



**To: US Retail Partners**  
**From: Darrell Rigby, Kris Miller and Josh Chernoff**

*The 2009 holiday season has officially begun. Early indicators are simultaneously raising hopes and anxieties. October's same-store sales grew 2.1% over 2008's soft numbers, marking the second straight month of gains and showing improvement among both lower-priced and higher-end retailers. But the unemployment rate also rose above 10% for the first time since 1983, and consumer confidence and sentiment were down. Bain believes that retailers can deliver positive growth this holiday season, but that's going to take innovation and action. One solution may well be social networking, a quick, flexible and effective way to connect to consumers. That's the focus of this special edition of our Retail Holiday Newsletter.*

### **On the holiday list: Stronger consumer connections**

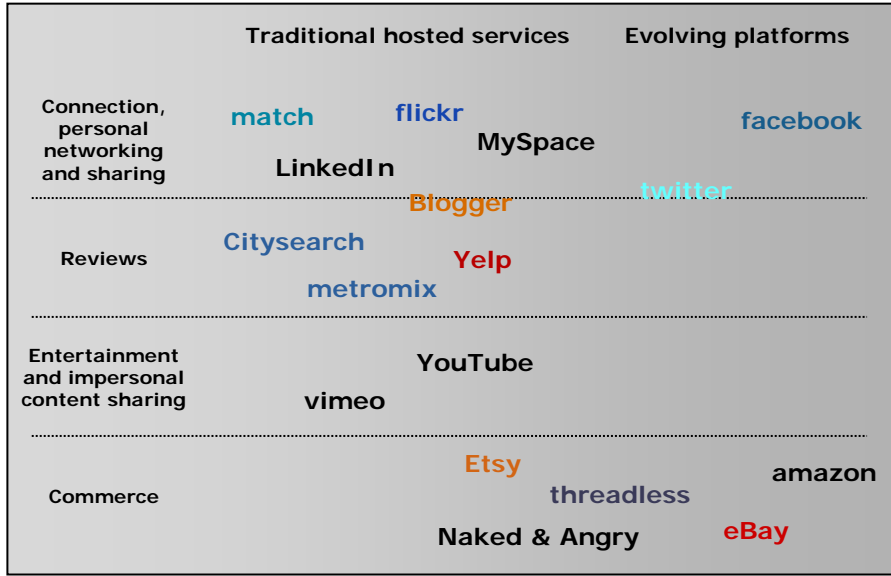
Bain's pioneering research on **loyalty leaders** – companies that create strong customer advocates – finds that positive emotional connections with customers promote faster growth and higher profits. The question we hear most often is "How?" One quick and effective approach is new media and social networking (**Chart 1**). These Web sites and platforms make it easier to engage with customers, to understand what they are thinking, and to turn the power of advocacy into sales.

Remember the 1980s Fabergé shampoo commercials that touted "I told two friends, and they told two friends, and so on"?<sup>1</sup> Gone are the days when a happy customer told just a few people and an unhappy customer told a few more. Today they can tell millions, and they can do so almost immediately. The tool they are using is new media, and they are using it more than most executives realize. According to Cone, 51% of Americans visit new media sites regularly, and 78% of those consumers use new media to interact with companies or brands (**Chart 2**) – up from 58% last year. In fact 30% of those consumers want to interact with companies and brands via social networking sites (**Chart 3**). Consumers also trust what they read on such sites. Razorfish, in an examination of "trust," found that consumers trust offline friends most, but expert online reviews are third on their list of trusted purchase decision sources (**Chart 4**).

<sup>1</sup> A video is available at <http://www.youtube.com/watch?v=mcskckuosxQ&feature=related>.

