

Ep. 126 | The New Normal For Retail with Denise Lee Yohn

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Allison Hartsoe: 00:00 This is the Customer Equity Accelerator. If you are a marketing executive who wants to deliver bottom-line impact by identifying and connecting with revenue-generating customers, then this is the show for you. I'm your host, Allison Hartsoe, CEO of Ambition Data. Every other week I bring you the leaders behind the customer-centric revolution who share their expert advice. Are you ready to accelerate? Then let's go! Welcome everyone. Today's show is about the new normal for retail. And to help me discuss this topic is Denise Yohn.

Allison Hartsoe: 00:39 Denise is a brand-building expert and the well-known author of several books, which I hope you have already run across, including what great brands do as well as her new book fusion, how integrating brand and culture powers, the world's greatest companies. Denise, thanks for being on the show. It's nice to have you.

Denise Yohn: 00:57 Thank you for inviting me. I'm looking forward to our conversation.

Allison Hartsoe: 01:00 You recently wrote an article in HBR, Harvard business review, about how the pandemic is rewriting the rules of retail. And I think this was in July. Clearly, it's no secret that COVID-19 has hit a lot of retailers like a wrecking ball, just forcing change, whether they were ready or not. Could you share your perspective about what you think has changed for them?

Denise Yohn: 01:24 Sure. As you said, it's clear that practically everything has changed and that the digital or mobile or online experience of interacting with customers has become so much greater of a share of the experiences that companies have with customers.

Denise Yohn: 01:43 And so the article talks about how I think you need to kind of be thinking about your new customer experience at maybe three different levels. One is that there is still going to be some element of in-person customer experience. So as you rethink your basic operations in this new pandemic role, do you need to be rethinking? How do you ensure the health and safety and good experience of both your employees and your customers? And so that's kind of the baseline, but I think for most companies, most retailers, they can no longer rely on the in-person experience to be the primary way that someone experiences their brand. So they need to be thinking about the digital customer experience. And just as you would think about the entire kind of customer flow or customer journey through all your different touchpoints, that would get someone to a store.

Denise Yohn: 02:31 You need to be thinking about that online as well. And being aware that the way that people interact via digital is much different than in person, but then there's this first level of not just taking what you used to do in person and putting it online, but actually thinking about your customer experience from this kind of digital-native perspective and rethinking, what could our customer experience be if we were to start from scratch in this digital world. So again, not necessarily adapting what you already did, but actually innovating and creating the new experience that takes advantage of the full capabilities of digital.

Allison Hartsoe: 03:08 I think it's a good call out because, in many cases, I feel like we've always taken this paradigm of taking the offline, creating brochure where in the 1990s, and then it became a functional brochure. Wow. And we've always kind of taken this paradigm of starting with whatever we had offline and throwing it into online as just another channel. And I really like what you're saying that we should think about it as a brand new digital, native experience. Are there some particular examples where you think companies are doing that really well?

Denise Yohn: 03:44 Yeah. Well, actually, I got my inspiration and insights about this from industries or sectors outside of retails. So one came from the online education world, and I think that in the spring when all the schools shut down, all of the educators and administrators were trying to figure out how do we move this in-person learning experience online. A lot of the companies and universities that had already been offering online courses, they had already done is kind of reconceived the learning experience so that they were taking advantage of the fact that teachers are interacting with students in a digital format. So rather than kind of seeing this shift to digital is kind of a hindrance or kind of a barrier that you needed to overcome. They really looked at how can we actually use this format of digital to facilitate learning. And so, you know what, one very simple example that I wrote about in the article was that for a psychology class, the professors were able to ask the students to monitor their behavior on an ongoing basis and use a digital app to continue to upload their insights and upload their actions and their behaviors on an ongoing basis because they were using a digital format, which is something that you wouldn't necessarily get in a traditional classroom experience.

