



## Digital Strategy: Activating Against Customer Needs

For brands and retailers, there's always been an obsession with using data to improve customer relationships and to drive both engagement and conversion across channels. But in an increasingly complex and digital age with new, vast amounts of data captured, there's an ever-growing necessity to understand how it can be effectively leveraged and ultimately to create value across various dimensions of consumer needs.

### Evolution of data, sources, and channels used to drive engagement and conversion

It used to be that retailers worked mostly with data from their brick-and-mortar stores. For instance, there would be sales (showing how well the merchandise worked), competitive shops, promotion responsiveness, and customer surveys plus other solicited feedback. Retailers could respond with changes to store layouts, products, pricing and print promotions.

But now the forms of data, sources, uses and engagement channels have evolved. There are new, wholly owned kinds of data, including dwell time, in-store shopping pathing, heatmapping, automated A/B testing and clickthrough rates, as well as data that completely parts company with the past because it comes from shared platforms like social media or third-party relationships such as professional affiliations. Sellers also can

create new digital channels such as mobile apps and websites. They have more ways to carry out conversations with customers — think email and social media. And they can make media buys that once were unimaginable, including hyperpersonalized banners, impressions and placements in streaming content.

All this has ultimately resulted in a substantial uptick in data that, when effectively deployed, can be used to uncover and solve customer problems.

### Framework for analyzing and effectively deploying tactics to meet the four dimensions of consumer needs

With the increased digitization of data have come sophisticated tools to sort it all out. This means modern retailers have more power than ever to uncover and solve customer problems. But brands and retailers still need to know what they're looking for, a goal made more difficult by the sheer volume of data that digitization has enabled. A pragmatic way to tackle it is to break down consumer needs into various dimensions; although not every brand or retailer addresses each dimension, excelling at one can be enough to generate a following. The four dimensions of customer needs — increasing transparency, educating consumers, curating the experience and easing conversion — and companies that have shined in each area are described below.

#### Dimension 1: Increasing transparency

Help consumers understand their specific need for a product, how your product can help fulfill that need and what the product should cost (along with the actual price).

*Digital Strategy: Activating Against Customer Needs* was written by **Chris Randall, Noor Abdel-Samed** and **Robert Haslehurst**, Managing Directors in L.E.K. Consulting's Digital practice. They are based in Boston.

For more information, contact [strategy@lek.com](mailto:strategy@lek.com).

# Executive Insights

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**Casper**, the online mattress-in-a-box seller, offers the true price of its products along with a 100-day money-back guarantee, upending the notoriously opaque process of traditional mattress shopping.

**CarMax**, the largest used-car retailer in the U.S. and the pioneer behind “what you see is what you pay” pricing, offers its buyers a no-haggle price for each and every one of its vehicles. This reduces negotiation processes and provides customers greater comfort and the assurance of a fair deal.

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For both the mattress and the automotive industries, a clear need has been more transparent pricing practices. According to a 2018 IHS Markit study, only 57% of used-car buyers reported being satisfied in their interactions with the dealership’s financing department, and only 58% trusted their dealer was giving them the best deal. Strides in transparency, such as no-haggle pricing and money-back guarantees, can make consumers more confident in their purchases and turn them into loyal fans of your brand.

## Dimension 2: Educating consumers

For many products, it’s important to create a stress-free environment where customers can learn what the product does and how it compares with its competitive set. Customers also should be able to grasp the near- and long-term value of owning the product versus its alternatives.

**Laurel & Wolf**, operators of an online interior design platform, creates a stress-free environment for customers to envision different design options for their space. The company removes key barriers for customers by enabling them to compare independent designers and use multiple sources of furniture and accessories.

**Warby Parker**, a prescription glasses and sunglasses retailer, offers a free, at-home try-on service for the glasses it sells. Experiencing and experimenting with frames in the comfort of their own home allows consumers to become acquainted with the product at their own pace, or to use this process as a foundation for further research at various brick-and-mortar locations.

