

# Continuous Commerce

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OGILVYONE WORLDWIDE

**B**y all appearances, the dawn of complete retail convergence is upon us. It's never been a better time to be a consumer. So, you can imagine my disappointment when I heard the following story. Last year, right as the holiday break began, I was chatting with a friend — Jen Strickland — who, knowing what I do for a living, was just itching to tell me about the lousy retail experience she just had.

Jen wanted to send holiday wreaths to her three closest girlfriends, but Jen is busy. Full-time-job-single-mother-of-two-busy. One night in early November, Jen navigated to the ecommerce website of one of her favorite home stores, found the perfect wreaths, ordered three of them, and considered the matter solved.

By mid-December, the wreaths hadn't arrived. Jen, puzzled, checked the email confirmations she got when she first placed the orders. Buried at the bottom of a confusing, information-packed page was this small statement: "This item is backordered and will ship after January 6th."

Frustrated, and with time running out, Jen headed off to her local branch. When she got there, she was greeted by a salesperson who listened to her story only to tell her there was nothing he could do to help. The ecommerce division had no connection to the stores, she was told, along with a finger-wagging warning that, "if people keep shopping online, there won't be these beautiful stores to come to anymore; they'll all close down."

Needless to say, Jen — who had spent thousands of dollars with this company in the past year alone — was fed up. She went from an emotionally bonded brand advocate to an active detractor.

So it seems that omni-channel retail convergence isn't quite as far along as I had hoped.

If you're reading *The Hub*, you don't need me to convince you that convergence is happening or to

tell you that you should be in omni-channel. I'm not going to blast you with whizzy trends and factoids. You know all the important stuff already. But if Jen's experience is any guide — and I know that it is — plenty of companies are struggling to make retail convergence work and realize the gains that can come from it.

Knowing that retail convergence is coming and winning at it are two very different things. The problem is complicated. The solution — though detailed — is not. To reap the rewards of retail convergence, you need to: 1) unleash the emotional drivers of your brand; 2) design omni-channel, or 'continuous commerce,' retail experiences; and 3) organize to execute for omni-channel.

As Richard Umbers, chief supply-chain and information officer of Myer's Department Store, says: "The real sweet spot of [retail convergence] is where you join together the different parts of your organization, and you start to use the same assets in different ways. A store environment, for example, can enhance the online sale. The online sale can enhance the physical store environment. But in order to do that, you have to set up back-end systems and processes that are mutually supporting of that retail environment."

He's right, but you've got to look at the emotional drivers of your brand, too. Let's start there.

## LET IT ALL HANG OUT

Nearly every marketing leader on this planet is struggling with the same question: *How do I differentiate my brand in a world where functional and technical advantages may last only a few months, weeks or days?*

I'll venture a guess that almost every one of those marketing leaders thinks (or should I say, *feels*) that emotion might be the right answer. Emotion has powered brand advertising since the days of the creative revolution, and as channels and attention fragment, we need to intensify the emotional content

## Retail convergence enables the emotional connections that create customer value.

of our marketing. Numerous studies prove the power of emotional advertisements.

That's great to know, but the emotional landscape is broad. Scientists have identified more than 300 different human emotional states. I play in a rock band and have survived two teenaged daughters. I think I know them all. But even survivors such as myself will have trouble answering this question: *Which one or two emotions will drive business success for your retail brand?*

That's a complicated question.

Motista is a new company that has taken a big-data approach to emotion, having spent two years looking at more than a billion emotional data points from 250,000 US retail consumers across hundreds of brands in more than 150 different categories. What they've found can help brands answer that question.

We know that human beings are principally motivated by emotion—and that applies to us in every facet of our lives. We have many different drives, from food to shelter to sex. When it comes to our lives as consumers, we're motivated to achieve social acceptance. As Scott Magids, CEO of Motista, points out: "We want to shop retailers where we feel we belong with other people. When a consumer associates deeper, more personal emotions to a brand, that's called an emotional connection."

Motista has learned that when consumers are emotionally connected, they spend more, transact more, and generate significantly higher lifetime values for those businesses. Emotional connection in the retail space emerges when a retailer helps shoppers achieve unstated values and aspirations.

When a retailer meets clear, concrete needs, a shopper can be said to be 'highly satisfied.' That's great, and a solid profit will be the reward. When emotional richness is added, that highly satisfied customer becomes 'emotionally connected'—and highly profitable.

But which emotions matter? As Magids observes: "Historically, it's been very difficult for businesses, and particularly retailers, to understand which emotions they should leverage to motivate people's behavior." There are different emotions that motivate different customers at different stages of the consumer

journey. As with most emotional things, it can appear to be a muddle.

