

The background features a repeating pattern of target icons, each consisting of concentric circles and a central crosshair, arranged in a grid. The targets are light gray and fade out towards the right side of the page. A dark blue rectangular area is positioned on the left side, containing the main title and a descriptive paragraph. Two orange rectangular bars are located at the top and bottom left of the page.

RETAIL REVENUE GAP INDEXSM

A proven approach to identifying missed opportunities to drive revenue, engagement and loyalty with customers

AUGUST 2020

The Backstory

Retailers are leaving money on the table with their email programs.

We've seen this repeatedly for several years – and still see it today. Smart retailers suffering poor results for any number of reasons and repeating the same mistakes again and again.

About two years ago we decided to change our approach to talking with prospective clients.

We developed a framework that helped us demonstrate to those prospects exactly what they were missing – where their gaps were and what it was costing them in lost revenue.

We distilled the collective knowledge of Listrak's staff who have worked across more than 1,000 retailers and brands for more than a decade.

We built an experiential research lab with dedicated laptops, mobile devices and tracking mechanisms where our business analysts could execute pre-determined "customer" behaviors intended to elicit specific responses from a target retailer.

In effect, we developed the ability to conduct an elaborate digital "mystery shop" that allows us to measure any email/cross-channel marketing program – and then pinpoint missed revenue opportunities.

And it's worked exceedingly well.

Enter a pandemic.

Our hope is that every retailer – client or future client – survive and succeed in these unprecedented times.

Since we can't help every retailer directly, we've decided to share our methodology, insights, and experience via the Revenue Gap Index (or RGI). Our goal: to help you and your team pinpoint incremental revenue opportunities and drive next-level results to get you through this crisis.



The Revenue Gap IndexSM

We analyze hundreds of retailer marketing programs (prospective clients) every year using the RGI methodology. For each quarterly Revenue Gap Index, we will select a representative sample of 25 of those prospects and share the findings of our analysis.

- Each Index will include summary findings as well as deep-dive forensic analysis of several actual retailer programs.
- The analysis provided should help readers better recognize deficiencies in their own programs and allow them to focus resources and investment to the most impactful area.
- Because the index is specifically intended to highlight shortcomings and gaps in a retailer's program, all participants will remain anonymous.
- The RGI itself comprises 78 discrete measurement points clustered into five "core" areas that constitute the essential foundation of any successful email/cross-channel program.
- The selection and weighting of these measurement points are based on the degree to which that interaction drives revenue.
- Our experience across more than 1,000 retail programs helps to inform these weightings. For example, we know that a retailer with a single-wave Welcome series is missing 15-20% of the revenue opportunity for that campaign – but that percentage approaches zero by the fourth wave. Similarly, less than 1% of customers will visit a retailer's Preference Center – but 95% of customers will open an order or ship confirmation email (and therefore integrating personalized product recommendations into those emails will drive substantial revenue gains).
- Each of these measurement points is a clearly observable behavior or interaction on the part of target retailer (exactly what your customer would experience). Unfortunately, this "observability" requirement disallows us from including additional areas (such as the use of customer insights and analytics) into the framework.

Beware the Dunning-Kruger Effect

According to Psychology Today, the Dunning-Kruger Effect is “a cognitive bias in which people wrongly overestimate their knowledge or ability in a specific area.”

Coined by two Cornell psychologists in 1999, the research found that subjects who performed in the bottom quartile of a test rated their skills far above average. For example, those in the 12th percentile self-rated their expertise to be, on average, in the 62nd percentile.

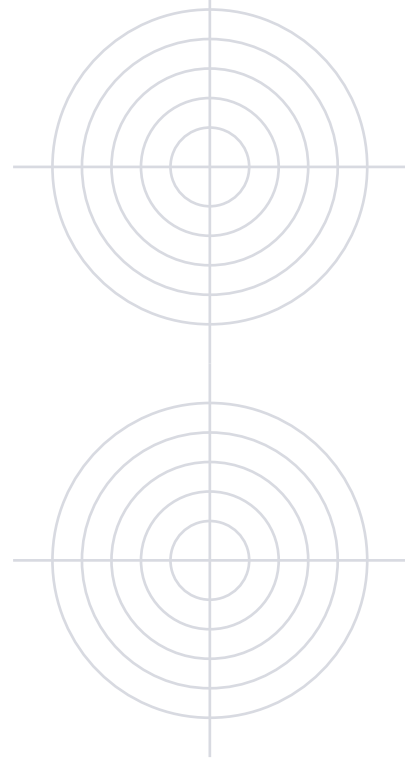
This phenomenon is why few people rate themselves poor drivers and why your brother considers himself omniscient across any number of topics at Thanksgiving...

