



The Changing Landscape  
of Digital & Mobile Strategy  
for Retailers  
A Benchmarking Report

# Executive Summary

In August/September of 2014 eTail surveyed 155 Companies across four European countries, the United Kingdom, Germany, France & the Netherlands, focusing on merchants' use of digital and mobile strategy. The following report is a combination of this research and in-depth interviews.

The report was developed by ETail in partnership with RetailMeNot, Inc., the world's largest marketplace for digital offers. The study looks at how online retailers are aligning their digital and mobile marketing strategies and spend over the next 12 months.

- We surveyed 155 companies, approximately 70% of the responses were completed using e-mail questionnaires and the remaining 30% by phone interviews
- The people surveyed were all senior decision-makers with responsibility for marketing budgets
- Over half the respondents were from large companies with over 500 employees

## Headline Findings:

- Across Europe, over 65% of companies are spending at least half of their marketing budget on digital marketing – in Germany it's 75% of companies
- Across Europe, the vast majority of companies (81%) believe that digital marketing delivers a higher ROI than traditional and offline marketing
- 92% of companies believe digital spend will increase over the next 3-5 years – which is noteworthy considering market conditions and budget constraints
- 56% of companies in UK feel behind the curve on mobile websites compared to Germany and France who are both in the 30%-35% range
- 87% of companies believe mobile marketing spend will increase over the next 3-5 years – agaidespite market conditions and budget constraints

## WHICH OF THE FOLLOWING BEST DESCRIBES YOUR COMPANY?



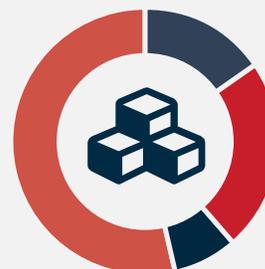
- 37.4% We only sell products or services online
- 62.6% We sell products or services both online and in physical retail locations

## REGIONS SURVEYED



- 31% UK
- 20% France
- 36% Germany
- 13% Netherlands

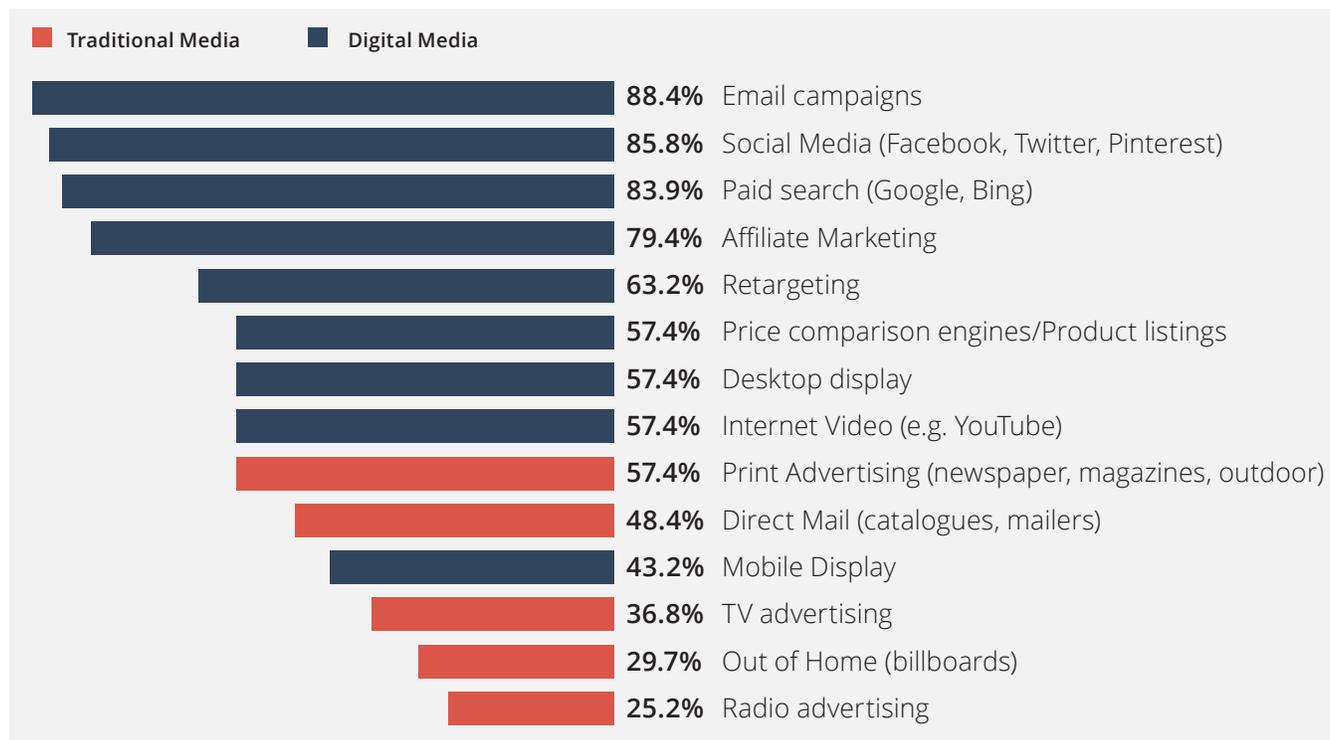
## WHAT IS THE SIZE OF THE COMPANY YOU'RE WORKING FOR?



- 15.5% Less than 50 employees
- 23.2% 50-200 employees
- 7.7% 200-500 employees
- 53.5% More than 500 employees

# Key Findings

## Which marketing channels are you currently using?



It's interesting, yet not particularly surprising, to see that digital now utterly dominates the marketing investments of many retailers in Europe. Marketers use on average 8 different channels and we can see a big shift from traditional advertising strategies to more targeted, digital marketing tactics to attract consumers. Driven by pure economies of scale, retailers are reaching vastly larger numbers of potential customers with more customised content for a relative fraction of the total spend -- all while using more efficient tools to analyse the ROI.

However, it is noteworthy that, despite that fact that mobile devices are becoming increasingly important for retail, fewer than half of the respondents include mobile display advertising in their marketing strategy.

According to many retailers, there are a number of technical challenges that can affect mobile marketing using email and social media.

- Social media forces the use of a prescribed environment and design, which can limit flexibility, but by doing so it also removes any issues that can arise from complex customisation.
- Email campaigns on the other hand tend to be widely tested for desktop-friendliness, while the mobile user experience lags behind due to the impossibly large numbers of devices, screen sizes, mail apps and user settings that any recipient could be using.

