

An aerial, high-angle view of a modern shopping mall. The image shows several escalators with people using them. The mall has a clean, contemporary design with light-colored walls and floors. There are some potted plants and decorative elements visible. The overall atmosphere is bright and open.

THE RETAILER'S GUIDE TO BRAND ADVOCACY

A PUBLICATION OF:

CR:WDLY

[Brand] Love is {Actually} All Around

A look inside the world of brand advocacy for United States departments stores

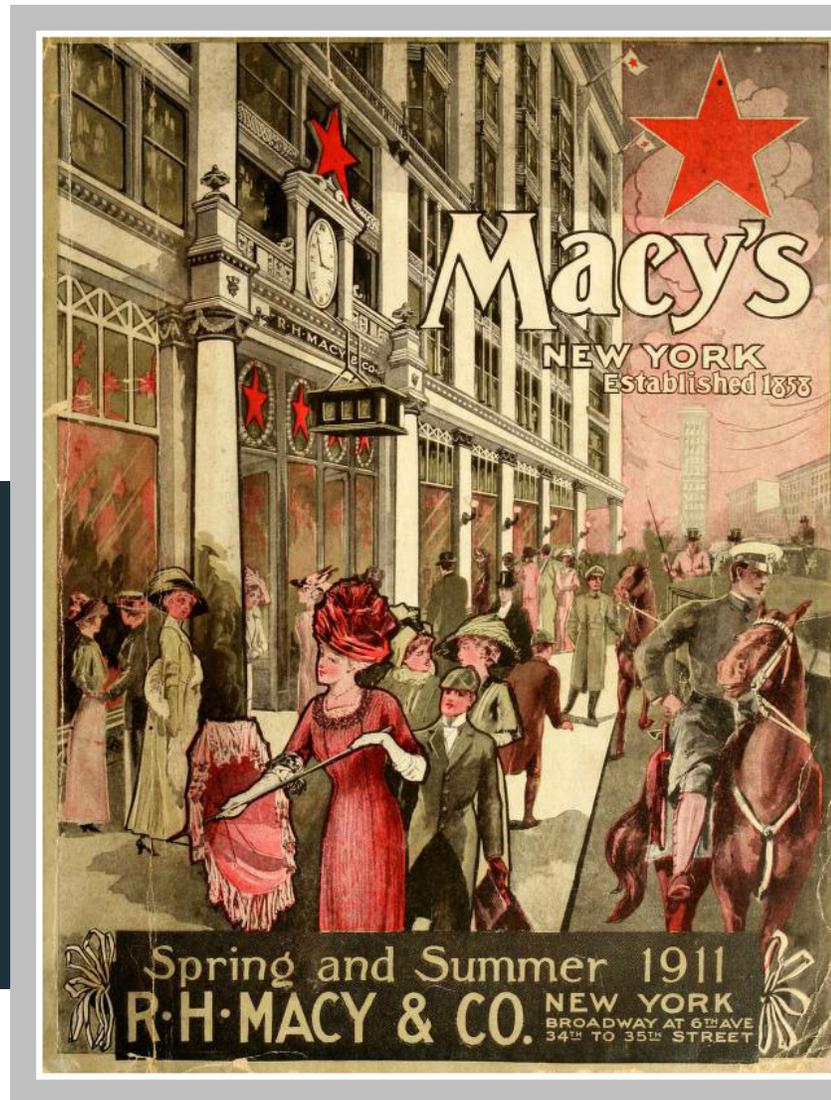
Department stores gave the U.S. its first taste of retail convenience long before Amazon Prime hit our palettes. The popularity of the Sears catalogue allowed consumers to shop from their couch in a time when home shopping didn't have its own television network. The Macy's Thanksgiving Day parade injected retail into a holiday previously baked with a healthy dose of family values. At the heart of America's love affair with retail and consumerism is the mighty department store.

