10 Misconceptions about building brand loyalty in the Age of Amazon

Radial

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How do you stay competitive in a world where Amazon seems to have a monopoly on price, customer trust, and brand value? Whether you're a branded manufacturer, a big-box retailer, or an eCommerce pure-play, this is undoubtedly a question you have asked yourself. Today's consumers have more choices than ever as to when, where, and how to purchase virtually anything. They can buy online and pickup in-store, order in-store and have items shipped to their home, order online with same-day delivery, or simply shop the old fashioned way by visiting their local store. Of course, these in-store shoppers are likely going to use their phones to look for better deals online as they browse products in the aisle.

This is the new retail reality, and savvy retailers are taking the necessary steps to provide consumers with the seamless shopping experiences they've come to expect. Still, there's no escaping the fact that Amazon is a force to be reckoned with. The eCommerce giant continues to lead the way forward and increase market share along the way, leaving many retailers wondering what to do next.

How Can Brands and Retailers Respond?

All types of businesses can learn from Amazon's digital business strategy and its focus on the consumer experience. Amazon's customer satisfaction surveys top all of its rivals because the company emphasizes the customer experience above all else. While it is known for its low prices and the widest selection of merchandise, Amazon's customer loyalty is also driven by its constant innovations, personalization, communication, and fast and reliable fulfillment—tactics that have helped the company grow to 304 million active customer accounts worldwide and net sales of $107 billion in 2015.[1] From its days as a small online bookseller to expanding into today's "everything store," Amazon has leveraged its innovative business model to become the world's largest online retailer. And while it may seem like a daunting task to stay afloat in the age of Amazon, let alone get ahead, there are many strategies you can use to build your own brand loyalty.

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These are the strategies we're concerned with in this paper, especially as they relate to the misconceptions many retailers have about their ability to attract, convert, and continually delight shoppers. The following ten points explore these misconceptions and show how you can not only compete with Amazon, but win over customers by providing the type of experiences they're seeking.

1 "Statistics and facts about Amazon," Statista. January 2016. http://www.statista.com/topics/846/amazon/

Misconception #1:

Amazon is only relevant to certain verticals

Reality: Amazon is relevant to all verticals. As Amazon grows, it is constantly entering new verticals/categories such as health, beauty, sportswear, shoes, and even groceries. Fashion retailers didn't think they had to worry about Amazon right up until the day Amazon launched seven in-house fashion labels that cater to men, women, and children. This type of trend will continue to be repeated across verticals as Amazon achieves massive growth.

If you expect to be able to grow your retail business, you shouldn't (and can't) rest on your laurels. You should either embrace giant marketplaces like Amazon and strategically leverage them for brand and product exposure (see Misconception #2), or create specialty, niche, or customizable products that allow you to be competitive on your own. Being niche-focused puts you in a category where you stand apart from Amazon, not head-to-head. For example, window treatment store Smith & Noble sells blinds, but not just any blinds—every order is custom made. Customers get something unique to their home and specifications, not a one-size-fits all or "adjustable" fit. Similarly, athletic footwear company New Balance is planning to release a high-performance running shoe that is manufactured with a customizable 3D printed midsole. Innovative products and experiences like these can't be found on Amazon and will never be available for Amazon to sell.

Misconception #2:

Amazon is either friend or foe

Reality: It's not one or the other; it's both. Many retailers make the mistake of thinking that Amazon is either a direct competitor that they have to defeat at all costs or the best opportunity they have to expand their business. The reality, of course, is somewhere in between. Amazon can be both an ally and an adversary depending on your goals and your strategy for growing your business. To remain competitive and maintain customer loyalty, you must think strategically about if, how, and when you will engage with Amazon.

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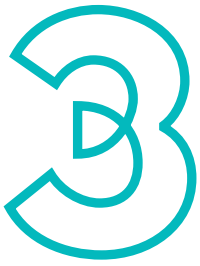
For example, you can leverage Amazon's reach to expand into new geographical areas, to break into new customer segments, or to help operations by selling surplus inventory. Indeed, one of the primary benefits of becoming an Amazon vendor is being able to reach your target audience wherever and however they shop—anywhere in the world. At the end of the day, if you have more sales to gain than brand equity to lose, selling your products on marketplaces like Amazon is probably a smart business decision since it can attract customers you typically would not aquire if you tried to sell directly to them.

