

Holiday Marketing in the Age of the Choice Generation™

Engaging consumers this holiday season will take more than simply ad relevance. It requires giving your customers control and that requires a permission database. Are you ready?




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Give Your Brand a Voice™

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Engaging consumers today requires letting them control how they interact with you and that requires a permission database. Are you ready?



We are in the age of the Choice Generation™ — where the customers with the highest potential marketing value have the least tolerance for traditional advertising. These consumers want choices in how they interact with you. They want to participate in a dialogue and be involved with your company — not talked at — and they want to know in a split second that your product or service fits their lifestyle, or they'll quickly move on. More importantly, unlike their older counterparts, today's modern consumers feel it's their sovereign right to choose and control what, when and how they receive your marketing messages.

THE EXPERTS:

Rick Bhurji, Manager of CRM, Northern Reflections

Victor Essoka, Senior Vice President and Brand Manager, La Redoute USA

Sieglinde Friedman, Vice President, Board and Strategy, Electronic Retailing Association

Eric Holmen, President, SmartReply

Joe Pilotta, Ph.D., Vice President of Research, BIGresearch

Carol Sweeney, Director, Database Marketing, Limited Too and Justice stores, Tween Brands, Inc.

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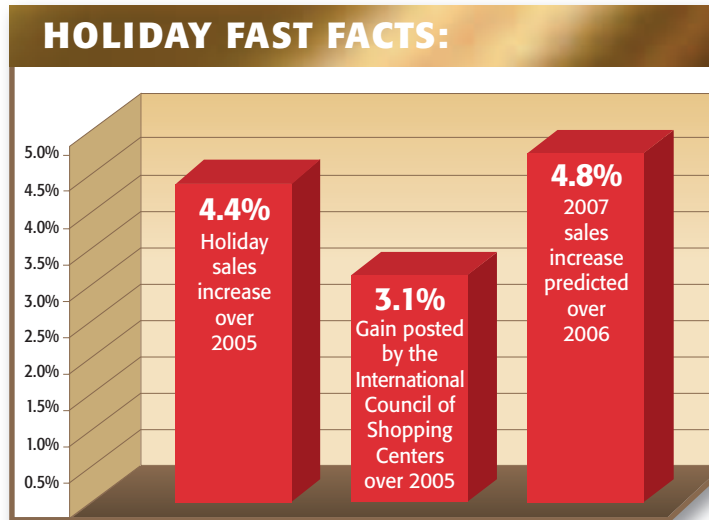
No longer is it enough to simply place an ad and expect to receive consumers' undivided attention. Your customers are skipping through ads, opting out of emails, passing over direct mail and blocking pop-up ads. In addition, nearly one-fifth of all TV viewership has declined as the Choice Generation™ moves to digital media. Overall media usage per person declined 0.5% in 2006 to 3,530 hours, according to Veronis Suhler Stevenson, mainly as a result of changing consumer behaviors and advances in the digital space. They have reduced the amount of time they spend with ad-supported media to 6.3% in 2006, down from 2005.

"The challenge for marketers today is to persuade consumers to volunteer their attention," says Sieglinde Friedman, vice president of board and strategy for the Electronic Retailing Association. "Current marketing methods require a whole new strategy. It's not about cheap impressions anymore. It's about deep relationships."

"It's also about information that makes a difference," adds Joe Pilotta, Ph.D., vice president of research at BIGresearch. "A lot of consumers are starting to search online before they make a purchase in a retail store and retailers are going to have to think differently about how they inform consumers about the choices they have. Price is not a differentiator. To really sell a product, marketers have to do a good job of informing consumers today."

Meanwhile, the holiday planning season is upon us. This is the time of year when you make the largest share of your annual sales, and satisfying consumers who want something completely different from your marketing efforts will be more important this year than ever.

