

# 5

# WAYS TO BEAT AMAZON

THE RETAILERS GUIDE TO **HARNESSING**  
**THE POWER OF SOCIAL INFLUENCE** TO DRIVE SALES



# 5 WAYS TO BEAT AMAZON



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# EXECUTIVE SUMMARY

The importance of consumer conversations is not lost on Amazon CEO Jeff Bezos, who once said:

**“Your brand is what people say about you when you’re not in the room.”**

**- Jeff Bezos**

One key factor in Amazon’s success is the extent to which it dominates consumer conversations. Measured against the industry landscape as a whole, the well-known American brand crushes it on every measure. Consumers talk about Amazon more than any other retail brand – and by a significant margin, both online and offline. In fact, Amazon’s TotalSocial performance is the #1 versus all other brands in America. Much of the conversation about the brand is very positive. Not only does Amazon get talked about a lot, it also inspires sharing of its content, and it is a favorite of the most influential consumers.

Amazon’s strong performance in driving consumer conversations about its brand matters because consumer talk drives sales. According to Engagement Labs analytics, 19 percent of sales, on average, are driven by social performance.

On the surface, this should be troublesome to Amazon’s competitors. Yet, an analysis of consumer conversations data indicates many opportunities to improve. Yes, Amazon is the clear winner across many categories and its strengths are significant, but to think it can’t be beat is dead wrong.

Data from Engagement Labs, the inventor of the TotalSocial® data & analytics platform, reveal that a few retailers are leveraging consumer conversations in a way that enables them to compete effectively with Amazon in the battle for social influence. With greater attention to the power of online and offline influence, these retailers have a legitimate shot at grabbing back consumer engagement—and business. And the rest of the retail community can learn from them.

In the first part of this eBook, we’ll explain why brands should heed consumer conversations both offline (face-to-face) and online (social media) and describe how Amazon is crushing retail conversations. But that’s not all. In the second half, we’ll share tips for how you can beat Amazon in your market.

# WHY CONSUMER CONVERSATIONS MATTER?

Whether shopping with friends or alone, consumers routinely ask others for recommendations or validation of the brands or products they're considering. The opinions of family, friends and colleagues are so important that consumers solicit feedback about items as diverse as running shoes and cosmetics. Often these conversations take place online, as people post reviews, pictures of their favorite new clothing or gadgets, or ask for recommendations. But as often, or more so, they take place offline over meals, at work, or with family at home.

Take together, social influence both online and offline is a key driver of consumer purchasing behavior, and highly predictive of sales. In a [2017 landmark market-mix-modeling study](#), Engagement Labs proved that conversations about brands, on average, drive 19 percent of U.S. consumer purchases. This represents between \$7 and \$10 trillion in sales each year. Face-to-face and other private forms of conversation drive more than half of this impact, while social media is responsible for slightly less.

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## 19%

OF SALES

CONSUMER  
CONVERSATIONS DRIVE

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## 10%

OFFLINE  
CONVERSATIONS

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## 9%

ONLINE  
CONVERSATIONS

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Our data show some retailers are already beating Amazon on one or more of the consumer conversation metrics we track. By enhancing efforts in the areas in which they're lagging, retailers have an opportunity to drive more revenue. For example, several retailers outperform

Amazon in offline conversations, which occur five to 10 times more frequently than conversations online. By optimizing consumer conversations in both spheres, retail marketers can add millions of dollars in sales revenue and increase their marketing ROI.

# NOT ALL CONVERSATIONS ARE THE SAME

One noteworthy finding in our 2017 landmark analysis is that not all consumer conversations are the same. While online conversation – via social media, ratings and reviews, or blogs and forums – is an important marketing channel, it represents just one sphere of conversation that is taking place about brands. Below the surface and less visible to marketers are billions of real-world offline conversations that occur each day in real life. While harder to measure, they are equally important as social media. When brand marketers focus on one sphere of conversation, they are not only miss a big opportunity, but they also are at risk of reaching false conclusions about what people are saying about their products and services.

## CONVERSATION COMMANDERS



Brands that have high scores both online and offline

## CATEGORY CRUSHER BRAND



A brand whose TotalSocial score out-performs its category

Importantly, the conversations that happen online are often different from those that happen offline. Online conversations are prone to attract more extreme—positive and negative—opinions than offline, and different types of people engage in conversations in each sphere. What's more, the motivations that drive consumers to talk about brands face-to-face are quite different than those that drive them to talk on social media. Understanding the differences in motivation is critical for optimizing conversation about the brand in each channel.

To fully realize the power of social influence, then, the most successful brands measure and activate consumer conversations both offline and online. Further they understand that social success is more than just a single metric, for example volume alone or just sentiment. Engagement Labs has identified the most important metrics of consumer conversation that drive business performance offline and online: volume, sentiment, brand sharing and influence. (See sidebar). With this holistic approach, brand marketers can pinpoint areas of strength and identify opportunities for improving performance.

