Increasing in-store sales through creative omni-channel digital and social media marketing strategies: Case study of HobbyTown

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Abstract   Many retailers with brick-and-mortar locations are losing ground or failing due to the rapid rise of e-commerce. In stark contrast, US toys and games retailer HobbyTown saw 5 consecutive quarters of increased in-store sales and customer engagement following 12 consecutive quarters of declining sales. This dramatic reversal resulted from successful, strategic digital and social media marketing campaigns featuring strategies that revitalised the social, web and mobile channels through which HobbyTown connected and interacted with current and potential customers. HobbyTown understood the unique value of the immersive in-store experience offered to customers and capitalised on this knowledge by using highly personalised and localised digital marketing techniques to increase purchases within physical store locations. This paper explores the methodology of these digital and social media marketing strategies, including campaign development, implementation, measurement and results. The insights shared will enable retailers with physical store locations to develop effective digital and social media strategies to deploy when social distancing directives for COVID-19 are fully lifted and business returns to normal.

KEYWORDS: digital marketing, retailing, CRM, social media, omni-channel, local retail, in-store purchasing, brick-and-mortar stores

THE RETAIL LANDSCAPE

Are brick-and-mortar stores becoming extinct?

In recent years, there has been a strong shift in retail away from brick-and-mortar stores to online shopping, and the trend shows no signs of changing. Indeed, according to some prognosticators, the future for brick-and-mortar stores is bleak.

Retailers that have closed their doors or downsized the number of their brick-and-mortar locations in recent months include some of the most recognised consumer brands such as Abercrombie & Fitch, Dollar Tree, Sears, Kmart and Victoria's Secret, among many others.

Below are some rather grim observances and/or predictions from a variety of sources

that cover the retail industry on a regular basis:

- In 2018, there were 5,500 store closures for the whole year. During the first four months of 2019, there were 4,800 store closures.[1]
- In 2019, there were 9,302 store closings, a 59 per cent jump from 2018. An estimated 75,000 more stores are predicted to close by 2026.[2]
- The huge success of top e-commerce retailers like Amazon, JD.com and Apple stands in sharp contrast to what is happening to many familiar brick-and-mortar retailers.[3]

But there is some good news on the horizon: retailers with brick-and-mortar locations can take heart — and hope — from the success story of HobbyTown, a US franchise retailer that embraced a modern, hybrid digital marketing approach to significantly boost purchases inside the physical store. In fact, a relatively small financial investment of approximately US$200,000 in three digital and social media marketing campaigns delivered more than US$3m in attributable in-store sales.

ABOUT HOBBYTOWN

Founded in 1980 in Denver, Colorado, HobbyTown (not to be confused with Hobby Lobby) is a national toys and games retail franchisor with about 120 physical locations throughout the USA. The company carries a wide variety of interactive toys, and specialises in radio-controlled cars, trucks, helicopters, planes, boats and drones, as well as games, modelling kits and many other hands-on playthings that capture the imagination.

A visit to HobbyTown is not the average, run-of-the-mill toy-store outing. Instead of wandering through the aisles in search of something to buy, shoppers routinely engage with HobbyTown associates, who are enthusiastic ambassadors of the store and its products. Associates enjoy sharing their expertise and introducing people of all ages to toys and games that will reduce screen-time for kids.

The company's mission is to connect HobbyTown with potential customers who may become avid, lifelong hobbyists who return to the store time and time again for accessory items, add-ons to collections, gifts for friends, events, repairs and conversations with experts. Associates want every trip to HobbyTown to result in a memorable experience that is beyond fun, beyond ordinary.

THE CHALLENGE

Although HobbyTown boasted a loyal core customer base that supported the store year in and year out, the franchise was feeling the financial pain of its retail compatriots in the age of e-commerce. In fact, the company had reported 12 consecutive quarters of declining sales from 2016 to 2018.

In an effort to reverse this alarming trend, HobbyTown reached out to initiate-it, a digital-first creative agency headquartered in Richmond, Virginia. Founded in 2011, initiate-it is a full-service digital advertising agency with retail, commercial, small business and franchise business clients of all sizes.