Last holiday season, sales increased just 4.4% over the same period in 2005, according to the National Retail Federation and BIGresearch. Mild temperatures, high gas prices and a sluggish housing market reduced sales and caused some customers to push off holiday shopping until the last minute. "The tone was more pessimistic than optimistic [last year]," Michael Niemira, chief economist at the International Council of Shopping Centers told the Associated Press. The NRF predicts more of the same



Sources: National Retail Federation, BIGresearch and ICSC

challenges for the 2007 holiday season, as well.

Therefore, simply doing what you've always done is no longer enough. Consumers are gaining control; ignoring this significant paradigm shift is not an option. You must start now to create a marketing structure that allows your customers to choose how they do business with you.

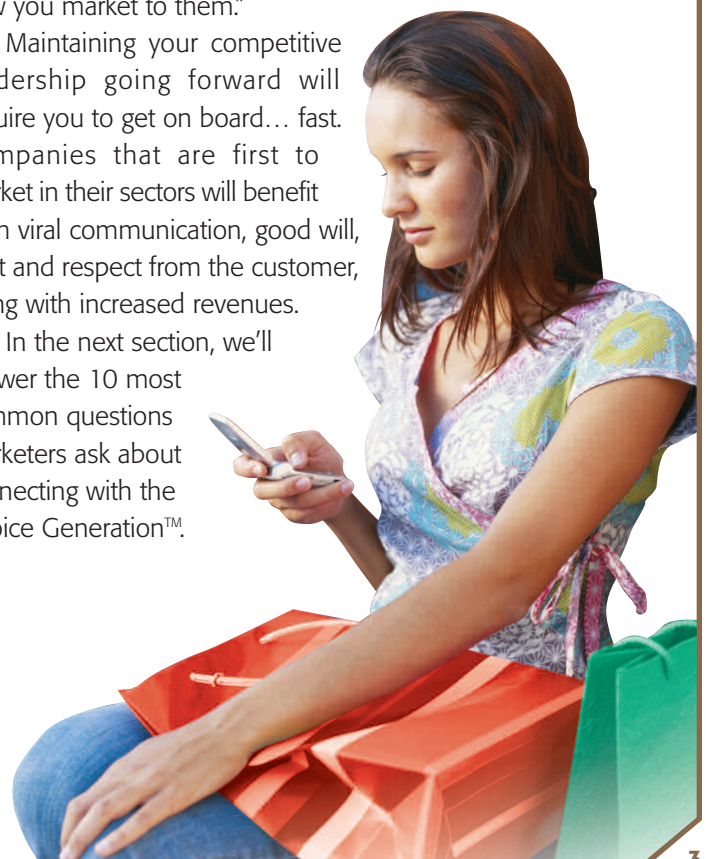
"One of the promises people are expecting out of engagement is that the

engagement is going to translate to their purchase decision," says Pilotta. "And to just operate on the notion that people said they were highly engaged isn't enough, because it doesn't always translate into sales. Retailers have got to look at how engagement translates into the purchase decision."

"It's not a question of if, it's a question of when," says Victor Essoka, senior vice president and brand manager of La Redoute USA, a division of Redcats USA. "And who ever starts today will seize the advantage for the consumer who wants the opportunity to be in charge of how you market to them."

Maintaining your competitive leadership going forward will require you to get on board... fast. Companies that are first to market in their sectors will benefit from viral communication, good will, trust and respect from the customer, along with increased revenues.

In the next section, we'll answer the 10 most common questions marketers ask about connecting with the Choice Generation™.



UNDERSTANDING THE CHOICE GENERATION™ AND HOW TO MARKET TO THEM

1. Who is the Choice Generation™?

"The Choice Generation is not a demographic, but a new wave of consumers," says Eric Holmen, president of SmartReply. "Call them control freaks — they are the polar opposite of the passive consumers of yesteryear who were receptive to one-directional marketing messages. Consumers of the Choice Generation require a two-way dialogue where their input matters."

Voicemails have worked best for us when the customer has a coupon in hand. They are a helpful reminder for the customer, calling out that their coupon will expire soon.