This is the key to winning market share in a retail world dominated by Amazon.

## KEY DRIVERS OF CONSUMER CONVERSATIONS

TotalSocial scores are based on the most important drivers of brand performance:

### OFFLINE:

- VOLUME** – How much conversation about a brand
- SENTIMENT** – How positive is the conversation
- BRAND SHARING** – How much sharing of brand content
- INFLUENCE** – Are consumer influencers more engaged

### ONLINE:

- VOLUME** – How much conversation about a brand
- SENTIMENT** – How positive is the conversation
- BRAND SHARING** – How much sharing of brand content
- INFLUENCE** – Are consumer influencers more engaged

### TOTALSOCIAL SCORE:

Combines online social media listening data with offline word-of-mouth tracking to provide marketers with a complete view of consumer conversations about their brands. Together these are proven to be key drivers of sales.

### TOTALSOCIAL OFFLINE SCORE:

Combination of offline influence, brand sharing, sentiment, and volume scores based on the conversations about a brand that happen in real life, face-to-face or via phone or mobile device. Engagement Labs measures them through a continuous behavioral survey among representative samples of US consumers aged 13 and up.

### TOTALSOCIAL ONLINE SCORE:

Combination of online influence, brand sharing, sentiment, and volume scores based on the conversations about a brand happening in social media, including the leading social platforms, blogs, etc.

# FIVE WAYS AMAZON CRUSHES RETAIL CONVERSATIONS

Amazon's impact on the retail industry is undeniable. It's a formidable competitor in every retail category, and the one that every retail marketer must factor into their strategy. Let's take a deep dive into some of the data to understand exactly who is talking about Amazon and what the trends look like.

## PEOPLE TALK – A LOT – ABOUT AMAZON

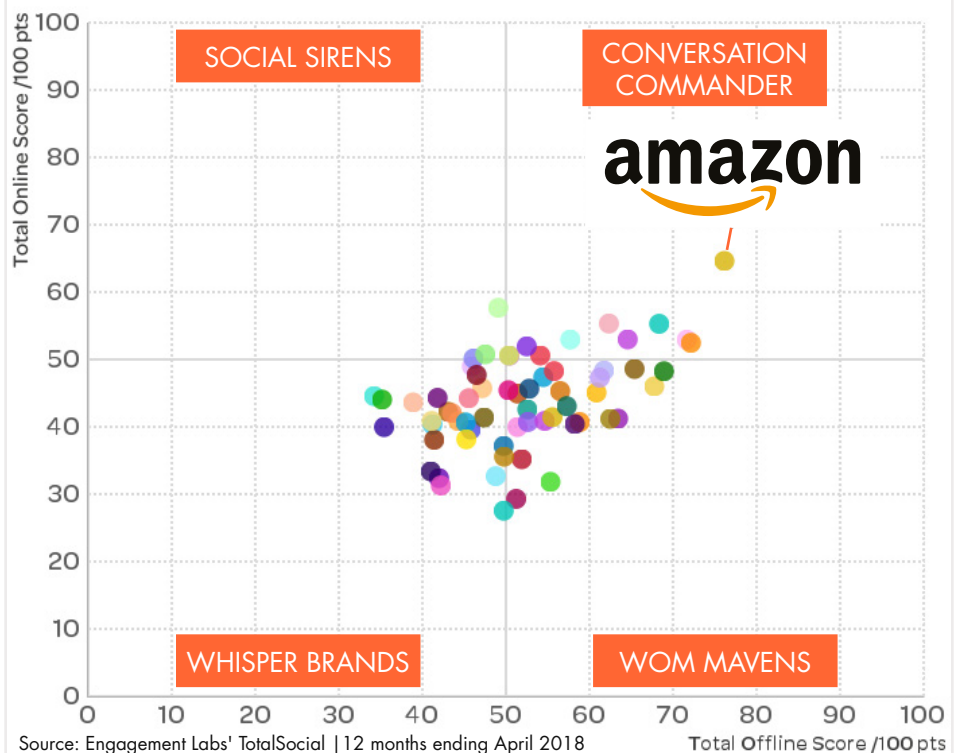
No matter which way we look at it, Amazon's lead in consumer conversations fits its ambition: It's huge. Its TotalSocial score crushes retailers in every category, and it ranks first in many by a huge margin.



Amazon's total volume score is nearly perfect, meaning it earns more conversation both online and offline than nearly any other brand. Amazon also excels at driving offline sentiment, reflecting the fact that face-to-face conversations about the brand are overwhelmingly positive.

### "CONVERSATION COMMANDER" AMAZON CRUSHES COMPETITION

#### TOTALSOCIAL® TALKSCAPE Retail/Apparel



Amazon is a Conversation Commander, with significantly higher Total Online and Total Offline Scores than any other retailer.

