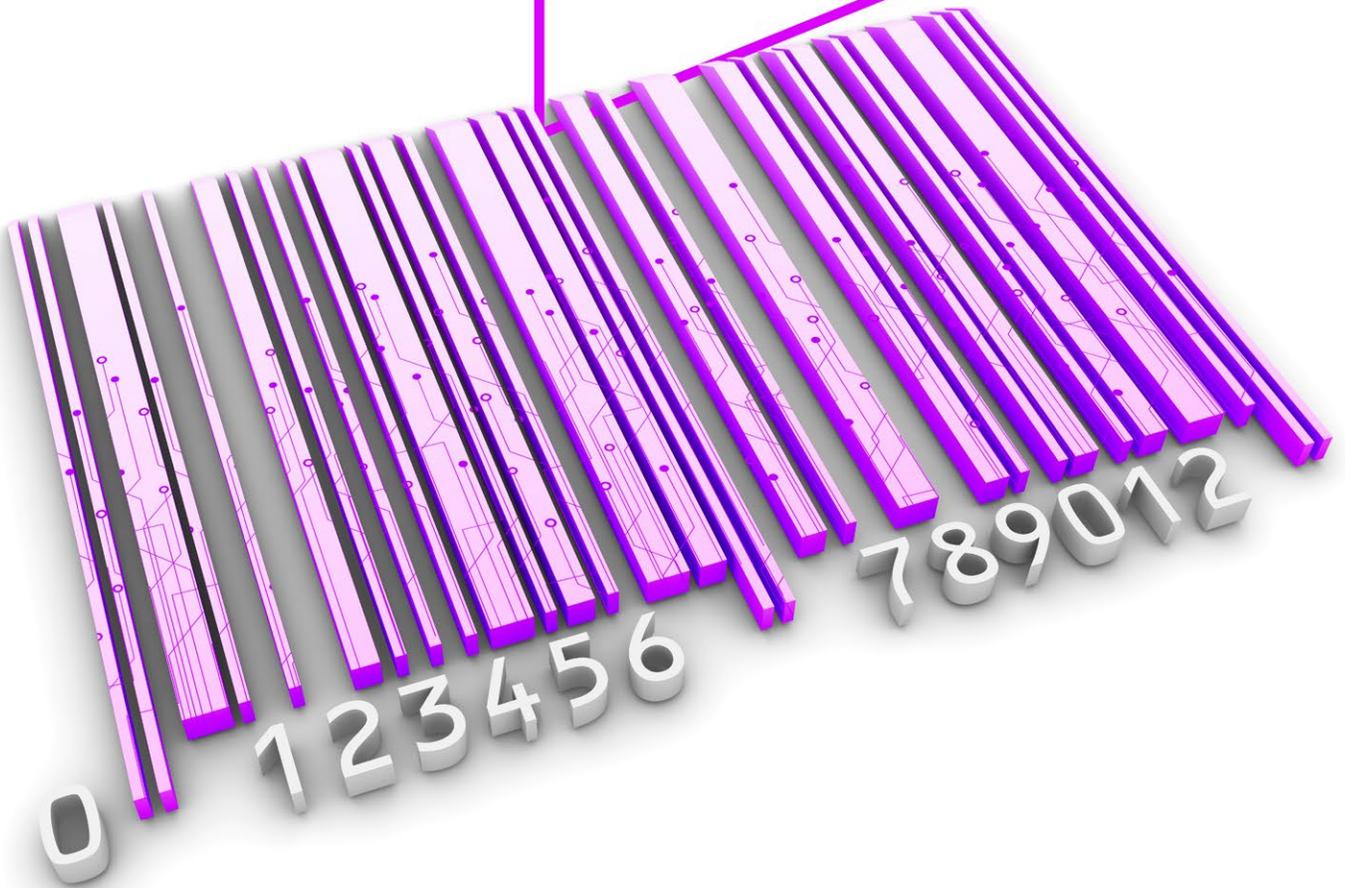


# THE NEW RETAIL(ER)



**GROWTH-FOCUSED AND  
PURPOSE-INDUCED WITH  
LIVING MARKETING**

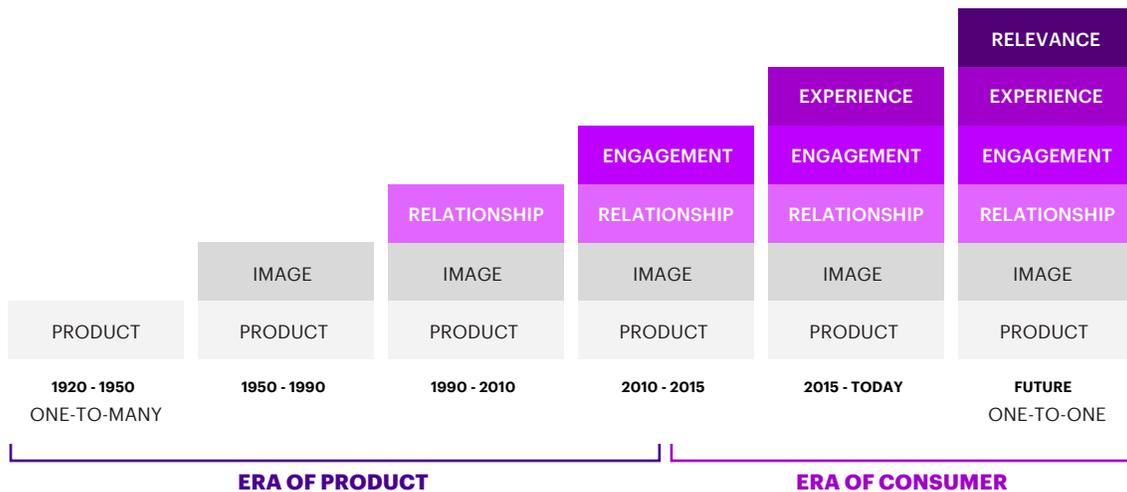
# A CASE FOR CHANGE

**In a world where standing still ceased to be an option years ago, retail companies are realizing that even pausing for a breath is an iffy proposition. Consumers don't—and they expect their brands to keep pace.**

Far from pausing, agile digital brands and service companies are swooping in quickly to capture their share of the market—selling directly to end consumers instead of via traditional wholesale models.

Against this backdrop, many retail marketing organizations still operate much as they did a decade ago—focused on pushing products and offers to mass segments in the hopes of driving traffic that may result in a sale. Yet, that is when a shift should have occurred—when the retail epicenter shifted from products to consumers.

## THE SHIFT FROM PRODUCTS TO CONSUMERS



Source: Accenture

It's a shift most large retailers are still trying to master, while their smaller digital competitors build loyal followings and lifetime value by creating more relevant and engaging experiences that enable shopping in the moment of desire—anywhere the customer works, lives or plays. Small, nimble companies have become growth powerhouses.

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**Everlane**, for example, hit \$100M in revenue in 2016.<sup>1</sup> The clothing company's sales have doubled annually for the past three years.<sup>2</sup> And 44,000 consumers joined the wait list for a new denim line.<sup>3</sup> But Everlane's relationship with its consumers goes beyond simple product. The brand has built a loyal following by using website and social media handles to provide transparency into its factory operations, giving its workers a voice and detail pricing breakdowns for products.<sup>4</sup>



**Revenue in 2016**

**\$100m**



**Sales for past 3 years**

**2x**



**Consumers on waitlist**

**44k**

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In the past, offering the right product at the right price might have been enough to win over consumers—but no more. To win over consumers who can buy from whomever, whenever, retailers need to have a clearly defined purpose in order to build trust. Retail CMOs who keep their organizations relevant will delineate that purpose, reinventing them as engines for growth. This reinvention has become an imperative, as more than one-third of CEOs Accenture surveyed said the CMO is the first to go if growth targets are not met.<sup>5</sup> CMOs need to better understand their current marketing ROI and rebalance towards digital to compete effectively.

While start-ups and early-stage growth companies find it easy to lead with purpose and to differentiate themselves, a few established players have begun to reflect the shift, changing the way they go to market. They are completely redefining their value proposition to the consumer which starts from the top. Recently Gap, Inc. eliminated the global CMO role for Gap and Banana Republic brands, creating a head of customer experience role instead.<sup>6</sup> In addition, Coca-Cola eliminated its global CMO function, creating a chief growth officer role<sup>7</sup> and Hyatt did the same, creating a chief commercial officer role.<sup>8</sup> The need for a new approach to marketing in any consumer-focused industry has become apparent.

