

The direct-to- consumer challenge

The changing competitive landscape
for retailers and for brands selling direct

Executive summary

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ABOUT THE EDITOR

Jonathan Wright is co-editor of InternetRetailing's Dimension Reports, which assess and analyse retailers' performance across different areas of retail practice. He first wrote about the digital economy as senior section editor of *Business 2.0*, where his assignments included interviewing world wide web inventor Sir Tim Berners-Lee.

The dynamics of the retail sector are about to change, profoundly. For many in an industry where innovation around the adoption of digital technologies has become a prerequisite for success, such a statement will hardly raise an eyebrow. This time around, however, it's not retailers that will be driving the change, or even the behaviour of customers. It's consumer goods companies – *brands*.

That's because brands are increasingly looking to develop direct-to-consumer relationships. This goes far beyond setting up ecommerce sites. Instead, largely behind the scenes, brands are developing offerings that will enable them to have a far deeper relationship with their consumers. How will this work? This will be a tech-enabled revolution so that, for example, products connected to the Internet of Things (IoT) will update automated shopping baskets when sensors show supplies are running low. The consumer will then receive a delivery at a convenient time.

In itself, this scenario represents a real break with the past, not least in the way it potentially offers brands the opportunity to gather data directly from consumers. But retailers and brands shouldn't allow themselves to get too distracted by the initial novelty of such scenarios. After all, consumers will soon adjust and come to take such services for granted. Rather, businesses, especially retailers, need to think about how such scenarios change the overall retail landscape and to look at such issues as:

- How will the relationship between retailers and brands change?
- How will consumer behaviour change in the years ahead?
- Who gets access to consumer data?
- What kinds of new partnerships can retailers and brands build?

These are challenging questions. But there are huge opportunities for retailers, with their long-standing relationships with consumers, not just to react to the changes that lie immediately ahead, but to lead the way themselves – building new kinds of retail offerings around their customers.

In this whitepaper, compiled by InternetRetailing in partnership with PA Consulting Group, we explore how retailers might go about this in a way that puts customers at the centre of all they do. In doing so, we consider issues around data, company culture and technology.

Our thinking here is underpinned by answers we received to a retailing operations diagnostic we ran online – and which aimed to help retailers to assess current performance against their peers. These insights are integral to this whitepaper. Together with a summary of our findings, we have included two case studies based on interviews with respondents.

Jonathan Wright

Introduction

To begin to understand how the future will shape up, retailers and brands need to stop fixating on technology and look, respectively, to their customers and consumers. It's not just technology that has changed almost beyond recognition since the advent of the world wide web, people's behaviours have too. Just within retail, think of things we once did routinely that would seem inconceivable to millennials. Heading to the high street to do product research rather than turning to Google; ordering out-of-stock items with no clear idea of when, or even if, they may arrive in the store; or buying via mail order and waiting 30 days for delivery.

If nothing else, the pace of retail has sped up since these days. Product replenishment in large parts of the fashion industry, for example, is no longer dictated by changing seasons, but measured in weeks and even days.

Technology-savvy professionals sometimes see themselves as the agents of such developments. In many respects that's true, but it's worth being a little humble here. Consider the rise of the smartphone. Even five years ago, closely argued articles proclaimed this was primarily a research tool, and nobody would ever use it to buy big-ticket items. All of these articles were wrong and, in truth, the retail sector is still grappling with the challenges of a mobile-first world.

That's a lesson worth keeping in mind as the Internet of Things (IoT) becomes integral to day-to-day life, and all kinds of devices and objects are digitally connected. Moving through such a world and never having known anything different, those being born today may find the notion of using smartphones as quaint as the idea of a postal order. Or perhaps new smartphone iterations will be even more integral to our lives. The point is we don't yet know. And that's not just because we can't predict what kinds of new devices will be developed, it's because we're not sure which of these devices consumers will want to use – and how they will want to use them.

Faced with such uncertainty, it's tempting to quote screenwriter William Goldman's Hollywood maxim, "Nobody knows anything." And yet not only do retailers and brands have access to rich streams of data, but we're all consumers. Something we often forget when we put on our work hats. We know today's connected consumers seek empowerment and outcomes rather than offers, customer service rather than sales patter, and trustworthy information over advertising. Look to the consumer and maybe we already know more than we realise about crafting the kinds of experiences we ourselves want.



Karl Havard
Consumer and retail expert, PA Consulting Group

PA CONSULTING GROUP

Using a unique blend of product, service and business redesign, we help retailers and brands reimagine, reinvent and enhance their customers' experience. We apply an agile approach to implementing leading-edge technologies, including physical, digital and automated processes, the Internet of Things and artificial intelligence. We are driven by results and our experience is deep and wide.

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Data and the insights it provides

During our day-to-day lives in a digital world, we all create data trails. Through a combination of the personal details we give out when we make purchases, through the contextual information that flows from using smartphones and posting on social media, we leave information that can be used to build up pictures of who we are and what we're interested in.

