



RETAIL EXECUTIVES DISCUSS:
THE NEW ROLE OF STORES AND
HUMAN CONNECTION IN A DIGITALLY
DOMINANT ENVIRONMENT

DTC
COLLECTIVE
— est. 2020 —

- Bringing together influential, global voices to realize the promise of digital commerce and shape the trajectory of the retail industry

- **BROUGHT TO YOU BY BLUECORE**

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ORIGIN OF THE DTC COLLECTIVE

The DTC Collective is a community that brings together influential, global voices to realize the potential of digital retail. The group was founded in response to three force majeure events that occurred in rapid succession: First was the onset of GDPR in Europe, which sent retailers who sell or market on digital channels scrambling to update their communications to comply with guidelines that weren't designed in response to companies like theirs. Second was the slow and still ongoing elimination of third-party cookies by companies like Mozilla's Firefox, Apple, and soon, Google. And third

was the onset of coronavirus, which expedited what many analysts had previously predicted would be a three-year journey to a 50-50 online/offline shift in retail. Seemingly overnight, all retail business models—from traditional department stores and chain stores to digital natives—were suddenly operating on the same playing field for the first time in history. The founding members saw a need for a community coming together to do things differently, unlike anything of the past, in order to move into an all direct-to-consumer world and help actively shape the trajectory of the retail industry.

August Executive Forum

The Brand <> Human Connection

The digital-first world comes with seemingly endless opportunities and an imperative to redefine the purpose of traditional channels.

The shift from in-person, human experiences in stores to online experiences through eCommerce presents both the largest opportunity for growth and the largest potential margin for error the retail world has experienced since the advent of eCommerce.

“ *Stores are not just four walls with racks of clothing and rows of products. They’re ecosystems that facilitate connections between brands and people.* ”

Stores are not just four walls with racks of clothing and rows of products. They’re

ecosystems that facilitate connections between brands and people. While the full impact of these experiences is not always quantifiable, it has become abundantly clear that the new digital world will require an equivalent.

With the first digitally dominant holiday season upon us, retail executives connected virtually for the third gathering of the DTC Collective. They discussed where they see opportunities to preserve and drive connection with their customers and how that will manifest in the new role of the store.

In this report, we’ll share the most important takeaways from their conversation. Due to the candid nature of the material discussed, we have not attributed the included quotes to specific executives. All participants, however, are listed at the end of this report.

The Best Approaches for Creating a Connection with Your Customers

Loyalty ≠ points and free money. Building programs that foster relationships.

“A loyalty program is a two-way street of relationship-building. We’re trying to learn about consumers and provide real value to them.”

As a consumer, when you hear “loyalty program,” you think about racking up points and eventually scoring \$10 off your next purchase. This is tied to a promotion economy which has taught consumers to hunt for the deal that’s inevitably around the corner. But the traditional aspects of a loyalty program fall short of appealing to the true motivations of consumers.

People spending \$1,000 on a clothing brand, for instance, aren’t likely motivated by the opportunity to earn a \$10 coupon with their purchase. It’s more likely they care about exclusivity, early access, and building a rapport with stylists.

A successful loyalty program should therefore focus on a series of services and experiences that cultivate a deep connection and understanding of the consumer that eventually leads them to the next product they’ll love. Madewell’s tiered loyalty program is a prime example of this, providing free denim personalization and hemming, invitations to special events, and a dedicated concierge line depending on the tier.



You stand for something even if you don't know it. Elevate.

"We're returning to a place of brand connection that we've previously seen in the pre-manufacturing, artisan days: valuing the creator, what they believe in, and how their product is sourced. Younger brands have the upper hand here because that's how they started out. But as a more established brand, how do you convince a shopper that you stand for something that you haven't stood for before?"



The quality of your product is becoming table stakes compared to the value shoppers find in a sense of community driven by brand beliefs. These beliefs not only include fair pricing and a positive shopping experience, but it also extends to sustainable processes and support of local organizations. Legacy brands who traditionally have not displayed their beliefs openly can redefine their image in a genuine way by surfacing what they've represented to their customers all along. For example, a 100-year old clothing brand where the consumer population has been made up of mostly moderate-income professionals: teachers, nurses, small business owners, can elevate that heritage by partnering with groups associated with that population, such as teacher's unions. Doing so cultivates relationships with existing customers and attracts new ones in a way that is completely authentic to the brand.

Maintain consumer trust throughout massive transformations.

"The media sensationalizes bankruptcy filings. What they don't tell you is what it actually means for brands and that is crucial for how your consumers view you, especially as we enter the holidays."



