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Consumer experience

The new brand
imperative

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CONSUMER EXPERIENCE THE NEW BRAND IMPERATIVE

The battle for Canada's consumers continues to rage. Canadian consumer-facing businesses, new market entrants and global online giants are locked in a fierce struggle for consumers' attention, loyalty and wallet. Efforts to embrace an omnichannel approach are certainly a move in the right direction. However, Canadian businesses are challenged to keep up with the pace of change—much less the capabilities of far larger competitors.

But that doesn't mean Canadian companies are out of the fight. Canada's retailers, consumer product companies and other consumer-focused businesses can still win in the Canadian marketplace. How? By delivering a powerful, positive brand experience that capitalizes on their unique advantage: the physical presence that Canadian consumers *still* prefer.



THE CANADIAN CONSUMER MARKET: ATTRACTIVE AND CHALLENGING

The Canadian consumer market continues to attract new players eager to seize market share. As we've seen in recent years, however, even top brands can underestimate the complexities of the Canadian consumer.

Retailers and consumer products companies face no shortage of competitors. In 2014 alone, 38 international retailers and brands entered the Canadian marketplace, setting up shop in Canadian cities. Newcomers in beauty, apparel and general merchandise have been successful in Canada by combining online shopping and superior distribution. And global online-only marketplaces have also made their mark.

The reason so many companies are turning their attention to the Canadian market is because they see growth opportunity.

That's good news for Canadian consumer companies, of course. It also presents an attractive market global competitors can use to establish a North American foothold as they start expanding.

However, operating in the Canadian market is one thing; succeeding here is another, as a number of domestic and foreign companies have discovered.

Canadian consumers are spending:
Canada's total retail trade rose 3.7% per year between 2012 and 2014, with strong growth in every major category except electronics and appliances.

Statistics Canada

For example, a number of leading retailers have exited Canada in the last year. These closures could be attributed to the companies' lack of e-commerce or omnichannel capabilities—those lacking this ability to serve their consumer the way they wanted to be served. Without a sound omnichannel strategy and commitment to delivering a positive brand experience, failure to succeed in the Canadian market is almost guaranteed.

More than that, many organizations simply fail to understand the nuances of Canadian consumers' behaviours and expectations. Too many believe that their brand is enough win over the consumer—only to discover that it takes a lot more to turn a consumer into a loyal customer. And Canadian companies are uniquely positioned to deliver just what it takes.



OMNICHANNEL CHALLENGES

Consumer companies have been taking steps—often baby steps, admittedly, but steps nonetheless—to adapt to the changing business environment and the world of omnichannel itself. There's no single path to omnichannel success, however, and many find themselves struggling to make progress.

One of the big reasons for companies' omnichannel challenges is a lack of alignment between the business strategy and the organizational structure needed to bring omnichannel to thriving life. A lack of clear ownership and accountability appear to be the main culprits in this. Without identifying a leader responsible for delivering this key component in the consumer experience journey, companies experience cross-functional confusion, miscommunication and suboptimal strategic alignment.

For omnichannel to succeed, it requires a solid governance structure that crosses all functions and draws upon stakeholders from all areas of the business. Omnichannel is not a front-end endeavour; it requires significant back-end alignment—from metrics and incentives to budgets and more—to deliver on its promise. Furthermore, omnichannel needs to be seen not as a cure-all, but as one aspect of delivering a compelling and seamless brand experience to consumers.

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THE BRAND EXPERIENCE IMPERATIVE

In many ways, the past decade has been Canadian companies' warm-up for the competitive battles they're now beginning to face. Canadian consumer businesses are facing competitors that are truly global in scale, scope and reach—with the financial, technological and other resources to match.

But Canadian companies still enjoy a unique advantage over these global, international and non-traditional competitors: they can deliver their brand experience in person—just the way Canadians like it.

Companies that can deliver an outstanding brand experience that makes the best use of their physical and digital channels will be better able to fend off the competition. It will be challenging, but Canadian companies that can quickly grasp what needs to be done and drive change forward will be well-positioned to succeed while battling new competitors in the years to come.



THE COMPETITION IS **REAL** AND **GLOBAL**

Canadian retailers and consumer products companies have had years to adapt to international competitors opening operations on their home turf. But the competitive landscape has changed—and organizations need to recognize that they're operating in a truly global marketplace now.

Perhaps the best illustration of this is the China-based online marketplace Alibaba, which has started selling general merchandise and luxury goods to Canadian consumers. Alibaba and similar online marketplaces often sell products—from designer dresses to furniture and more—at a fraction of the price offered by luxury brands and upscale retailers. Another example would be Airbnb. The marketplace for accommodations has entered the market competing with more traditional hotel and tourism operators and has realized exponential growth and unprecedented success. Consumers welcome the concept of a 'sharing economy', willing to pay for a different experience perhaps without the bells and whistles, but also at a lower price-point.

Not surprisingly, this has traditional consumer businesses quite concerned—because brand alone is no longer enough to convince customers to pay premium prices. Online marketplaces and discounters will inevitably put downward pressure on prices; close to 50% of Canadian retailers recently surveyed¹ said they're already competing with Internet-only retailers through price matching.



