

LEADERSHIP FOR THE AGE OF CUSTOMER EMPOWERMENT

*by Martin Newman
and Jonathan Flynn*





Introduction:

1994 saw the beginning of the democratisation of retail, with the first ecommerce transaction. As ecommerce has grown in significance, so has the choice of where consumers can buy. The plethora of choice available has subsequently shifted the balance of power from the retailer to the consumer.

This change in the dynamics of the sector requires a fundamentally different way of doing business from one of 'selling stuff' to being a 'service provider'. At the heart of this is consumer empowerment and what retailers need to do to ensure that they can deliver the experiences customers demand.



When you consider that the vast majority of retailers view customer service and customer experience in their P&L as a cost centre rather than a profit centre, then it's easy to understand where businesses are going wrong.

If you view customer service as a cost, you're more likely to look at removing costs, which will negatively affect the customers experience.

Or not making the investment necessary in resource and technology to deliver better levels of service. This will invariably lead to sub-optimal levels of service and customer experience.



This all comes at a time when retailers have also had to transform their operating models to accommodate the changes in consumer behaviour as a result of the pandemic. As we gradually emerge from its shadow and enter into a brighter and more positive period of economic growth, consumers will require retailers to become truly socially responsible.

From sustainability to diversity, retailers will need to prove that they are walking the talk. At the heart of this demand for change will be generation Z, who themselves are the activists and protagonists for change.



All of the above requires a different set of leadership skills than those that have predominated for the last 50 years.

A focus on finance, operations and control must evolve to one of customer centricity, agility, digital, innovation and transformation.

Of course, finances will always need attention. But even here, the focus on the P&L must also evolve from the traditional channel P&L to an integrated P&L that represents the attribution of the cross-channel shopping behaviour adopted by consumers.

Retail leaders need to be the agents of change ensuring that their colleagues are all pointing in the same direction of travel and are empowered and equipped to deliver the change required in their part of the business. All of this being done while at the same time having a relentless focus on putting the customer at the heart of all they do.

The old ways of command and control are not going to cut it. CEOs must be at the heart of driving the change required.





**Let's look at the skills
required in more detail**

Relationship with the customer:



Retail businesses in 2020 and beyond need to build closer and more meaningful relationships with their customers.

Many retailers talk about, and strive for, the single view of their customers, but fail to understand that like any successful relationship you need to listen to and understand the needs, wants and desires of the other party.

In the pre-digital era, this was achieved by walking the floor to get close to and talk to your customers. Now with so many other channels available for communication, retail leaders need to also be tech, data / insight and social savvy.

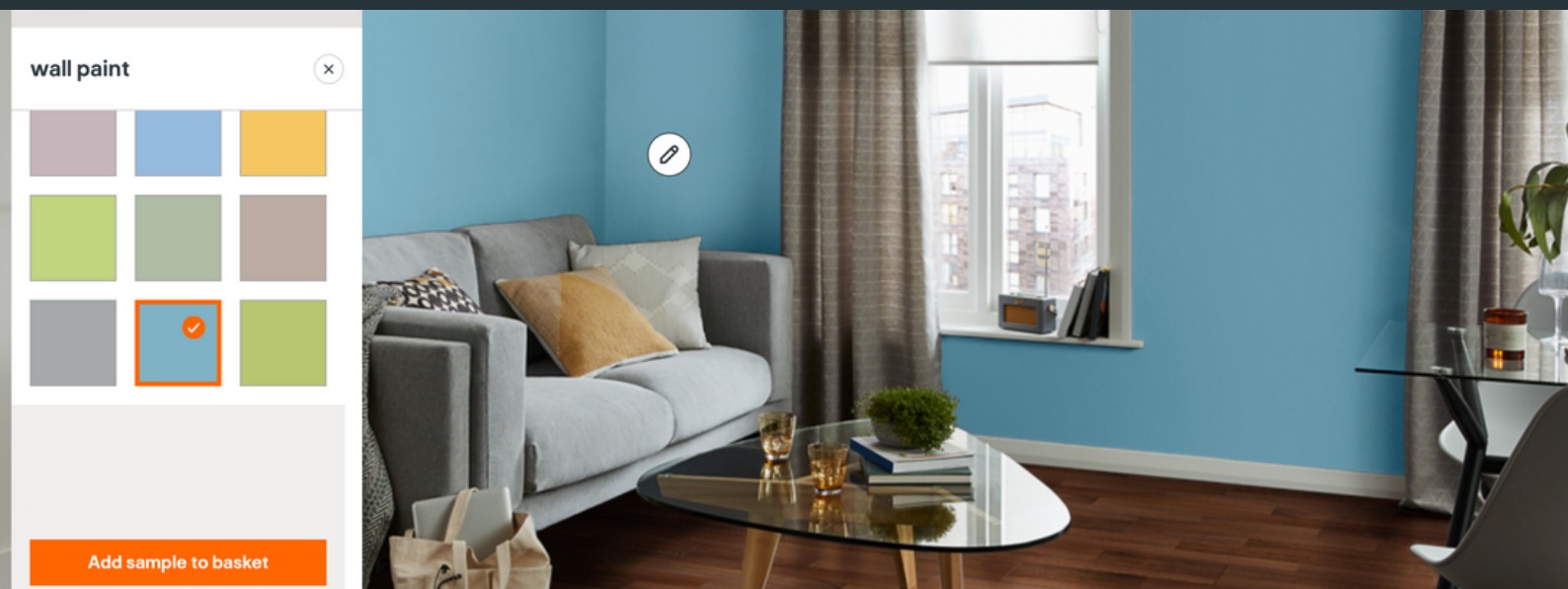
The old retail playbook is dead; it's no longer about lots of stores, lots of products and selling stuff. It's much more tactile and to build a closer relationship there needs to be two-way communication where retailers use all of the tools and channels at their disposal to unlock customer lifetime value.



