



# BEST PRACTICES

## In Retail Back-To-School Marketing

Retailers turn to non-traditional marketing techniques to capture customers' attention and drive them into stores



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### EXECUTIVE BRIEFING

**B**ack-to-school marketing is not as cut-and-dried today as it once was. The three-week shopping season has turned into six; there's more competition for share of the back-to-school wallet; and the media landscape has become more fragmented. How do you drive your customers into the stores and get them to come back often? And how do you know you're reaching them through the right channel at the right time to create the optimal relationship and get the most value for both company and customer?

In this **Best Practice** report on **Back-to-School Marketing**, we will take a close look at the challenges retailers are facing and what is driving them. Then we'll detail the marketing best practices retailers are using to overcome those challenges and build stronger, better customer relationships. We'll analyze the strategies retailers have put in place to interact with their customers during the back-to-school season, and provide examples of best practices in action from name-brand retailers that you can easily apply to your business.

*"When housing starts, gas prices and the cost-of-living are up, the money people have to spend on apparel is diminished. Their needs are changing, their options to shop are changing and the budget that's required to spend on basics like food, shelter and gas are going up. So it's more difficult for apparel retailers to get share-of-wallet. They're all furiously fighting against each other to retain and acquire customers and still get the same level of spend out of them."*

**MIKE GAWTREY, SENIOR MANAGER, CRM,  
NORTHERN GROUP RETAIL**

You'll hear from retail professionals **Bill Waldorf**, senior vice president of marketing at **Proffitt's McRae's**, a division of Saks Inc. with 51 stores that cater to women 25 to 54; **Mike Gawtreay**, senior manager, CRM for **Northern Group Retail**, a Canadian apparel retailer with two brands: Northern Reflections for women and Northern Getaway for Kids; and from industry experts **Mike Gatti**, executive vice president of the **Retail Advertising and Marketing Association**, a division of the National Retail Federation; and **Joe Pilotta**, vice president of research at **BIGresearch**.

The top three things you'll learn in this report are:

- An understanding of consumers' changing back-to-school shopping and media usage patterns;
- How to attract and keep loyal back-to-school shoppers through a unique brand and shopping experience; and
- How to effectively support your print and digital marketing campaigns with voice marketing to generate a lift in response and spending.

By better understanding how your customers' behavior and needs have changed, you'll be able to more appropriately respond to them with targeted, integrated and personal media. Here, we show you how.



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## I. THE CHANGING BACK-TO-SCHOOL LANDSCAPE

Retailers are struggling with three primary challenges with regard to back-to-school marketing:

- Changing shopping patterns;
- Increasing competition; and
- Increasing media fragmentation.

When back-to-school promotions start appearing in the media, most consumers tend to have the same reaction: "Already? It's too soon!" But for the marketer, it's never too soon to get a jump on the competition. Yet knowing the difference between "too soon" and "right on time" is a growing retailer challenge. A study conducted by BIGresearch for the National Retail Federation (NRF) shows that, while 34.6 percent of consumers shop during the one to two weeks before school starts, 40.9 percent shop three to four weeks out, 15.1 percent shop a full two months ahead and 2.8 percent wait until after school starts to do their shopping. As a result, in an attempt to get their message to customers at the exact time they're ready to pay attention to it and act on it, retailers are having to spread their marketing campaigns and media dollars over a wider time period.

"It's all about timing," says Mike Gatti, executive vice president of the Retail Advertising and Marketing Association, a division of Washington, DC-based NRF. "Summer is traditionally a slow time for retail sales and people aren't focused on it and aren't thinking about it. So retailers have to work harder to get their attention, but you're not going to get their attention until the timing is right for them."