DIFFERENTIATION AND EXPERIENCE **MATTER MORE THAN EVER**

Competing on price is a short-term, unsustainable strategy. Clearly, brand reputation on its own is starting to lose its power. Therefore, Canadian companies need to find a new way to set themselves apart from competitors that can beat them on price.

Companies that can deliver strong product differentiation—and a unique, compelling brand experience—will stand a better chance of survival. In this regard, Canadian consumer companies have a significant advantage over their global, online competitors: they can deliver their experience across digital and physical channels, providing a personal connection that can elevate the brand experience into something truly memorable. It's an advantage that shouldn't be underestimated, because as we'll see, physical locations continue to be an important part in the Canadian consumers' world.

¹ Deloitte and Tulip Retail, Retail's omnichannel omnichallenge, 2015.



SEIZING THE BRICK-AND-MORTAR ADVANTAGE

Canadian consumers love to engage with brands and service providers in person *and* shop online. But our research shows that for the vast majority, the path to purchase ultimately leads to a brick-and-mortar location.

To some extent, this may simply be a reflection of Canadian consumer companies' fledgling omnichannel efforts, a lack of innovation in last-mile delivery and—on a more positive note—the growing sophistication of their supply chains.²

Nonetheless, the reality now is that Canadians still complete their purchases at the physical location. Canadian consumer companies that can capitalize on this fact—and transform their brick-and-mortar locations into attractive destinations that deliver a compelling, exciting brand experience—will be better able to keep customers engaged, loyal and spending.

However, seizing this opportunity will require Canadian consumer companies to rethink all aspects of their physical networks. The status quo is not enough.



REDESIGNING THE NETWORK

To deliver a superior brand experience that capitalizes on their brick-and-mortar advantage, Canadian consumer companies need to embark on a comprehensive re-evaluation and redesign of their digital and physical network.

Companies need to ensure they incorporate consumer demographics, geographic areas, product categories, available channels and the all-important path to purchase into an integrated network strategy. This redesigned network strategy combines a wide range of channels—multiple store formats, pop-up kiosks, e-commerce showrooms and mobile-centric offerings, distribution and delivery—to deliver a consistent, compelling experience at every stage.

² Deloitte, Navigating the digital divide, 2015.



REIMAGINE THE STORE

While it's encouraging that Canadian consumers continue to do the bulk of their buying in-store, that doesn't mean companies should rest on their laurels. Consumer businesses need to invest in making the brick-and-mortar experience fresh, exciting and compelling in order to draw consumers in and make the conversion—whether that conversion happens in-store or online.

Reimagining the store will take more than a coat of paint, new LCD signage and some comfortable sofas. Seizing the brick-and-mortar advantage requires companies to deliver experiences Canadian consumers have never seen before—experiences that surprise them, delight them, and make them talk about the company.

Canadian companies would do well to look south of the border to see what some should be U.S. counterparts are doing. New York-based retailer Story, for example, takes its cue from magazines and art galleries. Every 4 - 8 weeks, the company unveils a new storewide theme—or 'story'—and completely reinvents its product line-up and store concept around that theme. From 'New York' to 'Home for the Holidays' to 'Love' and 'Made in America,' Story delivers an entirely new experience to consumers each time they visit. Elsewhere, should be U.S.-based eyeglasses producer Warby Parker has embraced a simpler, analog approach in its retail stores, providing a unique, and refreshingly 'old-fashioned' experience that sets it apart from its competitors. Canadian consumer firms that can deliver similarly unique experiences will be better able to earn consumers' attention, interest and loyalty.





EMPOWER AND EQUIP THE FRONT-LINE

In addition to redesigning the network and rethinking the role of the store or physical location, Canadian consumer companies must upgrade the capabilities of their front line staff if they're to deliver a great brand experience.

Today's front-line staff must do much more than simply sell products. They need to provide advice, offer recommendations and build relationships with their customers. And yet more than 90% of customers leave without converting, our research found,³ because they can't find the right person to help them.

One reason may be that those front-line staffers simply don't have the tools they need to meet today's increased expectations. Equipping staff with tablets and other technology that can enable them to easily help customers evaluate options, choose the right product or service, compare prices, make purchases and arrange delivery can significantly enhance the brand experience overall—and make the physical location a valued part of that experience.

Furthermore, closing the in-store technology gap—both by equipping staff with the tools they need and providing self-serve technology—can also boost the bottom line. Consumers like to have constant access to technology. It allows them to read product information and reviews, giving them confidence that the product they're looking at is a good fit for their needs. It allows them to take advantage of discounts and other online offers, which often has the happy result of additional purchases. And it can also prod consumers to purchase a higher-priced item than the one they were originally considering.



³ Deloitte and Tulip Retail, Retail's omnichannel omnichallenge



GOING THE **LAST MILE**

The ‘last mile’—getting the consumers’ purchases in their hands—remains a key front in the battle for Canadian consumers. Canadian companies are struggling to make headway in this area, but the opportunity for improvement is clear.

