

# BUILDING PERSONAL RETAIL EXPERIENCES FOR AN AUDIENCE OF ONE

Moving beyond segmentation—and stagnation—  
through personal retail connections



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## NORTH HIGHLAND INSIGHTS

Throughout this report are results from a North Highland-sponsored survey of more than 200 director-level and higher employees with leadership responsibilities in customer experience at global companies with revenues more than \$1/£1 billion conducted in October 2017. The results define three foundational steps toward creating a personal connection in mass retail and an assessment to guide leaders toward personal connection approaches likely to generate the greatest impact and ROI.

### KEY TAKEAWAYS

**The problem:** While traditional big-box booksellers like Borders have closed up shop en masse, independent bookstores have grown by 40 percent.<sup>1</sup> It turns out that even the siren song of convenience and low cost can't compete with personal experience. Among buyers, 72 percent say they expect companies to understand their unique needs and expectations, and 66 percent say they're likely to switch brands if they feel treated like a number, not an individual.<sup>2</sup>

**The analysis:** To avoid Borders' fate, mass retailers must apply their scale in ways that online-only retailers can't. They must move beyond personalization to optimize the personal, forging connections with individual consumers that go beyond pricing, products and personalization to establish shared value.

**The solution:** Three key initiatives can help retailers move toward personal and to understand what the individual customer wants:

- Align your organization around the experiences being delivered.
- Equip your associates to be true brand ambassadors.
- Align the online and in-store experience.

The last decade has been rough on mass retail. For booksellers in particular, the retail apocalypse<sup>3</sup> came gradually, and then all at once, with landmark retailers like Borders and the 240-store Family Christian Stores chain closing their doors against the long shadow cast by online retailers. They simply couldn't compete on price and convenience in the age of Amazon.

Over the same period, however, independent bookstores grew by 40 percent,<sup>4</sup> thriving by doing what Amazon can't: providing truly personal experience for readers by hosting events, offering beer and wine, and bringing communities together. They offer a "high experience, a chance for the consumer to engage on a set of very personal dimensions," Harvard Business School Professor Ryan Raffaelli told NPR.<sup>5</sup>

Amazon can fetch your consumers anything from tube socks to toilet paper in a few days, if not hours. In most metropolitan areas Instacart and Uber Eats will happily handle all of your consumer's grocery and fresh food needs. And Stitch Fix and Le Tote will design and deliver a wardrobe that can be tried on in the privacy of your customer's own homes. So why would anyone battle for a parking spot and wander aimlessly through your megastore if they don't have to?

The secret is personal. Retailers that connect on a personal level with their individual consumers are poised for greater growth.

It is a connection that goes beyond pricing, products, and even personalization to establish shared value between an individual consumer and the brands they chose to engage with.

As a mass retail leader, it's time to move your organization beyond personalization and optimize the personal. It's not enough anymore to have items consumers want when they want them. Now you need a personal connection and an in-person experience that is both supplemented by, and exclusively unique to, the online one.

Doing this well requires a redesign from the inside out. Updated fixtures and lighting will only get you so far. Establishing a customer-centric organization optimized for personal connections requires operational reorganization to ensure a seamless omnichannel journey, and it demands that retailers take a second look at how their people are hired, trained, and empowered.

The following section spotlights the critical differences between personalization and personal by defining three foundational steps toward creating a personal connection in mass retail. And most important, it includes an assessment to help you establish an appropriate level of personal connection for the greatest impact and ROI.

We can't all be indie bookstores. But we can all harness the power of personal to enable experiences that drive shared value and trigger mass retail's greatest transformation.



## ZIGGING WHERE AMAZON ZAGS: APPLYING YOUR SCALE WHERE ONLINE-ONLY CAN'T

Technology-enabled personalization – think purchase tracking and automated product suggestions based on buying history – have helped awaken a new level of customer expectations, a level where formulaic personalization falls flat. While 72 percent of buyers say they expect companies to understand their unique needs and expectations, 66 percent say they're likely to switch brands if they feel treated like a number, not an individual.<sup>4</sup>

Yet according to our research, while 80 percent of organizations believe their efforts to understand customer needs are successful, 33 percent rarely design customer experiences for the individual by applying insights into a customer's feelings, and more than half only occasionally design based on meaning or what matters to their consumer in a particular moment and context.