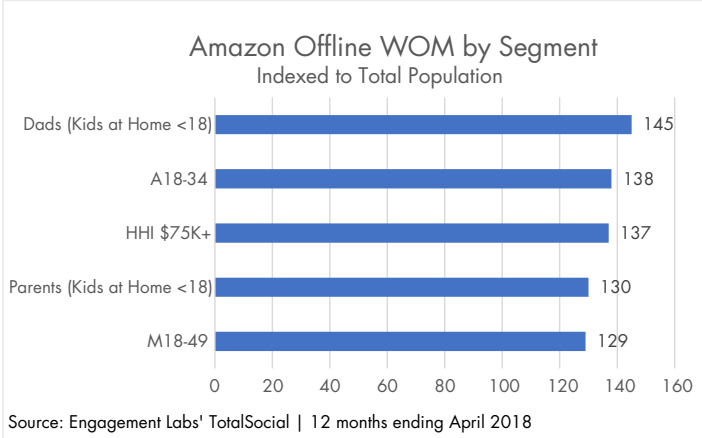
# 2 PRIME IS AMAZON'S EDGE

As a "Conversation Commander," Amazon excels at motivating its customers to talk about its brand. Its ground-breaking Prime program, now at 100 million members, is perhaps the most successful loyalty program in history. It creates a connection to the brand and motivates members to share the program's benefits with their friends, driving positive conversations. Further, Amazon has continued to stuff value into the Prime proposition with the introduction of streaming video and music, and services like grocery delivery. The combination of good value, free shipping, the ability to buy just about anything – and do so with a couple of clicks – has been very powerful.

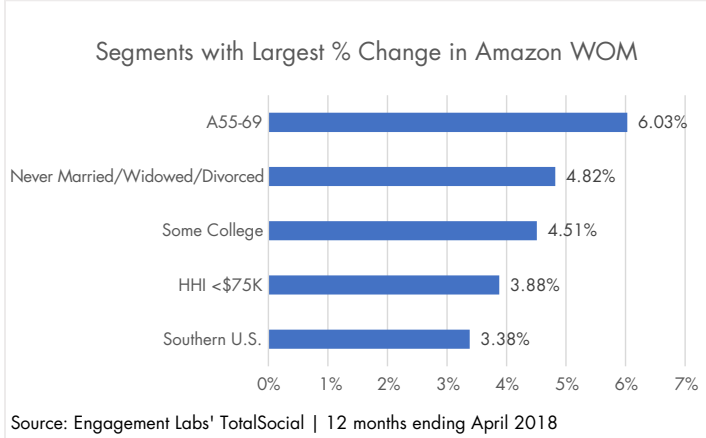
Other products, such as the Kindle and the Amazon Echo voice-activated virtual assistant, also inspire conversations. In fact, "Hey Alexa" is now a catchphrase that is part of the cultural zeitgeist.

Conversation volume about Amazon is amazingly high and increasing for certain segments. The brand performs increasingly well among consumers aged 55-69 as well as those with some college education. These groups are most responsible for increasing the volume score.

## AMAZON MAKES EVERYDAY PEOPLE TALK



## BOOMERS AND SINGLES DOMINATE THE GROWTH IN CONVERSATIONS FOR AMAZON



These segments are driving an increase in offline conversation about the Amazon brand.









# THE PRESIDENT'S TWEETS STING, BUT DON'T DAMAGE AMAZON

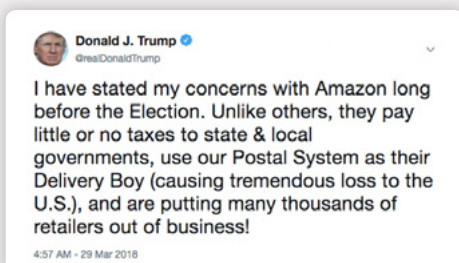
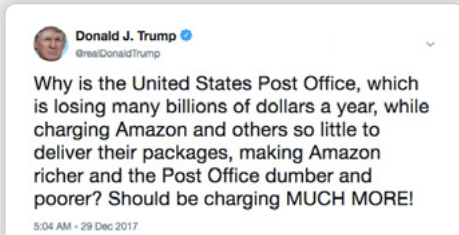
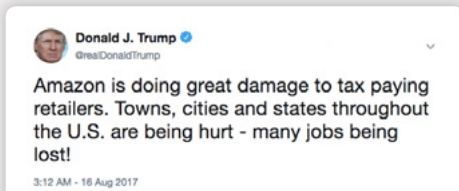
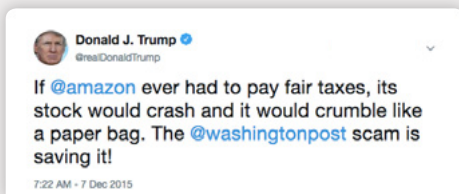
\$60 billion. That's how much Amazon lost in value in early April 2018, as President Trump escalated his Twitter war against Jeff Bezos. But has this tweetstorm had much of an impact on consumer sentiment about the brand? Engagement Labs' data indicates the long-term impact will be minimal.