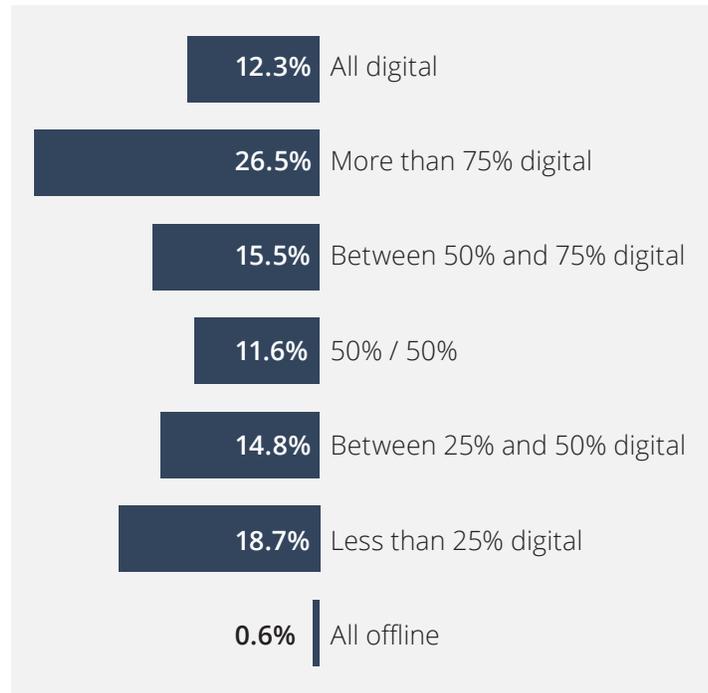
Responsive design has largely solved issues arising from the wide variety of browser and app experiences, but is important that your email system is updated regularly to keep pace with current developments in mobile technology.

## What is the balance of your digital vs. offline marketing spend?

Non-digital marketing has traditionally relied on the old 'we don't know which 50% of our advertising spend works' adage to justify its comparatively vast costs. With the increased propagation of technology into consumers' daily lives, this approach is getting harder to justify in budget meetings – management wants to see a direct link between promotions and ROI.

In fact, a lot of companies are still spending a lot of money to stay in offline marketing, despite it actually not accounting for a large proportion of their overall marketing activities. For the time being, at least, the ROI is satisfactory enough for over 45% of participants to warrant spending at least half their marketing budget offline.

But with increasing costs and hard to justify returns compared to digital, how much longer can retailers justify a significant offline spend at all?

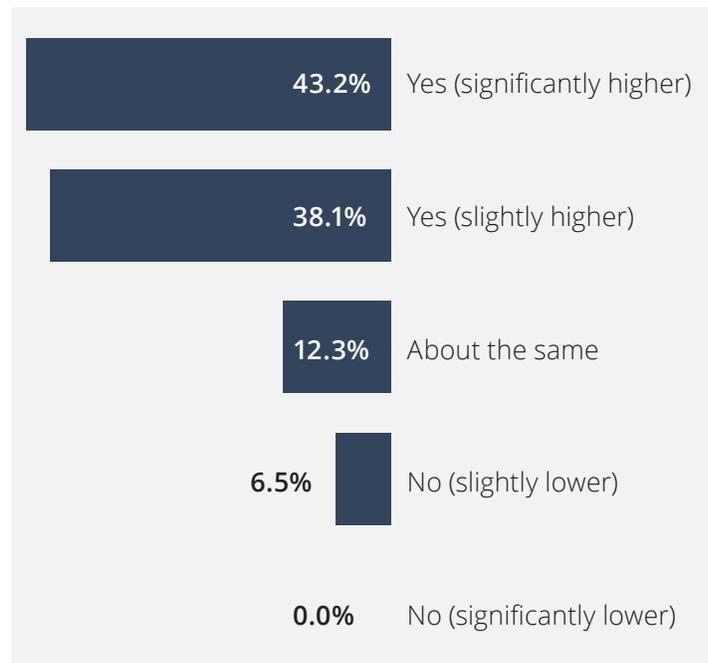


## Do you believe that digital delivers higher ROI vs. traditional/ offline advertising?

This landslide result makes a powerful point about prevailing attitudes in the industry. Modern digital marketing is lower in cost, data driven, deeply customised and offers direct targeting -- naturally a higher ROI is to be expected. However, this shift occurred a relatively short time ago.

In fact, the shift to a more efficient digital experience began with the rise of the smartphone in 2007, when the attention that was previously focused on ads in magazines and on billboards started to shift to phones and tablets.

It is worthy of note, however, that in the previous question about digital vs offline marketing spend, French retailers indicated a much larger percentage of their marketing budget spent offline compared with their British and German counterparts.



## What are your three main marketing objectives right now?



The importance placed on marketers driving sales shows a clear prioritisation of growth and expansion in the market. Meanwhile, winning repeat business and promoting customer loyalty is only seen as a third as important as driving sales and/or gaining new customers.

One of the biggest issues facing established retailers seeking to expand their customer base is the low barrier-to-entry for competitors. Young companies are able to set up an online presence with a very low capital expenditure compared to brick and mortar stores. With the right online presence and a strong proposition, competitors can pop up overnight. Therefore, established brands must continually innovate their marketing tactics.

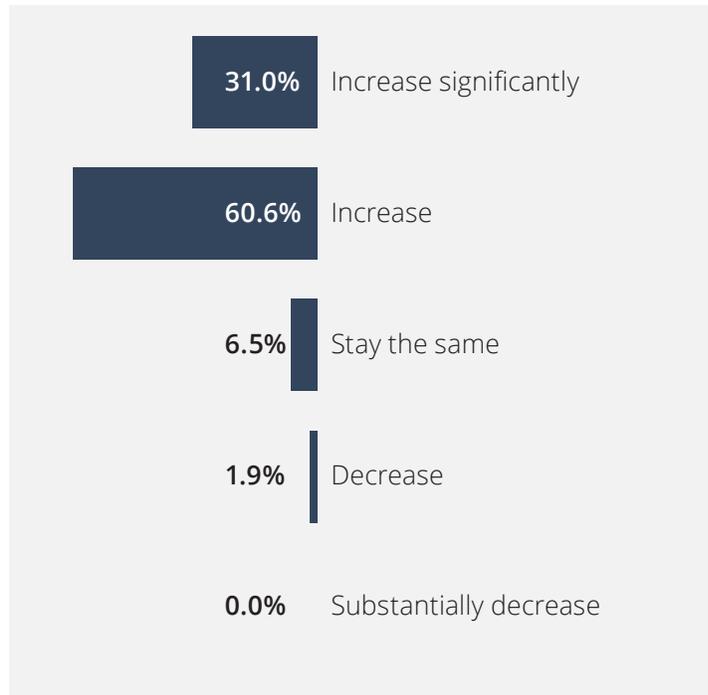
However, it is important not to underestimate the importance of consolidating existing customer relationships for retailers. With over a quarter of companies citing customer retention and loyalty programmes as a principal objective, budget is increasingly being put into activity and technologies that make this possible, such as customised experiences, great usability, smart notifications and clever multichannel integration.

