

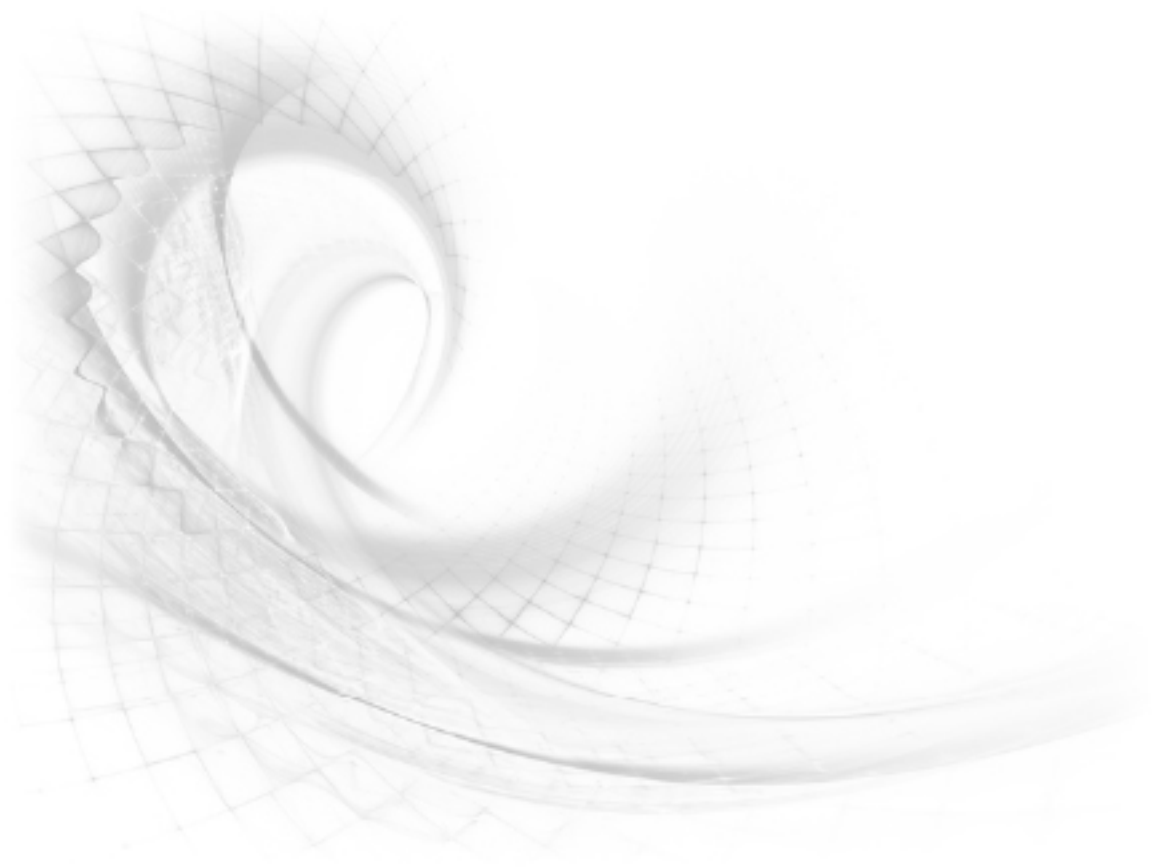
Point of Inflection: Customer Engagement

By Theo Rose & Linda Mason



“IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR
THE MOST INTELLIGENT, BUT THE ONE MOST ADAPTIVE TO CHANGE.”

Charles Darwin's observation about the animal kingdom
back in 1868 is a pitch-perfect assessment of today's
business environment. We must adapt or die.



Point of Inflection: Customer Engagement

Consumers have developed a well-earned sense of skepticism around what to expect from brands and retailers. This comes from experiences that have validated their suspicions that they are seen only as one-dimensional, anonymous units of transaction. Brands and retailers have failed to recognize the complexity of engaging consumers in a meaningful, contextualized dialog to persuade them to consider becoming a customer. Too many brands and retailers have been ignorant of the distinction between the terms consumer and customer.

The value of listening

Brands and retailers focused only on the consummation of a discrete transaction.

The process of developing a sustained engagement is one where a consumer of a product is nurtured into becoming a customer of the brand. The first

step in this process is understanding that listening is as critical a function as speaking.

There must be something to say that is meaningful to customer in order to foster their interest. This is achieved by shaping messages that reflects the alignment between the needs and priorities of consumers and the products available. Brands and retailers focused only on the consummation of a discrete transaction, never crafting the messaging necessary to initiate, let alone sustain, a relationship. A “statement of benefits” as the brand or retailer defines them may be an accurate recitation of function; however, without considering its relevance to the consumer, it has no meaning.

Where does price fit into the value chain?

Irrespective of what the brands and retailers declare, consumers will make their own assessment of value based on balancing a mix of attributes such as quality, function, and price of the product as it relates to satisfying **their** specific needs. This consumer dynamic is present whether they are buying toothpaste or an SUV. The depth of the process is governed by the degree of uncertainty and risk that each individual feels and must resolve before they make that first purchase. It can be emotional or very methodical, but it always happens

The biggest mistake that retailers make is to put price at the center of their engagement strategy. The old adage of “you never get a second chance to make a first impression” is never truer as when retailers and brands attempt to get the attention of consumers by choosing to make the first communication of value solely about product price.