In theory, this is information that retailers and brands can use to craft consumer-centric offerings. This is one reason brands are so keen to go direct to consumers. It gives them real-time data they can use to enhance product development, improve supply chains and better serve consumers.

In practice, there are two major problems with crafting these consumer-centric offerings: the sheer amount of data we create and the fact that it's always incomplete. Indeed, the image of a digital trail may be better expressed as a series of trails that double back on each other, become scuffed and indistinct through other people using and crossing the same trails, and which sometimes disappear entirely.

For retailers trying to use data to improve the customer experience, this may always be an issue. But it's a problem that can be mitigated if retailers don't just gather data, but think clearly about how they want to use this data and about its limitations. Here, the rapid acceleration of technologies around artificial intelligence (AI), machine learning and data analytics technology will be key to unlocking new insights from consumer data. When effectively deployed, these technologies also enable businesses to act on such insights instantaneously and effectively.

This is crucial because, as Chris Heap, consumer and retail leader at PA Consulting Group, points out, "There's a key difference between information and insight. Information is simply a raw ingredient, whereas insight provides meaning, tells a story and helps create value."

GATHERING THE DATA

Leading retailers and brands already try to understand what their data means through a variety of different initiatives. The British supermarket sector realised the value of its loyalty programmes, such as Tesco's Clubcard, early on. In effect, these programmes act partly as ways of persuading customers to log their purchases so that, over time, customers give out detailed information about buying habits. When the supermarkets moved online, and began opening convenience-style stores in city centres where people typically make smaller and more frequent purchases, the richness of this data increased.

In contrast, many retailers and brands are gathering information without being clear about why. The key, says Heap, is to have "a consumer strategy that informs why you need that information and for what purpose". This is necessary because, while there are generational and cross-border differences in behaviour, customers are united in understanding that a request for personal data within a retail context is part of a "value exchange". Or, more bluntly, when consumers are

“There’s a key difference between information and insight. Information is simply a raw ingredient, whereas insight provides meaning, tells a story and helps create value”

asked for information while shopping, they will typically ask: “What’s in it for me?”

The unrelenting pace of modern retail doesn’t help here. With retailers and brands often working on hitting financial targets that are allied to quarterly and half-yearly cycles, it’s all too easy not to find the time to think about what kinds of consumer insights data may provide.

Yet retailers and brands need to find this time, because it’s the insights the data offers that enable retailers and brands to understand consumers better. This, in turn, means retailers can serve these consumers better. And so a virtuous circle is created as, satisfied by the service levels they are receiving, consumers are happy to share even personal information – either directly or because people shop more often with retailers and brands they trust.

This sounds straightforward. But as we explore later, it isn’t. That’s not just because of the sheer amount of data, it’s because of the way the information available to businesses is organised – or not organised. Not all data is helpfully keyed in by the consumer. Instead, retailers and brands may also want to factor in comments from social media, from context-specific information when a consumer logs on to a store wi-fi, or from contact with a helpdesk or customer service centre. Just collating this kind of data is tough, let alone beginning to use it at a strategic level.

NEW INPUTS

To understand why it’s imperative for retailers to deal with the issues here, consider what companies at the leading edge are doing. Launched in November 2014, Amazon’s Alexa, inspired by the conversational computer in *Star Trek*, is an intelligent personal assistant that consumers typically control using the Echo smart speaker. Those using technology can manage voice-controlled alarms, timers and lists; control home automation devices; call up music to stream; get news and sports updates; and order takeaway food.

But it’s not the individual features that competitors should focus on, it’s the conceptual leap. Here’s an early example of an IoT-style device developed and administered by the world’s third-largest retailer. Even as many competitors, both retailers and brands, struggle with formulating strategic approaches to data and using these to build experiences around the customer, Amazon is already looking ahead.

Ally this to the fact Amazon already knows enough about consumers to use its data to make pertinent recommendations that increasingly seem to anticipate what consumers may want, and you have a glimpse of the future. That’s especially true when you consider that Alexa can be seen as a major step towards voice-activated retail. Retailers and brands can’t ignore such developments, they have to try to compete. Or perhaps to collaborate, when you consider how Amazon and Morrisons have worked together to offer consumers one-hour food deliveries in certain areas.

Before moving on, it’s also worth emphasising there are new opportunities here for brands. As IoT-enabled devices and products come online, brands will potentially gain new kinds of insights into how consumers use their products – around frequency of purchase, amount of product used, location, etc. This will in turn enable them to explore new routes to market and new business models.

Company culture and the people factor

One of the ideals of modern retail is that everyone in the company is able to serve and sell – and able to do so anytime and anywhere. This is a new take on an old idea. Essentially, the customer is always right. And whichever member of staff is closest to the customer needs to react accordingly and promptly.