The relationship between customer and retailer is a courtship and there needs to be time invested into making it flourish.

Take for example Kingfisher via B&Q; they set about understanding their customers problems from installing a kitchen to painting a room. They understood that a sale in these areas would probably not be immediate so created a visualisation tool and a project planning tool to help customers along their decision-making journey with no expectation that the customer would ultimately buy from them.

This created engagement and understanding and ultimately the results were higher conversion rates, higher average transaction values and better brand loyalty – all from creating something to better understand the customer.



All customers are talking about brands and retailers whether on social media, review websites or directly to the business.

This gives retail leaders all the information they need to be able to listen, understand and get into the mindset of their customers.

The majority of active consumers today are millennial / Gen Z and they want their voices to be heard.

They are communicating predominantly online and their shopping habits (whether through to transaction or not) is creating data and insight which combined gives retailers the information they need.

They are looking for strong brand essence, attractive product, competitive prices, convenience through all channels, engagement, experience and an opportunity to be social.

This is an amazing opportunity to build deep and reciprocal relationships to better understand your customer and unlock true customer lifetime value.



**Agility is the key to
sustainable success**

Agility can be the difference between retail success and failure. The decisions have been made, now it is time to act – quickly. The leadership of a retailer in a time of crisis will have reacted and stabilised, the next steps are to react and grow.

Reaction is the business' ability to pivot – if it does nothing, that market and your customers are going to move on regardless. Having all your eggs in one basket or being a one trick pony as a retailer is dangerous territory and if this is underpinned by old legacy systems, rigid structures and an attitude of 'this is the way we've always done things' the future looks bleak.

How do you leverage agility to counter-act this? By focussing on customers, leadership, empowering your people, and taking an agile approach to product and technology.

Agility and change come from leadership that wants change; change is uncomfortable and unpredictable. There is the fear of the unknown, uncertainty and risk of failure but a steady sea never made for a good sailor.

All retailers were forced to change in 2020 with the lockdown enforced due to Covid – non-essential retailers had to become pureplay and those who had underinvested in their digital channels quickly became exposed.

Agility is the ability to react quickly and seamlessly to the needs of the customer while being able to stay loyal to the essence of your brand and business.





Consumers will tell you where you need to be more agile. The age of selling is over, the age of servicing customers is here to stay so get to know them intimately.

Customers know what they want and when and expect experience and friction removed during the process. Putting the customer first and working the entire customer journey backwards will enable the retailer to remove obstacles in outdated and cumbersome processes; they will understand what they want as they will be constantly communicating with them, listening to their feedback to maximise customer engagement.

To be an agile business you need an agile structure, the oil tanker analogy springs to mind. Rigid and hierarchal businesses will be slow to react, there will be many personalities involved, committees, meetings, reports, business cases, analysis and more meetings...a fluid and flexible leadership team with a clearly defined and communicated vision will be better able to adapt and have a quicker response to change.

Strong leadership during this period will keep the vision of the business clearly communicated, staff engaged, empowered and motivated.

Strong intrapreneurial skills will be encouraged and supported and internal tribes and project teams will be supported and given the guidance and tools they need to be able to reach the businesses goal.

This approach is the antithesis of the command and control leader of yesteryear but essential for sustainable retailers.



**WE ARE
FASHION
REVOLUTION.
WE ARE YOU.**

Agile product is a shift for retailers who are used to buying in bulk for seasons, those still adopting these methods in apparel will have warehouses of stock ready to be heavily discounted and pushed through promotions to turn it into cash.

