

Unlocking the Value of Social Listening for Retail and Consumer Companies

Going beyond likes, followers and comments



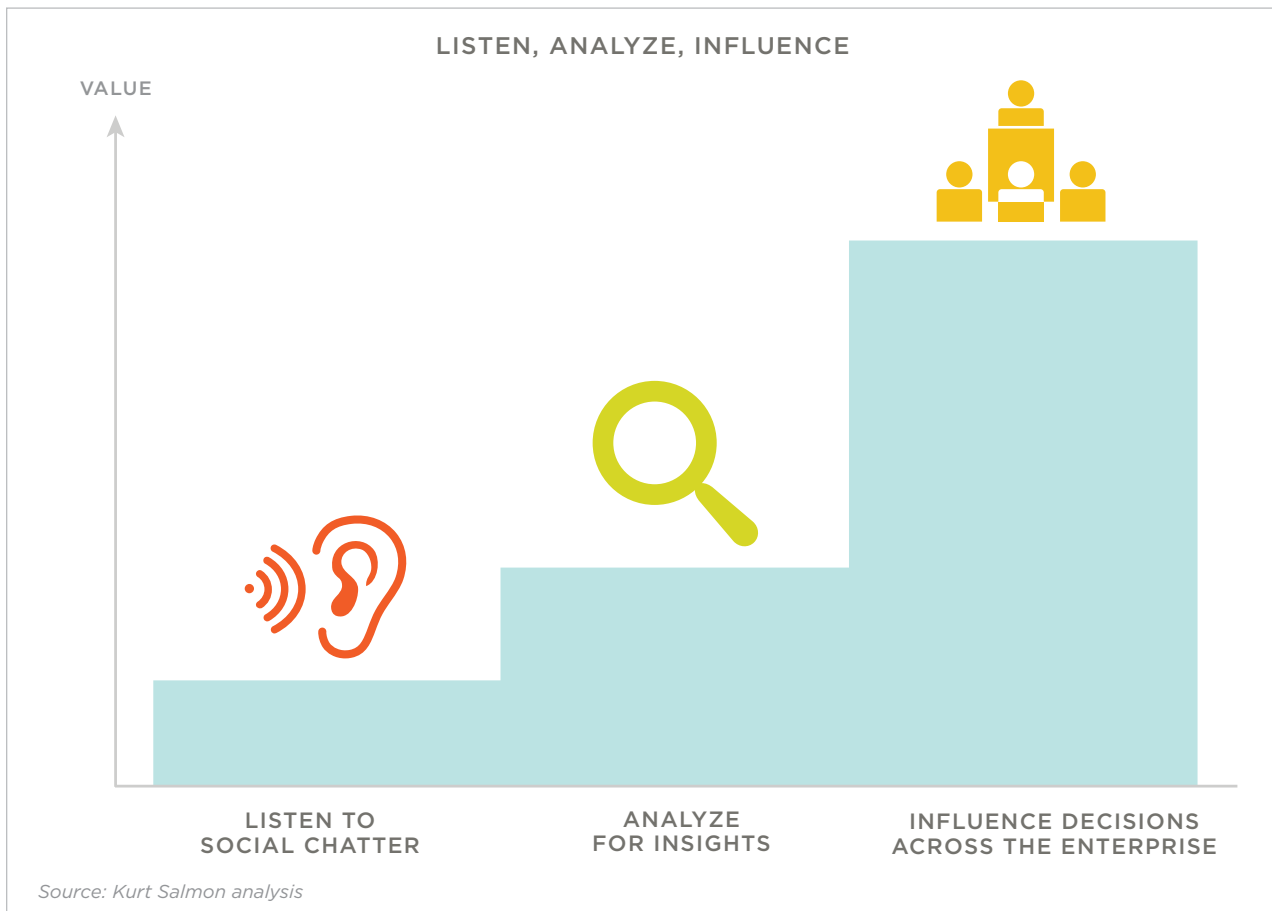
THE OPPORTUNITY

With over two billion users on social media globally, businesses of today are drowning in data generated from social chatter—data about their industry, brand, products, customers and competitors—that could be leveraged to inform business decisions and drive value.¹ As of January 2015, there were 186 million active social media accounts in the United States, with average daily social media use at almost three hours.² In fact, social media has become so engrained in the relationships consumers have with brands that 71% of consumers are more likely to make purchases based on social media referrals, and almost half

of users have purchased an item online or in-store after sharing it or marking it as a “favorite” on Twitter, Facebook or Pinterest.³

While the volume of social engagement is staggering and is only expected to grow in coming years, social media remains something of a mystery even to companies’ top marketing executives. Only 13% of CMOs say they are able to accurately measure its effectiveness, although more than half are under pressure from CEOs and boards to do so. CMOs expect their investments in marketing analytics to nearly double over the next three years, from about 6.4% to about 11.7% of all marketing expenses. Yet

Exhibit 1: Listen, Analyze, Influence—Kurt Salmon’s approach to social chatter analytics.