In choosing to lead with price, they forfeit the opportunity to be perceived as anything more. They diminish their overall value and mortgage their futures to only be thought of as the cheapest. In so doing, they sacrifice the opportunity to promote the sustaining attributes of quality and function.

At one extreme is the purchase of a new vehicle, typically the second largest purchase consumers make. Brands expend an enormous effort and resources to talk to the issue of value: quality, function and price. The images of a family, relaxed, happy and safe experiencing the freedom of the open road and familial bonds are powerful symbols of the best possible family transportation.

Successful brands embed the issue of quality and function into these images and only discuss the issue of price obliquely, if at all. This has left the issue of price to the car retailer, at which time the conversation is ONLY about price and the fastest route to consummating the sale.

Many retailers mistakenly choose to make the first communication of value to be solely about product price.

Up to this point in the consumer's journey, the brand has been the information source leading the consumer. Now with a brand selected, car retailers take over managing the journey and make price the paramount

consideration. This creates a conflict in messaging. This conflict creates tension from the moment the consumer walks into the dealership. The experience is fraught. The uncertainty over pricing coupled with the need to make compromises leaves the consumer unsettled. This discomfort undermines confidence in the process that they have taken in their journey. Too often they choose to conclude the process as quickly as possible just to relieve the conflict. This explains why car dealers use this moment to pressure the consumer to buy additional products and services that might not have

otherwise been wanted. This leaves the customer feeling bruised after the final sale. This burdens brand advertising with a second function: to reassure the shaken customer that they have made a good choice irrespective of their experience at the dealership.

This is surely one of the more complex journeys on the consumer spectrum. Contrast this with the purchase of gasoline. Here the consumer's journey is simple and devoid of tension. The consumer is confident that the quality is consistent because its uniformity is regulated. From a function standpoint, here too there is only one function, to fuel our cars. The result is that the consumer's journey is about price and location. Occasionally we have seen TV advertisements touting qualitative improvements such as engine cleaning or enhanced mileage, but these ultimately are dwarfed by the size and scope of everyday advertising about price. Though consumers may drive around looking for the best possible price for a gallon of gas, the decision-making process is very simple and tension-free.

To this point the discussion has been focused only on physical products. There is another dynamic that is a part a consumer's inclination to become a customer that is as critical as the product itself, and that is **service**. Retailers who ignore this do so at their own peril.



Anyone watching the scene in the in movie “Back to the Future” shares Marty McFly’s amazement of the attention paid to a car coming to fill up with gas at the hometown filling station. Three attendants come out to fill up the tank, to check the oil and to wash the windshield. This is a reminder that service is a factor in the purchase decision for every consumer. What was so memorable about the scene was the wonder we shared with McFly as we were reminded that the service was expected in that time, but now no longer exists today.

Today, in most instances drivers are expected to get out of the car, pump their own gas and wash their own windshields. The comfort of the hometown service station was lost as the big oil companies took over retail distribution in their quest for vertical integration. However, their recognition of service remained and in place of individualized attention, they took advantage of the consumer being out of their cars to offer a plethora of add on products and services. Today’s gas stations are seen as much as convenience stores and eateries as they are a filling station. The guy is not coming out to fill your tank anymore, but he is going to make a fresh pot of coffee and put the donuts out.

A relationship is not a transaction

Service is not as easily quantified as a gallon of gas or a bag of chips, but it has value to the consumer. It is incumbent upon

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retailers recognize this and develop a service offering that complements their products and makes it easier for a consumer to become a customer with their purchase.

Retailers have had the opportunity to invest in technology to enhance customer engagement, but have not yet figured out how to best utilize the information that the technology provides. In their quest for driving the number of transactions they have ignored what it takes to build long term relationships. The heart of the issue is that retailers have lost sight of what engagement actually means. The stores in the regional shopping malls are monuments to the strategy of homogeneous, anonymous interactions.

Mall-based retailers have engineered their systems, assortments and store operations to treat customers only as units of transaction. When shopping at the mall was the only option, consumers became conditioned to accept this, and retailers unimaginatively embraced this as the status quo.

The reversal of fortunes that mall-based retailers are experiencing today is attributable to this myopic view of the customer. Once the option of shopping for and purchasing products online became available, consumers discovered that websites provided more and richer information for making purchase decisions than if they were standing in a store looking about, forlornly, for any manner of sales assistance. Additionally, assortments presented on screen dwarf the presentations of product in stores in both breadth and depth. Once the option of buying products online became available, consumers embraced even early models with a speed and enthusiasm that has left traditional retailers flummoxed.

Final thoughts on customer engagement

Online retailing has freed the consumer from an exclusive reliance on evaluating a physical product in person to inform their purchase decision. Online resources present a wealth of information to engage the consumer. This information has proven to offer service and value that customers find to be a powerful inducement to change generations-old patterns of shopping and engage in a new way. It is an article of faith that making a consumer a long-term customer is ultimately cheaper and more profitable than perpetually chasing one-off sales to indiscriminate consumers. Retailers need to learn how to change as quickly as consumers. They have lagged behind and become less relevant, making the challenge of consumer engagement all the more difficult.



Theo Rose is a Principal at Applied Retail Transformation, a boutique consulting firm that specializes in supply chain and digital transformation for retailers, wholesalers and brands.



With expertise in process and organization transformation, ART Principal Linda Mason works with retailers and brands to develop adaptive-capable organizations.