In the autumn of 2017, initiate-it conducted a brand study to identify HobbyTown's areas of strength, weakness and opportunity. Several factors quickly came to the forefront as issues to be addressed and explored:

- Each of the 120 retail locations operated independently, meaning that each store owned accountability for its own advertising and setting up its own social media platforms.
- HobbyTown lacked a national advertising programme to unify the stores and their advertising messages. Because the franchisees operated essentially as

120 different businesses, there was no consistent, overarching brand message about HobbyTown that every store used in its advertising or social media platforms.

- Although HobbyTown had a database of over 300,000 customers, the database had never been segmented based on purchasing behaviours. For this reason, whenever HobbyTown sent a promotional e-mail to customers, everyone in the customer relationship management (CRM) database got the same e-mail, regardless of whether they had ever purchased the item being promoted. Inevitably, many of the e-mails were deleted upon receipt because the product being promoted was not relevant to the recipient.
- Social media content was inconsistent and disorganised with no tracking software in place, and there was little to no engagement or online conversation with current or potential customers.

After presenting the results of the branding study to the HobbyTown executives, the company partnered with initiate-it to develop three digital marketing campaigns that would aim to boost sales in the physical stores. Online sales *would not count* toward the stores' sales during the campaign periods, which were held during the all-important fourth-quarter holiday seasons of 2018 and 2019, as well as during the second quarter of 2019.

Having identified what HobbyTown was already doing that could be enhanced, initiate-it developed digital marketing campaigns that leveraged HobbyTown's CRM system and social media presence to achieve big wins for the company.

TIGHTENING THE APPROVAL PROCESS

The success of the campaign required consensus and support from *all* HobbyTown franchisees. This might sound simple, but it is easier said than done in the national franchise world, and the 120 individual store owners were not shy in expressing their opinions about the marketing and advertising needs in their respective locales.

To streamline discussions and ensure buy-in from the franchisees, HobbyTown established a marketing technical committee of influential franchise owners. This committee reviewed elements of the campaigns as they were being developed and vetted the campaigns before they were presented to all of the franchisees.

As there was an inherent trust factor that HobbyTown franchisees shared with other store owners, the newly developed digital social media marketing campaigns received support and buy-in throughout the enterprise due to the endorsement from the marketing technical committee. This strategy created a more manageable structure for analysing sales data, as well as vetting and approving each component of the digital marketing campaigns that would impact — and ultimately benefit — all of the brick-and-mortar stores.

Some other types of businesses that operate differently may not have required this step, but in this case it was critical. Timely approvals with minimal holdups were essential in order for the campaigns to launch on schedule and on budget.

REVITALISING THE CRM PLATFORM

After analysing customer buying behaviours on the franchisor's CRM platform of 300,000 customers, advanced e-mail funnels were identified so that relevant content could be distributed at the right frequency to target audiences.

Instead of every customer getting the same e-mail, customers in each funnel received a series of e-mails filled with creative, robust content that resonated with their interests and prompted them to open the e-mail for more information (Figure 1).

Figure 1: Purchase cued e-mails

For example, first-time purchasers of a radio-controlled (RC) car received an e-mail thanking them for their purchase and asking them to identify their RC interest from a list of three categories, namely, Bashers, Crawlers or Racers. This e-mail was designed to convey that HobbyTown understands the main categories of the RC cars and wants to provide relevant content for people who are passionate about that category in future e-mails. Buyers were told that they would receive information from HobbyTown with more helpful hints and tips to get them up to speed with their new vehicle. Links to like or follow HobbyTown on Facebook, Twitter, YouTube and Pinterest were also provided.

The remainder of this example will describe the e-mails received by those who selected the Basher category (extreme RC enthusiasts who enjoy the crashes just as much as the stunts) and were put into that e-mail funnel:

- *Basher e-mail #1:* About a week after the abovementioned e-mail, buyers who selected the Basher RC category received an e-mail asking if they were ready to realise the full potential of their new RC car. They were reminded that HobbyTown is a one-stop shop for parts, upgrades, repairs and servicing of RC cars. Included in the e-mail was a coupon for 20 per cent off any RC upgrade or add-on, along with a link to a HobbyTown store locator.
- *Basher e-mail #2:* When another week had passed, Basher enthusiasts received an e-mail encouraging them to click on a link to watch a video about driving basics. The e-mail assured buyers that HobbyTown could help them learn how to perform repairs, discover the best places to bash and provide help with upgrading parts.
- *Basher e-mail #3:* Bangs and crunches are all part of the Basher experience — as are repairs. The third e-mail reminded Bashers that HobbyTown experts were ready and waiting to help them with servicing if their RC cars needed some professional first-aid for battle wounds sustained during the call of duty.
- *Basher e-mail #4:* Bashers could click on a link to a video about how to customise their RC cars with stickers, decals, transmitters, engines and electric motor parts. By individualising their RC cars with cool add-ons from HobbyTown, these customers could transition from novice Basher to experienced hobbyist.

Following this pattern, further e-mails were sent at intervals to this targeted audience. Some of the e-mails included discount coupons that could only be redeemed

in-store. Each coupon had a special code, making it possible track purchasing behaviour and know exactly which e-mail in the series had prompted the consumer to take action. Zaius, a business–to-consumer firm, was selected as the CRM and e-mail provider for this part of the digital campaign.

The CRM results were outstanding on multipple levels:

- the typical e-mail open rate of 10 per cent *prior* to CRM segmentation jumped to an open rate of 30–40 per cent *after* CRM segmentation by purchasing behaviour; and
- HobbyTown locations saw an additional US$200,000 average in sales per month that could be directly attributed to embracing a more sophisticated CRM system.

BOOSTING ENGAGEMENT AND LOYALTY ON SOCIAL MEDIA

An important goal of the digital marketing campaigns was to reestablish and amplify HobbyTown's presence on social media by increasing and maximising user-generated content on the social media accounts of avid hobbyists. Instead of merely pushing information out to consumers on HobbyTown's social media platforms, HobbyTown sought to capitalise on social listening with the intent of interacting with customers and being in the moment with them socially (Figure 2).

Toys and games hobbyists are passionate about their pastimes and enjoy sharing their adventures with friends and other hobbyists. So, whenever these RC hobbyists posted anything on social media about their vehicles, HobbyTown commented on their exploits and offered assistance with accessories or repairs or whatever might grow their love of the hobby — and bring them into the physical store (Figures 3 and 4).

In short, HobbyTown added sophistication to its social media strategy as a way of

Figure 2: Creative social media

Figure 3: Example of Facebook engagement

fostering and nurturing relationships with new buyers who would become long-time loyal customers. By infusing creative messages and images into HobbyTown's posts
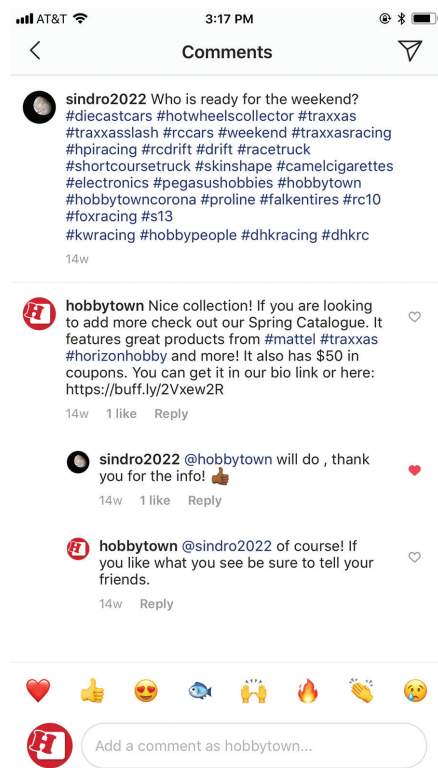
Figure 4: Example of Facebook engagement

and being an active participant in a social feedback loop, engagement levels spiked even higher than anticipated — HobbyTown's audience on social media increased from 49,295 in 2017, prior to the start of the digital marketing campaigns, to 69,139 at the end of 2019.

TESTING AND OPTIMISING

When someone invests in a HobbyTown franchise, the store typically reflects the personality and vibe of the area where it is located. A traditional national advertising campaign is not an effective use of the marketing budget because the purchasing behaviours of consumers for a HobbyTown in California are not necessarily the same as HobbyTown consumers in Indiana or Virginia or wherever the store is located. Therefore, a programmatic media buying approach was necessary.