## In the next 3-5 years, do you believe that your digital marketing budget will...

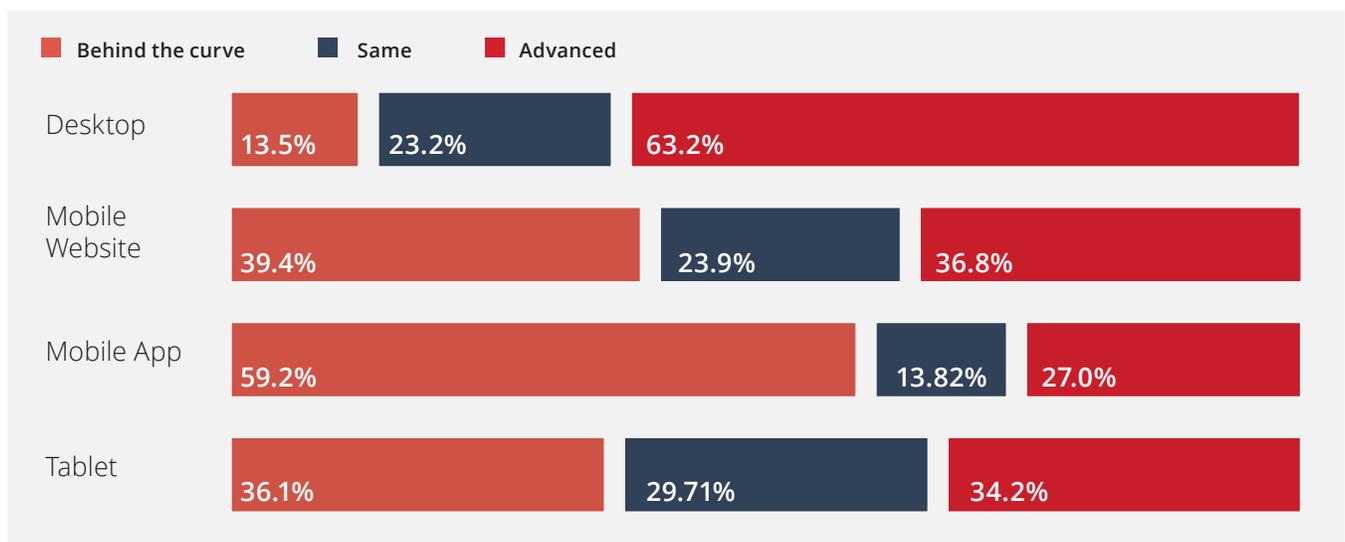
This chart clearly shows a strong trend toward rising digital marketing budgets for over 90% of participating retailers, but only 1/3 of them will see a significant increase over the next 36-60 months. This could indicate growing maturity within the market, or that while the need for significant investment is necessary, there is a limit to available funds.

Looking at specific country-by-country analysis, the UK is the most aggressive in its digital spend, with 42% of companies expecting digital spend to increase significantly compared to 29% in Germany and 23% in France.

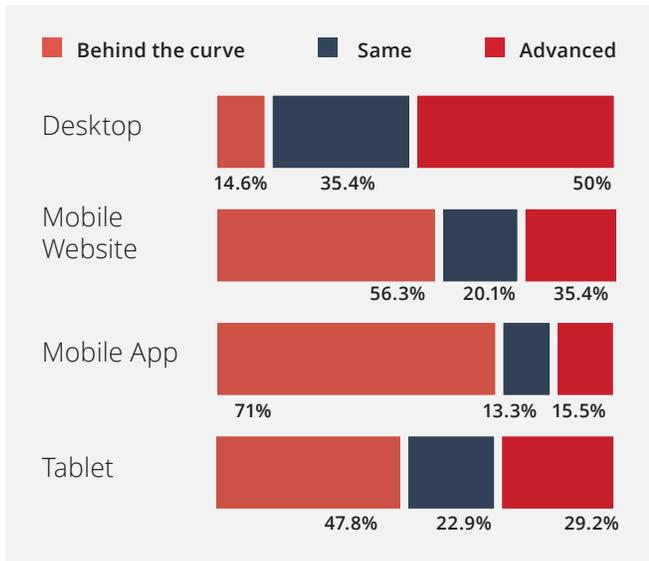
France is the most conservative country, with the lowest amount of companies planning to significantly increase their digital spend. Further highlighting this trend, 13% of marketers say there will be no change in digital spend at all, compared to just 5% in Germany and 4% in the UK.



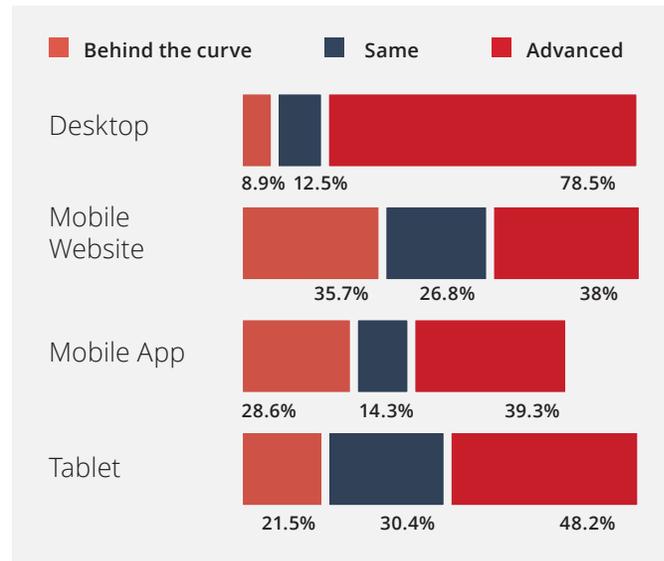
## How advanced do you believe your digital commerce platforms are compared to your direct competitors?



