Executive Insights

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Crossing the Digital Divide: No Brand Left Behind

When news broke last spring about Amazon's courtship of some of the world's biggest consumer packaged goods (CPG) brands, it touched off a wave of speculation. Did the ecommerce giant simply see an untapped opportunity for its fulfillment solution? Or was it engaged in a longer game to alter the relationships between consumer goods makers and their brick-and-mortar retail partners?

However it plays out, Amazon's outreach exposed a digital divide in the consumer products world. On one side is the growing interest of brands in direct-to-consumer (D2C) models. On the other side are persistent worries about conflict — not just with traditional distribution channels but also with retailers carrying the brand. To bridge this gap, we identified seven dimensions along which a variety of pioneering brands have arrived at an effective digital strategy.

Understand how digital serves different consumer segments. That way, brands can deepen engagement by bringing people together for shared experiences. Kimberly-Clark, for example, specifically designed its Huggies rewards club to attract and educate new parents. Luxury brand Burberry maintains microsites where customers share snapshots of themselves in their own Burberry coats, and streams exclusive fashion shows for younger users of its mobile app. And on Twitter, fast casual restaurant chain Denny's replicates the sort of fun, laid-back quips one might overhear from one of its booths.

Use the right digital channels. A D2C initiative can involve one platform or many, depending on things like image, objectives, target audience and what's feasible in a given market. Longchamp, for one, bases its D2C efforts in China on the blockbuster WeChat app. Whirlpool differentiates its brands — including WP, Maytag and KitchenAid — by conveying each unique brand voice across a mix of landing sites, social media and YouTube channels.

Add value to the consumer. This includes making decisions about whether to sell online and what assortment to feature. Either way, consumers need a reason to tune in, and mass-offered discount coupons are increasingly insufficient. Instead, Patagonia secures customer loyalty through its "Worn Wear" website, where environmentally conscious consumers can purchase secondhand clothing at a discount and trade their own used duds for gift certificates. Meanwhile, Subaru extends well-matched offerings at the right time in the consumer life cycle, from prepurchase targeting to end-of-lease management and loyalty incentives to repurchase.

Look for measures that matter. CPG manufacturers in particular can use analytics to make all of their digital direct-to-consumer channels better. At Procter & Gamble, for instance, technology says it's time to remind parents about Pampers while analytics says that direct marketing is the best way to do it. Then there's L'Oréal, which, through its work with Google, discovered that ombre hair color was trending. The cosmetic company's response? A new product, backed up with a dedicated consumer marketing plan.

Crossing the Digital Divide: No Brand Left Behind was written by **Robert Haslehurst** and **Chris Randall,** Managing Directors, and **Noor Abdel-Samed,** Principal, in L.E.K. Consulting's Consumer Products practice. Robert, Chris and Noor are based in Boston.

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Make room for new technologies. They're increasingly important to marketing, customer engagement and sales — in any sector. For instance, as a technology company, it makes sense that Samsung uses virtual reality to help consumers visualize space for its TVs. But what about Rebecca Minkoff? The accessories and apparel designer uses in-store radio-frequency identification to send clothing items to dressing rooms, helps customers choose different styles and sizes, and shows stock availabilities in stores and online. There's also MATCHCo, which uses an app to scan the customer's skin tone and deliver the perfect foundation. Finally, consider home goods seller Wayfair's augmented-reality app. It lets customers evaluate virtual, full-scale 3-D models of furniture and décor amid their own day-to-day surroundings.

Keep the online conversation going. If brands don't create a social media presence themselves, customers will create one for them. Fast-food purveyor Wendy's famously took command of social media with its clapbacks, showing how wit can gain consumer attention in the Twittersphere. But for brands with a more conservative sensibility, alternative social media strategies can work as well. For instance, L'Oréal signed on 15 social media influencers to review the company's offerings, record video tutorials and cover behind-the-scenes beauty events.

Find a way to work with Amazon. Despite concerns about losing the customer relationship, high-profile multibranded websites are worth consideration, if for no other reason than the online traffic they bring in. Nike agreed to sell its athletic gear through Amazon and Instagram, for example. Brands participating in Amazon's Prime Wardrobe — where members can order clothes without paying and get discounts on the pieces they keep — include Levi's, Kate Spade and Theory. For its part, Prada sells its ready-to-wear outfits via third-party websites in Europe, with plans to replicate its ecommerce success in Asia.

Bringing it all together, brands tread a narrow path with digital. Retailer relationships can impose varying levels of constraint in D2C selling — less for apparel, perhaps, and more for CPG. On top of that, the online world is tough for brands to influence. But brick-and-mortar retail doors are closing, especially for apparel, as shoppers take their business online. In this environment, a failure to think digitally may have the most severe consequences of all.

So someday soon, digital agility will be as important to consumer brands as traditional capabilities like brand-building, new product development and distribution. What that digital response looks like will vary from brand to brand. For now, product makers can look to retailers and innovative brands for lessons in ways to balance universal best practices with choices that are authentic to the brand, the evolving consumer purchase process and the specific channel environment.

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