While ghosts of shuttered companies like Philadelphia's Wanamakers and Boston's Jordan Marsh warn against changing consumer patterns, 6 of the 10 oldest retailers in the U.S. still stand as brick-and-mortar behemoths in Lord & Taylor, Macy's, Bloomingdales and Saks Fifth Avenue, Sears, Belk¹.

Despite consumers' familiarity with these brands, the market growth has shifted to reward e-commerce savvy retailers over traditional brick and mortar, with reports² predicting internet sales to increase over 20% in 2015 worldwide. Finding a brand's customers online has never been more important. Finding its biggest advocates has become imperative.

There's been a substantial shift in marketing strategy as brands are rapidly moving from broad mass outreach on digital, to tapping a core group of loyal advocates to bring their message out to the world. 26% of the population now influence the purchasing activities of the other 74%³. Our findings echo that data, showing that the core group of superfans that have a pivotal role in determining the ultimate success or failure of brand initiatives is much smaller than many expected.

This report offers insights and guidance based on extensive research of social communities, loyalty programs, engagement metrics, and industry sales statistics. The sources range from existing industry reports to real data gathered through Crowdly's Advocate Marketing platform for the brands included in this comprehensive breakdown.



Why Advocacy?

It works.

Word of mouth is the most trusted and effective method of brand marketing. That hasn't changed. What has changed is the opportunity presented by millions of aggregated digital brand fans, and the technology to harness and measure that advocacy at tremendous scale.

It's more effective than ever.

The same consumers who are increasingly more receptive to the recommendations from their friends are continually becoming ad-blind. So much so that only half of users ever click on an online ad at all⁴, a decline of more than 20% over the last 10 years. That means consumers skip any advertising they can, and are resistant to messages directly from the brand. Contrastingly, 92% of consumers worldwide trust a recommendation from their friends and family over those same advertisements.

It's more economical.

It costs 6-7 times more to find a new customer than it does to retain an existing one.⁵ What's more, those loyal customers deliver 80% of a brand's revenue.⁶ Using the Crowdly platform, we found that roughly the same numbers hold true in brand communities, as 3% of fans drive 80% of the engagement.



The Power of the Few to Influence Many:

80%

Amount of revenue driven by a loyal base of customers⁶

6-7X

Costs of finding a new customer than retaining existing ones⁵

3%

of brand community fans drive 80% of engagement

The Brands

We selected some of the most well-known department store brands in the U.S. to research. Here's what the average brand community looked like.

COMMUNITY SIZE OF 3.1 MILLION

- The largest community we looked at was 14.6 million
- The smallest community we looked at was 361,000
- That makes the average value of a Facebook brand community for major department stores hover at \$539.4 million⁷

FOUNDED AS EARLY AS 1826

- The brands we researched were founded in the continental US as early as 1826 and as recently as 1988

THEY CARE ABOUT LOYAL CUSTOMERS

- Every brand researched offers a customer loyalty program

Effective Engagement

Many companies measure the success of a brand community in terms of fan engagement. While the number of likes, shares, and comments are important to measuring how well-received brand content is, the buck shouldn't stop there.

Focus on the following to truly gauge effective engagement:

- What percentage of fans are engaged?
- How frequently are those fans engaged?
- How many subsequent reactions are driven by those engagements

And don't forget, not all engagement is created equal:

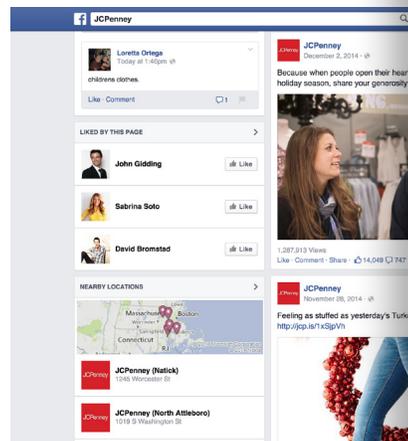
- Value comments and shares over likes, as they drive the deepest engagement

QUALITY OVER QUANTITY

On average, the brands we looked at were doing a great job driving engagement -- with over 45,600 fan interactions per week. However, that number represents a small portion of the average community size of 3.1 million. Rather than focus on the sheer size of their communities, the brands should take advantage of those engaging.

