

RETAIL INTIMACY 2.0 (PART 1)

Winning at Walmart.com

In collaboration with:



As the retailer steps up its e-commerce game, marketers must do their part to help create a better overall shopping experience.

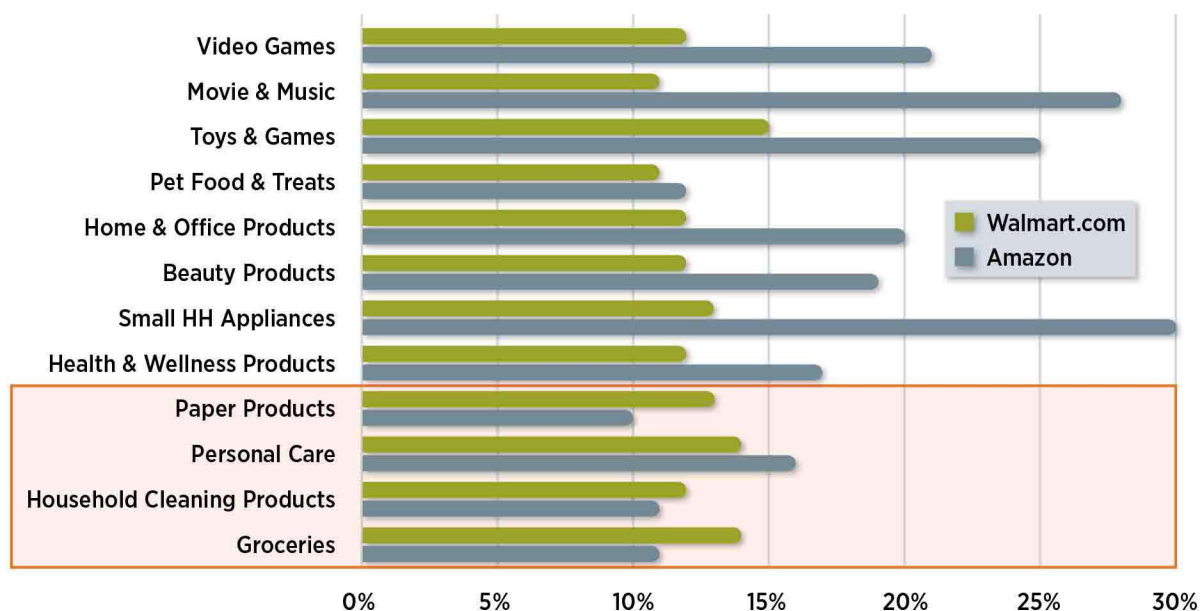
By Michael Applebaum

Over the past 12 months, the storylines in the ongoing struggle for e-commerce supremacy among the nation's top retailers have taken a number of twists and turns. One of the more intriguing sub-plots emerged earlier this year when the shipping wars heated up between Walmart and Amazon.com. On Jan. 31, 2017, Walmart sent a shot across the bow when it began offering free two-day shipping on orders of \$35 or more, replacing its previous subscription service with a much broader offer on nearly 2 million products. Three weeks later, Amazon shot back, lowering the minimum threshold for free delivery to its non-Prime members to the same \$35 level.

It was an unmistakable sign not only of how intense the competition had become to win over internet shoppers, whose already high expectations now include shorter delivery windows at little or no extra cost, but also just how quickly giants like Walmart and Amazon are willing to change tactics in this rapidly evolving retail environment.

Walmart is giving every indication that it plans to remain agile as the entire industry adjusts to the reality that consumers no longer make binary "online" or "offline" choices in the ways that they shop, says Scott Caldwell, senior vice president, client services, and Walmart team leader at Catapult. "Walmart's best path to success is to play to

Top products purchased at Walmart.com, compared with Amazon



Source: Catapult Shopper Lab Online Survey of Shopping Patterns at major retailers, Spring 2017

its existing strengths by layering its e-commerce and technology capabilities on top of its distribution and physical store infrastructure to reach the shopper where, when and how she wants," he says.

Using Digital to Drive Store Traffic

Amazon remains the undisputed leader in online retail with sales and annual growth rates that dwarf those of its nearest competitors. However, as the world's largest brick-and-mortar retailer, Walmart is focused on leveraging its biggest strength: using the digital medium to drive store traffic. With its vast global network of 11,530 locations, including 4,629 U.S. Walmart stores and 654 Sam's Club outlets, the company is well-positioned to execute a hybrid omnichannel growth strategy to capture shoppers across every moment of truth. The approach is evident in many facets of Walmart's business: from its beefed-up e-commerce operations, supply chain and management teams; to its expanded click-and-collect services; to updates to its mobile app that allow customers to bypass the pharmacy counter and money services department for faster checkout.

