



On-Site **Insight**

Retail Merchandising
Trend Update



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The Tripping Point: Hold on to Your Marketing Plans!

The concept of "Black Friday" became very gray in 2015 — and with it, the future of traditional brick-and-mortar retailing.



A total of 151 million people shopped during the critical five days between Thanksgiving and Cyber Monday, according to the National Retail Foundation. But this year, there was a decided shift in the types of shopping trips they took. Holiday shoppers were just as likely to have shopped from the comfort of their

homes than from the inconvenience of a crowded retail store.

According to the NRF, while 102 million shoppers visited stores over the long holiday weekend, 103 million people shopped online. So hold onto your marketing plans, because the retail industry has just blown past the proverbial tipping point - the moment when e-commerce shopping trips have become just as important as the more traditional kind. Think of it as the “tripping” point.



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Why are shoppers shifting their trips online? The answer is no more complicated than this: it's getting easier and more convenient to do so. This fact is never more obvious than it is on Black Friday: Get up before dawn and wait hours on a line outside the store, or simply shuffle over to your computer in your bathrobe and log on? That's a no-brainer.

And this shift toward e-commerce is no longer being driven solely by digitally savvy Millennials, who now comprise 26% of the U.S. population and will soon overtake Baby Boomers as the demographic with the largest share of income. More than 90% of all U.S. consumers shopped online in 2015, according to eMarketer.

What's more, the next retailing tipping point appears to be arriving already as the digital begins migrating to the smartphone: About 18% of e-commerce sales took place on mobile devices this holiday season, according to comScore Inc.

But just as importantly, this year's Black Friday sales took a strong swing online because many traditional retailers have finally embraced the concept of e-commerce not only as a competitively defensive necessity also but as a critical way to strengthen shopper engagement.

Walmart, for instance, still opened its doors on Thanksgiving night to kick off a series of in-store-only promotions. But most of its holiday deals were also made available that morning on Walmart.com. And the retailer staged "Pre-Black Friday" offers on the website throughout the month of November, making



a trip on that particular day far less necessary for many shoppers.

Rethinking the Role of Merchandising

So traditional retailers have finally, fully accepted the reality that shoppers are now multi-channel and, therefore, have very different shopping expectations that must be addressed. As Macy's chief executive officer Terry Lundgren recently tried to explain to Fortune, "Consumers are not only going to shop online. They're going to start their journey on their phones, they're going to enter our stores, they're going to interact with our sales associates, learn more about product ... They may not buy it in store that day. But without that store interaction, it's likely the sale [won't] occur."

No, brick-and-mortar stores won't be going away anytime soon. RetailNet Group estimates that traditional retail will still command 80% of sales in 2020. For now, most online shopping will still culminate with an in-store purchase: According to Forrester, the ratio of online-influenced sales to actual e-commerce sales is still a whopping 19-1.

Nonetheless, the traditional role of the store must change to address the evolving expectations of consumers who can just as easily do all of their shopping — and their buying — online.

And that need for change should have just as profound an impact on the way national brands go to market as it does on retailers. For starters, merely ensuring that you've shipped enough sturdy product pallets before Black Friday doesn't come anywhere close to fulfilling your holiday obligations anymore.

Secondary merchandising is still crucial — perhaps more so, since brand loyalty is lower among those now-dominant Millennials — a group also far less likely to meticulously shop the aisles than their predecessors do. Those aforementioned online shoppers will need to find your product easily when they get to the store.

**Mind the
Baby, Not the
Diaper**

Procter & Gamble's Pampers

But how do you evolve in-store merchandising to engage shoppers who might have no intention of making a purchase in the store that day? Or, conversely, how do you change the minds of shoppers who've already done their decision-making online — or who that very minute are on their smartphones comparing your offer to one from your competitor in a store across the street? The communication surrounding the product is now more important than ever.

Consider the consumer electronics channel, where once-major players (and now historical footnotes) like Circuit City and RadioShack failed to respond to the changing needs of shoppers who were steadily finding the online experience at Amazon.com and other e-tailers to be a lot easier.

