

# Issues Monitor: Retail

## Optimizing social and digital media use to target holiday shoppers

### Overview

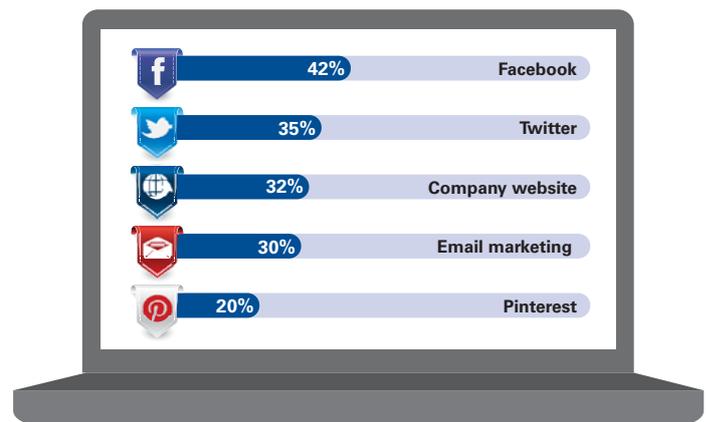
After weathering more tough economic conditions and low consumer confidence levels throughout the first half of 2012, retailers are gearing up to maximize sales this holiday shopping season. As nearly 40 percent of annual retail sales are generated between November and December,<sup>1</sup> strong holiday sales are critical to retailers in meeting annual targets. To capture a larger share of the customer's wallet amidst ongoing uncertainty and fierce competition, retailers are seeking out novel ways to stand out in the market this year, with many looking to capitalize on the growing trend towards mobile and internet commerce.

While fast-evolving digital platforms (internet, mobile and social media) offer retailers an abundance of opportunities to connect with customers, retailers must be strategic in their efforts to effectively leverage these platforms to their full potential.

As social networks and online communities play a key role in providing product information and influencing purchase decisions, the retail industry is eager to interact with its customers long before any sale takes place during the holiday.

According to a global study by Facebook social commerce platform Payvment, conducted in September and October of 2012, out of all available digital and social channels, retailers are most likely to expand their use of social media throughout the holidays. Forty-two percent of respondents are looking to launch Facebook advertisements, making it the most sought-after social media platform, followed by Twitter and company websites.<sup>2</sup>

**Figure 1: Expected marketing use of digital and social media channels by Facebook store owners this holiday season (% of respondents)**



