

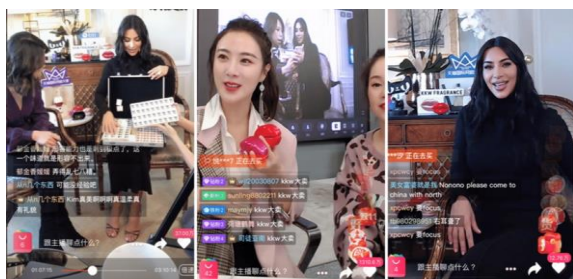
Humanizing Commerce



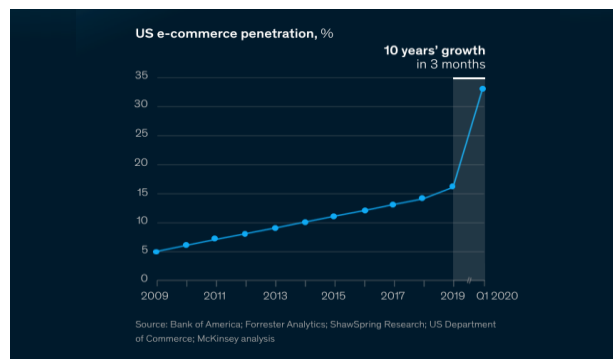
When looking at the state of commerce, it is clear we are at a crossroads. The question we face is NOT - do we go back in time searching for authentic connections, personal advice and the human touch that was once all we knew? NOR is it - should we simply fast forward into an uber efficient, technology-led and frictionless future? In fact, we believe and will show that growth over-performers manage to offer the best of both worlds.

History teaches us that fundamental changes often happen on the back of significant global events. The Spanish flu of 1918 (which ultimately killed over 50 million people worldwide) was transformative in our approaches to hygiene and public health. World War II produced multiple technological breakthroughs such as radar, jet planes, synthetic oils and rubber, which subsequently transformed our lives.

And now, with the COVID-19 pandemic, one of the changes we are witnessing is an exponential shift in how commerce is conducted. Shopping behavior is radically changing with consumers trying different stores, different channels, and different brands to an extent we have not seen before.



New technologies driven by algorithms and AI and to a lesser extent by AR and VR, are facilitating the development of easy-to-use apps which, for example, allow potential customers to click on a product and instantly see it overlaid wherever they point their mobile device in their homes.

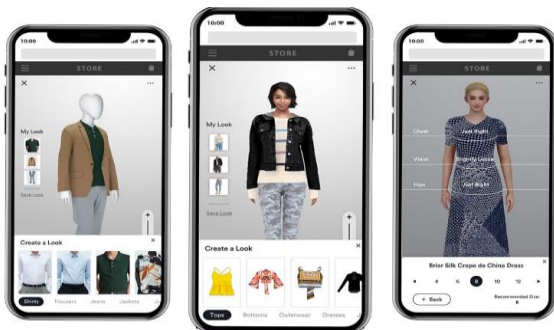


Machine learning and AI which give us the ability to analyze enormous quantities of data and predict what people want and need before they know it themselves. Facebook describes the latest move in e-commerce as a shift from being driven by precise targeting of small groups to a process of products being recommended to individuals based on signals emitted by online behavior. As they put it, we are potentially moving from *People finding Products* to *Products finding People*. Think about that one for a second...

All of this brings countless opportunities: mobile devices are increasingly turning into showrooms, shop windows, and even catwalks for many brands.

And brands are finding new ways for us to shop on social channels. Think of buyable pins on Pinterest, shoppable Instagram, all the way to shoppable feeds on TikTok. Pioneered in China, Social (also called Conversational) Commerce is already a \$63 billion business.

We are also seeing an explosion of online storefronts - new platforms such as Shopify and Facebook Shops have created efficient solutions for smaller brands to open e-commerce storefronts and compete effectively against the traditional dominant players such as Amazon and Alibaba. There are now **1,3 million** businesses in 175 countries on Shopify alone.



This all sounds great and the explosion in e-commerce has clearly been a major contributor to allowing many of us to find a way to keep going through the pandemic.

However, there is a major BUT... As this 'technification' of commerce continues, we are seriously at risk of losing the 'humanity' and consumer-centricity that underlies real, long-term business success and growth. A staggering 91% of CMOs around the globe believe that today's commerce experience needs to be **re-humanized** (source: IRG CMO panel 2021).