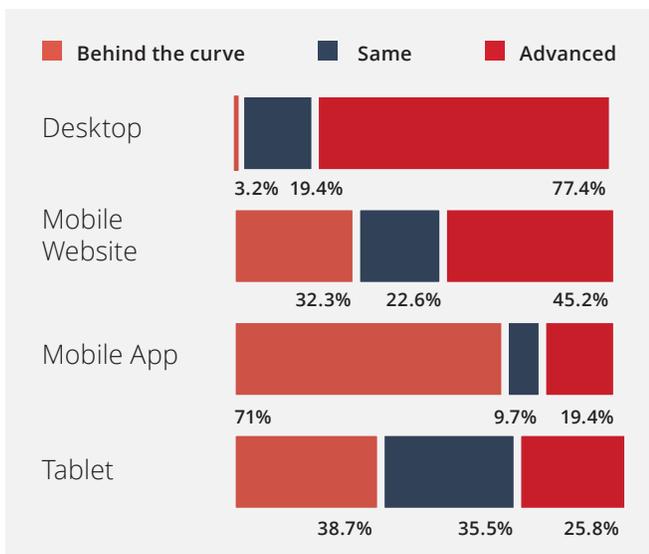
## UK



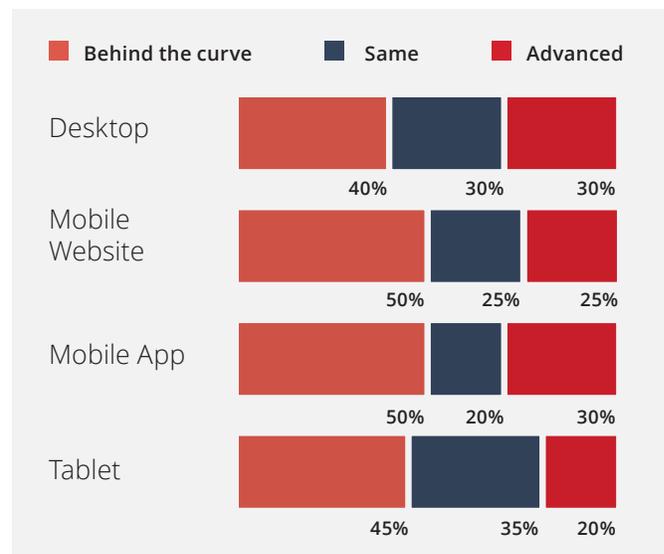
## Germany



## France



## Netherlands



By definition, these graphs say more about perception than reality but that is not to say they don't provide some interesting insight.

The expression 'the curve' means the current trend – so on the whole, there is some amount of mixed feelings, especially dependent on the technology in question.

Clearly, with just 13.5% claiming to be behind their competitors on desktop, most retailers are satisfied with the performance of their regular website and

almost 2 out of 3 marketers feel that they are ahead of the competition. Meanwhile, they are much less confident about their mobile websites and apps.

This is particularly true in the UK where more respondents feel behind the curve across all platforms, when compared to their European counterparts. Almost twice as many UK respondents consider their mobile websites to be behind the competition, compared to their German counterparts (56% in the UK vs 30% in Germany).

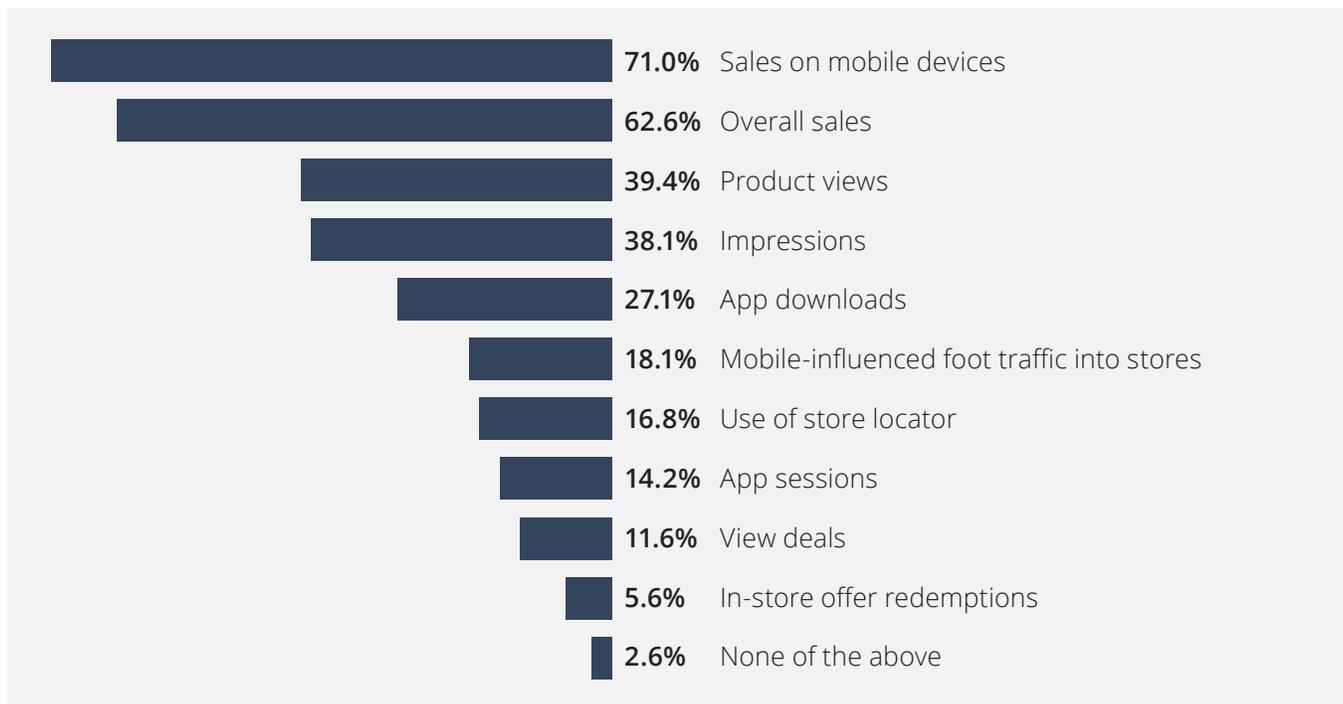
## What are your goals for digital marketing on mobile devices?

Looking at these priorities it is quite clear that we are well beyond the era of mobile being little more than an extension of the desktop site. Virtually all the respondents are keen supporters of direct revenue generation from mobile platforms. It is encouraging to see that more than half of participants are actively pursuing multichannel functionality, which shows that there is a significant desire to create a fluid experience regardless of how customers decide to engage with their brand.

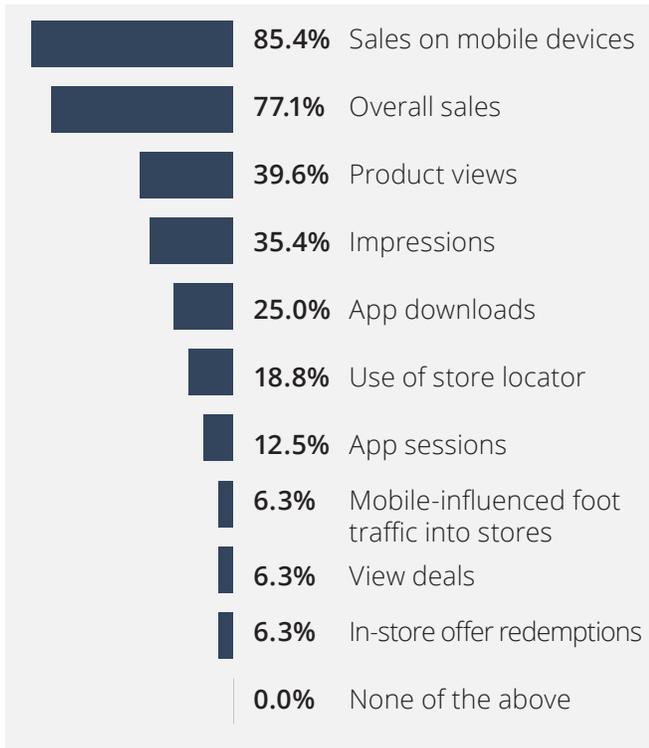
Surprisingly, the chart also reveals that almost one in ten retailers do not have a mobile strategy, despite trend forecasts from everyone from [Mashable](#) to [The Huffington Post](#) and [Tech Cocktail](#), all of which put mobile or multichannel as their no.1 key battleground to win the consumer. In fact, 62% of smartphone shoppers purchase on [mobile at least once a month](#).



