

HOW CAN RETAILERS SATISFY TODAY'S SELF-CENTRIC CONSUMER?

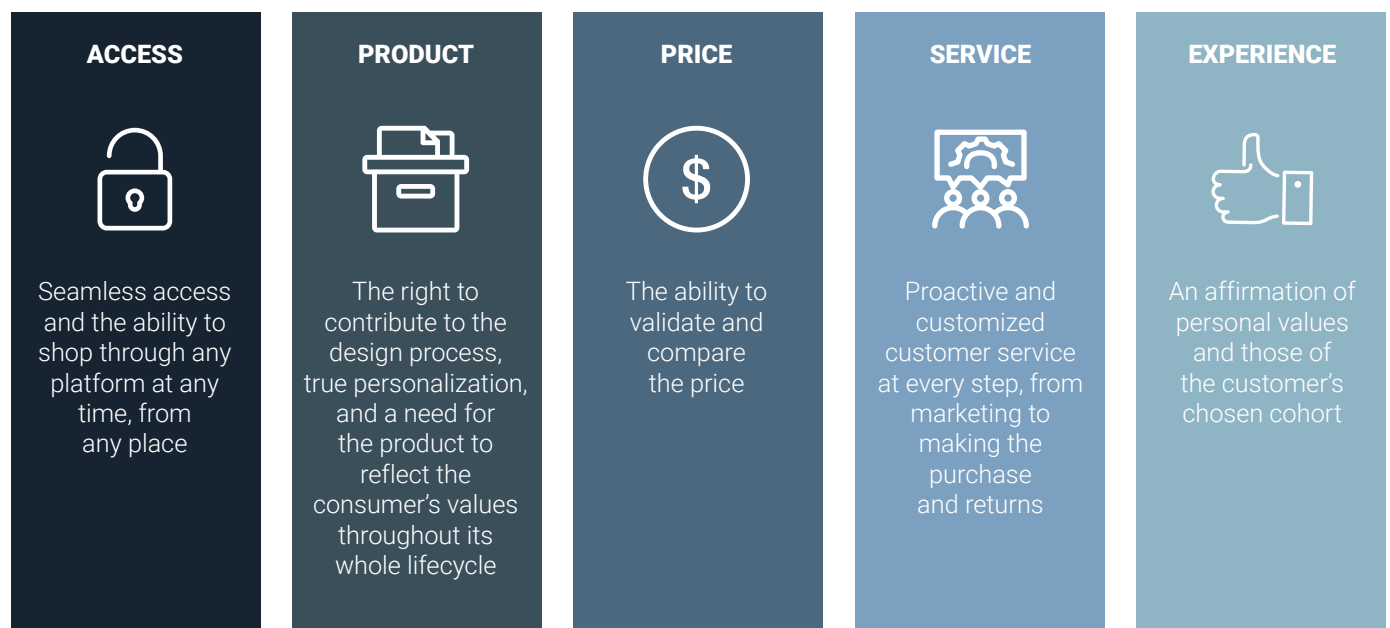
The consumer has always assumed an influential role in the retail industry, but in 2019 the drama seems to have reached profoundly lofty heights. No longer is the retail consumer willing to be treated merely as a random series of numbers in a database.

In years of studying buyer behavior and touchpoints, AlixPartners has found that every transaction between the consumer and the retailer can be broken down into five basic building blocks that shape this relationship: access, product, price, service, and experience. Weighing consumer expectations in relation to each of these attributes paints an instructive picture of the trends and tactics that will become critical to retailers' strategic decision-making in the months to come.

Having tracked tens of thousands of consumers over the last 15 years, we have concluded that the expectations of today's consumers have shifted dramatically. In a 2018 survey of more than 3,000 respondents, we found that today's consumer is, loudly and without hesitation, expressing the need to place herself squarely at the center of each of these attributes (see figure 1). And, more important, today's self-centric consumer is not shy about shunning retailers that fail at delivering on expectations at any of these attributes. According to a Salesforce survey, 50% of consumers will switch away from a brand that does not anticipate their needs¹.