Partnering with Amazon, however, may not always be the best option, especially if brand equity and product integrity are essential components of your go-to-market strategy. In that case, you should proceed with caution, as partnering with Amazon could mean that you risk becoming merely a commodity brand to consumers. Ultimately, you will have to decide whether a partnership with Amazon will put you in a position to either grow your brand or dilute your value.



Misconception #3:

You must compete on price to compete with Amazon

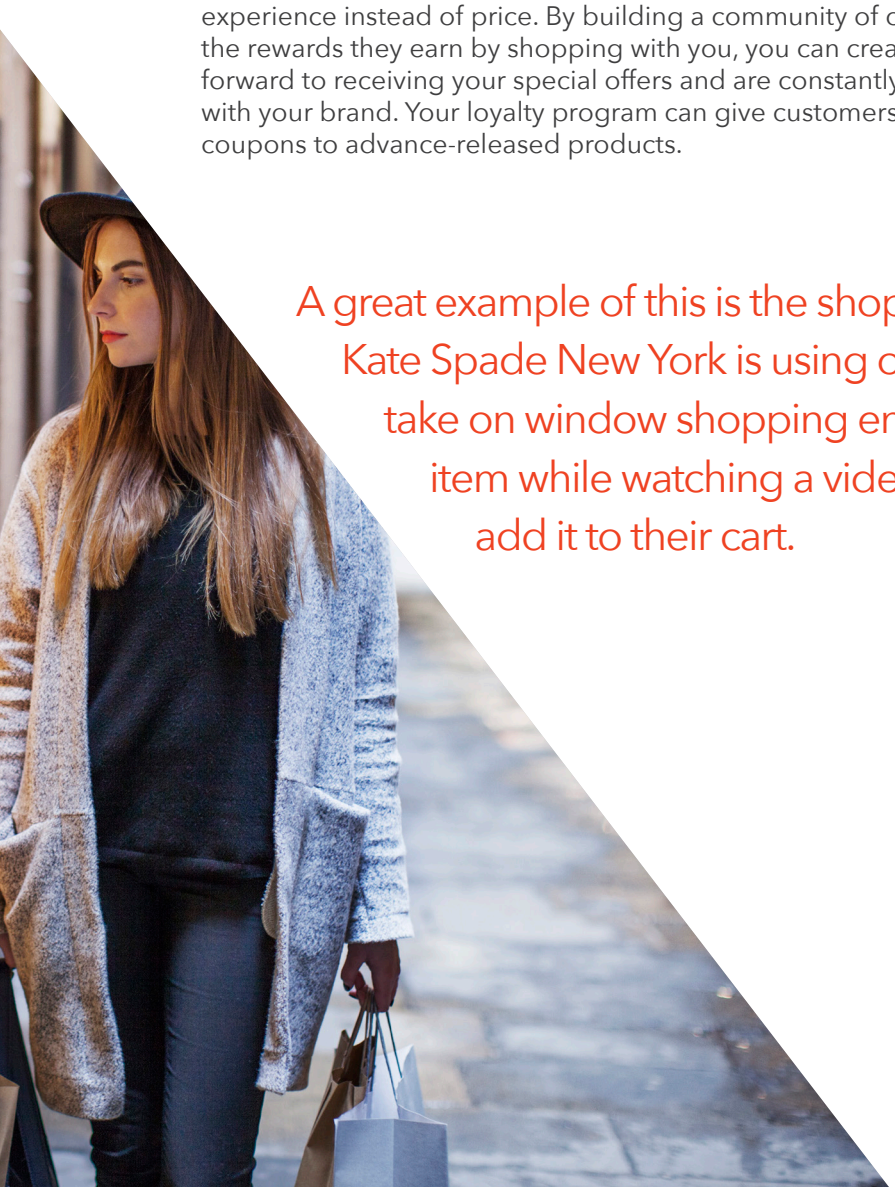
Reality: Competing on price is a losing proposition. For most retailers, there's simply no way to win against a large, price-driven company like Amazon that changes its prices more than 2.5 million times per day.[2] To compete, you have to instead focus on providing the best consumer experience. Here are a few ways you can accomplish this:

- Create better content: Amazon is essentially a bare bones search engine for shopping. It provides the most basic product information. You can differentiate your business by providing consumers with a window shopping experience online. The research firm L2 describes the competitive advantage that retailers gain over Amazon by infusing

2 Peterson, Hayley. "Amazon Changed The Price Of An Item 8 Times In A Single Day," Business Insider. August 2014. http://www.businessinsider.com/amazon-price-tracking-2014-8

content-rich product pages on their official brand site: "Content remains a domain where brands have the home field advantage, leveraging flexible platforms to support unique content/commerce integration."[3] This includes an easy-to-navigate browsing experience, detailed product descriptions, more pictures, guided selling tools, personalized products, fit guides, user-generated content, and even video merchandising to show your products in use. A great example of this is the shoppable videos fashion retailer Kate Spade New York is using on its site. The company's new take on window shopping enables viewers to tap on an item while watching a video to view product details and add it to their cart.

