Omni Potent

What is the biggest obstacle to creating a great digital experience?

Douwe Bergsma: The first obstacle for digital is that the space to communicate content is smaller and the time you have to communicate is shorter. The amount of content you need in the digital world is another challenge. In the past, with traditional media, content would last longer. You would have a few ads that you could air for several months. You could track how each ad was doing and if it tapered off you would replace it. In this digital world, people are always hungry for new content.

The second part is, how do you reach the right people at the right time at the right place? We've made so much progress over recent years, but this is still a challenge. Even if you believe you can do it, you need the right tools, skills, knowledge and capabilities in-house. So, the challenges are the content, the media and the in-house capabilities. All three need to be working together to have the cumulative effect of reaching the right consumers at the right time and place.

Bari Harlam: The biggest obstacle for digital is that the expectations of consumers continue to grow. What was breakthrough in 2010 is just table stakes today. For example, finding out where stores are located is now something that consumers expect, but when it first came out it was new, novel and a great convenience.

There really isn't an end that everybody is working toward because everybody is bringing a lot of investment to the digital experience. That creates more competition, which is great. It also requires continuous investment in innovation and ongoing improvement.

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>
> DOUWE BERGSMA

Rob Sorensen: Understanding product-market fit is the biggest obstacle for digital. Unless you have a solid understanding of your customer's underserved needs, and a process in place to develop products that address those needs successfully, you risk wasting a lot of time and money.

Great digital experiences are not simply created; they are discovered through trial and error. The key is to discover them as efficiently, or as 'lean,' as possible. Time to money trumps time to market. I am a big fan of 'lean discovery' as advocated by the likes of Eric Ries, Marty Cagan, and Dan Olsen.

Scott Galloway: Our reflex reaction is to build offerings for stores, print, advertising and desktop. We don't put nearly the creative, human or financial capital into online experiences. The majority of really smart people in retail are focused on things that impact the in-store experience, not what happens online.

There is still a misallocation of resources. It's largely driven off the biggest mistake in business, which is that people size their investment in digital to the size of their e-commerce business. They don't recognize that two-thirds of people in their stores have been touched by digital and that they should be sizing their digital investment to the size of their overall business. I'm not just talking about financial capital investment; I'm talking about creative, intellectual and focus capital.

If you were to believe the earnings calls of CEOs, you would think that they are spending one-third to one-half of their time on digital, but most of them are spending less than 10 percent. The majority of brands are still spending by a factor of five or ten more on traditional broadcast than digital. The music doesn't match the words.

Stanton Kawer: The obstacles for digital are no different than for any other medium. Is it effective

A Roundtable Featuring

Douwe Bergsma
Georgia-Pacific

Bari Harlam
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Rob Sorensen
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Scott Galloway
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in motivating viewers, who become consumers and shoppers? Does it empower them to engage with the brand, and then share their experience online and mention the brand in conversation?

From a marketer's perspective, the biggest obstacle is measurement. Everything counts because everything communicates, but just because everything is measurable doesn't mean that everything counts equally. We're not close to understanding the weights or measures of impressions in digital relative to the full spectrum of communications.

What is the greatest hurdle to creating a great in-store experience?

Bergsma: The hurdle for us, as a consumer packaged-goods company, is going to be different from those who have their own stores. We don't own the physical space or the branding of the surroundings. So, for us to communicate and reach the right consumers in-store, the barrier has always been — and probably always will be — that we're co-branding in somebody else's store. That is number one.

Number two is that it's even harder to have a breakthrough, dedicated piece of communication in-store than with digital. You don't need to have as many pieces of content as you would in the digital space because the consumer expectation in-store is different. However, the opportunity in-store is limited and it's harder to target consumers there.

Harlam: Expectations that are set off-line leak into the in-store experience. So, consumers expect that if you don't have an item in stock that you can order it when you're in the store, or that the store will order it for you and then deliver it to your home at no additional cost.

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>
> BARI HARLAM

Consumers don't compare service expectations today to the in-store experience only; they also compare it to what they experience with online retailers. So, there should be easy, one-click checkout experiences, auto fulfillment — just like they can shop at home in their pajamas any time of day and it can be a fun and easy experience.

Convenience online is in some sense very easy to create because it's about writing code. An in-store experience is harder because it's about execution through people and models. In-store is naturally more difficult to manage and execute because it relies on the basic tenets of retail, which is relationships and experiences that happen between people when they are in a physical environment.

Sorensen: The absolute, most important requirement of an excellent in-store experience is having engaged and knowledgeable store associates. At LensCrafters, our store associates are our secret weapon. The best associates can provide an outstanding experience in almost any situation. By being genuine, thoughtful and caring, they are the embodiment of our brand.

