

# Reaching the new customer

## Customer-centric innovation drives retail success

**L**ike a fashionista changing clothes, the retail industry has seen many a reinvention and overhaul in its lifetime. Retail — one of the world's oldest trades — still causes a stir and shows no sign of slowing down.

From unorganised to organised, offline to online, local to global, retail is always raring to go. In fact, new retail brands, formats and malls are flourishing and market reactions to new concepts reaching fever pitch.

New and “me-too” merchandise and services now overcrowd the marketplace, disrupting existing retail models. The hardest hit are books and music, coldly banished by consumers in favour of retail innovations that promise a better lifestyle.

What then is the best way for retailers to fight back and stay relevant in a capricious world? Let us examine the current retail management approach and advocate customer-centric innovation as one of the ways forward.

On hindsight, most retailers are fire-fighting when they adopt incremental, step-by-step adjustments. Take, for example, how retailing was conducted in the early years — door-to-door by foot, bicycle, car, van or at a stall or shop front.

The business model was transaction-based where merchandise were sourced and sold at a margin. Retailers, faced with tight resource constraints, became pre-occupied with their operations. Their strategy became making just-in-time, tactical adjustments whenever crisis called for it.

While it has worked for previous generations, there are two key limitations to this approach. First, the piecemeal approach to retail management focuses on fragmented issues — one at a time. We do not get a holistic view of the impact behind all the issues. Second, retail management is mooted from operations rather than customers' perspectives. It lacks customer-centricity.



It is ironical that in the selling process, we have forgotten who we are selling to.

Why then is this approach so popular and commonly adopted? One possible clue lies in its success. When retailers are successful with their decisions, they tend to repeat the same thing instead of seeking different strategies. Our brains are wired for survival after all, and the “safe” route is best. As a result, these “winning” strategies become sacred cows to be observed. New issues are deconstructed and tweaked one at a time to align with the main system, with minimal disruption.

At the other end of the spectrum, failure is also the reason. When retailers struggle with failing performance, they tend to focus on achieving critical

financial numbers in order to survive. Decision-making becomes mainly operational, short-term and cost-cutting in nature.

At the marketplace, a new revolution is taking place. The new customers are a different breed, now transformed with better education, career and affluence. They embrace digital lifestyles, own multi-screens and are comfortable using devices for function or leisure. Their shopping patterns are changing as more leisure options vie for their limited time. They also travel widely.

Today, customers have become empowered by shopping based on their own terms — from anytime, anywhere to customer-centric reviews.

Reaching the new customer thus takes on a whole new meaning today. The road is not as straightforward, and there are detours aplenty — and retailers must be prepared for the bumps ahead.

What clarifies the end-result is a highly disciplined process we call the 4C framework of innovative thinking — Converse, Create, Consider and Consolidate.

Today, customers have become empowered by shopping based on their own terms — from anytime, anywhere to customer-centric reviews. Reaching the new customer thus takes on a whole new meaning ... what clarifies the end-result is a highly disciplined process we call the 4C framework of innovative thinking — Converse, Create, Consider and Consolidate.

When followed through, this formula yields extensive customer-centric innovations and resounding retail success.

**1** **Converse to seek clues from core customers**

What if we can get into our customers' brains and tap into what is closest to their hearts?

What if retailers embark on customer-centric innovation by focusing on gaining deep customer insights regularly? Identifying their joy and pain points may lead to discovery of big enough market insights with immense retail opportunities.

OSIM is the perfect example of this. In the 1970s, it noticed that Singaporeans were working longer hours due to the growth phase of nation-building. It identified well-being as its big enough market insight, converted this into compelling ideas and birthed the massage chair phenomenon.

Samsung gained deep understanding on how people were using its electronic devices through touch. With this insight, it conjured ideas to be a leading player in screen technology. Today, Samsung is known for its screen technology from television sets to smartphones.

The first step to generating big enough market insights that allow game-changers to leverage and win big is collecting customer data. This keeps core customers in line of sight and is absolutely vital for retailers.

So how do retailers gain customer insights in a resource-tight environment?

With the 4C framework for innovative thinking in their arsenal, retail players will always find a steady foothold in the changing retail industry.

| Customer-centric Innovation: 4C Framework   | Types of Thinking  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Converse to seek clues</li> <li>2. Create ideas</li> <li>3. Consider ideas</li> <li>4. Consolidate ideas</li> </ol> | <p><b>Inquiry-based Thinking</b><br/> <b>Creative/Divergent Thinking</b><br/> <b>Critical/Convergent Thinking</b><br/> <b>Iterative Thinking</b></p> |

**Table above shows the various phases of customer-centric innovation and the different types of thinking needed to designing winning retail moves.**

By first pinpointing with clarity what their core business is, and hence who their core customers are. Retailers cannot be all things to all people.

Next, given the profile of these core customers, retailers must spark off conversations to seek clues. A good platform is social media (not for the faint-hearted) where you will hear many conversations. The good, the bad and the ugly — all posted by contributors in their own authentic voices.

Apart from social media, other customer insight collections that are equally revealing are face-to-face interviews, focus group study, questionnaire survey and customer journey mapping.

People are highly social creatures who are influenced by reactions of others. Most do not make choices in isolation. Their conversations with others are one of the most important factors in determining brand choices.

It stands to reason that knowing how to start and inspire these favourable conversations is a highly influential pre-sales activity. As communities build, listen in actively on the conversations, collect the relevant data and identify new insights to change the way to do business.

These conversations drive compensation because retailers now understand and act on what truly matters to their core customers. And what a revelation — that the true value of social media is not what people say, but what retailers hear!

**2** **Create ideas**

With a deep understanding of opportunities and gaps from customer-centric clues, we can move on to creating innovative ideas.

Retailers can engage collective creativity by involving everyone on their teams. Every team member is both a talent and resource. As facilitators, they must promote creative and divergent

thinking among team members by generating as many creative ideas as possible.

**3** **Consider ideas**

From a list of creative customer-centric ideas generated, retailers are now ready to shortlist due to resource constraints. As a team, they engage in critical and convergent thinking to evaluate and select ideas that are aligned to their corporate direction, expertise and resources.

**4** **Consolidate ideas**

From the short-listed ideas, retailers put up low-cost prototypes to further test their concepts. At this point, it is important to engage everyone to provide more comments based on examining the prototype physically. It is better to fail early and cheaply — making U-turns is faster at this stage. Iterative thinking is encouraged, together with continuous improvement ideas.

Involving all team members in the customer-centric innovation process promotes better understanding and alignment. Commitment is also higher as team members begin to own their ideas, thereby bringing greater success.

By taking clues from core customers, retail teams are empowered to re-imagine and re-invent better customer experiences. What you get are holistic, customer-centric solutions.

With the 4C framework for innovative thinking in their arsenal, retail players will always find a steady foothold in the changing retail industry. It is imperative that all retail leaders are equipped for innovative thinking to reach the new customer in a constantly changing and crowded marketplace. **ra**

Dr Lynda Wee is a specialist in retailing, business growth and leadership development. She is the CEO of Bootstrap Pte Ltd ([www.bootstrap.com.sg](http://www.bootstrap.com.sg)).