The way forward is an emotional segmentation, wherein you uncover which emotional segments to target. These emotional drivers are manifold, but for retail they tend to fall into areas such as belonging, indulgence, escape or family. More specific emotional understanding can be found through an emotional connection assessment, which answers such questions as these posed by Magids: "How does a particular retail business help consumers feel emotionally? Do they help consumers feel a sense of belonging? Do they help them feel like they're better parents? And then which of those emotions really matter?"

The answers to those questions can inform how to connect emotionally with customers, and which emotions matter most in driving emotional connections.

Luxury retail, for example, depends on solid relationships with customers. As Shirley Romig, senior vice-president of corporate strategy at Hudson's Bay Company (the parent company of Saks), puts it: "As a luxury retailer, one of the things that we encourage our sales associates to do is build very strong relationships with our customers." One of the ways they've encouraged that is by giving sales associates iPads to help them "create memorable shopping experiences."

Saks—like other luxury retailers—is highly motivated to create memorable experiences. Motista's data on luxury retail shows that when consumers fail to connect, they visit just 5.9 times per year, spending only \$522 annually. Highly satisfied consumers do much better for the store, visiting 7.1 times and spending \$709 per year. That's a nice bump. But emotional connection makes the most significant difference. An emotionally connected luxury retail customer makes 14.1 visits in a single year and spends \$1,321. That's nearly double what a highly satisfied customer would do.

Luxury retailers, therefore, have a strong incentive to connect emotionally with their customers. But they are not the only ones. As Will Smith, CMO of Brown Shoe Group Retail, explains: "We look at emotional connection as paramount. If you are really



emotionally connected to a brand ... you're likely to visit them more. You're likely to revisit them more. You're likely to engage with them more. Footwear is the kind of emotional purchase where you want to touch it and sometimes you want to smell it. When you look at that box in the closet it makes you feel really good, or the shoe might make you feel taller. All of that is part of the footwear experience. And we aim to always deliver that."

Emotional satisfaction, Motista found, emerges only through the omni-channel experience, and it adds up to a significant boost in annual spending over in-store-only customers across numerous categories, from discount retail, to footwear, to luxury retail.

#### OMNI-CHANNEL CUSTOMER EXPERIENCES

There is an empirical connection between emotion and customer value, but to reap the rewards of that, we need to develop real, end-to-end, customer experiences. If you want to create omni-channel experiences with emotional connections in mind, you cannot just start inventing messaging and experiences. All the best marketers start with a customer ambition. In simple terms, this means asking: "How many more customers do I want, and how much do I want to increase their value as customers?"

Once that ambition is articulated, a retailer needs to take these five steps:

**Personas.** Everybody does some form of 'personas,' but most of them are useless. The best are data-rich, three-dimensional profiles that really capture what's important. They interrogate emotional drivers, assess transactional behaviors, estimate a lifetime value, and uncover social and digital behaviors we can use to connect.

Doing this properly requires looking at the data through three lenses — the *personal* (with its demographic and life-stage information), the *consumer* (illustrative of attitudes, category and brand preferences), and the *shopper* (which identifies search, channel, transaction, and lifetime value metrics).

Each persona must identify the emotional drivers. It must uncover needs, preferences, and pain points, and identify transactional data to show purchase behavior. This is then repeated in each of the three dimensions — personal, consumer, and shopper.

**Journeys.** The next step is to marry each major persona to a journey. I believe retailers would benefit most from performing end-to-end, high-definition journeys that plot out in granular detail the stages and touchpoints from the beginning of discovery all the way through transaction and post-purchase.

These journeys should identify emotional high points and low ebbs. There are, of course, different types of journeys — lifecycle, calendar cycle, and purchase cycle — and the retailer should understand each of them.

**Engagement Idea.** Ideally, a well-executed persona and journey exercise allows you to define a singular, powerful, customer-engagement idea that identifies what the omni-channel experience needs to deliver. This creates a baseline and helps create a holistic, yet coherent, customer experience. It helps to define language, services, communication choices, promotional and loyalty programs. It can influence go-to-market strategies. The engagement idea should guarantee not just a functional handover from touchpoint to touchpoint, but also provide customers with an emotional connection no matter where they engage with the brand. The engagement idea should lay out a long-term ambition from the customer's point of view, while also articulating the short-term gains she wants.

Done like this, the engagement idea becomes a very customer-centric proposition. It points the way for marketing while also identifying organizational needs and budgetary priorities. At this point, however, it's just an idea. To make it a reality, it needs to be turned into a set of plans.