At Northern Getaway for Kids, a Canadian apparel chain for grade-schoolers, "Our major back-to-school campaign starts about three weeks before Labor Day," says Mike Gawtreay, senior manager, CRM for Northern Group Retail, which also includes women's apparel retailer Northern Reflections. The challenge, Gawtreay says, "is making customers aware of what the offer and products are, because in early August people are on holiday, so the channel we can reach them through is likely not the store, because they haven't been in yet. So we need to come up

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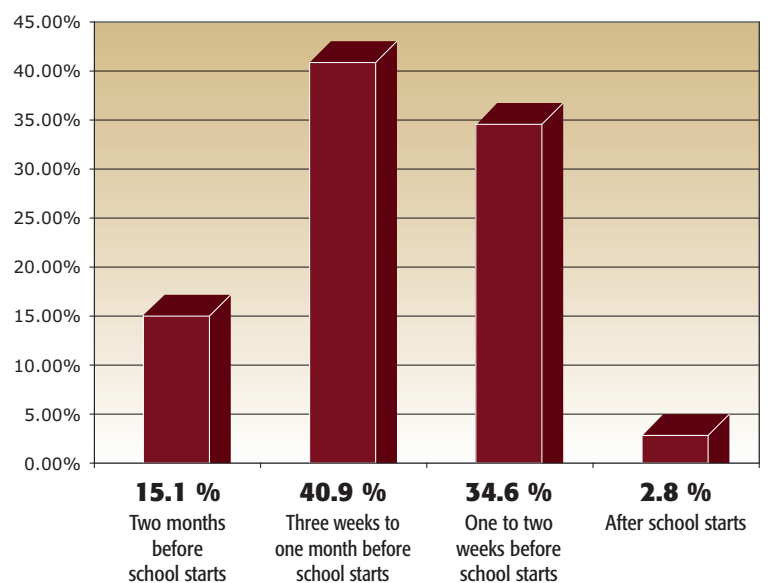
**MIKE GATTI, EXECUTIVE VICE PRESIDENT, RETAIL ADVERTISING AND MARKETING ASSOCIATION**

with different ways to get to them."

Also, Gatti says, "there's an 'after' back-to-school that retailers need to think about, particularly in the college scene. They wait until they get on campus and find out what the cool clothes are or what cool stuff other students have got in their room. So some retailers are holding part of their marketing budget until after back-to-school to reach that audience." One retailer even markets back-to-school during the winter break, just before college students head back for their second term, spreading budget dollars out even further.

Meanwhile, while the overall back-to-school season is stretching out, the individual window of opportunity is not. "Consumers

### When Consumers Will Shop for Back-to-School (Fall 2005 School Year)



Source: National Retail Federation 2004 Back-to-School Consumer Intentions and Actions Survey

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are spending quite a bit less time in stores," says Joe Pilotta, vice president of research at BIGresearch. "They don't go for a day of shopping anymore. It's more purposeful. People have things to do. And pricing is still high so [fewer] people are going to specialty stores. It's no longer 'let's go to the Gap'. Now it's more functional, like 'Let's go to Wal-Mart.'"

## The changing face of the customer

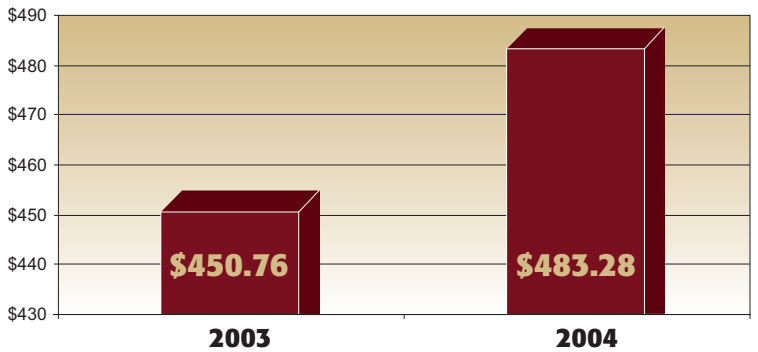
In addition to consumers' shopping patterns, *who* is doing the shopping is also changing. The back-to-school market has two audience segments: moms and teens/preteens with their own disposable income. While moms have always done the bulk of the shopping, the number of teens spending their own money, and how much they're spending, makes them a formidable customer segment.