The agile fashion retailer has an agile supply chain, buys quick and fast in smaller numbers with quicker lead times and releases in limited quantities through 'drops' creating excitement, high demand and a 'I got it first' mentality from customers.

Data from these drops can be analysed to understand which product types and categories will be successful and then reordered and reallocated.

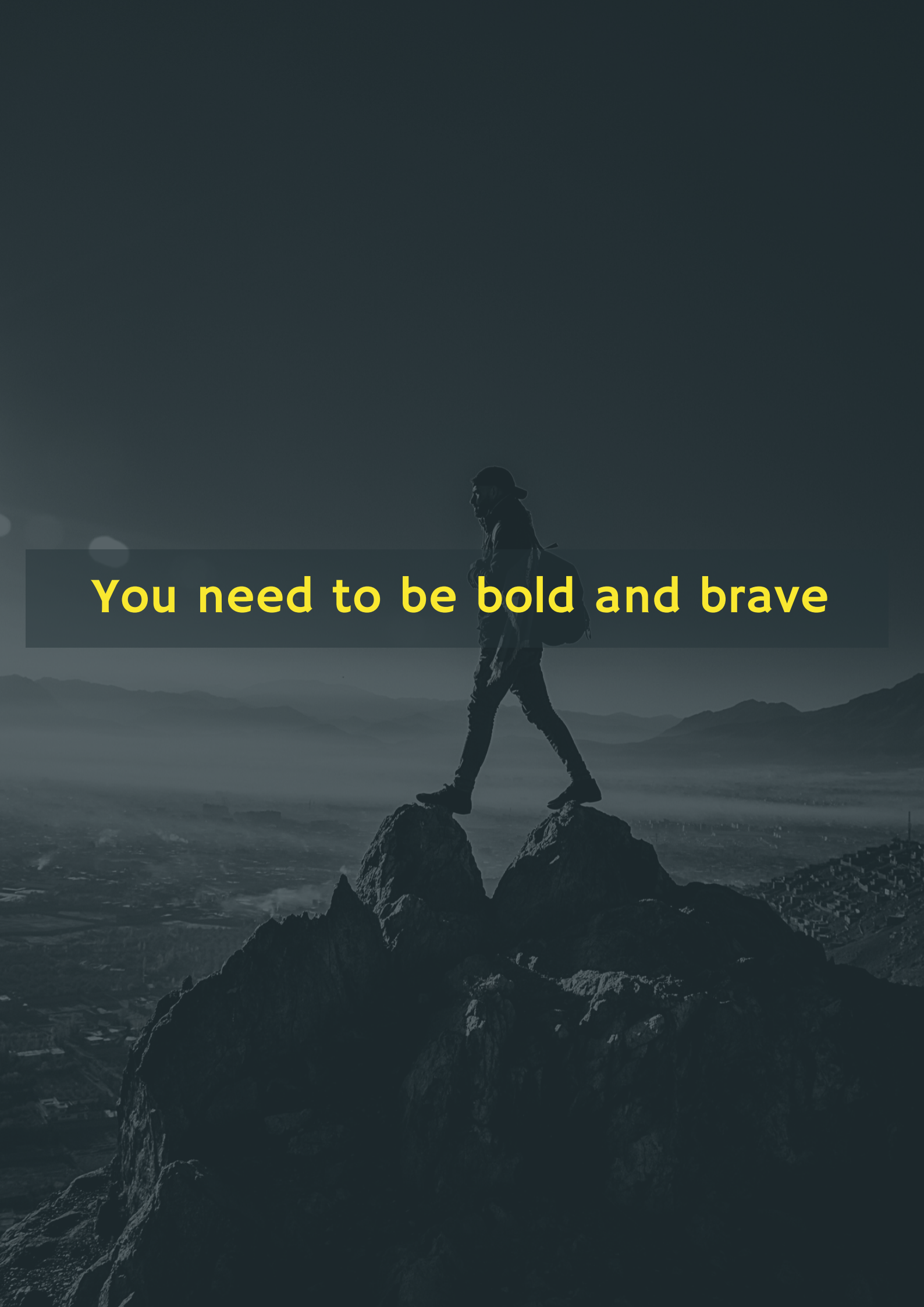
It's a faster, more dynamic approach but it's spreading the risk as opposed to buying in bulk where you are in danger if the season, trend or customer goes against you. Success is determined by listening to the customer and responding accordingly.

Technology and data are going to help businesses tie all this together; it will provide timely and accurate information and insight and the ability to communicate with and interpret the trends of your customers.

With this understanding, a clear vision clearly communicated, engaged and empowered people and a strong brand essence, you are on the path to agility and the ability to be able to pivot your business, through any channel at any time to best serve the needs of your customer.

