

RAMPING UP RETAIL WHEN LOCKDOWN LIFTS



The Phrasee Pledge



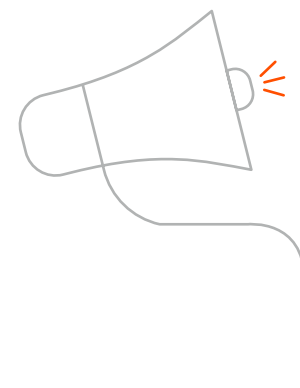
Parry Malm, Neil Yager, PhD,
and Victoria Peppiatt

An open letter from the Phrasee phounders

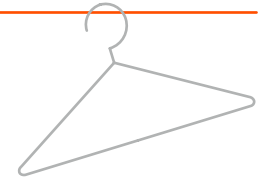
The COVID-19 pandemic is this generation's 'black swan' event. In AI circles, we might refer to this unforeseen moment in time as an 'edge case'. **It is a truly testing time for businesses in every sector** and while we hope for a quick recovery, some clear winners will emerge as history has taught us.

Since Phrasee was founded, **we have helped the most progressive retail brands to survive and thrive** in times of both difficulty and opportunity. As brands begin to double down on digital and resurrect their transformation strategies in response to the coronavirus outbreak, **Phrasee is primed to help our customers compete** in this new normal we now find ourselves in.

Our mission began in 2015 when we founded Phrasee to **empower marketers with Brand Language Optimization**. We believe that this technology represents one of the greatest opportunities for marketers and is the next frontier in digital marketing. As more retailers begin to shift to a digital-first mindset, **this technology will be at the forefront of the marketing revolution** that has already begun.



Retail marketing: the current landscape



AI is a golden opportunity in a time of crisis

Retailers have faced many of the same challenges over the years. **Consumer expectations are rising.** The desire for instant gratification and seamless omnichannel experiences, as well as the endless choice available to consumers, means that **power ultimately lies with them.**

New forms of competition, including tech giant monopolies like Amazon and direct-to-consumer brands offering functional and good digital experiences, have arisen to **challenge traditional retailing.**

Meanwhile, the rise of discount marketing and short-termist marketing strategies have posed a challenge. Over the past decade, retailers focused on short-term metrics have resorted to cheap clickbait tactics in an effort to hit quarterly KPIs, **damaging brand-audience relationships and eroding long-term brand equity.**

One thing is clear: the battle for share of voice and relevance has **never been more important.** And recent global developments such as the onset of the COVID-19 public health crisis have accelerated such trends.

“ Out of this crisis, there will be winners and losers. Will you be a winner?
- Parry Malm, co-founder and CEO, **Phrasee** ”

Undoubtedly, the novel coronavirus is having a massive impact on the global economy and **retailers need to be able to adapt to a rapidly changing landscape.**

This is where AI technologies come in. In order to meet online consumer demands, offer enhanced customer experiences and double down on effective communications, **it's time for retailers to get up to speed** on the latest developments in AI and machine learning to give them a competitive edge.

Right message, right person, right time is even more meaningful in the current climate. AI is especially impactful in marketing and sales because of the frequent customer-business interactions and the large amounts of data generated that AI can tap into. It has and will continue to **fundamentally change** the way retail marketers interact with customers.

AI is used to drive faster decision making in marketing, ecommerce, product management and other areas of retail business. It can have many uses: streamline retail operations, offer more personalized experiences, increase conversions and ecommerce revenue and customize shopping with predictive modelling and micro-targeting. And right now, **these services need to be greatly improved** and made fit-for-purpose.

With AI, **retailers can be equipped to forecast and make smarter business decisions** – the use of algorithms increases visibility into ROI and translates results relating to costs and sales impact. AI's ability to improve prediction and efficiency will **help retail brands meet the specific challenges** facing the industry today.

The impact of COVID-19 on retail

Across the globe, **retailers are now faced with the abrupt digitalization of shopping experiences**, working practices, and home life. As consumer behavior shifts due to social distancing and restricted living, **in-store footfall has fallen** while ecommerce and online sales in certain product categories have grown.

