

Why advocacy matters to apparel retailers

Customer focus requires apparel retailers to dress for success

Retail



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive brief is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information.



Why advocacy matters to apparel retailers

Customer focus requires apparel retailers to dress for success

By Melody Badgett, Maureen Stancik Boyce, Laura VanTine and Jeffrey Hittner

In apparel retailing, a mature and intensely competitive market with increasingly diverse and well-informed customers, competitive differentiation is more important and more difficult to sustain than ever. However, attracting and keeping loyal customers depends upon it. A new IBM Institute for Business Value survey of more than 5,900 U.S. apparel consumers identifies the attributes that drive customer advocacy. These attributes can help apparel retailers find new ways to differentiate their businesses and pursue customer-focused initiatives and investments with greater precision and success.

Apparel retailing: A zero-sum game¹

In the minds of apparel customers, where they shop and what they wear are cultural touchstones. Customers define their identities by the stores where they shop and the brands they endorse or reject. They project their affinities, their societal status and their tastes via the clothes they purchase.

However, apparel retailers are confronting the increased pace and complexity impacting their industry and are challenged to emerge with a clear value proposition for their customers. A great deal is changing. The focus on fast-fashion and constantly rotating

styles makes accurate, timely category and merchandise planning an imperative. Missing key fashion trends means losing relevancy with consumers.

Furthermore, brands today are tiered and nested in each other, forcing the customer to decipher which comes first: the store brand, the label or the garment itself. Meanwhile, clothing designers are opening their own branded stores, and even top designers are broadening their reach and creating offers for value-oriented retailers. This leaves retailers to determine which coattails to grab to best differentiate themselves.

Yet, this is no small task as clothing vendors and designers are spending millions in brand advertising in an apparel landscape muddled by a proliferation of offerings. Figuring out the brand puzzle, as well as how to merchandise fashionably and quickly – all in a way

that delivers to customers what they want in a timely manner – is critical to retailer differentiation. This is true regardless of whether customers buy their clothes from an upscale boutique or at the same place they purchase their groceries.

About the 2007 Customer Focused Apparel Retailer Studies

In order to create more insights about retail apparel customers' attitudes and behaviors, we conducted a consumer study that went beyond satisfaction and price measures to try to get at the heart of customers' issues. The types of questions we sought to answer included:

- How strong is a customer's support for his or her primary apparel retailer?
- Which elements of the customer experience are most important to customers?
- How well-positioned are key apparel retailers when it comes to being focused on what the customer wants?
- What do true customer advocates look like? How valuable are they?
- How can retailers use advocacy to drive growth and customer loyalty?

The study was created by conducting primary market research with 5,931 retail apparel customers in the United States, who were questioned via an online survey. We validated findings with secondary research and held workshops with IBM retail and customer relationship management subject matter experts to review research findings and develop recommendations.

A new type of metric

This study seeks to understand customer advocacy, meaning the positive attitude customers have toward their apparel retailers, which, in turn, promotes healthy relationships and referrals. Unlike other satisfaction metrics, advocacy goes beyond the single measure of likelihood to recommend. Advocacy takes a more sophisticated approach of combining the responses to three questions to obtain a more complete and accurate view of a customer's attitude toward his or her primary apparel retailer. The three areas in which Advocates strongly agree are:

1. I would recommend my apparel retailer to my friends and family members.
2. If my primary apparel retailer began to offer similar quality and value products that I usually buy elsewhere, I would be inclined to purchase them from my apparel retailer.
3. I would stay with my primary apparel retailer if another store had a competitive offering (for example, based on product, price or convenience).

*The advocacy metric used is based on the IBM propriety CFIQ© (Customer-Focused Insight Quotient) method.²

Why advocacy matters to apparel retailers

Customer focus requires apparel retailers to dress for success

Apparel retailers: Big footprint and market presence, but mixed results

U.S. apparel retail grew at 1.9 percent compound annual growth rate (CAGR) from 2000-2005 and is expected to grow at 2.7 percent CAGR from 2005-2010.³ While neither totally flat nor negative, this growth does not provide much room for retailers to relax in the face of the stiff competition that exists.

While supercenters and warehouse clubs have grown market share, traditional department stores and mall based specialty stores have seen their market share drop precipitously over the past 15 years. Mall-based stores have particularly suffered, with a 3.3-percent market share loss in consumer spending from 2004-2007.⁴

The biggest channel growth in apparel retail is coming from Internet sales. Analysts predict e-commerce retail sales to grow at a CAGR of 25.4 percent between 2006 and 2011, and to reach 10 percent of total retail sales by 2011.⁵ This could be considered both good and bad news for most retailers. Clever retailers will be able to exploit their online plays in hopes of finding a new competitive lever. At the same time, the Internet creates a level playing field for new entrants and online-only players that may operate on completely different cost and sourcing models.

