

thinking



THE RETAIL REVOLUTION

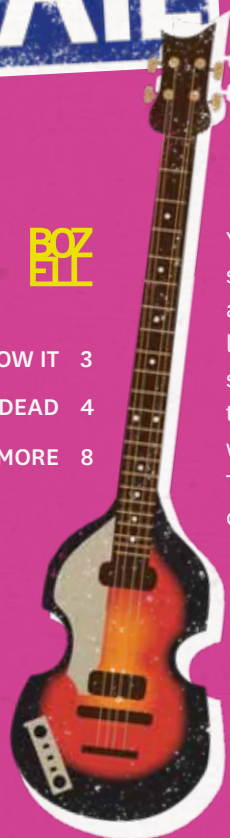
AS RETAIL CHANGES, WE MUST CHANGE WITH IT.



THE RETAIL REVOLUTION

JUNE 2019 **BOZELL**

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You say you want a revolution ... well maybe you didn't say this, but the Beatles did and so did retail consumers all across the country. It's no secret that today's retail landscape is quickly undergoing dramatic changes. With so many changes, retailers are left scrambling and trying to figure out what their customers want. You say you want a real solution ... well, we have one. In this issue of Thinking, we will describe the changing retail model, the cycle of consumer behavior and how the "new" world of retail is, in some ways, a blast from the past. We'll also provide marketing and technology solutions for retailers to attract customers and keep them coming back for more. The Beatles said it once and we're saying it, too ... it's gonna be alright, alright, alright.

Thinking is a collection of our knowledge, musings, tidbits, pretty drawings and any other information that helps businesses create successful marketing efforts. Thinking is entirely produced by the big-time thinkers at Bozell in Omaha, Neb. You can view these articles, as well as more Thinking, at bozell.com. Questions or suggestions? Email thinking@bozell.com.

IT'S THE END OF RETAIL AS WE KNOW IT

(AND WE FEEL FINE?)

BY KIM MICKELSEN, CEO



Today's retail landscape is changing rapidly and dramatically.

There's been a lot of news lately about the state of retail. From bankruptcies and store closures to new formats. Retail has gone through many changes in the last 100 years. From the mom-and-pop model to mega-malls and mass-merchant models to the advent of club stores and value chains and now ecommerce.

What makes this disruption different is that it hits at the very foundation of the retail model. Retail stores have historically served three main functions: inspiration, information and supply. And every one of those functions has or is going through massive transformation.

Once upon a time, consumers may not have even known what they wanted until they saw something in a store. Visiting a store inspired and informed us. Today, we get our inspiration and product information largely online from sites like Instagram, Pinterest and Facebook. We now have access to endless information and can instantly compare prices and offerings.

Supply chains have fragmented, so retailers also no longer have a lock on supply. Today, when we


decide we want to buy something, we can buy it in any numbers of ways – direct from a manufacturer, from a wholesaler, from a maker, from a store or online through an aggregator like Amazon. In some cases, we can even download instructions and “print” it or make it ourselves.

Sorry WE'RE CLOSED

5,994 RETAIL STORES CLOSED IN Q1 OF 2019 MORE THAN ALL CLOSURES IN 2018.

This change in consumer behavior, spurred by technology, is far from over for retailers. In fact, it's snowballing. Through the first quarter of 2019, there were 5,994 store closures in the retail sector, which was more than all closures during 2018. And experts expect that the sweeping restructuring and downsizing of physical retail to continue through

BY 2026, ONLINE RETAIL WILL RISE TO 25% OF THE MARKET SHARE.



PROCEED TO CHECKOUT

2026, as the penetration of online retail rises to 25% from its current 16% market share. What that means is that, at its current rate, some 75,000 stores will be forced out of business by 2026, or about 7% of the 1,044,754 retail establishments in the U.S. today, according to data from the Bureau of Labor Statistics. That's double the rate we are seeing now.

The reality is that the U.S. is currently overstored, with an estimated 23.5 square feet

of retail for every American (compared to 16.4 for Canada, 4.6 in the U.K. and 3.8 in France). In the grocery segment alone, the U.S. has 4.15 square feet of food retail per person – that's 30 times what we had in 1950. So, clearly, we're seeing a correction of sorts. Which is going to make it even more competitive for a sector with already thinning margins.

While many retailers are focused on playing catch up in ecommerce, we're starting to

see some retailers experiment with technology, location size or customer-service offerings.