- **Focus on customer service:** For all of its strengths in personalizing product recommendations according to consumer preferences, Amazon is very impersonal when it comes to customer service. You can set yourself apart from the eCommerce giant by building customer relationships through personalized, one-on-one interactions. Whether they're engaging customers in-store, on the phone, or on a live chat session, your customer service representatives need to be friendly and knowledgeable so they can provide the type of human-to-human interaction consumers crave and will rave about to their friends and followers on social media.
- **Differentiate the in-store experience:** Retailers with brick-and-mortar stores have a prime opportunity to differentiate themselves. After all, pure-plays don't have connected store associates ready to greet and assist customers when they walk in the door, or have the ability to engage customers with technology innovations that are transforming the in-store experience. From smart fitting rooms and virtual mannequins to digital signage, social showrooming, and smart shelves, retailers have a broad range of innovative options to showcase products in-store, create a more personal connection with shoppers, and build a lasting relationship with the consumer.
- **Launch a loyalty program:** Developing a loyalty program is another effective way to compete on experience instead of price. By building a community of customers who are eager to redeem the rewards they earn by shopping with you, you can create a steady flow of customers who look forward to receiving your special offers and are constantly on the lookout for new ways to engage with your brand. Your loyalty program can give customers everything from free merchandise to coupons to advance-released products.



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3 "Report: content and commerce bound together increase conversion," Evigo. October 2014. https://evigo.com/17183-report-content-commerce-bound-together-increase-conversion/

Misconception #4:

Brick-and-mortar stores are a dying breed

Reality: Nothing could be further from the truth. Ninety-three percent of all retail sales occur in brick-and-mortar stores,[4] and two-thirds of consumers who buy online interact with a physical store before or after their purchase.[5] Indeed, far from becoming obsolete, stores are key differentiators that enable retailers to deliver shopping experiences that pure-plays simply can't offer. After all, when you consider how advantageous stores can be for fulfilling consumers' ever-evolving expectations, it's no wonder that Amazon itself is opening physical stores. Here are a few ways retailers can leverage their stores to improve the shopping experience:

- Empower store associates: Store associates can be equipped with tools and information to provide customers with more personalized experiences. Armed with mobile devices, a 360-degree view of the customer, and real-time visibility into inventory, store associates can do everything from saving the sale to making better product recommendations to facilitating mobile checkout.
- Use stores as fulfillment centers: Retailers that leverage stores to fulfill online orders can attract and convert customers while improving their bottom line as well. In-store pickup, for example, is extremely popular with consumers because they can easily order items online and then conveniently pick them up at a local store on the same day to avoid paying shipping costs. They also tend to spend more money in the process, as 40 percent of consumers make additional purchases when they pick up their orders in-store.[6] Another store fulfillment solution, ship-from-store, enables retailers to mitigate out-of-stocks, avoid markdowns, and optimize inventory while ensuring customers receive their orders faster and at lower costs. Shoe Carnival, for example, uses ship-from-store to ship 99.7 percent of its eCommerce orders within two days,[7] and is able to significantly increase its online product assortment to give customers a better selection
- Integrate digital technologies: From beacons and interactive displays to smart fitting rooms and product ordering kiosks, retailers can enhance the in-store experience by integrating digital technologies into physical stores. Clothing company True Religion, for example, implemented a Digital Sales Floor in its stores to enable endless aisle. Customers and store associates use large interactive screens to browse True Religion's entire clothing selection—across all stores and warehouses—to locate, order, and ship products according to customers' needs and preferences.

