



SPECIAL REPORT

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## **RIISING TO THE NEW MARKETING CHALLENGE:**

Rethinking Consumer Engagement and  
Transforming Retail Profitability

2020 reinforced for Chief Marketing Officers and marketers under their leadership that the only constant is change. As social, political, economic and environmental instability challenged the retail industry, these factors also continued to challenge the function of the marketing team. Traditionally tasked with representing the brand and leading the creation of customer experiences, marketers are also in charge of managing the consumer journeys that lead to awareness, consideration, purchase and in the best of scenarios: loyalty and advocacy. Marketers and their leaders are tasked to make measurable contributions to business success and retail profitability.

## New Challenges

Exchange Solutions acknowledges the many threats to the traditional role of the marketer. However, our report will focus on the current issues and opportunities that have been created by market disruptions, including the most recent disruption to the North American (and even global) economy.

In “Leadership Vision for 2021: Chief Marketing Officer” (Gartner, October 2020), Gartner highlights 4 critical issues facing the CMO, and by extension, the marketer, as well as their recommended response for marketer success against these issues.<sup>1</sup>

**CMOs are expected to lead marketing to deliver near-term growth and support a long-term vision of digital transformation. But in an environment of unprecedented uncertainty, and demands to accelerate digital business, chief marketing officers must match visionary leadership with adaptability in order to succeed.<sup>2</sup>**

	Issues Facing Marketers According to Gartner <sup>3</sup>	Gartner’s Recommended Response <sup>4</sup>
<b>01</b>	Uncertainty is the only certainty.	Agility becomes the new normal.
<b>02</b>	Customer needs are rapidly changing.	Rapid customer evolution continues.
<b>03</b>	Marketing budgets are under pressure.	Cost optimization is central and starts with data and martech.
<b>04</b>	CMO success depends on allies and partners.	CMOs must expand their spheres of influence.

Exchange Solutions challenges marketers to rethink consumer engagement today. Retail marketers are invited to read on to learn about successful in-market examples and actionable insights to deliver heightened profitability to their organization through truly personalized digital experiences.

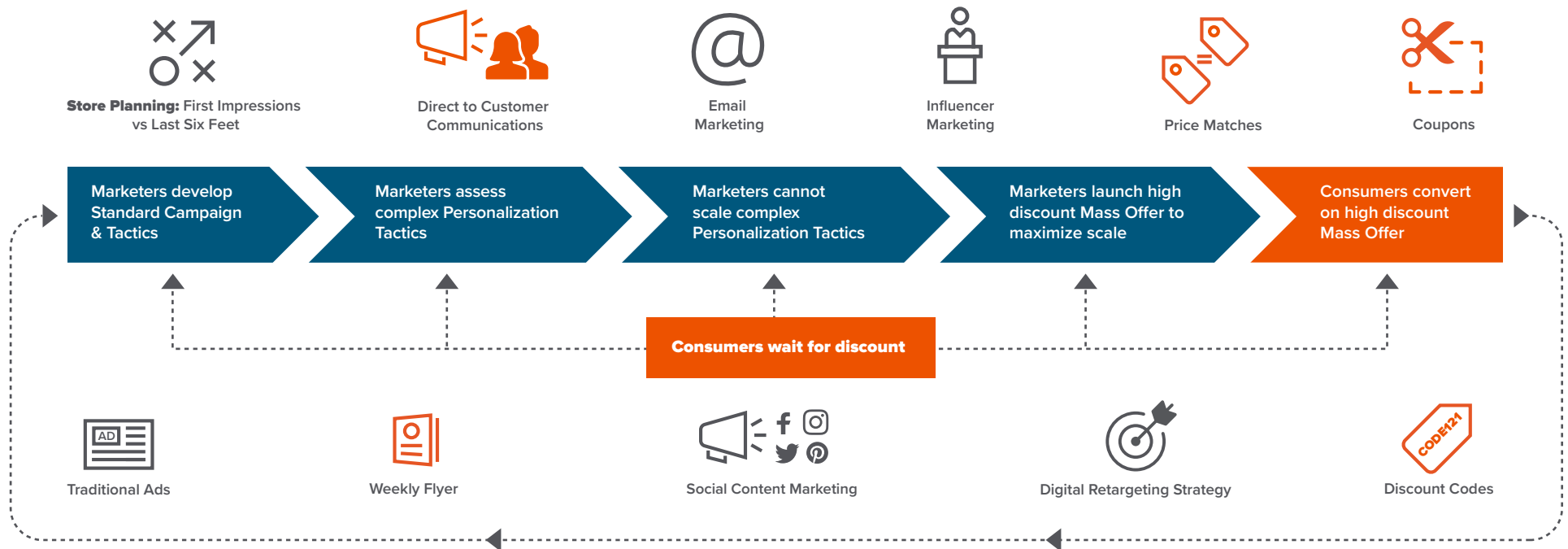
<sup>1</sup>“Leadership Vision for 2021: Chief Marketing Officer” Gartner, Jennifer Polk, Evan Neufeld, October 2020.