One experiment gaining traction is format downsizing. For example, Nordstrom launched Nordstrom Local. These stores don't keep inventory in stock; instead, they pull merchandise from other stores and its website. The stores are around 3,000 square feet compared to a typical Nordstrom at 140,000 square feet. Ikea, Barnes & Noble, Target and Nike have all opened or announced plans for smaller-format stores in key urban areas, as well.

And because smaller grocers like Trader Joes, Aldi, Sprouts and Fresh Thyme are growing, opening more locations and gaining customers as consumer shopping patterns change, some of the bigger grocery chains are also getting into the game and launching smaller footprints.

Like Giant Food opening a 9,500-square-foot Giant Heirloom Market in Philadelphia. And Hy-Vee's 10,000-square-foot Hy-Vee Fast & Fresh. And Meijer is getting into the mix, too, with Meijer's Bridge Street Market in downtown Grand Rapids, which operates at about 37,000 square feet compared to the 200,000 square feet of other Meijer locations. Even Kroger and Walmart are experimenting with smaller stores and more ecommerce offerings. With Amazon now in the grocery

RETAIL STORES ARE EXPERIMENTING WITH WAYS TO ENHANCE CONVENIENCE AND ATTRACT MORE CUSTOMERS



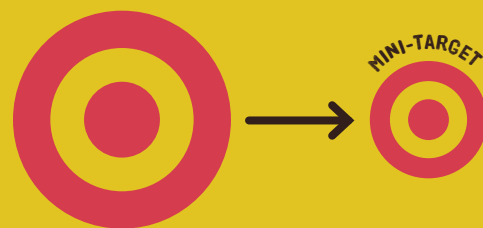
game, grocers are scrambling to up their online offerings. And with the fast growth of click-and-pick and grocery delivery, we're going to see even more competition in this sector.

Other retail stores are experimenting with ways to enhance convenience and attract more customers. Kohl's recently announced they will start taking Amazon returns in all their store locations, and they are subleasing space in some of their stores to Aldi. Hy-Vee has a 3,000-square-foot F&F clothing boutique in some of its stores. And Kroger has been in talks with Ace Hardware for a store-in-a-store model. CVS announced two store concepts – one focused on its health services and the other on sprucing up its beauty offerings.

We're also seeing traditional ecommerce retailers open physical stores. The 800-pound gorilla, Amazon, is becoming a bigger presence in the world of physical retail through its ownership of Whole Foods stores, the opening of bookstores, its rapid expansion of Amazon Go (cashier-less grocery stores) and new 4-star stores for popular items. Bloomberg reported in September that the company is considering opening up 3,000 Amazon Go stores by 2021.

So basically, the world of retail as we knew it may be dying, but it's clear a new world of retail is ascending. The question is, are you ready to compete in it?

BUSINESSES LIKE TARGET ARE STARTING TO OPEN SMALLER-FORMAT STORES



WHAT CAN YOU DO TO SURVIVE?

With ecommerce on pace to take up a fourth of the retail market share by 2026, now is the time to figure out what you can do to ensure the longevity and success of your retail business.

Here's a good start. Ask yourself:

1. What makes my business unique?
2. What am I doing to make that even more apparent for my customers?

Ace Hardware is doing a great job at answering both of these questions. Ace is now positioning

themselves as the "convenient" hardware store. But they're not just saying it. They're backing it up with new offerings like their "Extra Mile Promise," where they deliver any forgotten items the customer didn't get during his or her first trip to the store. They're making convenience a true priority. They're adapting. And they're thriving because of it.

So don't wait till it's too late. Ask yourself these two questions now. And don't just say the answers; do something with them.



the EVOLUTION of SHOPPING

Amazon has become the #1 destination for browsing. And we buy things sight unseen. We allow others to select our groceries.

The Cycle of Retail Consumer Behavior

“How are consumer behaviors changing with regard to how they shop?”

As I started to answer this, I had to ask, “changing since when?” After all, change is happening so fast in the retail environment. Amazon has only been a major force in retail for about 20 years. Smart phones – giving shoppers the ability to comparison shop right in the store – have only been in wide use for a little more than a decade.

In that time period, the retail landscape has been littered with casualties. Circuit City, Sears, Payless Shoes, Winn-Dixie, Radio Shack – all fallen by the wayside because they didn’t keep pace with the consumers’ race to online retail. It’s one headlong rush to the future, and old ways are dead ways, right?