NORDSTROM: A SOCIAL LISTENING LEADER

In embracing the connection between physical and digital, Nordstrom stands out for its ability to leverage social listening capabilities to inform assortment and inventory decisions. By using sites such as Pinterest to highlight customer recommendations and “pins,” Nordstrom dedicates space in all of its stores to highlight items that are frequently pinned, such as merchandise in women’s shoes and handbags, two of the most-pinned categories from Nordstrom.com. By arming salespeople with an internal iPad app that lets them view the most popular pins, Nordstrom enables associates to adjust inventory levels by store and by department so that popular items are always in stock.

even among those companies that do have social chatter analytics capabilities in place, only a handful are using these tools to derive real-time consumer opinions and preferences that inform strategy and operations across their organization.

Companies that stand out in “operationalizing” social media analytics go beyond the basic metrics of number of followers and impressions on social media. For those on the leading edge, the opportunity lies in enhancing customer centricity—yielding benefits in better product offerings, higher brand recognition and stronger customer loyalty.

THE KURT SALMON APPROACH: LISTEN, ANALYZE, INFLUENCE

Kurt Salmon recommends using a “Listen, Analyze, Influence” model to extract actionable learnings from social chatter to make informed, customer-centric decisions. By **listening** to consumers via social media and **analyzing** that data to determine gaps in assortment strategy, pricing perception and share of voice, retail business managers become empowered to **influence** the business strategy to

enact strategic change and shape the value proposition. (See Exhibit 1.)

Kurt Salmon applied this “Listen, Analyze, Influence” approach to the shoe outlet and beauty industries in the following two case studies, illustrating how insights from social media can aid decision making in eye-opening ways.

LEVERAGING SOCIAL CHATTER IN SHOE RETAILING

Like most aspects of the retail organization, merchandisers and planners now feel the pressure to make assortment planning a more “scientific” process. To enable this change, merchandisers must have a detailed, unfiltered view into consumer perspectives of their own assortment vs. their competitors’ offerings. Through the lens of social listening, Kurt Salmon discovered meaningful assortment opportunities for a leading shoe outlet retailer (hereafter called Shoe Land) based on a social chatter analysis of product attributes (size, style, color, fit, brands, pricing, materials, etc.) for Shoe Land and its main competitors.⁴

EASILY IDENTIFY ASSORTMENT GAPS

By analyzing the social chatter about Shoe Land, we identified aspects of its assortment that disappoint customers and found that negative discussion about sizing and fit represented 40% of all negative chatter. (See Exhibit 2.) Consumers often complained about the scant shoe options available at each end of the sizing spectrum—that is, very large and very small shoes. For example, customers complained: “Why is it that Shoe Land’s stores do not ever carry men’s size seven?” or “Online, the only shoes in my size are ugly.” Regarding complaints about shoe fit, negative chatter was often tied to boot and bootie fit, which accounted for about 25% of negative sizing comments. Consumer comments ranged from “[Went] in store to buy that bootie ... the fit was too small!” to “None of the boots at Shoe Land fit my fat calf.”

While one could easily deduce that size and fit are significant pain points for consumers, social chatter analysis can provide additional guidance for retailers on how each functional area of their organization can work together to improve inventory and assortment. For example:

- » **The buying organization** can use social chatter to pinpoint desired products and adjust inventory levels to ensure appropriate size distribution, especially in popular styles and seasonal offerings.
- » **Store operations teams** can layer social chatter over sales metrics to better understand movements in performance.
- » **Advertisers and marketers** can adjust advertisements, promotions and social media posts to steer attention and conversation toward an