Rival Best Buy averted what for several years seemed certain to be the same fate by addressing these new shopper needs head-on. Instead of fighting the practice of showrooming (which the chain did initially), Best Buy embraced this new trip type as a potential differentiator. So it has steadily transformed stores into destinations for product information, not just purchase. And a huge aspect of this transformation has been the introduction of brand showcases from key brands such as Apple, Samsung, Dell and Intel.

"Our expectations as consumers are

has long understood the need to go beyond product-focused marketing to create stronger bonds with consumers by addressing the needs and emotions behind their product usage.

Pampers.com provides a library of valuable information for new parents. Visitors to the site can explore an informational "World of Love, Sleep and Play" while browsing Pampers' full portfolio and other relevant P&G products.



Transporting that level of consumer engagement into the store environment isn't really possible, but Pampers provides some basic guidance whenever it can and steers shoppers to the website as often as possible. The brand also seeks opportunities to leverage these assets and the brand perception they've built to support the efforts of like-minded retailers.

Walmart has been building an "Every Little Step" marketing platform for its baby care department that's similarly designed to present the retailer as a reliable source of information and solutions for new parents. The effort includes a dedicated microsite on Walmart.com, a baby



changing," Dan Seymour, Dell's director of shopper marketing, noted last fall at the Shopper Marketing Expo. "When you go into the store, you're looking for more value layered on top of what you already know when you walk through the doors."

Rethinking the Product Display

So how does a brand reimagine its merchandising practices to add the kind of value that will succeed in the new retail environment? By thinking beyond "product display" in the following ways:

Display as fulfillment center: Go beyond mere practical thinking, like what is the display's load capacity, to consider how to connect shoppers to your brand's full (and shoppable) portfolio online. This not only can foster stronger shopper engagement but would let brands devote the store display to fewer, key items (which could become even more important if retailers, as expected, begin reducing in-store SKU counts).

Display as advertising opportunity: The ongoing fragmentation of mass media has made the store one of the few remaining opportunities to gain large-scale consumer reach. So make sure your brand message is prominent — but

registry operated through the retailer's mobile app and a themed "one-stop baby shop" in stores.



It also features prominent placement for partnering brands like Pampers that can give the retailer's program greater credibility.

"Parents are busy and will always choose convenience over complexity," Diana Marshall, vice president of baby for Walmart U.S., said last summer in a press release announcing the initiative — which, by the way, also spotlighted the simultaneous rollout of Pampers Premium Care diapers.

also consistent with the rest of the media strategy.

Display as shopper communication center: Many retailers are developing technology-driven tools that can enhance the shopping experience, like apps that create a list-specific route through the store at Meijer or deliver aisle-specific product recommendations at Target. Tap into these tools to help reach shoppers directly and, when possible, personally through targeted, data-driven offers.

Display as entertainment center: If consumers no longer need to visit stores, they'll actually have to want to go. Retailers will likely be more interested in working with brands that can elevate the store's entertainment potential through innovative merchandising concepts— so it might be time to start working on those aisle reinvention concepts.



Display as data collection center: More a way to gain retailer support than to drive sales, infusing displays with technology that can track nearby shopper activity could be the differentiator a brand needs to continue earning secondary space. It also can better inform the development of future programs.

Display as brand engagement center: Product benefits and calls to action are no longer enough, because displays now need to deliver a greater benefit than unit sell-through. Presenting the brand through the lens of a shopper solution can better engage both shoppers and retailers— especially if the solution will help differentiate the retail partner. Brands should analyze their marketing assets to find relevant content that can be brought to life in the store (see sidebar).

This level of strategic reinvention won't come easily. Setting aside the typical brand-centric messaging strategy to focus on shopper solutions that will build brand affinity in subtler ways is a tough pill to swallow for many traditional marketing organizations — especially since it requires moving beyond the department-level special interests that often isolate merchandising programs from the rest of the brand plan. But as retailers scale down store sizes and reduce SKU counts, a brand's ability to connect with shoppers in relevant ways could be the key to maintaining a strong presence at retail — or to keep any presence at all.



For information on how WestRock is developing innovative in-store solutions to turn shoppers into stoppers and browsers into buyers, call your WestRock representative.

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