However, always be ready to rip up the plan and re-set, the only certainty in the future retail market is change so a mindset of constant agility and change is now a prerequisite.

You need to be bold and brave





Almost all CEOs have to satisfy short-term return to shareholder requirements. Which is at odds with the fast-moving, rapidly changing, consumer-led world we live in today. If we restrict our business leaders to making short-term decisions, then we by design limit the growth potential and may even unwittingly be threatening the very existence of the business.

Retail businesses now more than ever need to be brave and this needs to come from the leader(s). Too many retailers have stalled, and the results have been redundancies, store closures and with the new lockdown and eventual ending of the furlough scheme there is worse to come.



Businesses need to react, stabilise, adjust and grow but in order for this to happen, hard and fast decisions need to be made.

There is a myriad of factors to consider in the current retail climate - product, digital, data, operating stores in the new normal, costs, supply chain, staff - all with the ultimate goal of getting closer to the customer.

Bravery also includes having difficult conversations with landlords.

As an example, a retailer bucking the current trend who acted quickly in the first lockdown to tackle the issue of high rents in under-performing stores. The result; £4m saved, £2m deferred and £6m under consideration.



Investors whether shareholders or (private equity) owners will inevitably be putting pressure on Chief Executives and retail leaders for results. They will need to hold their mettle and be both realistic and pragmatic.

Many retailers are in survival mode and whilst looking at operational efficiencies, cost savings and organisational restructure to secure a future, the growth and profit expected by investors will not be possible.

Instead of focusing on turnover and profit, brave retail leaders need to be focused on their customers and coming up with creative and innovative ways to keep them excited and engaged and the investors need to be on board. In the words of James Timpson:

'Our focus again is not on making profit, it's on running a kind and compassionate business. If we do this well, we seem to make a bit of money at the end of the year'.

Perhaps a new model of remuneration is required where the retail leaders have skin in the game (akin to private equity) and to show their absolute commitment work on a success model rather than the model of old where large salaries, bonus and LTIP's were all paid out and the business has suffered for years after.

A grayscale photograph of a woman with long, wavy hair, smiling broadly. She is wearing a dark, polka-dot top with a ruffled neckline. She holds a large, open notebook in her left hand and a pen in her right hand. The background is a plain, light-colored wall. A semi-transparent dark gray rectangular box is overlaid on the image, containing the text "Authenticity is at the heart of great leadership" in a bright yellow, sans-serif font.

**Authenticity is at the
heart of great leadership**

Think of some of the personalities who have created game changing retail businesses and certainly the names Steve Jobs at Apple and Jeff Bezos at Amazon will immediately spring to mind. What about closer to home – Tim Steiner at Ocado, Ben Francis at Gymshark and James Timpson at Timpson's.

While I'm sure we all would love to create and run any of these businesses what these individuals have in common is absolute laser focus on their business, brand and customer. Future retail leaders need to have the entrepreneurial mindset of these individuals coupled with the unwavering passion for the business or brand they represent; they need to own it.

*The secrets of success are out there
to be replicated and used.*



Jobs famously was a difficult person to work for but no one person can claim to be the finished article. However, he lived and breathed Apple and everybody (colleagues and customers) knew what the vision of the brand was.

All of these personalities are synonymous with their businesses and they too have created true brand essence from a cobblers to a gym wear brand.

Books have been written on their methods, successes and failures and looking to future retail leaders like Ben Francis (who is still in his 20's) is highly visible on ALL social media platforms and most importantly YouTube.

In his various posts he talks about creating his business, daily routines, how meetings are conducted at Gymshark and the recent £1 billion valuation and expansion internationally.

This transparency endears both him and the brand to his customers and followers who are more curious about brands and where they spend their money.

How do you most effectively communicate with customers now?

Social media.

James Timpson posts everything from shop openings to financial performance on Twitter, a recent post from Ben Francis was about making a contribution to a customer's 'Go Fund Me' page – there will be numerous other examples out there but being authentic, living and breathing your brand and being totally transparent with your colleagues and customers is a definite requirement for the retail leader.



A man wearing a dark cap and a plaid shirt is focused on pouring a dark liquid from a metal dispenser into a clear plastic cup. He is standing behind a counter. To his left is another clear plastic cup with a circular logo that says "STREET FOOD". On the counter, there are some papers and a pen. The background is slightly blurred, showing what appears to be a kitchen or food service area. The overall tone of the image is professional and focused.