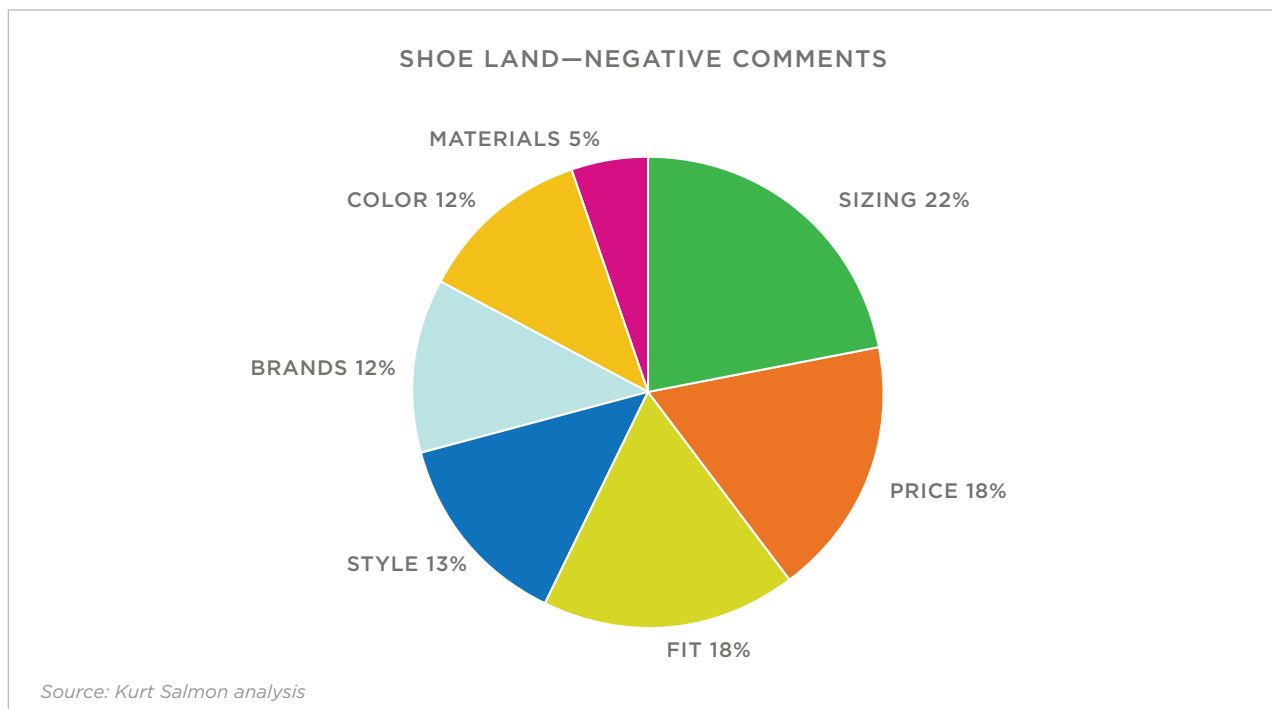
improved inventory and assortment that aligns with consumer demand, tracking any shifts from negative to positive that may occur in social chatter.

Ultimately, Kurt Salmon found that leveraging social chatter analysis can help retailers transform an amorphous collection of customer complaints on inventory and assortment into a focused and strategic set of actions that solve customer challenges and then market those improvements to consumers in order to reverse negative brand perception.

BUILDING ON TOP BRAND INTEREST

Logically, the shoe brand that is mentioned the most on social channels in conjunction with Shoe Land should also be its best-selling brand. But when a disconnect exists between the retail outlet's share

Exhibit 2: Sizing and fit represent 40% of the negative chatter about Shoe Land.