The effect is caused by a lack of “metacognition” or the ability to step back and examine oneself objectively.

Sadly, the Dunning-Kruger Effect is alive and well in most retail marketing organizations.

Consider this fair warning: you (like most of your retail marketing brethren) will self-rate your program significantly higher than an objective, unbiased measure would indicate.

Most retailers we meet self-rate their program somewhere between 65 and 85 – on average those same programs score between 30 and 50 after completing a Revenue Gap Index analysis.





Validation: This Actually Works...

The ultimate test of any model or framework lies in its ability to consistently produce meaningful results.

Each year, more than 150 retailers join the Listrak family. The consistent growth seen in these client programs continues to validate the RGI framework and approach. A few examples:

- A leading skincare brand's program grew 104% in one year after utilizing the RGI methodology to pinpoint key gaps in their integrated cross-channel and identification/acquisition strategies.
- A provider of modern home furnishings used the RGI approach to grow their program 109% in the first year after consolidating multiple disparate program components while bolstering segmentation, behavioral trigger, and active personalization capabilities.
- A pure-play provider of aftermarket auto parts employed the RGI framework to grow its program an astounding 470% over a two-year period as it evolved and upgraded every area across the RGI model.

It should be noted these clients aren't outliers or laggards. Most of our new clients move from other "adequate" email/digital marketing platforms. The vast majority with smart, capable, talented marketing teams at the helm. And yet their programs consistently see dramatic improvements.

This pattern of significant gains highlights the power of infusing objective expertise and experience via a framework like the Revenue Gap Index (of course combined with a robust technology platform).

Five “Cores” Drive Revenue...

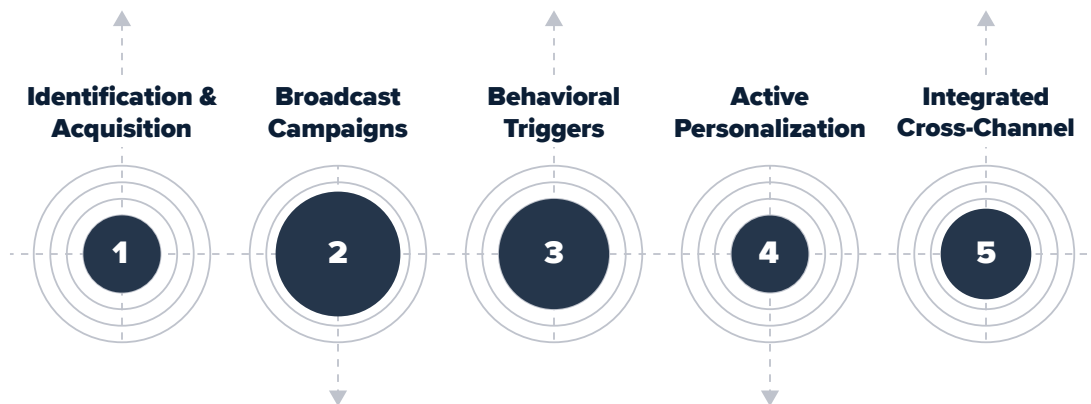
The Revenue Gap IndexSM is constructed using 78 discrete measurement points clustered into five core areas that constitute the essential foundation of any email/cross-channel engagement program.

Each core has 20 possible points for a total potential of 100 points.

Identification and Acquisition is the lifeblood of every program. Best-in-class programs focus heavily in this area with the knowledge that new subscribers are, on average, the most engaged – and 80% will quickly begin a slow, steady decline towards inactivity. It’s therefore essential that marketers constantly refine their onsite acquisition and identification strategies as well as omnichannel capture efforts.

