

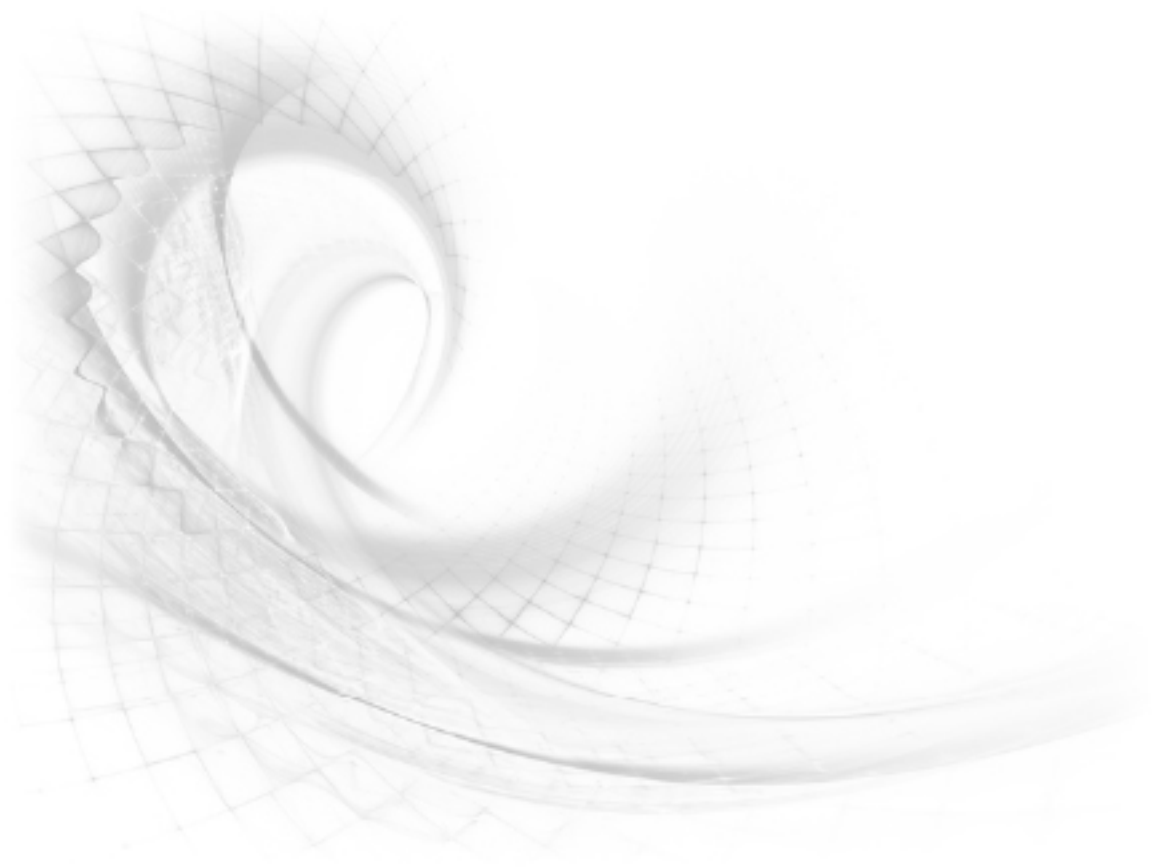
You cannot go “Direct” to a Consumer until  
you can “Connect” with a consumer

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.





# You cannot go “Direct” to a consumer until you can “Connect” with a consumer

One lesson that we learned from the onset of COVID-19 and the ensuing stay-at-home orders: An event of this magnitude amplifies issues that have always existed. However, they were neglected because the solutions require extensive resources and the willingness to tackle long-term, complex issues.

Retailers insist they understand the need to go “direct to consumer,” but continue to fumble over executing the delivery. For most, the response to the pandemic has made it clear their vision remains limited. Retailers continue doing little more than exercising an existing narrow set of tactics, but increase their frequency. The result has been more of the same, only more often.