Trump's tweets in 2017 criticized the retailer for hurting local retailers, for its partnership with the U.S. Postal service and for CEO Jeff Bezo's ownership of the Washington Post. Despite the president's constant barrage, the cumulative effect on Amazon's net sentiment last year was negligible.

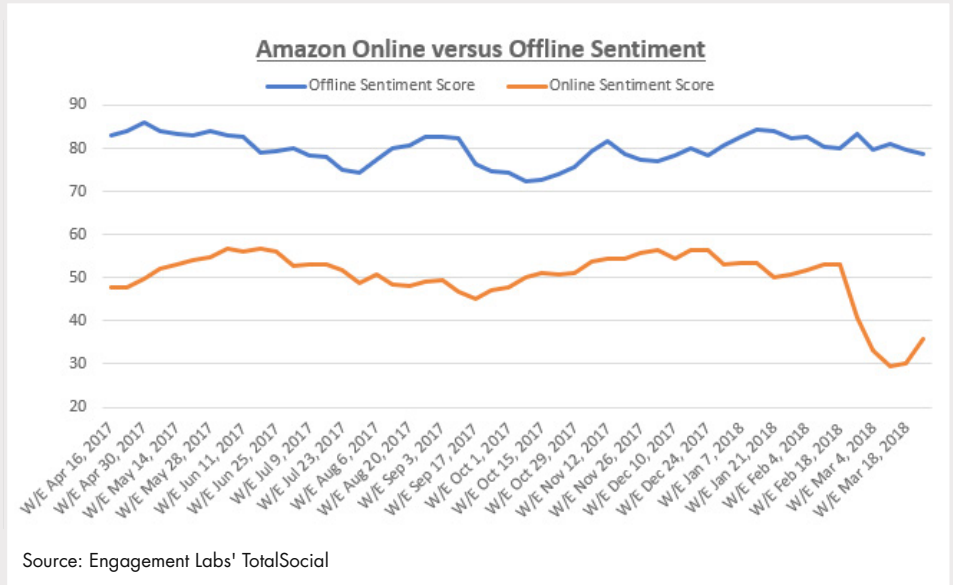
By early April 2018, however, his string of tweets impacted more than the company's stock price. Our data shows that online net sentiment for the e-tailer took a dive, though its offline sentiment scores remained the same.

Yet, we've seen this pattern before – and we know how it plays out. The trend is similar to what we've seen for other brands caught in the crosshairs of the President's tweets. The impact on Amazon's net sentiment trend mirrors that of the brands that have ended their NRA sponsorships in the wake of mass shootings. For each brand facing a similar situation, there is a sharp negative trend in social media sentiment, but little impact offline.

For now, Amazon is refusing to respond to the President's tweets. That's probably the best course of action, given the nominal impact the attacks have had on the retailer's Total Sentiment scores.



## AMAZON'S ONLINE SENTIMENT TAKES A JAB FROM TRUMP



Amazon's online sentiment falls as a result of President Trump's tweets, but offline sentiment remains steady.

# HOW TO BEAT AMAZON

Amazon may be a shopping behemoth, but the good news is retailers in every category are finding their niche and competing against the e-Commerce giant.

The following examples show how retailers are leveraging marketing strategies to motivate consumers to talk about their brands – and how they are exploiting blue-sky opportunities to beat Amazon.

## DISCOUNT STORES COMPETITIVE ADVANTAGE: VALUE

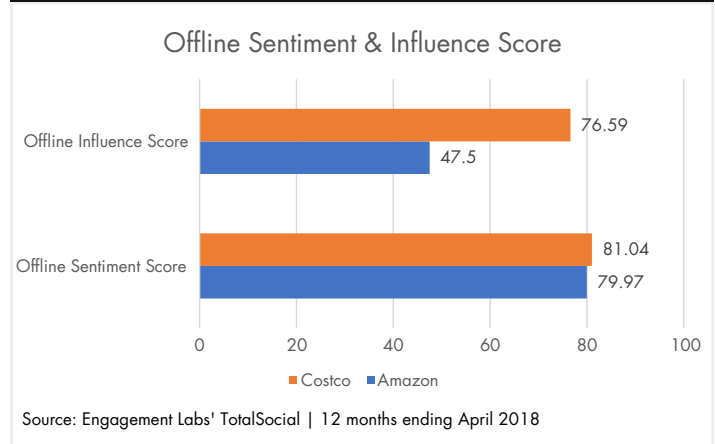


Consumers like to share, or even brag, about the great deals they find. Amazon benefits from this behavior, but another retailer does as well: Costco. Costco's strong TotalSocial score places it first among discount stores. Its ranking is driven by high offline scores for volume, sentiment and influence. Although its TotalSocial score is lower than Amazon's, Costco surpasses the eCommerce giant for both sentiment and influence.

Costco's consistent focus on wholesale prices and quality merchandise is a strategy that resonates with its members in their offline conversations. By focusing on value, Costco is beating Amazon in its category.