So what's holding mass retailers back? It comes down to scale. It's no simple matter to create a personal customer experience in an 80,000- to 100,000-square-foot building or across thousands of locations. That environment alone lends itself to customer anonymity.

Mass retailers are traditionally marked by large footprints, massive assortments and associates that customers see as human wayfinders or transaction facilitators. Recent victims of the retail apocalypse (R.I.P., Toys R Us) were too slow in changing these traditional markers and most critically they didn't apply their scale in the right ways.



**MORE THAN 90 PERCENT OF  
RETAIL SALES STILL HAPPEN  
IN THE REAL WORLD.**

**More than 90 percent of retail sales still happen in the real world.<sup>2</sup> The truth is that the bigger Amazon gets, the more opportunity it creates for small, curated experiences. The more Amazon pushes robot-powered efficiency, the more space there is for comfortable, personal connections.** And the more that people interact with Amazon through its AI-based assistant Alexa, the more they will crave the insight and companionship of fellow humans.<sup>8</sup>

Amazon can do personalization. In fact, they helped invent it and will likely continue to pioneer its advances. It's time for mass retail to do more of what Amazon can't by going beyond personalization to optimize their people, processes, and tools for a personal connection.

Going from personalization to personal hinges on your ability to gain a deeper level of customer understanding to not only explain but also predict your customer needs, even as they are constantly in flux. The continuous nature of getting closer to customers requires keeping the individual customer front and center in the insights you collect, the experiences you curate, and the way you organize yourself operationally.<sup>2</sup>

### MOVING FROM PERSONALIZATION...

### ...TO PERSONAL

A personalized customer experience is created by:	Getting personal with your customer means:
Understanding a group of people	Understanding the needs, feelings, and values of one person
Understanding customers through segmentation	Understanding an individuals' motivation and needs
One-to-many communication	One-to-one communication

Sales associates delivering a personalized experience...	Sales associates delivering a personal experience...
Direct customers to the products they seek	Help customers solve their challenge
Greet each customer	Greet each customer and authentically engage with them
Sell an imperfect item for the job	Direct customers to another vendor for a better product fit

A personalization-optimized organization...	An organization optimized for personal connection...
Targets customer value	Targets customer value and alignment with values
Focuses on creation	Focuses on co-creation
Knows about customers	Understands customers' why
Values good design	Values inclusive design



## WHAT PERSONAL LOOKS LIKE: RENT THE RUNWAY AND NEIMAN MARCUS

If empty parking lots and shuttered big-box stores are the open wounds of a war on retail, Rent-the-Runway is the beautiful Band-Aid.

Launched in 2009, Rent the Runway started as an online source for designer-dress rentals, and branched into physical stores in 2013. And for all its Instagram-worthy accouterments, such as blush-pink accents and jewelry arranged like artifacts,<sup>10</sup> its shops are designed to enable real connections. Sales associates and customers chat like girlfriends at a neighborhood bar. For special occasions, customers meet with stylists in private appointment rooms, mingling with other maids of honor, job seekers and prom-goers.

"It's kind of like Cheers," said CEO Jennifer Hyman. "Everybody knows your name."<sup>11</sup>

Neiman Marcus strives for a Cheers-like experience as well. The company enables a personal connection with the customer through a three-part process based on how sales associates interact with shoppers.

"First they observe the customer – what they're doing, what they're saying, their facial reactions," Jeff Rosenfeld, VP for Customer Insight and Analytics, Neiman Marcus, told Retail TouchPoints. "Then the associate acts, recommending a product or an alternate item that might fit the customer differently."<sup>12</sup>

The third step is for associates to remember customer information so that every visit is a continuation of the customer journey, he added.

### GETTING PERSONAL: THREE STEPS TO PERSONAL CONNECTION AT SCALE

As a mass retail merchandising leader, how can you deliver a personal connection at scale? Three key initiatives can help you enable your organization to move further along the personalization journey and understand what the individual customer wants.