1. <https://www.salesforce.com/blog/2016/10/state-of-connected-customer-2016.html>

FIGURE 1: TODAY'S RETAIL CONSUMER IS DEMANDING MORE FROM EACH RELATIONSHIP ATTRIBUTE



Source: AlixPartners Consumer Relevancy Survey, conducted January 2018 on 3,001 respondents regarding consumer expectations across grocery, drugs, apparel, footwear, and department stores

Addressing the consumer's needs and desires and making her the central focus of all offerings, then, is imperative for survival in this competitive retail landscape. Keeping this in mind, how can retailers change their approach to access, product, price, service, and experience to more fully serve this opinionated and outspoken self-centric consumer? Let's dig into each attribute.

1. Access

Consumers have come to expect a seamless experience² across all purchase channels as well as the ability to shop a full and fresh product assortment on any device of their choosing, at any time of their choosing. But a unified and frictionless omnichannel experience is now just table stakes for a future-ready retailer.

Today's consumer also expects products from retailers to be available on external marketplaces³ she browses as well as platforms she subscribes to – she wants complete shopping access on her online communities. Knowing this, even traditional retailers⁴ with wide reaches are making commitments to opening or joining external marketplaces, often with the goal of acquiring new customers and supplementing their own internal ecosystems. Amazon (globally) and Alibaba (in Asia) made the online marketplace concept go mainstream, but several other retailers have jumped into the fray. Even luxury brands are unable to resist the trend of featuring on external platforms, as Farfetch's initial public offering showed.

The other avenue retailers, especially apparel brands, are leveraging to appease a demanding consumer base is subscription-based rental platforms. Ann Taylor and Rebecca Taylor are among brands that rent out items of clothing through monthly subscriptions. The added advantage of this model is the ability to build a direct relationship with the consumer and getting full access to buyer data, preferences, and behavior.

2. <https://v12data.com/blog/50-statistics-about-retail-marketing-and-consumer-shopping-trends/>

3. <https://www.digitalcommerce360.com/article/infographic-top-online-marketplaces/>

4. <https://www.retaildive.com/news/j-crew-launches-third-party-marketplace/532143/>

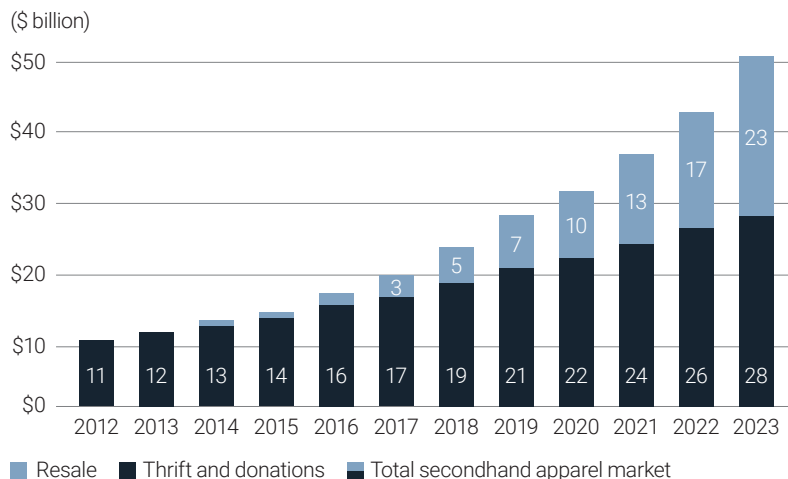


2. Product

The consumer increasingly wants to be involved in personalizing the products⁵ she buys, including making contributions to the design process and determining what colors and styles she prefers. But that's not all. The self-centric consumer is also forcing retailers to think about product lifecycle not just from concept to shelf, but going much deeper into retirement or, as is becoming more common, re-commerce or recycling.

With conversations on the environmental impact of manufacturing as well as growing apparel waste becoming louder and more mainstream, brands are addressing consumers' higher consciousness. Venture capital darling Rent the Runway is built on the idea of renting instead of buying, while thredUP and its ilk are successfully extending the lifecycle of products by creating a secondhand-purchase platform (see figure 2). Brands like Everlane, meanwhile, are stressing supply chain transparency and using recycled material to create new products.

FIGURE 2: THE SECONDHAND APPAREL MARKET IS ON TRACK TO CROSS \$50 BILLION IN FIVE YEARS



Source: thredUP 2019 annual resale report⁶

The amplification power and wide reach of social media has given a loud and effective microphone to consumers, who are exercising this ability to air grievances about brands that violate their values. This can often be damaging to a brand's reputation and, if there is a successful public boycott, the bottom line. Alibaba and JD.com dropped Dolce & Gabbana from their marketplaces⁷ after public outrage over a series of advertisements aired on Chinese social network Weibo.

