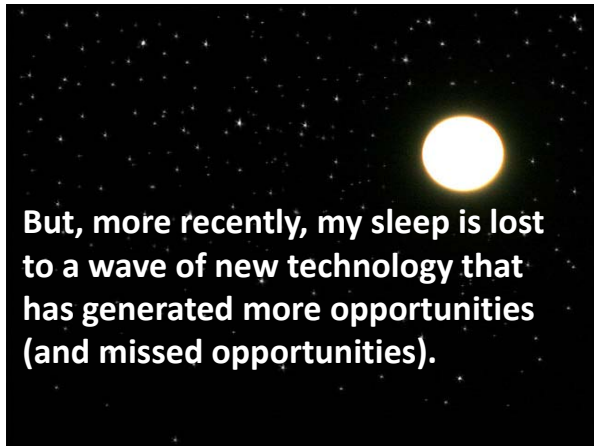Barbara Kahn
Patty and Jay H. Baker Professor; Professor of Marketing; Director, Baker Retailing Center, The Wharton School
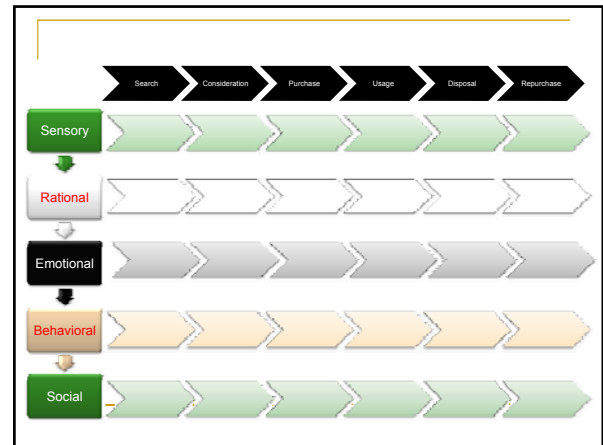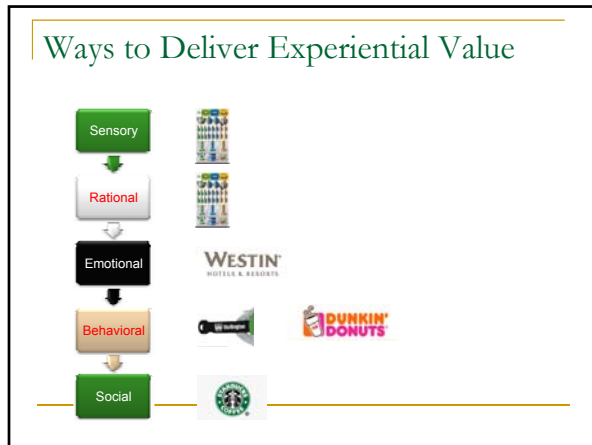
Leveraging Technology in an Age of Empowered Consumers
Sean Sondreal
Vice President of Strategic Marketing, Kohl's Corp.

Leveraging Technology in an Age of Empowered Consumers
Sean Sondreal
Vice President of Strategic Marketing, Kohl's Corp.

We are all faced with the same global challenge.

The proliferation of new technology available to customers and retailers is fragmenting traditional media, brand experience efforts and straining our financial resources and precious human capital.

How do we deal with new technology best?

How do we:

1. Sort through it
2. Vet it
3. Prioritize it
4. Test it
5. Implement it

How do we best create robust test and learning environments that do not disrupt:

- The customer
- The normal flow of business
- The investment necessary to upgrade data warehouse and POS

How do we galvanize traditional brick and mortar cultures to embrace cross channel integration vs. fearing it?

How do we best adapt and move forward given our limited marketing budgets?

How do we ensure we get the same return?

How do we best manage our finite human capital?

Leveraging Technology in an Age of Empowered Consumers
Sean Sondreal
Vice President of Strategic Marketing, Kohl's Corp.