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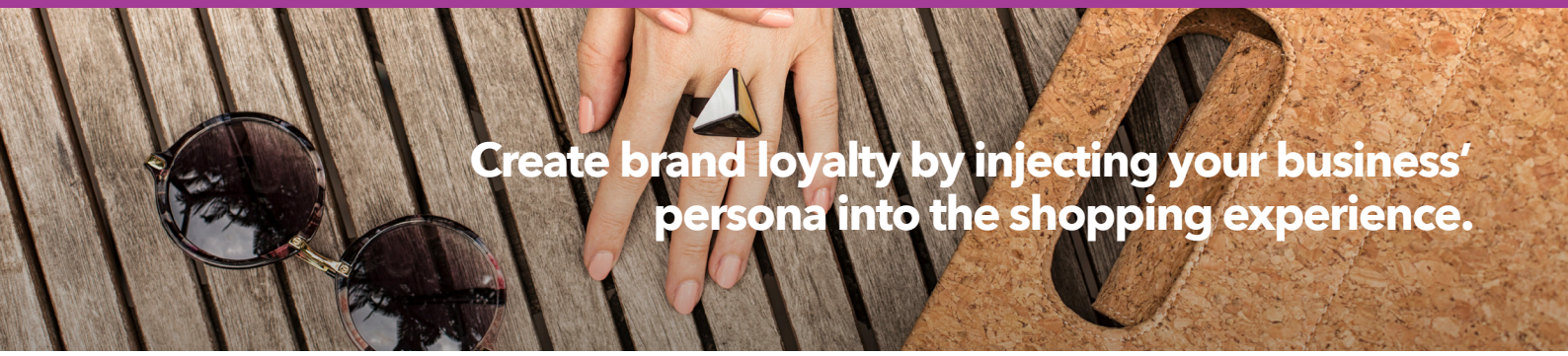
4 "US E-Commerce Sales as Percent of Retail Sales," YCharts, Inc. February 2016. https://ycharts.com/indicators/ecommerce_sales_as_percent_retail_sales

5 "Consumers Clearly Prefer Shopping in Stores According to A.T. Kearney Omnichannel Shopping Preferences Study," A.T. Kearney. July 2014. https://www.atkearney.com/news-media/news-releases/news-release/-/asset_publisher/00OIL7Jc67KL/content/consumers-clearly-prefer-shopping-in-stores-according-to-a-t-kearney-omnichannel-shopping-preferences-study-news-release/10192

6 Thau, Barbara. "Why digital dominates the retail sales story this holiday season," Retail Dive. October 2015. http://www.retaildive.com/news/why-digital-dominates-the-retail-sales-story-this-holiday-season/407936/

7 "Shoe Carnival: Endless Aisle and Fast Delivery With Ship-From-Store," Radial. 2015.



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Misconception #5:

Your marketing budget isn't big enough to compete

Reality: There are many low-cost yet highly effective ways to market your business online and build brand loyalty without a huge marketing budget:

- Content marketing: You won't see marketplaces like Amazon updating a blog with educational articles, posting how-to and product videos, creating infographics, writing resource guides, and developing other materials that educate consumers about a product. You have a unique opportunity to differentiate your brand and position yourself as a trusted resource in your niche by regularly creating and sharing this type of low-cost content with your target audience.
- Personalization: While Amazon does a good job of personalizing product recommendations, the site itself does not have a very personal feel. You have a unique opportunity to create brand loyalty by injecting your business' persona into the shopping experience. Tell your company's story and showcase your founder and key employees to give customers a feel for what's it's like to be a part of your brand. Think of brands like Rebecca Minkoff, kate spade new york, and Levi Strauss who are excelling in this area.
- Social media: Leveraging social media is another way to positively engage customers without spending a lot of money. Regularly post relevant, educational content (such as links to the product videos you created as part of your content marketing efforts) on the social media platforms your target audience frequents, and make sure to respond to their posts in a timely, helpful manner. In addition, many of these social-oriented channels are now offering "buy now" buttons that can help you convert the shopper directly from the application.
- If you can't beat 'em, join 'em: In addition to these methods, you should also consider using Amazon to your advantage by becoming a vendor so you can create even more visibility for your brand and your products. But remember, how you use Amazon depends on your goals and your strategy for growing your business (see Misconception #2).

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Misconception #6:

Amazon will always be better than you at personalization

Reality: You can deliver the same (or better) types of shopping experiences to your customers. Every new visitor, every abandoned cart, every sale, every customer service interaction, and every return is an opportunity to collect and leverage valuable data so you can create more personalized experiences that will boost sales, increase loyalty, and improve your bottom line.

