

# Can Bricks and Mortar Compete with On-line Retailing?

How can bricks and mortar retail stores compete with on-line retailing?

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## How can bricks and mortar retail stores compete with on-line retailing?

Harte Hanks and Strategyn co-developed a strategic marketing service based on the premise that just as consumers “hire” products to do specific jobs, they also hire retailers to help them execute the “buying job” as they proceed along their buyer’s journey. To test the efficacy of this new service, Harte Hanks and Strategyn focused on looking for strategic opportunities to help struggling brick and mortar businesses fight back against the relentless pressure from online competition.

This application of the co-developed methodology looked at customers of leading brick and mortar retailers — Macy’s, Kohl’s, Bed Bath & Beyond, Costco, Home Depot, Best Buy, GNC, Pottery Barn—as well as Amazon.

The results were eye-opening. On the surface, buyers were very satisfied with their brick and mortar retail experience, but further analysis using the Harte Hanks-Strategyn outcome-based segmentation methodology uncovered several unmet buyer journey needs. These unmet needs reveal where and how brick and mortar retailers can effectively compete against online retailers.

The Harte Hanks-Strategyn methodology identified 15 steps in the buyer journey, which buyers evaluate with 134-outcomes. Rather than simply ask customers about their needs, the methodology uncovered every aspect of the job customers hired retailers, both bricks and mortar and on-line, to perform during the buyer-journey. The Harte Hanks-Strategyn methodology is characterized by three fundamental marketing questions:

- What customer-journey-job does (or will) the customer hire the retailer to perform?
- What are the steps for completing this job?
- What outcomes does the customer seek to achieve at each step along the way?

The application uncovered three specific areas of natural advantage for brick and mortar companies:

1. Product identification
2. Product selection
3. Returns

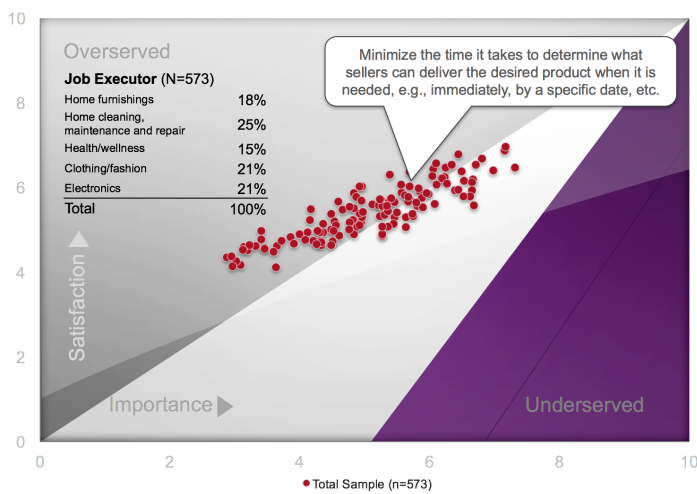


Furthermore, the application also revealed a hidden, underserved customer segment: budget conscious, time-constrained, younger families. This segment – almost 38% of the market - holds the key to the future of brick-and-mortar survival and success.

## Findings

Taken as a whole, retail buyers are very satisfied with their retail experiences. (We found no differences between on-line and brick and mortar experiences.) As illustrated in exhibit I, of the 134 outcomes comprising the retail buying experience, we didn't find a single one where the shopping experience fell short, *on average*.

**Exhibit I**



Each point in the chart opposite represents one of 134 outcomes shoppers look for when buying through retail in-store or on-line.

The vertical access indicates how satisfied on average shoppers are with their experience on each outcome.

The horizontal access indicates how important each outcome is.

Points in the upper left grey area are overserved (satisfaction rating is greater than importance rating.)

Points on the lower right purple area are underserved. Note that there are no outcomes in the purple area.



## Unmet Needs: The key to competitive strategy

We tried traditional segmentation to find pockets of dissatisfaction: Certainly, we thought, millennials are less satisfied than boomers. Wrong.