According to BIGresearch, families with school-aged children each spent an average of \$483.28 on back-to-school items in 2004, a 7.2 percent increase over \$450.76 in 2003. In total, adults spent \$14.79 billion. Meanwhile, almost half of parents surveyed (45.5 percent) said their teenagers would be spending their own money on back-to-school items in 2005, with an average spend of \$84.58. Also, 23.3 percent of parents said their six- to 12-year-olds would be spending their own money as well, averaging about \$40.48 each. Collectively, teens and preteens will spend \$884 million of their own money this year (6.0 percent of what their parents spent last year).

In addition, these two groups have very different goals in mind when they shop for back-to-school. Mom is practical and wants to ensure that her children have everything they need. Teens and college students are more concerned with having the "coolest stuff" with regard to both apparel and dorm room supplies and often will wait to see what their peers are wearing and buying before committing their purchase dollars.

And while office supply stores and bed-and-bath retailers have enjoyed increased spending in recent years during back-to-school season, apparel retailers have been facing a shrinking mar-

## Back-To-School Spending Increased 7.2% in 2004 Families with school-aged children



Source: National Retail Federation 2004 Back-to-School Consumer Intentions and Actions Survey

ket, because of relaxed dress codes. "Back-to-school is not as big a shopping period anymore," says Bill Waldorf, senior vice president of marketing at Proffitt's McRae's, a division of Saks Inc. with 51 stores that cater to women 25 to 54. "A lot of students don't make huge wardrobe purchases, because the style is relaxed and casual and sometimes they wait and see what their friends are buying, so the period is stretched out longer."

## An overcrowded marketplace?

Competition is also an increasing challenge for retailers today. In addition to more retailers per category, consumers who used to primarily spend their dollars in apparel and on pens and pencils

are now stretching their dollars across more categories such as electronics. "There is more retail square feet per customer in America than in any other country," says Waldorf. "It's a very fractured industry. Customers' options run the gamut from specialty stores to discounters, traditional

retail and luxury retail, so it's harder to hold onto customers and create a loyal following."

Gawtrety agrees. "We have heavier competition now in Canada," he says. "We have Wal-Mart and they've taken a chunk of the kids' business from retailers. Children's Place is a new competitor...Gap for Kids...Zellers. In addition, malls have historically been

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**JOE PILOTTA, VICE PRESIDENT OF RESEARCH, BIGRESEARCH**

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the shopping location of choice, but that's no longer the case," he adds. "Over the last five to 10 years, our customers have had more choices, such as power centers and online shopping, so malls are having problems capturing and maintaining the captive audience today."

Waldorf adds, "The biggest challenge for a traditional retail department store is that we're not the destination for that customer. We might be for the parent of that customer, but if it were left up to the 'tweens or college students, they're typically going to go to a specialty store, like Abercrombie & Fitch or American Eagle."

Adding to the challenge, the BIGresearch study shows that consumers are time constrained and on a budget, and will choose convenience over price and shop in fewer stores in the fall 2005 back-to-school season; so while there is more competition in the marketplace, the revenue is also being divided among fewer retailers. The study showed that the majority of survey respondents plan to shop at discount stores (75.9 percent). However, a full 41.9 percent will shop at department stores; 35.1 percent at office supply stores; 18.2 percent at specialty stores; and 14.9 percent at drug stores; while 14.3 percent plan to shop online.

But waiting too long can also be a detriment, he adds, because the brands that advertise summer swimwear and 'fun' summer things are the ones consumers are going to remember come late August. "My suggestion," Gatti says, "would be for back-to-school retailers to do events over the summer and maintain top-of-mind awareness, so that when back-to-school comes, you're the brand they think about." But, he cautions, the message has to be appropriately targeted. "The earlier message can't be back-to-school. It's got to be, 'let's have fun for the summer'. Then when it comes time for the back-to-school copy, the brand is recognized."