#### 1 Align your organization around the experiences being delivered.

The customer feels it, and 73 percent are likely to switch brands if they don't get a consistent experience across multiple channels (web, mobile, in-person, social).<sup>13</sup> And organizations know it: More than 40 percent of organizations report that siloed channels impede their efforts to improve the customer experience, according to North Highland research.

The pathway to personal can't be blocked by silos and removing them to optimize for the customer experience is step one in getting personal.

While product is king in retail, organizations must center themselves around the customer experiences being delivered. This type of realignment represents a marked shift from a traditional product-centric emphasis, but this breaking down of barriers between departments enables a cohesively personal experience through the cross-sharing of ideas and better use of customer insights.

#### Personal How-To: Empower Experience Ownership

- Develop teams that are solely focused on the customer – "experience owners" – with members that range from merchandising to customer support, the supply chain, and in-store associates. Arm these experience owners with relevant customer insights and then charge them with ensuring that the customer experience is consistent, comfortable, and value-rich across all channels. Equip them with the technology and authority to share insights and demand change.
- Empower experience owners with cross-functional design teams who can apply their front-line insights to the online user experience. Those insights should be applied in an agile fashion, focused on small, frequent updates that are tweaked based on customer feedback.
- Reconfigure the data you capture to focus on better understanding the customer's needs, wants and buying patterns. As your organization shifts to a customer-centric focus, so, too, should your organization's metrics – building customer experience (CX) and human experience (HX) measures into the scorecard or your investment process can help drive a customer-centric focus. CX focuses on planning, creating and delivering meaningful experiences across channels and touchpoints throughout the customer life cycle; HX goes beyond to tap into people's values, needs and feelings to design for meaning. Retailers are also finding that metrics focused on the consumer rather than on overall product sales can both measure and drive intimacy. The concept of experience per square foot, instead of sales per square foot, is beginning to get some traction with retailers.

Macy's, for example, leverages data across the company to drive a better, more consistent CX. The retailer is driving hyperlocal assortments via out-of-stock, promotion and sell-through data. It is also analyzing customer data online and offline to develop customized checkout offers for their customers.<sup>14</sup>

#### 2 Equip your associates to be true brand ambassadors.

Only a well-trained employee can bridge the gap between the data collected and the heart and mind of the customer. Achieving this requires providing associates with the training, tools and authority to make each shopping experience a personal relationship builder.

#### Personal How-To: Harness the Unmatched Power of People

- Train your sales associates to think of the in-store experience as theater, as Disney employees do. Customers come in and out of the scene, while the key characters – the store employees – embody the brand itself. Train them to ask good questions and to improv in ways that make the customer feel valued by the brand.
- Empower sales associates with the tools and authority to do right by the customer at their own discretion. Southwest Airlines gives employees carte blanche when it comes to doing right, even to the extent of delaying a plane's takeoff to accommodate a grieving grandfather.<sup>15</sup>

- Reconsider whom you're hiring. When Rent the Runway hires, it looks for applicants who have worked intimately with customers in the past, usually in hospitality roles at hotel concierge desks, fine restaurants, and cult-favorite fitness studios like SoulCycle.<sup>16</sup>
- Remember, you get what you pay for, and there is a premium on personal. At Bonobos, a menswear retailer laser-focused on establishing personal connections with their busy customers, sales associates make an average of \$17 an hour with benefits, including nearly unlimited vacation, maternity and paternity leave, and annual team-building retreats.<sup>17</sup> In contrast, the Bureau of Labor Statistics' national average for sales associates is just \$12 an hour, with Glassdoor estimates for individual stores like Gap (\$10 an hour) and Macy's (\$9 an hour) averaging even lower.

## THE PEOPLE SIDE OF PERSONAL: NORDSTROM

Nordstrom hires associates who have an innate ability to connect with the customer and then empowers them with training, tools, and authority to serve the customer at a higher level. A Nordstrom associate rarely points. If customers have a question about where something is located, the associate escorts them to what they're looking for and chats with them along the way. Purchases can be rung up on hand-held devices, reducing the friction and frustration of time wasted in line. And handwritten thank-you cards extend the experience and open a personal channel of communication for sharing news on upcoming events and promotions. The result? Nordstrom continues to drive increased revenue in a time when many retailers are flat or contracting.