Denise Yohn: 04:58 And so it's a very simple example, but I think it just kind of shows that when you think about what does digital opens up for us, as opposed to what does digital constrain us do? It's a different mindset. The other industry or other sectors that I got a lot of insights from was actually the church experience. So my sister and her husband belonged in this kind of mega church in Ohio. And what they did was rather than just kind of filming the worship team thing of their songs and the pastor giving a sermon online, like a lot of churches reconceived their entire worship experience and said, if our pastors were

no longer constrained to standing behind a podium and delivering a message, how could they bring their stories and their teaching to life in ways that would be much more engaging, much more educational, much more inspirational to their congregants.

Denise Yohn: 05:44 And so they started taking the pastors on locations, in different places. I remember there was this one sermon about the foundations of faith, and they went to this old historic church in town. And the pastor was kind of walking through the church explaining how important the foundation of a building is and say kind of those things where it's like, wow, they would never be able to do this if they were just limited to in-person in the church building, but they were able to kind of think more creatively and take advantage of the fact that they were now on video. To me, the experience was so much more exciting and engaging. So I think that retailers need to also be thinking about what are the things that we can do now that we weren't able to do before. One of the suggestions I had in the article is a very basic thing, which is when you're buying apparel online, I want to know what it really looks like on people because, unlike most of the models on websites, my body is very different. So why not take advantage of the fact that you're on digital and show lots of different real customers wearing the items and showing you look like, and all the creativity they're doing, what they're clothing? It's just, again, a very simple example, but it really shows the difference in mindsets that you can bring to the customer experience.

Allison Hartsoe: 06:59 I think that's a great call-out. And I saw this recently. I was really surprised there's a company called figs that does scrubs for medical workers. And of course, you know, at this time they've just exploded, but they were very strong company before the pandemic. But during the pandemic, they took a lot of everyday customers, and they it's like their hero wall. And it's just picture after picture, after picture of people wearing their clothing, and it's created this tribal effect. And I want to pick up on that because I think it's very much part of your book fusion, where if we're rethinking the in-store experience in fusion, you talk about integrating the customer and the employee experience. And to me, this is almost like a tribal effect or communicating that culture through. Could you talk a little more about the connection between the person on the front line and the brand and the company itself?

Denise Yohn: 07:55 Yeah. I'm so glad that you brought that up because I do think that the best brands, the ones that people actually develop an emotional connection with the brands that people love and buy, continue to buy and pay more for, or the ones that make them feel like they are part of like you said, a tribe or part of a community, it's a brand for them. And they're joining this group of people who feel similarly. And I think what enables many brands to make that emotional connection is that they are bringing their internal organizational culture to bear in their external brand identity. So that there's not like this

image that the company is trying to promote kind of externally, which is separate from the way that they run their business internally. So rather these two things, your culture and your brand are fused as I write in my book.

Denise Yohn: 08:43 And one of the most effective ways to achieve that fusion is to integrate and align your internal employee experience with your external customer experience. If you think about it like your frontline employees are the best representation or they should be the best representation of your brand, what you have to offer the value of creating the feeling that you are creating for people about joining this community and this connection. And so if you are able to align and design your employee experience to be very much like your customer experience, then there's no gap. There's no daylight. There's no confusion. Who are your employees about the ways that you want customers to feel and to engage with you?

Allison Hartsoe: 09:27 Yes, I think that's a great connection. And I specifically see it where a new person comes into a brand. At that moment, you're trying to say, is this brand for me? And that frontline culture plays such an important role because you come into a brand, and I can think of numerous stores where I've walked in. And I don't really know if this is my tribe, and I'm trying to figure out, is it my tribe? And you come in, and you get a person who says that is to attack you with, Oh, do you want to see this? Oh, do you want to see that? That's not really culture. That's push and sale. As to the culture of, wow, that's a great foundation you have on, we have something that's kind of like that, which is more like meeting your tribal needs perhaps.

Denise Yohn: 10:12 Right? And so this employee is expressing to you that they get you, they understand you, and they know what's important to you, and they are there to make you feel great and to have a great experience. So, yeah, I absolutely agree.

Allison Hartsoe: 10:25 Well, I mean, it always sounds like this could be so easy. Like we could just make this happen. What kind of challenges to companies run across when they try, like they create a program, and they try to roll it out, where do they get stuck and fall down?