It's not unexpected for consumers to feel like some of their favorite brands are falling apart – the nature of Chapter 11 filings are portrayed negatively, even when the filing will benefit the consumer long-term. Bankruptcy clears the deck and helps brands prepare for the future. For most of these brands today, this means entering into a massive transformation to build a digital-first business. And while it's unrealistic to say brands will come out of this process unscathed, they can salvage their reputation by continuing to serve customers. Especially for brands with high-ticket items such as wedding dresses and furniture, delivering items on time, providing relevant communications, and offering an acceptable level of service is essential to maintaining trust with customers and working toward a rebound. Consumers may soon forget a brand's financial standing when it doesn't reflect negatively upon their relationship with them.



Consider how social responsibility affects your ability to connect with consumers.

“Younger generations are especially attuned to the diversity and inclusion movement during this time. If we’re talking about creating genuine connections with these individuals, addressing social responsibility is essential.”

Millennials and Gen Z are about to dominate consumer spending power in a way that will overshadow older generations. The desire to capture these shoppers comes with a responsibility to understand and empathize with their beliefs, which are deeply rooted in inclusivity and socioeconomic causes. However, doing this right requires an internal system and structure that is aligned with what and how you support the movement before you externally socialize your beliefs. Take stock of your diversity and inclusion practices and seek opportunities to become part of the solution.

Compete on “best” versus “cheap”.

“Amazon and Walmart are playing a different game that is optimized for price and convenience...those no longer hold a monopoly on value for the consumer.”

When Amazon Prime reached its peak, the retail world thought for a moment that the only way to compete was to match the price and convenience offered by the commerce giant (which no brand could win) or partner with them. And while shoppers remain loyal to Amazon, the direct-to-consumer landscape has evolved to a point where there will always be a place for the “other guys” -- if they focus on providing the “best” product for the consumer. Best has a wide range of meanings, including value, quality, performance, or popularity; but at its core, it represents what is uniquely suited for each individual consumer in all aspects. If brands can couple Amazon’s supply chain power and ease of buying with an awesome brand/ community experience, that will be a powerful differentiator no matter what new platform Amazon brings to market.



Consider curation over selection.

“Some new brands are turning the idea of customer-centricity quite literally on its head. They’re cultivating an audience first, through content, and then deciding what products to make for them.”



Imagine if you created your audience before your product. This sounds odd, but it is the way Glossier started out. Founder Emily Weiss turned her beauty blog into a \$1B+ brand, and now we’re seeing content consumption becoming a big way in which consumers connect with brands. This shift is even being cultivated at a young age, where children watching YouTube videos start to develop affinities for the toys, clothing, and snacks featured. With the massive shift to eCommerce, the days of big advertising dictating the “style” for the season are coming to an end. Consider how your customers can inform your next product and reduce dependencies on endless merchandise that may not even interest shoppers.

