

CUSTOMER COMMS CROSSROADS

Why Retailers Should Rethink
Their Digital-Only Mindset

Retail Gazette - Royal Mail Marketreach white paper

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unleash the magic of mail



 **RETAIL
GAZETTE**

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INTRODUCTION

In the Gartner Glossary, customer centricity is described as “the ability of people in an organisation to understand customers’ situations, perceptions, and expectations”.

The definition also suggests customer centricity “demands that the customer is the focal point of all decisions related to delivering products, services and experiences to create customer satisfaction, loyalty and advocacy”¹.

It is therefore natural that customer centricity and focusing on the customer experience (CX) is the stated aim for many retailers as they look to drive growth in a complex modern business environment, which is defined by multiple channels of communication, ever-growing digital platforms on which to engage with people, and new ways to sell.

It will be even more important in 2022 and beyond as the cost of living crisis continues to bite, and consumers become less willing to spend in a difficult economic environment.

Putting the customer at the heart of everything is actually a relatively new concept for retailers, and coincides with the consumer gaining more power over the retailer in the digital age. In a world where price comparison and alternative options are a click of a mouse or swipe of the screen away, it’s been a necessity in an age of the empowered shopper with knowledge at their fingertips.

But that evolution in terms of how retailers and their customers engage is leading to digital overload. Although a key customer engagement pathway, the online world is becoming littered with distractions and unwelcome tactics, often leaving a poor taste in consumers’ mouths.

¹ <https://www.gartner.com/en/marketing/glossary/customer-centricity>

Harvard Business Review calls the unwanted videos, adverts and targeting “digital clutter” and says consumers are “becoming increasingly numb to conventional digital advertising and engagement”. Cutting through the noise may require a return to tradition, it adds².

Some of the UK’s largest retailers recognise this, and with improving customer centricity and CX in mind, they are increasing their use of customer mail again as a part of new-style multichannel communication tactics.

This report explores some of the reasons for this direction of travel, and highlights best practice for retailers looking to reach customers without resorting to digital clutter.

² <https://hbr.org/2022/04/why-marketers-are-returning-to-traditional-advertising>

HOW RETAILERS' RELATIONSHIPS WITH THEIR CUSTOMERS IS EVOLVING

The retail industry's evolution from selling goods in high street shops to one where close to one-third of sales are now conducted online in the UK³ is not a linear journey that will take us from a physical to a digital world of commerce.

Despite the plethora of "death of the high street" headlines since the turn of the millennium as e-commerce has grown in influence, most industry observers – including retailer turned author, Steve Dennis – talk of a symbiotic relationship between the two.

Physical retail isn't dead but boring retail is, according to Dennis, who describes the customer as the only channel⁴. If retailers can recognise this, they will set up their operations and tactics appropriately – using digital insights and other analytics to ensure they serve customers in the best way possible regardless of where shoppers transact⁵.

And likewise with customer communication, there is not one method of marketing or engagement – digital, physical or otherwise – that is set to win. Indeed, to steal a phrase from Dennis to describe this phenomenon, older methods of communication aren't dying, but boring comms are.

³ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

⁴ <https://stevenpdennis.com/2020/01/13/physical-retail-is-not-dead-boring-retail-is/>

⁵ <https://stevenpdennis.com/2020/08/03/the-customer-is-the-channel/>

It's paramount that when it comes to marketing and customer communications, retailers do not just nail their colours to one mast. A Marketreach research study written in collaboration with CX experts and consulting group Accenture explains why.

According to the 'Customer Mail: the physical connection that transforms customer experience' report, mail and digital used together deliver a powerful partnership and one that is central to successful CX.

Mail sends customers online and digital is more responsive when linked to mail, the report states, adding that businesses should not see mail and digital as interchangeable channels but as complementary ones that have their own respective attributes.

Both are held in high opinion by consumers, with the Marketreach research showing that **77% of 18 to 35-year-olds had a positive engagement with customer mail** – the figure was **67% for email**⁶.

And according to a Neuro-Insight study, a person who has seen a piece of mail from a company will look at a social media ad from the same brand for 30% longer. Meanwhile, the memory recall of a social media ad boosted by 44% for a person who has already received mail from that brand⁶.

For retailers, these stats suggest blending communications – in the way they have combined store estates with digital channels to serve a modern customer who embarks on several different types of journey when making a purchase – is key to success.

With a Gartner survey showing CX is the number one priority for building brand equity and the new competitive battleground for 89% of companies⁷, it would be remiss of retailers to ignore such statistics.

Lynne Deason, head of creative excellence at research and consulting group Kantar UK, agrees that no one channel for customer communications is better than the other. Those simply chasing the shiny new way of communications will miss opportunities, she argues.