What is additive to our current strategy?

What may we detract?

How do we adapt to a new era where strategy guides our technology investment? But remains nimble enough to grasp technology that can improve our strategy in ways not yet envisioned.

Finally, how do we in this room become comfortable with the customer now being in control of her journey – whether we like it or not?

2 years ago, would you ever have envisioned how much technology was influencing today's loyalty dynamic?

Let's play an overly simplistic today scenario...

Let's say you have:

• A Visa Debit Card

• A store loyalty card

• An AT&T enabled iPhone

The following scenario is all possible today...

At Checkout

Geo-Fencing

Check-in Incentives

General Public Coupon

Backend

• Point accumulation on a store loyalty card
• Visa level incentive
• Debit/Bankcard level incentives like Cardlytics
• Shopkick points

Leveraging Technology in an Age of Empowered Consumers
Sean Sondreal
Vice President of Strategic Marketing, Kohl's Corp.

Backend

> Oh – and she wants a price match of the Levi 501's as she looked up amazon.com's price on Red Laser.

Thank you!

KOHL'S
expect **great** things

Brand building via shopper marketing

Jay H. Baker Retailing Center & the Future of Advertising Project – SEI Center for Advanced Studies in Management
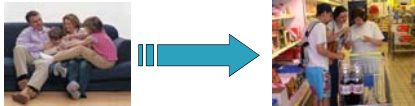**Session: Brand Building and the Brand Experience: The Blurring Boundaries Between Advertising and Retail**

Date: April 21, 2011

Rubinson Partners, Inc.
Twitter: @joelrubinson
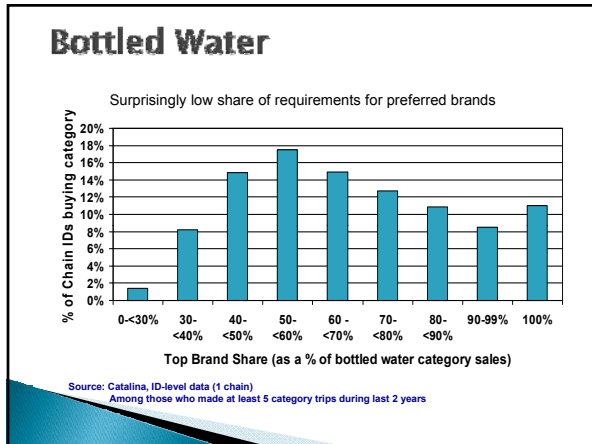E–mail: joelrubinson@gmail.com
Blog.joelrubinson.net

Half of purchase decisions are made in-store

Estimated in store brand decison rate
(Average across categories)

- Meyers Research Center (on behalf of POPAI), 1995 : 70%

- Ogilvy Action, 2008 : 40%
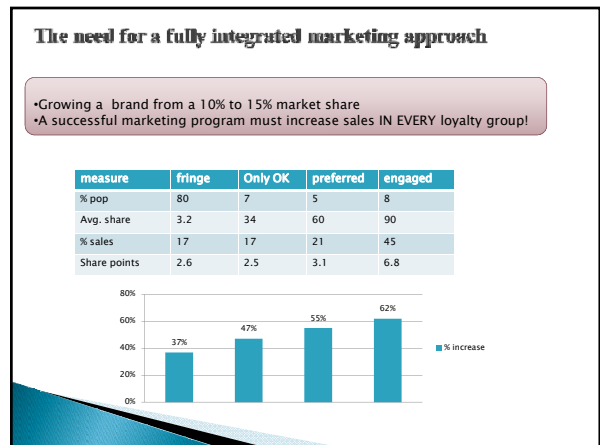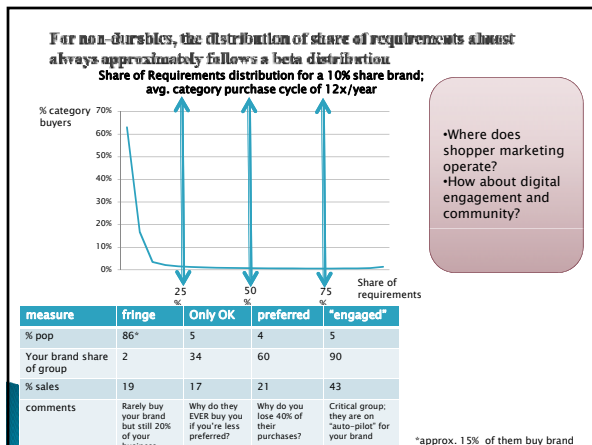
- Synovate, 2009 : 50%