"Walmart understands that today's shoppers are omnishoppers: They pick and choose the channel and the shopping method that suits them in any



"Jet.com is known for an algorithm that encourages bulk buying. Incorporating its smart cart model into Walmart's offering could boost sales."

Scott Caldwell, SVP, client services & Walmart team leader, Catapult



“Brands need to be executing against a connected, simple experience for the shopper that lives both online and offline.”

Cassie Wenger, creative director & Walmart team member, Catapult

given moment,” Caldwell says. “Whether it’s the weekly grocery pre-planning process, webrooming, the quick trip or consolidating a few hours of shopping at the grocery pickup lane, Walmart is rapidly expanding the blended-channel concept and providing multiple mediums to assist shoppers and capture sales.”

All of these changes have major implications for the manufacturers who work with Walmart on e-commerce initiatives. Going forward, it will no longer be enough for companies to designate their business with Walmart as in-store or online only, says Mark A. Fields, senior director of account services at Catapult.

“As shoppers leverage the digital medium to explore, get inspiration and simply make their lives easier, manufacturers must take part in the process from end to end,” he says. “Weaving the brand throughout the customer experience is vital to becoming top of their consideration and conversion set. As popular shopping apps and coupon sites generate even greater savings, brand partners should use these tools to drive shoppers to Walmart’s digital mediums – and to help to boost their bottom lines.”

The Walmart Shopper: New Data

Because of Walmart’s sheer size and scale, its shopper profile typically mirrors that of the overall U.S. shopper. Additionally, Walmart shoppers exhibit similar cross-shopping patterns as consumers generally do – i.e., they shop not only at Walmart stores and on Walmart.com, but also at all of its top competitors (namely Amazon). These widely accepted observations are consistent with the top-line results from a new research study conducted by Catapult’s Shopper Lab. The online survey of 1,400 respondents, which includes an assessment of shopping patterns at major retailers within the past six months, also provides insights into potential new e-commerce opportunities specifically with Walmart.com. (For more on the survey, see sidebar on page 20.)

Overall, the survey data suggests that Walmart.com shoppers are more engaged than Amazon.com shoppers in a wide range of e-commerce behaviors, including those related to in-store purchases. For example, 42% of Walmart.com shoppers researched product information online but bought the products in a physical store (not necessarily a Walmart store), while 45% made a purchase online and picked up the item in a store; for Amazon.com shoppers, those results were 39% and 35%, respectively. Moreover, the frequency of many of these behaviors among Walmart.com shoppers has increased over the past year. (See chart on page 20.)

In the aggregate, these data points suggest that Walmart.com is having some success in attracting shoppers – including Millennials – who display fluidity in alternating between online and in-store channels using all available tools.

Walmart.com shoppers were even found to own a greater number of smart home devices than Amazon.com shoppers. That includes Amazon’s own Alexa and Echo devices, the two most frequently purchased smart home products by both groups of shoppers. Among Walmart.com shoppers in the survey, 20% owned an Alexa and 19% owned an Echo; both of those figures were 8 points higher than they were for Amazon.com shoppers.

Still, it is difficult for any retailer to claim a clear loyalty advantage online – with any group – because of the agnostic nature of internet shopping, Caldwell says. “The online shopper doesn’t care who they buy from, as long as they get what they want at the best price. That is why you are seeing the constant headlines about price wars particularly in the online grocery sector, which is heating up a lot,” he says.

Scanning the E-Commerce Opportunities

For Walmart’s myriad e-commerce partners, the best growth opportunities may lie in a specific group of categories in which Walmart.com is showing relative strength, according to the Catapult survey. Those include groceries, paper supplies and household cleaning, where it has a slight lead over Amazon.com, as well as pet care and personal care products, where it is only slightly behind the leader. Amazon, meanwhile, holds a significant lead in a variety of entertainment categories, beauty supplies and household appliances. (For a complete list, see chart on page 18.)

In order to leverage these strengths, it is imperative for Walmart’s marketing partners to maintain a strong and consistent brand presence across all of the retailer’s digital and physical platforms, says Cassie Wenger, creative director and Walmart team member at Catapult. “When brands go to market, they need to be thinking about and executing against a connected, simple experience for the shopper that lives both online and offline,” she says.

Drew Mathias, senior shopper marketing manager for Georgia-Pacific, says that Walmart’s digital platforms are proving a critical outlet for the company to conduct one-to-one marketing with shoppers throughout the chain.

“We’ve shifted our approach in the digital space, not just to increase our opportunity in e-commerce, but also to complement [Walmart] shoppers’ in-store and [Sam’s] Club experiences,” Mathias says. “Shoppers across retailers are becoming more heavily reliant on digital not only to save money, but also to save time. Being able to offer our shoppers the ability to select the right product at the right price is just as important as doing so when it is convenient for today’s busy, time-starved consumer. Doing this with as little ‘friction’ as possible is the key to winning these consumers.”