Culture:
**Be a beacon for employees
and customers alike**

*Culture comes from the top,
but it also has to be bottom up.*

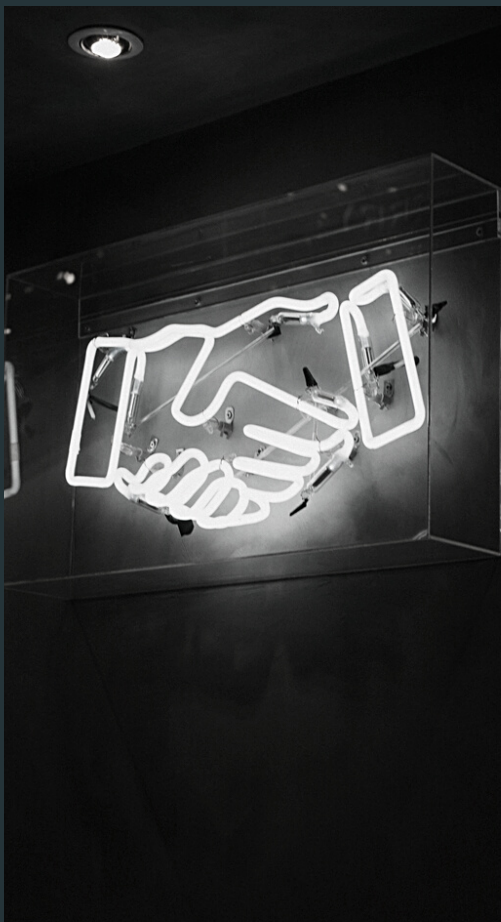
The most effective, customer centric businesses hire people who want to help. They are ambitious but also humble. As both of these characteristics are required if you're to successfully create a customer centric culture.

Take Amazon as an example. The innovation that comes out of the business on an almost daily basis has customer centricity at its heart. Jeff Bezos is well quoted as saying that every day at Amazon is day 1. Day 2 is excruciating, painful decline.

This mindset drives the constant innovation and striving to continually raise the bar and improve the experience it delivers for customers.

As good is never good enough.

Essentially, he has created a business that thinks and behaves like a start-up. The Amazon approach also involves encouraging their colleagues to fail fast. To try new things but to not penalise failure. This is almost a polar opposite approach to long established businesses with traditional operating models and practices. Failure is failure. And not to be repeated. One hopes that Amazon will ensure that in addition to putting its customers first it also does likewise for its employees.



To be truly customer centric and to maximise customer lifetime value, culture needs to permeate all parts of the business.

As the whole value chain has an impact upon customer experience. Take the example of AO.com.

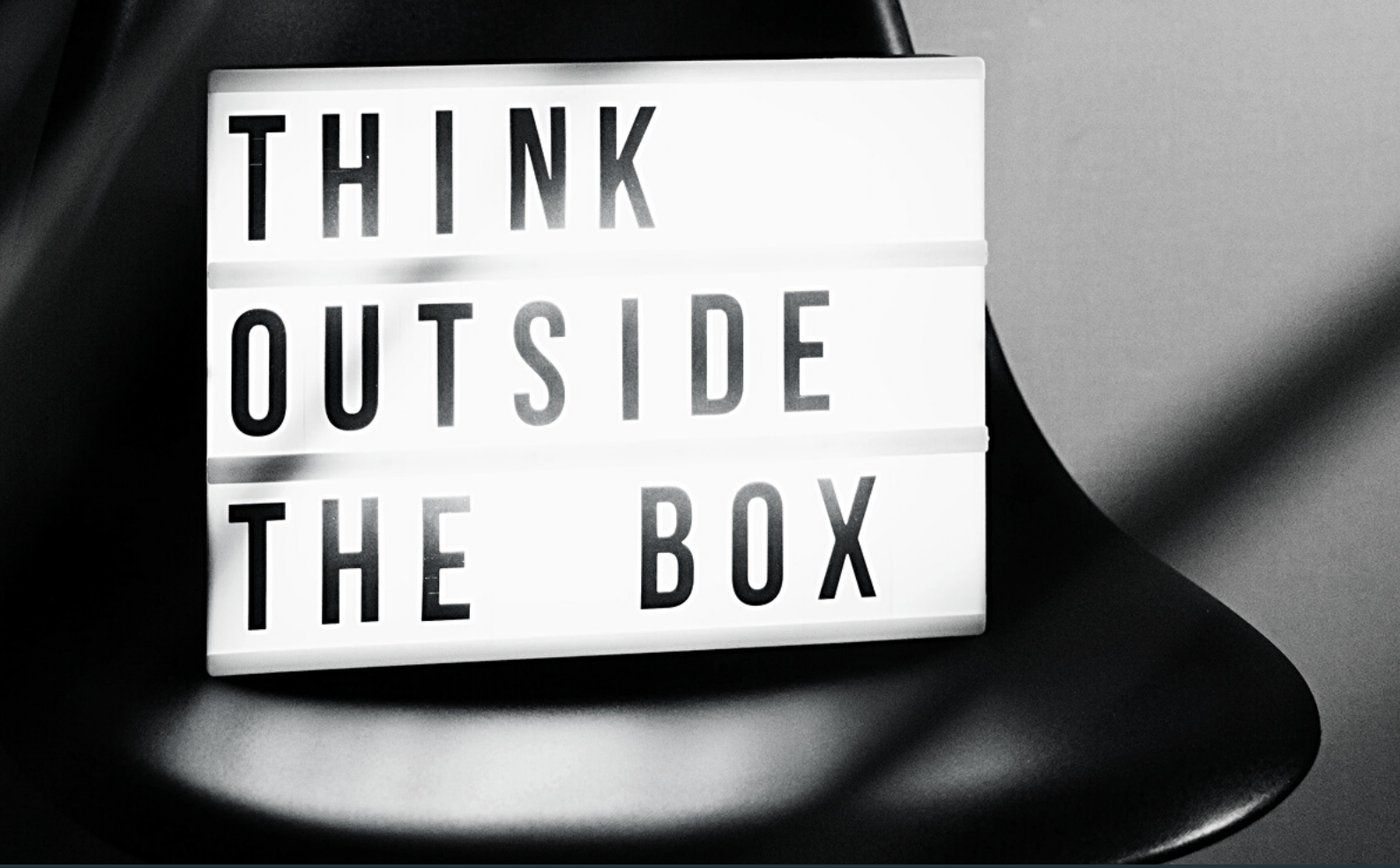
The installation and logistics team are not as you might imagine, incentivised by speed or volume of deliveries, they are only incentivised by customer satisfaction.