Store Opportunities Created by the Digitally Dominant Landscape

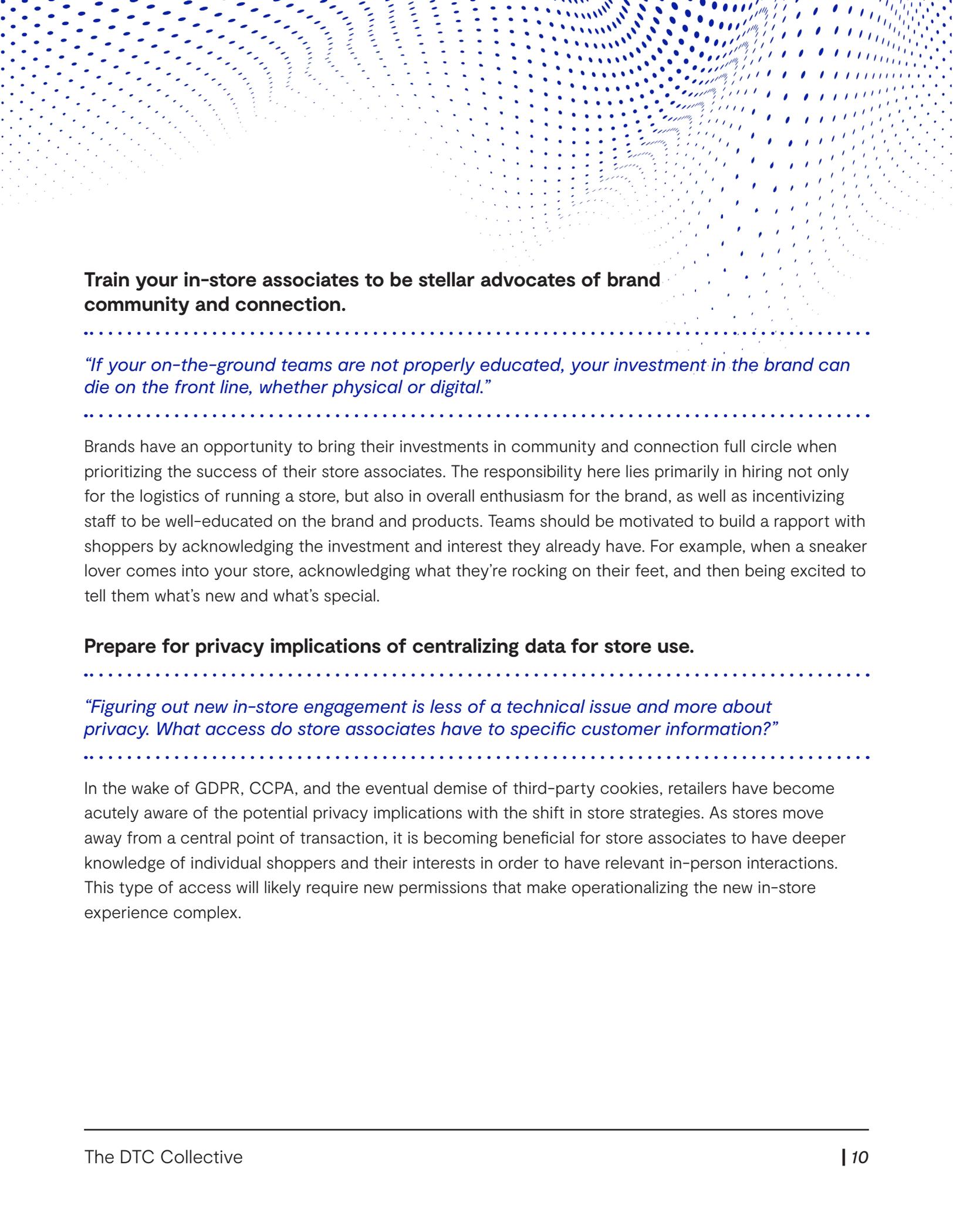
Identify new store concepts and measures of value.

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“It’s time to get weird – there are no rules. Retail as we know it has changed forever and the success of the store can no longer be measured by what’s in the cash register.”

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The traditional purpose and value of the store has been called into question and there is a clear shift away from stores being the transaction epicenter. Allbirds has always declared that their stores are for getting people to know who they are; Microsoft and Nike have prioritized store concepts that revolve around browsing and discovery in-person, with the purchase occurring online; and now we see mall space being transitioned into fulfillment centers. Brands are also considering going outside of the four walls of the store completely to move where the people are: pop-up carts at ball fields, mobile shopping trucks near outdoor dining. Give your store associates a mobile POS system and they can sell wherever, whenever. And instead of focusing solely on the store as a purchase-driver, consider measuring factors such as: the number of people who downloaded your app in-store, the number of people store associates told about a new product, and the reduced warehouse costs with fulfillment relocation.



Train your in-store associates to be stellar advocates of brand community and connection.

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“If your on-the-ground teams are not properly educated, your investment in the brand can die on the front line, whether physical or digital.”

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Brands have an opportunity to bring their investments in community and connection full circle when prioritizing the success of their store associates. The responsibility here lies primarily in hiring not only for the logistics of running a store, but also in overall enthusiasm for the brand, as well as incentivizing staff to be well-educated on the brand and products. Teams should be motivated to build a rapport with shoppers by acknowledging the investment and interest they already have. For example, when a sneaker lover comes into your store, acknowledging what they’re rocking on their feet, and then being excited to tell them what’s new and what’s special.

Prepare for privacy implications of centralizing data for store use.

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“Figuring out new in-store engagement is less of a technical issue and more about privacy. What access do store associates have to specific customer information?”

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In the wake of GDPR, CCPA, and the eventual demise of third-party cookies, retailers have become acutely aware of the potential privacy implications with the shift in store strategies. As stores move away from a central point of transaction, it is becoming beneficial for store associates to have deeper knowledge of individual shoppers and their interests in order to have relevant in-person interactions. This type of access will likely require new permissions that make operationalizing the new in-store experience complex.



Determine how next generation technology can impact customer connection and revenue.