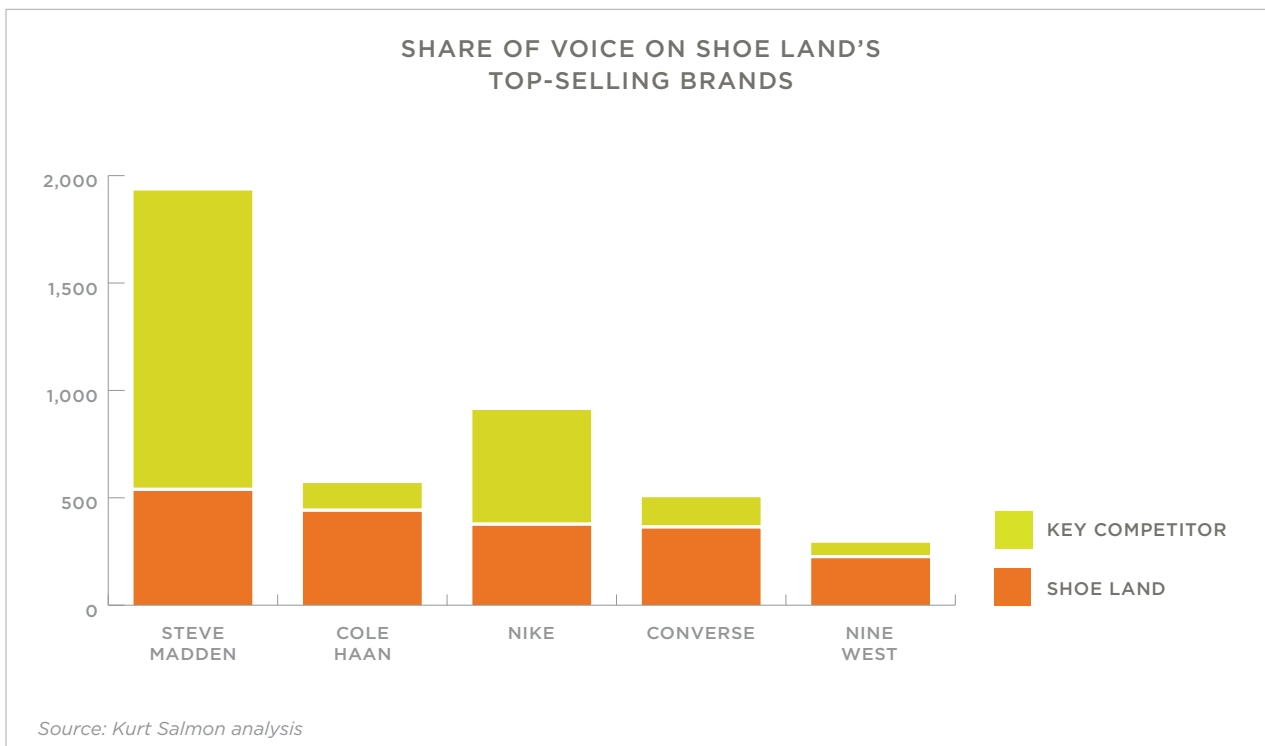
of voice on a particular brand and its sales of that brand, the retailer's planning and store operations organizations should investigate the root causes of this issue using social chatter analytics.

For example, Steve Madden is the top-selling brand of both Shoe Land and its main competitor. Through a top-brand analysis comparing Shoe Land and its key competitor's share of voice on their top five shoe brands, however, we found the key competitor's share of voice related to Steve Madden was nearly 3x that of Shoe Land. (See Exhibit 3.) Using this analysis as a jumping-off point, planning and store operations of Shoe Land should investigate what its key competitor is doing to garner a greater share of voice on Steve Madden products. For example, based on social chatter, are consumers complaining more about the size, fit, variety, etc., of Shoe Land's Steve Madden assortment than that

of its key competitor? Is the competitor investing more in the marketing and promotion of its Steve Madden products, triggering additional chatter? Are the Steve Madden products being sold by Shoe Land being updated seasonally, or is most of its Steve Madden inventory considered to be "dated" by consumers when compared to the Steve Madden assortment offered by the competitor?

By digging deeper into the data and analyzing social chatter around its best-selling brand, Shoe Land can isolate why consumers are talking more about Steve Madden in conjunction with its main competitor and then can address these questions by adjusting inventory based on specific stock keeping units (SKUs), categories or locations. Failure to take action means the competition's extra share of voice today could be Shoe Land's lost share of wallet tomorrow.

Exhibit 3: Shoe Land's key competitor has nearly 3x share of voice on the Steve Madden brand.