That in turn, drives the right behaviour and the right outcomes for customers as it maximises customer satisfaction of the experience.

And guess what customers then do? They spread the word about AO.com, over the dinner table, at the watercooler in work or even better, they amplify it on social media.

A hand holds a white Square payment terminal over a smartphone. The terminal's screen displays a payment confirmation with the amount "\$32.85" and the instruction "Tap, Insert, or Swipe" above a contactless payment icon. The background is a blurred cafe setting with a coffee cup and another smartphone on a table.

**Vision and pragmatism
go hand-in-hand**



THINK OUTSIDE THE BOX

The retail businesses that prove to be successful in the next 5 to 10 years will require a leadership skill set that is both visionary and sees beyond the here and now, but just as importantly, has total clarity on what needs to change in the business over the short, medium and longer term as it transforms itself for long-term success.

As the pandemic has shown us all, businesses need to be able to pivot when required. They also need to be agile and nimble enough to affect rapid change. That requires the CEO to be an agent of change.

You can only transition a business with any scale when the CEO assumes the responsibility to drive change. Otherwise the traditional operating model will get in the way.

The CEO can help to ensure that different business units work collaboratively.

Everyone has to be pointing in the same direction with shared objectives and synergistic KPIs and measures in place to ensure that each business unit is pulling the same way.

This is very much at odds with how things work currently with most organisations, where business units all have their own KPIs, which are operational and relate only to their part of the business and have nothing to do with customer centricity.

A modern conference room with a large table, chairs, and a projector. The room has large windows and a grid ceiling with recessed lights. The text "The make-up and structure of the board" is overlaid in yellow on a semi-transparent dark rectangle.

The make-up and structure of the board



While governance is at the heart of a successful board, so is ensuring the business has the right leadership and strategy. To ensure this, the board must lead by example and set the tone for the business.

The elephant in the room that boards must address is Diversity.

All too often, diversity is treated as a tick box exercise. It's vitally important to ensure that a business has a board that reflects the customers it serves. Otherwise the board will be so far removed from core customers how can it possibly be expected to make the most effective strategic decisions?

Of course diversity is more than ethnicity, sexuality or gender. Disabled customers account for a significant number of consumers. Far more than you probably realise. 14m, or around 22% of the population of the UK, have some form of disability.

In general terms, retailers do a really poor job of catering for the needs of disabled customers. Whether that's a lack of wheelchair access, poor instore signage and POS for visually impaired customers, those with guide-dogs being denied entry or toilets not being made available for when customers with irritable bowel related illness need to use the facilities.

Having someone who has a disability on the board and having a partnership with the right industry body such as Disability Rights UK would help to ensure that this hugely important group of customers' needs, and experiences are given the appropriate level of focus. Which is not only morally the right to do, but also commercially.



Another way of helping to mitigate any lack of relevant expertise at board level might involve putting in place a shadow board. This would potentially be made up of younger people in the business who could advise the board on changes to technology and behaviour amongst younger customers and what the business should do to maintain its relevance.