Becoming a ‘Digital Enterprise’

Walmart Stores CEO Doug McMillon has made no secret of the challenges that the company faces in getting its e-commerce operation to a level that will jump-start its overall business. “We gave some others a head start – we’re trying to catch up,” he told attendees of the World Economic Forum in January. “We have to build technology into the company more than ever before and become more of a digital enterprise. That requires different ways of working.”

A series of recent acquisitions could drive significant e-commerce growth for Walmart going forward. Last year the company purchased Jet.com for \$3.3 billion, and this year it bought out

FIVE KEYS TO WIN

1 Bridge the gap between brick-and-mortar and e-commerce enterprises

■ Educate the organization ■

Understand the various ways shoppers are blending digital and physical channels to research and buy products

■ Create solutions that work in both the online and offline spaces ■ Use all available tools to drive shoppers to Walmart’s digital platforms

2 Invest in e-commerce teams and resources

■ Staff in local sales teams ■ Ensure that suppliers get items on Walmart.com

■ Create simplicity for the shopper and focus on supply ■ Be vigilant and build programs that help guard against counterfeit brands and third-party sellers

3 Think ‘one’ strategy

■ Work to break down organizational silos ■ Innovate using cross-functional teams to create a simple, connected experience for the shopper

■ Increase collaboration between agencies, suppliers and vendor partners ■ Create solutions that work harmoniously across the online and offline spaces

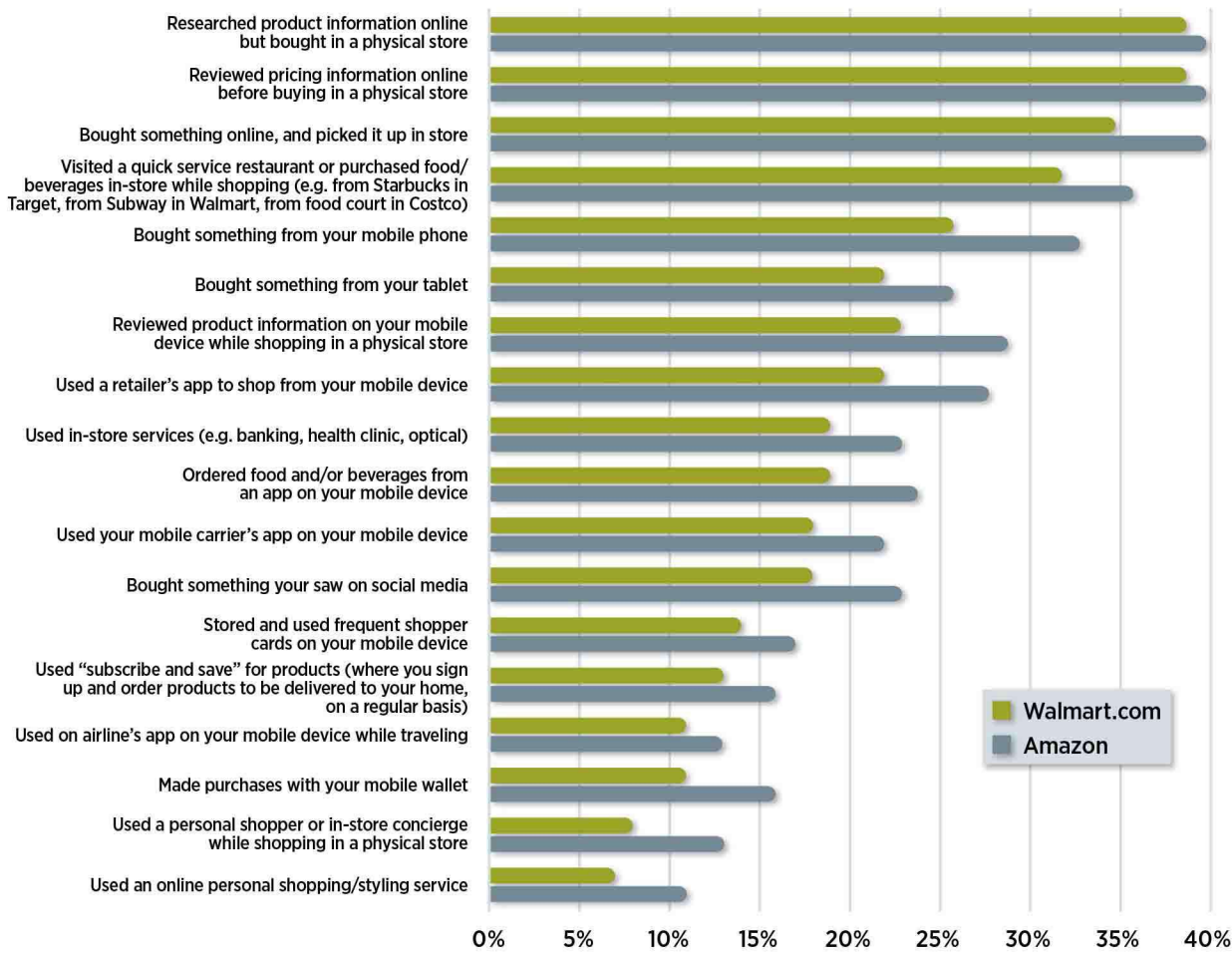
4 Better utilize Walmart.com and WMX platform