Source: Synovate 2010

Bottled Water

Surprisingly low share of requirements for preferred brands

Source: Catalina, ID-level data (1 chain)
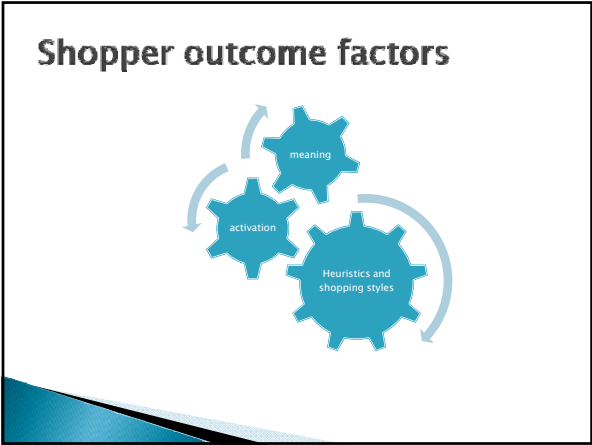Among those who made at least 5 category trips during last 2 years

---

Procter and store back

▸ Marc Pritchard Procter's CMO calls for thinking "store back", and told P&G agencies (not just the shopper marketing ones) that it means that marketers must ALWAYS have the store in mind when developing a new product, a new idea, a new statement: if it does not work at the store, it's a miss".

For non-durables, the distribution of share of requirements almost always approximately follows a beta distribution

Share of Requirements distribution for a 10% share brand; avg. category purchase cycle of 12x/year

- Where does shopper marketing operate?
- How about digital engagement and community?

measure	fringe	Only OK	preferred	"engaged"
% pop	86*	5	4	5
Your brand share of group	2	34	60	90
% sales	19	17	21	43
comments	Rarely buy your brand but still 20% of your business	Why do they EVER buy you if you're less preferred?	Why do you lose 40% of their purchases?	Critical group; they are on "auto-pilot" for your brand

*approx. 15% of them buy brand

The need for a fully integrated marketing approach

- Growing a brand from a 10% to 15% market share
- A successful marketing program must increase sales IN EVERY loyalty group!

measure	fringe	Only OK	preferred	engaged
% pop	80	7	5	8
Avg. share	3.2	34	60	90
% sales	17	17	21	45
Share points	2.6	2.5	3.1	6.8

Bringing Marketing Academics and Practitioners Together to Study the Blurring Boundaries between Advertising and Retailing and Research on Online and Offline Word-of-Mouth

Jonah Berger

James G. Campbell, Jr. Memorial Assistant Professor of Marketing, The Wharton School

Why do certain products get more word-of-mouth than others?

Science of Social Transmission:

Virality and Word of Mouth

Jonah Berger
The Wharton School

Old Model

Advertiser/company centric

New Model

Network centric

Lots of interest around social media and word-of-mouth

WOM boosts sales!!!!
Let's jump on the bandwagon

But these are technologies, not strategies.

Why are certain products, brands, or ideas talked about and shared more than others?