But to return to the image of digital trails that are difficult to follow, customer journeys now typically encompass multiple touchpoints and devices. In this context, there's an ever-present risk that customers will ask questions that leave the retailer scrambling around for information or context on which to base an answer. Is the customer at the beginning of a sales journey, for example, or just checking one final detail before heading for the checkout?

Part of the answer here, as we've already noted, lies in better understanding of the data. Another part of the answer, as we will see, lies in employing technology in smarter and more imaginative ways. But before jumping to technological fixes, retailers and brands need to think clearly about the interaction between staff members and customers – not just to help customers, but also to help staff members to understand the business and why their interactions with customers matter so much.

BACK TO BASICS

It may seem a rather old-school business to cite, but the philosophy of John Timpson, chairman of the family-owned shoe repair and key-cutting service, offers some clues about a way forward here. In a company famous for its open culture, his branch staff have huge authority to take decisions related to how these stores are run on a day-to-day basis (1).

There are sound business reasons behind Timpson's approach. The company has more than 1,300 stores across the country. Different stores serve very different demographics and the idea of trying to impose one-size-fits-all solutions is likely doomed to failure anyway.

While many retailers and brands would balk at giving staff members such autonomy, much of the power of this idea lies in the way it effectively puts interactions between customers and staff at the centre of retail. This is important because customer-focused retail ultimately can't just rely on automated systems. There has to be a human element, if only for those moments when those automated systems that offer a facsimile of human interactions prove inadequate.

"There often comes a point when you want to talk to someone and you want that conversation to be really good – informed, relevant and helpful – all of which contribute to a quality engagement," says Heap. "And you can't digitise that, although you can try your best. People are really

“ Many retailers baulk at giving staff members autonomy, but much of the power of this idea lies in the way it puts interactions between customers and staff at the centre of retail ”

important and sometimes in the strategic work I read and see, the human element can be overlooked.”

If this calls forth visions of studious sales assistants stood behind counters waiting patiently to help, it doesn't have to be that way – and shouldn't be for any retailer updating its point-of-sale (PoS) system. Increasingly, the most successful retailers and brands are re-imagining how stores work and part of that re-imagining involves freeing staff up from just manning the tills.

An example often cited in this context is Apple. Its stores, with their roving sales assistants, may seem informal, yet these are slick operations that, according to data from eMarketer, generate more than \$5,500 per square foot in revenue annually (2). To benchmark this figure, Tiffany sits at around \$3,000.

LESSONS FROM APPLE

Granted, Apple's informality is underpinned by state-of-the-art back-end technology. But even businesses firmly rooted in the analogue era can still learn from Apple's example. Take the record store Rough Trade. Having ridden the downturn in sales when much music consumption moved online, the company is now a destination store, especially for vinyl obsessives, that trades on a rich heritage of being founded in 1976 just as punk broke. It holds events, its ecommerce operation is slick, it runs a magazine and a radio station, it offers limited edition vinyl that's not available elsewhere and so on. Its deeply knowledgeable staff bind these activities together through their enthusiasm and expertise. Consumers identifying with sales staff and vice versa, what's not to like?

From very different angles, both retailers have arrived at a happy point where their stores convey a strong sense of place, and their brands conjure up strong images and associations in the minds of consumers. The human factor – promoting that positive interaction between staff and customer – is crucial to both companies' successes.

Of course, one objection to citing Apple and Rough Trade is that these are specialist retailers, which tend to attract experts, natural brand ambassadors, to work for them. However, the nature of the companies is less important than their strategic thinking. It's important to recognise that customer-centred retail, as a familiar high street name John Lewis proves with an enviable reputation for service that's only deepened with the advent of the digital age, can be made to work at scale too.

(1) www.telegraph.co.uk/finance/businessclub/management-advice/9323135/John-Timpson-Keep-staff-in-the-picture-on-strategy-and-dont-worry-about-rivals-finding-out.html

(2) <http://time.com/4339170/apple-store-sales-comparison/>

Beyond technology for technology's sake

Now that we have entered an era of empowered connected consumers and staff members, it's worth pausing to spare a thought for those charged with facilitating all this positivity. Technologists and those working at a senior level within retail are only too aware of the need to adapt to a rapidly changing market.

But these are also people with responsibility for budgets and, as we've already noted, for hitting financial targets. They know the ways in which the companies they work for are held back by clunky legacy systems. Sometimes, conservative colleagues resist change. From such a perspective, the journey towards the uplands of customer-focused retail can look prohibitively difficult.

At this point, it's worth considering that retailers have tended to think about technological rollouts in one of two ways. There's the year zero approach, in which companies take down existing technology stacks to build anew. Then there's the bolt-on approach, in which businesses gradually add functionality.

Depending on circumstances, either approach can be appropriate or lead to problems. But both potentially have the same flaw. They're top-down exercises that might start, say, from the idea that a retailer's marketing is not effective enough. But *why* isn't the marketing effective? Since the answer is likely to be somewhere within the data a retailer already holds, why not start with that data instead?