Meanwhile, economic factors also come into play. "When housing starts, gas prices and the cost-of-living are up, the money people have to spend on apparel is diminished. Their needs are changing, their options to shop are changing and the budg-

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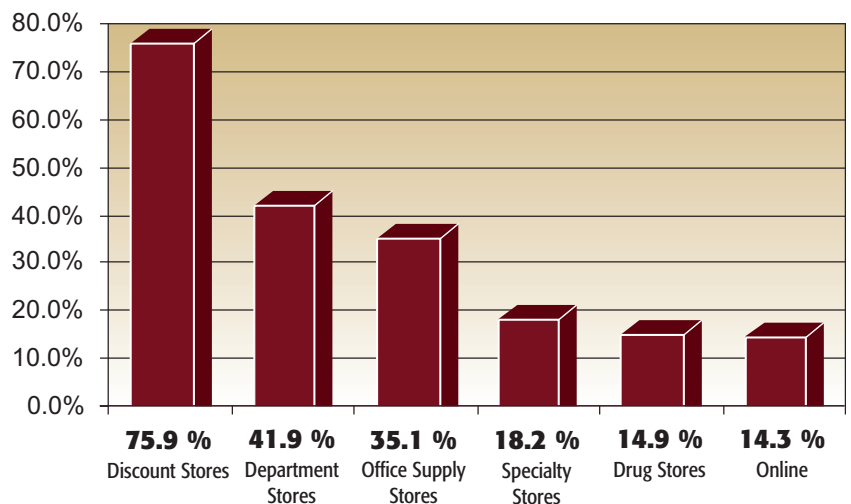
**BILL WALDORF, SENIOR VICE PRESIDENT OF MARKETING, PROFFIT'S McRAE'S**

et that's required to spend on basics like food, shelter and gas are going up. So it's more difficult for apparel retailers to get share-of-wallet. They're all furiously fighting against each other to retain and acquire customers and still get the same level of spend out of them."

## Finding and reaching customers is challenging

Media fragmentation is also making it difficult to pinpoint the right media for capturing audience attention. Several reports in recent months have shown that newspaper reading and television viewing are down. According to a recent study by the Newspaper Association of America, the percent of adults reached via daily newspapers, prime time TV and morning drive radio is all slightly down, while cable is up. Meanwhile, Nielsen Media Research shocked the advertising community last fall when it announced that the young male audience is spending more time in front of the computer than they are in front of the television. And they're not the only demographic group making such drastic changes in media patterns. Retailers have had to adapt to those changes by

## Where Consumers Will Shop for Back-to-School (Fall 2005 School Year)



Source: National Retail Federation 2004 Back-to-School Consumer Intentions and Actions Survey

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better understanding which media their customers are using, and even more importantly, which ones they're willing to be marketed to through, because the two are not necessarily the same.

"Consumers—especially the 18- to 34-year-olds—are changing the way they interact with media," says Gatti. "When they're watching television, they're not just watching television. When they're reading the newspaper, they're not just reading the newspaper. They're using different types of media simultaneously, such as text messaging on their cell phone. So a lot of media are competing for the consumer's attention, and that is something that retailers have to seriously consider. The fact that there are so many channels means retailers can't just focus on a few TV shows or cable stations to get their message across. They've got to either beef up the amount of money they're spending and get into everything, or really focus on their target market. And most retailers are choosing to focus more closely on their target market."

In addition, consumers' lack of trust in media is a big concern

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among retailers. Says Pilotta, "Research shows that consumers don't trust TV or newspapers...because of the slant on news, and advertising suffers because it is attached to that." Adds Gawtrey, "Much of what they get hit with from the

media is very negative. There are corporate scandals. We have a political scandal in Canada right now. Then gas prices are high, so there are definitely a lot of things on people's minds. It's difficult to cut through that and ensure we have a message that is relevant."

Spam, phishing and computer viruses don't help. According to the Interactive Advertising Bureau, referral marketing—such as 'member-get-member' programs or e-mail 'forward to a friend' features—grew 140.1 percent in 2004 over 2003, while e-mail marketing overall was down 54.5 percent. This shows that consumers are leaning more toward doing business with companies they know and trust, and that developing long-term trusted relationships is vital for retail survival.

## II. FINDING THE RIGHT SOLUTION: BEST PRACTICES IN RETAIL MARKETING

**R**etailers are taking advantage of three main strategies to counteract their daily back-to-school challenges:

- Creating brand differentiation and ensuring that customers recognize and understand the brand's value;
- Diversifying media spending; utilizing more non-traditional media such as voice marketing; and integrating several media within a single campaign; and
- Ensuring that the in-store experience fulfills the media promise.