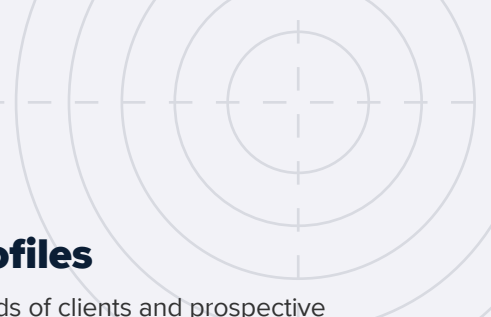
Behavioral Triggers are the most powerful emails a retailer can send. They are timely and relevant and therefore exceptionally productive. Unfortunately, most retailers skew towards one of two extremes: “checking the box” (resulting in sub-optimized campaigns), or “trigger-palooza” (which spreads limited resources across a wide array of less productive triggers preventing them from optimizing primary trigger campaigns).

Integrated Cross-Channel focuses on both ensuring programs leverage every meaningful customer touchpoint (not just email, but SMS, social, etc...) as well as ensuring these touchpoints are orchestrated strategically from within a single, integrated platform. Both components are essential for maximizing customer interactions while avoiding disjointed customer experiences, incomplete feedback loops, attribution infighting, poor deliverability and other issues.



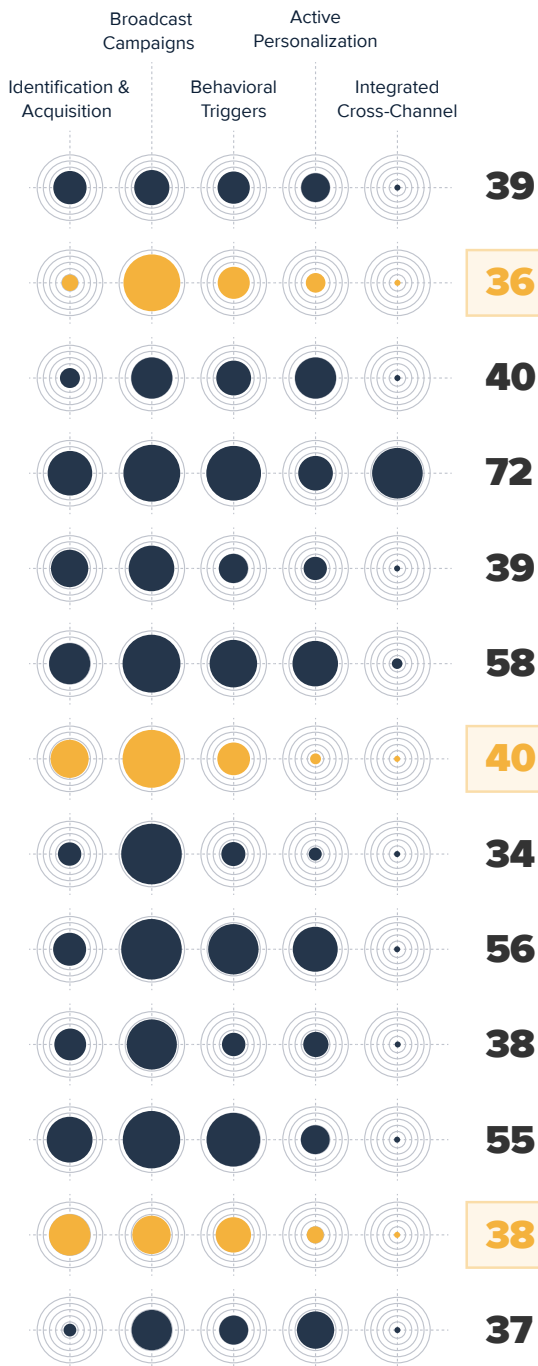
For years, **Broadcast Campaigns** were the core of most retailers’ programs – driving sometimes in excess of 80% of all email revenue. Typically developed by committee, these campaigns almost always consume the highest amounts of resources while being the least relevant to consumers. The goal in this area is streamlining the process while strategically optimizing these campaigns.

When **Active Personalization** is done right it can drive incredible revenue gains. There are few better ways to achieve this level of relevance with a customer. Yet most retailers fall into one of several traps: under-utilization across potential campaigns (hence the term Active), manually merchandised recommendations, or third-party solutions that don’t integrate well into email.



