Retail Me Not inc.

The Rise of Mobile Marketing Spend in Retail

5 Trends to Watch in 2016

March 2016



EXECUTIVE SUMMARY

Will slow but steady win the race for mobile marketing and commerce? Retailers today recognize the impact that mobile is having on their business and on consumers, and they have steadily begun to invest more marketing dollars into building out their mobile platforms. However, in 2015, many retailers still allocated a majority of marketing dollars towards offline tactics such as TV and print advertising, circulars and out-of-home (OOH) advertising.

59% of retail executives spend less than HALF of their marketing budgets on digital channels. ??

In 2016, brands need to mirror the immense consumer shift toward mobile consumption with their marketing investments. Retail leaders continue to find value in digital—and more specifically mobile—spend, and many are set to increase budgets in these areas in the coming months. The question is, is this increase in mobile marketing budgets moving fast enough—and in the right areas—to keep up with the new consumer shopping journey?

KEY TAKEAWAYS

In January 2016, RetailMeNot commissioned Kelton Global to survey 200 retail marketers, at the senior-level or above and who were at least partially responsible for financial decisions, on their expected marketing spend in the coming year. This survey yielded three key takeaways:

1. Digital marketing spend is set to increase across all channels. Retail decision-makers are poised to increase marketing spend across both online and offline channels, with mobile budgets set to grow the most. As competition for consumer attention intensifies, retailers' marketing efforts are fundamental in keeping their brand top of mind for on-the-go shoppers.

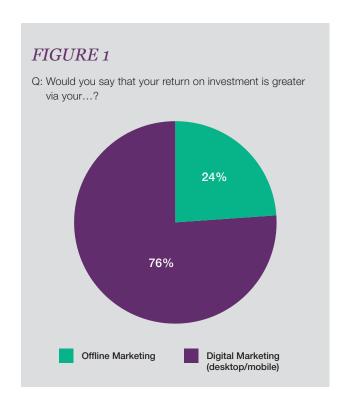


2. No one has really cracked mobile, yet (except Amazon). The majority of retailers surveyed believe that their organization has not yet fully tapped into the value of mobile. With the rise of Amazon market share¹, specifically among online shoppers, retail executives are faced with the challenge of competing for the remaining share of sales. Mobile will play a crucial role in creating a seamless experience for shoppers across channels and provides ample opportunities to grow their in-store business.

3. Retailers are open to new tactics to help push in-store success. As consumers move between offline and online channels, brands continue to search for and invest in tactics that drive higher engagement and boost loyalty and spend. Retail decision makers are open to dedicating budget to a variety of mobile tactics, but interest in areas like location-based marketing still have room for growth.

DIGITAL CHANNELS DRIVE HIGHER ROI, BUT SPEND STILL LAGS

For several years, the overwhelming majority of retailers have agreed that digital marketing spend has a higher return on investment (ROI) than traditional offline marketing (see fig. 1). Nevertheless, retail marketers have been hesitant to have their budgets align with their beliefs. In 2015, retailer spend was almost split down the middle for digital (51%) and offline marketing (49%) budgets. Additionally, mobile reached a tipping point, and its influence on the retail industry was palpable, however not fully invested in by many brand marketers.



It should be no surprise that retailers and brands intend to chase their increasingly mobile customer—87% of those surveyed say they will increase mobile budgets this year. Additionally, with e-commerce growth slowing in 2015, they plan to shift more of their non-mobile digital dollars into other areas of investment (see fig. 2a). Not surprisingly, offline and non-mobile digital budgets will decrease by 14% and 9% respectively, highlighting the shift of dollars to areas like mobile and social (see fig. 2b). Despite low conversion rates, mobile provides hope for retailers and many are looking to grab as much share of voice among mobile consumers as possible this year.

