



## RETAIL & CONSUMER ACT NOW



**Mike Simoncic**  
Managing Director  
[Email](#)



**Kristin Kohler Burrows**  
Senior Director  
[Email](#)

## Retail Transformation Starts With Knowing Your Customer

Authors: Mike Simoncic and Kristin Kohler Burrows

Just about every day we wake up to new headlines. A big-name retailer is closing stores, laying off people, and trying to reinvent itself. Moody's reports more retailers are distressed today than at the peak of the Great Recession. Store closings have tripled so far this year.

**Yet, the simple and amazing phenomenon is that the retail industry is actually thriving.** Consumer spending in 2017 and 2018 is expected to grow 3.5 percent and 4 percent respectively, almost [double](#) the projected inflation rate. The headlines should be...*Retail is Thriving*.

The problem with retail is not the industry, but rather with many long-term retailers. These legacy retailers simply haven't kept up with the changing times. In short, they haven't kept up with the customer.

Even as they slash corporate costs, close stores and propose new assortments, they still miss the fundamental mark. They haven't figured out who their customers are and how to best serve them. So, the failures and the bankruptcies continue unabated.


Transforming their struggling businesses starts with truly understanding what is important to their customers. It starts with understanding where you are relevant and where you are simply taking up space.

Unfortunately, too many retailers don't know "how" to understand their customers and do not make it a priority. We worked with a \$5 billion retailer who had a total of "one" resource dedicated to customer analytics. Databases, off in the corner of the corporate office, were loaded with information on tens of millions individual customers. Unfortunately, these databases were woefully underutilized and primarily used for blasting generic e-mails with remarkably low response rates.

These types of companies lack the processes and leadership commitment to make in-depth customer knowledge and differentiated offerings based upon customer insights their business priority.

Struggling companies are often driven by functional metrics, internal power struggles and outdated belief systems. All of these issues are hard to change and can result in the "incrementalist" approach to improvement including store closings, corporate staff layoffs and promises for better assortments. The "incrementalist" approach does not focus on the transformational change required to re-connect with customers and become relevant again.

**The difference between winning and losing companies is their ability to understand their customers at the deepest levels and then to incorporate those insights into every part of the business.** It's not just about the marketing department knowing the customer.



Within winning companies, every department, every function is aligned and driven to deliver on those deep insights. As a result, the winners focus on what's important to the customer, they innovate, and they eliminate all the non-value added excesses. By understanding their customers, these companies are transforming from supply driven "build it and they will come" business models to truly customer-focused demand-driven business models. The customer-focused model delivers customers what they want, where they want it and how they want it.

So, how do legacy retailers transform? How can they truly understand who their customers are and adopt the demand-driven models of the future? It starts with knowing the customer!

### **#1. Really know your customer.** **Be data driven.**

Matthew Fassler, a retail analyst at Goldman Sachs, reviewed retailers' latest 10-k filings, earnings calls and analyst meeting transcripts, and found that few retailers are focusing on and investing in data to the extent required. He maintains, "Store-based retailers rarely know who is walking in their store, which departments they visit, or how close they come to making a purchase." Although heart and gut will always be important, retail culture needs to become data-driven.

E-commerce businesses have, from the outset, done a great job due to the hordes of data that can be tracked online. People shop multi-channel. Regardless of the size of your e-commerce business, and EVERY retailer needs to have one, a wealth of information about in-store customers can be ascertained from who they are online! Many tools, such as customer relationship management (CRM) systems, loyalty programs, subscriptions and Instagram accounts, can help companies get to know their customers. Get to know your customer, NOW!

### **#2. Know why customers should care about your brand.**

Identify why your customer should care about you! Why are you important to them? Watch Simon Sinek's Ted Talk on The Golden Circle and be able to articulate "why you do what you do." For example, Apple is publicly recognized for making great products – however they are known for challenging the status quo and thinking differently! This philosophy leads them to make great computers and phones and tablets. Yes, the customer wants a great computer. However, customers care about Apple because they know the company is challenging the status quo and constantly innovating to improve their lives.

### **#3. Keep it simple. Don't overcomplicate.**

Pick a lane and stick to it. Today, customers are really either looking for price, convenience or product specialization.

Don't overcomplicate things. If you are going to be about low prices, then follow the Walmart mantra and build a model that delivers low everyday prices. If you are going to be about convenience, your supply chain needs to be extremely efficient and frictionless to deliver "easy and quick" service. If you are going to be about product specialization, then you need to focus on delivering truly differentiated products and service experiences at every single touch point.

It's just as important to figure out WHAT YOU WON'T DO as it is to determine WHAT YOU WILL DO. Being all things to all people is the fastest path to extinction. Just look at the demise of many modern department stores. There is no fence straddling your way to success.

### **#4. Talk to your customer directly and listen.**

Create one-to-one customer connections. There is no excuse to not have this direct relationship via social media, email, customer service chat and, best of all, PERSONAL IN-STORE INTERACTION! One of the primary purposes of using data to understand your customers is to customize the interaction when they walk into the store. Leverage in-store footprints to create differentiating experiences based on customers' different needs and interests. Talk to your customers, listen, learn, repeat. Otherwise, they will simply go elsewhere.

### **#5. Be where customers need you to be. Wherever and whenever.**

You need to show up and give your customers what they want, where they want it and when they want it. This means you need to be online. You need to be on mobile. You need to deliver to-home, to-store, or to-locker. Additionally, you need to provide customers the option to change service orders as late as possible. Inventory needs to be fluidly deployable and "channel agnostic."

According to Internet Retailer, as of January 2017, 92 percent of North American shoppers, who say they regularly shop across multiple channels, think retailers can improve the in-store fulfillment process of online orders! While 57.5 percent of shoppers use the service, only 31.6 percent of those shoppers think the process is smooth! Take friction out of your processes where needed to make it simple and customer-friendly. Create a common customer experience across online, in-store and mobile platforms.



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practice helps clients  
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transform operating  
models to deliver  
unprecedented  
financial performance.*

**#6. Cut the fat. Build customer focused, not internally focused, organizations**

Once you have clarified who your customers are and why they care about you, shed any assets that aren't working. Assign someone else to do what is not core to your customer proposition. Shift from "owned" resource models to leveraging partnerships in areas that are not core to your brand proposition. Reduce management layers between decision-makers and customers. Build networks of specialists that can help deliver on your customer promise.

**#7. Act fast. Be Nimble. Be Demand Driven.**

Customers move fast and change preferences. What was cool today is out tomorrow. To keep up, you need to be able to make big and small decisions simultaneously. To do this, empower and delegate to your teams. Push as much

decision-making as possible down to the front lines. Let that Store Manager own some decisions! Customers find it refreshing when a store associate, on the spot, can decide to give them a refund directly versus having to ask the boss's boss for a verdict. Push down and empower your staff. Hold people accountable. Be responsive to the customer and create a supply chain that can quickly accommodate shifting demands.

Future success rests with principles of the past. It's all about the customer. Tomorrow's retail winners will learn how to create the most compelling customer interactions, leverage data in new and profound ways and become demand driven - as they continue to respond to, adapt to and delight their customers.

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