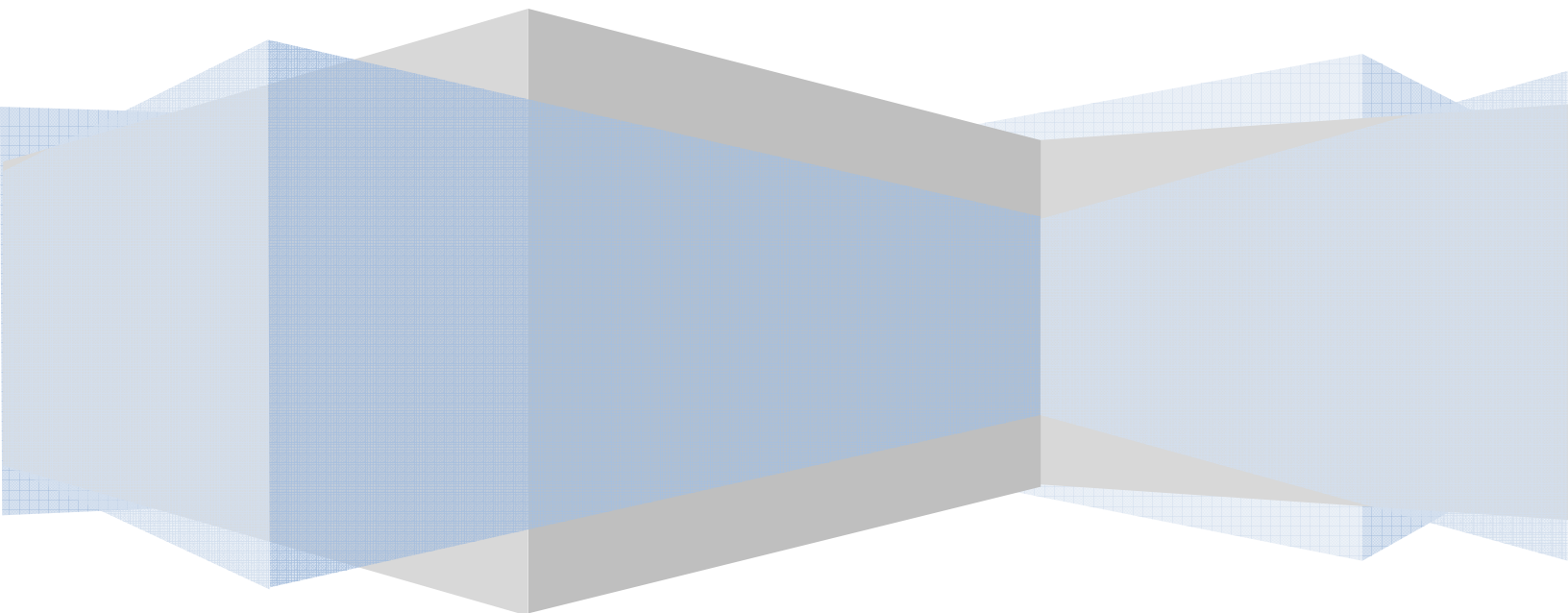


Trends: Evaluating Initiatives for Customer-Centricity

By Mark Fodor



TRENDS: EVALUATING INTERNAL INITIATIVES FOR CUSTOMER-CENTRICITY

By Mark Fodor

Although all retailers operate with limited resources, many are challenged when making investment decisions. Which new features, capabilities or enhancements should the retailer develop? Should these be built in-house, or in partnership with a third party? Traditionally, these questions are only asked during annual budget processes, where executives are laser-focused on their own P+L goals for the upcoming year. Unfortunately, these formal processes tend to obscure the most important objective for any retail organization: keeping the customer happy.

The retail executives responsible for approving and prioritizing specific projects are often guilty of a common fault: they spend much more time looking at spreadsheets than talking to their customers. They have faith in the measurements and assumptions that have driven their past successes. But in a rapidly evolving retail landscape, taking such a traditional view may be an obstacle to continued growth.

The recession has put customers “in charge” like never before. Instant access to rich online information coupled with rabid price competition has empowered customers to shop with confidence, choosing only those retailers that offer the optimum combination of price, availability and convenience to suit their preferences. Therefore, it is critical for retailers to adopt a customer-centric view of their world.