"People shouldn't forget the potential power direct mail can have," says Deason.

⁶ <https://www.marketreach.co.uk/resource/customer-mail>

⁷ <https://blogs.gartner.com/jake-sorofman/gartner-surveys-confirm-customer-experience-new-battlefield/>

“It is very tempting to try the new latest exciting thing and communicate in the digital world, which can be effective, but everything has its place. You need to think about the objective, and I think mail can help with a lot of objectives”

From in-store event invites and personalised special offers, to information about new product categories and the general need to drive sales in a challenging economic environment, retailers have plenty of reason to target people's letter boxes as part of multi-faceted communication tactics.

Those offering additional services such as financial services, credit, and subscriptions also need to consider how they contact consumers.

Indeed, the multichannel approach to communications makes sense in a period when new routes to market are emerging all the time. Retail subscription schemes have grown significantly in the last two years⁸, for example, and retailers such as Tesco, and John Lewis and Waitrose in partnership, have launched new loyalty schemes.

There has been a period of retailers branching out into new product categories – N Brown into homeware and Poundland into fresh and frozen food, for example. Others, like Mulberry and Marks & Spencer have started reselling second-hand items and offering a rental service, respectively.

Brands need to make their content and new messaging stand out, and to make it distinctive and ensure the brand shines through whatever the channel, according to Deason.

“You have to put in the time and effort to make a piece of great content whatever the context and channel and you need to know what makes the content work, what you're trying to achieve and a clear view of what your brand is,” she explains.

⁸ <https://home.barclaycard/press-releases/2020/8/Lockdown-fuels-Subscription-Society/>



3 RETAILERS DOING CUSTOMER MAIL WELL

So, if the stats show customer mail is a key part of a multichannel communications strategy, who is doing it particularly well?

Below are three examples of best practice:

Costa Coffee

Realising society's changing tastebuds and the fact there is more choice than ever for consumers in the hot drinks sector, Costa is continually revamping its range of drinks. The Old Paradise range – a series of limited edition roasts – is part of this new product strategy, and Costa reported a successful multichannel approach to talking up the news.

To get people engaged and trying the new blend, Costa segmented its Coffee Club CRM database by value and behaviour and opted to mail its most loyal customers a premium pack with samples of the new blend to trial at home and a gift card to use later. Less loyal shoppers were sent a multi-variable, personalised email programme.

According to Costa, **870,000** cups of Old Paradise were sold with **68%** of these coming from coffee club members. That represented a **28%** increase in usual sales, and the campaign's **£387,685** incremental revenue led to a return on marketing investment (ROMI) of **2.3**, which Costa partly attributed to the exclusive nature of the activity⁹.

28%

Increase in usual sales

£387,685

Campaign Revenue

⁹ <https://www.marketreach.co.uk/case-study/costa>

Toolstation

As part of the growing digitisation of the DIY retail sector in the UK, Toolstation used customer mail to coax customers away from the physical catalogue towards the Travis Parkins-owned retailer's website.

Instead of the catalogue, Toolstation and its agency, Havas Helia, sent out a four-page mailing with six QR codes directing customers to their favoured departments.



“Stickers were contained in a personalised booklet, such as ‘Libby’s Toolstation’, in order to make it feel tailored to the consumer.”



Toolstation ensured it was a hyper-personalised campaign, with **143,000** pack iterations curated by crunching the shopping data at its disposal. The pack also included heavy-duty stickers of the QR code to attach to the places customers – typically tradespeople – needed the brand most, such as their toolbox, workbench or van dashboard. Stickers were contained in a personalised booklet, such as ‘Libby’s Toolstation’, in order to make it feel tailored to the consumer.

It turned into a winning formula for Toolstation, with the retailer picking up a best use of mail at the Data & Marketing Association Awards following a **3:1** return on investment (ROI), a **5%** increase in average order values, and increased website traffic¹⁰.

¹⁰ <https://www.marketreach.co.uk/case-study/toolstation>

Waitrose

Background

Waitrose noticed that their highly valuable customer base was slowly eroding over time. There had been no dramatic change to Waitrose’s approach that was pushing them to go, merely that the supermarket had failed to show them how much they loved and appreciated them.

Analysis of the key measures showed that these loyal customers were feeling less rewarded and their Net Promoter Score (NPS) had fallen by 14 points meaning they were more likely to shop elsewhere.

Waitrose set out to recognise and reward this highly profitable segment of best customers to prevent churn, increase spend and frequency, and improve NPS.

Solution

Waitrose’s Just for You Best Customer programme is a highly targeted, highly personalised mailing programme aimed at engaging and rewarding Waitrose’s most valuable and valued customers.