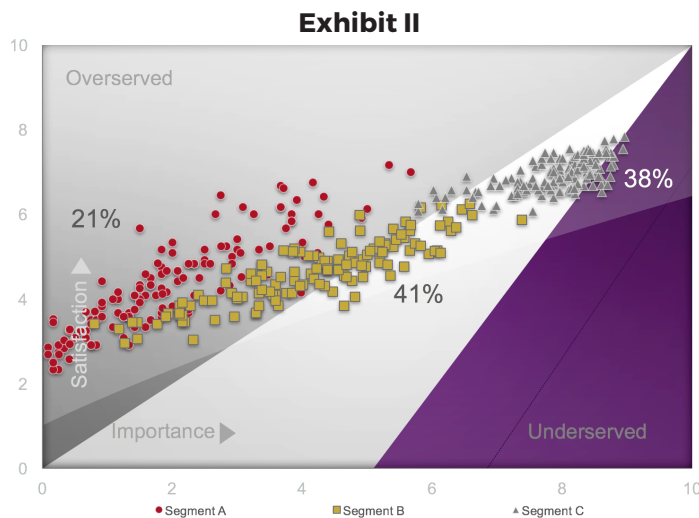
Age, income, education, time spent on-line—all the usual suspects—showed high levels of satisfaction across typical differentiators.

These findings are testament to the excellent strategies and execution of American retailers. (Our study focused on customers of 5 leading brick and mortar retailers—Macy's, Kohl's, Bed Bath & Beyond, Costco, Home Depot, Best Buy, GNC, Pottery Barn—as well as Amazon.)

However, because the Harte Hanks-Strategyn methodology captured data on how each respondent rated the importance of each of the 134 outcomes as well as their satisfaction with each outcome on their latest purchase, we had insights that went far beyond a traditional survey: We segmented customers based on the degree of dissatisfaction. And slicing the data according to dissatisfaction, (we call it unmet needs), revealed a new segment, a group of customers who have very important unmet needs—as many as 38% of the total market.

How could over a third of the population hide in the traditional segmentation analyses? Those segmentation criteria lumped these unmet-needs-responses with those of customers whose needs were being met extremely well. So on average, the segments looked well served. The averages hid the unmet needs.

Exhibit II shows the segment with unmet needs. The details specify the underserved outcomes.



Segments A and B have all of their outcomes overserved or appropriately served.

Segment C, however has 16 outcomes that are underserved. Segment C comprises 38% of the population (about 2 out of every 5 shoppers).



## Unmet needs are a strategic opportunity for bricks and mortar retailers

Bricks and mortar stores have a significant natural advantage in addressing unmet needs of the underserved segment.

The Harte Hanks-Strategyn methodology shows that there are different unmet needs for different types of products. Scott Neslin, Professor of Marketing at Dartmouth, labels one set of products, “fit products.” These are the products customers need to try on and look at in the mirror before buying—or products they need an Apple Genius, or a Best Buy expert to help them figure out which is best for their applications.

The HH-Strategyn methodology uncovers the unmet needs for soft goods—fit products, electronics—fit products, hardgoods—fit products, etc.

The methodology also identifies unmet needs for non-fit products, and points out how bricks and mortar retailers can turn these unmet needs into competitive advantages.

## Whom to target

Profiling the underserved 38%, we learned they are budget conscious, time-constrained, younger families. Greeters to spot the target customer and direct them to the best department, sales people whose jobs are primarily helping customers—rather than closing sales—play areas or at least accommodations for children—these are potential natural advantages for bricks and mortar retailers to attract this underserved segment.

## The HH Strategyn approach: Put it to work for you

Start by asking the right question: *How can your brick and mortar store better compete with on-line retailers?* Even this question is contrarian thinking in that it views brick and mortar retailers as directly competing with on-line retailing. Data shows the more channels—both physical and virtual—a customer uses, the more profitable the relationship. And conventional thinking causes retailers to infer that they should promote on-line retailing so they steal business from their own stores rather than having it stolen by others.

The Harte Hanks-Strategyn view is that consumers ultimately hire the best approach to performing the customer-journey-job as they see it. Rather than pursuing a circular strategy—promote on-line retailing to magically increase customer profitability—we believe bricks and mortar retailers should follow legendary golf teacher Harvey Penick’s advice to always “Take Dead Aim” by finding unmet consumer needs that in-store experiences meet better than on-line experiences.

## Use outcome-driven segmentation and innovation

The Harte Hanks-Strategyn service uses our proprietary outcome-driven segmentation and innovation methodology, to uncover unmet customer needs that are important to the customer and which the supplier (in this case the brick and mortar retailer) is better suited to meet. Our method yields powerful, actionable results: We find the unmet needs and describe the types of customers who have them. The process of applying the methodology for your stores begins by selecting the product categories and competitive set you are most interested in improving.



**Outcome driven innovation has 3 tenets:**

**1. Customers choose a specific retailer or channel to help them get customer journey jobs done.**

We do in-depth interviews of your consumers and discuss their last purchase whether on-line or in-store. Based on these interviews, we define every step of the job your customer is hiring you to do.