### 3 Align the online and in-store experience.

A recent study of 46,000 customers at a major U.S. retailer with hundreds of stores and a robust online shopping experience showed that 7 percent were online-only shoppers and 20 percent were store-only shoppers. The remaining majority (73 percent) used multiple channels during their shopping journey.<sup>18</sup>

Retailers that are thriving are fine-tuning a formula for those 73 percent with a strong e-commerce presence to snag online sales, paired with a personal in-store experience to keep them coming back.

Retailers like REI, which has outfitted stores with rock-climbing walls and added mobile offerings like hiking-trail apps and instructional videos for the gear it sells. Last year, as competitors' sales dipped, REI announced record revenues.

## Personal How-To: Expand on Omnichannel

- Utilize data from a customer's online purchase history to inform the in-store experience. When your customer can begin the purchase process online and complete it in the store, the store starts to feel like an extension of the digital experience. Apply social insights to fill the gaps that data can't fill.

Nike arms associates with a point-of-sale mobile app that provides in-depth insight into customer desires and preferences and a holistic training program that marries soft skills and technology how-tos to improve the customer experience in its retail stores.

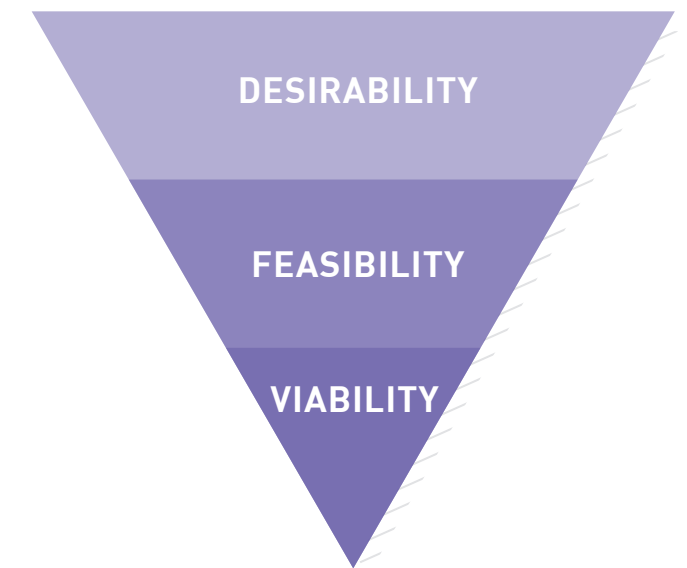
- Apply digital signage to market to the individual in the store in a way that's consistent with what they see online. In other words, bring the digital world into the physical one. Mass retailers like Albertsons and Walmart are increasingly investing in mobile, proximity and digital signage to inspire a new wave of digitally enabled physical stores that offer e-commerce pricing, a wider catalog of products and information, and personalized offers.<sup>19</sup>

On the product side, Coca-Cola uses its retail partners to deliver branded video, coupons, and more through digital signs that tailor content to shoppers based on data on their smartphones.<sup>20</sup>

- Look beyond your data confines and source unstructured social and web history data to inform a more complete picture of your individual consumer. Consider partnering with competitors to swap data. Mall developer Westfield has been making rounds in various industry events, trying to preach the importance of data sharing so that traditional physical retailers can have a leg up against Amazon and other online retailers.<sup>21</sup>

- Consider your omnichannel strategy through the lens of desirability, feasibility, and viability before operationalizing a personal connection with customers. Bringing together what is desirable from a human point of view with what is technologically feasible and economically viable will help ensure that your actions are in line with your brand experience and a customer's needs and desires.

Macy's, for example, leverages data across the company to drive a better, more consistent CX. The retailer is driving hyperlocal assortments via out-of-stock, promotion, and sell-through data. It is also analyzing customer data online and offline to develop customized checkout offers for their customers.



## YOUR LEVEL OF PERSONAL IS... PERSONAL

Each brand must decide for itself just how far it should move from personalized to personal. In some cases, an emphasis on personalization might make more sense from an ROI perspective; in others, a personal connection is a mandate. **You have to modulate the level of personalization, taking into account what makes sense in the context of your brand and getting as close to personal as possible within the brand limitation.**

The market will also dictate how personal you can get. Data protection is a hot-button issue for consumers, and when fueled by data, personal insights can be applied in ways that feel creepy. Mass retailers need to be careful to strike the right balance when applying insights and other social analytics.