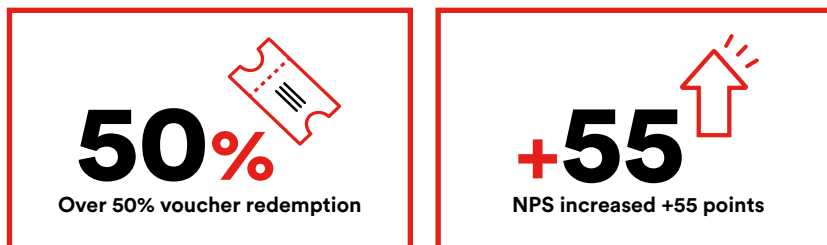
Mailings are sent five to six times a year to **600,000-800,000** loyal customers on the Waitrose database. Every element of the pack is personalised, making each pack unique to the recipient. Using programmatic technology Waitrose is able to target specific imagery based on shopper history. Inside, highly personalised category coupons, driven by the customers’ purchasing behaviour, incentivise purchase and trial.



The effectiveness of the campaign was measured on both short-term and long-term measures. Short-term looked at how each individual campaign performed and how many customers used their vouchers. The long-term measures were customer retention and loyalty.

Each campaign was benchmarked against a campaign control cell – 10% of customers who did not receive the mailing. There was also a control cell across the year. This allowed Waitrose to compare results on on both a campaign and yearly level.

Results



Charley Howell, assistant marketing manager at Waitrose, said: “The Just For You campaign has clearly been paramount to improving our NPS score but I think there have been added benefits that we didn’t necessarily realise when we started the campaign.

Fundamentally, it has confirmed the importance of our best customers and as a business we are now focussing on a marketing strategy purely for our ‘best’. It has also pushed us to explore the levels of personalisation we can achieve within direct mail and the positive feedback we receive from customers confirms it’s working.”

“
Now, during the Covid-19 pandemic it is more important than ever that we thank our best customers for their continued loyalty and with so many emails from various brands regarding their approach to coronavirus, direct mail felt like a more personal and effective way to communicate. Throughout the pandemic we have sent two Just For You campaigns and the first best customer Christmas card¹¹
”

¹¹ <https://www.marketreach.co.uk/case-study/waitrose>

A QUICK GUIDE TO BETTER CX USING CUSTOMER MAIL

The Marketreach research study written in collaboration with CX experts and Accenture indicates that 43% of mail leads to commercial actions such as buying, donating, or planning a purchase. In the publication, it argues that it is critical to measure the power of mail meaningfully because it is an impactful investment where the returns “go far beyond marketing metrics”.

Measuring efficiently includes considering direct metrics such as reach, lifespan, and conversion to commercial actions. But indirect metrics like reduced customer service costs to call centres, churn, and brand strengthening must also be taken into account.

Some 83% of consumers surveyed in the Marketreach study want to choose how often they are contacted by a brand. Brands need to be aware of the different tone required across the various communication channels, too, while still embedding its brand values in each.

We talk of the importance in having ‘glue’ in communications – meaning the consistency across platforms that ladders up to create the image of what makes the brand special and different from others.

- Lynne Deason, Kantar UK

Hotel Chocolat makes customers hungry for more

The most effective direct mail of the all-important Christmas period in 2021 was Hotel Chocolat's catalogue, according to Kantar's 'The Works' study, which is produced in association with Marketing Week and the Advertising Association's Trust Working Group¹².

Hotel Chocolat describes itself as a "digital-led brand" and runs email marketing, loyalty-scheme-specific messaging, banner ads and other digital communication throughout the year. But its non-digital eight-page booklet showcasing a range of the retailer's products under the tagline 'Show them you know them', with an offer code on the back cover, was heralded as a real 2021 success story.

Deason says the research reported that the ad made people feel "hungry" and they found the content "pleasurable".

"It cuts into what people really love about the Hotel Chocolat brand," she adds.

The key things with any piece of advertising or communication – including direct mail – is you need to make sure the brand shines through and it is authentic to the brand. This catalogue does that brilliantly.

IKEA gets access to inboxes via the letter box

When exploring how to build a stronger relationship with their FAMILY Club loyalty members, IKEA spotted a valuable opportunity. The highest spending segments were more valuable, by at least £35 a year, when they opted in to receive mail and email.

IKEA had 5.5 million members in its FAMILY Club, but 1.3 million of these were only contactable by post. The retailer needed to find a compelling reason for them to sign up for email, so used the tactic of customer mail to do so.