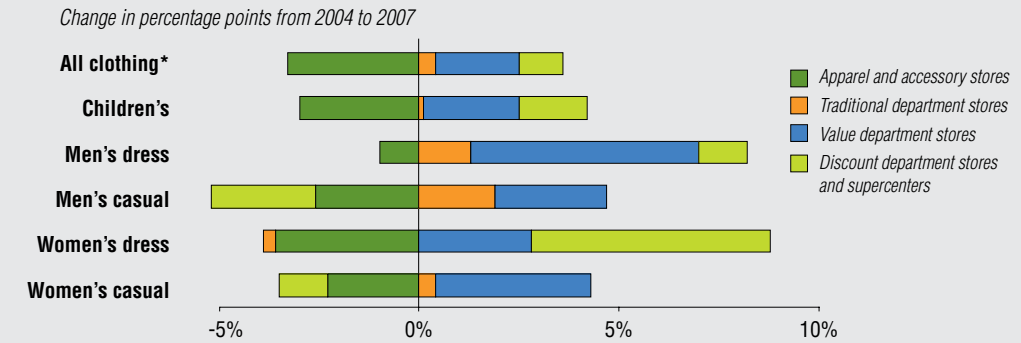
Customers driving the change

The expansion of alternate retailing channels and category competition mirrors the changing tastes, needs and behaviors of the customer base. One of the most notable evolutions in consumer shopping behavior is polarization and specialization in their shopping patterns that drives them to shop at different stores for different reasons. Consumers today trade up and down across categories based on what they value. For example, they shop at a big-box retailer for casual and children's clothing and a high-end apparel store for a special-occasion dress.

Figure 1 illustrates the shift in consumer spending patterns from 2004-2007. Of particular note is the significant increase in share of wallet for women's dress (6 percent) for discount department stores and supercenters and men's dress (5.7 percent) for value department stores, as well as the across-the-board decline in spending with mall based specialty apparel and accessory retailers.⁶ While in the past consumers were content to shop in one place – such as traditional department stores -- that provided a middle ground between "luxury and value" and "mass appeal versus specialized," the shift in consumer spending indicates consumers today are more diverse and tend to split their shopping excursions by need, making some purchases with low-cost, discount channels, and others with high-end, specialized retailers.

Apparel retailers need to understand the viral nature of customer perceptions and use this information to build customer loyalty.

FIGURE 1.
Channel preferences for apparel spending.



* "All clothing" also includes teen clothing.
Source: "TNS Retail Forward ShopperScape™, 2004-2007."

Retailers have responded by migrating to the ends of the spectrum, establishing themselves either as mass, value players or luxury, specialized players. Companies experiencing growth are focusing more and more on a particular niche or differentiation in the marketplace and limiting their exposure elsewhere. From an identity and recognition standpoint, this builds clarity in the consumer's mind about what to expect from the store.

A changing marketplace can be advantageous to new entrants as they can build their store, merchandise and marketing strategies to fit current demand, but can be a struggle, for existing retailers that may have long histories and an established retail infrastructure. Changing store sizes and locations isn't something that can be done quickly. This forces traditional department stores to chase revenue, since much of their cost structure may be locked down in a historical footprint. After all factors are considered, from branding schemes to merchandising mixes, one factor still drives where apparel dollars go: the customer.

The customer's perspective

Recent studies reveal some intriguing measures about customer behaviors and attitudes:⁷

- 79 percent of customers will commit to a deeper product or service relationship after a satisfying experience
- 31 percent of customers tell multiple people of their bad experiences
- 48 percent of customers avoid a store based on someone else's experience.

It's a powerful message when a significant percentage of customers tell of their bad experiences and avoid a store based on hearsay; customer perceptions of a retailer are viral and heeded by family and friends. Knowing this, retail apparel leaders who build customer Advocates can develop a new competitive advantage that does not rely on the same old lever of "trying to be everything to everybody." Rather, they can capitalize on the fact that creating a satisfying experience for customers leads to loyalty.

How do customers feel about their apparel retailer?