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<sup>2,3,4</sup> Ibid

## Standard Market Conditioning

Consumers and marketers have been perpetuating a vicious cycle that has trained the consumer to behave badly. **The Standard Marketer + Consumer Engagement Cycle** has forced marketers to engage with consumers using a broad range of engagement tactics that eat up the Marketing and Promotional Budget, only to have **most consumers wait to purchase at a high discount with the help of expensive mass promotions.**



Broad segmentation strategies don't speak to the individuality of the consumer, which is why **most mass campaign strategies are inefficient and wasteful of promotional budgets.** Marketers have accepted this as the (high) cost of doing business, while the rest of the retail team – dissatisfied with eroded margins and profits – challenge the marketers to cut growing costs.

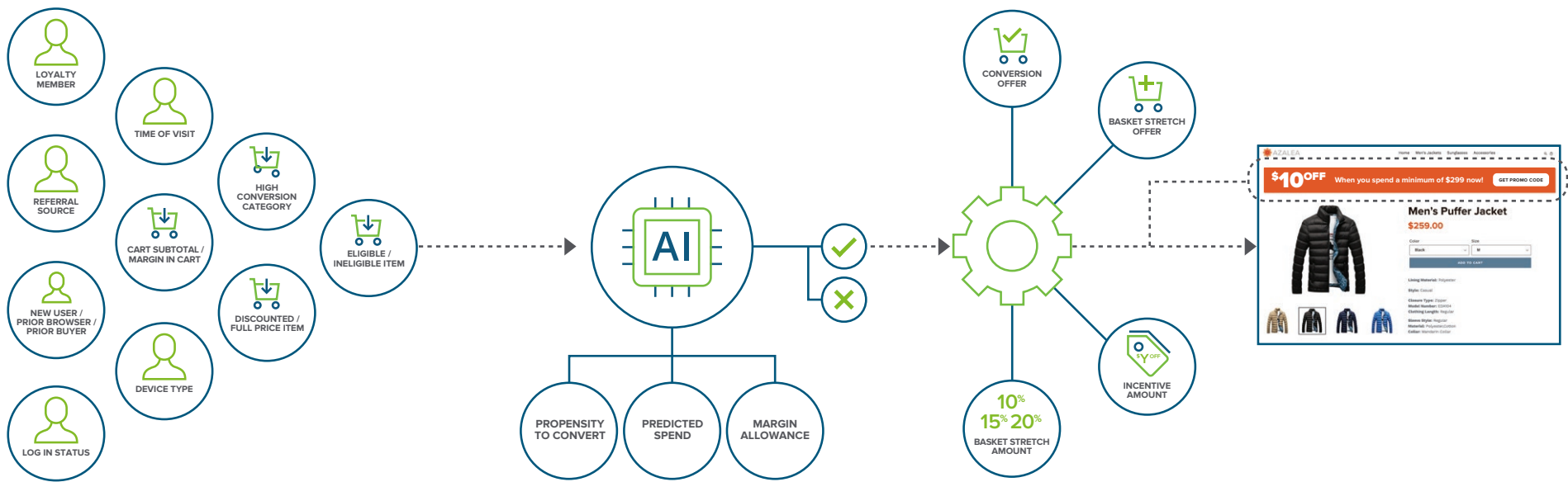
In addition to Standard Mass Engagement Tactics like Flyers, Traditional Advertising, Coupons and Discount Codes, retailers have turned to complex personalization tactics to treat consumers 1 to 1. However, retailers may still get challenged on the high cost and effort of some of these initiatives. Common challenges include the immensity of the change management effort and lack of team or leadership buy-in for fear that these expensive and time-consuming investments may not deliver commensurate and attributable returns. Hence, **the cycle is perpetuated when retailers make the easier choice of high discount Mass Offers, even if it puts more pressure on budgets with their inefficiency and low returns on these expensive promotional investments.**

## Marketer Reconditioning and Response

Is there a remedy? When considering that the consumer and retailer relationship is founded on an exchange of value, the fix lies in improving that relationship. Exchange Solutions believes there are easy to implement, economical and efficient ways for retailers to deliver value (i.e. incentives and rewards) to their consumers in exchange for the value of their incremental transactional and non-transactional behaviors. For us, optimizing this value exchange allows us to help retailers execute their consumer engagement and promotional strategies and gain consumer loyalty more profitably.