This “business as usual” model was questionable prior to the pandemic. Now, believing that this approach is effective can only be characterized as wishful thinking. Investments in technology have created a false sense of confidence that retailers are solving the issue, when in fact, they are not. Failure to acknowledge and incorporate the consumer’s perspective diminishes the impacts of these investments from the outset.

Connecting with consumers in a meaningful two-way dialogue to understand their needs and aspirations has always been a holy grail for anyone with something to sell. Though there may be some debate about its form, no one can refute that developing a conversation with the consumer has been at the heart of retailing since retailing began. From its earliest days in medieval markets, business was conducted

between neighbors who traded products and goods on an individual basis. Since then, the retailers considered the most successful over time are those who have remained mindful of the value of the personal interaction.

A decorative graphic element consisting of a series of white, overlapping, curved shapes that resemble a stylized 'Z' or a series of connected loops, positioned on the right side of the page.

Developing a conversation with the consumer has been at the heart of retailing since retailing began.

Many of us grew up shopping at regional department stores which reflected local tastes and preferences. This changed during the department store consolidation in the 1980s. Whatever connection may have existed was effectively destroyed. What motivated the retail giants to initiate the consolidation was purely financial, and the relationship with the consumer was sacrificed. This further alienated the consumer, reducing the possibility of establishing any sort of personal one-on-one dialogue. It also eroded any customer attachment that may have existed, extinguishing any possibility of loyalty.

An example emblematic is the community outrage that resulted from a gratuitous decision to change the name on the iconic downtown Chicago department store building from Marshall Field’s to MACY’S. This location was more than a department store; it was an internationally recognized architectural icon that put Chicago on the map in the early part of the century as one of the leaders in modern design.

The removal of its nameplate was akin to defacing a symbol of the city, tantamount to an act of corporate vandalism. When the announcement was made that the brass plaque on the front of the store was going to be replaced, consumers protested by boycotting all MACY'S locations. This was not an issue of resistance to change on the part of the consumer, but rather a failure by the retailer to understand or care about what mattered to the customer.

Massively scaled individualism: It is not an oxymoron, but an opportunity to develop deeper relationships with the consumer.

We can acknowledge that there have been significant advances in how retailers collect and synthesize transaction data. The support and tools now available for back office and supply chain functions have been transformative. But the precipitous sales drop-off caused by COVID-19 has

brought into sharp relief the absurdity of retailers who continue to think investment in technology alone is sufficient. They are neglecting the most fundamental precept of all: to always elevate and enhance consumer interaction.

The urgency created by the pandemic has brought to light the festering

wound of eroding consumer loyalty. For retailers who hope to survive beyond the immediate crisis, they must learn how to reestablish and massively scale personal interaction with their consumers. Cracking this nut is the only way retailers can stop lurching from crisis to crisis. What makes the situation even more confounding is that the technology already exists. It is the imagination, vision and the will to fully utilize it that are lacking.

## Developing true one-on-one relationships

The term "massively scaled individualization" describes an opportunity to change decades-old routines where pushing out uninspired homogeneous broadcasts with the expectation that consumers will become sufficiently conditioned to respond like Pavlov's dogs. What has been only fitfully applied is the fortitude and perseverance to develop one-on-one relationships with the consumer. This is true whether a retailer operates stores or online shopping sites and particularly so if they operate both.

In a genuine interaction, both sides speak, both are heard, and both feel that something of value has transpired.



Consumers are open to communication, but only when they believe the retailer's interests are sincere. In a genuine interaction, both sides speak, both are heard, and both feel that something of value has transpired. From the retailer's perspective, all communications have been transaction-centric. From the consumer perspective, all communications should be value-centric; the chasm between these two is where retailers go to die. Then, the challenge for retailers becomes how to bridge the gap.