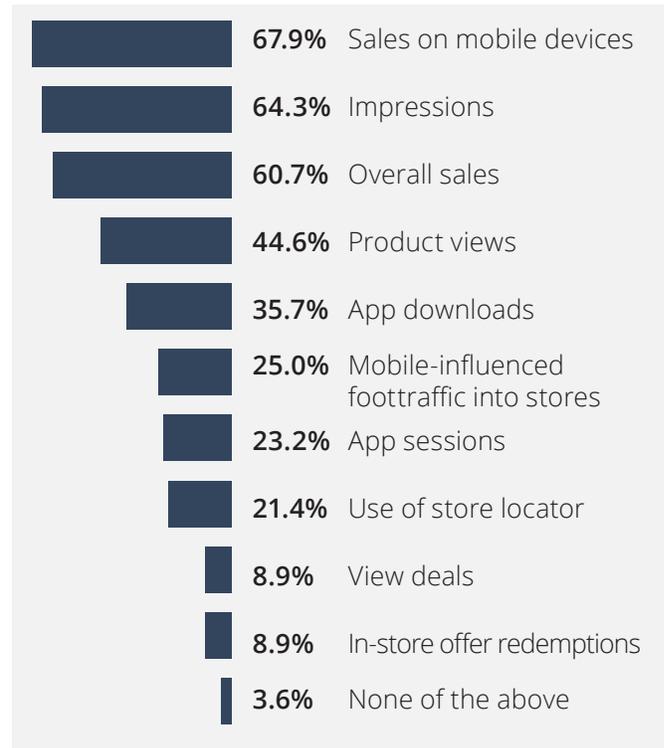
## Which of the following types of KPIs do you currently measure in regards to mobile?



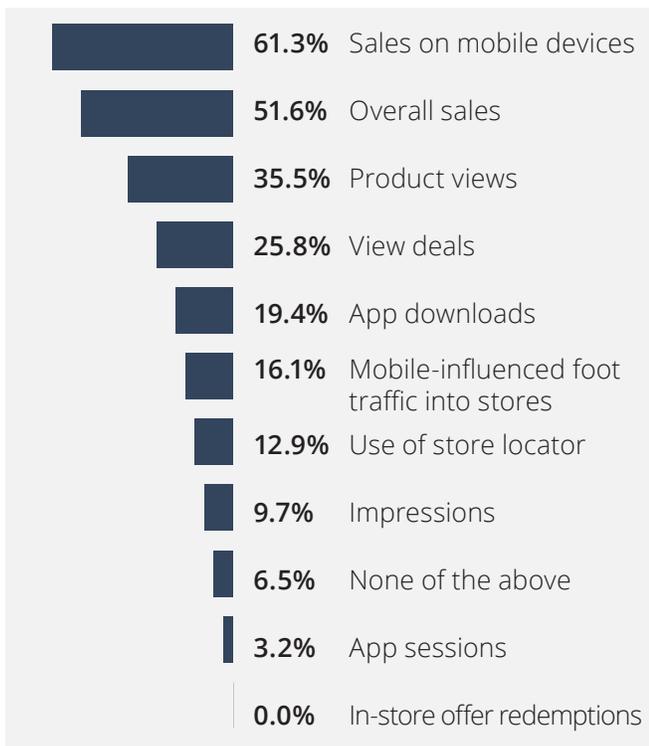
## UK



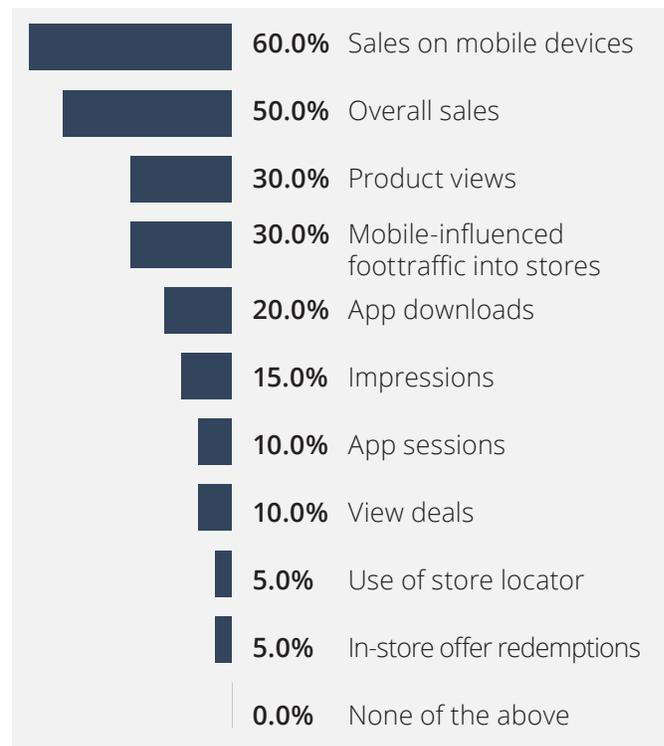
## Germany



## France



## Netherlands



In support of the findings earlier in this report that increasing sales is the top objective for marketers, sales is by far and away the primary measure of success for mobile platforms, proving without doubt the power of portable devices to directly influence the bottom line.