Customer attitudes and actions are shaped by the cumulative experience of shoppers. Customers can be separated into three distinct segments based on their attitudes (see Figure 2):

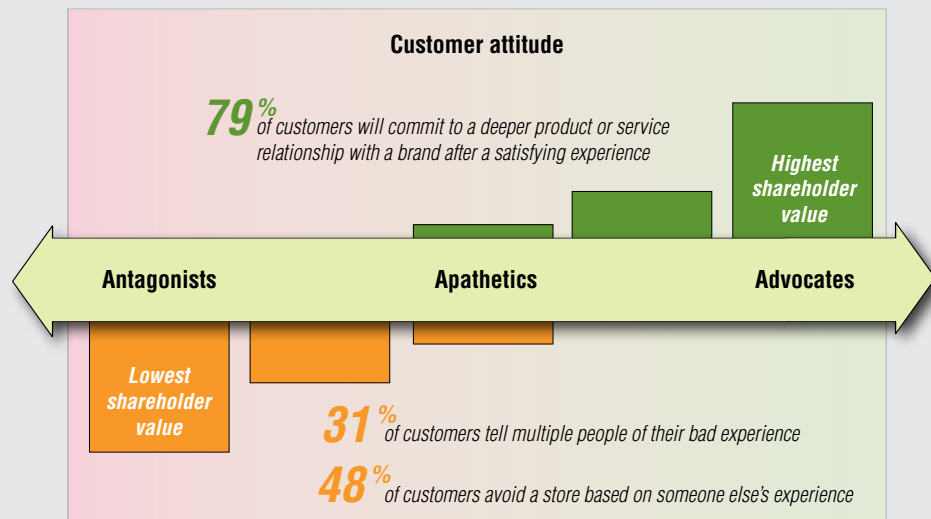
- Advocates are those customers who recommend their retailer to others, buy more from that retailer when they have choices and stay with that retailer when new competition becomes available. Only 17 percent of apparel retailer customers fit in this category
- Apathetics are those customers who are indifferent to their primary apparel retailer.
- Antagonists are those who actively dislike their primary retailer. They will not recommend, buy more or stay if another apparel retailer provides a competitive offer.

Across all apparel categories, an overwhelming majority of respondents – approximately 70 percent – are Antagonists, customers who may be actively causing damage to the reputation of the business.

This paints a grim and perplexing picture for the marketer spending millions of dollars on magazine ads, TV commercials and other advertising, attempting to recruit new customers, while the majority of its existing customers – who even chose the store as their primary apparel retailer – counter this goal. It also does not bode well for those “paying” the opportunity costs of investments focused on customer acquisition that have translated into a largely disloyal customer base.

FIGURE 2.

A customer's attitude is shaped by cumulative experience, and directs future behavior... loyalty, share of wallet and word of mouth.



Source: "Retail Customer Dissatisfaction Study – 2006," The Jay H. Baker Retailing Initiative at Wharton and The Verde Group, January 2006.

Advocates tend to be more valuable customers, spending significantly more with their primary retailer than antagonists.

Advocates vary by apparel retailer category

As stated previously, across apparel categories, less than one in five customers is an Advocate, but this varies by category. The worst category in large format was “big-box and mass retailers,” with only 13 percent of customers as Advocates. For mall based specialty retailers, men’s and women’s retailers recorded only 8 percent of customers as Advocates. These low scores may be the result of the customer experience being sacrificed in order to focus on lower prices – or a lack of attention in the affected areas compared to other merchandise categories offered by the retailer.

Traditional department stores, value department stores and mall based specialty apparel retailers came in at the industry average for advocacy, around 17 percent. Despite their experience, history, staff tenure and smaller

SKU count (presumably reflecting more apparel focus), these stores have garnered only 4 percent more admirers than their mass-retail counterparts.