Fundamental Rule of WOM:
Products need to be interesting to be talked about

"nobody talks about boring companies, boring products, or boring ads"
(Sernovitz 2006; Hughes 2005; Rosen 2008; Knox 2010)
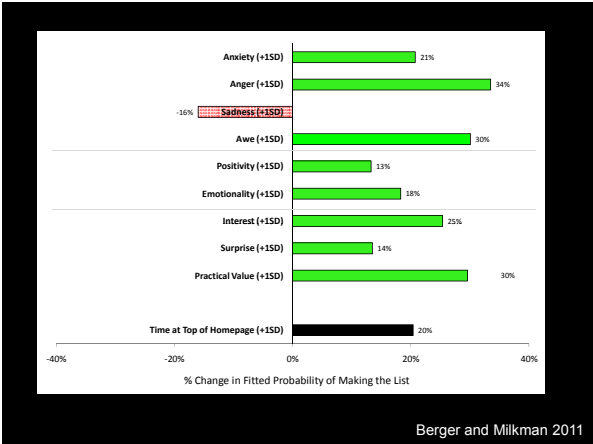
Provides social currency

Do they?

An alternate perspective…

WOM is less about motivated transmission and more about what is top of mind

Analysis of 335 buzz marketing campaigns

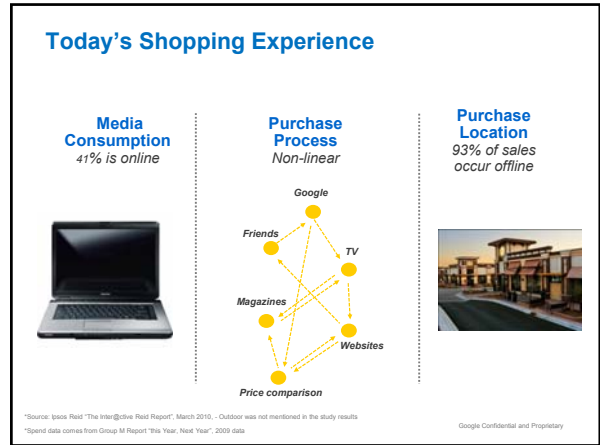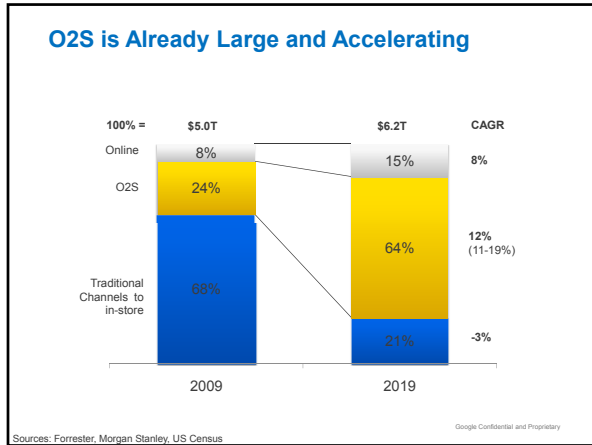## Why is some online content more viral?

Summary

- Ignore opinion. Focus on fact.

- Move beyond using technologies. Focus on understanding behavior.
  – What % of WOM is online?

- Think beyond "Special People."
- Craft contagious content

Berger and Milkman 2011

Thank you.

Connecting the Online and Offline Shopping Experience
Rob Goulding
Head of Channel Solutions, Google Inc.

O2S is Already Large and Accelerating

Sources: Forrester, Morgan Stanley, US Census

Today's Shopping Experience

Media Consumption
41% is online

Purchase Process
Non-linear

Purchase Location
93% of sales occur offline

*Source: Ipsos Reid "The Inter@ctive Reid Report", March 2010, - Outdoor was not mentioned in the study results
*Spend data comes from Group M Report "this Year, Next Year", 2009 data

Google Confidential and Proprietary

Online-to-Store North America Results

Summary
- **40** Completed Programs
- **70%** Big Box retailers have tested*
- Return-on-Ad Spend: **3:1 – 15:1**
- Overall Store Lift: **1.6% – 2.5%**