Much of retail has been reduced to a commodity level today. See a shirt in one store and three weeks later you can find something similar elsewhere. Or in many elsewhere. Or, consumers may pick up bath towels while shopping for clothes because they're time starved and doing both in one trip is more convenient. In addition, they question whether the quality of the other store's towels is that much better than those in the first store to make it worth standing

in a second line. In fact, the other store's product may meet the customer's needs better, but if the retailer doesn't successfully convey that message, then the consumer's *perception* is going to be that the two items are the same and convenience will remain the priority over value. So the first step marketers are taking in ensuring that their budget dollars are being spent wisely is to create brand differentiation. This is particularly important among teens who are very particular about affiliating themselves with "cool" brands.

One of the most vital strategies to put in place "Is making mom aware before back-to-school starts what your value proposition is," says Gawtrey. "At Northern, our value proposition is uniqueness—the clothing is designed to be unique and different in the marketplace so that you won't find them anywhere else. And we put a selling effort around those products which we can own. We aren't going to try to stand for all things. We're not the retailer

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you'll go to to buy a \$3.99 basic tee shirt, but we are where you will go to buy the \$9.99 novelty tee. In the customer's mind, if they want board shorts, for instance, they know there's no better place for a selection of board shorts. So they know what we stand for. And our marketing messages are built around those items."

"First and foremost, unique product is most important," agrees Waldorf, "so we've reduced our vendor matrix. And then it's about how do you position your brand with the customer so that you stand for something that is a little bit different or unique from everyone else? But it's also about how you talk to your customer and connect with them. What would make the customer want to shop our store versus anyone else? That's the biggest challenge for us."

Differentiation also helps alleviate dependence on discounts. "If I could move the needle on anything, the biggest opportunity for margin growth would be reducing dependency on discounts, but it's also probably the most difficult," Waldorf continues. "I think we (as an industry) have become far too reliant on coupons and we've conditioned the customer to shop when they can get it at an off price. The problem is, everyone is in that boat. And it's not easy to wean customers off discounts. Even if you make a concerted effort, you're going to lose market share because everyone else is still doing it at a heavy pace."

## Diversifying their back-to-school media strategies

Retailers use a mix of both traditional and targeted media today, but the amount of money they budget for traditional spending has been shrinking over the past year, with those funds being shifted toward more targeted and non-traditional media—such as direct mail, e-mail, events and SmartReply's voice marketing—which can be easily tracked, measured and quickly changed if need be in today's fast-paced and ever-changing marketing environment.

"If you look at traditional media, it's not delivering the ROI it once did, especially newspaper—even direct mail," says Waldorf. "So we're looking at other more non-traditional types of advertising to connect with the customer."

Targeted marketing also helps to engender trust in the consumer by building a personalized one-on-one relationship and showing that they have the customers' best interest in mind. For instance, Proffitt's McRae's uses SmartReply's voice marketing to send friendly reminders to its best customers—about 400,000 proprietary credit-card holders. "These people already know who we are," says Waldorf. "The message says, 'We just wanted to

## TOP 5 BACK-TO-SCHOOL BEST PRACTICES:

1. Understand your audience's summer and back-to-school shopping habits and keep on top of year-over-year pattern changes. Then create a unique brand identity that stands for who they are, what they believe in, and what they want and need all year long so they think of you and respond to your media campaigns at back-to-school time.
2. Identify which media your customers are using and how, when, where and even why they're using them. Then spend your budget dollars in media that are sure to reach your customers during the back-to-school shopping period.
3. Focus your campaigns on building bonds and trust; counteract media fragmentation and clutter with non-traditional media such as voice marketing and test mixing your media to find the optimal combination.
4. Strengthen your trusted customer bond by ensuring that your stores—both brick-and-mortar and online—meet your brand promise and provide the customer experience you are advertising. Provide them with a copy of your voice marketing script; keep them informed of mail and e-mail drops; explain the focus of your promotions to store management staff; and emphasize quality first every step of the way.
5. Track and measure your customers' back-to-school spending and response to your media all the way down to the basket level. Understand which items they're purchasing together and why.

remind you about our anniversary sale; it starts tomorrow, it will have the lowest prices of the season, etc.' It's friendly and provides the top three reasons to come into the store in about 20 seconds."