LOOKING THROUGH THE EYES OF THE CUSTOMER

Very few retailers realize that they are, in fact, *not* customer-centric. A focus on the customer is considered a cornerstone of the industry. In reality, it's very hard to put into practice. The first step in creating a customer-centric philosophy is taking one big step back. It requires putting down the pencils, setting aside the charts and reports and jumping into a new way of thinking.

Tactically it often begins with an ideation session with key leaders in the organization to discuss the customers' needs and priorities. In a session like this, it's important to set aside what the retailer wants for the customer, and think about what the customer wants from the retailer. One advantage we have in the retail industry is that each and every one of us is still a consumer. We buy things every day, and go through many of the same decision-making processes of the customers we're trying to serve. Whenever possible, this discussion should be supported by customer insights through surveys, focus groups or website usability tests. But even without the benefit of external research, an honest and thoughtful conversation can uncover opportunities and lead the way for great change.

It can be most helpful to think through the last purchase you made. When you bought your home, your car or even your deodorant, why did you buy it? What did you like about the process? What led you to choose one brand over another? By thinking about the experience in such personal terms, the leadership team can more easily move beyond the numbers and spreadsheets to the core of what their customers expect.

These ideation sessions have a tendency to uncover “a-ha” moments. In one recent session, for example, it became clear that customers want the ability to move seamlessly between the website and the physical store, but the issue came up as to who gets “credit” for a buy online, pick up in-store order. The debate went around the table until someone simply said, “The company gets credit.” As the thought settled in, everyone shifted their thinking from how to work within existing measurements and compensation models, thinking instead of how to create a *new* model that would better serve this new focus on the customer.

With the old model, if a store associate is only compensated on what is sold in-store, the associate would be less inclined to say “we don't have that, let me see where we can get it.” In short, they won't do what's right for the customer. It should also be noted that studies show out of stock items can account for 2 percent of revenue lost per year. In addition to letting the customer down, it also costs the bottom line.

Another common priority that comes out of ideation sessions is customer education. Increasingly, customers are less likely to make a purchase without reading reviews and seeing the product rated from those who already own it. When a retailer provides this information, it builds credibility and fills the vacuum of content that may drive potential customers elsewhere.

Post-purchase guidance is often coupled with education. Customers want to know how to get the most out of the product they just purchased. In the past, however, retailers rarely focused on providing this type of information. This leaves post-product content a relatively immature area in the industry. When viewed through the eyes of the consumer, however, this small addition could lead to future brand loyalty and repeat revenue.

Once the top four to five customer priorities are determined, then internal strategic initiatives can be aligned with these fundamental goals. The team can ask, “What about our systems need to change for us to execute this new plan?” If a project doesn’t align with the new customer-centered approach, it can be evaluated for potential partnering, outsourcing or, in some cases, be scrapped altogether. This allows retailers to focus internal resources and talent on building brand loyalty and strengthening customer relationship

INITIATIVES THAT COMPROMISE CUSTOMER CENTRICITY

I pointed out earlier that we are all consumers, and often our personal experiences can provide insight into some of the challenges in retail. Last month, my credit card was compromised by one of my favorite retailers. As I went through the usual channels to update my information, I realized that PCI was being handled internally. This is a core competency of many qualified firms in the retail technology space. In addition to the internal time, resources and focus that this surely must be pulling from customer-centric priorities in the organization, they had failed to do it well.

Other common examples of internal initiatives that can distract from customer-centricity include:

- Transaction processing;
- Tax calculation;
- Loss Prevention;
- Fraud;
- Payment processing; and
- Hosting/Infrastructure

Each of these initiatives are important to the success of the organization. It would not be wise to decide PCI compliance doesn’t matter or that you’re willing to write off revenue lost to shoplifting. The question is, are these projects best handled by limited internal subject matter experts and resources who are passionate about the brand?

The rapidly changing environment coupled with a new generation of savvy consumers will mean retailers need to focus and edit like never before. Having a clear set of customer priorities to use as a benchmark for internal initiatives ensures every priority company-wide is about strengthening customer relationships.



ABOUT THE AUTHOR

Mark Fodor is CEO of CrossView, providers of multichannel commerce solutions for both B2B and B2C organizations. He can be reached at mfodor@crossview.com.