Across Categories & Industries

Apparel Home Improvement Toys
Home Furnishings Jewelry Electronics
Retail Tech Commerce Consumer Packaged Goods

Findings
- Impressions and clicks can be strong proxies for offline impact
- Driving high share-of-voice is important to generate sufficient awareness
- Urban markets with large store footprints perform better
- Higher consideration items have strong sales performance
- Running on non-brand terms can create additional demand for brand terms

Google Confidential and Proprietary   3

* Based on 2010 Advertising Spend with Google

Connecting the Touch Points to Appeal to a Specific Target Segment
Tony Spring
President and COO, Bloomingdale's, Macy's, Inc.

Slide 1

BLOOMINGDALE'S

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Slide 2

Bloomingdale's Strength: A Powerful, Recognizable Brand Identity

Our brand identity matches nearly perfectly with a customer who says they "want to look the age they feel, not the age they are." Our customers have a palpable, committed relationship with our brand; they want to shop us more.

fun, flirty, young, energetic brand personality

promotions, events and store environment

new fashions and trends

"The events are always fun and exciting. I could camp in this place and never leave." - Cassandra H., Age 35, Chicago

"Bloomingdale's has a fresh and easy feeling. The store makes me want to browse and take my time." - Tecresha S., Age 25, Miami

"Bloomingdale's keeps up with fashion trends in the best way possible." - Naz L., Age 30, Los Angeles

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Slide 3

Bloomingdale's Marketing Objective

To engage the customer with relevant and compelling content that builds a stronger relation with our Brand resulting in garnering a greater share of her wallet.

DYNAMIC CONTEMPORARY FLIRTATIOUS PROVOCATIVE PLAYFUL

Marketing communications must convey that Bloomingdale's:

- Understands the customer – their lifestyle, their tastes, their passions, their needs – and is authentically integrated in the community in both words and actions

- Is a destination for discovery – what's new, what's next in fashion and pop culture

- Delivers an exciting/innovative shopping experience on a consistent basis – expect the unexpected

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Slide 4

Maximizing Media Mix in an Omni-Channel World

Engaging and Inspiring the Customer through New Media Channels
The Challenges:
- Communication – Push and/or Pull? Her Voice vs. Fashion Authority?
- Expanding Her Interaction with Our Advertising – Finding Hand Raisers
- Staying Ahead of the Communication Curve While Not Leaving the Customer Behind

Marketing 101 Reminder: Content is Still King!
With the proliferation of channels to market messages it is more important than ever to get the content right.
- Formatting Content to Fit the Medium – What Works in Print Doesn't Necessarily Translate on a Smart Phone or Ipad.
- Creative Challenge – We are Fighting for Her Attention and Time – How Do We Break through the Clutter?
- Disrupting Her Media/Shopping Experience with Relevant Content – What is Engaging vs. Annoying?

Testing and Learning
Data Allows us to Step Back and Evaluate How New Media and Technology Engage Our Customer. We Are Currently Experimenting with:
- QR Codes, Video, Texting, Social Engagement, User Generated Content
- Using Digital Content to Help the Sales Professional Sell

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD** 4

Slide 5

March Fashion Campaign
Testing New Media Distribution and Digital Forms of Engagements

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Slide 6

Bringing Fashion Images to Life via Online Video

GET SCARFED!

COLOR YOURSELF

BREAK THE PATTERN

Created Multiple Videos to Provide Fashion Inspiration Across Channels

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Connecting the Touch Points to Appeal to a Specific Target Segment
Tony Spring
President and COO, Bloomingdale's, Macy's, Inc.

Extending the Reach of Videos via QR Tags

Magazine

Newspaper

Out of Home

Catalog Insert

GET SCARED!