Geofencing technology (Figure 5) was used to serve HobbyTown advertisements to consumers within a certain radius of each store, usually about 25 miles. Anyone searching online for toys and games within this virtual perimeter would see high-energy advertisements designed to highlight the fun, interactive selections that could be found inside a HobbyTown store.

But can digital advertisements really grab a consumer's attention, spark an emotional connection and lead to sales inside a store?

Highly flexible and nimble, digital advertising offers unique benefits for marketers seeking to connect with customers in the moment when they are online looking at toys or games to buy. Throughout the duration of the campaigns, HobbyTown tweaked and tested the images and messaging on the digital advertisements delivered through the various channels, resulting in over 75 iterations of advertisement. Such instantaneous adaptability would be impossible to achieve with print advertising, which must be placed with media outlets in advance of publication, often many months in advance.

Everything was tested — colours, text, fonts and more — and the advertisements constantly optimised based on which ones were performing better with online audiences. Every time that a consumer clicked on a HobbyTown advertisement, the action became a source of data used to inform all of HobbyTown's decisions on the digital marketing campaign. The reporting mechanisms all reinforced the fact that data is not subjective.

Some examples lessons learned through testing and optimising include:

- consumers responded most favourably to the colour red in digital advertising;
- advertisements with messages about how toys and games could reduce screen time for kids performed well (Figure 6);
- advertisements with fingers and hands attracted consumers looking for fun,

Figure 5: Geofencing

Figure 6: Advertisement mentioning screen time

hands-on playthings for their kids or themselves (Figure 7); and

• during the holiday campaigns, messaging about the number of days left to shop created a strong sense of urgency (Figure 8).

As online purchases were excluded from the digital campaigns, one may well wonder how *digital* advertisements increased sales inside *physical* stores.

The strategy was simple yet very effective. The advertisements took consumers to a

Figure 7: Advertisement with hands

Figure 8: Advertisement about remaining shopping days

Figure 9: Landing page

specially created landing page (Figure 9), rather than an online shopping cart. On the landing page, there were three calls to action from which the potential buyer could choose:

- click to locate the nearest HobbyTown store;
- click to reserve a purchase online for pickup in the store; and
- click to download a holiday gift guide with coupons offering up to US$75 of in-store savings.

Testing was employed to determine if consumers would share their names and e-mail addresses or opt not to share contact information. HobbyTown discovered that most people were willing to provide that information in order to get the gift guide with the coupons (Figure 10) that had to be redeemed in-store. Each coupon in the
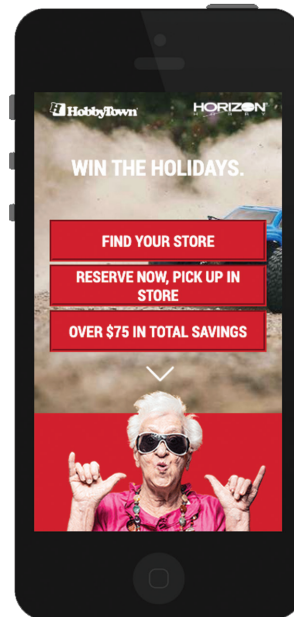
advertisements was tagged with a promotion code that could pinpoint with 100 per cent accuracy the exact advertisement or e-mail or gift guide page that motivated the consumer to place an online order that would be picked up in the brick-and-mortar store. This effectively closed the loop on a sale and provided measurable value to HobbyTown.

When consumers went to the landing page, their level of interest in various components of the page was gauged via a heat-mapping tool (Figures 11 and 12) that the agency embedded into the tracking system. This technology identified hotspots where the buyer's cursor hovered over images or text or tabs to click. Whenever a sizable sampling of consumers was drawn to a particular area of the landing page, adjustments were quickly made to optimise the page for increased sales potential.

