

Q&A: How Rakuten entices customers to buy in a time of high inflation

Article

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Insider Intelligence spoke with Julie Van Ullen, Managing Director, Rakuten Rewards about the current shift in consumer behavior as a result of inflation and the recent challenges many brands have been facing. Rakuten Rewards grants shoppers cash-back and other shopping

rewards as an incentive to garner more brand loyalty in an unstable time for both retailers and brands.

Insider Intelligence: As a result of inflation, what shifts have you observed in consumer behavior?

Julie Van Ullen: From an inflation standpoint we've been watching this very closely and waiting to see shopping wane, but haven't seen that on our platform. The significant change that we have observed is that consumers are looking for more value. We have coined the term the "great trade down," meaning that shoppers who may have shopped at higher end brands before are now starting to shop at more mid-tier brands.

A vertically integrated brand like Gap is well positioned for this climate with Banana Republic on the high end, Gap in the center, and Old Navy as a more valued brand. There hasn't been a change in the amount of spend, but where they're choosing to spend. On the other hand, luxury is continuing to boom.

At the current moment, there are gluts of inventory that many retailers have had to offload for far lower prices than they would have liked because it came in seasons late as a result of supply chain challenges. Retailers are looking for ways to increase gross margin, which generally usually means they pass along cost to the consumer. The problem is though that the consumer is not looking to spend full price on goods. Thus, we're entering a special moment where cash back creates an incentive and value for shoppers to shop, but it doesn't impact margins on behalf of the retailer and brand in the way that discounting and coupons do.

II: What are you predicting for the holiday shopping season?

JVU: Last year's Amazon Prime Day and other shopping events have augmented the standard retail calendar and pushed holiday shopping earlier. Amazon had a full Prime event in October, kicking off the shopping season and making people shop earlier than the expected Black Friday. The consumer is no longer focused solely on the cyber holidays. Thus, brands need to be intelligent about how they're getting in front of their consumers early with offers.

As we start to get into the holiday season in earnest, it is going to be a highly competitive season this year. A lot of brands have a ton of inventory, and recognize that their loyalty is in question and they need to compete. We're up for a highly promotional cyber season, and brands need to get smart in terms of how they incentivize value seeking shoppers without breaking the bank.

II: What advice would you give to brands for the upcoming holiday shopping season?

JVU: Brands should focus on areas of their own uniqueness. Some brands bit the bullet over the summer and offloaded gluts of inventory, took the hit on gross margin, and now they're in a position in Q4 where they can be slightly more promotional than their competitors. Brands need to be intelligent about how they're leading up to the holiday through this longer flatter shopping season. Most brands cannot be promotional through that entire time, but should use targeting to get intelligent about who their high cash back offers are in front of.

In the present moment, they should be focused on how they are re-engaging lapsed shoppers and shoring up their loyal shoppers, so that the moment that we hit the big cyber week the brands know they have the largest CRM of active shoppers possible.