Distribution of Video Content through Static Media

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Bringing the Customer into the Conversation

CALLING ALL TRENDSETTERS

Bloomingdales.com

Digital Advertising

Mobile

Customers Were Invited to Share Their Style in a Social Contest

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Style Contest Reach Extended In-Store

Visual Display with QR Tag

WIN A FASHION DREAM IN NYC

Visual Display with Promotion

Contest Poster

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Style Contest: Engaging Our Community

Bloomingdale's Facebook Community Judged the Contestants

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Text to Win
Using Mobile to Provide Animation and Engagement In-Store

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Surprise and Delight Using Text Messaging

Window Display

Poster

Catalog

Customers Were Invited to Text In-Store to Win Shopping Sprees

TOGETHER WE MAKE BLOOMINGDALE'S **LIKE NO OTHER STORE IN THE WORLD**

Connecting the Touch Points to Appeal to a Specific Target Segment
Tony Spring
President and COO, Bloomingdale's, Macy's, Inc.

Creating Animation In-Store Using Mobile Devices

Customers Visited Daily to Text on the Selling Floor

Traditional Media is Still Part of the Media Mix
The Challenge is to Reinterpret Through Color, Unique Positions and Repetition

Newspaper Bookends

New York Times
Bergen Record
Boston Globe
Boston Herald
Chicago Tribune
Los Angeles Times
Miami Herald
Newark Star Ledger
St. Paul Pioneer Press
San Francisco Chronicle
Washington Post
Washington Suburban Press

LAT & SFC Horizontal Strips

NYT Towers

Taxi Toppers

Connecting the Touch Points to Appeal to a Specific Target Segment
Tony Spring
President and COO, Bloomingdale's, Macy's, Inc.

Phone Kiosks

Mall Kiosks
Century City, Roosevelt Field, San Francisco, Santa Monica, & Short Hills

Mall Floor Decals
Roosevelt Field & San Francisco

Our Most Important Marketing Asset:
The Bloomingdale's Sales Professional

The Bloomingdale's Sales Professional
Our Sales Professionals continue to play a vital role in our marketing strategy.

Sales Professionals' Marketing Role at Bloomingdale's:
- Marketing's objective is to drive a greater response. The Ultimate "opt in" is when a customer says "yes" to having a relationship with a Sales Professional.
- The Sales Professional has the ability to filter content for the customer based on what they learn throughout the relationship.
- Authentic personal communication between the Sales Professional and client yield more value than algorithmic message generation based solely on transaction history.

Sales Professionals' Key Marketing Tool, b-connected
Through Bloomingdale's CRM System (b-connected) at POS our Sales Professionals have the ability to:
- Build individual marketing programs for his/her clients based on the customer's personal life calendar.
- View all of their clients' transaction history (including purchases on bloomingdales.com)
- Query their client book
- Enter non-transactional information (birthday's, special occasions, family members, etc)

Piloting Email
- Email integration with b-connected to allow for personal communication between the Sales Professional and the client with contact history and return on contact within the CRM System

---

Where Do We Go From Here?

Continue to Evolve Our Omni-Channel Marketing Strategy
- Incorporate New Digital Media Options – Social, Viral, Augmented Reality, RFID, Mobile
- Update Traditional Alternatives – QR Codes, Photo Recognition Applications
- Browse Data both Online and In-Store to Gain Greater Share of Wallet
- Sales Professional Cultivation of Customer Relationships
- Tailor Our Communication Mix by Customer Segment
- Help Our Vendor Partners and Internal Clients Migrate and Invest in New Alternatives

Our Ultimate Goal:
Leverage technology to engage the customer with more relevant content without losing the personal connection she has with our brand.

Using Multiple Touch Points to Tell a Compelling Brand Story
Kurt Kostur
Senior Vice President of Marketing, HSN, Inc.

Notes

Notes

Jay H. Baker Retailing Center
The Wharton School
University of Pennsylvania

bakerretail.wharton.upenn.edu