Let's be more specific here for a moment. Chatbots are replacing human interaction. Programmatic messaging based on online behavior all too often becomes creepy, intrusive or plainly annoying. Algorithms replace human expertise. Targeted communication replaces the pleasure of serendipity. Some of the small players are crushed by dominant commerce platforms and if we zoom out a bit more, we see whole communities being weakened by the reduction in everyday interactions.

We are at a crossroad, and we need to make some conscious decisions.

YES, remote shopping during COVID prevented unnecessary virus exposure. The ongoing expansion of fast and inexpensive deliveries means consumers in rural areas are increasingly better served. New delivery networks have resulted in quicker order fulfillment at a lower cost.

BUT: Increasing amounts of consumer data gathered by online retailers leads to privacy concerns and ongoing data security issues. Customer service becomes increasingly impersonal and frustrating for the consumer and more often than we like, customer reviews are becoming 'gamed' thereby increasing consumer mistrust.

YES, there are signs of the flattening of structures and the breaking down of internal company silos - driven by the need for companies to be fluid and flexible as they interact with consumers across multiple on and offline touchpoints.

BUT frontline warehouse and delivery workers have borne the brunt of virus exposure often with insufficient personal protection, brutal working conditions and low pay offered by dominant platforms.

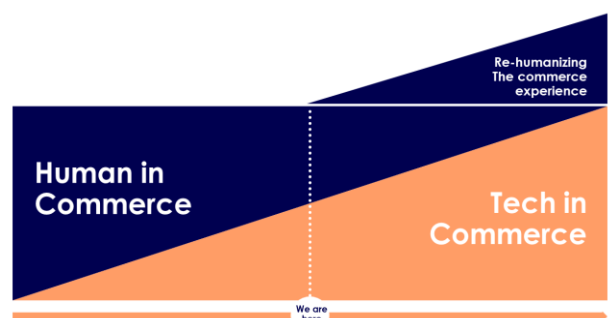
YES, brands have alternatives to the large platforms and can serve their local communities more easily – keeping taxes, profits in local communities. And smaller towns and rural communities are becoming increasingly attractive as alternatives to urban life with fewer trade-offs as products and services more readily available.

BUT the dominance and practices of large platforms leave small brands less able to compete and see their IP at risk of own-label versions of best sellers. And let's be honest: tax avoidance tactics used by dominant platforms worldwide have resulted in fewer funds being available for investment in local communities and infrastructure.

These are challenges that many or all of you are likely to be facing. They are challenges for the industry. And as I mentioned at the start of this presentation, the question for us now is NOT whether we should go back in time in search of the traditional personal service and human touch that was once an integral part of commerce. Nor is it whether we should simply fast forward to an uber-efficient and frictionless future.

Our research shows that growth overperformers manage to offer the best of both of these worlds. They **humanize the commerce experience**.

The big question then is, of course: **what** does that look like, a humanized commerce experience?

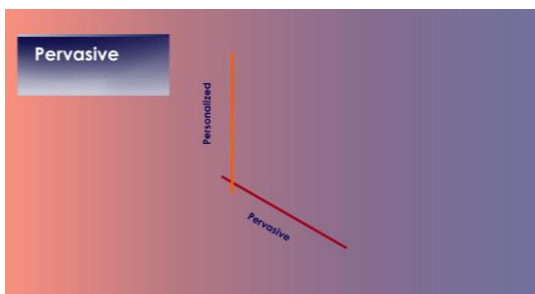


The answer to that question is threefold because there are three dimensions that come into play when humanizing the commerce experience.

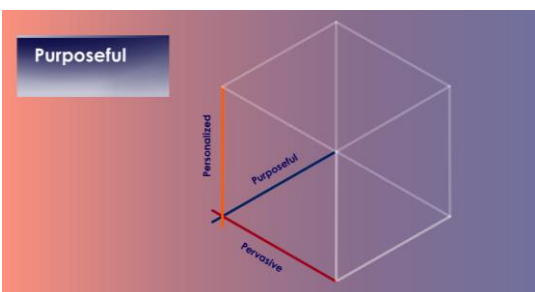
The first dimension, which we plot on the Y-axis, is how **Personalized** the commerce experience is; to what extent is it really tailored to your needs and fully fit-for-purpose?



