


Thinking like a customer: the path to retail success



A hand is shown from the left, holding the handles of several colorful shopping bags. The bags are in various colors: brown, black, yellow, pink, and light blue. They are hanging against a light-colored, textured wall. The background shows a sandy beach and the ocean in the distance.

Trading teams are at the heart of any retailer, but are facing a more challenging market than ever before. For retailers, it's time to re-think how you operate.

How can you maximise the talent within your trading teams to deliver a market-winning customer and commercial proposition? And how can engaged and empowered teams be built that operate within agile structures across the business?

Today's retail leaders take a comprehensive approach that encompasses deep customer knowledge and brings together the best of technology and process to delight the customer.

For senior retail executives who wish to empower their buyers and merchandisers to act on their insights and conviction, there is good news. There are simple, yet effective solutions, which can have significant impact, without large upfront investment or organisational upheaval.

After more than 20 years of frantic online retail growth, and over a year of pandemic lockdowns, we believe traditional retailers can compete, and win, in a multi-channel world.

Here's how.

Trading teams sit at the heart of the retail proposition. They are at the frontline of the decisions that dictate whether an offering is a hit or a miss with its target audience.

And yet, the priority for investment in the past two decades has been everywhere but here. Supply chains have been optimised; inventory management automated; customer experiences digitised. In the rush to streamline and to modernise, the inherently complex and judgement-laden decisions that a trading team faces have remained defiantly un-digitised, while also facing ever greater resource constraints.

At the same time, these teams have had to manage a range planning process of ever-increasing complexity – from new channels; to brand acquisition; international expansion and the demise of traditional seasonality. Often, processes have been tweaked around legacy systems and spreadsheets, but very rarely reimagined or redesigned from scratch, to allow the teams to survive and thrive in the digital era.

Before we get to the solution, it's important to fully acknowledge the problem. The more competitive the world gets, naturally the more scrutiny the range decisions are placed under and people feel the need to defend their

future range decisions. And the most common way to do this – to present an 'unshakeable case' – is to point to historic data. When lacking forward thinking insight to evidence decisions, professional judgement appears unsubstantiated and can be derided as 'gut-feel'.

Therefore, decision-makers become trapped in a defensive, backward-looking posture, reinforced by a culture of caution and a daily routine consumed by data-entry and collation.

This doesn't work, and ever since time froze for traditional retailers in March 2020, it has become very clear that we can no longer draw on the lessons of history to make our plans for the future. There has been a seismic shift in customer behaviour, their needs, expectations and values. An understanding of the core customer based on 2019 behaviour will not be valid today. The world was always uncertain of course, but the past year has brought home just how difficult it can be to plan for a future season. What will you be wearing, eating, sharing and posting as the world unlocks?

The right solution must restore confidence that trading teams have everything they need to make these calls. Sound good? Then follow these steps.



Achieving 'customer intuition'

During the first lockdown, the winners were those that accurately understood the mood and new needs of their customers, while the rest of the world was in panicked free-fall. They were able to pivot their propositions and product ranges accordingly, and maintained engagement with them. There was no way to point to historic data to achieve this understanding; that could only come from timely insights, informing their deductions and reasoning, and giving credibility to their judgements. This is what we call customer-intuition and it is an intuitive understanding of the customers' needs based on real, timely data, insight and agility.

Many retailers claim to be customer-centric, but if insight-driven thinking is not truly embedded into the trading team DNA, and if ALL you do is focus on past information and present data, you are always in reactive mode. The successful trading team is in tune with their customers, in sync with their needs, and can both respond and predict their preferences, effortlessly.

We work with many retailers to help them unlock their trading teams' potential, bringing together deep understanding of customers' needs and behaviours to ensure they can deliver successful ranges that their customers want. It is the cornerstone of the range planning process and category strategy, and it's powerful when a team is given the chance to unlock it. To assess how 'in-sync' your trading team is with your customers, consider when was the last time they spoke in depth to the target customer base to understand their current and future needs and desires? What are the regular key touchpoints they have with customers? Do they understand the customer well enough to know whether the product range meets their needs and how those needs are evolving? And then, the holy grail: can they consistently look at the available information to make intelligent and accurate inferences about what customers don't yet know they want?

Trading teams can't do all this themselves. To a significant degree, they need the information to be gathered from multiple sources and presented to them in an easily digestible way that enables them to make better decisions.





Why does this have such a transformative effect? One reason is that the greatest weakness of traditional retailers is also their greatest strength: physical constraint. The knee-jerk reaction to the 'anything-anywhere-any-time' online threat was to try to create a product range that is everything to everybody. It doesn't work, and it's not what people want. For traditional retailers, underlying this failure

was a lack of data driven insights and understanding of who their customer is and what they want.

Customer intuition gives trading teams the confidence to develop a 'curated' range, which in turn helps the customer understand the proposition. This will not only improve sales, but also drive efficiencies and improve profitability.

How to implement effectively

Knowing what the customer wants is a big piece of the puzzle. But it's not enough. You then have to deliver.



For senior retail executives who wish to empower their buyers and merchandisers to act on their insights and conviction, there is some good news. The best solutions do not require large upfront investment, a long and uncertain implementation period, or overnight organisational upheaval.

The key ingredient is much simpler: a willingness to be ruthless with existing processes, and implement a culture of continuous improvement. Such incremental process techniques are ideally suited to optimising highly complex,

judgement-laden, subjective functions, and this accurately characterises the core role of trading teams. These will typically involve:

- Providing clarity on the strategy.
- Providing insights for trading teams to understand the customer better.
- Simplifying and removing wasteful activities.
- Creating an environment where trading teams can be creative, in touch with the customer, forward-looking and able to respond at pace.

Such process improvements may lack the perceived effectiveness and appeal of technological solutions, but they are cheaper, faster and much less risky too, relying on small-scale experimentation and adaptation.

Once these solid foundations are in place, it becomes much easier to identify the supporting technology that could be genuinely additive to the new optimised process.

It's always easier to blame the system, but in our experience the technology is rarely the biggest issue.

Central to achieving such an environment is cross-functional collaboration. The artificial barriers within organisations mean you only see what the adjacent department throws over your fence. By breaking down those barriers, everybody can look directly outward – towards the customer.

This requires a cultural change. In our experience, teams tend to be receptive to cultural changes that will empower them to deliver results. But it is a change that must be committed to and credibly communicated from the top. That's not always easy.

Anyone can reduce headcount, but it takes real courage to suggest scrapping a director's trading report that pre-dates your predecessor, let alone flatten hierarchies and mobilise cross-functional teams to deliver customer-focused objectives.

And yet nothing short of radical open-mindedness will do justice to the insights of your empowered trading team.

Once this is in place, retailers will be able to choose the technology that can actually complement trading teams, whether they are tools to recommend assortment extensions, category splits, or artificial intelligence to identify and interrogate emerging trends.

This is an incredibly exciting time for trading teams. As the world gets back into gear, all eyes will be on them. The past year has exposed the ineffective practices that buyers and merchandisers have long been frustrated by, but powerless to tackle. We are confident on their behalf.

For trading teams, we are entering the decade of empowerment.





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Baringa Partners was awarded a silver medal for Commercial Goods & Retail by the FT in their UK's Leading Management Consultants 2021 ratings.

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