As part of the analytics reporting mechanisms built into the digital campaigns, business intelligence software from grow. com pulled real-time data for the application
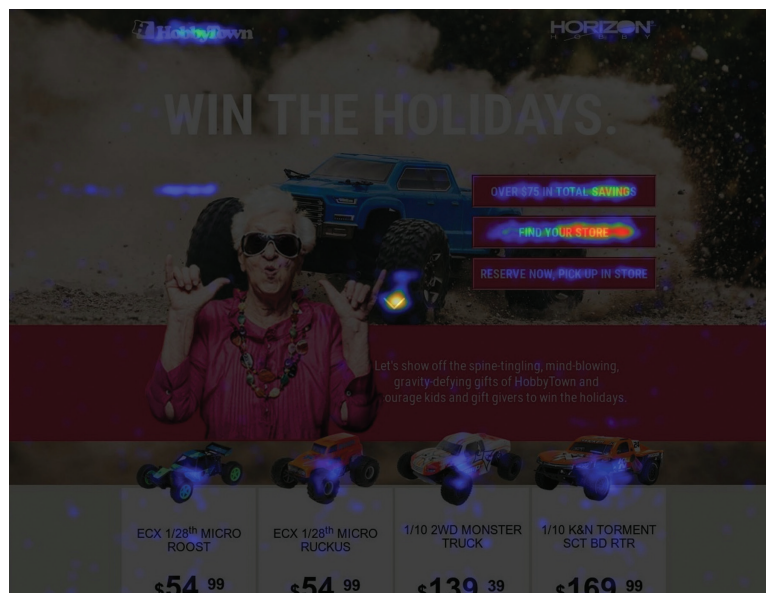
Figure 10: Assortment of coupons

Figure 11: The heat-mapping technology

programming interface. This element was vital to demonstrate the value of the campaign to HobbyTown.

LAUNCHING A CO-OP MARKETING PROGRAMME

To supplement the annual marketing budget supplied by franchisee contributions, HobbyTown executed its first-ever co-op marketing programme in 2018 and again in 2019.

Major toys and games vendors were benefiting from the hard work of the HobbyTown franchise owners and staff members, so it was only fair that the vendors participated financially in the costs associated with executing digital marketing campaigns that would favourably impact sales for everyone.

Figure 12: The heat-mapping technology

Figure 13: Campaign results

In 2018 and 2019, presentations were made to 33 of the nation's most prominent vendor brands in the toys and games industry about participating in a fourth-quarter digital marketing campaign. If they agreed to contribute financially to the co-op programme, their products would be highlighted in many of the e-mail and social media messages to current and potential HobbyTown customers.

In both 2018 and 2019, co-op funding supplemented HobbyTown's annual marketing budget by over 30 per cent, enabling more robust outreach to consumers during the critical fourth-quarter shopping season.

RESULTS

For a small investment of less than US$220,000 (total) in three digital marketing campaigns, HobbyTown realised some outstanding sales results in its brick-and-mortar stores, along with substantial gains in engagement with its audiences (Figure 13). Here are some of the most impressive success stats:

- At the end of 2017, year-over-year sales were down 8.14 per cent. At the end of 2019, year-over-year sales were up 6.24 per cent. That translates to a 14 per cent swing which is almost unheard of for a retail franchise in the age of e-commerce.

- The three campaigns resulted in 36,339,001 impression clicks and 40,174 clicks to view information about HobbyTown products.
- There were 17,287 coupon redemptions, resulting in in-store sales of US$3,026,176.
- The digital campaigns added over 3,000 new names to the CRM database.
- HobbyTown saw growth of 49–69 per cent over its various platforms — a phenomenal percentage increase given the current retail landscape.

These results have launched HobbyTown into exciting new avenues of connecting more strategically and profitably with current and potential customers by developing long-term relationships with them.

CONCLUSION

The retail landscape will continue to evolve, and more changes are on the horizon as the world grapples with the far-reaching economic impact of COVID-19. Retailers and consumers alike are looking forward to normality resuming so that shoppers can enjoy the experience of visiting a retail store and engaging with knowledgeable staff.

For retailers who are eager to boost sales at their brick-and-mortar stores once COVID-19 restrictions are eased or lifted, answering the questions below will ultimately determine the success of digital and social media marketing campaigns:

- Are you adapting to the constant change?
- Are you developing creative, custom messaging for each audience?
- Are you always testing and measuring?
- Are you asking the right questions?

Smart, creative, modern digital marketing in partnership with a robust social media strategy can create a wealth of opportunities for in-store sales. If retailers have limited dollars for a marketing/advertising budget, they should strongly consider embracing digital and social media marketing for real-time return on investment on the bottom line.

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