Currently, 67%,⁴ of consumers purchasing goods in-store say they’d like to take their purchase home right away—but only 55%,⁵ actually do, often because the product needs to be ordered from another store or warehouse. That’s a big shortfall between consumers’ preferences and companies’ ability to satisfy them those. The appetite for home delivery, in-store pickup of online purchases—or even picking their purchase up from the store later the same day—greatly outstrips what companies are offering.

Yet this also means there is a tremendous opportunity for Canadian consumer companies to improve their last mile offerings, and physical locations are an integral part of this. The first step is investing in more effective prediction of consumers’ shopping and fulfilment behaviours and preferences. Companies should then look at how to make the physical location an integral part of the last mile experience: for example, can stores serve as ‘micro-distribution centres’ to ensure popular products are there when customers want them?



OPTIMIZE ANALYTICS TO DELIVER **SUPERIOR CUSTOMIZATION**

Analytics remains a crucial means for all companies to understand their customers’ needs, preferences, shopping behaviours and paths to purchase. A deeper understanding of what customers want and how they want it is invaluable in enabling companies to redesign their retail network and develop a compelling experience that makes the best use of all channels at their disposal, from mobile offerings to physical locations.

Some companies are capitalizing on analytics to deliver uniquely tailored products direct to their door, leveraging predictive modelling to help them ‘forward-deploy’ certain products to distribution hubs based on anticipated consumer purchases and behaviours. This should enable the company to deliver expedited shipping while keeping shipping costs themselves under control. Similar efforts could be used to enable companies to determine which products need to be on hand at all times so that customers are fulfilled.

^{4,5} Deloitte, Navigating the digital divide, 2015.



BRINGING BRAND EXPERIENCE TO LIFE

Delivering a compelling brand experience will be key if consumer companies are to continue to hold their ground, compete and grow in an increasingly competitive—and increasingly global—marketplace.

But who should oversee this effort? Canadian organizations' omnichannel efforts have been bedevilled by confusion over who's accountable, which may explain the limited progress made by many in this area. Omnichannel is just one aspect of delivering a great brand experience—and brand experience should rest squarely with the Chief Marketing Officer (CMO).

It's abundantly clear that the role of the new CMO has expanded, demanding one that is capable of navigating the incredibly complex, continuously changing landscape of consumer-centric companies. The new CMO needs to be highly adept in a range of areas, especially:

STRATEGY

The CMO must be able to use the consumers' voice to shape marketing strategy, influence business strategy and identify growth opportunities.

CUSTOMER INTELLIGENCE

The CMO needs to stay on top of consumers' shifting expectations, needs and preferences and be able to cascade that knowledge throughout the organization.

ORGANIZATIONAL STRUCTURES

The CMO must be able to adroitly work across functions within the organization to ensure the company delivers aligned, consistent and customer-centric solutions.

OPERATIONS

The CMO must be adept at ensuring customer learnings are applied in near real-time, adjusting marketing, sales, product mix and distribution on the fly as needed.

TECHNOLOGY

The CMO must be able to understand and act on the business intelligence and customer insights provided by today's analytics tools.

FINANCE

The CMO must be able to accurately measure ROI on marketing and brand-experience investments and make a compelling case for allocating budgets to delivering customer-centric solutions.

It's a tall order—but the CMO is best-positioned to lead their company's efforts to deliver a winning brand experience that can deliver a sustained competitive advantage in today's marketplace.



CLOSING THE GAP THROUGH BRAND EXPERIENCE

Over the years, Canadian consumer companies have proven themselves remarkably resilient to the arrival of foreign competitors in the domestic marketplace. But that marketplace has changed, and Canadian companies find themselves facing truly global and very well-resourced competition from around the world.

As competition intensifies, Canadian firms will need to work hard to provide an integrated brand experience that provides a compelling reason for consumers to do business with them. To this end, Canadian consumer companies should capitalize on their unique advantage over their global competitors: the physical locations that still play a significant part in the Canadian consumers' path to purchase.

To deliver a compelling brand experience, consumer-centric companies must combine reimagined brick-and-mortar locations, online engagement, easy e-commerce and multiple, effortless options for product and service delivery that creates a distinctive, differentiated experience that meets the ever-changing needs of the Canadian consumers. Successful organizations will provide an unforgettable experience that elevates the brand and brings the consumer back for more.

CONTACT

Stephen Brown

National Consumer
Business Leader
stephenbrown@deloitte.ca

Jim Kilpatrick

National Consumer
Products Leader
jimkilpatrick@deloitte.ca

Lorrie King

National Travel, Hospitality
& Leisure Leader
LorKing@deloitte.ca

Jennifer Lee

National Retail and
Omnichannel Leader
jenniferlee@deloitte.ca

Rob Carruthers

Atlantic Consumer
Business Leader
rcarruthers@deloitte.ca

Joanna Gibbons

Toronto Consumer
Business Leader
joannagibbons@deloitte.ca

Rick Kohn

British Columbia Consumer
Business Leader
rkohn@deloitte.ca

Lucie Lazar

Quebec Consumer
Business Leader
lulazar@deloitte.ca

Sherri Penner

Ontario Consumer
Business Leader
spenner@deloitte.ca

www.deloitte.ca

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