Examining some of the numbers in more detail throws up a good example of where the law of

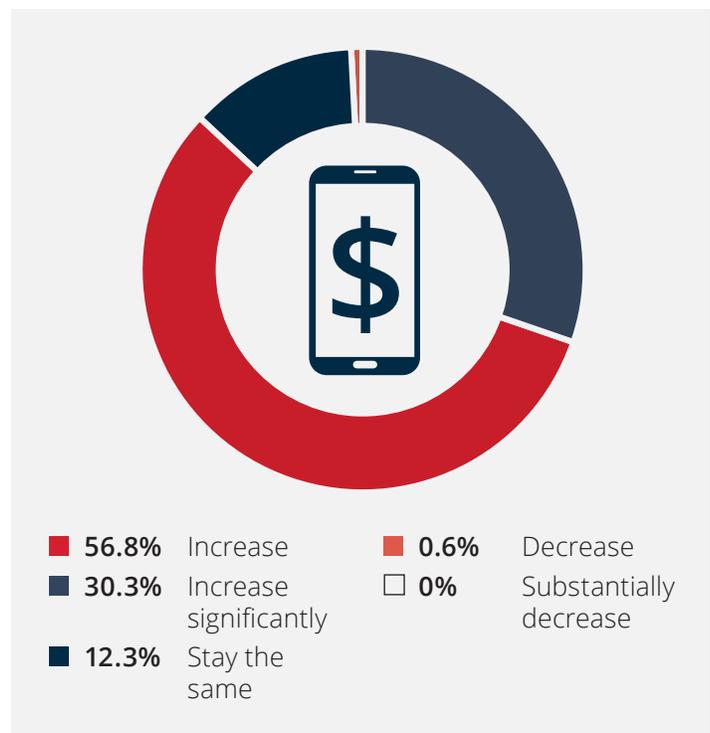
averages disguises something altogether more interesting. On the one hand, it would appear that approximately 40% of retailers use impressions as a KPI, however if we look at the country-by-country split there is a gaping chasm between Germany, for whom it is second most important at 64%, dropping down to a mere 10% for the French and the British in the middle at 35%.

## In the next 3-5 years, do you believe that your mobile marketing budget will...

Virtually nobody (<1%) believes that there will be a reduced budget for mobile marketing over the next few years. This is not altogether surprising given the time frame.

Moreover, as responsive, flexible web design is fast becoming the norm, companies wishing to stay competitive need to make that investment sooner rather than later to avoid giving customers a dated, difficult to navigate cross-platform web experience.

As a result, many retailers have already begun the heavy-lifting required to upgrade their digital real estate, and others have put the plans in place for next year. Thus, of the 87% expecting to increase budgets in the next 3 to 5 years, only 1/3 expect that increase to be 'significant.' This suggests that the 30% at the top-end are just beginning their mobile development journey, demonstrating just how new this way of thinking is. Certainly still some considerable distance from a 'mobile-first as standard' approach.



## Which of the following do you agree with?



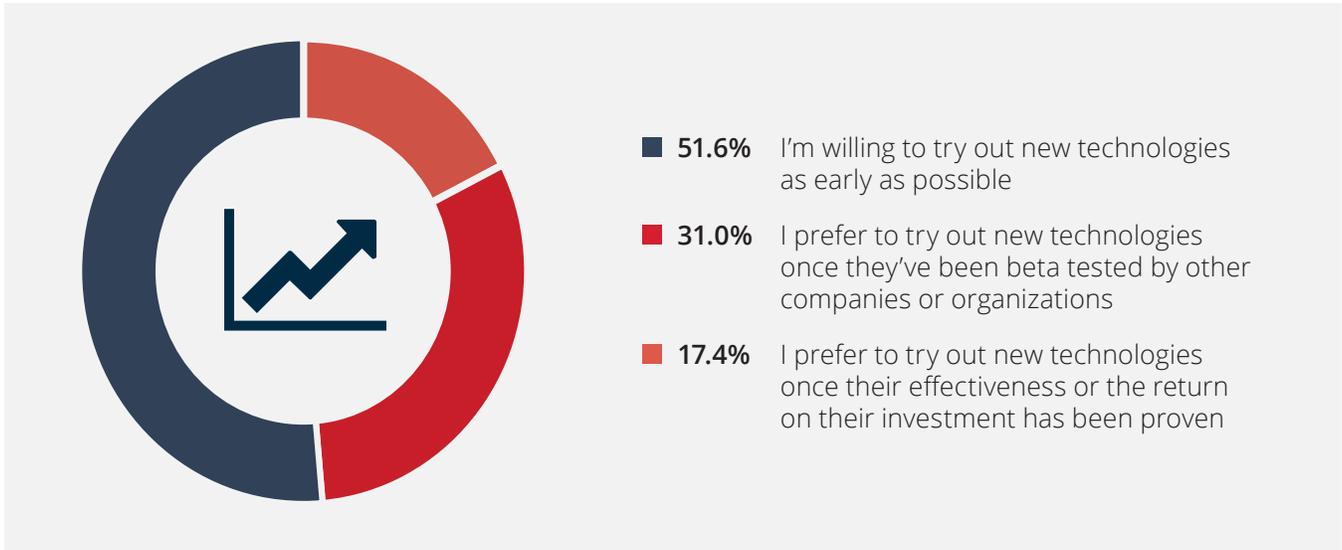
For the most part, what we see here is encouraging. 63% of marketers feel they could be taking more advantage of digital marketing, which confirms the previous observation that most retailers feel behind the curve.

Based on these results, it appears that the importance of digital marketing is seeping through to the boardrooms and garnering approval for the majority of participating retailers. There is significant excitement around the precise and expansive targeting opportunities that arise from the big data analytics inherent in retail digital marketing. Looking

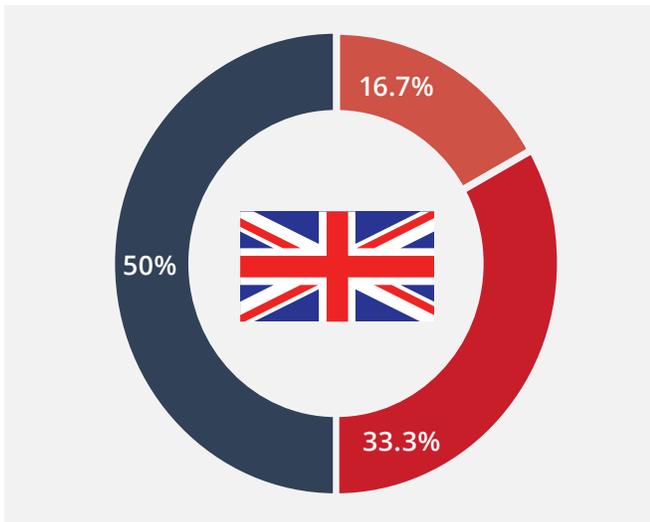
towards the bottom of the chart, we see that 80% of retailers are securing adequate budgets easily, and increasingly more people are confident in their investments; almost 90% having little difficulty in making the switch to digital.

If this is the case, then the root of this feeling that more could be done is not a simple case widespread underdevelopment. Far more likely is this is a healthy sign of competition and the desire to keep moving forward and stay ahead of the pack.