Shadow boards are a relatively new concept but one that has been embraced by strong consumer brands including Prada and Gucci. Under CEO Mario Bizzarri, Gucci underwent a transformation to make the business more relevant to today's marketplace, part of this transformation was the introduction of a 'Shadow Board' made up completely of millennials.

The shadow board meets regularly with the senior management team and is made up of individuals from across a range of business functions who are seen as 'the most talented people in the organisation'. They discuss the issues faced by the board and the insights shared have served as a 'wake up call for the executives.'

Since its inception sales at Gucci have grown 136% from 3,497 million Euro (FY2014) to 8,285 million Euro (FY2018); digital strategies created with the shadow board played a big part in the growth.

Leadership teams need to look dramatically different going forward and perhaps a way of achieving this is to look outside the sector for emerging talent.

Stephen Daintith the recently appointed CFO of Ocado came from Rolls Royce, Alex Baldock the CEO of Dixons Carphone (and formally Shop Direct) came from banking and new appointments at Amazon have come from the defence, logistics and automotive sectors.

These businesses are ready for change and believe if you keep doing what you've always done, you're going to get more of the same. They actively look outside the retail sector for talent for different perspectives and ways of thinking rather than revert to the old playbook.

It is then the role of the CEO and leadership team to provide the tools these individuals need and empower them, acting as a coach / mentor who is as prepared to listen, learn and follow rather than just lead.

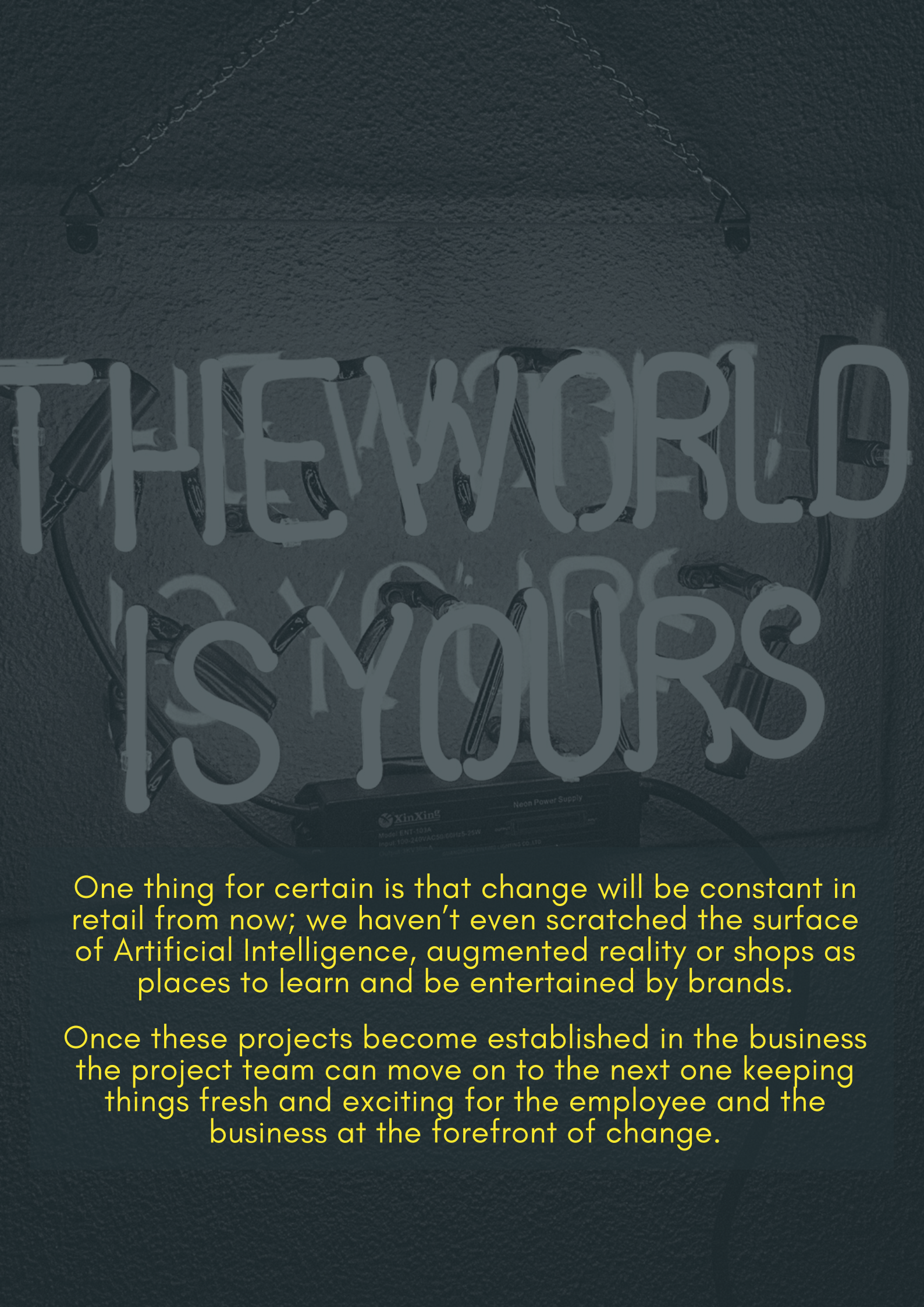
Not only will this attract the best talent to the sector but if colleagues feel empowered, trusted and part of a team, they are much more likely to be engaged and loyal to the business.