CONSUMER-DRIVEN TECH CHOICES

Which really isn't too far from saying why not start with the consumers that generate the data? To visualise the power of such an approach, think about how those who use crowdfunding sites such as Kickstarter become emotionally invested in the products and projects they back. Or, from another angle, the way Lego tries to get consumers involved in product design. In contrast, as Heap notes, "As a marketplace, retail's not been subjected to the genuine technology and operating transformation that's taken place, for example, in the banking and healthcare markets. That's set to change rapidly now retailers are placing consumer experience at the heart of their businesses. The consumer now drives that change."

Without wishing to underestimate issues around organising data and crafting a coherent data strategy, this shift in perspective can free up retailers to explore innovative approaches that start as far as possible with the customer rather than the organisation. Where the company culture is such that staff are constantly focusing on improving the interaction between retailer and shopper, this approach can be still more powerful.

"Retailers and brands must listen ever more closely and regularly to establish how they can improve existing experiences and capture new trends and desires," says Heap. "The goal is to understand and innovate the business around ideas that make a substantial difference to the consumer experience. Then retailers and brands need to align their data strategies to those outcomes."

In the age of the cloud, this needn't involve wholesale systems upgrades. Instead, retailers and brands can quickly test initiatives to see

MAJOR TRENDS THAT WILL DRIVE RETAIL:

- Rich consumer data
- Consumers will expect personalised service in return for their personal data
- Brands will increasingly sell direct to consumers, blurring the lines between B2B and B2C
- More devices and objects will be connected to the internet via the IoT
- The rise of AI, machine learning and robotics will transform data analytics and process automation
- New retail models, such as those based on subscription services, will challenge traditional retail

if they work as effectively as hoped. Successful ideas can be scaled up. Unsuccessful ideas can be analysed to see why they failed and to learn from this experience.

It's not just leading retailers that will adopt this approach. As we've already noted, brands are increasingly looking to sell direct to consumers. This isn't necessarily because they want to drive significant revenues, but because they too want access to the kind of rich customer data available in the digital age.

Retailers, says Karl Havard, consumer and retail expert at PA Consulting Group, may see this as a threat, because they've been used to controlling customer data. However, he contends, "The relationship between suppliers and retailers will change because the win is if they do share that data." A drinks vending machine in a prime spot at the end of an aisle in a chain store may, for example, be operated by and gather information on behalf of the drinks manufacturer. But the retailer will charge a fee for the space and will later have access to new products based on the insights the vending machine yields.

NEW KINDS OF PARTNERSHIPS

Clearly, this is a potentially delicate relationship, yet the Italian company Vibram already shows how this can work. It sells high-performance rubber soles to shoemakers around the world, but also has a direct-to-consumer brand – its Fivefingers running shoes that are designed to mimic some of the sensations of running barefoot. Not only is the sports shoe brand specialised enough not to be a 'threat', but the company has a culture of sharing information about its products and research to those it supplies. This combination of openness and demonstrable expertise helps it pre-empt the kinds of problems that come with operating in both the B2B and B2C sectors.

Whichever way things develop, retail in its widest definition is going to change radically in the years ahead. It seems likely, for example, that functional shopping will become more automated so that IoT-enabled packaging will 'order' staples for us when we start to run low. Consumers might, for instance, buy replacement six-packs of mineral water where the 'last' bottle 'knows' it's been opened.

Other kinds of shopping, as well as being rooted in creating the kinds of experiences that Apple and Rough Trade offer, will become far more personalised, for example, through the use of subscription-based schemes such as that offered by Harry's, which sends out razors, blades and shaving foam to its customers.

To follow through on such initiatives at scale will eventually require retailers to make hard choices about technologies and systems, but it's important to recognise these choices shouldn't be the starting point. Instead, to return to where we began, both retailers and brands need to focus first on data as a way of understanding consumers, and then to look at ways of making their experience central to all the retailer does – and plans to do as retail evolves. Technology choices should support these ideas rather than be seen as fixes in themselves.

Retailing operations diagnostic

To prepare for the future, retailers need to be able to assess their performance today. For those that took part, our Retailing operations diagnostic offered retailers and brands the opportunity to take a snapshot of how they were doing and how different areas of their retailing operation compared with their peers.

The diagnostic reflected the way retailers typically struggle with a number of key issues. We also hoped to inform a broader conversation in the market about preparing for the future, because these are issues that can be overcome.

We offered a series of statements and asked respondents to react on a scale of zero to five, with five representing the most strongly positive response and zero the most negative. Each respondent that completed the questionnaire was given a total percentage score.

Over the following three pages, we've summarised some of the findings.

CAPTURING THE DATA

It's one thing to capture data, but quite another to utilise the data to drive the business. By and large, our respondents seemed confident they were at least beginning to do this. Asked to rank their companies according to the following statement, "We effectively utilise all the data we capture to drive business value," 32% scored their companies at four or five, while more than a third (36%) scored their companies at three.