Because of the critical role they perform, store associates must be treated as your most important asset. This includes recognition, training, and properly managing the introduction of changes in how they work. As a mentor of mine repeatedly said: "If you take care of your associates they will take care of the customer, and the rest will take care of itself."

Galloway: There is a lot that goes into the in-store experience, so it would be hard to pinpoint one thing. Retail is a difficult business because there are dozens of ways to throw-up on yourself. There are a million ways to die in retail — between real estate, merchandising, inventory planning and human resources. It's a very difficult business.

The algorithm of success at retail has primarily been an incredible merchant shadowed by an incredible operations person. The difference now is that both need to have some appreciation and vision around these new platforms and technologies, how they provide opportunities for operational excellence and also merchandising opportunity.

Kawer: The greatest hurdle is a lack of control. In-store is a difficult environment with a lot of gatekeepers and that first moment of truth is critical. We can come up with great strategies but in the end it's about compliance, and the lack of compliance in stores is prevalent.

That doesn't mean that your retail customers aren't great partners; they are. The simple fact is that your ultimate gatekeeper is the store manager and the people working at the store. You almost need individual marketing plans in support of each store. In the absence of that, none of it really matters. You need to have your own network of merchandisers to make sure that the execution happens as planned.

Is the digital or in-store experience more likely to keep the brand promise?

Bergsma: If you do it right, in-store is the bigger opportunity to make or break the brand promise because you're talking about the consumer being able to see and feel your packaging and product. It is one of the best opportunities to communicate what your brand stands for right before the consumer chooses to purchase you or not.

Needless to say, that's not the way we want to do it, or the way that we're organizing around doing it. The danger that bricks-and-mortar retailers face is cutting investment in their stores to fund the new, shiny penny of digital. That would be a big mistake and a place where our brand promise would become a disappointment for our members.

Sorensen: The LensCrafters brand promise is a better way to see your best and look your best. In-store optometrist examinations, physical frame try-on, and expert optician frame and lens fitting is the ticket to entry. Fulfilling our brand promise, and our passion as a company, is providing the most customer value in each of these areas.

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ROB SORENSEN

The barriers are higher in-store than with digital, where you would have a higher likelihood of doing it right because you have more control over the environment. If I had the exact same opportunities with digital and in-store, I would choose the store. However, the reality is I have less influence over the store and therefore would choose digital because I can directly impact that.

Harlam: For us — meaning retailers that are at their roots a physical, bricks-and-mortar environment — the place is the in-store experience. We are all looking for ways to invest in omnichannel and create digital experiences, that can come to life in the store. However, that sets up a balance because if we invest in the digital experience, the risk is that we pull out from bricks-and-mortar to make that happen.

One example of this is our relentless pursuit to bring to market the most advanced technologies to aid doctors in providing high-precision prescriptions. Can we do no better than the classic 'one... or two' eye exam? Why are we okay with our vision correction being rounded to .25? The world is high-definition and we believe you have a right to see it that way.

Galloway: The store is still the most influential part of retail. You can have a great retailer that has terrible digital. Pure-play e-commerce retailers are not going to survive. I think Amazon is going to open stores. Amazon has a huge vision and has executed very well against it, but the reality is that Amazon is not making any money. Its shipping costs are going up 40 percent a year, which is unsustainable even for Amazon. They are going to need to buy the post office, a huge gas-station company, or a company like Carrefour in Europe that has a big footprint.

The consumer always wins. If you give consumers three choices — a great e-commerce site with no stores, a great retailer with great stores but bad digital, or the multi-channel retailer — they will say door number three. The future looks more like Williams Sonoma, Sephora or Macy's than it does Amazon.

Kawer: In-store is more likely to make or break the experience. Digital is more often than not paid media and you're able to control on some level what's said, how it's said, texture, the color, impressions, where it's going, and so forth. I may have a great brand campaign, but again, if it's not executed properly, if it's not merchandised, if there's a disconnect between the brand promise and the quality of the distribution, it all falls flat. We see this all the time.

What is most likely to disrupt the connection between digital and in-store experiences?

Bergsma: I can do the most wonderful things in the digital space, and then have a complete disconnect in-store for two reasons. First, we do not have seamless integration with the in-store environment. The digital experience is not in line with our packaging, or the look and feel of our products when you see them in the store.

You could also have the most wonderful digital experience with the consumer and then get placed at the bottom shelf in the store where the consumer does not expect

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> SCOTT GALLOWAY

to find your brand. So, you could mess up the connection yourself —obviously you do everything to prevent that. But even if you try to do it right, there is that lack of full ownership over the retail environment, which can be the biggest disruption for a lot of brands.

Harlam: Silos and developing plans in isolation is a fundamental mistake that lots of companies make. Silos are a recipe for failure. Or, better stated: Connections are a recipe for success. Silos are a basic flaw where the merchandising team doesn't talk to the marketing team, and the marketing team doesn't talk to the operations team. There is not a lot of coordination and play.