Source: F-Commerce Facts survey, Payvment, 4 October 2012

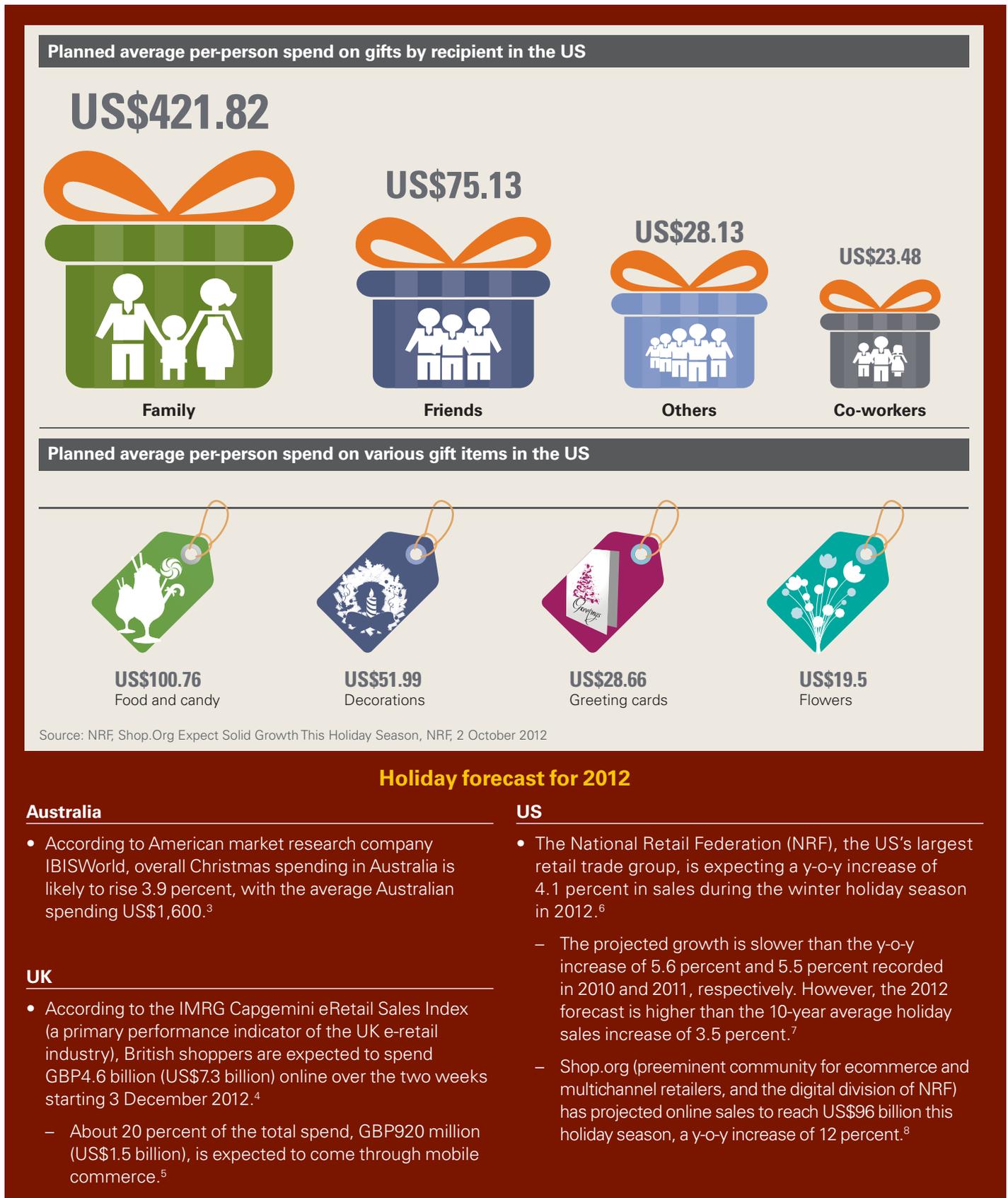
**To get the most out of the holiday season, retailers are focusing on:**

- **Selling a hassle-free holiday shopping experience**
- **Enticing and engaging social shoppers**
- **Dialing up smartphone sales**

<sup>1</sup> Holiday sales seen rising 4.1% in 2012, USA Today, 2 October 2012

<sup>2</sup> Small Businesses On Facebook Bullish On 2012 Holiday Shopping Season, AllFacebook, 26 October, 2012

Figure 2: Holiday shoppers' outlook for 2012



<sup>3</sup> Ah, the double-click of mice at Christmas, Theage.com.au, 16 November 2012

<sup>4</sup> The holiday season starts now, Internet Retailer, 23 October 2012

<sup>5</sup> 20% of U.K. holiday web sales will be mobile, Internet Retailer, 12 November, 2012

<sup>6</sup> Holiday sales seen rising 4.1% in 2012, USA Today, 2 October 2012

<sup>7</sup> Holiday sales seen rising 4.1% in 2012, USA Today, 2 October 2012

<sup>8</sup> NRF, Shop.Org Expect Solid Growth This Holiday Season, NRF, 2 October 2012

# Selling a hassle-free holiday shopping experience

Consumers are becoming increasingly accustomed to the idea of shopping online. According to NRF estimates, about 51.8 percent of American consumers are expected to shop online, compared to 46.7 percent last year.<sup>9</sup> Though an increased number of customers are expected to shop online, retailers are not expecting a significant difference in the value of average online orders given the fragile state of the economy, as well as disruptive events like Hurricane Sandy, which hit the US on 28 October 2012, further rattling consumer confidence. Sandy depressed sales across eight of the 13 categories tracked by the US government,<sup>10</sup> driving some retailers to start discounting way ahead of the holidays to grab customers' attention.