To determine how far you can and should take your personal retail connection, retailers should assess their customers, employees and organization against the following considerations. These insights should be calibrated against your core operating model to highlight the key areas of focus for driving a more personal connection.

### AS A CUSTOMER

- ✓ How much information beyond what's publicly/socially available do I want to share?
- ✓ What functions/features do I want both online and in-store (ability to view purchase history, ability to view suggested items for purchase, etc.)?
- ✓ Do I expect to be included and heard in decisions around assortment, product development, and store layout?
- ✓ Do I believe in the purpose of the company, and does it align with my values?

### AS AN EMPLOYEE

- ✓ How can I engage a customer in a way that is meaningful to them?
- ✓ Do I have the right information available to best meet the needs of the customer?
- ✓ What is the right level of service for the product that I sell to my customers?
- ✓ Am I empowered to solve problems for my customers?
- ✓ Do I believe in the purpose of the company, and does it align with my values? (Note: Intentionally duplicated from above.)

### MY ORGANIZATION

- ✓ What are my customer's peripheral passions and interests, and how do they line up with the company mission/values?
- ✓ How do I understand in advance what customers want without it feeling invasive to the customer?
- ✓ How do I empower my organization to maintain a central focus on the customer above a focus on product?
- ✓ How much do I allow my customers to dictate my merchandising and product development decisions?

To succeed in today's omnichannel market, mass retailers must think more deeply about the personal connection. Doing business in this new paradigm requires companies to work faster, experiment more, and implement systems that can deliver a new intimate experience at scale – one that connects them with an audience of one.

### ABOUT OUR RETAIL SERVICES

Sixteen out of Fortune 500's 110 retail and consumer products companies use North Highland's practical strategies and on-the-ground support to connect their brands with consumers, optimize the use of sales channels, make supply chains more efficient, and enable information technology to drive business growth and consumer engagement.

**CUSTOMER EXPERIENCE:** Our approach to Experience Design is rooted in deep customer and business understanding and deliberately designed to create quick value while laying the groundwork for a customer-centric future.

**SUPPLY CHAIN:** Distribution center strategy and optimization can drive value to the operations of the store, enhance the customer experience, and drive savings to the bottom line.

**ADVANCED ANALYTICS:** Planning, creating and delivering meaningful experiences across channels and touch points throughout the customer life cycle.

**TECHNOLOGY ENABLEMENT:** Businesses today are challenged to deliver value quickly, at scale and with agility. We help organizations align technology and digital solutions with strategy and culture, optimizing the types of tools and services that enable growth.



## ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm known for helping clients solve their most complex challenges related to customer experience, performance improvement, technology and digital, and transformation. We add value and support our clients across the full spectrum of consulting, from strategy through delivery. We bring the big ideas, then we make them real. North Highland is an employee-owned firm, headquartered in Atlanta, Georgia, with more than 3,000 consultants worldwide and 60+ offices around the globe. The firm is a member of Cordence Worldwide ([www.cordenceworldwide.com](http://www.cordenceworldwide.com)), a global management consulting alliance. For more information, visit [northhighland.com](http://northhighland.com) and connect with us on [LinkedIn](#), [Twitter](#) and [Facebook](#).

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For more information about this topic, please contact:



**Bart DeFoor**

[Bart.DeFoor@northhighland.com](mailto:Bart.DeFoor@northhighland.com)

Bart is a seasoned consulting professional with more 20 years of experience leading large strategic initiatives for Fortune 500 clients. Over the last 10 years, Bart has focused on the retail industry with a concentration in merchandising, in-store environment, and vendor management. He has extensive experience in space planning, assortment planning, category management, and analytics.



**Warren Wills**

[Warren.Wills@northhighland.com](mailto:Warren.Wills@northhighland.com)

Warren is an experienced management consultant and retail supply chain expert with North Highland. He has deep experience in leading large strategic initiatives related to process globalization, flow optimization and financial analysis. His specific areas of expertise include speed-to-customer, global supply chain, and sourcing process improvement and product development design and implementation.