**It's a case for change. Brands need to be so close to the consumer that they ebb and flow as consumers do. We call this hyper-relevancy. And, marketing needs to reflect this sense and respond by focusing on the consumer.**

# LIVING MARKETING USHERS IN THE NEW

**When designed and executed correctly, Living Marketing drives growth. How? By focusing the marketing organization on the customer in a way traditional approaches don't allow.**

Living Marketing centers on hyper-relevant customer experiences regardless of where a customer is in any given moment. It allows marketers to nail the moments that matter, becoming part of a customer's everyday life in a meaningful way.

Using this approach, retailers can begin to target experiences based on a consumer's lifetime value. With the wealth of data at their disposal—as well as a slew of analytics methods—the time has come for retailers to view consumers through a more scientific lens. Brands can now pinpoint the individuals that generate significant profit concentration within their customer base. For the first time, retailers can create a forensic understanding of which of their customers shop profitably—and which don't. It means they can focus efforts on high-value, loyal customers who will stay with the brand for life. And they can stop chasing the low-profit fickle customers who are simply waiting for the next product discount or promotion.

In a Living Marketing approach, not all customers are created equal. A VIP customer will have a different experience than a less frequent purchaser—but the experience of each will be tailored based on the retail relationship. This shift is key to retailers' future economics.

Living Marketing turns the traditional method of building a customer segmentation model on its head. And, it allows brands to optimize the customer experience for the “must win” customer journeys critical to growth.

**Living Marketing creates and delivers top-line growth by ensuring that brands, products and services are hyper-relevant to every consumer and are part of a unique, personalized experience.**

We see Living Marketing as the future of retail marketing. In the big picture, Living Marketing involves focusing on the new playing field of growth, with retailers asking themselves key questions to shape the areas that drive it:

## LIVING MARKETING FOR GROWTH: THE BIG PICTURE



Source: Accenture

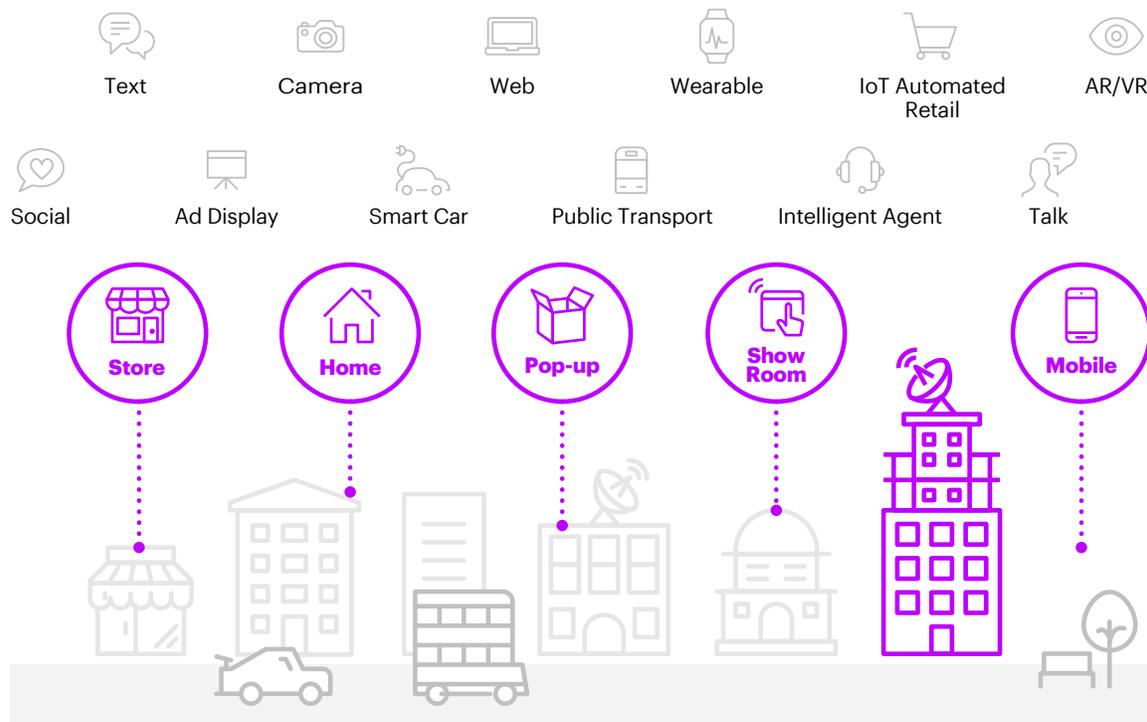
**Brands can now pinpoint the individuals that generate significant profit concentration within their customer base.**

# FUELED BY MOMENTS THAT MATTER

In today's world, brands have become increasingly embedded in the lives of consumers through an explosion of interaction and purchase points—many of which are continuing to evolve. While we don't foresee existing channels like stores, eCommerce and mobile going away any time soon, we do see the emergence of new marketplace nodes.