According to an Infosys study, 86 percent of shoppers say that personalization influences their purchasing decisions.[8] Fortunately, right now you're sitting on a treasure trove of customer data that you can use to more effectively engage them. Here are a few personalization tactics that can help you attract and retain more customers:

- Onsite recommendations: Providing the right content to the right customer at the right time is key if you want him to complete his purchase online. Remind shoppers about products they've previously visited, suggest other relevant products that they might like, and promote impulse purchases by displaying popular items.
- Emails: Personalizing emails can dramatically improve conversions, so remind customers of past interests, show them the products they've abandoned in their carts, and suggest new items based on their previous behavior.
- Stores: Arming store associates with mobile devices that provide access to your customers' order history, preferences, and other personal data enable them to recommend relevant new and complementary products to personalize their in-store experience.

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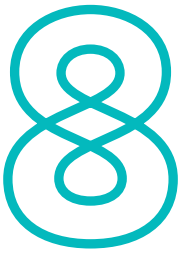
Misconception #7:

You need ultra-fast shipping to keep customers loyal

Reality: While Amazon is known for its speedy delivery, you don't have to offer same-day, next-day, or even two-day shipping to compete. Whatever your shipping policies may be, the key to success is setting realistic expectations for your customers and giving choices that fit a range of budgets. Consumers care more about shipping costs versus delivery time. Even if orders take a day or two longer to arrive than they would with Amazon, they will continue to shop with you as long as packages are delivered within the timeframe you specified during the ordering process. If you're communicative and reliable and deliver what you promise, you will win your customers' loyalty even without a speedy delivery time.

8 "Rethinking Retail: Insights from consumers and retailers into an omni-channel shopping experience," Infosys. 2013. https://www.infosys.com/newsroom/press-releases/Documents/genome-research-report.pdf

According to a survey of Canadian and U.S. shoppers conducted by Purolator International,[9] most shoppers choose extended delivery times for their online purchases. In fact, 78 percent of Canadians and 58 percent of Americans opt for shipping that takes four days or longer. A majority of online shoppers in both countries (65 percent Canadian, 55 percent American) say that they have "very often" or "always" adjusted their delivery date to a longer period to obtain a reduced cost. Shoppers will make tradeoffs to save money and time, and are willing to wait for packages as long as companies clearly communicate their delivery policies. On average, consumers are willing to wait about seven days for their online purchases, and 85 percent are willing to wait at least five days for delivery.[10]



Misconception #8:

You need a large network of warehouses to compete

Reality: Many retailers with brick-and-mortar stores have shown that you don't need a network of warehouses to fulfill eCommerce orders quickly. Instead, you can turn your stores into mini distribution centers so customers can get their orders when and how they want them. Brick-and-mortar retailers' answer to Amazon's same-day delivery is in-store pickup, which enables customers to visit a local store to pick up products within a couple of hours of placing an eCommerce order. If a customer wants his order delivered to his home, retailers can use ship-from-store to fulfill the order within one or two days by shipping inventory available in his local store. Omnichannel fulfillment methods like these save both retailers and consumers time and money, and help build loyalty in the process.

Consumer electronics retailer GameStop is using a ship-from-store strategy for its 4,000-plus stores. By providing customers and employees with a real-time view of inventory across its entire store network, the company has been able to virtually eliminate out-of-stock scenarios and fulfill orders faster. As a result of implementing ship-from-store, GameStop has seen a 20 percent increase in sales while improving customer satisfaction and loyalty.[11]

Lifestyle brand Cole Haan is putting an innovative spin on their ship-from-store strategy. The retailer recently partnered with Uber to use the company's UberRUSH messenger service to provide same-day delivery on shoe orders purchased via the Cole Haan website by leveraging store inventory for fulfillment.

You don't need a network of warehouses to fulfill eCommerce orders quickly. Instead, you can turn your stores into mini distribution centers so customers can get their orders when and how they want them.