3. Price

When seamless access to products becomes commonplace, consumers also expect to be able to easily check and compare prices and know why they are paying what they are paying. According to a survey by Wiser, 86% of consumers plan to search multiple websites⁸ before making any online purchases in 2019. Only 14 percent do not. To set themselves apart and with an eye on offering added convenience and a better perceived value for the price the demanding consumer is paying, retailers are relying on new partnerships and mergers and acquisitions. Target acquired same-day delivery service Shipt to add to its supply chain and last-mile fulfillment capabilities. Kohl's, meanwhile, is giving consumers a reason to visit its brick-and-mortar locations by partnering with Amazon to accept the latter's returns at all of its stores.

In addition, consumers not only accept, but often expect, dynamic pricing based on variable factors such as price at a rival brand. But this can also offer an opportunity for retailers to optimize sales and margins, and ultimately profitability, through altering prices based on market demand, price scanning technology that tracks competitor activity, and consumer behavior. Uber, Amazon, and Sainsbury's have all used dynamic pricing. This is a classic case of delivering the consumer's demands while adding to the bottom line.

5. <https://multithreaded.stitchfix.com/blog/2016/07/14/data-driven-fashion-design/>

6. <https://www.thredup.com/resale>

7. <https://www.npr.org/sections/goatsandsoda/2018/12/01/671891818/dolce-gabbana-ad-with-chopsticks-provokes-public-outrage-in-china>

8. <https://blog.wiser.com/shoppers-expectations-for-2019/>

4. Service

There are several service touchpoints where the consumer can make the choice to either drop or reaffirm her loyalty to a retailer. Starting right from how and what marketing messages she receives to how helpful the customer service on offer is, the self-centric consumer wants personalized and convenient service at every step. One-to-one marketing that is driven by data and tailored to a specific consumer is increasingly becoming the norm. Brands like Sephora are using vehicles like its mobile app and Instagram to send out personalized marketing messages and drive conversion, sales, and loyalty. In addition, loyalty programs that offer higher-value or higher-potential customers early access, exclusive deals, invites to store events, etc. are strategies to make the consumer stick.

Advanced analytics and data tools, increasingly leveraging technology like artificial intelligence, track more than past purchase behavior, allowing retailers to both better serve existing and target previously unknown potential customers. Consumers are also expecting highly personalized service when it comes to the shopping experience and want to see a curated selection of products that is specific to their choices and interests. This phenomenon is leveraged to much success by online styling service Stitch Fix, which combines the expertise of human stylists with recommendations made by its proprietary artificial intelligence to suggest items for purchase to consumers.

5. Experience

The boundaries between experiential and transactional are more nebulous than ever before. The self-centric consumer demands an experience that transitions effortlessly from offline to online channels and serves all her needs. Keeping this in mind, retailers like Target are offering increased convenience to the online shopper, and in the process, often turning brick-and-mortar stores into fulfillment centers. Last year, the retailer invested in redesigning its back-of-the-house store operations that eventually paid off in the holiday season, with 75% of online orders⁹ being fulfilled in some way through store locations. This led to a 4.5% growth¹⁰ in store traffic in 2018's fourth quarter.

In the front of the house, retailers are looking to add elements like differentiated experiences and giving stores a design makeover to make them worthy of being up on social media – an almost-essential feature for millennials and Generation Z. The Nordstrom Local store concept has no inventory, but lets customers pick up and return digital orders, offers on-site personal stylists and tailors, and a nail salon and juice bar.

In this age of the self-centric consumer, retailers can no longer expect to grow their customer base or maintain sustained loyalty unless they satisfy demands on all five attributes. Retailers need to understand how to offer what their specific consumer wants from them and provide best-in-class access, product, price, service, and experience. Consumers will reward retailers that deliver on each of these attributes and will as easily punish those that do not.

9. <https://www.digitalcommerce360.com/2019/01/25/target-posts-its-best-sales-in-2018-than-it-has-in-a-decade/>

10. <http://investors.target.com/phoenix.zhtml?c=65828&p=irol-newsArticle&ID=2390079>

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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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