Consumers are interacting with retailers through shoppable imagery, pop-ups, augmented reality, virtual reality, social, and watches. The home is becoming a pivotal point of purchase for consumers, with smart appliances, devices and services. "Share of home," instead of share of wallet, will become more meaningful for retailers. In this new scenario, consumers expect to shop how, when and where they want across multiple points of engagement. Recognizing this, it's critical for retailers to engage on consumers' terms in these moments.

## THE INTEGRATED MARKETPLACE: AN EXPLOSION OF POTENTIAL INTERACTION POINTS



Source: Accenture

Doing so can be especially hard for traditional retailers used to putting products in stores or on a website, then using marketing to drive consumer purchases. Retailers now need to go to where the consumer is, rather than forcing the consumer to come to them.

Retailers can trigger consumers' desire to purchase at any time—during a commute, a workout, a workday. Industry CMOs need to know these trigger points and ensure their brand's purpose is relevant during this moment. The true purpose—the value of the product or service to the consumer needs to be clear to maximize the chance of a consumer purchase in the moment. Accenture research shows consumers who score retailers higher on purpose spent 31 percent more than consumers who scored them lower.<sup>9</sup>

Some retailers are making radical, revolutionary changes just to keep up with the cadre of new competitors who are getting it right. Nike launched the first of its Nike Live concept stores, in Melrose, California.<sup>10</sup> It combines digital offerings with a 4,000-square-foot physical retail location. Not only do online purchases inform how Nike stocks the store, but consumers can pre-reserve in-store shoes to try on, accessing them via a locker opened by scanning their smartphone. And for those in a hurry, online purchases will be delivered in curbside service, using text messaging.

Nike's concept points to what many larger retailers need to move to: Nailing these moments that matter most to consumers with varied needs. It's best done with an overall Living Marketing approach—moving from just selling products to creating continuous hyper-relevant experiences.

# SHOW ME THE LOVE

**Accenture's recent Love Index survey provides clues on what consumers want from their retailers. The 160,000+ people we surveyed across nearly 60 brands were clear:**



## **CURATED SUBSCRIPTIONS**

Consumers love curated subscriptions and auto-replenishment more than anything else right now. Despite their relatively new status, they were the rock stars as time-starved shoppers appreciate companies valuing their time.



## **MOMENTS OF INSPIRATION AND DISCOVERY**

Where retailers fall short: Moments of inspiration and discovery as consumers look for products. If retailers can improve their score in these areas, they can become far more influential in the decision to purchase—which drives growth.

# HOW TO GET THERE: CONSUMERS AS YOUR EPICENTER

**Some CMOs are still puzzled by not only how to transform but what to transform. We see multiple areas where traditional retail marketing teams could benefit from change, getting them closer to a Living Marketing model.**

Product-centric  
and offer-centric

Consumer-centric and  
service-centric, intent on  
serving their customer's purpose

Shifting focus to serving a purpose in customer's lives, versus complex and often convoluted strategies, turns marketing from "support staff" to a real value engine.

## ⊕ CASE IN POINT: KOHL'S

Kohl's launched a pilot program in Chicago last October, accepting Amazon returns in some stores. Since the launch, traffic at participating stores increases 8.5 percent over non-participating stores.<sup>11</sup> More than half (56 percent) of shoppers utilizing the return program were new Kohl's shoppers or hadn't visited a store since the previous July.<sup>12</sup>

Operating in  
**organizational silos**

**Co-create customer strategy** with  
**shared objectives** across merchant,  
channel and ecosystem partners

No company survives in the digital era without being part of a partner ecosystem that extends beyond its own organizational boundaries. Leaders have already moved to shared, measurable objectives where an ecosystem of partners focuses on its core competencies to create an end product or service. Over 90 percent of retail industry executives recognize that it's critical to their business success to adopt a platform-based business model and engage in ecosystems with digital partners.<sup>13</sup>

**⊕ CASE IN POINT: LOUIS VUITTON MOET HENNESSY**

Louis Vuitton Moet Hennessy (LVMH), the French luxury goods company, has launched 24 Sèvres, an eCommerce luxury platform that carries not only LVMH's in-house brands, but also those of other prestigious fashion houses. Brands on the platform leverage the platform's overall features, including chatbots, on-demand stylists, stunning graphics, efficient checkout and fast delivery. In addition, the company gathers and analyses cross-brand consumer insights across the platform.<sup>14</sup>

**Segmentation** and  
**mass personalization**

Hyper-relevance at the  
**Moments That Matter**

Segmentation and mass personalization are yesterday's tools. Today's focus should be on creating relevant, engaging interactions in the Moments that Matter.