Genuineness cannot be achieved without authenticity. There's no one-size-fits-all formula. There needs to be a vision, and this vision needs to be responsive to and consistent with consumers' values.

A great example is Made-In Cookware. The product is high-quality, with a price tag to match. Made-In clearly recognizes that conversations must be value-centric. As an example, all post-purchase interactions are structured around helping buyers get full value from their purchases. It's never about the mindless upsell. This is also evident

from the company's website, where visitors find a variety of educational and entertaining videos celebrating the joys of cooking. Visitors are never assaulted with advertisements and pop-ups leading to the check-out cart. This restraint makes it easy for the consumer to realize the value of the experience, thus the product.



Store-native retailers never evolved their thinking about what customer data needs to be.

## Email alone is not enough

Gone are the days when the collection of a customer's address and phone number was done through information made available to retailers by banks and credit card processors. Email has become the foundational piece of customer data.

Though it may give comfort to retailers to possess this key piece of customer data, their confidence is misplaced. Dependence on email alone limits the customer interaction to a single channel of communication. The overuse of mindless broadcast email campaigns typically alienates customers. Additionally, consumers today have quickly figured out how to unsubscribe from annoying emails or direct them to a "junk" folder. Ultimately, this works against the very purpose for which the communication was intended.

Email continues to be the most commonly used customer identifier, but it's hardly the only channel that consumers use to communicate their opinions, interests and preferences. Retailers have been slow to recognize this and adapt. Their challenge is determining what consumers are saying, where they are saying it, and most importantly, how to collect this valuable information.

There is rich consumer preference data available now on platforms like Instagram, TikTok, Snapchat, Facebook, Pinterest and Etsy, just to name a few. The questions retailers must now ask:

- ✓ How can we collect this data?
- ✓ How can we make the best use of it?

The first challenge is to find a way to associate this unstructured data to the customers in the retailer's database. The second is to evaluate

these preference signals and synthesize them into information that can be used to set overall product offering direction.

Store-native retailers never evolved their thinking about what customer data needs to be. Digitally-native retailers have made this their competitive advantage. Adding a field for email address was thought to be enough to have a relationship with the customer. But in order to have a valued two-way conversation with the consumer, you must first have a full picture of their interests and understand what motivates them to make a purchase.

There are plenty of examples of retailers who have mastered the art of service and personal interaction but were never able to replicate it at scale. The iconic men's suit sales professionals at Barney's New York is a prime example. These specialists were known to have a following of customers, each of whom felt they were known by, and had personal connection with, their trusted advisor. At the heart of this relationship was each specialists' little black book in which they noted details about each customer.

Though the specialists had access to historical POS transaction data for all customers, it was the specialists' ritual noting of what was meaningful to each customer individually that made the interaction enduring and consequential. Seizing on this, Barney's management sought to introduce a "Clienteling" system in attempt replicate this process across the company.

The project was considered an IT initiative, and the implementation languished. The defined goal was to standardize the selling approach and tactics by defining and systematizing the data set and routinizing the selling process during system configuration. This assumed that the data points for every customer were universal, but never

considered or captured an understanding of the unique value of each piece of data and why it was important to that customer. The magic of the specialists in developing personal relationships could never be systemized.

## Data consistency is key

It used to be that all we knew about products was determined by the retailer. Thankfully, the breadth of data we now have today is far beyond basic class, vendor style, color or size. For years, the amount of data that retailers were able to record about products was limited by system constraints. Product characteristics needed to be captured frequently and contorted to fit into the nine possible fields found in the transactions systems of the day. This left key characteristics like brand, fabrication and fit, for example, treated inconsistently.

This was less of an issue when consumers shopped in-store, where they could see, touch, feel and try on the product as a part of their decision-making process. In the early days of online selling, digitally-native retailers knew that they had to compensate for the fact that a purchase decision would need to be made without the consumer having physical contact with the product. And failing to address this as a critical issue would be a deal breaker.

