

An IMRG Best  
Practice Report

# Retail – Driving Customer Loyalty In A Digital Era

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## Retail - Driving Customer Loyalty In A Digital Era

### Contents

1. Introduction	3
2. Understanding Your Audiences	4
3. Keeping Customers	5
4. Providing Value	6
5. Customer Loyalty	6
6. Personalisation	7
7. Conclusion	8
8. Contact Us	9

# 1.

## Retail - Driving Customer Loyalty In A Digital Era

### Introduction

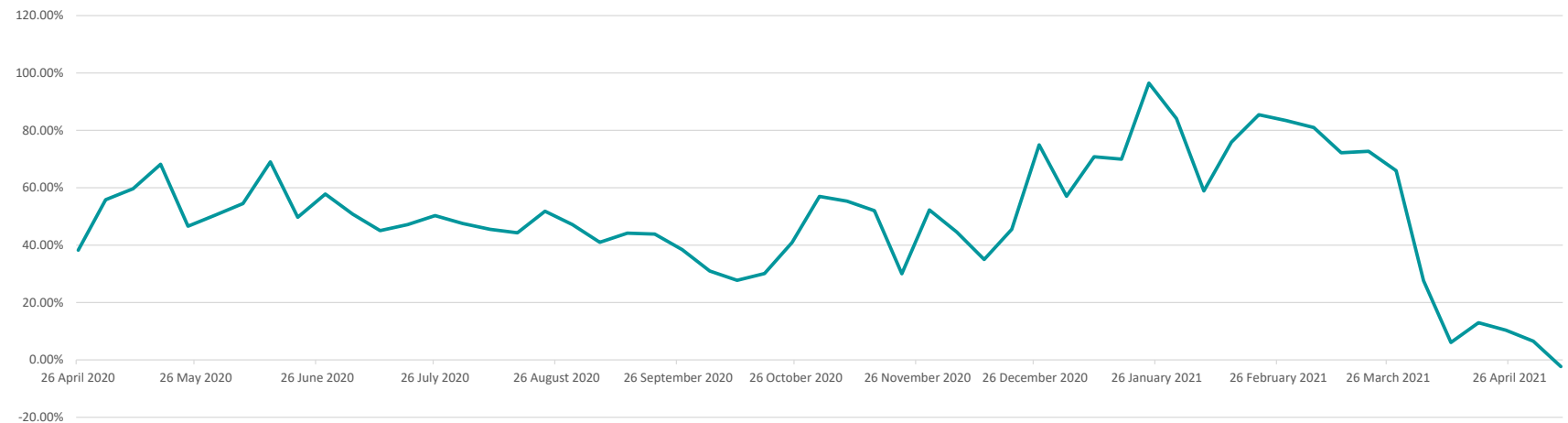
Much has been written about the massive changes that the pandemic has wrought on to the retail industry. Much of this change was happening anyway, but the forced changes to consumer behaviour accelerated the process.

This acceleration caused many issues as well as opportunities. Investment strategies were stretched, stocking forecasts were blown out of the water, technology was found wanting and teams had to cope with this whilst also working in new ways, mainly remotely.

For many merchants the key question now is “what’s next?”. Will the current growth in online continue, will store openings see a return to previous purchasing patterns and what will customer expectations look like in the future?

This report looks to address some of these challenges and provide insight from our report partner, Emarsys.

We already have some insight in to the online/offline element of this through the IMRG CapGemini eRetail Sales Index. April’s growth figures tie nicely across the pre and post opening period as shown in the chart below.

[> Contents](#)

## Retail - Driving Customer Loyalty In A Digital Era

As would be expected, growth slowed from 72% Year-on-Year (YoY) in week commencing 21st March to 5.2% in week commencing 11th April. It appeared that approaching the store opening on 21st April, consumers appeared to be sitting on their wallets. It should be noted however that we are talking about growth. Online retail sales in this period of 2021 were already 72% higher than the previous year and we still saw growth on top of this in 2021. Pre-lockdown, growth figures were regularly in single digits.

Whilst these figures represent sales growth across multiple sectors and merchant type (Pure Play and Multi-Channel), early indications are that online sales are holding their own against physical locations. The only clear indication of a change back to the 'old ways' will be negative growth figures and at the time of writing, these haven't emerged yet.

So, with the new popularity of online shopping becoming a bigger part of customer shopping mix, what do merchants need to do to maintain the customers attention? Bearing in mind of course that multichannel retailers still have a store estate to service. According to research by Emarsys<sup>1</sup>, 74% of customers still want elements of the physical store experience.

## 2. Understanding Your Audiences

Putting it another way, who are your customers? They might be existing customers who are now spending more with you or, new customers that discovered your online offering over lockdown. Of course, merchants have access to first party data which can provide these insights, but having access to a holistic picture can be a challenge. Of greatest benefit is data that connects your original offline shoppers with their new online activities, a single customer view.

**Action point:** Audit your first party data and understand what insights it might deliver for the business. This will identify gaps in your understanding so that you can prioritise analytical activity to identify your key audience criteria.

**Emarsys comments:** Using data to truly understand your customers is key in the competitive retail landscape we now find ourselves in. By better understanding your customers' needs through first-party data, you're able to create experiences that establish a strong advantage for your business and keep that person coming back for more.

<sup>1</sup> Pre Black Friday Research, Emarsys, August 2020

# 3.

## Retail - Driving Customer Loyalty In A Digital Era

### Keeping Customers

This bit isn't 'rocket science'. Of course, keeping customers is key to any retail proposition and growing the brand. However, this should not be done at the expense of margin. Some customers respond to discounting and this may well have been key to a retailer's survival over lockdown. However, this same cohort might not be key to growing a profitable business. Identifying the price sensitivity of customers can provide useful insight when segmenting for marcomms activity. Customers who respond to discounting can be utilised in the marketing of end-of-season ranges whilst those less sensitive to pricing receive the early introduction to new ranges, at full price.