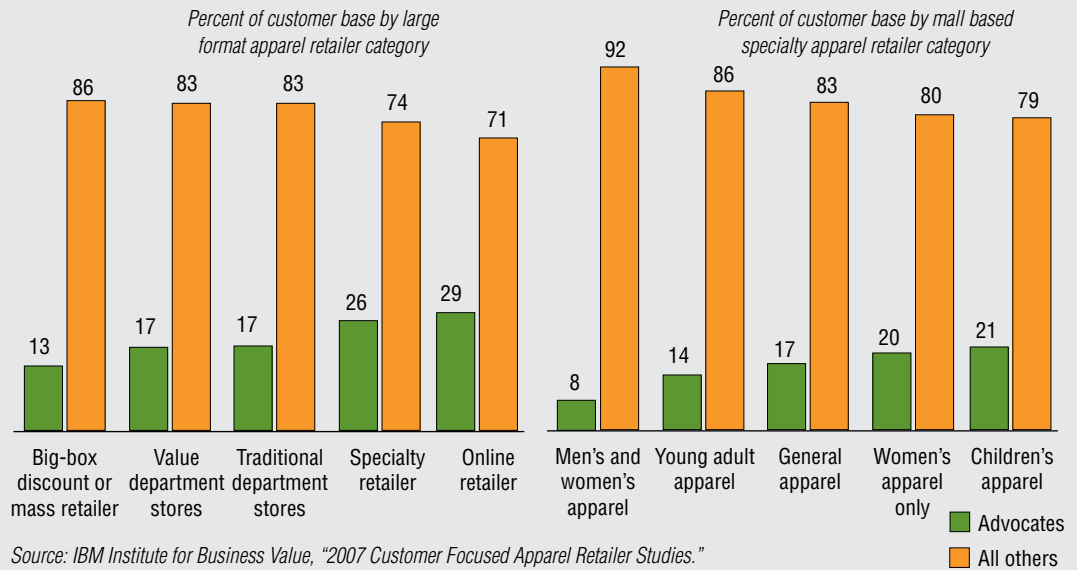
Financial impact: Advocacy pays off

Our study shows Advocates are more valuable customers financially. Advocates are more loyal customers. Our study shows, for example, that for large format retailers, 77 percent more Advocates than Antagonists focus the majority of their business with their primary retailer.

Advocates are not only more loyal customers, they are, in general, more valuable to the apparel retailer. For example, our study shows the basket size, or dollars spent per visit, for Advocates is 18 percent more than Antagonists for large format apparel retailers and 2 percent more for mall based specialty

FIGURE 3.

Today, most apparel retailers are struggling when it comes to building strong, positive relationships with their customers.



retailers. And the share of wallet – the percentage of total dollars customers spend with their primary retailer– is 22 percent higher for Advocates of large format retailers and 32 percent more for Advocates of mall based specialty retailers. This trend holds up over time, as well, with 34 percent of large format Advocates and 43 percent of mall based specialty Advocates increasing spending at their primary retailer over a two-year period. Conversely, over time, twice as many Antagonists decreased their spending.

With this in mind, increasing the number of Advocates is expected to help apparel retailers realize financial benefits such as:

- Average share of wallet increases per customer
- Average increases in customer spend per shopping trip
- Acquisition investments returned at a higher rate.

The key attributes that drive success

Figure 4 shows responses that Advocates, Antagonists and Apathetics gave about their primary retailer concerning specific attributes of their shopping experience.

A good or bad experience can shape or influence the entire relationship between consumers and their apparel retailers. When some aspect of an experience pleases an Advocate, he or she is likely to have a positive perception of the entire experience. The opposite is true of Antagonists. This may suggest that retailers don't have to be perfect at everything to change attitudes. Apparel retailers can focus on the most important events or experiences that drive advocacy and focus on improving those.

Advocacy attributes: Large format apparel retailers

The top two attributes Advocates of large format retailers identified were “pleasant and enjoyable to shop in the store” and “store is easy to shop,” which highlight the need for a positive shopping experience at their primary apparel store. The next highest attributes have to do with assortment and multichannel, “product selection is always fresh and new”, “easy to return products in store or online” and “always find brands, styles and sizes.” It is also noteworthy that, in the list of prioritized attributes, “product selection is always fresh and new” has a 46-percent gap between responses from Advocates and Antagonists; the Advocates’ retailers are delivering on this attribute, the Antagonists’ retailers are not. This suggests that customer-focused merchandising and supply chains are key for successful retailers that seek to optimize their number of Advocates.

From the attributes respondents felt their primary apparel retailer did well, neither Advocates nor Antagonists ranked their multichannel experiences at the top of the 17 attributes included in the survey, indicating that retailers have an opportunity to improve their multichannel experiences as part of the entire shopping experience. This again suggests an opportunity for all retailers to focus future efforts on customer-focused merchandising and supply chains. Online retailers experienced the highest advocacy scores of all retailer categories, suggesting that the online space is an excellent way to build affinity.

FIGURE 4.
Attributes of a shopping experience.

		Advocates % strongly agree		Apathetics/Antagonists % strongly agree	
Large format apparel retailers	Store experience	89	Pleasant and enjoyable to shop in the store	51	49
		87	Store is easy to shop*	41	43
	Assortment	85	Product selection is always fresh and new	36	39
		81	Always find the brands, styles and sizes	35	37
	Multichannel	82	Easy to return products in the store or online	45	52
	Product availability	71	Products I want are always available	26	29
		Customer service	78	Happy with service from store employees	32
	67		Store employees are knowledgeable and attentive	25	28
	66		Employees go out of their way	24	26
	Multichannel	59	Web site is easy to shop	23	27
51		Valuable Web site services	16	23	
Mall based apparel retailers	Store experience	95	Store is easy to shop*	29	49
		93	Pleasant and enjoyable to shop in the store	33	49
	Multichannel	92	Easy to return products in store or online	30	53
	Customer service	88	Happy with the service from store employees	29	47
	Multichannel	86	Web site is easy to shop	27	42
		Assortment	83	Product selection is always fresh and new	27
	82		Always find the brands, styles and sizes	28	40
	Customer service	83	Store employees are knowledgeable and attentive	27	40
		82	Employees go out of their way	25	37
	Promotions	80	Provides me with promotions and offers	27	42
	Product availability	74	Products I want are always available	23	30

*Primary categorization of "Store is easy to shop" is store experience because, within apparel, "easy to shop" relates more to store layout than physical location.