**Engagement Blueprint.** To put it clinically, the engagement blueprint guides value-exchange development across the entire experience. It defines the desired customer behavior at various stages and identifies data requirements. To put it in more human terms, it tells us what we need, when we need to do it, and what data we need to make that happen.

The engagement blueprint is where we identify strategic partnerships to support the omni-channel experience. New and interesting services have sprung up that perfectly complement the retail experience. For example, Instacart's partnership with Whole Foods adds a simple and convenient delivery service to Whole Foods' physical outlets. Similarly, Target is partnering with Curbside to provide an on-demand and timely pick-up service for the time-constrained shopper.

In addition, a new kind of technology infrastructure is emerging. Over 50 percent of the top 100 retailers in the US are in active test or even scaled installation mode of location-aware beacons. Why? Because location and proximity-aware technologies allow retailers to recognize shoppers in context, providing relevant offers and services.

**Experience.** Then there is the experience itself. Once all the planning is done, retailers need to execute seamlessly in order to provide a positive

omni-channel customer experience. The list of what needs to go right is daunting, as you may recall from Jen's awful experience over the holidays.

Retailers need smooth handover at every point of interaction—from catalog to app to store to social channels, while also setting up simple interaction patterns that minimize consumer effort. The entire enterprise needs to be customer-centric—even back office functions—so that the whole organization serves the customer experience first. This means that addressing the emotional and physical needs of customers is a shared mission.

All interactions need to be personalized, transparent, and always-on, while employing uniform and coherent brand language at every stage of the customer journey, post-purchase included. We wrap this all up in a tool we call DAVE: Data-inspired, Always-on, Valuable, Experience.

We use this tool to help brands act in an omni-channel way, remaining focused on the relationship, not the transaction, supplying customers with a great brand and customer experience. That is the source of the powerful, profitable, emotional differentiation Motista uncovered.

#### ORGANIZE TO EXECUTE

Knowing what to do is one thing, and having a plan to do it is a great start, but your organization needs to be able to execute in an omni-channel world. To uncover that, Matthew Egol, chief strategy officer of PwC Strategy&, researched how organizations should adapt for omni-channel retailing. The research, which covered categories from drug/pharmacy to home improvement, apparel to consumer electronics, identified three principles for success.

- 1. Embrace Lean Startup Principles.** Adopt new ways of working that drive faster progress and more rapid learning, instead of investing too much too soon. Keep human-centered design paramount and go to market as fast as possible with a minimally viable product (MVP). Be agile in revising and improving on that experience quickly and with great responsiveness toward consumer needs.
- 2. Design Three Years Out & Build for Today.** Have a three-year roadmap for technology, talent, organization, and any other capabilities you may need. Build rapidly to produce the MVP and then iterate according to your three-year plan.
- 3. Energize the Culture.** Moving your organization forward on a formal basis, according to principles

one and two, is only half the challenge. You'll need to make informal changes, as well. You have to appeal to hearts as well as minds. It is just as important to build an emotional connection with your employees as it is with your customers.

#### REAPING THE REWARDS

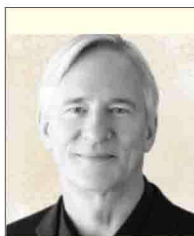
Jen's terrible experience worked out in the end, albeit at a different home store that now stands to benefit as much as the first store stands to lose. Her emotional connection—a powerful force—was broken because her preferred retailer was unable to deliver a seamless customer experience. It blew it on nearly every touchpoint because it was organizationally unprepared for retail convergence—particularly on the data front.

If it had been more like Walmart, the home store would still have Jen as an advocate. The Walmart data warehouse leverages point-of-sale data to achieve unprecedented insight into the purchasing habits of its 100 million customers and the logistics guiding its 25,000 suppliers. Every transaction in 6,000 Walmart stores is available for analysis in the data warehouse within seven minutes.

This treasure trove of data enables Walmart to react in near real-time to sales and supply issues. Coupling this with other data sources, such as meteorological forecasting, Walmart is able to get the right product to the right place at the right time.

Retail convergence is happening fast, but, unsurprisingly, it's also changing as it develops. Mobile is emerging not as an adjunct but as the first point of contact. As Brown Shoe's Will Smith points out: "Famous Footwear crossed a milestone in June. It was the first time in our history when visits to mobile sites surpassed those of desktop sites."

Mobile may not be where customers complete their transactions, but it's essential to early engagement. Well over 50 percent of people are engaging with retailers first on their mobile devices. We don't yet know how mobile storytelling will evolve, but we do know that the retailers who tie it into the entire omni-channel experience will be the ones that win. ■



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