The key to winning is having a vision that goes across the whole business. We think about the holistic experience for our members—one, three and five years out—and then connect those plans across the organization. The most likely disruption would be not making those connections come to life.

Sorensen: Some challenges will likely always exist, such as having a single view of the customer in data collection, analytics and presentation. However, I believe the biggest risk of disrupting the connection between digital and in-store is self-inflicted—not making a needed mindshift from channel focus to customer focus.

Omnichannel is not about bolting on an e-commerce channel or simply providing in-store pickup. At its essence, omnichannel is about placing the customer at the center of the experience and bringing all channels to bear, in a seamless and coordinated fashion, to provide an experience superior to what any single channel could provide separately.

Galloway: The most likely disconnect is the compensation strategy within companies. Compensation drives behavior and it is largely in silos. The e-commerce team is compensated based on sales on the e-commerce site, while the store manager is compensated based on the economic profitability of the store.

CEOs can talk about a multi-channel future until they are blue in the face, but until they compensate people for multi-channel sales, the behavior is not going to change. You have to give people an opportunity to be recognized economically or psychologically regardless of the channel where the sales happen.

Kawer: Digital and in-store serve different masters. When shoppers are online, it's about engaging with them in a playful way to get interest and stay with the message a little bit longer. The messaging has to be provocative to engage them. When that shopper is in-store, the creative is of a different sort and the communication is more price-driven. The messaging asks for a purchase, and is more direct. These are very different kinds of experiences, and that creates a disconnect.

Has anyone yet totally mastered the omnichannel experience?

Bergsma: Nespresso does a nice job. I haven't bought one of their machines for a while, but I believe they are still mostly available in upscale specialty food and cooking stores, which offer a nice experience. They also have Nespresso Cafés in select places, and that is a nice experience. Then you had, for a while, the Nespresso paper magazine that communicated the brand promise in a very upscale way.

Their website is also a great experience. They always find the right flavors for me because they seem to have figured out that my wife and I prefer intense flavors. We usually end up ordering more than we actually need and spend more with them than we originally planned on.

Harlam: Nobody has mastered it unless somebody has 100 percent market share, and I'm not aware that anyone does. Sephora has done a terrific job in a category where it's hard to create a digital experience because it requires the ability to touch, try, smell and look at yourself in the mirror. They create an environment outside of their stores that supports the experience and the fun that comes along with experiencing their products.

Sephora's loyalty program reinforces their basic brand promise and they structure things in a way that helps consumers continue to have fun when they are experiencing their products. They get rewarded in ways that are all about new products, new things to try, and ways to experiment. They also take away all of the risk that might exist when someone buys a product online, where they can return it at any point with a 100 percent satisfaction guarantee.

Sorensen: While not a typical retail environment, Disney Theme Parks has created a spectacular omnichannel experience with MagicBand. Wearing a MagicBand on their wrist, guests can conduct any retail transaction, open their hotel room door, access rides, and be greeted by name at restaurants. These might be four separate business units, but their customers don't care. To them, it should all be Disney, and it is.

The true delight comes as the ride preferences they enter online beforehand are converted into a streamlined itinerary. Wandering around the park and waiting in lines is replaced with ride reservations and physical tickets are replaced with a tap of a MagicBand. This is product-market fit: Know your customers and discover the experiences that surprise and delight them.

Galloway: There are very few true omnichannel retailers and they are not where people are looking. I would point to Home Depot and Macy's. Apple's digital is good, but not great. Home Depot gives you 100 percent SKU visibility. You can go on your phone, and find a Philips-head screwdriver from Black & Decker of a certain diameter and Home Depot will tell you if that exact screwdriver is available in a specific store. It can track any one of its 650,000 SKUs down to the store, down to that moment.

Macy's has done a great job of tracking consumers across channels. If you buy something in-store, they will recognize you online. They have also made their inventory channel agnostic. For example, a pair of shoes in their inventory system might end up being sold at an outlet, a store, or at Macys.com.

It sounds very basic, but it is very difficult to do and creates tremendous incremental value around pricing and margin power because Macy's probably doesn't have to put as much on sale as often. They have greater demand for that pair of shoes because it can be sold across different channels. At the end of the day, it's incremental consumer value because consumers are more likely to get what they want faster.

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STANTON KAWER

Kawer: Chiquita is doing it right with its sponsorship of the movie, *Minions*. They have a website that's completely dedicated to the movie. They have an instant-win promotion, games and recipes. You can also download apps that let you scan the stickers on the bananas to win prizes and engage with the movie further. If you're in that target, you can't miss this. Everything takes you back to the fun of the movie, and that transfers back to the brand. ■

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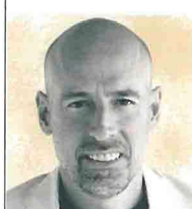

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