Or are they?

I was thinking about this in the grocery store the other day. The aisles are full of grocery store employees, fulfilling customers’ online orders – for delivery or pick up.

This is a major change in consumer shopping behavior. Letting someone else pick out your groceries? For years, Americans were resistant to this. They wanted to select their own meat, pick out the most appealing produce, check expiration dates on that box of cereal. But now we are willing to relinquish this control to an unseen third party.

This “new” behavior made me think of the days long before the modern supermarket. You know;

you’ve seen it in movies. A customer goes to the counter and asks the shopkeeper for what they want, rather than browse the aisles, selecting their own purchases. They go from store to store – the bakery, the butcher, the dry goods store. Milk and eggs were delivered directly to your home.

Shopping is entertainment. And the freedom of choice is so great that it's almost overwhelming.



Then the revolution happens. Supermarkets. Department stores. Big-box chains. The Sears catalog. Shopping is entertainment. And the freedom of choice is so great that it is almost overwhelming.

Fast forward to today, and where do we go first to shop? Online. And not even just Google anymore. Amazon has become the #1 destination for browsing. And we buy things sight unseen. We allow others to select our groceries. We buy based on the recommendations of strangers (five stars!).

One click and almost anything we desire can be delivered direct to our door, taken out to our car, or ready for pick up when we walk in the store. It feels a little like the past has cycled into the now.

So even as the retail environment is undergoing massive upheaval, there are retailers adapting and thriving. How? By understanding consumer behavior and evolving to meet their needs. But here’s the key to true success: Don’t ask customers what they want, because, most of the time, they can’t see beyond our current worldview.

Surveys, focus groups, intercepts – they all

have their places but cannot substitute for the real thing. Go out into the world and watch. Follow. Overhear (yes, eavesdrop). If you’re patient, observant, and get out from behind your desk and go where your customers are, they will teach you something. Would you expect to learn about animal behavior from going to the zoo or going to study them in their natural habitat?

Shopping behavior is evolving. If you want your business to keep up, then you need to evolve as well.

Beacons: The GPS for Your Business

By Mike Gilloon

Want to engage with people while they’re shopping at your store? Try beacon technology.

Beacons won’t help people navigate city streets. But they will help people navigate your store – sales, products, etc.

Grocery stores use them to help customers find the cereal aisle. Ballparks use them to direct people to the shortest concession line. Malls use them to help people find the nearest bathroom.

You can use them to better communicate with customers. Because the more you can help customers navigate your store, the more you can direct them to the product you want to sell.



Leave 'em
**WANTING
 MORE**

**HOW TO ADAPT TO THE NEW WORLD OF
 CORD-CUTTERS & AD BLOCKERS**

*Jackie Miller
 -cmo*



In marketing, we have long held the belief in the traditional sales funnel. And while the core areas of focus haven't changed, the process and order have. The consumer now bounces around and uses more sources during his or her discovery, consideration and buying process.

This shift has challenged marketers to change their approach in order to meet the customer where they are already, integrating into their lives in an authentic way.

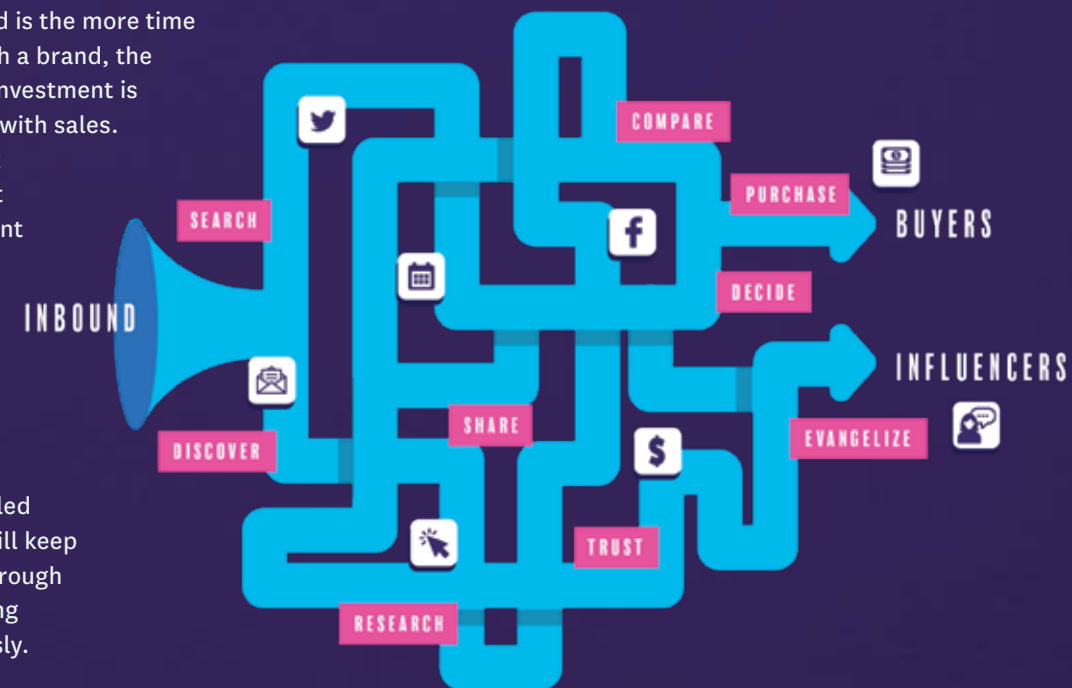
Let's break it down.



