STRATEGIC INNOVATORS

A 4Ps SUPPLIMENT

IN THIS EXCLUSIVE ISSUE OF STRATEGIC INNOVATORS, GLOBAL MANAGEMENT THOUGHT LEADERS COME TOGETHER TO EXPOUND UPON ISSUES THAT ORIENT AND GUIDE BUSINESSES IN THESE UNCERTAIN TIMES.

STRATEGIC THOUGHT PROCESS

EXCLUSIVE COLUMNS:
Harvard Business School; Columbia Business School; Wharton School at the University of Pennsylvania; Virginia Commonwealth University School of Business; University of Texas; Texas A&M University; Instituto de Empresa Business School; Rotman School of Management at the University of Toronto; and International University of Monaco

RETAIL CONVERGENCE: THE PURCHASE MISSION

No doubt, investing in a single platform can achieve certain efficiencies for a complex enterprise. But sometimes it makes more sense to keep multiple platforms stable that weren't designed to work together. All because your customers want it that way!

Prof. Rebecca Goldberg
Faculty of Organizational Communication, Virginia Commonwealth University School of Business

For consumers, e-commerce, m-commerce and physical stores have converged into one thing, and one thing only: The Purchase Mission. Buying an outdoor sofa could mean going online to check out styles and pricing, driving to stores to test some actual cushions and then making a purchase on a mobile phone – using a coupon that was sent by text only moments before. Only the savviest retailers have the technology in place to track a customer's activities in real time and maximise influence at the point of purchase.

For the retailer, responding to a person's interaction across channels makes the difference in making a sale. And since each customer base is evolving in its own way, each requires a unique approach to convergent interaction. In 2011, we're smarter, more sophisticated consumers.

Tadd Wilson, Senior Managing Consultant at IBM Retail Store Solutions, sees smarter consumers driving change in retail as he says: "Facebook would rank third in size behind India and China as a country. Cellphones outnumber cars, computers, and credit cards. Web and mobile have rocked retail. Seven out of eight shoppers use technology when they

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Research by IBM's Institute of Business Value shows growth markets in the lead. "In Brazil, China, and Mexico twice as many consumers want to use multiple devices as in mature markets like France and Germany." Convergence blurs web, mobile, and store – good news for technology providers who can support it. "IBM touches retailers in two ways. E-com is booming, but stores remain the top brand interaction point. Our point of sale business owns 25% of the global market. What you buy, how you pay, coupons you use – we process and track it across billions of transactions. Customers can track shipments, ask to pick up items in a store instead. We monitor and drive inventory systems, allowing retailers to track stock in both stores and warehouses. Customers don't need to understand the difference between warehouse stock and the stock in a store across town. Technology handles that. We connect the item with the buyer." Converging systems also give retailers a single "view of the truth." "If I check a website for prices, then purchase in-store, they can understand my behaviour and mission only if

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they realise it's the same person. Otherwise, it's an unrelated abandoned cart and store visit. This data must be integrated for a complete picture of buying behaviour. IBM's presence in both store and enterprise means we can do this – now."

Wilson sees enormous implications for marketing and customer analysis. "Broad 'segments' based on demographics or spending don't make sense. The same consumers who hop channels will insist retailers understand and promote to them as individuals, in real-time. Fundamental assumptions about how retailers operate and set strategy are under fire." Technology providers, then, must not only power the buying process itself, but also help drive strategic decision-making at the enterprise level via collecting, interpreting and analyzing data. But even this process is hardly one-size-fits-all.

Urban Outfitters, a US-based clothing retailer, boasts a portfolio of discrete "lifestyle" brands: Urban Outfitters, Free People and Anthropologie, as well as the nascent businesses Terrain, Leifsdottir and BHLDN. Each brand serves a unique core customer – by demographic, psychographic, lifestage and lifestyle – with minimal overlap. So at the point of technology, it starts with how each customer group uses technology in and around the concept that the brand represents.

The Urban Outfitters brand targets 18-to-26-year-old university students or urban working youth that socialize frequently and are interested in fashion and pop culture. That customer uses media and technology very differently than the Anthropologie customer, who is typically 30-to-45, suburban, married-with-kids and a homeowner.

Executive Director at Urban Outfitters Matthew Kaness explains, "Consumer behaviour changes with technology. For instance, the 'Urban' customer is less responsive to email communication and uses Facebook very differently than just

five years ago. But 'she' is an active texter, follows Twitter, and comments on blogs and product reviews. To interact with that group the Urban brand has deployed numerous technologies that enable both the existing and evolving consumer behaviour, including mobile, blog, digital music, SMS/MMS, ratings and reviews, crowd-sourced content and social media. As the customer evolves, so too must the brand and its means for communication and interaction.

That's where the technology strategy starts – with the customer. We work backwards to say, "How can we deploy technology that enables brand strategy in a customer-centric way?" Kaness also explained that for a portfolio company like Urban Outfitters, the right technology to use can typically be "best of breed" for a given category. "There's a balance between effectiveness and efficiency, but the focus is always to optimise the customer experience." In other words, Urban uses multiple front-end platforms to support the different customer segments it serves. Why? One of IBM's defining value propositions is back-end integration that reduces complexity for both the consumer and corporation – what could ever trump that?

It's a business decision, Kaness explains, that flows from the answer to this question: What represents the highest-quality responsiveness to your customer base? Investing in a single platform to achieve certain efficiencies can bring competitive pricing into the realm of the possible for a complex enterprise. But sometimes it makes more sense to take on the added effort required to keep multiple platforms stable that weren't necessarily designed to work together, simply because your customer segments require drastically different interfaces. The results of these choices represent a crucial part of keeping your brand promise. And that's what convergence is all about. SI