Respondents were also confident their companies were "actively investing in customer insight research to retain and acquire new customers", with 43% scoring their companies at four or five here and 21% at three.

Similarly, respondents were broadly confident they were acquiring data across different touchpoints; that data was accurate; and that, "We know who our customers are and know their purchase and consumption behaviour."

However, it's also worth flipping these figures around. Some retailers are considerably less confident. For example, 16% of respondents ranked their companies at zero or one when it came to utilising data to drive business value. Despite this, just 9% of respondents ranked their companies at one (and none at zero) when it came to knowing their customers, perhaps suggesting that many retailers don't see data as the only way to gain this knowledge.

A SINGLE VIEW

Getting a single view of the customer is one of the recurring themes in modern retail, but how do

respondents think their companies are doing? The figures here are comparatively evenly spread. At either end of the spectrum, 12% of respondents ranked their companies at zero and 10% at five when asked to rate their ability to "aggregate our data to provide us with a single customer view", while 27% (the biggest grouping) ranked their companies at three.

When we went on to ask about such areas as omnichannel strategy; the collection of interaction data for use in personalising the customer experience; and omnichannel practice, the spread of answers was broadly similar. Clearly, some respondents strongly think their companies are ahead here, while others worry their companies lag behind. These numbers probably reflect the day-to-day reality of an industry where a few innovative companies lead the way and a few are doing badly. Between these extremes, many companies are at different stages of development. These companies should be at the very least trying to learn from industry leaders or, where possible, even looking beyond, focusing on adapting, for example, to a mobile-first world rather than refining techniques from the desktop era.

THE RESPONDENTS

Our survey ran in early summer 2017, and we had 119 respondents. From the supplied job titles:

- More than a quarter of those who answered worked at director level or c-level within their companies
- Around a third worked in such roles as ecommerce manager, online marketing manager and digital activity manager
- Consultants and analysts were also represented

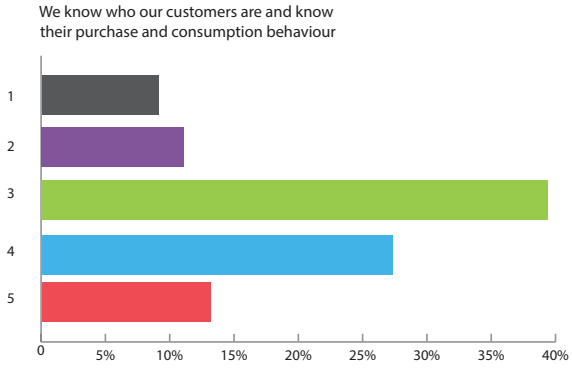
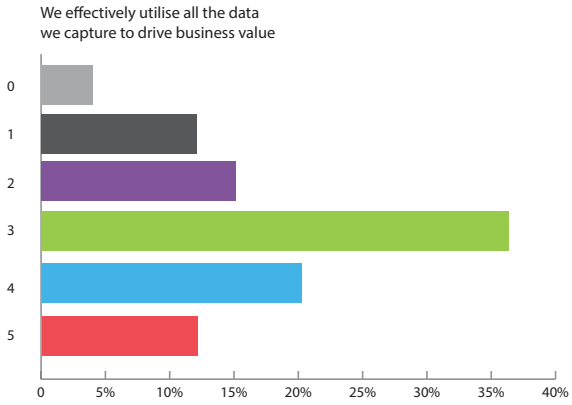
The companies the respondents worked for included supermarkets, department stores, specialist pureplays and brands.

- Between 15% and 20% of respondents worked for enterprise-level companies such as multinational brands and listed UK companies
- The majority of respondents worked for medium-sized companies, including fast-growing fashion pureplays, book stores and homeware retailers

MARKETING

Here, our questions ranged across different areas of retail practice, but one of the most revealing answers was around digital marketing programmes. Just 6% of respondents ranked their companies at five and for running “best-in-class digital marketing programmes”, while 34% (the largest grouping) ranked their companies at three.

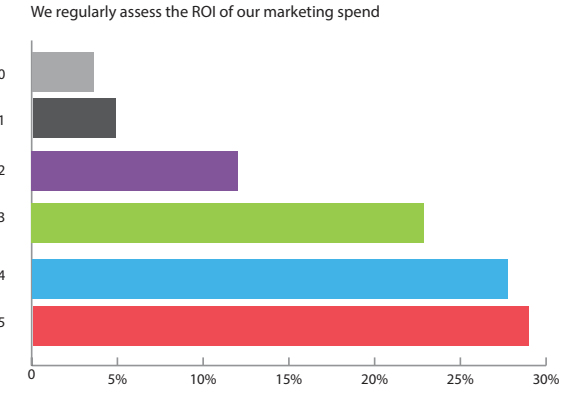
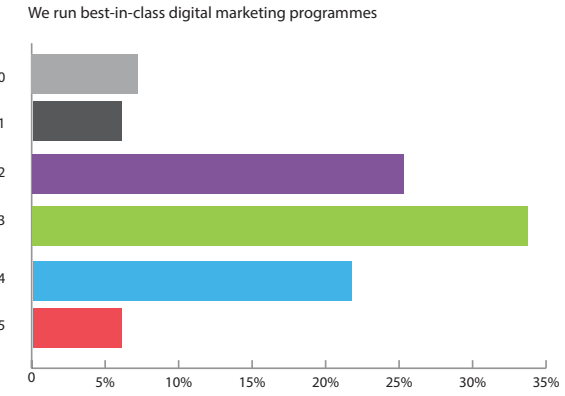
There’s a contrast between these figures and the number of respondents who rank their companies highly for regularly assessing the return on investment of marketing spend. Some 80% scored their companies at between three and five here, with the largest grouping (29%) opting for five. This suggests a lag between retailers’ understanding of the importance of marketing and its practice by these retailers.