Carol Sweeney, Director, Database Marketing, Limited Too and Justice stores, Tween Brands, Inc.

- ◆ Real-time control ("I want to be able to change my mind instantly and as often as I want to")
- ◆ The ability to manage the frequency of communications ("I want alerts once a week; my friend Jason wants them once a month")
- ◆ The ability to score your marketing efforts ("I'm going to tell you how good you're doing at meeting my needs, and I expect you to listen and make improvements based on my feedback")



As you effectively maintain those changes, you will create a trusted relationship environment that puts you on the inside track with your loyal customers. Also, consumers will only choose to build relationships with a small number of companies. Once they've reached

2. How can you reach them?

First, you've got to be where they are, and that requires new innovative solutions such as voice, digital and mobile media. Today's consumers don't like to be tied down. They are always on the go. During the holiday season, they'll be even busier, out shopping (or shopping online) for holiday gifts, decorations, or special outfits for parties and events, and will use digital media as tools of empowerment to help them manage their busy lives.

"We're seeing that new media enhances traditional media," says Pilotta, "so marketers need to learn what kind of new media and traditional media would work together to help them be effective around holiday time and create influence." If you're not including mobile media in your overall mix that can move with consumers or can be accessed anytime anywhere, there will be critical gaps in your ability to reach your ever-evolving target audience.

Second, you'll need to provide your customers with control over the communications experience they have with you. You do that by giving them a venue for changing and managing their communication preferences. These should include options such as:

- ◆ Preference management ("Here are the media I want to opt in to and here are the ones I don't")

their limit, they will shut out everyone else, so it's important that you are early to market to be one of those first few companies that garner their undivided attention and consideration.

3. What tools will I need?

The key to understanding what type of marketing messages your customers prefer to get from you and when and how they want to be engaged with your marketing efforts is an opt-in permission database. Today, not just within the U.S. but all around the world, there is legislation governing how you can mail, call, fax, email and text consumers. An opt-in database — with separate opt-in fields for each channel — would keep you in compliance with federal, state and international laws.

"Start by taking inventory of your customer and prospect touch points," says Friedman. "The ways in which you contact your customers and prospects have already been established. When you market to people who have told you expressly that they want to hear from you, you can expect to see better response rates, increased trust and brand affinity and better deliverability of your message."

An opt-in database takes time to build — anywhere from six to nine months is a good starting point for developing a customer file robust enough to market to.

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The holiday season — when you're in front of the most number of your customers at one time — provides a great opportunity for starting a database or adding to your existing file.

4. How should I use the data I collect?

Use your data to build multi-channel and ongoing marketing programs that match your customers' interests, provide them with channel options and keep the relationship going. For instance, a text messaging offer could be segmented by the name of their self-admitted favorite sports team, and all those who use their discount code in the store or online within a certain time frame could win a sports cap emblazoned with their favorite team's logo. Then, follow-up alerts could let them know that a new batch of team jerseys has just arrived, and if they click here, one in their size will be sent to them automatically and charged to their credit card. Meanwhile, your email newsletter could support the campaign by including team-specific sports articles alongside special offers.

But the real differentiator comes when you help them manage their lives with things like:

- ◆ Finding the nearest store location when they're ready to make a purchase;
- ◆ Giving them unique offers that fit their interests and lifestyle and that can't be duplicated elsewhere;
- ◆ Making sure they're awake in time for your early bird sale;
- ◆ Letting them know about your exclusive weekend event;
- ◆ Reminding them that their coupon or special offer will be expiring soon;
- ◆ Notifying them that a new shipment of their favorite merchandise has just arrived;



MEDIA FAST FACTS:

- ❄ TV viewership has declined by nearly **20%** as the Choice Generation™ moves to digital media
- ❄ Ad spending will be reduced to **\$290.3 billion** in 2007 down from **\$303 billion** in 2006
- ❄ Consumers are spending just **6.3%** of their time with ad-supported media
- ❄ Media usage per person declined **0.5%**
- ❄ **60%** of consumers try to avoid exposure to advertising
- ❄ **54%** avoid products that overwhelm them with marketing
- ❄ **46%** have taken steps to reduce the marketing they are exposed to
- ❄ **17%** of homes have DVRs and almost **50%** of them view with the skip button held down
- ❄ **14 states** currently have **Do Not Mail** legislation pending, reducing your marketing effectiveness even further

Sources: Veronis Suhler Stevenson, Nielsen//NetRatings and Universal McCann

- ◆ Announcements of exclusive sales or promotions; and
- ◆ Asking for their valuable feedback to show your commitment to always improving your service to them.

These are the kinds of strategies that set you apart from the competition. When you act as their valuable confidante or assistant — and get their input in the management of the relationship — you will gain their respect and their trust.

5. When should I start using my data?

Immediately, or as soon as you can. We recommend that you set up triggers to automatically respond to each customer action. For instance, acknowledge receipt of their information right after they sign up through the communication channel they have opted in for. La Redoute, a French cataloger for casual women's apparel and household linen with well over 15 million customers in more than 20 countries, used an introductory email to build opt-ins from U.S. customers to its new exclusive mobile alerts program.

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Then, after customers entered their cell phone numbers into the web microsite sign-up page, they instantly received a “thank you” text message with a discount coupon good for online and telephone orders.

6. Will permission marketing change the way I manage my data?

Absolutely. “Marketers will still observe customers’ purchase behavior — the *implicit* data — and predict other items they might be interested in based on their past behavior,” explains Holmen, “but now, in addition to that, they will have to extract the *explicit* data to understand the type of things they want to know about.”

7. Will this change the way I segment or analyze my data?

No. All your standard segmentation practices will still provide a good foundation for delivering the right message to the right customer at the right time. Northern Reflections offers a good example of solid data segmentation practices. The Canadian women’s apparel retailer maintains a loyalty program called “Northern Friends” with over 1.3 million members in Canada. Over time, it has seen its members’ behavior fall into one of six segments. The segment a customer falls into will determine the type of voice marketing call they receive. Northern uses voice marketing both as standalone campaigns and in support of direct mail or email.

Northern Friends’ top segment are “high spenders and frequent visitors,” explains Rick Bhurji, manager of CRM. “We know they’ll come in regardless of a sale or not, so we try not to communicate sale messages; rather, we try to build the brand and talk about new collections or arrivals.” Northern Reflections’ top customers may also receive messages about special discounts or previews to an exclusive phone



sale or promotion. “We want to use voice marketing as a strategic tool to create exclusivity with our loyalty customers.” For a recent exclusive phone-based preview, Northern’s top customers received a call for a promotion, and if they went in over a specific weekend and used the code word “Michelle”, they would get a special discount. There was no signage in the store advertising this promotion. “This created a sense of excitement and exclusivity for our Northern Friends customers”, Bhurji says.

Those program members who don’t shop the store often but when they do, spend a lot of money, would be enticed with an incentive to visit the store to create an incremental visit. Customers who are always looking for the best bargain would get a discount offer. “To maximize sales during our clearance event, we would identify the sales stalkers — low spenders, but frequent visitors — and may market to them to come in right now, because we know they’re looking for the best deal,” Bhurji says.

For those lapsed active Northern Friends customers — those about to churn or move into inactive status — the message might be “we miss you and we want you to come in and see our great new selection.” New members of Northern Friends would get a welcome message. Communication to this new segment is carefully managed to ensure they do

MOBILE MARKETING BUILDS LA REDOUTE’S SALES

La Redoute’s “Thank You” campaign for new opt-ins drew strong sales and a coupon redemption rate higher than an average catalog mailing. The retailer said “It’s nice to have a growth program in this channel be profitable at such an early stage”. Subsequent programs have yielded returns equal to or greater than catalogs.