9 "Purolator Survey: Online Shoppers Willing to Sacrifice Delivery Speed for Lower Shipping Cost," Purolator International. May 2015. http://www.purolatorinternational.com/press-release/Purolator_Survey

10 "UPS Pulse of the Online ShopperTM: A Customer Experience Study," United Parcel Service of America, Inc. 2014. https://www.ups.com/media/en/2014-UPS-Pulse-of-the-Online-Shopper.pdf

11 Berthiaume, Dan. "GameStop scores big with ship from store," Chain Store Age. March 2016. http://www.chainstoreage.com/article/gamestop-scores-big-ship-store

Misconception #9:

You only have to worry about Amazon's high-profile innovations

Reality: Amazon's quiet innovations are the ones transforming consumer expectations. While high-profile innovations like drones, Echo, and Fire grab most of the headlines, Amazon has quietly come out with many important innovations over the years that have helped revolutionize retail. It's these quiet innovations that you have to emulate if you want to compete. Here are a few innovations Amazon pioneered that can benefit your business as well:

- One-click ordering: One of Amazon's first innovations was one of its best. With one-click ordering, consumers only have to enter their payment information once and it is saved for future transactions. The seamless experience of one-click checkout makes every shopping experience effortless, compelling consumers to keep coming back and spending more.
- Recommendations: Consumers are used to Amazon's recommendation engine to personalize their shopping experience, so you better have one of your own to suggest items to customers. Adding this level of personalization to your site builds loyalty, increases average order value, and boosts conversion rates.
- Order updates: Amazon's order updates delivered via push notifications on mobile are very popular because they let customers know when orders are shipped and delivered. This small but impactful innovation emphasizes the importance of more relevant, faster communication around promise dates/times.
- Packaging feedback: Amazon regularly sends follow-up emails to customers specifying the packaging materials it uses. This allows the company to monitor everything from carrier performance to the durability of materials to customers' perception of its packaging. You can implement the same type of program to show that you're genuinely interested in how packages arrive at your customers' door.
- Membership programs: The success of Amazon's innovative membership program, Amazon Prime, shows that customers will pay more to receive a variety of perks that improve their shopping experience. With Amazon Prime, customers receive free shipping on eligible orders and gain access to streaming video, music, eBooks, and a broad range of other Amazon-specific services and deals. Amazon Prime has 54 million members in the US, which is equal to 47 percent of the company's American shoppers.[12] While it doesn't need to be as extensive as Amazon Prime, you can implement your own membership program to offer customers exclusive content and discounts that will inspire loyalty.

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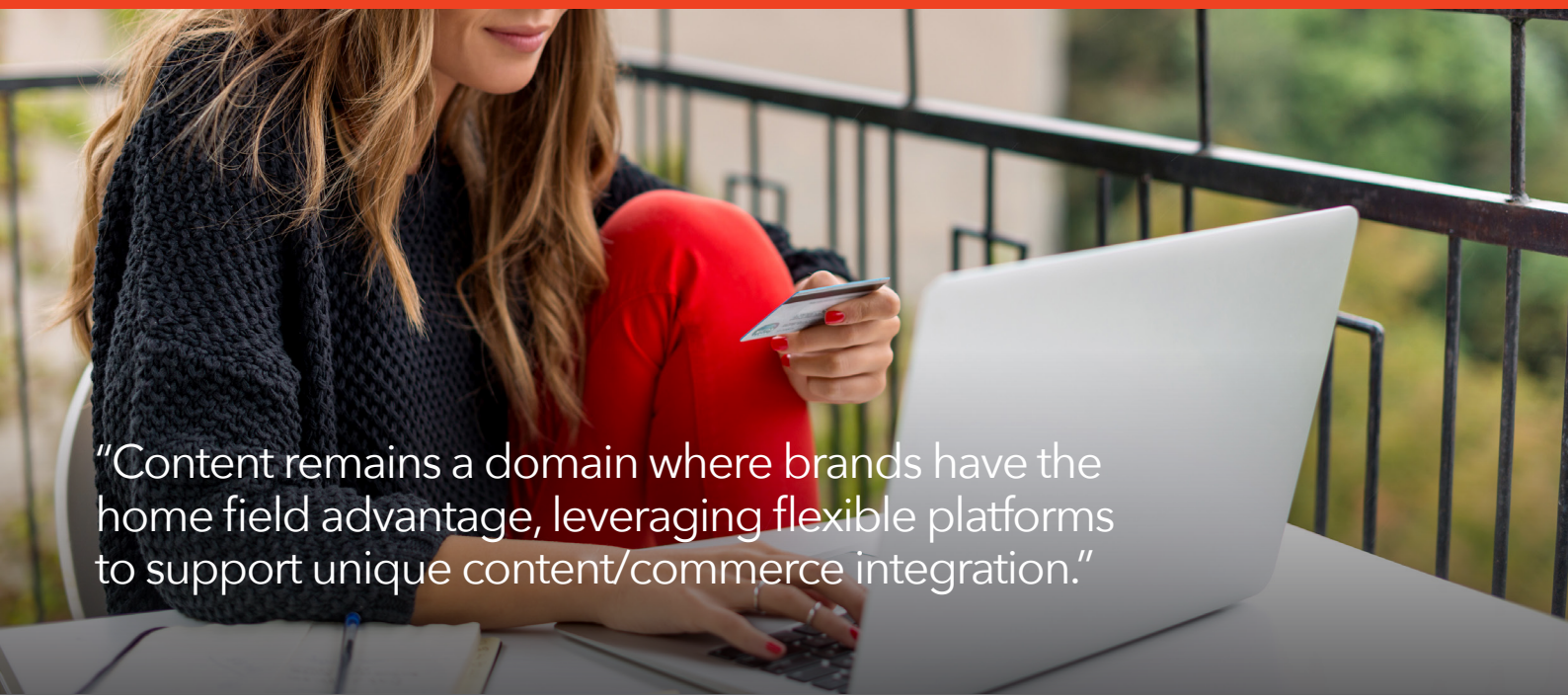
12 Ali, Fareeha. "Marketplace sellers piggyback on Amazon Prime's popularity," Internet Retailer. February 2016. https://www.internetretailer.com/2016/02/10/marketplace-sellers-piggyback-amazon-primes-popularity?utm_source=IRN&utm_medium=Email&utm_campaign=IRN2016