## Dimension 3: Curating the experience

Aid the customer in narrowing a long list of potential purchases to the one that best fits their need.

The **Netflix** brand of on-demand entertainment reflects a deep understanding of successfully creating a curated experience. The company maximizes engagement by analyzing each user’s genre interests, past viewing history and show ratings to present a selection of content specific to that person’s profile.

**Airbnb** offers its users a “quiz” to help the company formulate travel recommendations. By gathering information on user preferences, the platform is able to give suggestions on places to visit, things to do and possible lodging, all specific to the particular consumer.

## Dimension 4: Easing conversion

Help the customer close the purchase. Options might include alternative payment forms (e.g., PayPal, Apple Pay), flexible payments (financing) and shipping options (e.g., store pickup, home delivery, locker delivery).

As the world’s largest online retailer, **Amazon** offers its customers multiple shipping options, including free delivery, same-day delivery and delivery to an authorized third-party location. The shopping site also accepts most payment types and enables fast, free returns. All this encourages shoppers to make a commitment and proceed with their purchase. And Amazon continues to blaze trails in convenience, with voice ordering, delivery to cars and locked homes, and expansion of pickup anywhere, among other innovations.

**Shopify**, a Canadian ecommerce platform, reduces purchasing friction at its member shops through its Shopify Pay program. Allowing customers to save relevant information used to process a prior transaction makes future checkouts faster, easier and more convenient. Shopify’s stores that accepted the program saw the conversion rate for returning customers increase by 18% and ultimately drive more sales.

Each of these dimensions, then, addresses a set of customer pain points viewed through a specific lens. With better data to parse those issues, brands and retailers can more effectively serve consumer needs.

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## Opportunities and risks

With the influx of additional data sources, a framework to better understand customer needs allows brands and retailers to better drive engagement and conversion. Among many other examples, the right availability of and focus on data can lead to:

- Delivering a repeat offer to customers when they're most likely to act on it (e.g., when they are projected to run out of a product, based on their history)
- Suppressing a marketing campaign and not paying for clicks when a customer has already been activated
- Changing the default purchase process and delivery options based on a customer's history
- Withholding offers from customers who would purchase that product anyway — thus eliminating subsidies

But like most business opportunities, there are risks and drawbacks. In this day and age, with the volume of data substantially higher than in the past, it can be tempting to pool vast amounts of transaction data or loyalty information, or to turn to an Experian or Acxiom. But in reality, most firms aren't set up to aggregate this much data, let alone analyze it. You also have to be able to act on it, which invokes a whole series of efforts — from acquiring the appropriate data exploration and visualization tools to establishing a robust problem-solving capability within the organization.

Understanding customer needs is both easy and hard. It's easy because digital technology has the potential to make it so. It's hard because organizations must then act on what they know. But with the right framework, approach, data and organization — not to mention real-life examples to emulate — firms can be confident they're creating value by responding to customer needs.

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## About the Authors



Chris Randall is a Managing Director and Partner in L.E.K. Consulting's Boston office. He is focused on the Retail and Consumer Products sectors, advising clients on a range of critical strategic issues, including growth

strategy, retail format and network strategy, brand and marketing strategy, ecommerce strategy, international expansion, and M&As.



Noor Abdel-Samed is a Managing Director in L.E.K. Consulting's Boston office and a Consumer Products sector specialist. He has deep expertise in digital, omnichannel, ecommerce, consumer segmentation, pricing

and promotions, and has significant experience leading teams through market-facing and organization-changing initiatives from conception through implementation.



Robert Haslehurst is a Managing Director and Partner as well as the head of L.E.K.'s Boston office and a member of the firm's Americas Regional Management Committee. He is focused within the Retail and Consumer Products

practices. Rob advises clients on a range of issues, including corporate strategy, consumer insights, new product development, program management, corporate finance and M&As.

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