However, there's more opportunity for the retailer. It's a "Word-of-Mouth" Maven, which means it performs well offline but not as well online. Costco isn't capitalizing on the full power of social influence. It can create more of a competitive advantage against Amazon by developing social media strategies to improve its online performance.

### COSTCO'S VALUE MAKES PEOPLE HAPPY



A more aggressive online strategy is how Target is approaching its battle with Amazon. Our analytics show that Target has a stronger TotalSocial Online Score than either Walmart or Costco, and it ranks just behind Amazon with a very competitive online sentiment score. Its recent acquisition of same-day delivery service Shipt has strengthened its ability to compete in the online retail space. Target's success in sparking online conversations is driving e-Commerce sales for the brand.

# ATHLETIC SPECIALTY STORES

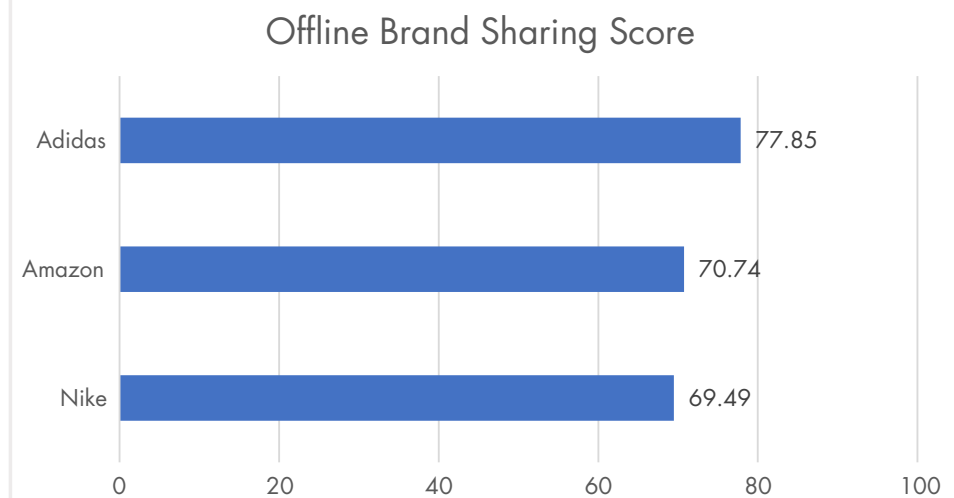
## COMPETITIVE ADVANTAGE: TALKWORTHY ADVERTISING



Both Nike and Adidas are known for their iconic advertising campaigns starring the biggest celebrities in sports and entertainment. Slogans and advertising campaigns such as “Just Do It” are talkworthy, which drives consumer conversations both online and off.



IMPOSSIBLE IS NOTHING TO ADIDAS WHEN IT COMES TO OFFLINE **BRAND SHARING**



Source: Engagement Labs' TotalSocial | 12 months ending April 2018

With clever advertising and sticky taglines, it's no surprise that Nike has strong volume scores, though it still ranks behind Amazon in the Athletic Specialty Store category for this metric.

Meanwhile, Adidas has an offline brand sharing score that far outruns Amazon. Yet, Nike is not to be counted out in this measure. It's close behind too, nipping at Amazon's heels.



Though Nike and Adidas fare better in offline conversation than online, that could change. Both brands are diving into new online channels. Early in 2018, Adidas **CEO Kasper Rorsted** told **CNBC** that the brand would bench its TV advertising in favor of mobile-based marketing. The change is an effort to reach Generation Z, which has shown a preference for engaging with the brand on mobile devices<sup>1</sup>.

Meanwhile, Nike recently partnered with mobile app company HQ to sponsor HQ Trivia, the popular live trivia game show<sup>2</sup>, in an effort to engage younger audiences.

# DEPARTMENT STORES

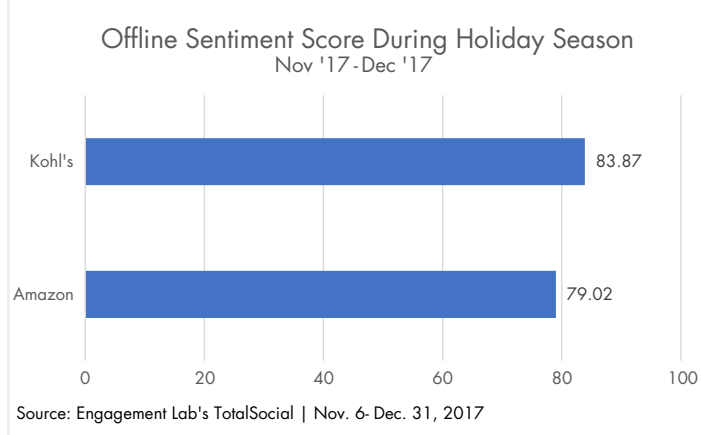
## COMPETITIVE ADVANTAGE: OMNICHANNEL APPROACH



As shoppers move seamlessly from online to in-store, so must retailers. Both Kohl's and Macy's are following an omnichannel approach, and it's paying off.