FOCUS ON DEEP ENGAGEMENT

Of those 45,600 engaged fans, 6,000 participated in what we call "deep" engagement (comments, shares). We prioritize these because they give fans the ability to influence others in the brand community. Growing the number of deeply engaged fans is crucial to driving word of mouth in brand communities. To increase that number, brands should learn to take action themselves and engage in real conversations with their fans. Brands should also focus on content that spurs deep engagement. Posting content that draws emotion, sparks a good laugh, or addresses subjects that people are passionate about is a great way to build a deeply engaged community.



The Focus on Retention

"...department stores brands retain 21% of their biggest advocates week-over-week, that number is significantly higher than comparably sized brand communities enjoy, which hover around 14% advocate retention."

It's far more costly and time intensive for a brand to acquire new customers than it is to retain existing ones. Brand fans are brand customers. If a fan cares enough to like, comment and share with a brand, it is important that the brand keeps them engaged. Each fan represents their own ecosystem of potential customers, as consumers trust a referral from their personal network at a rate of 90% (and gain that referral online more than 81% of the time).⁸

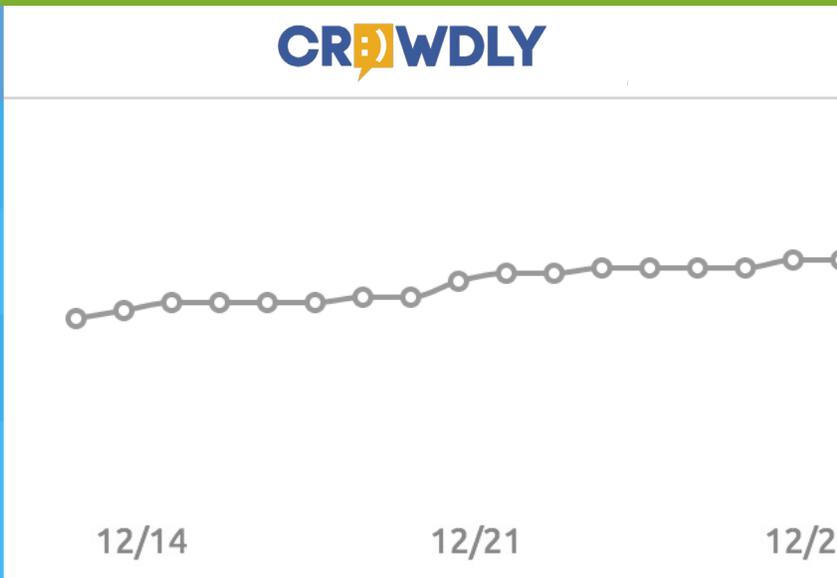
We found that department stores brands retain 21% of their biggest advocates week-over-week, that number is significantly higher than comparably sized brand communities enjoy, which hover around 14% advocate retention.⁹

Every Facebook share is worth \$3.58 in e-commerce revenue.¹⁰ With department stores averaging 4,600 shares per week within their brand communities, over \$65,000 a month can be tied back directly to one form of social engagement. Rather than focusing entirely on engaging only new fans, brands should drive the shares and comments of current fans and advocates to help reach a new audience—and subsequently drive revenue.

By engaging with their brand advocates, department stores are seeing a significant return on their digital investment.

Crowdly customers use the key metric of the weekly Advocate Retention Score to track how often their engaged audience is returning to reengage. This provides a direct correlation between the efforts of the brand and the continued engagement of the most impactful members of the community.