Denise Yohn: 10:39 Yeah. I think the clarity is a big issue, clarity in terms of what is your overarching purpose and the core values of your organization that you want to drive and guide and align among all of your people. So I think making sure that you have that clarity and also that you really value that like it's critically important to have your purpose and values. And then the same thing with customers is to be very clear about what is the kind of customer experience you want to deliver. And specifically, what is the unique customer experience that you want to deliver? Because there's a certain baseline of customer experience that now all customers and particularly in this pandemic just kind of have an

expectation that you're going to deliver on certain things like your website is going to have, the search features, you are going to have the multi-channel pickup order, you know, service, et cetera, all that stuff.

Denise Yohn: 11:28 So it's like, how do you actually differentiate? What are the unique values and attributes and the features and offerings that you're going to have in your customer experience that really differentiate your brand and being very clear about that is so important? So that not only you are setting up the expectation of your customers, but you are actually then engaging your employees and delivering on that customer experience. So one of the things I always say is that I think most these days probably have some sort of process for thinking about and designing their customer experience. And there are many tools out there from segmentation and personas and journey mapping and sentiment analysis, all this stuff, and you need to take all those tools and those methods and processes and apply them to your employee experience as well. So you want to design and manage an employee experience as deliberately and as intentionally as you do your customer experience. So again, your employees actually get a sense for what is the kind of experience we're creating, what is the kind of culture that we have in this organization, and how can I then bring that to life in the customer experience? So I think without understanding the importance of clarity, understanding the importance of uniqueness and differentiation, and then deliberately designing your employee experience to deliver on that, those are some of the steps or the things that organizational leaders need to embrace in order to achieve this fusion of brand and culture.

Allison Hartsoe: 12:49 So I can't help but think about the measurement side of this, because every time I think about orchestrating a customer experience, I think, well, how do we know we're actually hitting the marks that we want? How do we measure that? And so it strikes me that if you're trying to measure a healthy fusion of the customer experience and the employee experience, that it might have an equity component to it. So the way we oftentimes think about measurement is through customer equity, which is often related to how often people come back and buy, and they have a choice. Do they come back to you? Are they re-engaging with you? And that's part of the picture, is that kind of equity measurement, or is there a measurement to do go to that polls on employee equity and brand equity to pull through together and say, how well are we doing this?

Denise Yohn: 13:42 Yeah, I love this question, this line of questioning, because it's something that I haven't put a lot of definition around in terms of employee equity. I mean, certainly, from kind of a brand measurement standpoint, there are measures of employee brand engagement that you can implement. You can get a really good sense. Do your employees understand what your brand stands for? How it's positioned? Who your target customers are? Do they understand kind of the emotional connection that you're trying to create, and do they understand the differentiators and uniqueness that you are trying to embody as a brand? You can definitely measure, and you can, and you should measure and

track that kind of engagement so that you really do get a sense for how well our employees engaged and aligned with our brand. But I think what you're bringing up, Allison is a different like set of metrics or kind of this new area where you might take an, almost like an employee lifetime value approach to your employees and really figure out, and I'm not just talking about employee productivity, because I think a lot of companies will say whatever we have X amount of employees, we have X amount of revenue.

Denise Yohn: 14:48 This is the productivity. We're really trying to understand what is the employee contributing in terms of value to your organization? And then also what is the equity or what is the value that the company is contributing to the employee so that we may continue to retain our best talent and that we are creating value for our employees that makes them not only want to stay with the company and then create these great experiences. So I'm not sure exactly what that would look like, but I think it's a really interesting area to kind of probe and kind of say, is there a way to quantify the value of an employee through their life cycle of employment and the value of our company to that employee for their own benefit?

Allison Hartsoe: 15:28 Yeah, someday we should talk more about at some point. But I think that bi-directional measure is a good way to think along those lines. When I think about companies who are starting to become more like people, whether it's the integration of branding culture or the integration of employee and culture, I start to think about it almost as, well, if a company is a person, then does it also have kind of a Maslow hierarchy of needs? And if it did, what would it look like? And I realized this was kind of way out there, but last year we had the business round table come out with this big press release where they basically said stakeholder value should not be the sole purpose of an organization. Meaning profits shouldn't always be the highest and best use of a company. It shouldn't be the element at the top. And I'm wondering if in this process of putting together culture and brand, and maybe you see this in companies that are leading, do they put something else at the top of the hierarchy? And what would that look like?