Note: Percent responses represent those that strongly agree with attributes of their primary grocer (scores 8-10).

Source: IBM Institute for Business Value, "2007 Customer Focused Apparel Retailer Studies."

Advocacy attributes: Mall based specialty and accessory retailers

Similar to consumers who primarily shop in large format apparel stores, Advocates of mall based specialty and accessory retailers ranked store experience, "store is easy to shop," and, "pleasant and enjoyable to shop in the store," as the most important attributes. "Store is easy to shop", however, recorded the widest disparity in responses

– 46 percent – between Advocates and Antagonists. Correspondingly, this suggests mall based retailers have the opportunity to build customer advocacy by more focused store planning, a better store layout and clear signage, among other things.

Multichannel experiences by mall based specialty apparel retailers received more favorable results from Advocates than large

Customer focus is paying off: many of the companies with the highest number of advocates enjoy strong market performance.

format retailers, indicating these stores have done a better job of integrating their in-store and online offerings and services.

Perhaps the most surprising result for both large format and mall based apparel retailers is that Apathetics supported their retailer to a lesser degree on many attributes than did Antagonists. The reason for this is unclear. We could speculate that Antagonists are often “turned” by one bad event but actually like some attributes of their retailer, and that Apathetics are the ones having unremarkable experiences across the board. Whatever the reason, we can infer that, in the case of converting customers, indifference is likely as bad as active dislike; those who do not care one way or the other about their primary apparel retailer are at equal or even greater risk of switching stores.

Best-in-class apparel retailers deliver on the attributes

Many of the companies with the highest number of Advocates also enjoy strong market performance. Again, this suggests that customer focus is paying off, not just at the individual consumer level, but also at the corporate level, indicating that the investment required for Advocacy can be more than covered by the increased revenues. Among large format stores, Nordstrom achieved the highest scores on the most important attributes and had, overall the highest percentage of Advocates. Kohl's is a strong second, exceeding the overall average, and other retailers are making headway in the key attributes. This tells us customer focus is not just the purview of small boutiques or specialty/luxury stores, as evidenced by Nordstrom and Kohl's, respectively. Customer focus is attainable in large format stores and by value-oriented players, too.

Nordstrom, as a best-in-class example, refocused its efforts on customer service and the customer experience after seeing declining customer satisfaction in the late 1990s through 2000. The company developed an automated “clienteling” program that enabled sales associates to access customer information during customers' shopping visits in order to accurately advise new purchases based on the tastes, preferences and past purchases of the individual customer.⁸

This required replacing associates' paper-based customer books with an online database and software tools that assembled customer transaction histories and preferences accessible via point-of-sale (POS) terminals. Nordstrom also launched other customer-focused innovations, including a new perpetual inventory management system that enables fast reactions to customer feedback from the sales floor, a new rewards program and a subscription-based, online notification system of new merchandise that meets customer preferences.⁹

The results reflect Nordstrom's customer focus. One-third of all sales in 2005 were a result of interactions between associates and customers facilitated by the clienteling program.¹⁰ From 2003 to 2007, Nordstrom experienced operating and income growth of 48 percent (CAGR) and net income growth of 66 percent (CAGR).¹¹ Its customer advocacy scores also reflect its customer focus. Twenty-eight percent of Nordstrom's customers are Advocates, placing its scores in line with specialty retailers and far above other department stores.

Kohl's, also best-in-class, is a viable second in customer advocacy within its category amongst large format apparel retailers. Kohl's specifically designed its collections for different customer segments, pricing them accordingly and improving reach across categories within stores. The company is known as an industry leader in executing and contracting exclusive collections with designers and premium brands, and using them to effectively focus on new customer segments within the family.¹² Net sales are up more than 50 percent since 2003.¹³

Lessons on applying customer focus can be learned from both ends of the apparel spectrum, luxury and value. On the luxury end, Neiman Marcus, often considered the bellwether for high-touch customer service in the apparel industry, has focused on incorporating customer insights into its key merchandising activities, identifying six product segments most important to customers and delivering top-notch assortments in those areas.¹⁴ It also offered the industry's first loyalty program.¹⁵ Finally, it launched a new concept store, CUSP, focused on younger, affluent women, tailoring its offerings to become more customer focused to this demographic.