The second dimension, plotted on the X-axis, is determined by the extent to which the experience is **Pervasive**, flawlessly connected and consistent across all channels and touchpoints?



And then the third dimension, the depth, if you will. This is about the extent to which the experience is truly **Purposeful**. In other words: being genuinely meaningful and having a purpose that is an integral part of how the brand creates sustained value for all of its stakeholders.



Now we are clear what we mean by a humanized commerce experience, let's dig deeper into how to make this happen.

We'll again look at each of the three dimensions.

Personalized

Effective personalization in commerce requires deep **empathy** with our customers. We all know what its like to be pursued around the web by a brand or product that we have already purchased or were merely researching for a later time. We know how ridiculous it can feel to receive a Twitter ad for a product in a category that we will never purchase from. 60% of marketing and growth leaders disagree with the statement that today's commerce experience is delivered with empathy (source: IRG CMO panel 2021). Personalization driven by empathy starts with adopting the right mindset and frame. Jeff Bezos has made the ever-evolving expectations of customers a key pillar of his corporate strategy, describing them as 'the beautifully and wonderfully dissatisfied'.

Now that's a key reframe – don't think of evolving customer expectations as an annoyance but rather an opportunity to beat your competitors. Bezos himself says, 'the number one thing that has made us successful by far is an obsessive and compulsive focus on the customer'. He really encourages people to become customer-obsessed rather than competitor-obsessed. If you focus only on the competition, at some point, you might be number one and you're going to feel great for a moment, but then in reality, you've got nowhere to go. Whereas if you focus on your customers, they will continually pull you into the future, a future that they define for you.

A powerful process that helps foster empathy is Design Thinking. Design thinking approaches users with the goal of understanding their wants and needs, what might make their life easier and more enjoyable and how technology can be helpful for them. When design thinking approaches are applied to business, the success rate for innovation improves substantially.

Taking consumer empathy to the next level, we should think about what Charles Eames, the designer of the famous – and beautiful - Eames Chair, had to say on the matter: "Your role is that of a very good, thoughtful host, all of whose energy goes into trying to anticipate the needs of his guests - those who enter the building and use the objects in it."

When this is done well, it can have a powerful effect. Many of us enjoy Spotify's 'Made for You' Playlists that, using our current listening patterns and favourite songs, create new personalized playlists. On a weekly basis, serving up a delightful mix of new and familiar music that is unique to each listener.

In China, Burberry has partnered with WeChat to allow customers to have pre-selected items that they have seen online, ready and waiting for them to try on when they get to the store. The same app also allows customers to reserve a preferred fitting room, select a playlist while trying on items and even choose the kind of lighting they would prefer.



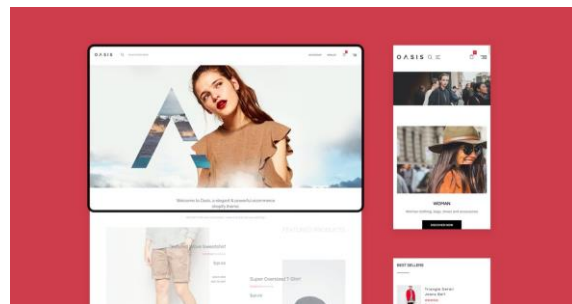
Pervasive

Great modern commerce experiences are also pervasive or seamless. A pervasive commerce approach implies being present in the moments and the channels that matter to your consumers and having the knowledge and agility to change as the ecosystem evolves. It requires that brands operate in a seamless way across all channels, with each channel playing its specific role in delivering a single and relevant overall experience to consumers.

A pervasive commerce approach is also inclusive. Your commerce ecosystem needs to take into account and involve your partners and even your consumers. It's not possible to have seamless commerce experiences without being inclusive with all the actors that play a part in it.

Truck hire companies such as U-Haul now see their role much more expansive than simply renting you a truck to get your belongings from one place to another. They offer a variety of ways to make the entire moving experience more rewarding – selling/renting moving boxes and blankets, putting you in touch with local partners that will help you load and unload the truck and even putting you in touch with people who will clean your new or old home. By offering this, they deeply understand the customer journey has allowed them to create offerings that are much more holistic and make moving less stressful.

The UK fashion retailer Oasis has fused together its traditional stores, e-commerce site and mobile app to offer a seamless shopping experience. In-store assistants carry iPads that can provide the latest product information, allow for the ringing up of a sale anywhere in the store and facilitate the ordering and home delivery of any items or sizes currently out-of-stock in the particular store.