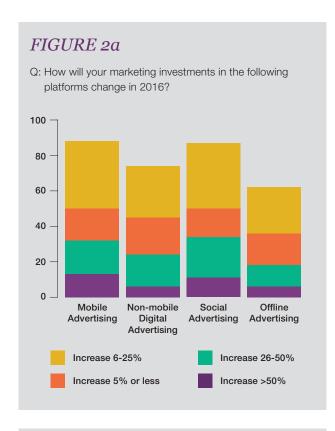


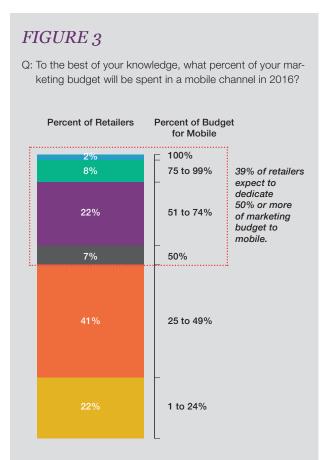
FIGURE 2h Q: How will your marketing investments in the following platforms change in 2016? Increase Decrease 87% 3% Mobile Advertising Non-mobile Digital 73% 9% Advertising Social Advertising 86% 3% Offline Advertising 62% 14%

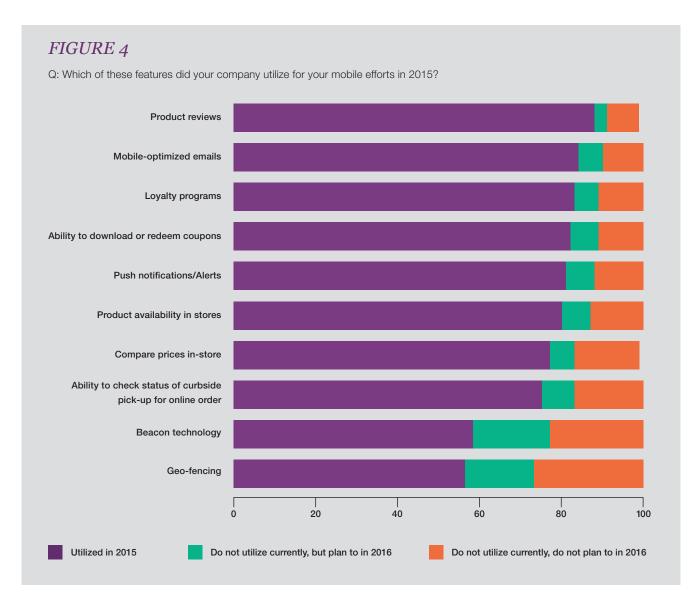
MULTI-CHANNEL MOBILE SPEND DOMINATES MARKETING BUDGETS

Marketing decision-makers say, on average, that 43% of their marketing budget will be spent in a mobile channel in 2016. However, 3 in 4 retailers (76%) believe that while they are getting some value out of mobile marketing there is still room to gain more. The majority of those surveyed, though, feel that their efforts are on pace with other middle-of-the-pack industry retailers (53%).

44 Only 1 in 4 retail marketers believe they are getting the most out of mobile technology. ??

Beyond Amazon, and a small handful of mobile-focused retailers like Starbucks, no one has really taken a lead in the mobile commerce space. During the holiday season, Amazon captured 51% of e-commerce sales growth, while all remaining online retailers battled for the other 49%. But that does not mean that retailers can't compete. With nearly 4 in 10 retailers (39%) ready to make mobile a major component of their budget, they are better poised for success in 2016 (see fig. 3).





In 2016, 74% of retailer mobile teams will be responsible for driving both mobile and in-store traffic—an increase from only 64% in 2014². Retail decision-makers who invested in a strong mobile presence during the 2015 holiday season were the big winners, especially considering mobile's significant impact on in-store shoppers. As retailers more widely accept the influence that mobile has on their sales across channels, marketing teams are shifting their digital KPIs beyond just e-commerce and are now taking a closer look at the instore journey.