**Action point:** Segment customers based on purchasing habits but be careful of assuming behaviours of multichannel customers. They might buy full price in-store and respond to discounts for online purchases; or vice versa.

**Emarsys comments:** Your customers are your biggest assets. To maximise the value of these assets, it's vital that retailers understand their behaviours and react accordingly. When it comes to price, making assumptions about your customers can be a dangerous game. Allocate your marketing budget and resources in the areas which will bring the most benefit to your business and the people who purchase from you.



[> Contents](#)



# 4.

## Retail - Driving Customer Loyalty In A Digital Era

### Providing Value

A retail maxim, but we need to remember that 'value' means different things to different customers. For example, it might not start with the cheapest price or the best customer service. Value starts with the retailer's proposition. If this entails selling product at rock bottom prices with few 'bells and whistles' then customers perceive they are getting value. However, if the brand promises premium experience but delivers 'rock bottom' product and customer service then consumers will not feel they are receiving value.

**Action point:** Review what your brand means to customers. This should not be just an internal view; seek out the views of your customers, both fleeting and long term. Are you delivering what you think the brand is, or what the customer expects? This gap analysis will provide insight as to areas requiring more focus. For example, does your customer service represent your brand voice through all touch points, including social.

**Emarsys comments:** Often the way you see the business internally and the way that your customers see it are two entirely different things. Only by finding this gap in your knowledge can you learn how to fix and understand it. Once you're aware of what aspects your customers truly value, you can emphasise these aspects to keep your customers happy, returning and faithful to your brand.

### 5. Customer Loyalty

This title probably doesn't need any description but, according to Emarsys research<sup>2</sup>, 38% of UK shoppers would like to see greater loyalty benefits from regular shopping with brands. However, relying purely on loyalty as a sales driver can be a fickle activity. For brands focused on selling mattresses, a loyal customer is one who returns every 8 years whilst a fashion brand might expect to see a customer every season change for several purchases. Driving this loyalty can then take different approaches. It might involve introducing new product lines to provide more reasons to shop with you, therefore increasing the propensity for a customer to come back after an extended period. Alternatively, for the more frequent shopper it could include access to restricted access promotions, range previews or experiences. In the end, customer loyalty boils down to increased purchasing options and improved customer lifetime value through increased brand engagement.

**Action point:** Define what a loyal customer looks like for your brand and understand what options are available to increase this.

**Emarsys comments:** Everything a brand does impacts customer loyalty. But loyalty is so much more than just having a loyalty programme, it's about what the customer wants and when they want it. It's not about prices and discounts, but instead about treating each customer differently and providing them with the emotional element of being valued as a customer."

<sup>2</sup> Pre Black Friday Research, Emarsys, August 2020

# 6.

## Retail - Driving Customer Loyalty In A Digital Era

### Personalisation

Often closely linked to loyalty, providing the 1-2-1 sales experience in the online setting can help customers overcome some of their anxieties about making purchases. Increasingly, we are seeing a drive towards the shopping experience of the mid 1900's where the shopkeeper knew all of their customers. Whilst the power is now irrecoverably with the consumer, Emarsys data shows 20% of customers would like to receive a more personalised experience. The challenge of course is encouraging them to share enough data to enable this to happen in any meaningful way, without the brand appearing too creepy so that those customers that don't initially want a more personalised offer, start to see the benefits and become more enthused to the idea.

**Action point:** Driven predominantly by data, assess what you know, and don't know, about your customers. Use this insight as the basis for developing your personalisation strategy. It can be worse making unfounded assumptions about your customers so make sure your insight backs up your personalisation strategy. History is littered with brands who have made poor product suggestions based on incomplete data.

**Emarsys comments:** In retail, consumers have never had so much choice in terms of the brands they can shop from and the products they can buy. So how do brands stand out in the crowd? How can they react in the moment to a customer that is engaging with their brand after receiving a relevant offer, loyalty incentive or recommendation? You can only stay relevant to the customer if you know who that customer is, understand their behaviour and are able to personalise your offerings based on that behaviour.



[> Contents](#)

# 7.

## Retail - Driving Customer Loyalty In A Digital Era

### Conclusion

According to IMRG's Stores Opening Survey in x 2021, 80% of consumers think the 'high street' will never return to pre-pandemic levels. There is still a range of views around the future engagement of customers with physical outlets but we are in the end, social animals. We require the physical experiences as much as the transactional ones. The key for Pure Plays is to retain those new online shoppers whilst Multi Channel retailers need to focus on servicing their customers in a consistent way across all of the channels. The steps highlighted here are just a few elements for brands to examine in their quest to increase their customer base in these evolving times.

**Emarsys comments:** While consumers are now very used to shopping online and enjoy the new digital experiences that many brands have created during the pandemic, we should not assume that demand for physical stores will have disappeared completely. As lockdown restrictions ease and stores begin to settle back into a more normal routine, we can expect ecommerce to thrive, not instead of, but alongside brick-and-mortar stores.

Looking to the future, driving and retaining customer loyalty in this new retail landscape will require digital, mobile apps and in-store shopping to be seamless. It's therefore vital that focus remains on strengthening and supporting the retail sector as a whole, creating the best experiences for consumers – however they choose to shop.



[> Contents](#)



## Contact IMRG

Tel: 0203 696 0980

Email: [membership@imrg.org](mailto:membership@imrg.org)

[www.imrg.org](http://www.imrg.org)

## Contact Emarsys

Tel: +44 7880425783

Email: [lucy.davies@emarsys.com](mailto:lucy.davies@emarsys.com)

[www.emarsys.com](http://www.emarsys.com)

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