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“AR, VR, and Shoppable Live Streaming have been handy and could potentially help us sell more, but it’s still experimental and the impact is unclear.”

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New technology such as AR, VR, and Shoppable Live Streaming, which were seen as secondary resources pre-pandemic have become more useful in the shift to eCommerce. These technologies have been especially impactful for categories such as home goods, which has seen massive demand as consumers completely evolve their homes. With the touch of a button, sales people can convert a chat inquiry from the website into a video call in the store to allow for virtual browsing. Shoppers also have the option to visualize furniture in their homes, which has yielded high purchase rates. Brands that have been experimenting with AR for years are now seeing the utilization go up 30-40% over the last five months. In another format, the bridal industry is finding this technology to be a great way to bring styling and try-on appointments to life at home and allow the shopper to see a dress up close. Brands predict that as the impact of these technologies become more clear, they will become more mainstream, and things like voice command will emerge as additional ways to connect with and service customers.

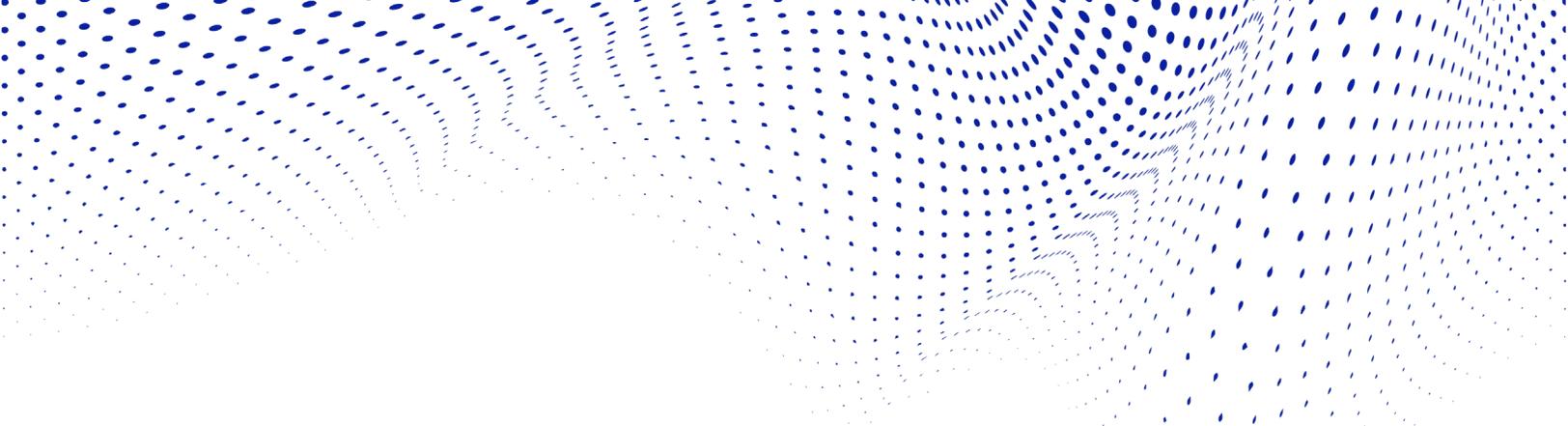
Determine your brand’s position on social responsibility.

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“We typically lean into holiday to tell our most inspirational stories. This year, we are focusing on moving forward as a diverse community.”

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Brands are becoming increasingly aware of how they influence the community and what their responsibility is or could be as change-drivers in the diversity and inclusion movement. For some brands, this has involved thinking through the social responsibility of a brand born on social media and how to handle that. It also involves unifying internally on goals in support of one another, as well as externally elevating the everyday humans behind their brand with user-generated content to bring the community together. Overall, brands are acknowledging the unique combination of circumstances of the pandemic and the social unrest everyone is experiencing in varying ways.



Start to integrate your digital and in-person strategies.

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“With all stores closed to customers, we got 30-35% of our revenue selling over FaceTime.”

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Even with the accelerated shift online, stores continue to serve a purpose – as long as there is clear value for the customer. In the case of a highly considered purchase such as furniture, where the store is a forum to educate the consumer and help them find what’s most suitable for their homes, we are seeing greater integration of digital to support that end. With the touch of a button, sales people can convert a chat inquiry from the website into a video call in the store, replicating the one-to-one service a shopper would normally experience when browsing in person. As the digital and brick-and-mortar worlds merge, brands are anticipating that shoppers will come to expect these types of accommodations and are building these strategies into their long-term plans.