Investments in mobile features, such as product reviews on mobile websites and apps, mobile-optimized emails and the ability to download coupons on smartphones will remain steady (see fig. 4). However, as retailers expand their mobile efforts and look for new ways to utilize their brick-and-mortar locations, tactics like online fulfillment and buy online pickup in-store (BOPIS) will grow in utilization. Many consumers view their smartphone as a research tool, and visibility to store inventory or location-based deals and more may provide the incentive needed to drive them inside stores.

MOBILE COUPON CODES PROVIDE TRACKABILITY AND INSIGHTS

While mobile coupon codes aren't a new tactic for retailers, their emergence as a necessary piece of mobile marketing strategies continues to rise. As

retailers look to solve the attribution challenge that mobile brings to the consumer journey, mobile single-use and unique promotion codes are providing key tracking capabilities for marketers and helping to reduce breakage. According to eMarketer, over 62% of U.S. marketers cite mobile coupons as most effective for attributing in-store purchases.³

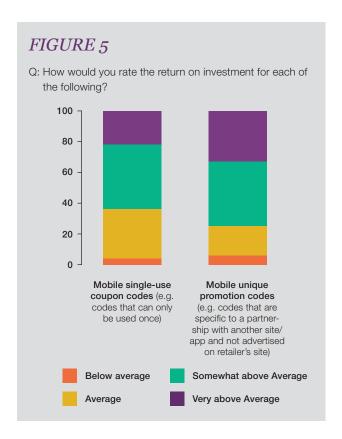
Nearly half of retail decision-makers have not conducted marketing attribution studies.??

With a rise in the use of mobile coupon codes among consumers, implementing mobile single-use or unique codes provides better cross-device trackability.

Additionally, they help control offers by protecting profit margins and discouraging mass sharing of targeted discounts. In fact, among the retail decision-makers surveyed who are currently implementing these tactics within their mobile mix, the majority report that they are seeing higher than average ROI (see fig. 5).



In 2016, mobile attribution and conversion metrics will be top of mind for retailers. Marketers have a variety of partner options available for both mobile coupon tracking and attribution studies, and those who are open to sharing data with marketing partners will find increased value across both digital and in-store efforts.



RETAILERS HESITANT TO INVEST IN LOCATION-BASED MARKETING

The rise of mobile usage has allowed the consumer to be more in control than ever, and real-time marketing efforts motivate shoppers to make decisions on the go. While technologies like beacons and geo-fences are still in their infancy, the value of location marketing lies in the ability to reach those consumers who have opted-in to these services whenever and wherever they are, in addition to providing the retailer with crucial consumer data. However, investment growth in this area remains slow, falling to the bottom of the list of retailer priorities in 2016 (see fig. 4).

Only 1 in 3 retailers
partner with beacon
experts for their mobile
marketing efforts. ??

Intelligent location marketing also provides big benefits for the customer, serving as something similar to a personal shopping assistant for shoppers while they are in physical stores. Retailers can provide content that builds engagement and motivates shoppers higher in the funnel with targeted recommendations, product information and promotions based on where the shopper is located in conjunction to your store. Location-based marketing, combined with technologies like beacons and geo-fences, offers retailers the opportunity to maximize the potential of their brick-and-mortar locations, and tap into the consumer's mobile moments in a more effective manner.

MARKETING PARTNERSHIPS PROVIDE STRONG ROI FOR BRANDS

Partnerships can be a smart addition to a brand's marketing mix. They provide increased reach and engagement, and often will help alleviate any resource or expertise challenges that retail marketers may face.

FIGURE 6

Q: What companies does your company partner with for your mobile marketing efforts?