To solve this challenge, digital retailers began to define a complete set of product descriptors based on the consumer's perspective. These descriptors covered every possible attribute, giving the consumer a view of the product that would rival their in-store experience.

There was recognition, however, that some aspects of consumer purchase decisions could not be replicated virtually. The best example of this is footwear. Though a shoe can be described

supported with multiple images, this could never be a substitute for the experience of trying on a shoe. The nuance of fit and comfort is more complex than can be verbalized on a webpage.

Zappos understood this as a risk from the outset. They knew their top priority was to give the consumer confidence that fit would not be an issue, and turned this vulnerability into a strategic advantage by encouraging consumers to order multiple sizes and styles, while offering no-cost, no-question returns.

Zappos recognized that they could not capture and collect the data point defined as “fit” and solved for it with a novel approach. A side benefit is the collection of qualitative data about consumers’ choices that historically had gone unrecorded. Zappos further enriched the purchasing experience by using this additional data to present products that met the customer’s selection preferences.

Ordinary product data can have a new relevance and purpose when used in product videos. More can be communicated about a product and its usage in a short video than in several pages of text that consumers are rarely inclined to read. Now, the consumer determines what messages they hear and how often they hear them. Its power, however, comes from the enriched product data which is now collected, organized, and integrated into the product’s identity, thus making it relevant to the consumer.

At best, a video based on the infamous nine attributes would garner little interest. And at worst, it would be destructive to brand messaging and product loyalty. Now, it is expected that brands and sellers provide a minimum amount of information that, from the consumer’s perspective, should include:

- ✓ Detailed product information
- ✓ Product usage
- ✓ Lifestyle enrichment
- ✓ Assembly instructions/demonstration
- ✓ Care instructions
- ✓ Pertinent exchange/return information

## Personalization: The synthesis of product and consumer data

What counts as product data is neither universal nor static; the amount continues to grow both quantitatively and qualitatively. As the nature and amount of data continues to transform, so does its impact on what consumers see and how they express their preferences. This has created the imperative to constantly understand, catalog and collect new pieces of data in order to bring them into the conversation with the consumer. Retailers have quickly moved from the challenge of conforming to nine static product data fields to a fluid, consumer-defined data model.

For digital retailers, this is nothing new. They have always deferred to consumer activity as the most timely and relevant source of consumer preferences. This represents a foundational shift as technology solutions no longer define the parameters of product data. Customers now make this determination by expressing their preferences. It is up to retailers universally to take foundational product data and enrich it with product associations and cues from social influence.

Stitch Fix's motto of "Personalized styling for everybody" is a great example of using personalization to create virtual intimacy. Interaction between stylists and customers allows Stitch Fix to understand the customer with a level of intimacy that rivals what Barney's did with

its little black book. The distinguishing characteristic: Stitch Fix does this on a massively-scaled basis, restoring retail's delicate balance between art and science that was once thought lost forever.

## Final thoughts.

In retrospect, it is easy to understand why legacy retailers failed to recognize the changes before them. Starting in the 1980s, the fundamental precept of taking care of the customer was subordinated to the overarching issue of corporate finance and managing an ultimately crushing amount of debt obligations. Retailing became the playground of junk bond kings, and the customer has been a casualty ever since.

Digital retailers started out with two advantages that their store-native counterparts did not have. First, they did not have an accumulated debt burden. Second, they had a clean slate when it came to how to serve the consumer. The result was the restoration of the key

principles that have shaped retailing since the days of the medieval market. Digital retailers have capitalized on technology to make the customer the center of all activity, with their efforts informed by rich sets of product and consumer data.

Through this, retailers have re-learned that the customer must be at the center of it all, though it's been a painful and costly lesson to embrace. Retailing in the 21st century starts with data. It is only with the knowledge synthesized from this data that the retailers can know exactly who their customer is and what their preferences are, in order to ultimately serve them.



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