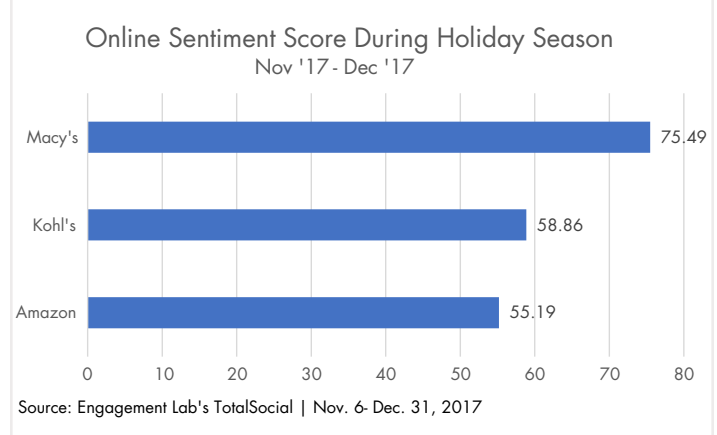
### KOHL'S OFFLINE SENTIMENT STAMPEDES OVER AMAZON DURING THE HOLIDAYS



Kohl's has such strong offline sentiment that it's a close second to Amazon throughout the year. However, it actually surpasses Amazon for offline sentiment during the critical holiday shopping season. Over the last several years, Kohl's has invested in an aggressive omnichannel strategy which included the launch of a mobile app featuring a personalized in-store experience, a single shopping bag accessible from any device and a "buy online, pick up in stores" option<sup>3</sup>. These activities create reasons for consumers to talk about the brand. This omnichannel approach is working, motivating brand sharing and discussion both online and off. In fact, mobile now accounts for 67 percent of Kohl's online traffic<sup>4</sup>.

Meanwhile, Macy's is Amazon's main competitor when it comes to online sentiment, surpassing the e-Commerce giant during the holidays.

### MACY'S PARADES OVER AMAZON IN NET SENTIMENT



Macy's has tied its brand so strongly to Thanksgiving and Christmas that it is top-of-mind for consumers during the holiday shopping season. In addition, Macy's brand sharing scores – both offline and online – are a close second to Amazon's, and the retailer has higher offline and online influence scores than the e-tailer. Like Kohl's, Macy's also sees omnichannel as the key to its future. It is enhancing the in-store experience, training employees to be more customer focused and creating a frictionless shopping experience through its web and mobile channels. CEO Jeff Gennette calls it "the marriage of technology and the human touch."<sup>5</sup>

The approach is working for the department store. According to data from SimilarWeb, Macy's is the top e-commerce clothing store in the U.S., with more web and mobile traffic than Amazon<sup>6</sup>.

# HOME CENTER/HARDWARE STORES

COMPETITIVE ADVANTAGE:

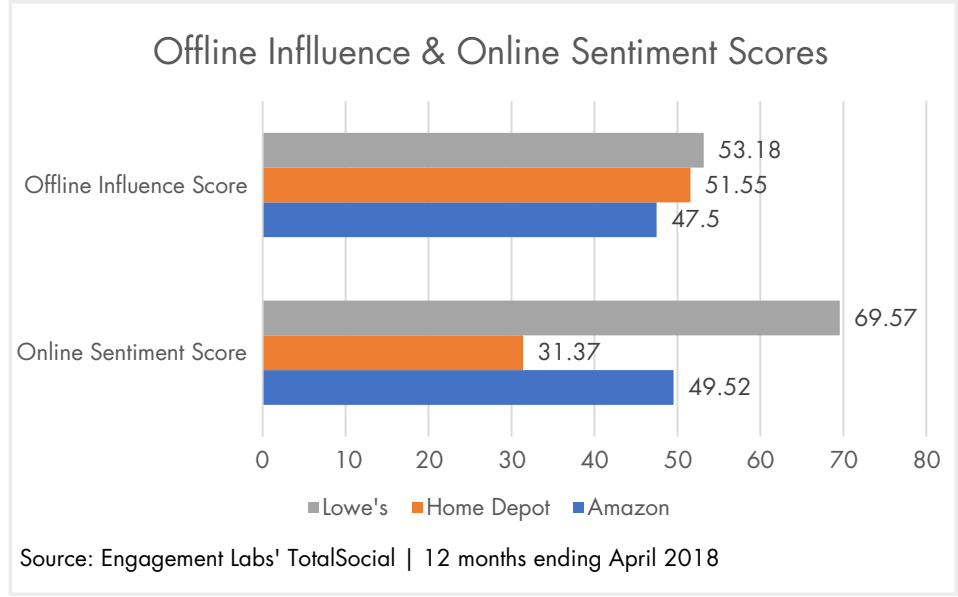
UNIQUE PRODUCT LINES



With a big home project looming, professional contractors and DIY homeowners find that shopping online just isn't sufficient. Paint is a good example. As it turns out, choosing the right color for a new den or kitchen is not an easy task to complete online.