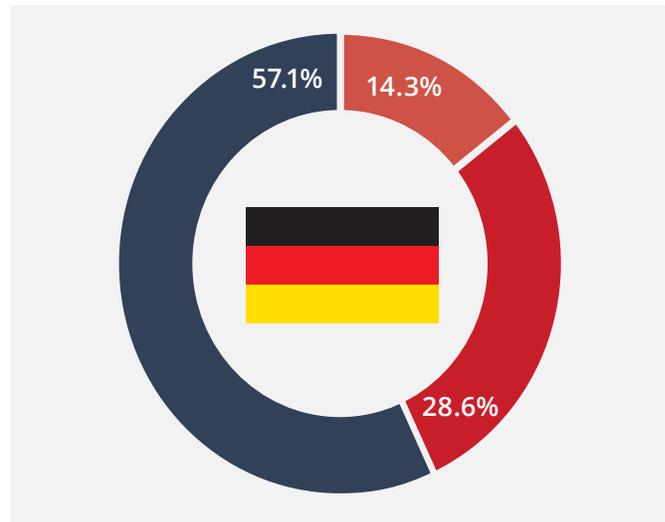
## Which of the following best describes how you feel about investing in new technologies to support your business?



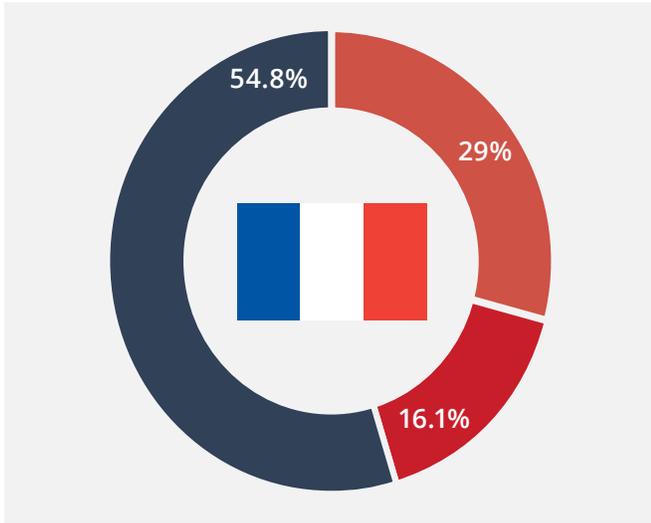
### UK



### Germany



## France

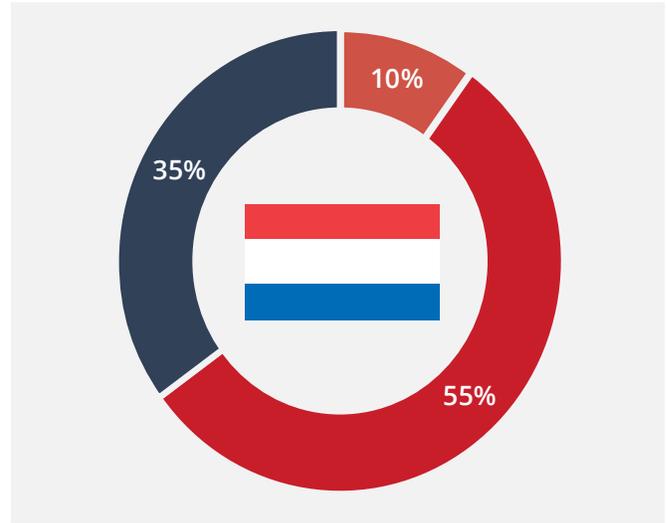


On the one hand, there is investment in the sense of buying to implement and operate, to generate ROI, with full approval across the business. If this is the main incentive to invest, tried and tested technologies is clearly the safest option in the short term.

Waiting for new technology to be thoroughly tested, however, could potentially yield the weakest results as early adopters gain ground, meaning that the improvements simply enable the retailer to 'play catch-up,' rather than lead the pack.

On the other hand though, businesses will make investments in the research sense – putting money

