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RETAIL

Retailers must prioritize SEO, emails and guided selling to drive growth

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Image courtesy of Saks Fifth Avenue

By JEN KING

Retailers can no longer rely on a bricks-and-mortar network to measure revenue growth as sales decline and foot traffic drops off. Instead, specialty retail brands must search for a new growth narrative.

To fill the void of physical retail, speciality retailers turned to ecommerce, but online marketplaces such as Amazon have intensified competition and online selling has proven not enough to reverse sales. As retailers write their narratives, attention has been placed on customer acquisition and retention via SEO and CRM efforts as a means to survive in an ever-evolving retail environment.

"According to referral traffic, Amazon is not a place where customers gravitate to buy luxury items (yet)," said Colin Gilbert, research director, at L2.

"However, Amazon is hurting the retail partners that luxury brands have traditionally relied on to grant them extended visibility online," he said. "Already, we are observing a greater willingness of brands to get ahead of the curve and partner with the 'threat' once it becomes a significant portion of their downstream referral traffic.

"Brands such as Armani Exchange, Cole Haan, Guess and L'Occitane have already implemented 'Pay with Amazon.'L2 is closely tracking who some of the first-movers may be among the higher end brands as we move toward our updated Fashion Index this fall."

For the seventh annual "Digital IQ Index: Specialty Retail" report, L2 examined the digital performance of 100 brands with a store footprint in the United States. The report includes brands from four product categories: apparel and accessories; beauty and skincare; home and gifts and watches and jewelry.

Managing the market

Omnichannel retail, such as click and collect programs for example, emerged as the solution for retail's woes. But, L2 found that to date only 35 percent of specialty retailers have tangible omnichannel capabilities in action.

SEO and CRM have materialized as effective marketing channels with search increasing 3.1 percent and email marketing 2.9 percent for the first quarter of 2016.

Although SEO has been worthwhile, over the past year search has been driven by non-branded words such as polo shirt or lipstick. These types of searches grew at twice the rate of branded keywords such as Ralph Lauren or

Sephora.

This consumer behavior has harmed retailers as they are "caught in a closed loop," explains L2 in its report. Retailers stuck in this cycle are only found by consumers who end up on their Web sites through organic search.

Out of the 100 brands indexed for the report, approximately one third are invisible on first-page results when consumers search non-branded terms within their product category.

Since L2 last assessed the watches and jewelry sector, luxury brands have begun to embrace various SEO/SEM strategies on the category level, having been virtually invisible on Google search results in the past.

L2's "Watches & Jewelry 2016: Search Insights" report provides an overview of the sector's luxury and premium players, uncovering how search strategy has evolved over time. Although watch and jewelry houses in the luxury space are taking different approaches to search, the majority are depending on organic and paid search leads using branded terms to drive Web site traffic (see story).

Likewise, L2 found in its Digital IQ Index: Specialty Retail report that in the first half of 2016, campaign emails were up 21 percent, but a third of all messaging promoted sales and discounts. Also, only half of the brands indexed relied on email and less than 20 percent took time to personalize subject lines.

L2 saw that the majority of brands indexed fall within the average classification, with each category playing into different strengths and weaknesses.

By category, L2 has found that apparel and accessory brands outperform on Instagram and send "robust" email marketing and have sophisticated ecommerce platforms. Beauty brands for example offer consumers the most intuitive search and navigation tools and heavily invest in SEO/SEM.

Home and gift brands have the most advanced mobile infrastructures and use Pinterest especially well while watches and jewelry brands do not offer much in ways of site experience despite making omnichannel a priority as of late.

There has been significant investments in guided selling tools as well. For instance, 92 percent of specialty retailers at present have lookbooks and style guides, and 52 percent of these are shoppable.

By category, 90 percent of apparel and accessories brands rely on lookbooks and style guides, and 100 percent of beauty and skincare and home and gift retailers along with 92 percent of watch and jewelry labels do the same.

Other guided selling tools include branded blogs, campaign videos, how-to tutorials and diagnostic quizzes. Roughly 50 percent of brands within each category rely on brand blogs.

Interestingly, home and gift retailers rely on how-to tutorials at a rate of 64 percent whereas beauty and skincare sellers invest only 30 percent.

As for omnichannel services such as buy online, return in-store, free shipping and other features, specialty retailers are investing more consistently in these programs.

L2 found that between 2015 and 2016, while buying online and returning in-store remained at 92 percent, features such as buy online, pickup in-store and free return shipping grew by 10 and 19 percent, respectively.

Watches and jewelry led omnichannel and fulfillment capabilities by product category, especially in terms of shipping. One hundred percent of watches and jewelry retailers offer free shipping always or in some form, likely due to the price tag associated with the category, and 75 percent of indexed brands have free return shipping.

Beauty and skincare excelled with free shipping some of the time for 80 percent of brands, but only 20 percent offer free shipping for returns. More than half of brands allow for a consumer to buy online and return in-store.

Apparel and accessories is gaining on watches and jewelry, with 88 percent and 52 percent of brands offering free shipping in some form or always. Fifty-two percent allow free return shipping, and 93 percent of retailers let consumers shop ecommerce and bring returns into their bricks-and-mortar locations.

Barneys New York, for instance, who was not included within the 100 indexed by L2, introduced free returns to its ecommerce services in 2014 to make online shopping less stressful for its consumers.

Prior to this the retailer had free standard shipping but charged an $8 shipping fee for online returns sent through the mail. Taking away this possible fee will allow consumers to shop more freely online, knowing that they can easily

return anything they are not satisfied with (see story).

"Implementing a comprehensive omnichannel strategy is a mammoth undertaking, requiring backend systems, point-of-sale terminals and digital infrastructure to all work seamlessly together," Mr. Gilbert said.

"In this punishing retail environment, the level of investment required combined with the cultural reorientation needed establish significant barriers to change," he said.

"For many brands, ecommerce is still viewed as a separate line of business with its own metrics, undermining any incentives to merge distinct retail channels into an integrated operation."

Masters of industry

While not all have mastered retailing in the current market, those that have embraced new discovery channels and digital-enabled operations are showing a path to recuperation.

LVMH-owned beauty retailer Sephora is ranked at number one within L2's index.

With a digital IQ of 144, Sephora has mastered intuitive product pages with in-stock status trackers, user-generated content, peer reviews, among other integration points such notifications, a rewards program, a popular mobile application and tools such as the Virtual Lipstick Assistant launched in January 2016 (see story).

Only a small portion of luxury brands placed within the 100 retailers indexed for L2's report.

U.S. jeweler Tiffany & Co. was the only brand placed as a Gifted, while the others were listed as Average. For luxury, the Average classification includes Ralph Lauren, Kiehl's, Michael Kors, Swarovski and Cartier.

"It's fascinating to examine the performance of select brands that appear in both the Specialty Retail versus the Fashion Index," Mr. Gilbert said.

"While some of the variance is attributable to competing scale in terms of site traffic and paid mediamost of it comes down to prioritization," he said. "Fashion brands are addicted social media, sometimes at the expense of boring' channels that drive a greater share of ecommerce orders, namely email marketing and SEO/SEM.

"With some exceptions, this is where the fashion brands lag their retail peers, who have smartly allocated capital toward the channels that are shown to have the greatest impact on direct sales versus wider brand awareness."