U Advocate Retention ?	
This week	16%
Last week	14%
Last 30 days	16%



To Drive Advocacy, You Have to Know Your Fans

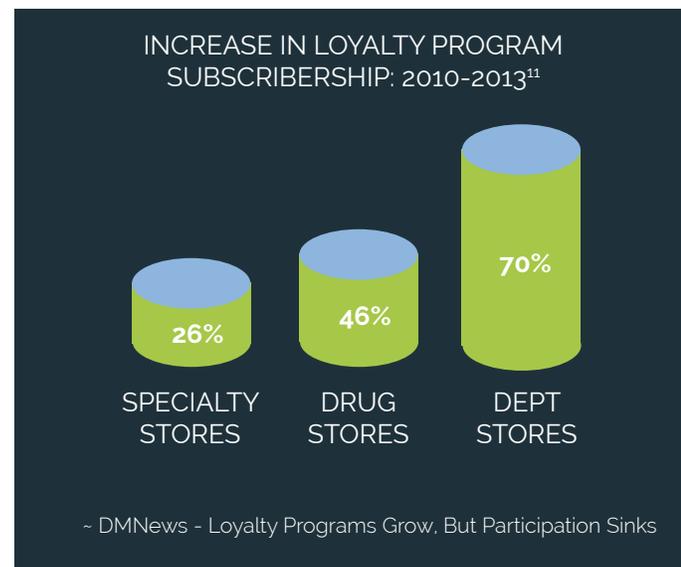


Brand communities are complicated organisms. Fans are complex people. That doesn't mean the strategy for understanding them needs to be.

For multi-faceted corporations like department stores, brand advocates engage across many different channels. Companies should develop a 360 degree customer view by ensuring brand communities and databases are speaking to one another. This helps in understanding not only what drives engagement, but also what drives purchase from social channels.

All of the brands we researched for this piece have a loyalty program of some kind available to its customers. In fact, loyalty programs are a huge focus across the industry, with loyalty memberships increasing by 70% for department stores since 2010.¹¹ Connecting social accounts with loyalty databases should be a best practice for several reasons:

- 1 The customer journey has transformed from a simple funnel to a convoluted decision path peppered with cross-channel distractors and external variables. The number of brands under consideration also expands rather than narrows as consumers get closer to purchase. More touchpoints give brands a greater chance to reach their customers and retain their position at top-of-mind.¹²
- 2 Only 8.2% of consumers subscribe to emails because they love the brand¹³, however 49% of brand fans become a fan to support a brand they like.¹⁴ Leveraging social communities not only accents loyalty and email databases, but can help fill them with the most engaged, loyal customers who are most likely to spread word-of-mouth and increase revenue.
- 3 Large numbers of social visits may correlate with influence on consumer decisions further down the purchase funnel.¹⁵

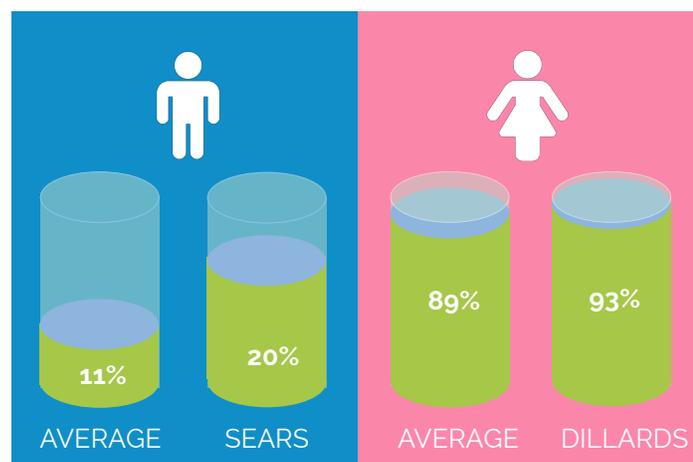


Research Highlights

While the information distributed in this report is the result of the averages of many department store brands from several sources, here are some brands that stood out over the course of the research conducted specifically through the Crowdly platform.