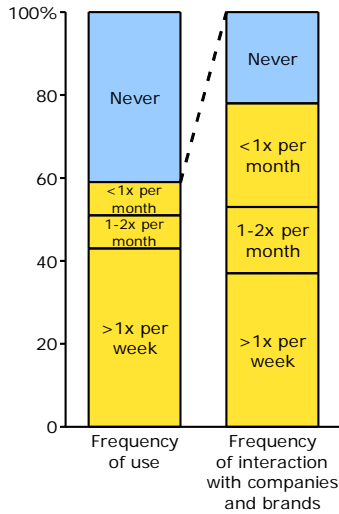
**Chart 1:**

Types of user-generated new media sites  
(example companies)



**Chart 2:**

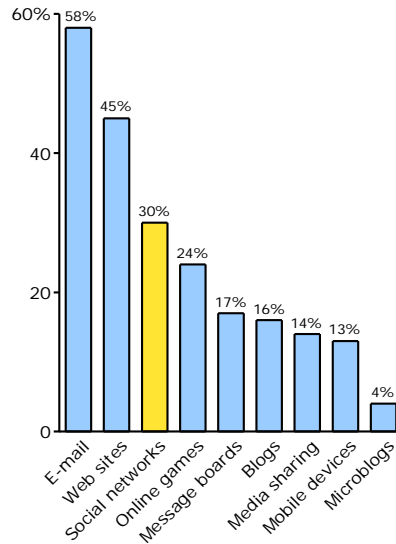
Consumer usage of new media sites, September 2009



Source: Cone

**Chart 3:**

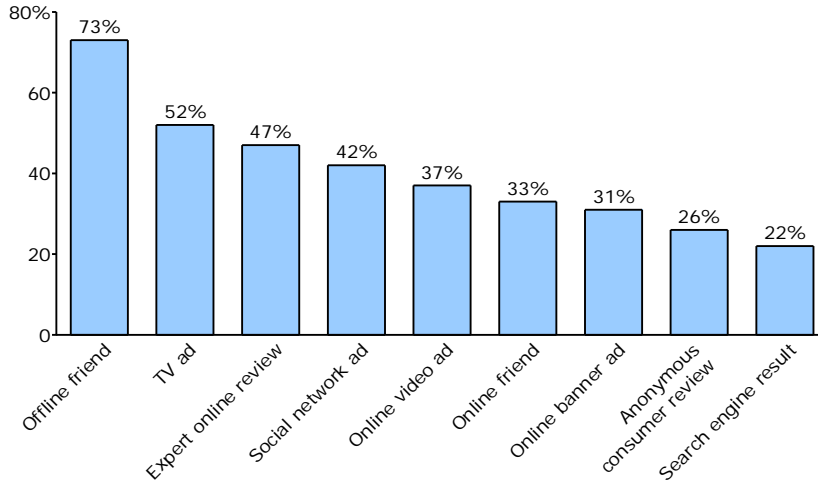
Preferred method of interaction, September 2009



Source: Cone

**Chart 4:**

Whom consumers trust most when making purchase decisions

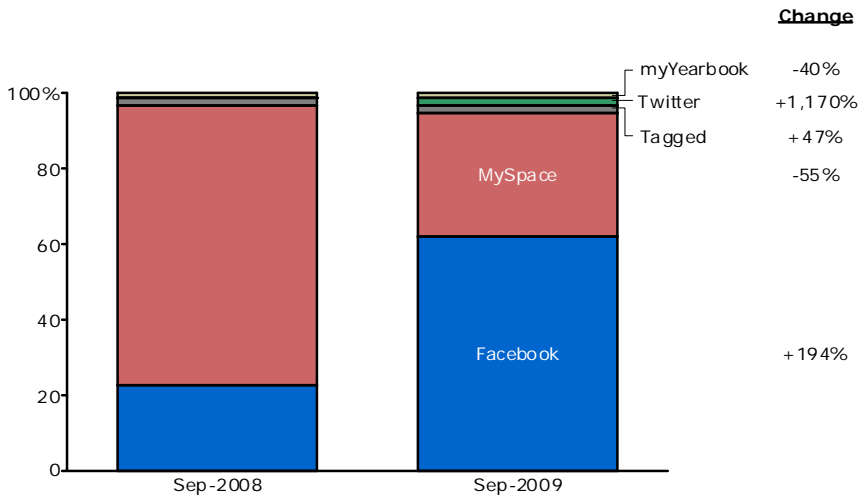


Note: Represents percentage of 1,000 survey respondents who indicated a trust level of 4 or 5 on a scale of 1 to 5  
Source: Razorfish