LEVERAGING “VALUE” CREDENTIALS

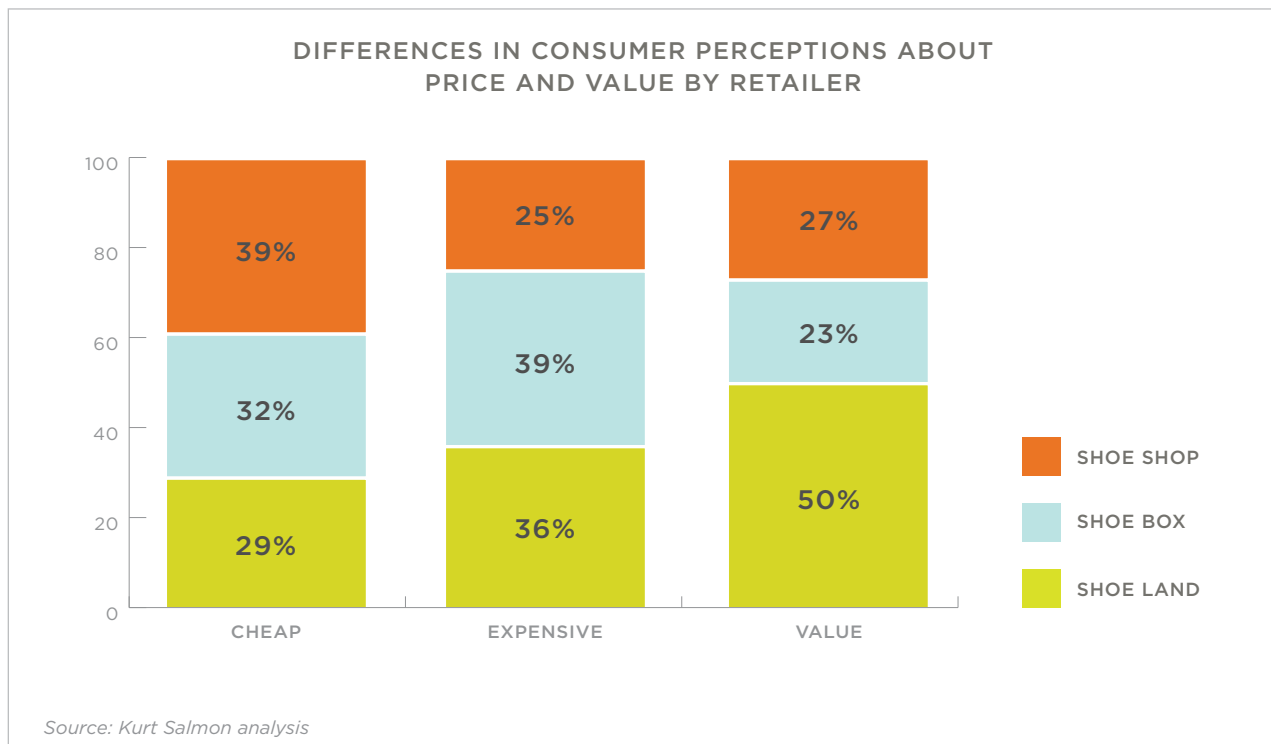
Next, we looked at consumer perception voiced through social chatter across Shoe Land and two competitors (hereafter referenced as Shoe Box and Shoe Shop) to identify which outlets are perceived as providing the best value—quality for the price. We found that consumers most often associate “value” with Shoe Land—in which the outlet garnered 50% of the “value” share of voice. (See Exhibit 4.) On the other hand, its main competitors, Shoe Box and Shoe Shop, earned the plurality of mentions for “expensive” and “cheap.”

Digging deeper into the data can help Shoe Land determine the implications of these brand associations. First, Shoe Land’s leadership and strategy teams must partner with its social analytics team to determine whether their target consumers view

“cheap” positively or negatively. If low prices are a big draw to Shoe Land’s target market, for example, merchandisers and store operations can highlight the right brands and styles that buyers and planners should focus on and feature in stores—in this case, products that have low price points. Additionally, if low prices are important to target consumers, Shoe Land’s advertising and marketing teams should highlight low prices and discounts within stores, as well as through advertisements and promotional campaigns.

On the contrary, if expensive prices of products are associated with higher-quality luxury items and therefore are seen as valuable by Shoe Land’s target market through negative “cheap” chatter, merchandisers and store operations can highlight the right brands and styles that buyers and planners

Exhibit 4: Consumers predominantly associate value with Shoe Land—that it offers top quality for the price.