RANK (based on % of retailers partnering with)

- 1. Social Media Companies
- 2. Online/Ecommerce/Mobile Promotion Codes
- 3. Digital Wallets
- 4. Cash Back Websites
- 5. Daily Deal Websites
- 6. Loyalty Apps
- 7. Digital Circulars
- 8. Free Standing Inserts/Direct Mail
- 9. Offline Newspaper Circulars
- 10. Beacons
- 11. Shopping Comparison Websites
- 12. Product Promotion Websites

This survey found (see fig. 6) that more than half of retailers (58%) partner with social media platforms (e.g. Facebook, Twitter, Instagram), followed by promotion code platforms (e.g. RetailMeNot, Savings.com) (48%) and digital wallet providers (e.g. Google Wallet, Apple Passbook, Paypal) (46%). Among the top three types of marketing partnerships that retail marketers are investing in, promotion code sites provide the highest above-average ROI (71%), followed by social media (63%) and digital wallets (61%), indicating a mismatch in spend related to return.

FIGURE 7

Q: Which of the following companies that your company partners with are giving you the best ROI? Please rank your top 5.

PARTNERS PROVIDING BEST ROI

1. Facebook 11. RedPlum

2. Groupon 12. Living Social

3. RetailMeNot 13. Savings.com

4. Paypal 14. ShopKick

5. Ebates 15. Apple's iBeacon

6. Google Shopping 16. RedLaser

7. Google Wallet 17. Twitter

8. Instagram 18. Shoplocal

9. DealNews 19. Wishabi

10. ValPak

However, when given the option to select and rank specific marketing partners, Facebook held the top spot for best ROI, followed by Groupon and RetailMeNot (see fig. 7). These insights exhibit that, overall, social partnerships are a priority for retailers but the ROI varies greatly between specific social partners. Additionally, digital promotion websites such as RetailMeNot were consistently ranked in the top three for usage and ROI, proving that retailers have an increased interest in partnering with platforms that provide a variety of marketing and promotional benefits for reaching their core audience.



CONCLUSION

In 2016, retail marketers will come out ahead only if they remove themselves from the middle of the pack. Decision-makers who look beyond traditional methods of marketing and take calculated risks in areas like mobile and social marketing may step out as a leader in the industry rather than being a follower.

There are more options than ever when it comes to deciding where to allocate marketing dollars, and marketing partnerships can allow retailers access to more data and the ability to reach new audiences.

Brands can drive interest and engagement with a variety of tactics, but they must be prepared to meet consumers in their mobile moments.

This is not just the age of mobile, it's the age of the consumer, and a shift in marketing strategies is necessary. Long gone are the days of interruptive advertising leading the way. Marketers need to become a part of the conversation. Retailers should focus on providing relevant content to consumers, whenever and wherever they need it.

APPENDIX A: Methodology

The RetailMeNot Retailer Mobile Survey was conducted between January 4th, 2016 and January 18th, 2016 using an email invitation and an online survey, among 200 marketing decision-makers at retailers who work at organizations that sell products or services both online and in physical retail locations and have at least \$50 million in annual revenue.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results.

In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 6.9 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample. The margin of error for any subgroups will be higher.

Revenue distribution among respondents was as follows:

• \$50 million – less than \$250 million: 19%

• \$250 million - less than \$500 million: 26%

• \$500 million – less than \$1 billion: 25%

• \$1 billion or more: 31%

APPENDIX B: Endnotes

- ¹ "Amazon's growth accelerates," Internet Retailer, December 23, 2015. https://www.internetretailer.com/2015/12/23/amazons-growth-accelerates
- ² Are Retailers Shifting Fast Enough From "Old-School" Media to New Digital Marketing Opportunities?, RetailMeNot and Kelton Global, June 2014. http://www.retailmenot.com/corp/whitepapers/
- ³ "Mobile Coupons Effective Way to Link Mobile Ad to In-store Purchase," eMarketer, November 10, 2015. http://www.emarketer. com/Article/Mobile-Coupons-Effective-Way-Link-Mobile-Ad-In-store-Purchase/1013209?ecid=NL1001