How, in the current climate, do retailers drive profitability and growth? Changing consumption patterns present an **omnichannel retail opportunity with a greater focus on ecommerce**. Digital connectivity is taking a greater hold on people's daily lives and **more people are seeking technology-enabled solutions** to assist in shopping. Retailers that embrace new approaches and technologies have an opportunity **earn customer loyalty** in the short term (and well after consumer concerns subside).

So, you've closed your stores and you're doubling down on digital. But so is everyone else. Now, more than ever, **standing out from the crowd is crucial to brand success**. That's why effective messaging in the age of coronavirus is critical. Retail marketers **need to employ tactics** to keep their customers at the core of their communications.

Technology will play a crucial role in enabling this and in managing crisis mitigation and business recovery. **Now is the time to dial up tech investments** that will steer your brand on a path to long-term success.

Abrupt digitalization of experiences



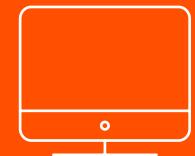
Consumer behavior shift

Social distancing



In-store footfall decline

Restricted living



Ecommerce growing

Partner spotlight

Julio Lopez, Director of Client Strategy, Retail Practice Lead, **Movable Ink**



Q. The onset of the novel coronavirus has created a dynamic situation and a sense of uncertainty for many businesses. What do you think are the implications for retailers and ecommerce in the short term and long term?

A. We are seeing the **short-term results now**. Store closures, even if temporary, continue to increase, and **supply chain challenges are also forcing ecommerce closures**, bringing many companies to a complete standstill. This is going to have the expected financial implications in the short term, but brands that have worked hard to **foster brand loyalty** will come back strong.

In the long run, what we will see is **more companies investing in technology** that will allow them to react quickly - not just to a massive pandemic - but to anything. That is the lesson retailers will take away from this: the **need to be nimble**. That's the reason digital-first D2C brands are changing the retail landscape - they are digital-first and nimble. We'll see traditional retailers making the investments that will **allow them to be more like those digital-first brands**.



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The power of email communications

Expert insights from April Mullen,
Director of Strategic Insights at **SparkPost**



1 What is the impact of COVID-19 on retail?

From a high level, SparkPost communication data is highlighting the early steps brands are taking, and **it's clear that timely, accurate information and reassurance are resonating with consumers.**

Consumers are opening more than 30 percent of emails they receive relating to COVID-19 compared to the roughly 15 percent open rate for most standard retail promotional email. **Brands have a captive audience now**, so make sure the message lands.

Outside of email, **there's a huge impact on retail brands no matter what category they are in.** Brands that are in fashion, and other non-essential categories are finding it hard to stay in business - especially those that drive a large portion of revenue through brick and mortar sales. **Those with an ecommerce infrastructure are in a much better position**, but are still having to figure out how to deliver on orders with supply chain gaps, minimal staffing in distribution centers and shipping delays.

Brands that are in more critical categories like food, prescriptions and home supplies are experiencing different challenges in that their revenues have skyrocketed, but **they are struggling to keep up with the demand** and keep items in stock. Those that do home delivery are also challenged with delays. Some grocery delivery services that used to only take hours from order to delivery, can now take days or weeks.

2 Do you have any advice for retailers building a pandemic-proof communications/marketing strategy?

A pandemic-proof strategy is one that can be nimble. There's no playbook for any of this, so **it's important to be flexible** enough to abandon certain campaigns for now or modify messaging and offers. **Leverage templates and technology** to help you make quick pivots as needed. It's a rough time, but **flexibility will pay off**, as you move toward sending your consumers what they want and need to hear from you. **Don't be afraid to show a little vulnerability and authenticity** as a brand while you're at it.

The power of email communications



Email has long been a communications channel that consumers prefer over others.

With email, brands have the ability to send a message very quickly. This and its connection with consumers positions it to be a very powerful communications channel at anytime, but especially in a crisis.