Among social networking sites, Facebook is by far the largest, with more than 300 million active users. To put this in perspective, if Facebook were a country, and active users were residents, it would be the fourth largest country in the world. And 50% of these users log on in any given day. Then there's Twitter, which is very small in comparison but grew at a rate of more than 1,100% over the last year (*Chart 5*).

**Chart 5:**

Market share of top five social-networking sites, September 2008 and 2009



Note: Based on percentage of site visits  
Source: Experian Hit wise

Marketers are joining the social networking stampede. A recent Bain survey found that social networking will be one of the highest-growth marketing channels going forward. JCPenney, Target and Kohl's are among retailers that regularly connect with more than 500,000 Facebook fans.<sup>2</sup> We also estimate that Twitter users post close to 150 million product-related tweets a month (asking for or providing information about products).<sup>3</sup> With more than 80% of Twitter usage on mobile devices, that means retail customers are likely viewing and posting tweets as they shop.

## **Social networking: A holiday how-to**

Smart retailers are tapping into social networking tools to influence consumers this holiday season. The good news: These campaigns can happen fast, which means there's still time to:

- Generate buzz to increase awareness, traffic and trial
- Improve customer service
- Engage customers to help design and test products and services
- Drive repeat purchases, referrals and improve retention

These loyalty-building (or loyalty-eroding, if poorly executed!) activities address different connection points across what we call the "customer corridor" (*Chart 6*). Customers who have a positive experience at each of these points can become advocates for your brand – telling their friends how pleased they were with their shopping experience. What can you do at each point in the corridor to turn consumers into vocal brand advocates?

### *Generate buzz to increase awareness, traffic, and trial (steps 1 and 2)*

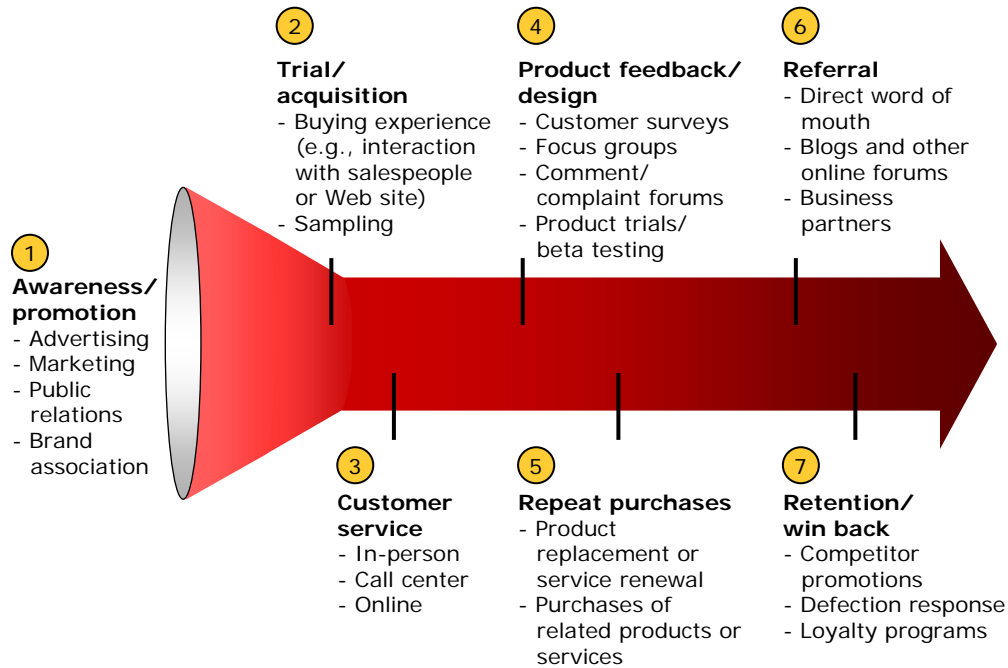
Social networking is a terrific vehicle to create excitement around holiday offerings. For example, fashion retailer New York & Company's Facebook page offers a sneak peek at this year's holiday fashions exclusively to its 3,500-plus registered fans. Another example is Sierra Trading Post, which has launched a new holiday promotion: Customers who include certain search terms in their Facebook posts or Twitter tweets will have the chance to win a Sierra Trading Post gift card valued at up to \$500. And it's not just retailers. Procter & Gamble has launched a contest that links holiday "connections" and Crest Whitestrips Advanced Seal. Fans, who can pass the promotion along to friends on Facebook, submit stories about whom they would like to visit for the holidays, and the grand-prize winner will receive \$2,000 for the trip. All participants also can enter a daily sweepstakes for connection-themed product giveaways.