Our team believes value exchange can be optimized in brick and mortar stores and eCommerce. For eCommerce, ES Engage Personalized Offers has generated outstanding results for national retail clients. Consumer behaviors are analyzed in real-time so that offers are determined and targeted within milliseconds as the consumer's actions give real-time input about their research and purchase decision. These Personalized Offers are presented only to individual consumers who need the incentive to perform incremental behaviors and not to consumers who would have purchased anyway.

## How ES Engage Personalized Offers Work in Real Time



### Real-Time Data Analysis

uses click-stream actions and available historical data to determine likely consumer actions and what they value based on how they behave as they consider their purchase

### Offer Decisioning

determines the right type of offer, spend amount and incentive value when an offer is required by an individual consumer to achieve the incremental behavior

### Offer Presentation

shows the consumer a personalized offer rewarding the retailer's available currency, with the goal of converting them on their cart or stretching them to a higher purchase bracket

**A personalized offer that uses each consumer's real-time propensity and the cart's available margin secures the purchase much more efficiently than a mass communicated discount or broadly segmented promotion.**

## Retailer Spotlight – Higher Returns on Attributable Revenue

For several years, our national retail client has used ES Engage Personalized Offers to improve eCommerce profitability with higher conversion rates, increased average order values and more efficient use of promotional budget. Mostly, the client has employed ES Engage as an additional promotional tactic within their overall promotion strategy, which includes Mass Marketed Promotions and SKU-level or Brand/Manufacturer Coupons and Discounts. Attribution and trackability are important features of any promotion but can be the most difficult to measure and prove. With ES Engage, this client easily tracks attribution for all qualified transactions.

In 2020, **ES Engage contributed 70% of Total Revenue Attributed to Trackable eCommerce Promotions**. Not only does ES Engage make such a large contribution to the total Trackable Promotion Revenue, it's also one of the lowest touch promotions the client employs. With Exchange Solutions' help, the tech required only a one-time tag-based installation and does not require the client to do any offer upkeep or maintenance as the technology runs and responds to changing consumer needs and values in real-time. As well, since the offers are privately and individually displayed only to consumers who need it, there are no advertising costs associated to display it on the eCommerce property or even on any affiliate networks.

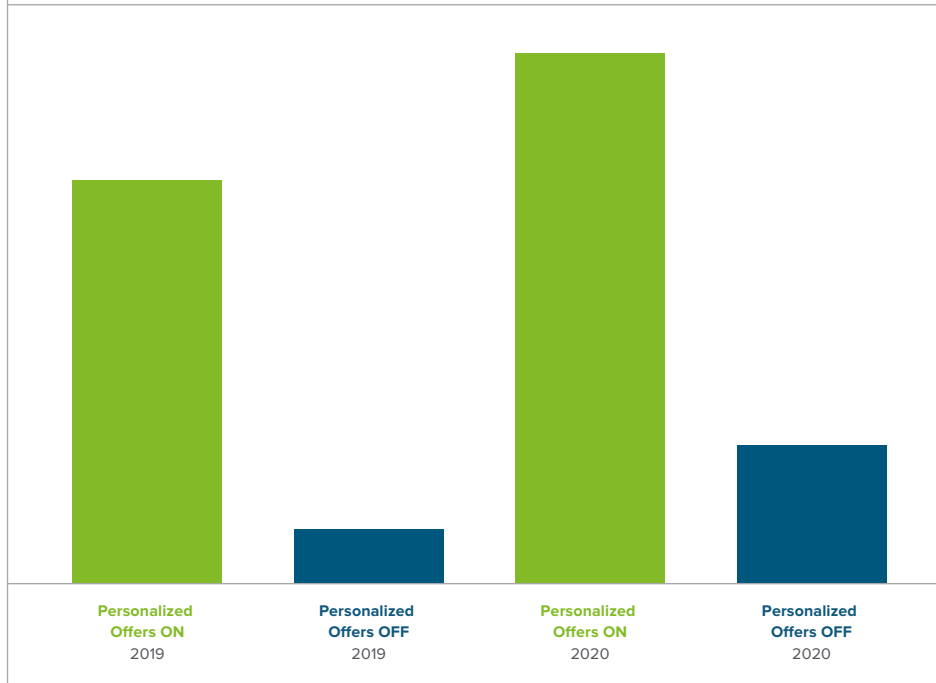
By comparison, a lot of investment goes into earning the balance of the Trackable Promotion Revenue. These are promotions like Save the Tax, Advertised Coupon Codes, Flash Sales, Seasonal Sales like Black Friday, Cyber Monday and other traditional retail Holiday Sales. Not only do large percentage discounts have to be advertised to the retailer's consumers, there's also all the costs of marketing labor to get these promotions up and running. With all that work only 1% of the total Trackable Promotion Revenue can yield similar returns to Personalized Offers Revenue, which give the client **2X the return on their promotional spend**.