More on the value end, H&M, meanwhile, has been among the first to recognize that the line between value and designer customer groups is blurring. To take advantage, while avoiding the murky middle ground of apparel offerings, it has focused on making clear customer offers and opening up new market opportunities – partnering with celebrities like Madonna and building out a range of concept stores. It is also one of “fast fashion’s” originators – able to move product ideas from runway to rack in as little as three weeks.¹⁶

Among mall based specialty and accessory apparel retailers, women's and children's retailers outscored all other categories for delivery of best-in-class attributes, but only The Children's Place achieved best-in-class scores across all of the important attributes. Old Navy, Ann Taylor and American Eagle Outfitters also scored well in general, with best-in-class scores in most attributes valued by Advocates.

Ann Taylor, for example, is working on product assortment and multichannel effectiveness to try to satisfy every shopping occasion.¹⁷ The company has introduced an upscale clothing line called “Collection” to attempt to compete with more upscale shops. “Collection” merchandise is available only at selected Ann Taylor stores, is priced, on average, 40 percent higher than usual merchandise and is contained within its own area in stores.¹⁸ Apparel is made from more expensive Italian fabric and features enhanced tailoring. Customers who purchase from the Collection line receive more elegant garment bags, rather than Ann Taylor's traditional paper bags.

Additionally, Ann Taylor is looking to roll out new lines targeted at the modern baby boomer and has recently entered the “beauty” arena with a new collection of fragrances and body care products. The company has also targeted enhancing its multichannel effectiveness, including adding online fashion shows to its Web site.

Another mall based specialty retailer, Old Navy, is keying on product availability and assortment to enhance its fashion image – while still maintaining its position as a value leader.¹⁹ The company has halved its product development time to 28 weeks, with some designs taking as little as 8 weeks.²⁰ To respond to customer

Customer focus drives better customer relationships, greater retention and increased trust.

demand for fresh, new products, new collections are more tailored and polished and change monthly rather than seasonally.²¹ Old Navy is also looking to focus on localization, with product distribution based on climate and location. To enhance multichannel effectiveness, the company recently redesigned its Web site to improve the customer experience.²² The site features better image views on product pages, easy order adjustment and a revamped online shopping cart.

How can apparel retailers become more customer-focused?

Customer focus is the strategic discipline companies use to improve their operations in order to drive better customer relationships (see Figure 5). Customer focus typically leads to greater retention and loyalty, increased

share of wallet and market share, increased customer trust and, ultimately, to solid financial results. Some of the key competencies that characterize a strong customer focus include being able to:

- *Understand customer needs and expectations from the outside-in, or the customer's perspective.*: Place high priority on having deep insights into shopping preferences and needs to create a satisfying shopping experience for core customer segments across all channels and shopping venues.
- *Use customer insights to drive business operations*: Drive these insights across the business to optimize all key decision making, such as buying merchandise, pricing and promoting products and services, serving customers, and marketing and communicating to customers.

FIGURE 5.
How can apparel retailers become for customer focused?

<i>Attributes categories for shopper advocacy</i>	<i>Top operational capability required</i>	<i>Key initiatives to deliver</i>
Store experience	<ul style="list-style-type: none"> • Enhance brand perception through customer experiences. Design macro plan of store to deliver exciting shopper experience 	<ul style="list-style-type: none"> • Store and space planning • Experiential shopping
Convenience*	<ul style="list-style-type: none"> • Create a dynamic and personalized shopping occasion through site selection, store layout, and product placement 	<ul style="list-style-type: none"> • Store and space planning • Customer and traffic analysis
Assortment	<ul style="list-style-type: none"> • Align merchandise planning with customer preferences to local assortments 	<ul style="list-style-type: none"> • Global sourcing & buying • Merchandise & local assortment
Multichannel	<ul style="list-style-type: none"> • Deliver coherence across channels including information, pricing, inventory, returns, etc. 	<ul style="list-style-type: none"> • Integrated cross-channel experience • Reinvent the online/mobile experience
Customer service	<ul style="list-style-type: none"> • Create a culture of information and empowerment for store employees to make decisions that promote customer satisfaction 	<ul style="list-style-type: none"> • Workforce management & productivity • Customer focused metrics
Product availability	<ul style="list-style-type: none"> • Ensure product availability and delivery through multiple fulfillment options and a flexible supply chain 	<ul style="list-style-type: none"> • Store replenishment • Creating flexibility in the supply chain
Quality*	<ul style="list-style-type: none"> • Optimize quality by using local sourcing and by streamlining supply chain 	<ul style="list-style-type: none"> • Local and global sourcing • Customer focused merchandising

**Convenience was a top rated attribute category for shopper advocacy in the "Customer Focused Grocer, Online Retailer and Drugstore and Pharmacy Studies" and quality was a top rated category in the "Customer Focused Grocer Study."*
Source: IBM Institute for Business Value, "2007 Customer Focused Apparel Retailer Studies."