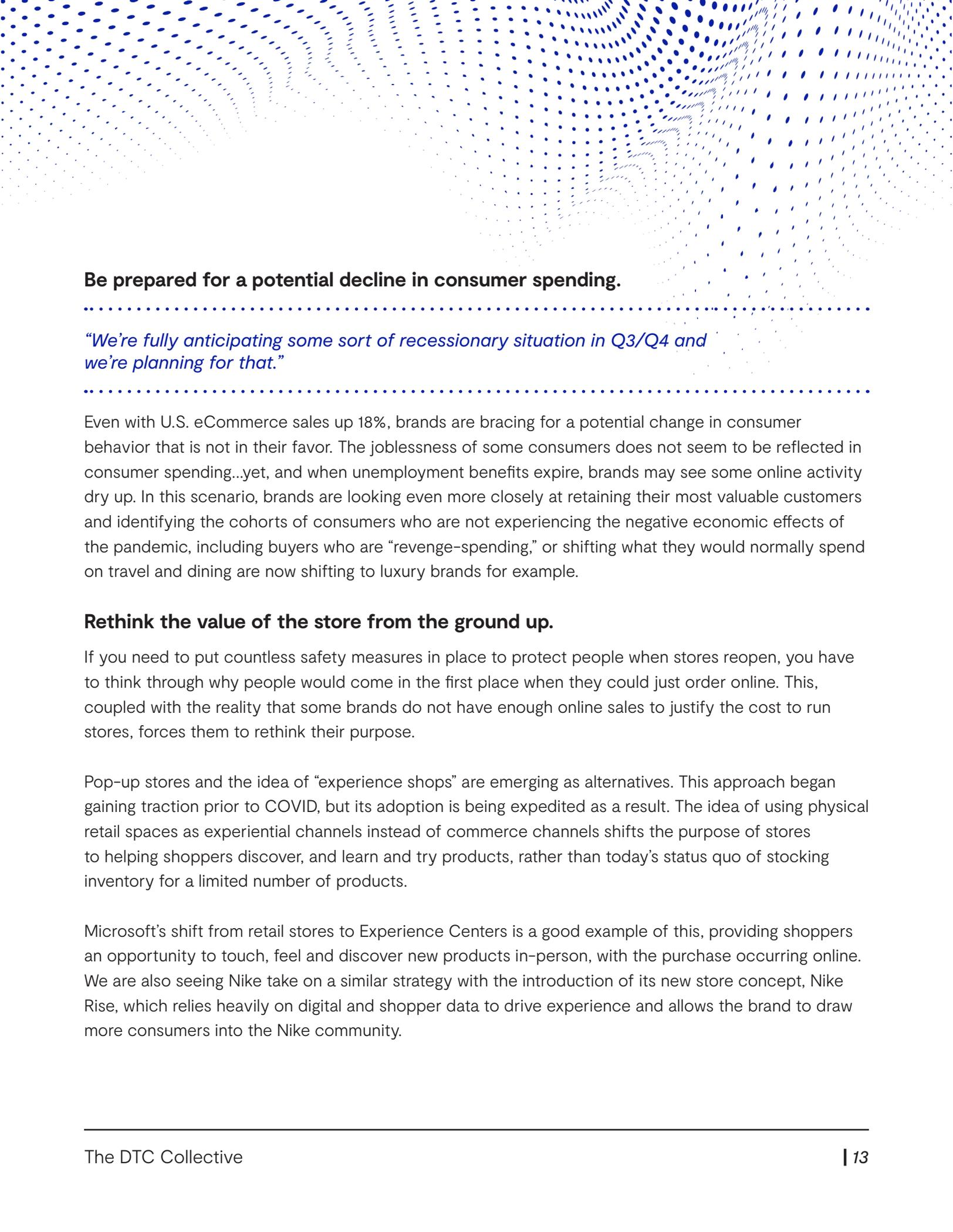
Consider new ways to add value to your customer.

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“Rental, resale, and repair options are other avenues to introduce your product to new customers and retain current ones.”

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Especially for the fashion industry, issues with sustainability and margins may require different ways of selling such as rental, resale, and repair, and these methods also represent new business and retention opportunities for brands. Rental has been surprisingly successful, even for fast fashion, by removing the barriers of ownership and giving new customers a way to try products. The resale market has also become prominent and thus brands are determining if and how to participate with things like certification. Finally, repair has become a new way to connect with and provide a valued service to shoppers. Nordstrom Local is a great example of this, creating convenient hubs for services like leather goods and clothing repairs in neighborhoods where Nordstrom customers live and work.