■ Weave the brand throughout the customer experience ■ Link online features/placements to in-store features/placements ■ Ensure that savings offers on multiple items are simple and accessible across research, trip planning and in-store purchasing

5 Be a true partner

■ Engage buyers in a broader store conversation that takes digital into account ■ Bring data, category insights and brand assets to the table ■ Align brand/WM priorities or promotional periods and focus on exclusives ■ Find ways to enhance pickup and offer new innovations

Shopping Behavior 'Done More Frequently' than in the Past



Source: Catapult Shopper Lab Online Survey of Shopping Patterns at major retailers, Spring 2017

the online clothing retailer Moosejaw for \$51 million. Apparel is now the leading online sales category, according to data from comScore, and Walmart's takeover of Moosejaw gives it an immediate boost with some 400 apparel brands sold on the site, including popular high-end names like Patagonia and The North Face. The company has also upped its stake (to 12.1%) in the Chinese e-commerce giant JD.com.

Of all these moves, the Jet.com purchase is seen by many experts as potentially having the most impact on Walmart's business. "Jet.com is perhaps best known for an algorithm that encourages bulk buying. Incorporating its 'smart cart' model into Walmart's buy online, pick up in-store offering could boost the retailer's overall sales," explains Caldwell. The significance of the purchase extends

beyond the supply chain: "We're also seeing a significant restructuring of human resources and additions to the talent pool that will support the next generation of growth for Walmart," he says.

In the meantime, the retailer continues to accelerate the pace of many of its key digital initiatives. In recent months, Walmart has blanketed the Southern U.S. with its grocery pickup service and expanded the program into more than 80 markets. According to *Forbes*, 90% of the U.S. population lives within a 15-minute drive of a Walmart store. That kind of scale gives the company significant built-in advantages, says its president and CEO of e-commerce, (Jet.com founder) Marc Lore.

"Leveraging the store capabilities with in-store pickup is a huge advantage because it avoids last-mile delivery costs, which is about 70 to 80% of

total delivery cost," he recently told analysts. "If you're able to fulfill stuff in an e-commerce warehouse and you have enough volume to line haul stuff directly to the store, your cost to ship is \$1 per package. It's an incredibly powerful asset."

As Walmart draws on all of its assets, marketers must strengthen their own commitments in order to ensure further e-commerce gains with the retailer, Caldwell says. "Today, CPG companies must have dedicated resources for e-commerce and a digital strategy with Walmart given the customer's direction and shoppers," he says. "However, it is not enough to have item pages on Walmart.com or dedicate a certain budget to e-commerce. Suppliers now need to be considering how an item can succeed in a holistic way across every shopper touchpoint from online to in-store." SM

Retail Intimacy 2.0:

HOW WE GOT HERE

"The challenge for the industry remains how to use digital as not just an augment to the shopping experience to drive more sales, but rather as a tool to facilitate richer in-store experiences that help to differentiate beyond just price and convenience."

Mark Fields, Catapult

In reimagining the retail intimacy series with *Shopper Marketing* to put the exclusive focus on e-commerce, Catapult launched a research study to generate insights into the digital and physical shopping habits and behaviors of consumers.

- In January 2017, through its proprietary Shopper Lab, Catapult conducted a 10-minute online survey of 1,400 shoppers (including an oversampling of Millennials) to explore how attitudes and behaviors vary at each of the following retailers: Walmart, Kroger, Amazon, Target, CVS and Walgreens.
- Questions were asked about shopping behaviors at brick-and-mortar stores, as well as on the retailer websites, over the past six months.
- *Shopper Marketing* used the data profile to supplement the insights provided by Catapult's executives into working with each retailer on e-commerce development.
- Additional results will be featured in upcoming profiles throughout the year.

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Mark A. Fields, senior director of account services, Catapult



About the Sponsor

Catapult is a conversion marketing agency, where branding and buying are part of a total solution. Catapult's data-driven approach identifies the core, actionable insights that inspire brilliant creative with the power to convert consumers into shoppers, shoppers into buyers, and buyers into loyal advocates. Catapult delivers channel-agnostic solutions that are brand savvy, retailer smart, and digitally enabled. Catapult is an Epsilon brand. Visit them at www.catapultmarketing.com and on Twitter @catapultmktg.