STRATEGY AND DATA

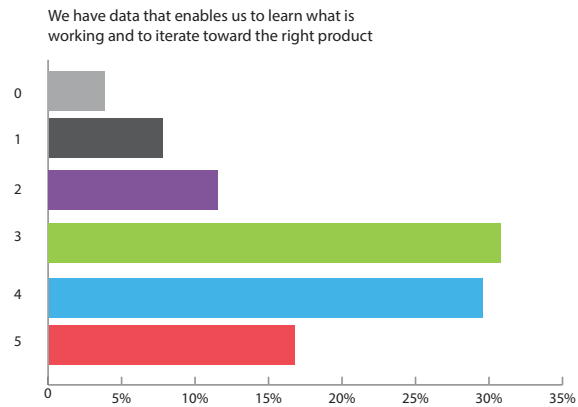
A number of questions highlighted that respondents consider their companies have clear strategies. Some 82% of respondents ranked their companies at between three and five when responding to the statement, “Our operational performance measures are linked to strategic goals,” with the largest grouping (32%) opting for four. However, this means 18% think their companies lag behind here. As with the research around getting a single view of the customer, we would suggest this suggests an underlying worry among a significant proportion of respondents that their companies are falling behind when compared with competitors.

When it comes to data and performance measures, 77% ranked their companies at between three and five for having “data that enables us to learn what is working and to iterate toward the right product”. Here, the largest grouping (31%) opted for three. We would argue this is a small but potentially significant variation when compared with the question on performance/goals, in that it suggests respondents would value better data to improve strategic initiatives.



OPERATIONS AND SYSTEMS

We asked a broad range of questions about the nuts and bolts of retail – delivery, fulfilment, supply chain infrastructure and so on. Amid a broad spread of answers, a few responses jumped out. Some 14% of respondents are confident their companies offer best-in-class delivery and fulfilment options (12% ranked their companies at zero); 24% don't think their “supply chain infrastructure allows personalisation and customisation of products without forfeiting operational and cost efficiencies”; and 37% strongly believe that “all key transactions (complaints, buy, find out about product) within our organisation can be completed digitally”.



LOOKING TO THE FUTURE

If we had to pick out one question that gave us cause for optimism, it would be the response to the statement, “Innovation and customer-centricity are embedded in business units throughout our organisation.” Nearly half (49%) of respondents ranked their companies at four or five, while 22% ranked their companies at three. This suggests retail professionals understand the need to adapt to changing market conditions. However, there is also cause for concern.

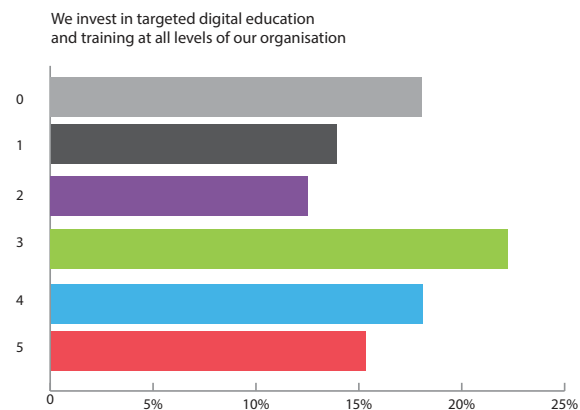
Overall, our respondents were less positive about whether there was “a strong digital mind-set” within their companies. And they were far less positive about whether their companies were investing “in targeted digital education and training”. Preparing for the future involves action as well as understanding, and there are hints here perhaps of companies having departments where best practice is embedded, but still needing to do more to get set for what lies ahead.

AND FINALLY...

Looking at the spread of answers, certain patterns emerge. While a few respondents were uniformly positive or negative, many ranked their companies in the mid-range. Of these, it was intriguing to notice how many respondents thought their companies excelled in some areas of retail practice but lagged behind in other areas – a pattern that reassures us they haven't selected three to questions as a ‘not-sure-here’ middle option.