SPARKPOST



3

How can brands best prepare for a return to normal in a post-coronavirus world?

It's important to not lose sight of your long-term strategy in the midst of this crisis. As quickly as this came on, it could go back to something closer to normal in just a few months. **Be ready for the switch to flip back** to what you had originally planned while also trying to squeeze a bit more efficiency and effectiveness out of your marketing once things get back to normal. **Your marketing will need to work harder than ever before** to get the economy going again, so be laser-focused on ways you can get **more from your marketing with the resources you have**.

4

In your opinion, what significant changes will we see emerge in business in the aftermath of the pandemic?

One of the most impressive changes I've seen in the pandemic is how **brands have really stepped up in their digital transformation**. What has been put off for years became a priority overnight. A craft store chain now has a mobile app and will deliver items to your car for storeless shopping. Many brick and mortar grocery chains now offer online ordering and delivery. Gyms are now offering online courses. Restaurant delivery apps are seeing their best quarter ever. **Consumers have changed too**. The silver lining in all of this has been the innovation and embracing of a new way of engaging that I don't think will go away after this pandemic is over. We can't see it yet because we are in the middle of it, but **we have shifted past the post-digital age** in this time period and we'll see even more exciting innovation in the period that follows. **I can't wait to see what's next**.

Enter Brand Language Optimization

Neil Yager, PhD,
co-founder and Chief Scientist, **Phrasee**

Choosing the right words to engage consumers **has never been more important** than it is today – the decision to use one word over another can **significantly impact engagement, conversion rates, and revenue**.

At Phrasee, we call this **The Language Effect**.

Phrasee's Brand Language Optimization technology **helps get important messaging seen and heard** by generating the **right message at the right time** in a brand's unique voice in order to deliver business uplift.



Q. What is the connection between natural language generation and effective branding?

A. There are two main components of Phrasee's technology – natural language generation (NLG) and deep learning. At Phrasee, **we create custom language models for each client**. These are carefully built by our in-house linguistic experts and **encapsulate information about the brand's style and tone of voice**. Using Phrasee's generative language models, brands can focus on what **information needs to be conveyed** for a particular marketing campaign and can be confident that the NLG algorithm will word it in a way that is right for them.

One of the advantages of having a centralized source of language is that new requirements can be added at any time, and this will be immediately applied to all generated language. **The output will be consistent and reliable**. For example, at Phrasee we have revisited all of our language models in response to the COVID-19 crisis, leading to more **sensitive and tactful messaging**.

Customer spotlight

Justine Del Greco,
Marketing Manager Global CRM, eBay



Q. How does Phrasee empower eBay to deliver marketing impact?

A. eBay connects millions of buyers and sellers around the world. It has been working with Phrasee to **power its marketing language** since 2016. We started working with Phrasee when we were **looking for ways to optimize content at scale**. We needed a **creative technology solution** that offered scalability but also **reflected eBay as a brand** and adapted to the constantly changing behaviors and preferences of our audience.



Phrasee-generated language is based on scientific insight yet is **human-sounding** and **tailored to eBay's brand voice**. Machine-generated language balanced with human control made Phrasee our top choice, and we've seen significant engagement and ROI uplift ever since.



Machine-generated language balanced with human control made Phrasee our top choice, and we've seen significant engagement and ROI uplift ever since.



Retaining control of your language

Victoria Peppiatt,
co-founder and COO, **Phrasee**



Phrasee's technology codifies a brand's guidelines to generate the most effective language, which is irrefutably compliant with a brand's tone of voice.



It's understandable that during present times, **brands will be looking to pivot their communication strategies** to address current sensitivities. They need to **strike a careful balance** between being helpful and finding new opportunities **to minimize business impact**.

But there is a **misconception that copywriters alone need to produce marketing language** appropriate to an audience. In fact, the opposite is true.

What's powerful about Phrasee's technology is that it **codifies a brand's guidelines** to generate the **most effective language**, which is irrefutably **compliant with a brand's tone of voice**.