Common Profiles

We work with hundreds of clients and prospective clients each year. While every organization is unique and has its own distinctive issues, invariably several common patterns or “profiles” emerge. Below are some common profiles we see:



The Legacy Retailer

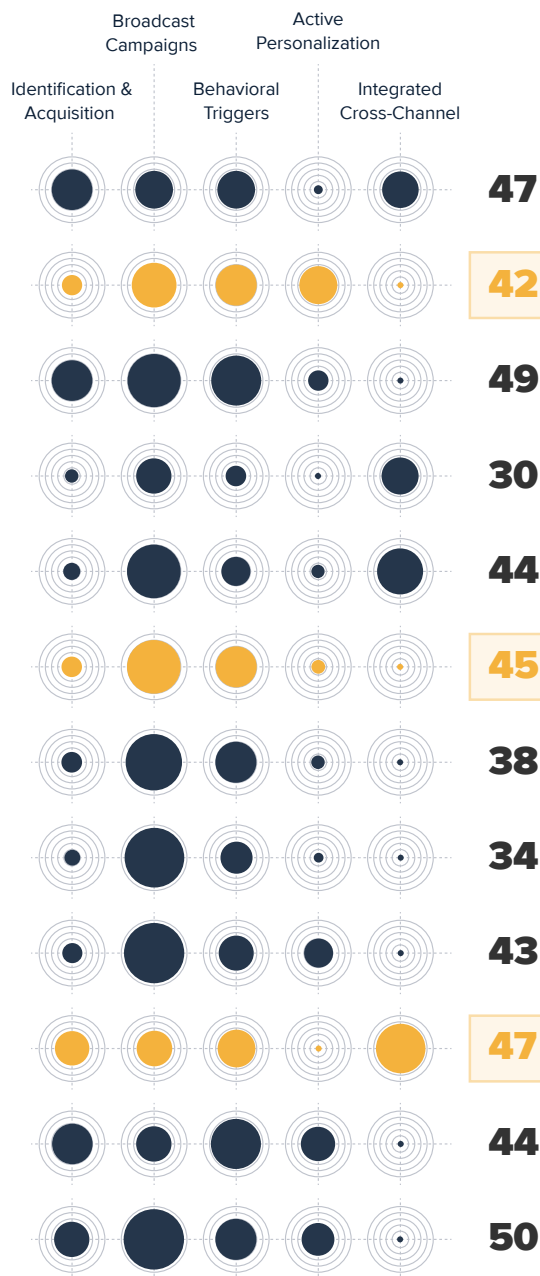
Classic “old school” retail organization still in the midst of its evolution from a store-based to digital-omnichannel mindset. Opinion still wins over data. The profile shows a program heavily reliant on blasting merchant-driven broadcast campaigns with only basic triggers in place. Nominal acquisition and personalization strategies and non-existent cross-channel capabilities...

Progressive But Lacking

Typically, this is an organization that has experienced rapid growth and is still catching up. They have the right attitude towards digital – yet gaps remain. Dunning and Kruger feel at home here. Decent acquisition and broadcast efforts but very light on optimized triggers and personalization. The ideal demographic for SMS but somehow, they lack any substantive cross-channel focus...

Brand in Transition

A brand shifting from traditional wholesale to a newer, expanding B2C focus. Seemingly content with their previous program. RGI analysis quickly exposes gaps: deliverability issues with broadcast campaigns that don’t render well on mobile, rudimentary behavioral triggers, and extremely limited personalization...



Typical Luxury

Brand sensitivity and desire to deliver “premium” experience often derails digital effectiveness (despite digital norms accepted by their customers). This is easily seen in diminished acquisition strategies and under-cadenced broadcast campaigns as well as basic, ineffective trigger campaigns...

IT-Driven Marketing

Another legacy profile – often catalog or direct mail heritage – solid acquisition but broadcast messages that attempt to mirror print. Heavy IT involvement (focused on integration and project completion rather than sales results) yields a myriad of features with boxes checked but lacking revenue. Limited personalization and zero cross-channel...

Digital Hotshot

Typically, a well-funded pure play that can afford to hire solid talent with an aggressive digital-first mindset. Doing some good things but making two common mistakes. First, they’re so focused on shiny objects (think cross-channel SMS, etc..) that they underperform in traditional broadcast (yes, boring but still represents 40-50% of any advanced program). Second, and more damaging, they can afford to buy lots of best-of-breed point solutions (and they do) – which seems great in the short-term but causes the program to plateau when integrated data, customer profiles and cross-channel orchestration is required to reach the next level...