## LOWE'S AND HOME DEPOT HAMMER AMAZON IN OFFLINE INFLUENCE



In addition, despite imagining itself as the "everything store," Amazon simply doesn't stock some products. Home improvement and building materials fall into this category<sup>7</sup>.

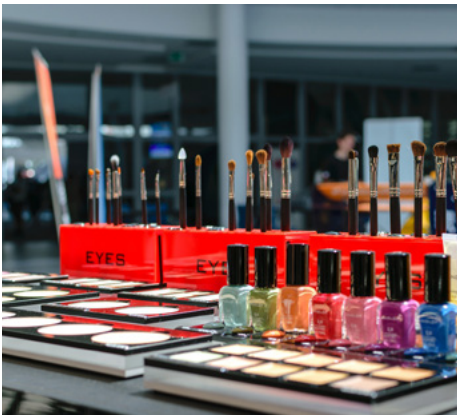
This combination has benefited both Lowe's and Home Depot. Both retailers have created experiential marketing that motivates consumers to talk, leading to strong offline volume and sentiment. Lowe's ranks higher than Amazon in online sentiment, and both retailers lead the e-Commerce giant in offline influence, largely because consumers looking to make home improvements seek recommendations from the key influencers in their life.

# SPECIALTY STORES COMPETITIVE ADVANTAGE: PERSONAL TOUCH

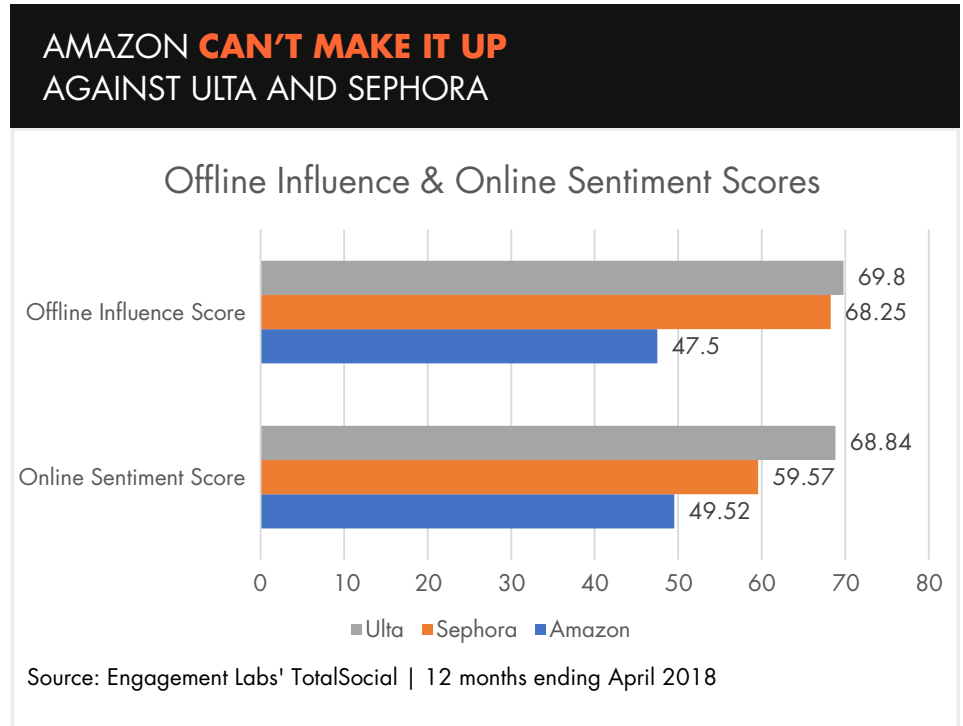


Beauty products are intensely personal and highly subjective, and many consumers find some trial and error are required before deciding what works best for them.

Brands like Sephora and Ulta know this, and it's why they've created experiential marketing to encourage shoppers to visit, try and buy. This approach also motivates consumers to talk about the brands.



Both brands have very competitive TotalSocial Offline Scores as compared to Amazon. Sephora ranks second, just behind Amazon, with Ulta a close third. Both brands have higher online sentiment and stronger offline influence scores than Amazon. Ulta also surpasses Amazon in offline sentiment, while Sephora ranks first for offline brand sharing.



# FIVE WAYS RETAILERS CAN BEAT AMAZON

What can retailers take away from these stories? Here's how to beat Amazon in your retail category.

1

Create campaigns and news that are effective in getting consumers to talk about the brand. Innovative new product lines, humorous advertising and celebrity partnerships are all examples of activities likely to spark conversations.

2

Remember that offline and online each drive success and often require separate strategies. Thus, optimize consumer touch points to increase conversation in both spheres. Design "friends and family" coupons that motivate consumers to shop together. Allow shoppers to unlock discounts when they post about their in-store purchases on social media.