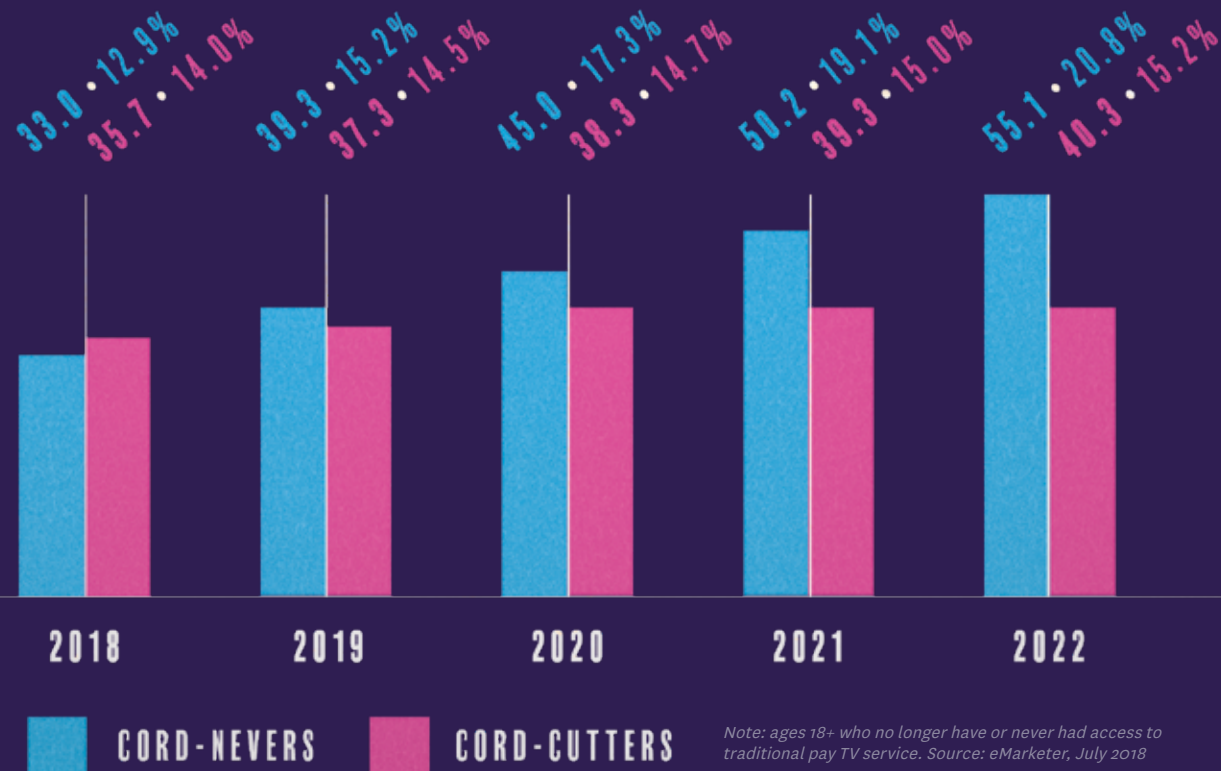
You have mass reach and awareness vehicles that introduce products and services, and this type of marketing generates a stimulus to kickstart the discovery process. But then there is a gaping hole for most brands until you get to direct response marketing tactics to drive purchase.