Structures need to change within these retail businesses. If the leader is locked in their office taking sole responsibility for leadership and strategy, they won't be accessible or available to their colleagues who will have ideas and strategies on their own and are much closer to the mindset of their customers.

Shadow boards would break down these barriers and create an environment of free and collaborative thinking – millennial colleagues want to be involved and heard. Obviously, they will not have all the answers or experience but with close mentoring they can certainly bring a valuable contribution.

Another alternative to the typical hierarchical structure inherent in so many businesses is a senior leadership team split between business as usual (BAU) and future project initiatives.

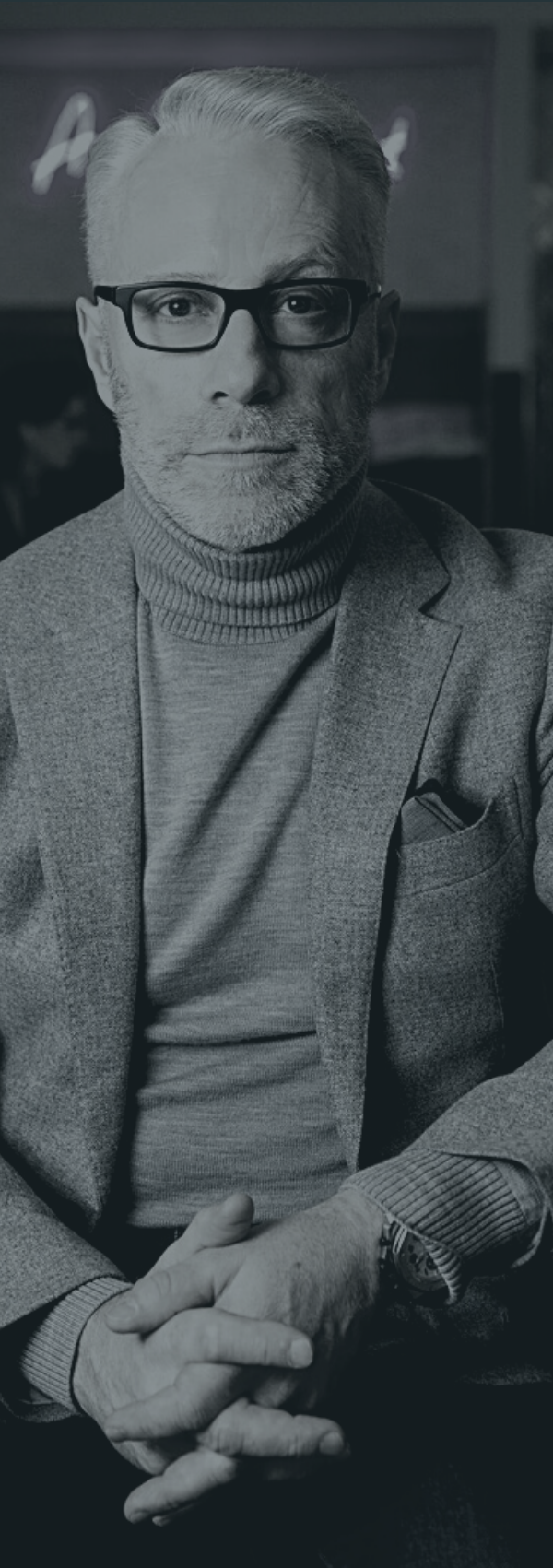


THE NEW WORLD IS YOURS

One thing for certain is that change will be constant in retail from now; we haven't even scratched the surface of Artificial Intelligence, augmented reality or shops as places to learn and be entertained by brands.

Once these projects become established in the business the project team can move on to the next one keeping things fresh and exciting for the employee and the business at the forefront of change.

About the authors



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Also known as 'The Consumer Champion', Martin is a force for positive change.

Martin has worked in retail for 37 years, heading up ecommerce for Burberry, Harrods, Pentland Brands and Ted Baker.

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