**⊕ CASE IN POINT: SUJA JUICE**

Organic beverage company Suja Juice used social listening as part of a marketing campaign to identify opportunities to serve in a Moments that Matter. Its team searched for hashtags on Instagram indicating people who were having a bad day—from #mondayblues and #gradschool to #momlife. Then they used this social data to reach out to these individuals, offering a juice delivery to brighten their day. The company successfully dropped or shipped nearly 6,000 bottles of product.<sup>15</sup>

**Rearview mirror perspective**  
on campaign performance after  
it's too late to make an impact

Forward looking, **agile optimization**  
fueled by **predictive analytics**  
and **experimentation**

The new breed of retailer focuses on prescriptive and predictive intelligence, looking forward rather than in the rearview mirror. Its marketing teams focus on in-flight campaigns for outcomes, while testing and experimenting constantly. They close the distance between asking—gathering the data necessary and acting—innovating in new ways to anticipate customer desires.

#### **⊕ CASE IN POINT: STARBUCKS**

As Gerri Martin-Flickinger, the Chief Technology Officer and EVP at Starbucks, told CIO.com: “With about 90 million transactions a week, we know a lot about what people are buying, where they’re buying, how they’re buying. And if we combine this information with other data, like weather, promotions, inventory, insights into local events, we can actually deliver better personalized service to other customers.”<sup>16</sup> For example, by combining predictive analytics with location data, Starbucks can send an offer to customers who are near a Starbucks based on what the data predicts they will want on a certain day and time.

**Fragmentation of data and technology** across marketing, merchandising and channel systems

**Integrated and orchestrated data and technology** with clear Marketing ownership and access

Marketers must take back control and ownership of data, as well as technology decisions. Being more accountable for the capabilities they need to be successful will help them in the long run. It will also allow them to better integrate and orchestrate data and technologies—internally and externally—so they can use a rapid sense-and-respond approach with customers.

#### **⊕ CASE IN POINT: NORDSTROM**

Nordstrom CFO, Anne Brannam, describes a customer-focused shift, integrating data from the customer point of view: “We’re increasingly managing our business primarily through two brands, Nordstrom and Nordstrom Rack, rather than by channel. This includes migrating our metrics from a legacy store view to those that are more relevant to how customers are engaging with us.”<sup>17</sup> President Blake Nordstrom talks of driving opportunities for growth due to this integrated customer focus: “...integrated digital and physical experiences led to 85 percent of online returns being made in store, which drove more than 4 million store trips in 2017.”<sup>18</sup>

# NEW IS NOW

**A clearly defined purpose to win consumer trust. CMOs who reinvent their organizations for growth, rebalancing toward digital to compete effectively. Brands so in touch with their individual consumers that they ebb and flow together. No one of these changes stands alone. Rather, winning CMOs will weave them together into an action plan fit for a digital retail world.**

Retailers must redefine customer experience, engagement and relationship—all more complex than ever because of an integrated marketplace. To be a retailer of choice, companies must embed themselves into the very fabric of a consumer's everyday life—providing an adaptable, beneficial experience that moves beyond a simple product sale.

With seven out of 10 CEOs acknowledging that their products and services should be more meaningful and relevant to customers, this type of radical change is necessary.<sup>19</sup>

And, given half of CEOs view CMOs as one of the C-suite leaders most responsible for driving growth,<sup>20</sup> the time to radically reshape marketing organizations into Living Marketing powerhouses is now. Growth awaits retail companies willing to initiate radical change. CMOs will need to break down siloes and work with their peers in the C-suite, but the time is ripe for taking charge. If not, consumers may find a retailer that meets them on their terms—one who solves their problems, making their lives easier. Don't allow your company to be shelved. **Move toward the new retail now for relevancy into the foreseeable future.**



## ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 449,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

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