Most campaigns have three main goals: awareness, engagement and conversion. When focusing on engagement's role in driving higher success rates, it is impossible to ignore the trends of ad blocking and cord-cutting. In other

What we have found is the more time consumers spend with a brand, the better the return on investment is across all campaigns with sales. Increasing time spent with a brand, product or service is paramount in keeping the consumer moving within the sales process. Sure, a one-off offer will provide revenue spikes when needed, but a well-oiled marketing strategy will keep consumers flowing through all stages of the buying process simultaneously.



U.S. ADULT CORD-CUTTERS & CORD-NEVERS, 2019-2022
MILLIONS & % OF ADULT POPULATION



words, we have seen consumers go away from standard cable and become savvy to ways of blocking out clutter in their connected lives.

As consumer behavior shifts, we as marketers must shift. We are integrating connected TV, such as Hulu, Roku, etc., into media plans to ensure we aren't missing large portions of the target audience. These placements – unlike terrestrial TV/radio – also facilitate more engagement, because the multi-screen platforms allow us to layer in digital ads. This encourages clicks, which allows us to learn more or drive purchases.

The streaming platforms were once in early adoption, but we are now seeing cord-cutting hit the masses. And with the new Generation Z, we're seeing

cord-nevers. An omni-channel video approach is the best way to be where the consumers are, with the right content to exceed their expectations.

“One in four U.S. internet users say they block ads, which is equivalent to more than 70 million people. The growth in ad blocking has slowed significantly, but it is still rising, and the same frustrating ad experiences that have driven consumers to block ads continue to be a problem” according to Nicole Perrin in her December 4th, 2018 eMarketer report “Demanding a Better Ad Experience.”

In addition to the rise of connected TV, the opposite trend has also emerged – the adoption for ad blockers has become more and more popular among the millennial

generation. And with the need to increase reach and frequency of our marketing messages, we

CONSUMER AWARENESS OF A BRAND INCREASED TO 69% AFTER ENGAGING WITH BRANDED CONTENT, WHILE PURCHASE INTENT WAS 51%

- MediaPost, May 17, 2017

have adapted to change how people connect with our brands.

Bozell has begun including more and more native placements to our plans. Native ads follow the same form and function as web content, so it is not blocked by the ad blockers. Native ads also create an opportunity for the marketer to not just tell consumers about its products or services, but also allow them to show it through longer-form content. Plus, it's in context and provides value and utility for consumers beyond selling. The most important person in any campaign is your customer, so by beginning at the end with our audience, and adapting to consumer behaviors, we are able to develop more than sales; we can develop better relationships, loyalty and facilitate brand advocates by arming them with content to disseminate.

YOUR MVP: THE CUSTOMER

These trends have squeezed advertisers to innovate and focus on content as a way to connect with consumers. It drives time spent with an ad and moves users into the intent and purchase phases.

The success of content is measured in reach and frequency, time spent with the content, video views, clicks to learn more, sign-ups for lead generation and more. The measurements should be set up in direct correlation to the strategy and business objectives. Key performance indicators should be identified to optimize throughout the life of the content. This ensures it is working as hard as you did crafting it. The good news is, if content is crafted with a long view of uses, it can be adapted overtime and repurposed to be just as relevant on day 300 as it was on day one, which provides a higher ROI overtime.

So, as a brand, you should ask yourself: Not only are they aware, but do they understand how my product benefits their lives? Then create an engagement strategy to meet them at the right time, in the right place, with the right message.

Content Marketing gets
3X MORE LEADS
THAN PAID SEARCH ADVERTISING.*

Content as the “next frontier” infiltrates every facet of marketing – whether that be a native article in the WSJ, a blog post with tips on your website, or a white paper to drive qualified leads to download content. It can and should be leveraged throughout each campaign and strategy. Content has been king for a long time, but we are now seeing it become a mandatory rather than an option. The industry is transforming to become communicators, not just marketers selling a product or service.

To take advantage, create content that provides value to the consumer. Shift the focus from key differentiators of your product to clear unique benefits. And make sure your content is entertaining, provides a utility, or answers a need for the consumer.

*Content Marketing Institute, 2017

YOU SAY YOU WANT

A REVOLUTION,

WELL, YOU KNOW,

WE ALL WANT TO

CHANGE THE WORLD.

**BOZ
ELL**