For time-strapped shoppers, the convenience of having goods delivered at home is the key motivator in placing online orders. FedEx, the world's second-largest package delivery company, is expected to handle approximately 280 million shipments between 22 November and 25 December this year, an increase of 13 percent from the same period last year.<sup>11</sup>

To help convert cautious online browsers into active shoppers, retailers are busy optimizing online environments to better showcase their products and increase brand interest. Faced with tough competition from the seasoned online retailers such as Amazon and eBay, retailers with a less-established online presence are vying for shoppers' attention by offering benefits such as free shipping, same-day delivery and price-matching.

## Delivering on time

Many retailers are looking at the option of offering free home delivery to customers this holiday season. According to the NRF's 'Holiday Consumer Spending Survey,' released in October 2012, nine in ten retailers in the US are planning to offer some form of free shipping for online shoppers. About 37.5 percent of the respondents plan to offer free standard shipping with conditions (such as minimum purchase), while three in ten are expected to offer free standard shipping without any conditions.<sup>12</sup>

Heightened activity during the holidays brings increased concerns about the timely delivery of products. This year, with the surge in

online orders, delivering on time will be all the more challenging for retailers. Some retail heavyweights such as Wal-Mart, eBay and Amazon are leveraging the scale and sophistication of their distribution networks to offer free same-day delivery within select regions. Deploying same-day delivery service is a challenging model to replicate for smaller-scale retailers with less robust systems for managing logistics and distribution challenges.

UPS, the global logistics company, is expected to deliver 527 million packages around the world between American Thanksgiving and Christmas. To ensure timely delivery, the company is planning to employ 55,000 seasonal workers in various capacities across the US. With a view to provide a hassle-free experience, consumers are sent free digital alerts the day before a package arrives. This is to facilitate rescheduling or rerouting of the delivery if the timing doesn't suit the customer.<sup>13</sup>

While scale often dictates delivery speed, ensuring order accuracy and enabling easy returns are critical to overall customer satisfaction. Along with offering effective delivery options, retailers are advised to have an efficient reverse logistics system in place to handle issues related to incorrect or delayed deliveries.

## Competitive pricing

To undercut competitors and attract increasingly price-savvy holiday shoppers, many retailers are taking an aggressive approach to online price-matching. US-based Target Corp. has announced it will match prices on qualifying items sold at Amazon.com Inc., BestBuy.com, Walmart.com and ToysRUs.com, between 1 November and 16 December 2012.<sup>14</sup>

Best Buy will also offer price-matching to help reduce the negative sales impacts of the growing "showrooming" trend, where customers check out products firsthand in brick-and-mortar stores only to leave and purchase them for less from an online competitor.<sup>15</sup>

Since price is a sensitive issue, retailers need to be mindful of their product market and competitor price-points as a mismatch between customer expectations on price could result in lost sales and potentially impact future purchasing decisions.

<sup>9</sup>The holiday season starts now, Internet Retailer, 23 October 2012

<sup>10</sup>Sandy a Factor in Retail Sales Drop Last Month, Weather, 15 November, 2012

<sup>11</sup>FedEx sees online shoppers powering holiday record, Yahoo Finance, 22 October 2012

<sup>12</sup>Online Retailers Launch Seasonal Promotions, Independent Retailer, 26 October 2012

<sup>13</sup>UPS Delivers Hassle-Free Holidays, UPS, 29 October 2012

<sup>14</sup>Target unveils new price match, exclusive gifts and digital offerings for the holiday season, Target press release, 17 October 2012

<sup>15</sup>Best Buy will also offer price-matching to help reduce the negative sales impacts of the growing "showrooming" trend, Huffington Post, 12 July 2012

