

A Retailer's Guide to *Customer Excellence*: Are Your Customers 'in Sync' With Your Experience?

Technology was supposed to make servicing customers easier; or so you were told! In reality, the explosion of digital tools has only upped the ante for traditional customer-facing strategies. The Internet has created unprecedented price transparency and has certainly made product availability a very different basis of competition. Gone are the days of driving around town to find the right item – nearly everything is available at any consumer's fingertips, conveniently collated and price-compared for one-click – often free – delivery. In this world, how is a traditional retailer to compete?

The short answer is that there is very little room in today's world for "traditional" retailers. The definition of the customer experience has evolved and the bar has been raised. Successful customer-facing strategies today must go well beyond simply greeting guests at the door or creating enticing storefronts and online home pages. They require retailers to embrace a new *Customer Excellence* model that shows empathy for customers at every stage of the shopping relationship. This means harmony in how your brand is conveyed with what your customers want and expect at every touch-point. It means a synchronous experience across all your channels and synchronous support for the strategy from your staff at every step of the shopping journey.

As Technology Advances, Retailers Must Return to Basics

Returning to basics does not mean going back to the old way of doing business. It means revisiting the basic principle that the retailer's role is to solve a customer problem and to sell a solution often by facilitating the transfer of merchandise. Clean sheet approaches to addressing the basics are leveraging transformative technology to turn the old business models on their heads. Zappos, Amazon and other newer models consistently excel in customer experience scores without even having physical stores or, indeed, human interaction.

While technology is normally associated with better ways to track, target, promote and price, the greatest lever to drive sales and foster loyalty is still a relentless focus on making shopping more enjoyable. Therefore, it is equally important to gauge the implications of new technologies along the customer experience dimension. Retailers will be left behind if they fail to realize that their customer bases are independently and rapidly evolving in how they prefer to shop, the new tools they use to do so, and what they expect for service standards.

In order to improve the customer experience, retailers need to be crystal clear on what they stand for, who their core customers are, what problems they are trying to solve, and why their unique combination of assets is best suited to do so.

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This introspection obviously has massive potential knock-on implications for store size, real estate selection, marketing mix, etc. Therefore, retailers that embrace *Customer Excellence* will need to contemplate how to keep their business models substantially more flexible going forward.

Three Tenets of *Customer Excellence*

So how does a retailer de-commoditize the transaction? L.E.K. Consulting has identified three key tenets to drive a world-class customer experience in retail. The first installment of our *Customer Excellence* series outlines these tenets and spotlights some companies that are redefining leadership in this area (see Figure 1).

1) Focus on an Ideal

Driving *Customer Excellence* begins with knowing your core customer inside and out. Most retailers feel they understand their customers, but by our observation, few really have a laser focus on the core group that drives and reinforces retailers' brand identity. Too frequently, retailers try to appeal to such a diverse audience that they dilute the experience and appeal strongly to nobody. Focus on the fans, and the rest will follow. If a retailer tailors the scope of its service to the core customers that define it, the retailer will sharpen its image, differentiate the experience, and actually increase sales across a broader base, not disenfranchise the rest.

Abercrombie & Fitch has done an excellent job clearly defining the audience for its teen apparel. CEO Mike Jeffries said, "...we hire good-looking people in our stores because good-looking people attract other good-looking people, and we want to market to cool, good-looking people. We don't market to anyone other than that...I really don't care what anyone other than our target customer thinks..." *Bloomberg Businessweek* called the company a "teen emporium where sex meets the Ivy League" and its provocative marketing campaigns have certainly put off a number of parents.

However, one thing is certain – Abercrombie & Fitch knows and builds to a clear target, a distinct sub-segment of the teen market. The company has unwaveringly supported its brand



Source: L.E.K. Consulting

image with heavily scented retail stores accompanied by loud music, dim lighting and staff members that often resemble the models in the company's marketing campaigns. By building an experience that is somewhat narrow (and aspirational to the majority of its shoppers), it ends up driving sharper distinction and greater sales well beyond its iconic target.

2) Rebuild the Model

In our online society, it has become more challenging to grab customers' attention. Traditional promotions are becoming an inefficient means of driving traffic in a world where nearly everything is on offer through a few screen taps of the phone in a customer's pocket. Retailers need to give the customer a reason to engage and, in the case of physical stores, come in.

This starts with a harsh interrogation of the specific role that a physical presence plays (or could play) in your business model. Is your organization still 100% focused on "running stores efficiently" or has it started thinking deeply about the important question of how to "sell effectively?" Traditional retailers should carefully deconstruct the shopping experience in their categories to determine areas where a multi-channel presence is clearly superior to a commoditized compare-and-buy transaction. How can having multiple channels solve problems? Enhance my brand? Increase shopping enjoyment?