So, in the same way a copywriter might adapt to be more empathetic to the situation, **Phrasee's language models can be adjusted**, maintaining a brand's distinctive voice while avoiding potentially problematic linguistic features. **This avoids human bias** at a time when no individual alone can be expected to have all the answers.

The importance of sensitivity

Phrasee allows brands to **retain control of language in challenging times** – be that a national or international crisis, or an issue closer to home – **while ensuring it has the reach and impact you need.**

We work with brands to **adapt to the situation quickly** and generate new, relevant, timely language in a brand's voice that **can be applied across all digital channels.**

Controlling for language sensitivity

Phrasee offers complete control. Our team of language experts can amend a brand's language model, retain brand voice, offer consistency, temper emotion and, critically, **we stay on brand while still making an impact.**

Most importantly, these changes can be made once and easily reverted as soon as the sensitive situation has been resolved.

To make sure businesses are generating language that is appropriate during a time that calls for heightened sensitivity, **Phrasee's advanced technology is equipped to support sensitive language approval** whereby certain words, sentiments and language features can be temporarily excluded from a brand's custom language model(s).

In summary, now is the right time to **consider the brand you want to be and the language you want to use.** Bear in mind...

- You could lose as many customers as you win.
- Budgets may be tight, people may have lost family, jobs may have been lost.
- People may be looking to reward themselves and feel good about a new start.
- Prioritize ethical considerations for your customers

Consumers reported that marketing can make them feel:



48%
angry



39%
inadequate



38%
sad



38%
anxious



68%
of consumers
would not
buy from a
brand that
used negative
emotions in its
marketing

69%
of consumers
would buy
more from a
brand that
used positive
marketing



56%

agree that brands using negative emotions are, in part, responsible for harming people's mental health



63%

agree that brands using high-pressure selling tactics are responsible for getting people into financial difficulty



27%

agree that anxiety-inducing marketing has made them buy things they have later regretted



76%

agree that they are turned off by brands that use high-pressure selling tactics

Let the language do the talking

Pre-COVID-19	Post-COVID-19
Coats on sale... Be quick, ending soon	Coats on sale... Be quick, ending soon
👁️👁️ Be seen in THESE! Our sale is here. 👁️👁️	Shop in style: explore big savings in the Fashionista sale
Breaking news... This will be over before you know it.	💖 Because you're awesome! Our SALE is waiting for you
Wrap up and head out! See how much you could save in our outerwear sale 🛍️	💰 Shop and save in our sale
Last call! Your chance to SAVE with Fashionista ends soon - you'll get all the compliments wearing these coats	Fall in ❤️ with our coats...
💜💜💜 Your day just got even better	Go on... Treat yourself. Guaranteed style when wearing coats from Fashionista
🕒🕒🕒 EVERYONE'S BUYING THESE - trending coats inside	So. Many. Coats.
These coats are going VIRAL... Time to layer up	Fabulous fashion without the price tags
🚨 ALERT: top coats at shockingly good prices...	💭 Dreaming of the perfect coats? They're here...
Don't forget about our SALE	💖 We know you'll LOVE these coats - enjoy the sale...

Here are some specific examples of language features Phrasee can control for:

Language that suggests you're sharing important information

e.g. "Important", "here's an update", "announcement", "information", "alert"

Language that might cause panic

e.g. "Stock up", "caution", "warning", "brace yourself", "get prepared", "OMG"

Language that could be perceived as blasé or overly quirky

e.g. "Have a great day", "make your Monday even better", "it's your lucky day", "Wool!"

Language that promotes behavior outside of official guidelines

e.g. "Never a better time to travel", "high five!", "get outdoors", "time to party"

Language that has connotations with health

e.g. "Travel bug", "catch", "the best medicine", "killing it"

Emojis that could be insensitive

- Potentially too happy e.g. 😺 😄 😊 😌
- Potentially too alarming e.g. 😱 🚨 🛑 🔥
- Overuse of emojis

A tale of two retail strategies

By delivering commercial results quickly and improving campaign performance over time, **Phrasee's technology is a quick win to accelerating major digital and business transformation.**

With a history of revitalizing results for the world's biggest retail brands, Phrasee is a technology partner primed for **equipping businesses to overcome challenges and adapt to the status quo.** The following example of two divergent retail strategies perfectly illustrates this.