The key reframe here is ensuring that brands provide information, services and opportunities to purchase in an **intuitive** way that suits the customer rather than interrupting those potential buyers at inopportune moments. Unfortunately a mere 19% of CMOs believe that today's commerce experiences across touchpoints and channels are intuitive (source: IRG CMO panel 2021).

Purposeful

Great commerce brands operate according to a Purpose that aims to create value for all of their stakeholders. A truly **authentic** Purpose must honestly answer the question – How does this brand help make the world a better place?

We've seen brands such as Warby Parker donating a product to needy people for every product that is purchased by its customers and Unilever has recently announced that it will stop using the word 'normal' on its products. The problem however is that no more than 14% (!) of CMOs believe that brand purpose is authentically reflected in today's commerce experiences (source: IRG CMO panel 2021).



Other ideas include sending personal notes in delivery packages, free samples or small extras that make the experience more delightful – the Dutch e-bike brand VanMoof includes a party blower with every bike it delivers. Assembly instructions encourage customers to celebrate their progress in putting the bike together – turning what could be a tedious process into something more fun and memorable.

AstraZeneca, as another example, has recently agreed that, while the pandemic persists, its coronavirus vaccine will be sold for no profit and will be available in perpetuity to developing countries at cost price.

Applying the 3 Ps to your commerce initiatives will ensure that they remain humanized – ensuring that all stakeholders benefit from your activities. Long-term success demands that we take this broader view as we consider the potential outcomes of what we do.

Recent research by the IRG emphasizes the importance of this approach. Both growth underperformers and overperformers have shown shifts pre- versus post-Covid against the metric “How does your company weigh the interests of only shareholders vs. all stakeholders (including employees, consumers, communities etc.) when making strategic business decisions?” For under-performers, this shift was from 27% to 36%, but for over-performers, the shift was a massive jump from 33% to 54%.

Now let's talk about your role in all of this. We believe there are 5 key opportunities for brands to ensure that their commerce remains humanized:

1. Empower your frontline employees to make decisions that delight customers

Actively look to insert humanity at key points of interaction between your brand and your customer. Not everything needs to be perfectly automated. The staff at Pret a Manger can choose to make a customer's day by giving them a free latte, or tea, or another hot beverage of their choosing - for no apparent reason. Pret has an actual policy called “random acts of kindness “. The policy entitles every Pret a Manger branch to a budget they can use to give away free coffee and food to customers. And keep things grounded: team members are not given extensive guidelines on who they should give freebies too. It is entirely at their discretion.

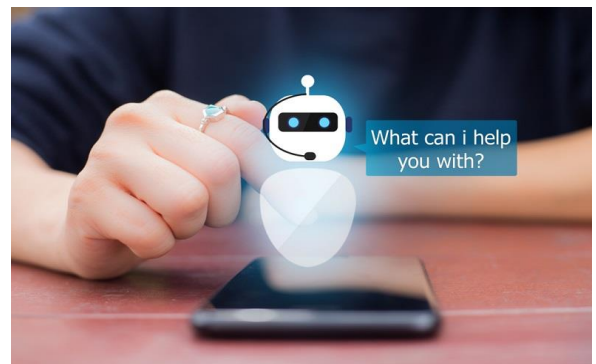


The Ritz-Carlton famously empowers its employees to spend up to \$2,000 to solve customer problems without asking for a manager.

Or Gojek – initially a two-wheeled ride-hailing service, now transformed into a super App that provides more than 20 services ranging from financial to shopping services. The Gojek CEO talks about his 30 000+ employees as mini-CEOs – each of whom essentially has carte blanche to do ‘whatever creates most value for customers’.

Although this kind of approach can seem risky, experience has shown that, when guided by a clear vision and purpose, the vast majority of employees can be trusted to do the right thing. Empowering your colleagues allows them to show and share their humanity.

2. Use technology to enhance, not replace the skills of your colleagues



The most effective use of technologies such as AI and machine learning is to help your colleagues perform their jobs better. Technologies can remove the rote and tedious parts of a job, allowing for human creativity and enthusiasm to solve issues that are more complex. Your customers should feel that at any stage in an automated process, they are able to opt-out and talk to a human.