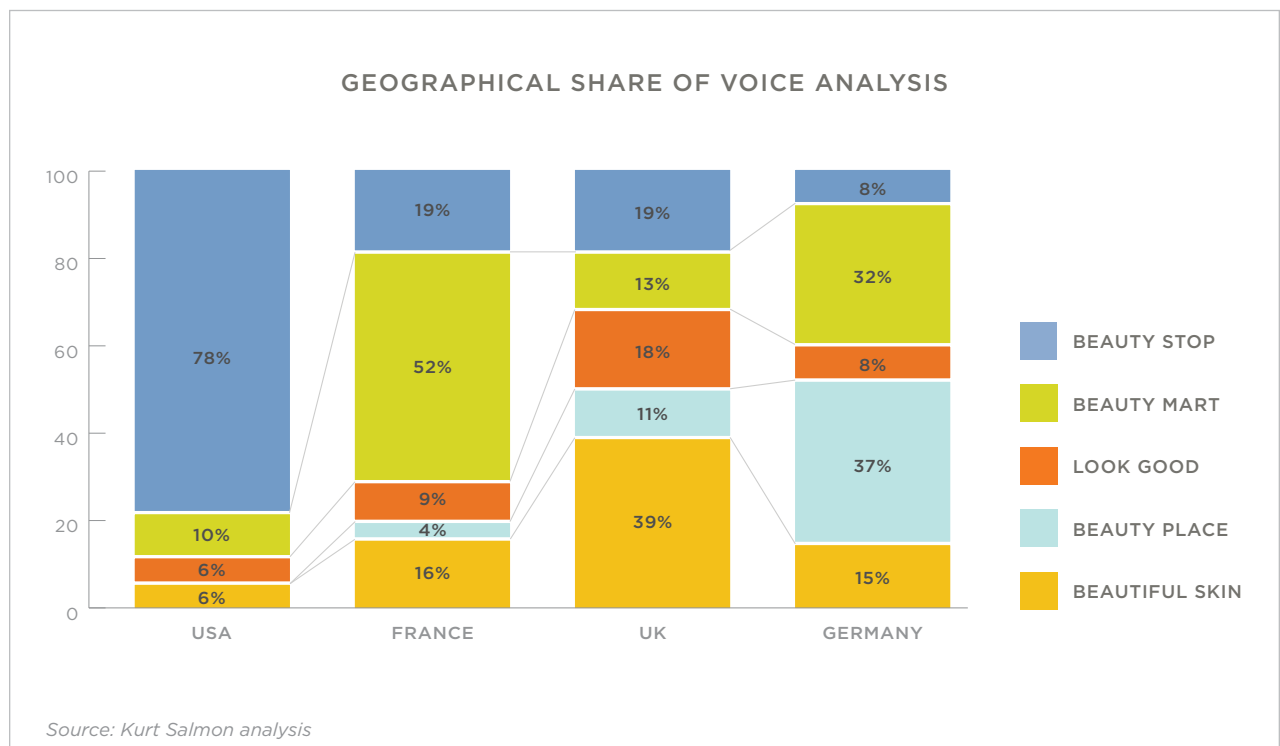
should focus on and feature on store shelves—in this case, products that have higher price points. Marketing and advertising teams should focus on casting Shoe Land as a luxury brand, illustrating through ads and campaigns how products are made from high-quality materials that justify the more expensive costs.

In summation, social media analyses can help Shoe Land determine gaps in its assortment strategy and then tailor its assortment toward what best appeals to its desired target customer. Strategy, merchandising and store operations teams can capitalize on their knowledge of consumer preferences learned through social chatter analytics and work together to provide a better value proposition to customers to drive sales and perhaps even draw market share away from key competitors.

EMPLOYING SOCIAL LISTENING IN BEAUTY CARE

The strategy team of any business has historically relied on expensive and time-intensive market research to help develop and shape their company’s strategy. Unlike traditional market research, social listening analytics doesn’t rely on focus groups or the costly and time-intensive designing and fielding of surveys, significantly reducing the day-to-day costs of gaining market insights. Social analytics also allows retailers to go back in time to see how sentiment toward assortment, pricing, etc., is trending in order to inform future business decisions. And because social listening analytics can be run on a rolling basis, companies can ensure that their market intelligence is always up to date. Ultimately, timely analysis of social chatter not only

Exhibit 5: Beauty Stop dominates share of voice in the United States.



provides additional insights into brand perception and awareness metrics, but also highlights key strategic areas in which to invest.