In the real world, a scenario has been playing out in the retail sector, with some brands eschewing a sustainable long-term strategy in exchange for short-term gains, **often to their own detriment.** Other brands, meanwhile, have kept their eyes firmly focused on the long-term horizon.

Let's take a look at an example which is much more firmly rooted in reality: **the divergent paths of two of the world's largest retailers** (anonymized to avoid embarrassment). Let's call them 'Retailer A' and 'Retailer B'...

Retailer A was a **well-established retail brand** with stores in almost every North American city back in 2000. **But the brand had fallen on hard times.**

Falling revenues, stiff competition from brands like Amazon and Walmart, and an aging customer base had **driven the retailer close to bankruptcy.** Store closures abounded, costing billions of shareholder value, and putting thousands of jobs at risk.

With the pressure on, **Retailer A needed immediate sales to stay afloat.** The brand simply didn't have the luxury of a long-term marketing approach. As a result, **the brand opted for discount offers on a grand scale** and a marketing strategy built on **short-term revenue gains** at all costs.

Retailer A's sales revenues increased for a short time, allowing the company to avoid bankruptcy and many of the additional job losses that its employees feared.

But, **as the deep-discounting race to the bottom eroded Retailer A's profit margins,** the marketing copy proclaiming yet another 'big sale' **gradually became white noise** to the discerning ears of consumers. Just take a look at the below graph comparing the two retailers' stock prices over the same period of time (January 2016 – December 2019).



A tale of two retail strategies

Over the ensuing years, **Retailer A's stock price plummeted**. Meanwhile, in another corner of the retail sector, Retailer B was in a different sort of trouble. **It had been making use of short-term tactics in its marketing for years**. Its digital marketing efforts – rife with discount language and clever ploys to capture consumer attention – had **begun to falter**. The brand's digital marketing engagement rates were decaying. **And that was very bad news**. On top of that, Retailer B's margins were taking a serious hit at the hands of the ever-increasing discounts the company was offering in an effort to buoy its flagging engagement numbers.

Retailer B made the tough decision to **change direction with its digital marketing efforts**. The company abandoned the short-term tactics which it had been leaning on, **opting instead to focus on building its brand through a sustained long-term strategy**.

Since deciding to **embrace a long-term marketing vision**, driven by a long-term marketing copy approach, Retailer B, a Phrasee customer, **has seen its stock price increase dramatically**.

Should the contrasting overall performance of Retailer A and Retailer B be attributed purely to the marketing copy choices the two brands made? Certainly not. **There are myriad factors at play** in the worlds of retail and marketing in the digital age. But **The Language Effect** – and its enabler, **Brand Language Optimization** – had a real impact on the divergent outcomes of these two huge brands.

Retailers that now face the mighty challenge of coronavirus mitigation and succeeding in a changed business landscape would be **wise to learn from this story** and set in motion long-term strategies that will ensure **increased engagement, conversions, and loyalty**.



Where do we go from here?

Parry Malm, co-founder and CEO, **Phrasee**



By failing to invest in technologies and much-needed upgrades to cope with existing business pressures, retailers are at risk of losing their competitive edge now and long after when the dust settles.



There is some preliminary evidence that **retailers are acting cautiously** regarding their technology and infrastructure spending. According to a COVID-19 Business Impact Survey run by Econsultancy and Marketing Week in March 2020, **53% of North American marketers and 41% of UK marketers have delayed or are reviewing strategic initiatives**, such as digital transformation and restructuring. This runs in parallel to findings that **75% of North American marketers and 70% of UK marketers** in the same survey **predict an increase in ecommerce usage**.