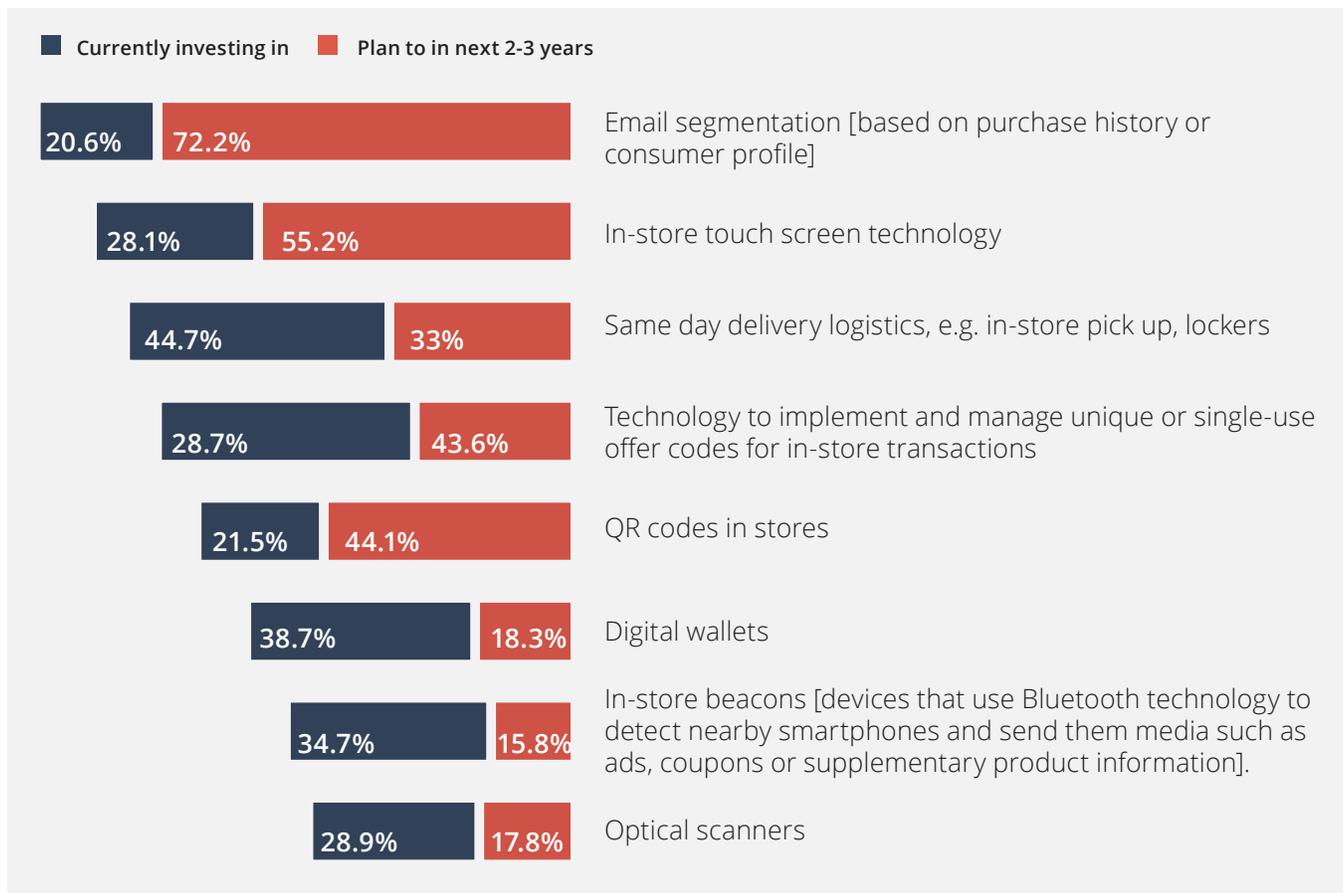
## Netherlands



into staying up to date on trends and techniques that improve the quality of your overall digital retail property. For many retailers this also forms an important part of the R&D process, particularly if you develop a custom platform. In this instance, keeping abreast of breaking trends in ecommerce is essential to product development.

Looking at the breakdown by country, French retailers are continuing the more cautious trend seen in earlier analysis, at almost 12% above the average preference for proven in-the-field performance; leaving the UK almost precisely average and Germany coming in at a slightly less risk-averse 14%.

## What stage are you with the following technologies?



Leading the list by a comfortable margin in terms of tech currently in use is email segmentation. While sophistication in email campaigning has improved in recent years, splitting email lists by different metrics has been around for more than a decade. While new techniques and formats regularly appear in digital marketing, the 'old' ones are often still well worth investing in, with email being the prime example.

The cost of touchscreens has plummeted in recent years as their popularity has soared. With smartphone penetration at a global high in Europe at 57% part-way through 2013 ([Comscore](#)), it is natural for retail outlets to focus on improving the user experience.

In third place for current investment is same day delivery logistics. This service has become utterly critical for retail stores to be able to remain competitive in the digital space, and is a service that consumers increasingly expect. As the number

one technology investment in the next 2-3 years, retailers clearly see the need to develop solutions that provide their customers with a quick and convenient shopping experience.

Taking the silver medal for upcoming investment are single-use coupons, with nearly half of participants planning to invest in this technology soon. Of course, its profits are potentially enormous for targeting consumers at an individual level in a way that actually stands to benefit both retailer and consumers. Companies like Tesco in the UK are already routinely monitoring purchases and generating personalised offer codes and coupons that can be redeemed both virtually and physically on the specific products that the targeted consumer purchases regularly. The customer saves on products they want, and the retailer vastly increases the likelihood of that consumer returning to their store or website.

Excitingly, these systems can be used to help funnel customer behaviour at all stages of the purchase journey. Data and analytics can be used in tandem to understand which customers are likely, for example, to switch to an own-brand product if given an offer to entice them, without the company losing money by discounting products unnecessarily.

Another 'one to watch' from this list of exciting gadgetry, and one from which we may have expected a stronger performance, is beacon technology. Although it came bottom-of-the-pack for current investment, it rises up to take 4th place for future spend, suggesting that while it is generating a lot of 'industry buzz' at the moment, most companies have greater budgetary priorities, for now.

There are pleasingly high aspirations for new technologies to make shopping experiences more seamless, both instore and online. But it is more than simply aspiration – we see clear evidence that many retailers are already putting investment into these new technologies, clearly making a move to a fully integrated digital shopping experience.

They may not all be available to consumers quite yet, but with competition at an all-time high, we can expect to see a lot of technological progress in a very short space of time from retail stores, both on and offline.

# Conclusion

## Mastering the new digital marketing landscape

European retail has been characterised by unprecedented growth in online and mobile shopping in recent years. As a result, retailers are racing to discover the most efficient means to attract and satisfy new customers in the digital environment, all the while streamlining and personalising the customer experience across all channels.

This survey has highlighted some recent trends, and indicated the development of some interesting new areas of focus.

There has been a shift in prevailing attitudes to regard digital marketing as a better potential source of ROI than conventional offline marketing.

European retailers are responding to increased mobile sales by investing in their mobile platforms to create a seamless and personalised shopping experience.

There is a hunger amongst retailers to further develop their digital marketing strategy, with many feeling that they could be doing more to further innovate and drive sales.

New technology plays a big part in 'getting ahead of the pack.' Many retailers are prepared to experiment with new strategies without a large amount of pre-testing if it means the potential for a competitive advantage.

With the power to capture huge opportunities for sales comes great responsibility to the customer. The modern mobile shopper is tech savvy, armed with greater amounts of information than ever before, and has high expectations of convenience and customer service.

For this reason we see retailers increasingly focussing on the development of their delivery and logistical capabilities, like same-day delivery or pick-up and drop-off lockers, or on personalised in-store and online offers and coupons.

Budgetary constraints are still prevalent across the industry, with all sectors are required to demonstrate their ability to generate ROI. Despite, or perhaps because of this, retailers are increasingly investing in digital marketing. With 88% of retailers surveyed anticipating this trend to continue over the next 3 – 5 years, we can expect the digital space to become ever more competitive.

In the gladiatorial pit of digital commerce, customers play Caesar and retailers duel for favour – personalised coupons, seamless apps and advanced in-store technology replace swords, shields and chariots. But when the contest is over, will the verdict be thumbs up, or thumbs down?

Those retailers best trained, armed and prepared will be the most successful at finding and keeping new customers, and as a result, will deliver the best return on investment.

# About



**RetailMeNot, Inc.** (<http://www.retailmenot.com/corp>) operates the world's largest marketplace for digital offers. The company enables consumers across the globe to find hundreds of thousands of digital offers from their favorite retailers and brands.

During the 12 months ended September 30, 2014, RetailMeNot, Inc. experienced more than 655 million visits to its websites. In 2013, RetailMeNot estimates \$3.5 billion in its paid retailer sales were attributable to consumer traffic from digital offers in its marketplace. Its mobile apps have been downloaded over 21.1 million times. The RetailMeNot, Inc. portfolio includes RetailMeNot.com, the largest digital offer marketplace in the United States; RetailMeNot.ca in Canada; VoucherCodes.co.uk, the largest digital offers marketplace in the United Kingdom; Deals.com in Germany; Actiepagina.

nl, a leading digital offers site in the Netherlands; Bons-de-Reduction.com and ma-reduc.com, leading digital offers sites in France; Poulpeo.com, a leading digital offers site with cash back in France; and Deals2Buy.com, a leading digital offers site in North America.

RetailMeNot, Inc. is listed on the NASDAQ stock exchange under the ticker symbol "SALE." Investors interested in learning more about the company can visit <http://investor.retailmenot.com>.

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