3

Leverage the in-store experience as an advantage over Amazon. For example, create selfie stations that encourage photos and online sharing. Offline conversations represent a larger share of the conversation and have a bigger impact on sales.

3

Focus on marketing to influencers with large social networks. One way to do this is to identify your most passionate brand advocates and develop special programs for them. Many of the repeated visitors to your websites are your advocates.

5

Design marketing to be shareable regardless of channel. An integrated marketing campaigns that uses talkworthy TV advertising to encourage social media engagement will help you optimize both spheres of conversation.





# CONCLUSION

We're living in an era of rapid transformation in the retail industry. The shuttering of Toys 'R Us, the only national toy store, is a warning sign for everyone. Yet change brings opportunity, particularly for brands that have a solid connection to their customers. Keep in mind that consumers are eager for new experiences and will recommend innovative brands to friends and family.

Many retailers think about the value of a customer in terms of the dollars they personally spend with the retailer. We suggest a different calculation—the social value of a customer, which is based on the dollars of spending they influence through

their online and offline social networks. If that's a calculation you'd like to make, Engagement Labs has the experience, expertise and technology to unlock the potential of optimization, prove marketing ROI and increase revenue.

To learn more about the only platform that combines online and offline actionable data with predictive analytics to grow your brand, visit: [engagementlabs.com/solutions](http://engagementlabs.com/solutions) or email [sales@engagementlabs.com](mailto:sales@engagementlabs.com).

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# totalsocial<sup>®</sup> 2018 RETAIL BRANDS RANKING

engagementlabs.com

Contact Engagement Labs at sales@engagementlabs.com to:

- Find out your TotalSocial Score
- Learn how your TotalSocial Score compares to other brands
- Discuss how to maximize your TotalSocial performance
















Rank	Brand	Rank	Brand
1	Amazon	26	Sam's Club
2	Adidas	27	Nordstrom
3	Nike	28	Dollar Tree
4	Ulta	29	American Eagle Outfitters
5	Macy's	30	Vans
6	Sephora	31	Big Lots
7	Victoria's Secret	32	Ikea
8	Costco	33	H&M
9	Target	34	JCPenney
10	Lowe's	35	Meijer
11	Kohl's	36	Reebok
12	Old Navy	37	Levi's
13	Michaels Stores	38	Forever 21
14	Home Depot	39	Express
15	Air Jordan/Jordans	40	Converse
16	Best Buy	41	Babies "R" Us
17	HomeGoods	42	Ross
18	Bed Bath & Beyond	43	Hollister
19	GAP	44	Hot Topic
20	Under Armour	45	rue21
21	Dick's Sporting Goods	46	Ashley HomeStore
22	Walmart	47	Kirkland's
23	Toys "R" Us	48	BJ's
24	Puma	49	Abercrombie & Fitch
25	The Children's Place	50	Dollar General

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**2018 RETAIL BRANDS RANKING**

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Contact **Engagement Labs** at sales@engagementlabs.com to :

- Find out your TotalSocial Score
- Learn how your TotalSocial Score compares to other brands
- Discuss how to maximize your TotalSocial performance

Rank	Brand	
51	Family Dollar	
52	Polo	
53	Marshalls	
54	Michael Kors	
55	Dillard's	
56	Menards	
57	T.J. Maxx	
58	Sears	
59	J.Crew	
60	Aéropostale	
61	Charlotte Russe	
62	GameStop	
63	Kmart	
64	Payless ShoeSource	
65	Banana Republic	

# ABOUT ENGAGEMENT LABS

Engagement Labs is an innovative, industry-leading data and analytics firm that focuses on the entire social ecosystem and its impact on business. Our TotalSocial® platform is the only platform that combines powerful online (social media) and offline (word of mouth) data with predictive analytics. We have a proprietary ten-year database of unique brand, industry and competitive intelligence.

Our cutting-edge predictive analytics uses machine learning to reveal the social metrics that will increase marketing ROI and top line revenue. Our team consists of awarding-winning industry experts with deep knowledge and experience in social media (online) and word of mouth (offline) marketing. Our clients are a diverse group of Fortune 500 brands and companies.

## ABOUT TOTALSOCIAL

TotalSocial® is a premier data and analytics platform that provides brands with unique insights, improved marketing ROI and strategies to grow revenue.

Fueled by actionable online and offline data, TotalSocial® is the only platform that encompasses and listens to the entire social ecosystem.

With the only ten years database, TotalSocial® offers unique, proprietary data about your brand, industry and competitive intelligence.

With cutting-edge diagnostics, patent-pending predictive analytics and machine learning, TotalSocial® identifies business opportunities and provides you with recommendations and a roadmap to grow your revenue and achieve your goals.

### WANT TO KNOW WHAT YOUR BRAND'S TOTALSOCIAL® PERFORMANCE IS?

CONTACT US  
[information@engagementlabs.com](mailto:information@engagementlabs.com)

MEMBERS OF THE PRESS  
[media@engagementlabs.com](mailto:media@engagementlabs.com)

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