For example, in the application described above, one step was:

*Determine which product or service best solves a consumer's problem and then buy it.*

**2. Customers use a set of metrics to judge how well a job is getting done and how well a solution performs.**

We call these metrics the customers' desired outcomes.

*Again, through our in-depth interviews for the application in this article, we identified 134 distinct outcomes.*

**3. Identifying the outcomes that are important and under-satisfied leads to segmenting markets based on the importance of and satisfaction with each of the outcomes.**

Addressing the important outcomes with which consumers are dissatisfied leads to breakthrough products and services.

**Qualitative research reveals the job/outcomes**



**Quantitative research secures needed data**



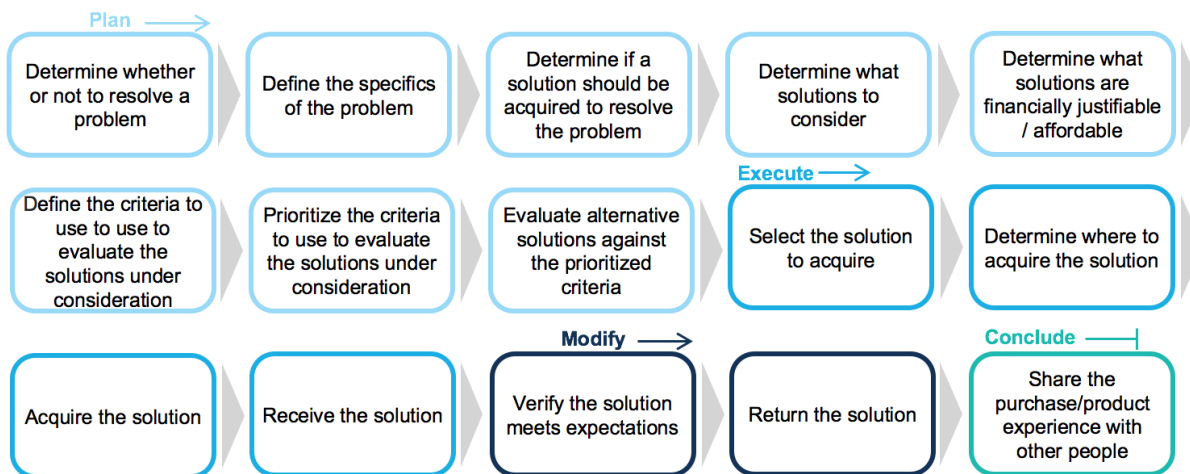
**Segmentation analysis reveals opportunities**



**Insights guide market strategy formulation**



Superficially, our method is the familiar market research process: Qualitative research to create a market questionnaire followed by quantitative research which involves surveying a statistically significant sample of customers and analyzing results to determine implications. The difference in our work is the insight provided by our model. We ask very different questions, and our analysis validates very different kinds of hypotheses. In the application described in this article, we mapped the buyer journey into a 15 step process with 134 possible outcomes:



Our approach helps you uncover hidden opportunities to create competitive advantage by defining outcomes that are both relevant to customers and actionable by your company.

### Here are questions to ask yourself as you develop your competitive strategy:

- How have your in-store sales been affected by on-line retailing?
- In which product categories would you most like to take share back?
- Which competitors would you most like to compete more effectively with?
- Which in-person retailing strategies (e.g., consultative selling, accommodation of families, streamlined returns, etc.) are you already strong in and can feature in your communications with current and potential customers?

### You can read more about Anthony Ulwick, co-creator of the Harte Hanks-Strategy methodology on [MarketingJournal.org](http://MarketingJournal.org):

- [Best Practice: Uncovering Unmet Customer Needs](#)
- [Rethinking Innovation: Can Marketing Help?](#)
- [A New Marketing Era: Focus on Jobs and Outcomes](#)
- [Outcome-Based Segmentation](#)
- [How to Map a Customer Job](#)

### More information

Go to the [Harte Hanks](#) website.





# About Harte Hanks

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Harte Hanks is a global marketing services firm specializing in multi-channel marketing solutions that connect our clients with their customers in powerful ways. Experts in defining, executing and optimizing the customer journey, Harte Hanks offers end-to-end marketing services including consulting, strategic assessment, data, analytics, digital, social, mobile, print, direct mail and contact center. From visionary thinking to tactical execution Harte Hanks delivers smarter customer interactions for some of the world's leading brands. Harte Hanks' 5000+ employees are located in North America, Asia-Pacific, Europe and Latin America.

