

## Shifting Retailers Respond to “Season of Discontent”

Retailers have always been driven by the seasons. The holidays, of course, and particularly Christmas. Fall and back to school. The ushering-in of spring and summer, with promotions around fun and leisurely pursuits.

Since the recession officially reared its head in January of 2008, retailing has added a new season to its lineup: The “season of discontent.” Marked by customers who prize value above all else (when they are moved to purchase at all) and have a heightened interest in what their purchases say about them, it’s forcing management to look differently at the three key business drivers of merchandising, price and service. Instead of weighing decisions in these arenas against internal, operational concerns, retailers that will emerge from this season the strongest will have made the customer the primary and ultimate gauge for their actions.

Wal-Mart is one that’s leading the way. The giant retailer’s shift to a relentless customer focus was signaled during the last recession, when it launched its highly successful, everyday low pricing policy. Wal-Mart Chief Marketing Officer Stephen Quinn says, “Wal-Mart had not been all that customer-centric, having made operations the backbone of the company. Customer data and insights gave us courage and a convincing hand in determining what was fact and what was fiction. And it drove ideas for growth.

“For example, when we discovered that pharmacy customers routinely broke pills in half because they couldn’t afford their full prescription, we developed the very successful \$4 prescription program. With [customer] knowledge, we had the power to define growth in a much more relevant way.”

Retailers hoping on achieving a even a modicum of Wal-Mart’s storied success would do well to examine how they undertake the philosophical, cultural and organizational shifts that are required to become truly customer-focused—and reap the business benefits it creates.

It’s a process that starts with fostering a more collaborative, networked approach to doing business internally in service of the customer. For the reality is that the concern’s internal structure (and who reports to whom

or where their responsibilities lie) is far less important than how the customer experiences the business.

Think about the billing issue that lives in information technology department. Or the call center issue that lives in customer service. The product issue that lives in R&D. Customers don’t care who owns the solution. They just want the problem fixed. Yet most businesses are not truly organized for maximum success from the customer’s perspective.

**Retailers that will emerge strongest from this “season of discontent” are those that will have made the customer the primary and ultimate gauge for their actions.**

It takes visionary leadership, ideally led by the senior marketing executive (as “owner” of customer insights) and embraced by the C-suite as a whole, to inspire the organization to align in service of the customer. This doesn’t really equate to a full-blown re-organization. Instead, it demands a shift in mind-set geared to infusing new ways of thinking and operating, along with fresh energy for driving customer-centric growth.

Zappos Chief Executive Tony Hsieh personifies this kind of inspired leadership. He’s made the business’ top priority its culture, and that is wrapped around setting the standard for exemplary customer service—service that creates lifelong relationships. At Zappos, customer service is an investment, not an expense. And employees are hired based on how well they fit into the culture and their perceived ability to live up to Hsieh’s customer service expectations.

How well this works was born out when Zappos landed on the 23rd spot in Fortune magazine’s 2009 “Best Companies to Work For” list—becoming the highest ranking newcomer in its debut. It also resulted in its just-announced joining with a like-minded Amazon. When

employees become invested in this kind of culture—the natural by-product is better delivery of the customer promise.

Some businesses find it easy to manage in a way that supports this customer-centric positioning because they have worked tirelessly—and from the top—to make what they stand for clear. Whole Foods, for example, sells healthy groceries but delivers everyday wellness. Target delivers products with democratic design (and prices).

Others, however, will need to have the shift supported by a transformational business case, road map or story in order to help the entire organization, and especially the executive suite, understand the tangible and intangible rationale behind it.

Here are some starting points for retailers looking at shifting to a customer-driven focus:

- Assess your company's ability, desire and openness to aligning around the customer instead of operations. It will help to map out functional areas' relationship to customers and understand how each helps or hinders the sale.
- Determine which makes the most sense for your business: A top-down mandate to become customer driven or a bottom-up business case to sell decision-makers. Set up a cross-functional team to lead the process.

- Create alliances with groups that directly or indirectly touch the customer, with a focus on those that will help score the quickest wins (however small), create trust and credibility, or may be the most challenging to win over. Make sure all related initiatives are housed within the overall strategic structure of what the business seeks to accomplish over the next three to five years.
- Understand the nuances of centralized versus decentralized and single versus multiple/diverse businesses and geographies. Be transparent in how these affect the approach your organization takes in starting to organize around the customer.
- Start small, with a geography, a line of business or a functional area, and start organizing for greater impact on the customer's expectations of the relationship with your business.

This season is challenging management in ways that were unimaginable even five years ago. Achieving growth is more important and more difficult than ever before. To succeed, companies must come to understand that they report to the customer; the times demand alignment around ways to anticipate and constantly delight the buying public. It takes a new structural paradigm for this to happen—one that is externally focused on the customer and moves away from the operationally oriented model of the past. Effecting this shift is a process that will likely come with some bumps along the way. But the rewards are guaranteed. 📍

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