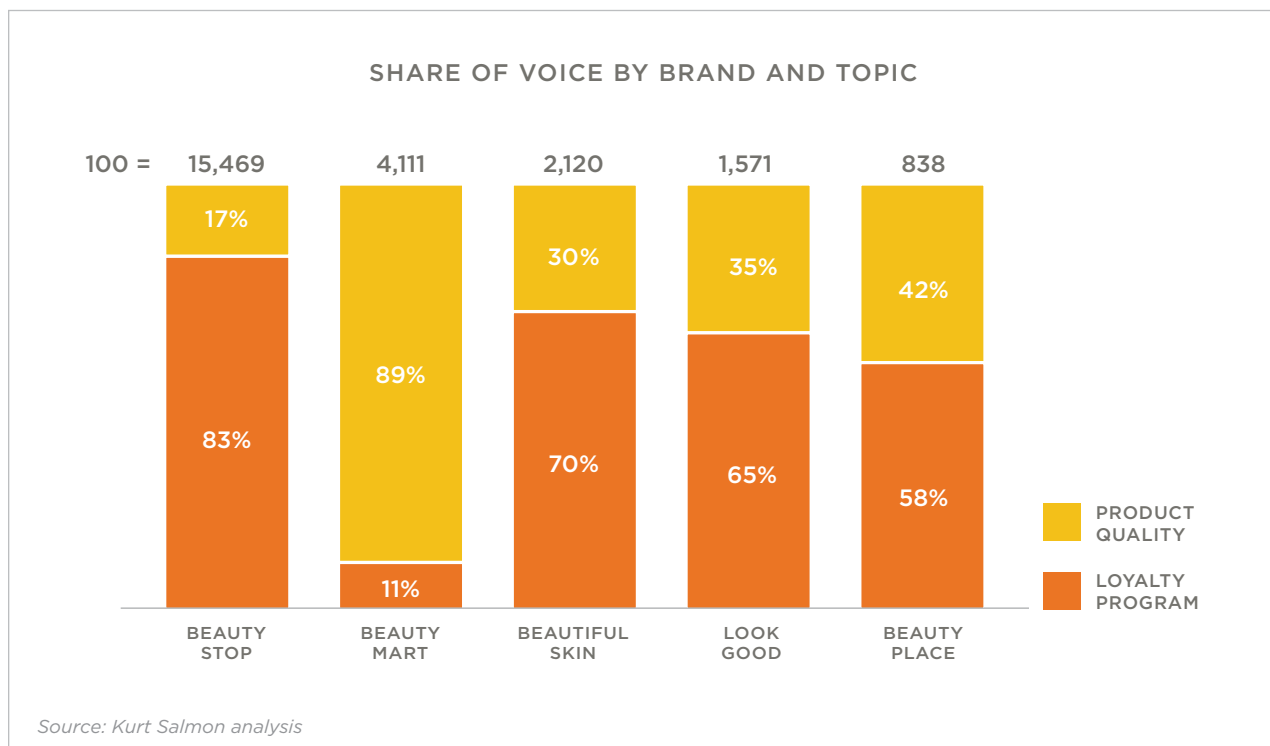
Looking closely at five global cosmetics brands across four countries, we gathered social data related to loyalty programs and product quality. Comparing and categorizing chatter in these countries and in three different languages, in an apples-to-apples manner, provided insights that could impact future strategic decision making.

IDENTIFYING OPPORTUNITIES BY GEOGRAPHY

Social chatter analysis helped bring to light stark differences in each brand's share of voice by geography: Beauty Stop dominates share of voice

in the United States with 78% of total mentions, while Beauty Mart (52%) and Beautiful Skin (39%) garner the most attention in France and the U.K., respectively. (See Exhibit 5.) Based on this data, we could examine how share of voice correlates with market share in each geography. For example, while Beauty Mart has only 10% share of voice in the United States, they have a 13% share of market in this geography.⁵ To understand the drivers of the variation in share of voice between geographies, a brand can scrutinize online engagement activity per geography and the strength of its loyalty programs. From such a deep dive, brands can identify if an opportunity exists to grow in other geographies or determine a more localized brand communication strategy. For example, Beauty Mart,

Exhibit 6: Loyalty programs drive customer engagement and fuel broader awareness.



which holds less than a quarter of the beauty products market in the United States, clearly leads its competitors in share of voice on social media. Beauty Mart could explore how to leverage lessons learned in the United States to grow its share of voice in other geographies while also investigating what types of customer incentives might help translate share of voice in the United States into growing market share.