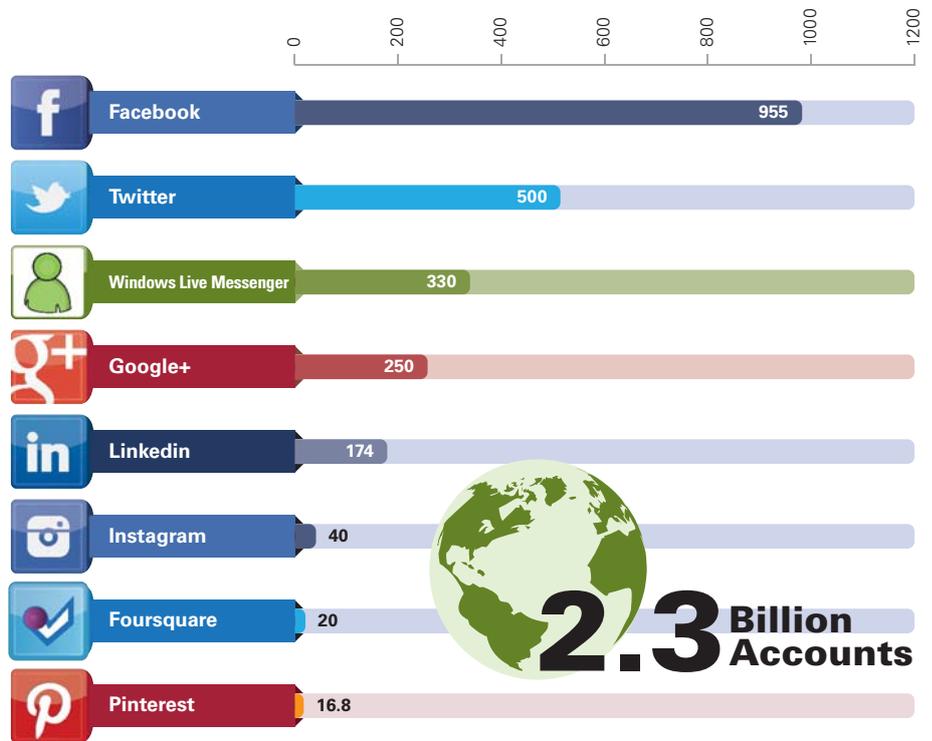
# Enticing and engaging social shoppers

With the widespread adoption of social media across the globe, engaging social media promotions that boost the bottom-line should be at the top of retailers' wishlists. 'Social shoppers', who use social media platforms to inform their purchase decisions, are increasingly consulting their connections on social networking sites, such as Facebook, Twitter and Pinterest, for product recommendations, gift ideas and brand endorsements.

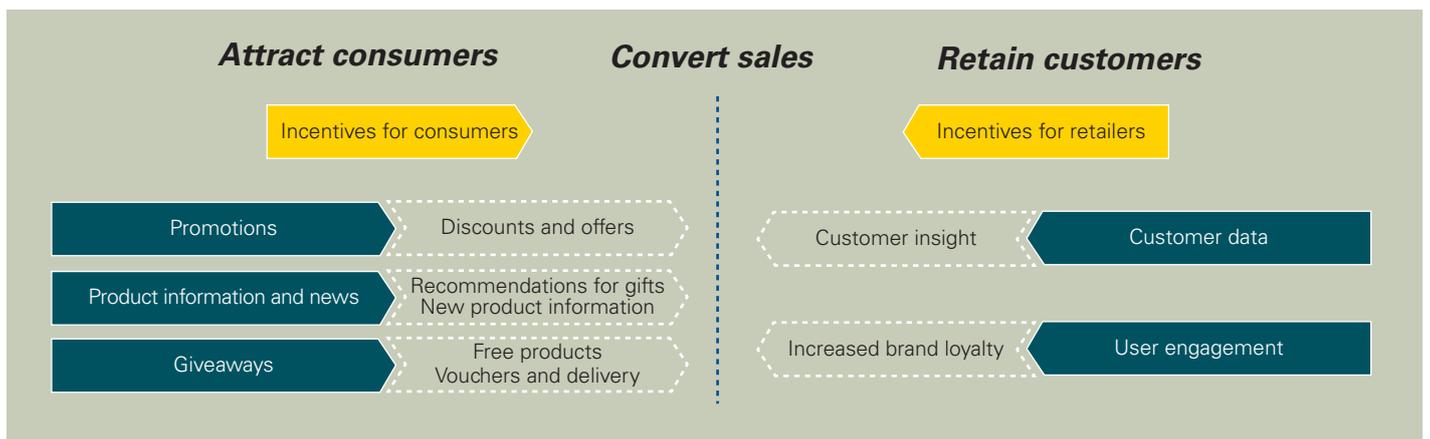
According to a survey by US-based media agency, MrYouth,<sup>17</sup> about 62 percent of respondents made holiday gift purchases as a direct result of an interaction they had on a social media site in 2011; 48 percent of these interactions took place on Facebook, followed by Twitter with 18 percent.