It's great news for the top line, with total attributed revenues being so healthy. It's even better news for the bottom line, with efficient use of promotional spend. **With minimal investment, the retailer brings forward a highly engaging consumer experience** that gets the consumer to convert and increase their average order value at an optimized spend for the retailer. **Personalized Offers deliver an engaging consumer experience, allowing the retailer to give better value to the consumer in exchange for their transactional behavior.**

## Total Revenue Attributed To Trackable eCommerce Promotions



## SUSTAINED INCREMENTAL REVENUE FROM TREATED CONSUMERS



## Retailer Spotlight – Sustained Incremental Revenue from Treated Consumers

In exchange for the value that the consumers get as the retailer offers a personalized incentive for their purchase, the business receives the benefit of more engaged consumers who bring sustained incremental revenue to the retailer.

Throughout the years of using ES Engage Personalized Offers, the retailer has observed sustained incremental revenue from a sub-set of returning consumers, who were treated in the past and now return and are willing to buy at full price without an incentive. These consumers have become more engaged with the brand and are now reconditioned to not rely on a high mass discount, or even a tailored incentive. This effect only further boosts revenues and profitability for the retailer.

## The Retailer Rises to the Challenge

- 01** For this client, ES Engage Personalized Offers allows them to **succeed with agility**, adapting to consumer behavior in real-time.
- 02** Marketers maintain **responsiveness to consumer values and needs as they change real-time**. For consumers who need the incentive, a margin-aware offer is individually presented, while consumers who were going to buy anyway are left without seeing a Personalized Offer.
- 03** The retailer **optimizes their marketing spend**, especially in a time when marketers are under pressure to do more with less investments of budget, tech and labor.
- 04** With ES Engage Personalized Offers, the retailer implements a scalable, efficient Personalization Tactic. While **across their team**, marketers now measure and report trackability and attribution of revenue earned by Personalized Offers, gaining buy-in across the organization.

## Rising to the New Marketer Challenge

ES Engage Personalized Offers allow marketers to respond with a concrete action plan addressing all the critical marketer issues Gartner highlights.

	Issues Facing Marketers According to Gartner <sup>1</sup>	Gartner's Recommended Response <sup>2</sup>	Exchange Solutions' Actionable Insights
01	Uncertainty is the only certainty.	Agility becomes the new normal.	<b>Enhance agility and responsiveness</b> with ES Engage's real-time analysis of consumer data which informs offer decisioning and presentment.
02	Customer needs are rapidly changing.	Rapid customer evolution continues.	<b>Respond to the consumer's current needs and actions in the moment</b> with Personalized Offers that are more dynamic than static rewards systems and staid promotional calendars.
03	Marketing budgets are under pressure.	Cost optimization is central and starts with data and martech.	<b>Improve returns on promotional spend</b> with more efficient use of promotional dollars, optimizing marketing budget, technology and labor.
04	CMO success depends on allies and partners.	CMOs must expand their spheres of influence.	<b>Succeed with a team</b> that includes partners who are experts in consumer engagement. Help your marketing team achieve buy-in internally and across the organization with a solution that easily demonstrates measurable ROI.

It's time to challenge tried and tired traditions of consumer engagement in order to **transform profitability for your retail business**. Think differently now about how you can **optimize the value you give your consumers in exchange for the value they bring to your retail brand with their engagement and loyalty**. Rise to the new marketing challenge with more efficient investments in your consumer engagement strategy and reap better returns and profitability for your business.

<sup>1</sup>"Leadership Vision for 2021: Chief Marketing Officer" Gartner, Jennifer Polk, Evan Neufeld, October 2020.

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<sup>2</sup> Ibid



## About Exchange Solutions

Exchange Solutions is a cloud-based marketing technology company that delivers personalized loyalty solutions to retailers enabling them to build deeper and more profitable engagement with their consumers. With more than 20 years of experience in the industry, Exchange Solutions transforms loyalty programs and promotions from being costly applications to productive and profitable capabilities for clients across various verticals in the US and Canada. Current clients include Esso™ and Mobil™, Rexall Pharmacy Group, Harry Rosen, Sobeys Inc., Lowe's, Safeway and Today's Shopping Choice.

**To learn more:**

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