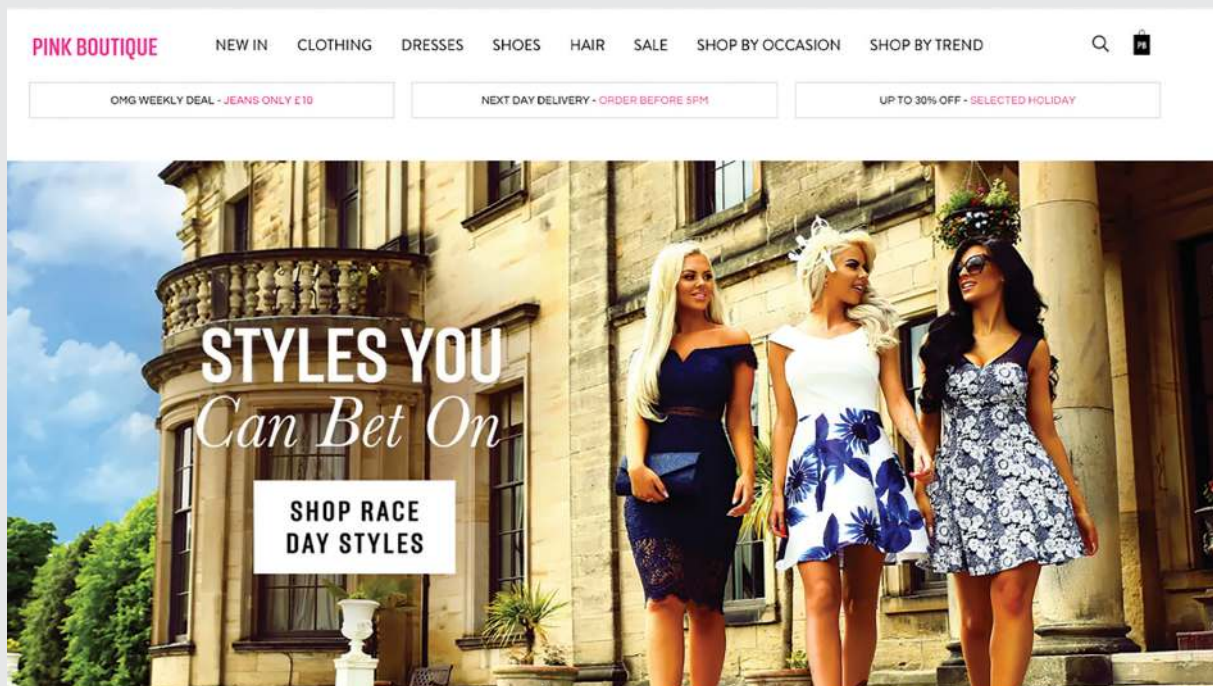
This in turn suggests retail professionals have clear ideas about where their companies need to do the most work. If nothing else, this is certainly reassuring. If we had to offer one piece of advice to retailers as they look over their responses (we have contacted all those who responded to give them their scores), it would be to look honestly at where certain answers don't quite tally, appearing to contradict each other.

It's at these points where there may be a mismatch between what the retailer hopes to do and what it's actually achieving, and therefore where the greatest gains can be made.



Pink Boutique: “unashamedly glam”

www.pinkboutique.co.uk



Five years ago, Alice Hall was working three jobs to keep her head above water. To help make ends meet, she bought a £90 pack of eight dresses that she sold on eBay for £240. From this small beginning arose Pink Boutique, a pureplay with a turnover of £15m that sells “unashamedly glam products”, mostly to young women aged between 18 and 25.

Dan Arden, Pink Boutique’s commercial director, is one of the senior team charged with maintaining this astonishing level of growth. Key to this, he says, is being agile and innovative. “No sooner do you feel like you’ve put your finger on the next thing and you get there, then there’s a next big thing,” Arden says.

Currently this means Pink Boutique’s customers are demanding “personalisation, a highly experiential proposition, full availability at all times, immediate convenience – and all done in an environmentally and ethically friendly way”.

Inevitably, meeting these demands means using customer data to improve the experience, a process that can be fraught with difficulties. “The outcome of [refining data] must be *for the customer*,” says Arden, by which he doesn’t just mean at a macro level in terms of talking to different groups of customers.

“It’s important we understand individuals’ shopping behaviour, their wants and needs. That we communicate with them at a time that’s right, in a manner that’s right, so it’s going to resonate with them, and get the best results for the customer and for the business,” says Arden.

One way Pink Boutique gets the rich information it needs to achieve is through communications, both outward and through listening to customers talking to the company, including via social media. “Given the size of the business, if you compare us from a revenue perspective to competitors, we more than hold our own in terms of followers. And that’s not to say we’re done [with social media initiatives] because it’s something we are actively focused on, having the right followers,” says Arden. “Our email database is healthy as well. I think we do communicate well to a very large group of customers.”

But this work on the customer experience and communications always has to be underpinned by the numbers. “There’s a lot of qualitative activity that you can progress and pursue,” says Arden, “but I think that it’s important to make sure there is an ROI attached to the activity, either in the immediate short term or the longer term.”