¹² <https://www.marketingweek.com/hotel-chocolat-effective-direct-mail/>



Including a £5 voucher incentive to opt-in to email communications, IKEA mailed FAMILY Members a blue envelope with the email icon on the outside. Inside was a unique, fabric email created entirely out of cross-stitched embroidery. The outer envelope referenced the email notification we are all familiar with on our mobile devices, with the headline ‘You have 1 unread message’. Once opened the cross-stitched ‘email’ was revealed, with a message to encourage them to opt in to IKEA’s regular emails.

As a result, opt-in rates for members mailed exceeded expectations by over 3%, with over 13% of recipients opting into email as a marketing channel. Meanwhile, a clearly signposted and incentivised call-to-action drove higher than anticipated volumes of unique campaign URL visits and there were higher than average redemption rates for the £5 incentive¹³.

Deason comments: “People tend to think of direct mail as quite a tactical interaction, but when you get it right and do it in an authentic, interesting and brand clear way, it has a life beyond that.

“Consumers will keep it in their home or pass it on to someone they know who would like it. You can reinforce what people think and feel with a piece of direct mail – it’s an encounter to consolidate all the thoughts and feelings around a brand.”



¹³ <https://www.marketreach.co.uk/case-study/ikea>

5 KEY TAKEAWAYS

- 1. In retail, digital is great but not always.**

It has revolutionised the way retailers and brands can talk to customers and it has enabled sales and messages at the click of a button, but there's a lot of clutter out there. Don't add to the clutter – consider how traditional communications channels, such as customer mail, can help you avoid the clutter.
- 2. Think CX, don't think in channels.**

The best businesses are focusing on CX and customer centricity to drive their decision making, and that results in a heady mix of physical and online communication tailored to customers' needs – not one channel over another.
- 3. Despite the doomsayers, no form of retail or customer communication is dead**

– only boring communication is dead. Focus on the messaging and creative, and if you have a relevant and compelling reason to contact customers you'll achieve your goals.
- 4. When blending customer mail and digital in your communications, be sure to use customer mail for what it's good at**

– genuinely building effective one-to-one customer relationships, which in turn can build brands, loyalty and ultimately boost the bottom line.
- 5. Tightening purse strings.**

It's going to be a tough economic environment in the second half 2022 and, probably, beyond, so retailers and brands must be creative in how they encourage shoppers to purchase.

FURTHER READING

Marketreach is the marketing authority on commercial mail. We're here to provide evidence of mail's effectiveness and get brands and businesses excited about its creative and strategic possibilities.

In a digital age, mail is changing fast - we aim to keep you up-to-date on the latest innovations and opportunities.

As part of the Royal Mail Group, we are committed to responsibly managing our impact on the world and having a positive relationship with our customers, our people, our communities and our environment.

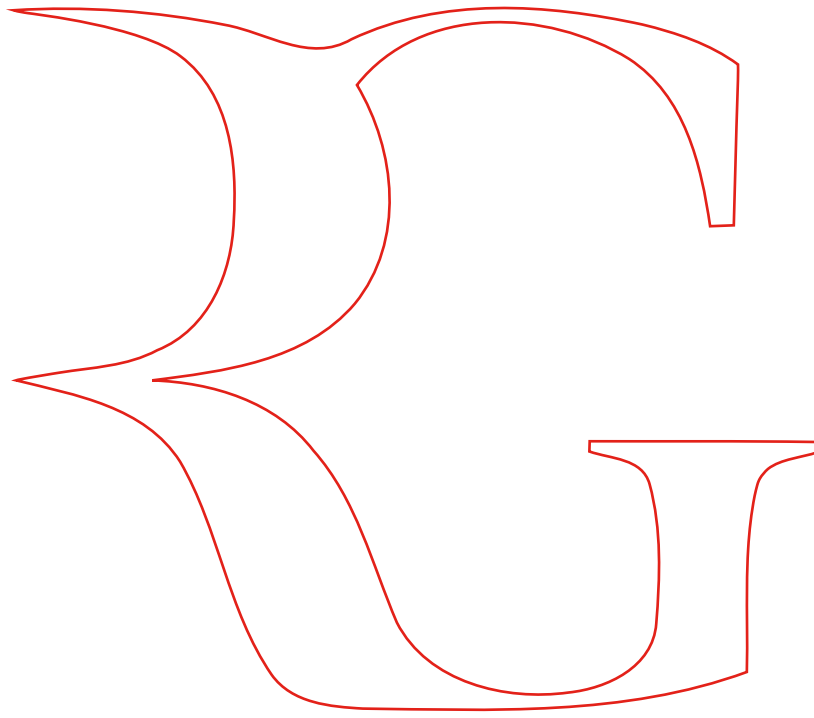
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