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Misconception #10:

Your marketing budget isn't big enough to compete

Reality: While showcasing your products on Amazon is a great way to be found online, there are many effective ways to attract new visitors to your eCommerce site:

- SEO: Search engine optimization is essential for increasing your visibility online. This requires optimizing both the technical elements (such as site architecture) and creative elements (such as on-page copy) needed to increase awareness, improve rankings, and ultimately drive traffic to your site.
- Content marketing: In Misconception #5 we discussed how content marketing can help you differentiate your brand. Optimizing this content is an integral part of the process, and requires that you identify and integrate the most appropriate keyword phrases so your content can be found by search engines.
- Social media: Establishing a presence on key social media platforms is critical for any retailer. Choose the sites where your target audience spends most of its time—whether that's Facebook, Twitter, LinkedIn, Pinterest, or a combination of these—and focus on increasing engagement. Use your brand's keywords in posts (including hashtags, when appropriate) to attract consumers who are interested in the type of product you offer, and then provide them with valuable content they can use once they become a follower.
- PPC: Although it will cost you, pay-per-click advertising is another effective way to get found and drive traffic to your website. Targeting a long-tail keyword for a niche product as part of a PPC campaign is a great way to increase your exposure and drive qualified traffic without breaking the bank.

Build Lasting Brand Loyalty by Focusing on the Consumer Experience

In the age of Amazon and other marketplaces, there's no such thing as "business as usual." To win new customers and keep them loyal to your brand, you have to be able to pivot quickly and adopt new strategies that enable you to deliver the type of shopping experiences they desire. And while consumer demands are constantly changing, one thing is clear: today's consumers expect to be able shop whenever, wherever, and however it suits them.

From using personalization and content marketing tactics to better engage customers to leveraging stores to fulfill online orders to creating innovative loyalty programs, there are many tried and true strategies you can use to meet your customers' expectations. Now that you know how to tackle some of the most common misconceptions that hold many retailers back, you can begin to implement these strategies to build lasting brand loyalty with your most valuable customers.

About Radial:

Radial is the leader in omnichannel commerce technology and operations, enabling brands and retailers to profitably exceed retail customer expectations. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and transportation options, intelligent fraud, payments, and tax systems and personalized customer care services.

Hundreds of retailers and brands confidently partner with Radial to simplify their post-click commerce and improve their customer experiences. Radial brings flexibility and scalability to their supply chains and optimizes how, when and where orders go from desire to delivery. Learn how we work with you at www.radial.com.

About Demandware:

Demandware, the category-defining leader of enterprise cloud commerce solutions, empowers the world's leading retailers to continuously innovate in our complex, consumer-driven world. The Demandware open cloud platform provides unique benefits including seamless innovation, the LINK ecosystem of integrated best-of-breed partners, and community insight to optimize customer experiences. These advantages enable Demandware customers to lead their markets and grow faster.

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