PetsPyjamas: “make the stay about the dog”

www.petspyjamas.com

Getting away from it all isn't easy as a dog owner. PetsPyjamas, founded five years ago as “a single destination for every aspect of pet lifestyle” has the answer: a dog-friendly travel agent.

According to Mark Hammond, the company's chief digital officer, this initiative is a way for PetsPyjamas to differentiate itself from competitors. “It's relatively easy to build a marketplace of pet products, to look at the suppliers we're dealing with and knock up something in a few weeks,” he says. “The travel is the hardest thing to copy and, particularly for holidays, we like to think we're doing something different. We've got 2,000 cottages now, and maybe 300 hotels on the website.” Of course, many travel services claim to highlight dog-friendly destinations, but PetsPyjamas has a Pet Concierge Service highlighting hotels that “make the stay about the dog”.

This emphasis on the pet extends to data. In great part, the numbers explain the thinking here. “One of our showcase email campaigns, that we did a while back and we've repeated quite a few times is [to send] specific emails around dog breeds,” says Hammond. “So we knew we had a few thousand Labradors on our website. We had a subject line of something like ‘perfect for your Labrador’ and the products were for

Labradors, and we had something like a 45% open rate, and a 40% click-through rate.”

For PetsProfile, it is “significantly more important” to know about the dog than the customer, but the good news is that people love to talk about their pets. “People are very reticent to tell you anything about themselves, but they'll tell you everything about their pets with as many photos as you want,” says Hammond. “It's a fortunate position to be in, but on the flipside you are dealing with people's families... If something is not 100% perfect, the customers definitely let us know about it.”

Hammond says the company still doesn't garner as much information from its website as it would like. If it could replicate its CRM initiatives on the website, it would see “a significant uplift”. Meantime, the site is already mapped so that owners of different kinds of dogs (as opposed to specific breeds) see different content. This generates valuable feedback. Hammond: “A good friend of mine from school has a spaniel and the first thing he said was, ‘You can't have that bowl for a spaniel because the ears will fall in and they will get wet.’ It's the kind of thing I wouldn't have a clue about, but it's obvious to spaniel owners.”

Conclusion and the future

“The implementation of consumer-centric retail is about improving the consumer experience consistently, at scale and profitably”



Modern retail, as we've seen, increasingly runs on data. This isn't going to change. Rather it's a trend that will deepen. It's this data that enables retailers and brands to understand consumers. To reinforce an earlier point, the customers and data are to some extent interchangeable. The advent of consumer goods companies selling direct will only deepen this trend further because it gives brands access to data previously available only to retailers, opening a door to new business models and new partnerships. At the same time, the rise of IoT-enabled devices will hugely increase the amount and richness of customer data.

So how should retailers and brands prepare for such a future? As we've seen through this whitepaper, retailers and brands alike need to put the consumer at the centre of all they do as they deal with issues around data, company culture and technology. The need to do this will only grow in the years ahead as consumers, growing used to the standards set by the best, begin demanding higher levels of service. Seen in this context, the implementation of consumer-centric retail will be about improving the shopping experience consistently, at scale and profitably.

But this is achievable thanks to a combination of agile working practices, new manufacturing processes, automation, AI and, again, working with the data. As for how specific retailers and brands should react, that's always trickier to gauge because every business has a different skillset, a different heritage and its own unique place in the market. There's no one-size-fits-all solution here.

Nevertheless, it's instructive to focus on how one forward-looking retailer, Amazon, is preparing for the future. As we've noted, it's already investing in IoT technology. We could also mention its Prime service, which we can see as an early example of a subscription-based business model, its partnerships and marketplace, and its science fiction-like experiments with delivery drones.

It's also opening bricks-and-mortar stores. This may initially seem counterintuitive, but actually it makes perfect sense. Not only is Amazon leveraging its market share – it's easier to finance stores when you've first taken the precaution of being the world's third-largest retailer and don't have to contend with legacy PoS systems – it's most likely betting on a future where stores are places we go for fun and entertainment. After all, IoT-enabled devices and purchases will be taking care of more functional purchases, freeing up time for other activities.

“They're offering a different experience,” says Harvard of Amazon's move to the high street. “If retailers were able to be a bit braver and more innovative, there's nothing stopping them doing exactly the same thing, if not going a stage further.”

He's right. And in that insight lies our final point here. Building new kinds of experiences around the customer ultimately requires retailers and brands to look at what they do – and then be prepared to say they will do *something else instead*. Ironically enough, in Amazon's case, that means opening stores. For another retailer, it may mean establishing a subscription-based offering. Or for brands, it may mean establishing an ecommerce presence as preparation for selling direct via the IoT. A willingness to make this kind of leap, to use the insights data brings to create new and imaginative kinds of offerings, will be essential to prospering in the future – whatever segment of the market a retailer or brand occupies.



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