While there is no doubt that **brands will do whatever they can to minimize business impact** in the short term, **it's important for businesses to play the long game**. By failing to invest in technologies and much-needed upgrades to cope with existing business pressures, **retailers are at risk of losing their competitive edge** now and long after when the dust settles.

With that in mind, **there are some practical steps retailers can take** to make sure they are prepared for the new marketing world order. Ignoring the elephant in the room is simply not an option. **Retail is changing quickly, and the onus is on brands to act and be prepared.**



Accelerating your recovery

Retail best practices to 'gas up' during and beyond the crisis

1 Amplify the effect of email as the most critical consumer communications channel.

Email is **targetable and addressable**. Campaigns can be deployed quickly, with flexible content, including video and links to detailed information. Engagement is also almost immediately measurable at the recipient level. Overall, these features make the email channel **perfectly suited to the rapidly evolving communication needs** of a public crisis.

2 Make sure your communications stand out and strike the right chord with your audience.

The current crisis will **change the face of marketing as we know it**. As we emerge from this crisis, everyone will be focusing on digital, so you'll need to ensure your messages **stand out and resonate** with your audience over your competitor. This is how retail marketers will **accelerate their recovery and performance** ahead of the market. You'll need to adopt technologies that offer the highest level of engagement across all digital channels. Don't second guess your messaging – **let the data speak for itself** and show you how best to communicate with customers.

3 Avoid hard selling.

Retailers are likely to do **whatever it takes** to combat declining revenues or the impact of where business activities have come to a sudden halt. While it is important to minimize business impact, **customers are likely to respond negatively** to brands that are insensitive to their concerns or that appear to be profiteering. **Try to strike a careful balance** between being helpful and finding new opportunities in response to the current climate.

4 Protect your brand voice.

This period will mark the final nail in the coffin for short-termist marketing strategies like race-to-the-bottom clickbait tactics. In order to thrive, brands need to be thinking about success in the long term. **Technologies such as Phrasee's Brand Language Optimization protect and enhance your brand and reputation** while delivering content at scale to meet the needs of your consumer audience.

Accelerating your recovery



Retail best practices to 'gas up' during and beyond the crisis

5 Try new things

Retailers will need to start thinking differently to adapt to new conditions. One of the biggest challenges for retailers is **fear of the unknown**. Not seeing a proof of the copy or creative before a campaign is deployed? The very idea can floor some people. Marketers, if they want to remain competitive in this changing retail landscape, **need to be willing to try new things**.

8 Use AI 'quick wins' to steer your retail brand on the path to long-term success.

Retailers at this time are understandably **seeking solutions that will drive immediate impact**. Sometimes introducing new technologies requires changes to business infrastructure, processes, and teams. It may also involve third-party data exchange and complex IT requirements. **Identify those technologies that are easy-to-use**, quick to implement and that can make a difference to your business without complexity or aggravation.

6 Be willing to test and learn.

Always apply multivariate testing. You need to plan to show incremental ROI on your investments, and the only way to do that is to test. But **don't test just once**. Testing is an iterative process and you need to be open to different strategies and different possibilities.

9 Don't forget that trusted partners are here to help.

In the current climate, **it is of paramount importance for brands to find technology partners** that help them overcome business challenges, adapt to change, and bounce back. Phrasee has a history of revitalizing results and delivering business success for the world's biggest brands. Brands that were previously experiencing declining or stagnant marketing performance have used Phrasee to **pivot strategies and ramp up performance**. Technology partners like Phrasee are **primed to help customers augment digital and business transformation**.

7 Technology investments will need to be brought forward.

What may once have been perceived as a nice-to-have is indeed now crucial. Over the next few years, we're likely to see less net-new AI applications and a **stronger focus on amplifying current digital strategies**. This means enhanced product recommendations, personalized creative treatments, and **enhanced copy selection**.

Empower your marketing with Brand Language Optimization.

Book a demo



☎ US: +1 (415) 941-2420
☎ UK: +44 (0)20 8870 6968
✉ awesome@phrasee.co
🐦 www.twitter.com/phrasee
🌐 www.linkedin.com/company/phrasee