Summary Findings

The findings and observations after analyzing our 25 sample retailers are provided below. Remember that **each of the five core areas has 20 available points for a possible total score of 100.**

- **Our inaugural Revenue Gap IndexSM score: 43.8.** This is squarely in the range that we commonly see when talking with prospective clients. The high score across the sample group was a 72 with a low of 30. Only five retailers scored 50 or higher – leaving 80% of subjects in the 30-49 range. This clearly highlights significant latent revenue opportunity for most retailer programs.
- **Identification and Acquisition continues to be a major gap.** This sample group averaged an **8.2** score in this core area (slightly higher than we see on average). Every retailer should double down in this core area – it fuels every other part of your program.
- **Most are doing “fine” with their Broadcast Campaigns.** A composite **14.7** score across the group tells the story. For most retailers the recommendation is to strategically increase cadence and move on to other lower scoring areas. No, you’re not sending too often – our 1000+ retailers continue to send at Black Friday volumes and aren’t registering any detrimental impacts.
- **Behavioral Triggers still need work.** A **10.8** average across the group shows that most retailers aren’t as far along as they should be or think they are. This core area is a goldmine. Put extra focus on it.
- **Active Personalization is a common gap.** A paltry **6.6** composite score says it all – this might as well be 2002. Most retailers are swimming in customer data and yet no further ahead almost 20 years later. We’ve had clients who have literally doubled their program revenue – doubled – from improvements in this core area alone. Focus here.
- **Retailers are still behind in Integration and Cross-Channel.** Not to be outdone by Personalization, this area posted our lowest core area average score of **3.4**. Two action items: 1) start your SMS program immediately (I know your boss doesn’t think it’s right for your customer – but she will love the incremental revenue); 2) start strategizing on how to orchestrate everything from a single marketing platform (to be clear: we’re recommending cross-channel marketing orchestration – not the “integrated tech stack” your IT guys are touting...)

Key Takeaways

A few closing thoughts:

- **Don't be too hard on yourself.** There's no way any retail marketer can be an email or cross-channel marketing expert – you simply don't have the luxury of spending decades immersed in this single area. In fact, just the opposite is true. Digital marketing has exploded over the past fifteen years – while most retail marketing groups have remained the same size or contracted – leaving less time and mindshare for any single area.
- **But be hard on your program.** It's not necessarily a bad thing to scrutinize your program – maybe twice. This inaugural sample data, along with our broader experience, would lead us to believe that most programs have significant untapped revenue potential. Go find it.
- **Don't let your boss read anything by Dunning and Kruger.** Never ones to sugarcoat things, the two researchers wrote in their early findings: “Those with limited knowledge in a domain suffer a dual burden: Not only do they reach mistaken conclusions and make regrettable errors, but their incompetence robs them of the ability to realize it.” Wow.
- **Plug into Revenue Gap IndexSM resources.** We're planning an ongoing series of webinars and additional content – and, of course, a new sample group with insights every 90 days. Join us by subscribing at www.listrak.com/RGI.

These are truly extraordinary times. But we will make it through this crisis together. Stay safe and stay well and let us know how we can help.

All the best.



About Listrak

Integrated Cross-Channel Solutions

Best-in-class Email, SMS, Behavioral Marketing, Personalization, Identity Resolution, and Customer Analytics solutions – all together and optimized in a single platform

Exclusively Retail Focused

Purpose-built solutions developed exclusively for retailers that drive increased levels of customer engagement, retention, and revenue

Industry-Leading NPS Score

A testament to our focus on driving results, Listrak has earned an industry-leading 80 net promoter score from our clients

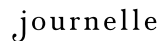
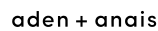
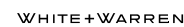
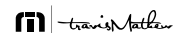
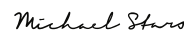
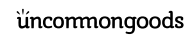
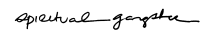
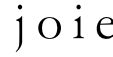
Continuous Innovation

Our product roadmap continuously evolves based on the changing needs of our retail clients and the challenges they face

An Extension of Your Team

Listrak clients gain more than just a technology platform, they gain a strategic partnership with a group of retail marketing experts who drive success together

Serving 1000+ Retail Brands





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