- *Break traditional design constraints:* Design processes based on how customers interact with the retailer, not how the retailer wishes to interact with customers. Incorporate relationship and communication skills in the learning and development of staff and leaders.
- *Adopt a transformational change mindset:* Embrace the notion of becoming customer-focused. Measure what's important to the customer and share results companywide, restructuring as needed to align management and incentives to embrace customer knowledge and reward for advocacy.
- *Prioritize investments based on what really counts:* Prioritize investments based on criteria that define a successful shopping experience for the company's best customers.

Key questions for your customer strategy

Industry leaders seeking to change the way they interact with customers and build customer advocacy should begin by asking themselves some tough questions. The answers will help clarify the customer strategy and define a path to integrate it throughout business operations. Developing and using new metrics, like advocacy, should be one critical step on this path. As a first step, retailers should define their customer strategy and customer experience objectives. Questions should include:

- On which customers and segments should we focus? What are the important attributes that define them?
- What are the drivers of a successful shopping experience for these core customers?
- What are the key "moments of truth" with our customers?
- How do we "lock in" loyalty for our targeted customer base?

Key questions for aligning your business to the customer strategy

Retailers must determine the critical process, organizational and IT changes that must take place to meet these objectives. Questions should include:

- Do we have the right information about our core customers? Do we have a single view of the customer?
- What might drive more business from them?
- What will it take to focus the entire organization on the customer?
- How deeply should we commit to customer focus and where do we begin?

While the retail apparel market is crowded and competitive, there are clear opportunities and advantages in taking a new approach that puts the customer ahead of just offering lower prices and the same brands. Focusing on global sourcing and demand planning is a good starting point for apparel retailers. Most apparel retailers today have a "push" strategy for merchandising, relying on historic purchases, cost-driven motives and ease-of-sourcing to make inventory decisions.

Incorporating customer insights will help retailers transition to a "pull" strategy, one that is dynamic, based on customer information and evolves with customer needs. Since selection and convenience are two top attributes Advocates value, making merchandising customer-focused will give customers what they want while providing the retailer a visible success story on which to build future customer-focused initiatives. With new insight into customer advocacy and the right strategy for developing customer-focused operations, leaders in retail apparel may find new opportunities for growth and success.

Get the detailed study

A complete, detailed version of the study is available by request. Besides the data included here, it includes specific store-by-store data for the top players in each category, additional questions, demographic breakdowns and expert perspective and commentary. To request a copy of this study, please e-mail iibv@us.ibm.com.

Related publications

- Badgett, Melody, Maureen Stancik Boyce, Laura VanTine and Yolanda Wang. "Why advocacy matters retailers: Insights from five retail segments." IBM Institute for Business Value. January 2008. http://www-931.ibm.com/tela/servlet/Asset/205612/insights_from_five_retail_segments.pdf
- Badgett, Melody, Maureen Stancik Boyce and Herb Kleinberger. "Why advocacy matters to grocers: Surveyed consumers give retailers food for thought." IBM Institute for Business Value. September 2007. <http://www-935.ibm.com/services/us/index.wss/ibvstudy/gbs/a1028817?cntxt=a1000063>
- Stancik Boyce, Maureen and Laura VanTine. "Why advocacy matters to online retailers: Customer focus can mean greater loyalty and financial returns are in store." IBM Institute for Business Value. April 2008. http://www-935.ibm.com/services/us/gbs/bus/pdf/gbe03050-usen-00_advocacy_online.pdf
- Stancik Boyce, Maureen and Laura VanTine. "Why advocacy matters to drugstores and pharmacies: Customer focus for the health and wellness of your brand." IBM Institute for Business Value. May 2008. <http://www-935.ibm.com/services/us/gbs/bus/pdf/gbe03047-usen-advocacydrugstore.pdf>

About the authors

Melody Badgett is a Senior Managing Consultant with IBM Global Business Services. She has over 15 years' experience in business strategy and analysis in retail and other consumer-related industries. She works with retailers to understand and effectively respond to the competitive and consumer trends that are redefining the retail landscape.