DRIVING AWARENESS THROUGH LOYALTY PROGRAMS

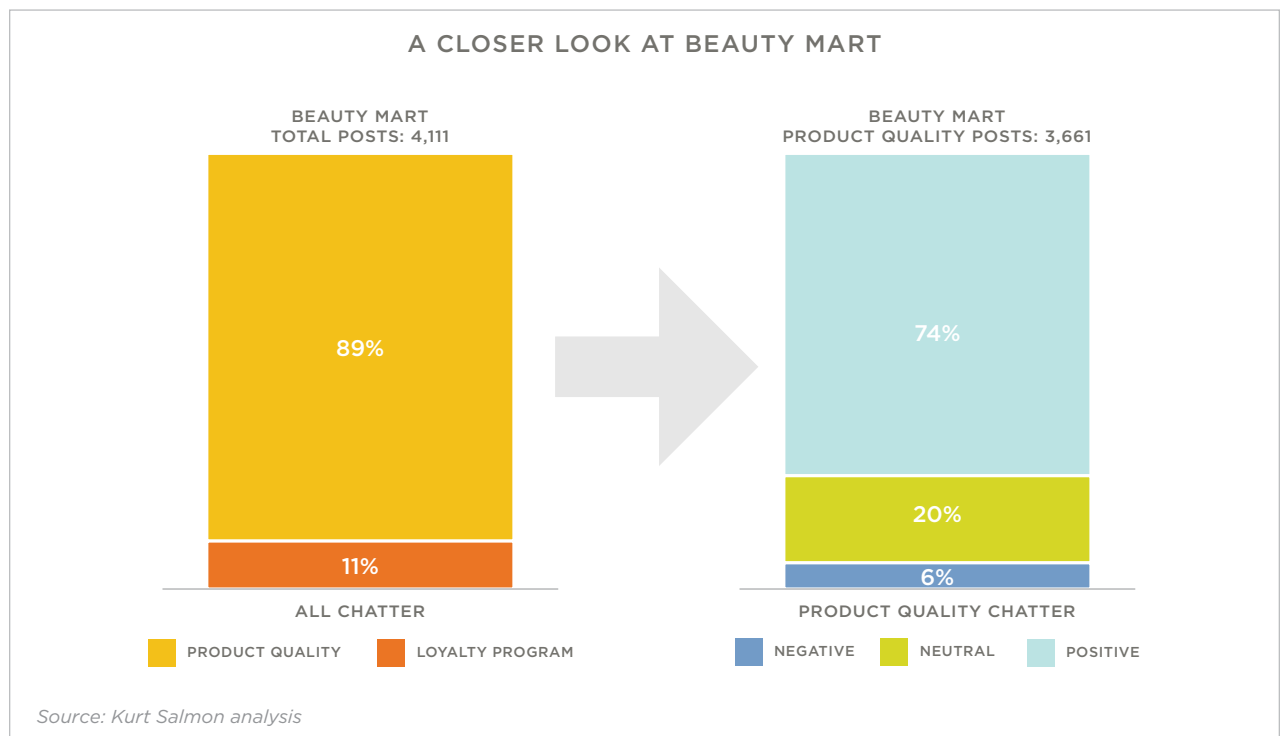
Loyalty programs are booming globally. For example, Americans now hold 3.3 billion memberships, according to research company Colloquy—that’s 10.3 loyalty memberships for every man, woman and child in the United States. This offers a strong opportunity for brands across the globe to leverage

strong affinity to their loyalty programs to increase their share of voice and market share.

When comparing the composition of social chatter generated by the five cosmetics brands across all geographies, we found that the loyalty programs of all the brands, with the exception of Beauty Mart, generated the majority of buzz on social media—suggesting that loyalty programs not only help drive customer engagement, but also foster broader awareness. (See Exhibit 6.) Today, Beautiful Skin and Look Good lead the industry in social reputation, primarily as a result of positive sentiment from their loyalty programs.

Beauty Mart, on the other hand, is a laggard in leveraging their loyalty program to heighten brand image. While 89% of its social mentions are tied to product quality, 74% of which are positive, only

Exhibit 7: Beauty Mart lags in leveraging its loyalty program to heighten brand image.



11% of social chatter around Beauty Mart was related to its loyalty program. (See Exhibit 7.) Digging deeper, we could isolate which categories, products or attributes drive chatter about product quality. Based on this evidence, Beauty Mart has the opportunity to leverage its positive chatter about product quality to strengthen its loyalty program messaging and therefore increase its share of voice and brand affinity. When these two aspects are merged—solid products and a strong loyalty program—a “sum-is-greater-than-the-parts” effect will be fostered, in which a superior brand experience will strengthen brand image and lead to stronger brand affinity.

KEY TAKEAWAYS

Based on our research and analysis, we have identified the following insights:

1. Listening, understanding and utilizing social chatter insights can unlock significant operational benefits.
2. Kurt Salmon’s “Listen, Analyze, Influence” framework enables retailers to take action on social chatter data.
3. Social chatter insights can help retailers adjust product offerings to more quickly address opportunities and gaps.
4. Social listening can aid in growing a company’s presence and tailoring offerings in diverse geographies.
5. To remain competitive, today’s retailers must aggressively use social media to bolster brand image and capitalize on customer loyalty opportunities.

From sourcing to servicing, social chatter data provides valuable customer insights across the organization. As companies move more into an omnichannel world, social chatter analysis will aid in painting a more complete picture of consumers and ensure seamless engagement in-store, online and on the go. ❖

¹ Jeff Bullas’ blog, 2015

² We Are Social, 2015

³ SocialMediaToday, 2014

⁴ Time period: 9/23/2013–10/15/2014

⁵ Kurt Salmon analysis of data in company financial statements



Kurt Salmon is a global management consulting firm dedicated to building the market leaders of tomorrow. More than just partnering with our clients, we ally with them, integrating ourselves seamlessly into their organizations in order to develop innovative, customized solutions for their 21st-century business issues.

Succeeding in today's increasingly complex, consumer-driven environment is an enormous challenge.

But companies need to look beyond today; they need to position themselves for continued success in the even more uncertain future. That's where Kurt Salmon comes in.

We call it delivering "success for what's next." The results are transformative.

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