Be prepared for a potential decline in consumer spending.

“We’re fully anticipating some sort of recessionary situation in Q3/Q4 and we’re planning for that.”

Even with U.S. eCommerce sales up 18%, brands are bracing for a potential change in consumer behavior that is not in their favor. The joblessness of some consumers does not seem to be reflected in consumer spending...yet, and when unemployment benefits expire, brands may see some online activity dry up. In this scenario, brands are looking even more closely at retaining their most valuable customers and identifying the cohorts of consumers who are not experiencing the negative economic effects of the pandemic, including buyers who are “revenge-spending,” or shifting what they would normally spend on travel and dining are now shifting to luxury brands for example.

Rethink the value of the store from the ground up.

If you need to put countless safety measures in place to protect people when stores reopen, you have to think through why people would come in the first place when they could just order online. This, coupled with the reality that some brands do not have enough online sales to justify the cost to run stores, forces them to rethink their purpose.

Pop-up stores and the idea of “experience shops” are emerging as alternatives. This approach began gaining traction prior to COVID, but its adoption is being expedited as a result. The idea of using physical retail spaces as experiential channels instead of commerce channels shifts the purpose of stores to helping shoppers discover, and learn and try products, rather than today’s status quo of stocking inventory for a limited number of products.

Microsoft’s shift from retail stores to Experience Centers is a good example of this, providing shoppers an opportunity to touch, feel and discover new products in-person, with the purchase occurring online. We are also seeing Nike take on a similar strategy with the introduction of its new store concept, Nike Rise, which relies heavily on digital and shopper data to drive experience and allows the brand to draw more consumers into the Nike community.

DTC Collective Members

AUGUST

Justin MacFarlane, EVP & Chief Customer Officer,
Ascena

Cristina Ceresoli, VP of Marketing,
Chico's

Callie Canfield, VP Marketing & Communications,
David's Bridal

Scott Perry, EVP Digital,
Jerome's Furniture

Chris Maliwat, VP, Head of Digital & Commerce,
Madewell

Robert Ferrario, SVP Strategy, Marketing, Growth,
RTW Retailwinds

Dave Lokes, VP of Marketing,
Oriental Trading Co.

Christiana DiMattesa, Director of In-store & Experiential
Marketing,
Under Armour

Sherene Hilal, SVP Marketing & Operations,
Bluecore

Fayez Mohamood, Co-Founder & CEO,
Bluecore

Moderator: **Richard Kestenbaum**, Partner, *Triangle Capital &*
Contributor, *Forbes.com*

DTC Collective Members

JUNE

Mike Africa, VP Commerce, *Eddie Bauer*

Callie Canfield, VP Marketing & Communications, *David's Bridal*

Ujjwal Dhoot, Chief Digital Officer, *DXL Group*

Annette Dunleavy, VP Digital Commerce, *QVC*

Eric Gohs, VP of Marketing Strategy, *Lane Bryant*

Mohit Guljarani, SVP Omnichannel Strategy & Operations, *Brooks Brothers*

Dave Lokes, VP of Marketing, *Oriental Trading Co.*

Tim Mack, Chief Digital Officer, *RTW Retailwinds*

Todd Meleney, VP of Marketing, *NOBULL*

Scott Perry, EVP Digital, *Jerome's Furniture*

Sherene Hilal, SVP Marketing & Operations, *Bluecore*

Fayez Mohamood, Co-Founder & CEO, *Bluecore*

APRIL

Nick DiMarco, GM, *Hammacher Schlemmer*

Bryan Elliot, VP of Growth Marketing, *Tamara Mellon*

Eric Gohs, VP of Marketing Strategy, *Lane Bryant*

Mohit Gulrajani, SVP Omnichannel Strategy & Operations, *Brooks Brothers*

Doug Jensen, VP CRM & Corporate Marketing Analytics & Innovation Insights, *Estee Lauder*

Tim McCue, VP Ecommerce and Digital Technology, *Jockey*

Ann Marie Resnick, VP of Marketing, *Hammacher Schlemmer*

Richard Spencer, Group VP IT, Ecommerce, Data and Applications, *Belk*

Carrie Tharp, VP Retail & Consumer, *Google Cloud*

Sherene Hilal, SVP Marketing & Operations, *Bluecore*

Fayez Mohamood, Co-Founder & CEO, *Bluecore*



For inquiries related to the DTC Collective and becoming a member, please [visit our website](#)

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