<sup>2</sup> The decision to become a fan of a retailer's Facebook page reflects a user's interest in the retailer or its product and in connecting with other fans of the retailer or product.

<sup>3</sup> A recent Penn State study found that about 20% of personal tweets contain product-related content; and CNN reports that approximately 25 million tweets are posted each day.

**Chart 6:**

### The Customer Corridor



Taking a different tack, Best Buy recently relaunched its Facebook page with a new shop-and-share function designed to reach a new set of potential customers. The function allows visitors, including the company’s 800,000-plus fans, to choose a holiday gift they want and then share the idea with potential gift givers, either by posting on Facebook or sending an e-mail.

The buzz is leading to sales. Before Halloween, Party City launched two interactive applications on Facebook: “Brew Your Costume” and “House of Halloweenies.” The first application, which analyzed a user’s Facebook profile and suggested costumes, reportedly led about 3 of every 10 users to make a purchase. Dell has been offering Twitter discounts to its subscribing customer base, an offer that already has generated more than \$3 million in sales, according to the company.

#### *Improve customer service (step 3)*

Retailers focused on service are benefiting from the immediacy of social networking to improve the customer’s experience. Networks like Facebook and Twitter enable retailers to receive and respond to questions from consumers instantly. Best Buy’s “Twelpforce,” a Twitter-based customer service team, is a good example. Not only does this service help customers, but it also allows Best Buy to better tap the collective knowledge of its workforce. The company is also merging old and new media by launching a prime-time TV campaign that tells consumers about Twelpforce.

The most proactive of companies are using social networking tools to support consumers before they even ask. The companies search social networking sites for discussions in which they are mentioned and immediately offer support or respond to

comments. They do this with a range of tools that “scrape” networking sites and identify any chosen topic or brand that is being discussed. Both free services (e.g., TweetDeck and twirl) and for-hire specialists (e.g., Visible Technologies and Salesforce.com) monitor chatter and notify companies in real time of discussions in which they are mentioned. For example, just over a year ago, a JetBlue passenger spotted William Shatner waiting to board a flight and promptly tweeted about the sighting. Only seconds later he was shocked to see that JetBlue was following him on Twitter. A JetBlue spokesman later explained that the company uses a scanning tool to monitor postings in case customers are looking for flight information.

#### *Engage customers to help design and test products and services (step 4)*

Some retailers are tapping into the power of social networking to inform product development and to generate ideas for marketing campaigns. Last year Starbucks launched its MyStarbucksIdea site to give customers a place to submit and vote on ideas. The interaction gives the company both a source for new ideas and immediate feedback on which of them customers like most.

For the holidays, retailers could tap into consumers for insight into the hottest styles and to develop holiday products or services. Sears and Kmart listened to cash-strapped shoppers on the companies’ Twitter and Facebook pages. Based on those discussions, they recently launched a stored-value Christmas card. Customers can deposit money on a card to “save” what they need to pay for their holiday shopping.