Gender

Overall, department store Facebook communities are composed of an advocate base that is 11% male and 89% female. However, Sears enjoys a male base well above average at 20%. The brand with the most dominant accumulation of female advocates is Dillards, with 93%.



Interactions

Sears is the dominant brand in both weekly brand interactions and fan reactions, with over 400 more than the second and third place brands. However, Macy's ranks highest in terms of efficiency per interaction, garnering 3 reactions for every interaction it has with its customers.

Breakdown of interactions:

Highest Average Number of Posts Per Day

3

Highest Average Number of Shares Per Post

560

Highest Average Number of Likes Per Post

12,656

Highest Average Number of Comments Per Post

425



Fan Retention

JCPenney clocked in with a **26% fan retention** in its Facebook community, 5 points above the average 21% retention rate for department stores, and well above the average 14% overall. Nordstrom, who scored high in several other categories of our research, came in with the lowest fan retention rate, although still matched the 14% average.

Key Learnings

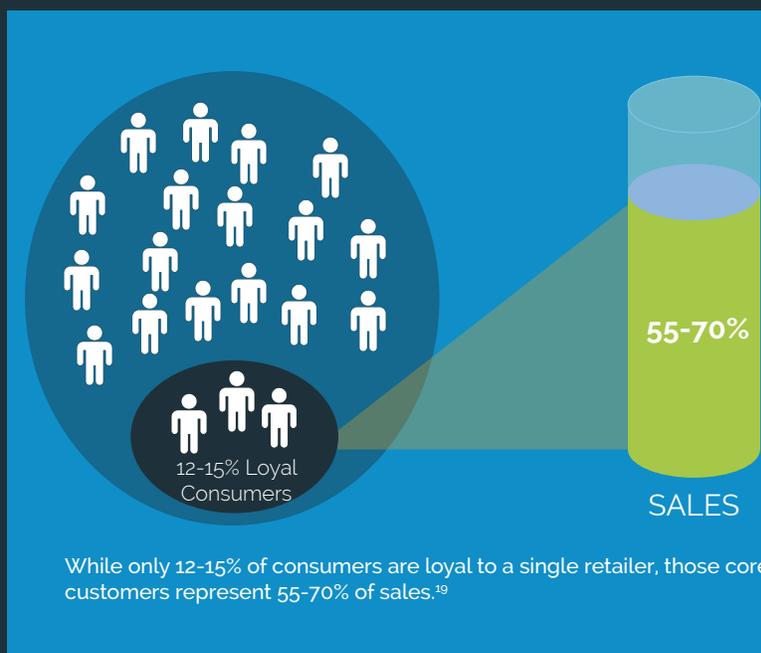
The most dynamic retail brand communities are cultivated through reciprocity and fan appreciation at the heart of the brand's digital strategy.

Since 2010, e-commerce growth has consistently increased to over 15% per year¹⁶, while offline growth has declined to under 5%. Facebook reveals itself as a key proxy to that growth. As both a key source for consumers to obtain information¹⁷ that leads to purchase, and the leader (129% growth¹⁸) in social orders, the platform is no longer *becoming* a juggernaut in retail—it already is.

These are curious times, and consumer appetite for discovery is at an all-time high. As a result, their loyalty is also more important than ever. While **only 12-15% of consumers are loyal to a single retailer, those core customers represent 55-70% of sales**.¹⁹ What's more, they will help spread the word, influencing the purchase decisions 81% more effectively than any brand message can.²⁰

With hundreds of retail stores closing across the U.S. each year, brand advocacy is more important to the survival of the American department stores than it has ever been. Growing fan retention and increasing brand engagement will be key to growing healthy communities, leveraging brand advocates to spread the word will be key to growing sales.

The brands that do all of the above will be a force to be reckoned with in 2015.



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