The ability to easily start and stop campaigns and leverage user-specific targeting capabilities have made social networking sites one of the most popular marketing platforms for retailers.<sup>18</sup>

Figure 3: Number of social media accounts in use across the globe (millions)<sup>16</sup>



## Objectives of social media initiatives by retailers this holiday season



<sup>16</sup> See How Massive Social Media Is Now, By Users And Dollars, Business Insider, 27 September 2012

<sup>17</sup> How social media sold the holidays in 2011, Mr. Youth, March 2012

<sup>18</sup> How social media sold the holidays in 2011, MRY Holiday Report

To create an effective social media presence, retailers should look at adopting a combination of two or more of the above-mentioned initiatives. For instance, promotions are often the key drivers for conversations. This includes daily deals, price discounts and free products. Leveraging the consumer data gathered through social media, an increased number of retailers are offering more personalized offers to drive stronger conversions.

Company blogs are also important marketing tools that give a voice to the company. Many retailers often use this medium to circulate news about their products and promotions. Third-party blogs, which also serve to amplify a brand's visibility among customers, can provide credible endorsements reassurance to customers that they are making sound purchases. According to a report from the technology-based social media company, Clever Girls Collective, 93 percent of female shoppers in the US rely on blogger recommendations.<sup>19</sup> As always, online brand conversations can go awry – a reality retailers must be prepared to accept and manage where possible.

According to the study by Payment, 48 percent of the retailers are planning to introduce Facebook promotions this holiday season, including free shipping (34 percent), discounts of up to 10 percent (23 percent) and discounts of up to 20 percent (18 percent).<sup>20</sup>

Facebook's recent entry into the social commerce space with the launch of its new 'Gifts' feature, which enables people to send gifts through Facebook, is expected to further revolutionize the use of social media by retailers. Facebook serves a unique niche for products under \$50 – which can add up quite significantly given its 1 billion users – making them a potential competitor to Amazon's lower price-point offerings.

While retailers are focused on leveraging the dynamics of social media to drive sales, having a comprehensive social media strategy in place to monitor online brand presence and effectively mitigate potential reputational risks is essential. Regular monitoring also helps retailers mine, analyze and leverage consumer data obtained from social media users to drive effective marketing strategies.

## Case in point: Wal-Mart's social media strategy for holiday season 2012

Wal-Mart has formulated an extensive social media strategy to increase sales and triple its number of Facebook fans over the holidays.<sup>21</sup> To achieve this, Wal-Mart is focusing on enhancing user engagement and introducing new promotions through an integrated social media campaign that includes the following initiatives in the US:

- **Get Connected** – Wal-Mart rewards Facebook fans with exclusive offers and promotions.