In certain (not necessarily all) categories, a cohesive shopping experience across channels is advantaged. In a category where the product is emotional, the store, the sales associates and the digital experience should all work together to elicit this emotion. In a category where the core products are complicated, the retailer must determine how it can leverage all channels in concert to simplify and clarify for the customer. Delivering on this integrated vision likely means arming front-line staff with curated, CRM-powered insight...personalization with a human touch is elusive, but very powerful.

Much has been written about Apple's retail success and how much is attributable to simply having a killer product. But make no mistake: Apple is a *Customer Excellent* retailer as well. The retail stores and their merchandising displays extend the Apple brand by reflecting the sleek, modern and minimalistic design of its products. However, some of the most exciting innovations are in how the company embraces the technology it sells in every aspect of the purchase process. Sales staff can readily pull up pre-packaged demonstrations to address every FAQ. Discussions of features, benefits and pricing are completely integrated with what consumers see online. Sales and service are seamlessly coordinated and the slick approach to instant check-out, whether on an associate's device or the customer's own phone, is a true "Wow!" for the customer.

3) Promote a Customer Excellence Culture

The third tenet goes to the heart of your organization's leadership priorities; in order to achieve *Customer Excellence*, you will need to put as much emphasis on selling and delivering service as you do on the merchandise itself. To make a difference that the customer will really notice and view as authentic, it must be present in every inch of your corporate fabric.

Nordstrom, a long-lauded innovator in the department store sector, continues to push the boundaries of service by empowering staff to provide customers with a "highly positive experience." For Nordstrom, this corporate ethos is linked directly with the brand identity and embraced at the highest executive levels. Furthermore, the organization invests heavily in training store associates and managers on how to execute on this vision.

There is not necessarily a single "to-do list" that can be executed; it is more a matter of teaching staff to interpret the philosophy through pragmatic case examples. That way, the front lines are both encouraged and enabled without the need to pre-conceive every scenario. The codification of select differentiators (e.g., Nordstrom's generous return policy) only serves to reinforce this message to staff and amplify their efforts to delight the customer.

Examples of *Customer Excellence* cultures go well beyond the retail sector. Organizations as varied as Four Seasons, Disney and American Express all exemplify characteristics that can inspire retailers. For example, American Express considers customer commitment the most defining core value, and it shows. For the past six years, it has received the highest ranking of all U.S. credit card companies surveyed by J.D. Power and Associates.

To maintain this focus, American Express credit card services employees have specific service objectives. Employees are motivated by carefully structured incentives to deliver to this standard through a bonus program that can boost their annual earnings by more than one-third via incremental rewards throughout the year. Moreover, American Express has dropped the importance of rigid metrics like "calls processed per hour" in favor of broader, results-based measures that track the overall net impact on customer loyalty.

Where to Begin?

Making the right investments can pay significant dividends for retailers, but it is essential to have a clear vision about how the changes will connect to the three tenets to maximize returns. Luckily, retailers can follow a methodical approach if they have the courage to ask very direct questions about the way they do business.

- **Do we truly have a differentiated brand "ideal"?**
Deeply examine how well you know your core customers and how your experience meets the needs of that pivotal group. You need an objective baseline to understand how any changes you plan to make (e.g., to store

format, labor model, social media initiatives, etc.) will truly differentiate and win.

- **Does our current model really reflect how shopping is changing?**

Unless you are the lowest cost merchant in your category, you should urgently consider redefining your business model around the customers that you serve (vs. the items you sell). You need to aggressively move beyond “multi-channel presence and consistency” to design strategies for an “omni-channel shopping experience.”

- **How in sync is our culture with a Customer Excellence vision?**

All this work contemplates a significant corporate focus and investment. You must ensure that staff at all levels are working in tandem with your stores, your digital

sites and your marketing, to address the needs of customers consistently and at every step and touch-point. Explicit commitment is required from the most senior levels to drive this vision, and any necessary changes, with religious fervor.

In a crowded, over-stored marketplace, retailers must ask themselves if they are sufficiently flexible to adjust to rapidly changing customer expectations. Customers (and technology) are themselves redefining every facet of the retail business model, and the winners will ultimately be the organizations that embrace these dynamics as offering a better way to connect, and to make shopping more enjoyable. However, with an open mind to re-examine your brand/customer alignment, willingness to change your fundamental approach, and a strong commitment to align the whole organization, you too can achieve *Customer Excellence*.

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and analytical rigor to help clients solve their most critical business problems. Founded nearly 30 years ago, L.E.K. employs more than 1,000 professionals in 20 offices across Europe, the Americas and Asia-Pacific. L.E.K. advises and supports global companies that are leaders in their industries – including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns.

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