Chatbots, for example, can be extremely effective in responding to FAQs or streaming customer issues into key topics/buckets, but the efficiency they produce can be highly ineffective if customers are left in endless loops of unsatisfactory responses.

Customer service teams can feel threatened and disempowered by automated processes driven by AI – helping them understand that these are aimed at making their jobs easier and more rewarding produces positive outcomes.

We are already seeing the widespread adoption of AI and Machine Learning as a fundamental part of the practice of radiology. Initially regarded with suspicion, most radiologists now see AI processes are critical in supporting their ever-increasing workloads, helping to automate rote tasks, and offer diagnostic suggestions.

3. Focus on building institutional empathy

The promises of big data and ongoing budget cuts have meant that most corporations have reduced or stopped research into properly and deeply understanding the lives needs of their customers and how these might be profitably resolved.

Big data is excellent at generating hypotheses, but companies then need to spend more time on traditional interviews, research groups, or ethnography to understand the 'why'. As we noted earlier, the customer can be the ultimate source of inspiration to pull you into the future but taking consumer feedback/complaints at surface value only can lead you to miss valuable opportunities.

Think about whether the technologies you are introducing are improving the experiences of your customers. Is using programmatic resulting in brand communications appearing in contexts that reduce the value of your brand or is it only being seen by bots? Are you chasing consumers with messages that eventually annoy them? Remember, just because you can do something doesn't mean you should – we always need to understand if we are really helping our customers.

Taking time to really understand the lives of their vehicle owners and listening to driver feedback led Tesla to introduce 'dog mode'. 'Dog mode' is a climate control feature that leaves the car's air conditioning or heater on when owners leave their pets in their Tesla. The control screen in the Tesla alerts passers-by that dog mode has been activated and pets in the vehicle are safe.



4. Think long-term and operate regeneratively

The default model of corporations has for too long been extractive – what can we take to improve growth or profitably. Applying the 4C's thinking allows us to understand how important it is to nurture and build the communities we operate and serve.

Aggressive tax avoidance whilst (semi) legal can leave local communities decimated – corporations move plants to wherever offers them the best 'deal' and complicated tax maneuvers mean that taxes are often not paid in the countries and communities in which the sales are made. Starbucks paid GBP 2 million on gross profits of GBP 70 million in the UK in 2019. In the long-term this can only have a negative impact on the company and the community in which it operates.

Companies such as Coca-Cola are increasingly focused on water replenishment projects where they aim to replace the water, they use for beverage production in the communities within which they operate. Latest reports from the company state that they are close to achieving a 100% replenishment rate globally.



5. Eliminate internal silos

This may be the biggest blocker to offering powerful modern commerce experiences - organizational dysfunction. Interacting with consumers at multiple points on the consumer journey requires agile and empowered decision-making at all levels of business. According to research by Bain, 94% of respondents saw the biggest impediment to growth as the internal, dysfunctional organization itself.





It all starts with you

Similarly, the IRG Growth Study found that over-performers find the removal of internal barriers far more important than underperformers. But even here, although 50% of over-performers state they are effective at removing internal barriers to growth, *double* that of the score of underperformers, it still is only half. That goes to show how difficult this is. But you can make the difference here. NOT by redesigning your RACI charts, but by focusing on clear guiding principles, for example, "Don't ask for permission, but rather think if what you want to do delivers on the purpose and contributes to the ambition and in the worst case, ask for forgiveness".

Let yourself be inspired by Google, who pioneered a program called Area 120, created when they saw that their biggest impediment to innovation was their HR policy – how people get hired, recognized, and paid. Among other things, in this group, there are no individual targets anymore, only team targets. That's the result of prioritizing the removal of barriers.

In conclusion, we believe that excellence in commerce is likely to become an increasingly important factor in the success of most organizations.

Although progress in this area may often be powered by new technologies you must ensure that adding technology doesn't mean that your brand or company becomes faceless and impersonal - differentiated only by price and efficiency.

Injecting humanity and personality into the buying process will help ensure that your brand remains a salient and exciting choice for your customers. And, as with much we have discussed, success here depends on YOU – other parts of the company will be focused on driving **efficiencies**, it is the CMO who ultimately ensures that the organization is maximally **effective** in its commerce activities.

Frank van den Driest & Mark Murray

With special thanks to Cesar Montes & Jeremy Cohen of VMLY&R Commerce for their contributions.