- **Toyland Tuesday** – Beginning 2 October 2012 through December, every Saturday and Sunday, Wal-Mart's Facebook fans can vote for the toys they want a rollback on. Based on these votes, new prices are implemented the following Tuesday.
- **Wal-Mart Gifts** – The promotion looks at the top trending toys and offers customer gift suggestions based on Facebook friends' wishlists.

<sup>19</sup> Holiday Shopping Trends: New Survey Shows 93% of Women Rely on Blogger Recommendations, and 70% Will Go Over Budget for a Good Deal this Holiday Season, Cisionwire, 14 November, 2012

<sup>20</sup> Small Businesses On Facebook Bullish On 2012 Holiday Shopping Season, AllFacebook, 26 October 2012

<sup>21</sup> Walmart Wants Facebook Sales for Christmas, Wired, 23 October 2012

# Dialing up smartphone sales

While social media is poised to help retailers increase revenues this holiday season, smartphones are set to offer a new world of capabilities to retailers.

As increasingly sophisticated handheld devices become commonplace, retailers can leverage this very personal medium to create unique experiences for customers that differentiate their brand from their peers.

Mobile apps have become crucial in making holiday shopping easier, helping customers find the best deals more easily, assisting them in planning their shopping trips and saving them from the hassle of standing in long checkout queues. According to US-based price comparison service Pricegrabber,<sup>22</sup> coupon apps are expected to be the most popular downloads during the holidays, followed by comparison-shopping apps, bar-code-scanning apps and other holiday-specific apps.

According to NRF's 2012 Holiday Consumer Spending Survey, mobile shopping is expected to account for a significant portion of consumers' shopping experience this year. Figure 4 highlights the expected activity of smartphone and tablet users in the US this holiday season.<sup>23</sup>

QR codes are one of the key drivers of 2012 holiday marketing efforts adopted by retailers such as Target and Kraft to facilitate

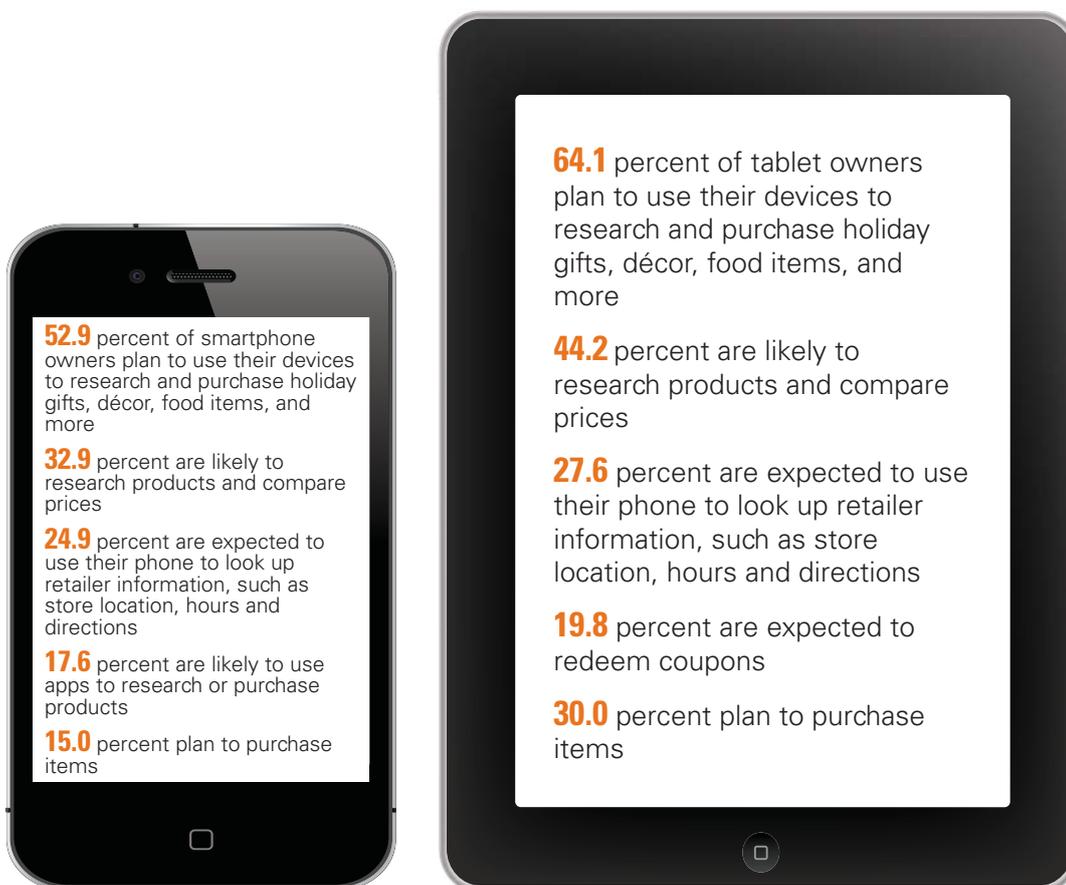
The ubiquitous smart phone empowers the consumer and presents a challenge for retailers as innovations are rapidly changing their business models.