#### *Drive repeat purchases, referrals and improve retention (steps 5, 6 and 7)*

Finally, retailers can take advantage of social networking to drive repeat business, referrals, and maintain (or increase) share of wallet with existing customers. Neiman Marcus periodically sends a “Fashion Flash” to customers on Facebook, alerting them to deep discounts on select items that are only available online for a two- to three-hour window. Similarly, Grocery Outlet is driving ancillary purchases and loyalty from its core customers by alerting them to special last-minute deals via Twitter. Witness this September 1 tweet: “We . . . have Chubby Hubby, the popular Ben & Jerry’s flavor, for only \$1.50 a pint, while supplies last!” We also would not be surprised to see retailers twittering bounceback coupons and other offers specifically targeted at recent customers.

In a bold new approach to driving referrals, Ford gave each of its 100 top bloggers a Fiesta for six months. In turn, they agreed to upload a video about the car on YouTube once a month and to talk about the car on Facebook and Twitter and on their blogs.

### **Social networking amplifies everything**

Social networks give consumers a megaphone: They can say anything they want to a very broad audience. But they also provide a similarly powerful voice to retailers that learn the language. Take the unfortunate incident at Domino’s Pizza, when two employees posted a video hoax of them preparing food in a less than sanitary way. The company rightly concluded that a traditional response – issuing a statement, for example – would not work in a social media-born situation. So Domino’s posted its own

apology video online and used their Twitter account to address consumers' concerns. There have since been countless consumer videos posted in response, most of them laying blame squarely on the two employees, not the brand.

Marketing via social networks can be faster and cheaper than marketing via traditional media. But beware: Its viral nature makes it ever-more critical to be true to your brand, deliver on promises, and manage the dialogue. It is also important to be authentic; users of social networking are quick to recognize and reject content they believe is too commercial or overtly promotional.

This is the first holiday season in which social networking tools are being widely used and it isn't too late to join the party. Retailers who are thinking about establishing or improving their social networking presence should ask themselves several questions:

- What are we trying to accomplish with social networking? Are we trying to build brand awareness, drive traffic, improve customer service, or achieve some other objective?
- How will we define success and measure our progress along the way?
- What new capabilities do we need to ensure success?
- Will investments in social media supplement or supplant existing marketing activities?
- What are we willing to do to encourage advocates and mollify detractors?

Bottom line: We think the power and benefits of customer advocacy are immense, and social networking tools can harness that power quickly, flexibly and effectively. We are interested in hearing what you think about this topic. We invite you to share your thoughts by posting on Bain's [Facebook](#) or [Twitter](#) pages.

## Newsletter schedule

Our next newsletter will be released in mid-November, with a new issue roughly every two to three weeks after that through the holiday season (*Chart 7*). This schedule allows us to incorporate newly released holiday forecasts and performance data in a timely manner. Please let us know if you have any questions or need additional analysis.

### Chart 7:

Indicator and forecast update schedule

Data Source	Nov				Dec				Jan	
	8	15	22	29	6	13	20	27	3	10
US Census Bureau Advance Retail Sales		▲				▲				▲
ICSC Monthly Same Store Sales						▲				▲
Michigan Consumer Sentiment Index	▲		▲			▲		▲		
Consumer Confidence Index			▲					▲		
Bain Retail Holiday Newsletter	—			—		—				—



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Bain & Company has included in this document information and analyses based on the sources referenced below as well as our own research and experience. Bain has not independently verified this information and makes no representation or warranty, express or implied, that such information is accurate or complete. Projected market and financial information, analyses and conclusions contained herein are based (unless sourced otherwise) on the information described above, and Bain's judgments should not be construed as definitive forecasts or guarantees of future performance or results. Neither Bain & Company nor any of its subsidiaries or their respective officers, directors, shareholders, employees or agents accept any responsibility or liability with respect to this document.

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