Northern Group Retail is also changing its media mix. "Our overall marketing budget has been reducing," says Gawtre, "but we're spending more of it on direct marketing, because the return on investment is significantly higher there than with any other form." He sees even higher ROI on mixing different forms of targeted media. Gawtre operates a loyalty program called Northern Friends, with 650,000 active members. He e-mails all subscribers,

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and then supports that effort with SmartReply voice marketing. Half the database gets a voice marketing call every two weeks, with each customer being e-mailed twice a month, and called monthly. "We know that when we execute a direct mail campaign supported with e-mail and voice marketing, we get a higher response," he says. "We get triple the industry response and more than double (11 percent) our usual 5 percent direct mail response when we support direct mail with e-mail and voice marketing."

Once marketing makes a promise, it is up to the stores to deliver on that promise, "so a big challenge for us is making sure that, internally, all the teams, merchants and store operations are fully behind the plan and what we need to support," Gawtreay says. Northern Group Retail has a store operations teams whose job it is to get the message out to the stores on a continual basis. Store managers, who receive the voice marketing script weekly, can also listen to the message on the company's store hotline. Meetings are held with contact center staff and field teams to discuss upcoming promotions, and marketing and media schedules are included in all in-store communications.

Proffitt's McRae's also has weekly meetings with the vice president of in-store visual, merchandisers and other team members to review all upcoming marketing. "We try to make sure that what we're telling the customer in the media is what they're going to experience when they come into the store, both in signage and product placement, so that the entire experience is consistent," Waldorf says. "And every department has input."

## Media's report card vital to back-to-school success

Understanding the value of the media used in back-to-school campaigns is a high priority for retailers, who study everything from campaign response to basket sales data to referral marketing effectiveness. "When we do a promotion, we assign customers to it and record the channels and dates that apply to that promotion," explains Gawtreay. "If they're getting a catalog, an e-mail and a voice marketing message, we know that."

Then, he says, the system reports lifetime response and net purchases down to the basket and SKU level. "We not only know that she responded, we know when, we know what she purchased and we know what combination of products she purchased together," he says. "We're also measuring folks that were asked to be brand advocates and who have given a form to a friend as part of a contest," he continues, "and we have gifts with purchases that are coded so they can be evaluated for return on investment."

At Proffitt's McRae's, "I have a full-time database analyst whose sole job is to measure all media effectiveness," Waldorf says. "So the metrics we've put in place are pre-event projections and post-event reality. We look at product sell-through, and media as a percent of sale and look at the markdown rate to determine profitability. We measure response rates, average spend and visit frequency. And where we've added voice marketing on top of our existing promotions, we've seen a 30 percent net lift," he says, "as well as a 4-1/2 percent increase in average spend."

## III. MOVING FORWARD: CAPTURING AN ELUSIVE MOVING TARGET

**T**oday, the traditional methods of allocating a media budget are no longer enough, as consumers cannot all be found in the most conventional places, nor do they use media the way they used to. Northern Group Retail's Gawtreay and Proffitt's McRae's Waldorf have proven that retailers must step out of the traditional and take risks. Diversified yet heavily integrated marketing campaigns have been the key to driving higher response rates, increased customer spending and ultimately improving customer long-term value.

Going forward, media usage will continue to migrate and fragmentation will persist as new media emerge and take shape.

As retailers begin to plan their marketing strategies and tactics for the next back-to-school season, it's imperative that they keep up with and understand not only consumers' ever changing wants and needs, but how they respond to media, as well. Targeted marketing techniques such as voice marketing that engender trust and take a one-to-one approach will help retailers proactively identify changes in the marketplace and continue to address them ahead of the competition by developing the right integrated marketing and media strategy and following through on it with the perfect customer experience. ●