– Mark Larson, KPMG's Global Head of Retail

mobile purchases, converting the challenge of increased showrooming into opportunity by helping retailers educate and influence customers in-store and online. Target is using QR codes to promote the season's 20 most popular toys through an app that allows consumers to scan toy codes in-store. If the scanned item is out of stock at one store, Target can then ship the product, free of charge, to the customer anywhere in the US.<sup>24</sup>

While smartphones have increased sales, they have also considerably increased consumers' brand expectations – retailers must become more adept at meeting on-the-go shopping requirements and creating a seamless user experience fully integrated with the brand's overall marketing and sales strategy.

Figure 4: Expected activity of American smartphone and tablet users this holiday season



Source: NRF 2012 Holiday Consumer Spending Survey

<sup>22</sup> Pricegrabber's second winter holiday study, Pricegrabber, September 2012

<sup>23</sup> Shoppers To Remain Conservative With Holiday Gift Budgets This Year, According To NRF, 17 October 2012

<sup>24</sup> QR Code will play a key role to mobile marketing throughout the holiday season, QR Code Press, 24 October 2012

# Conclusion

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Against the backdrop of slow growth, the growing acceptance of the internet as a shopping medium is proving to be a boon in disguise for retailers. By understanding and leveraging the power of digital and social media, retailers are integrating their online strategies with their overall holiday sales strategies to maximize returns. Social media and smartphones play an equally pivotal role in driving sales – while social media is helping retailers shape customers' purchase decisions, smartphones are helping to generate actual sales.

Engagement is the key metric for determining a successful social media strategy. Engaging effectively with customers online is becoming increasingly important for brands to enhance their visibility this holiday season. However, with the surge in the population of smartphone users and rapid evolution of mobile phones as a retailing channel, an increasing number of retailers are prioritizing mobile phones over social commerce. Along with introducing user-friendly mobile phone apps, retailers are increasingly using QR codes to convert the casual online browsers into customers.

According to Rojeh Avanesian, Vice President of Marketing and Analytics at PriceGrabber, "Instead of clipping coupons, shoppers are scouring the Internet and turning to their mobile devices to find the best deals. With mobile shopping growing at a rapid rate, it will be interesting to see how

retailers will gain the shoppers' attention in the competitive mobile market space this holiday season."

While m-commerce and e-commerce are flourishing, many brands are still unclear about how to utilize social media effectively.

To successfully target the tech-savvy shopper, it is important for retailers to sync their digital efforts with their IT teams to avoid any possible technical hiccups. With increasing complexity in consumers' choices and the growing sophistication of personal technology, retailers need to deliver high-quality touch-points around every transaction this holiday season.

 As consumers shift much of their shopping to online stores, the retail sector will need to move quickly to ensure that their assets and business models are properly aligned to market demands. 

– **Mark Larson**, KPMG's Global Head of Retail

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