Maureen Stancik Boyce, PhD, is an Associate Partner and the Distribution Sector Team Leader for the IBM Institute for Business Value. She has 14 years' experience in business strategy in retail and other consumer-related industries. She can be reached at staboyce@us.ibm.com.

Laura VanTine is a Managing Consultant with IBM Global Business Services. She has over ten years' experience in business strategy consulting. For the past three years, she has focused on market and industry research within the Distribution sector, with a primary focus on the retail industry, for the IBM Institute for Business Value. She can be reached at katzl@us.ibm.com.

Jeffrey Hittner is a Senior Consultant for Retail and Consumer Products with IBM Global Business Services and is currently the Corporate Social Responsibility Leader for the IBM Institute for Business Value. He can be reached at jhittner@us.ibm.com.

Contributors

Fred Balboni, GBS Global Retail Lead

Bob Heffernan, IBV CRM Lead, GBS

Steve LaValle, Global Customer Focused Strategy Service Lead, GBS

Steve Ballou, IBV Research Hub Lead

Carola Kratzer, Global Business Services

Aditya Shrivastava, Global Business Services



About IBM Global Business Services

With business experts in more than 160 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. We draw on the full breadth of IBM capabilities, standing behind our advice to help clients implement solutions designed to deliver business outcomes with far-reaching impact and sustainable results.

References

- ¹ Apparel & Footwear Industry Survey. Standard & Poor's. May, 2007. This study refers to apparel retailing as a "zero-sum game."
- ² Heffernan, Robert and LaValle, Steve. "Advocacy in the Customer Focused Enterprise: The Next Generation of CRM Done Right." IBM Institute for Business Value. April 2006.
- ³ "Apparel Retail in the United States." Datamonitor. August 2006.
- ⁴ TNS Retail Forward ShopperScape.™ 2004 – 2007.
- ⁵ "Economic Forecast: Outlook to 2011 Softgoods." TNS Retail Forward Intelligence System. October 2007. "The Web's Impact on In-Store Sales: U.S. Cross-Channel Sales, 2006-2012." Forrester Research. June 1, 2007.
- ⁶ TNS Retail Forward ShopperScape™ 2004-2007.
- ⁷ "The Retail Customer Dissatisfaction Study 2006." The Jay H. Baker Retailing Initiative at Wharton and The Verde Group. 2006.
- ⁸ Specter, Robert and Patrick McCarthy. "The Nordstrom Way to Customer Excellence: A Handbook for Implementing Great Service in Your Organization." 2006.
- ⁹ Corcoran, Cate T. "Nordstrom 'Simplifies' Customer Satisfaction." *Women's Wear Daily*. March 22, 2007.
- ¹⁰ Levinson, Meredith. "A season on the brink." *CIO Magazine*. December 2005.
- ¹¹ Nordstrom, Inc. SWOT Analysis." Datamonitor Company Profiles. June 20, 2007.
- ¹² IBM Institute for Business Value analysis of Citigroup Global Market on March 28, 2007; Wilson, Eric and Michael Barbaro. "Can you Be Too Fashionable?" *New York Times*. June 17, 2007.
- ¹³ Annual Report. Kohl's. 2006.
- ¹⁴ Annual Report. The Neiman Marcus Group. 2004.
- ¹⁵ Dewar, Robert D. "Customer Focus at Neiman Marcus: We Report to the Client." Kellogg School of Management. 2006.
- ¹⁶ Naughton, Keith. "H&M's Material Girls." *Newsweek*. June 10, 2007.
- ¹⁷ "Ann Taylor Tries Haute Couture." Retailwire.com. September 9, 2007; "Midlevel retailer rolls out a step up; with pricier collection line, Ann Taylor will try to compete with upscale shops." *Pioneer Press*. September 15, 2007; "Ann Taylor to launch high-end fashion line." Just-Style.com. September 17, 2007; "AnnTaylor.com's fashion video stars as site's most clicked-on feature." internetretailer.com. March 15, 2007; "Ann Taylor's New Beauty: Enters Category to Help Reignite Growth." *Women's Wear Daily*. October 19, 2007.
- ¹⁸ Ibid.
- ¹⁹ Makeover at Old Navy: Faster Fashion a Key to Monthly Collections., WWD.com. January 28, 2008; "Old Navy goes in a new direction; Urban Explorer line more polished than others." Gap, Inc. press release. February 14, 2008; "Old Navy trying new look." tampabay.com. November 21, 2007; "Old Navy's New (E-commerce) Tricks." Future Now. January 15, 2008
- ²⁰ Ibid.
- ²¹ Ibid.
- ²² Ibid.

© Copyright IBM Corporation 2008

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
July 2008
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.