SmartReply built and managed the opt-in database, the opt-outs, the web microsite, and overall program strategy and text message scripting. The project’s success has helped La Redoute by offering a choice of marketing communications to their customers and in carving a new foothold with America’s digital-media savvy consumers.

not get inundated with messages.

8. Will it change the way I create or run my campaigns?

It should. In this new way of thinking, you will no longer be “launching” campaigns, but instead will be routing relevant and individual messages based on triggers that their preferences will generate.

Bhurji recommends having a call to action in each message tailored to the individual customer segment. “When we have a call to action or a message that shows exclusivity, it works very well for us, rather than just ‘announcing a sale’. That’s where we leverage our database to distinguish ourselves against the competition. We make the customer feel special and voice marketing really helps with that.”

Also, Shop.org reminds marketers to maintain a consistent brand strategy across channels. With multi-channel customers known to be more profitable than those who only shop through one channel, it’s no surprise that 33% of respondents to their recent study let customers build loyalty points across channels, while 26% offer in-store product information online. The report also found that 22% of offline sales are influenced by the Web, with 38% of online customers being new to a company’s business.

9. How should I handle opt-outs?

Every communication should have an opt-out mechanism



“When we do direct mail and voice marketing together, our customers respond very well. We’re way above industry average in response rate — between 20 and 30 percent higher.”

Rick Bhurji, manager of CRM, Northern Reflections

at the end that is easy to use, such as “press one to opt out of receiving these messages”, or “click here to go to our website and change your preferences”.

Your customers may not want to receive email, but may still want to receive direct mail or text messages. Tracking and reviewing your opt-out reports will also help you understand your customers’ media habits and use them to match the medium to the customer.

10. How do I track my permission marketing efforts?

At Northern Reflections, “We do yearly trending of all our key performance indicators per segment, including average spend per customer and number of transactions per customer,” Bhurji says. “At the end of the day, we want to see our marketing initiatives move the needle on these KPIs.”

With digital media such as online, voice and mobile marketing, you will be able to see trends and patterns start to appear in a few days and will be able to act upon those results quickly.

THE TIME TO GET STARTED IS NOW

Creating the perfect permission-marketing program to the Choice Generation™ will not happen overnight. It takes trial and error like anything else. But the holiday season is upon us and now is the perfect time to capture the attention of your entire customer base, as well as grow your business with new customers. So don’t wait for your data or your message to be perfect. Get out there and start collecting opt-ins and testing offers...find out how responsive and media savvy your customers are before your competitors do. By using permission marketing to

target the Choice Generation™ during the 2007 holiday season, you will gain your customers’ respect, trust and their business for many years to come. ●

To learn more about marketing to the Choice Generation™ using SmartReply’s Voice and Mobile Marketing Solutions, go to www.SmartReply.com, or call 1 (800) 785-6769.


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Download these best practice papers and start increasing customer loyalty and sales today!



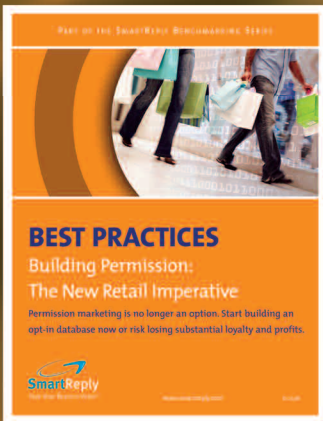
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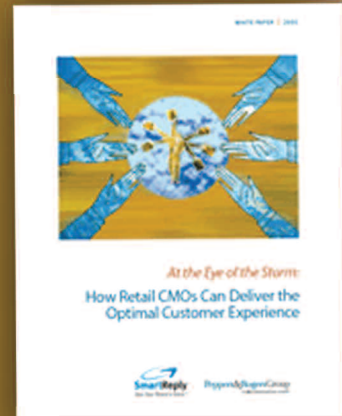
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