Denise Yohn: 16:28 Yeah. And not only the business round table last year, and I don't know what it was in connection with the anniversary of that release, but the New York Times recently had a whole feature on Milton Friedman's article about the sole purpose of the organization is profitability. And they had all these different business leaders weigh in, in response to that very controversial piece. And if you look at like what Howard Schultz, one of the founders and former CEO of Starbucks, talks about, he said, if you want to have a company that is solely focused on profits, you can go somewhere else as a shareholder, as an investor, we don't want you, we don't need you what our investors and what our shareholders believe in is that there is purpose and profit. And as we try to improve our communities, as we try to engage our employees and provide meaningful creative work for

employees and great opportunities for our employees, and as we also try to nurture our customers through a great experience, we have this higher-order purpose that enables us to be extremely profitable, but that's not the end goal.

Denise Yohn: 17:36 So to your point, I think when the hierarchy process ends up being kind of at the very basic level of almost the safety level to survive, a company needs to be profitable. You need to have money that you can invest and then to attract other investors. But really, what you want to be doing is building on top of that customer equity, employee, equity, culture, and purpose. And really, I think the purpose of a corporation is in some way to make this world. And it sounds very trite, but make this world a better place. So how are you going to do that? Really? You know, what is the meaningful, valuable, and sustainable impact that you want to make in this world? And are you running your organization, and are you engaging customers and your other stakeholders in a way that enables you to do that?

Allison Hartsoe: 18:24 I love how you call that out because I oftentimes use that phrase when we measure customer equity. It's not just about increasing profits. It's about making the world a better place because you understand innovation, and you understand how to serve your customer. You're getting closer to them. So that's just one piece of the overall picture. I think in some industries, well maybe banking and insurance, the entire industry is so set up in that old paradigm that it's so ripe for disruption. And the example I think of easily is lemonade, the new insurance company, where they're taking the paradigm that the insurance industry subscribes to and saying, no, if profit is not the highest, best use of our company, then what is it that goes at the top, okay, we're going to do charity and donations, and we're not going to make it so hard to get a payout because we're not working it at odds with each other. I think the pandemic has made it more obvious, but that shifted thinking we were always gravitating to, and now it's really become striking. Are you seeing any other places where it's like that?

Denise Yohn: 19:29 Yeah, well, I was going to say, I think if you look at the research that is done by Adelman other companies who really have their finger on the pulse of customers, these days, people are looking for companies to be responsible corporate community, social citizens. And the truth is that in most categories, we, as customers have plenty of options. And so when we are trying to decide, is this a brand for me, is this the business that I want to support? Do I want to do business with this company? We're going to make those decisions based on the values and the purpose of the organization. And again, kind of profitability or kind of like your baseline offering ends up being kind of this very kind of functional foundation, which is extremely important for you to have a great product, great service, but beyond that customers are looking for, for that other higher-order and saying, what difference are you really making?

Denise Yohn: 20:21 And to your point, not only in the pandemic, did people's awareness gets raised of companies that were making a positive contribution, but, you know, we have

more and more tools that enable us to kind of look behind the curtain. We have more and more employees who were speaking out about the practices of their companies and making us aware of how companies are doing business. I mean, just think about what has happened to Amazon over. Throughout the pandemic were given a lot of backlashes as employees had their warehouse employees about the working conditions and safety concerns. All of a sudden, we, as customers, are thinking, well, is that the kind of company that I really want to support with my dollars? So I think there's a kind of reckoning or awakening that has happened. That if there's any silver lining in the pandemic, that would be one. More transparency on this.

Allison Hartsoe: 21:08 I think that's fantastic. So Denise, let's say that I have a brand, and I really want to take my brand down this path. I want to more fully understand how to bring my customers and my employees together and really create one clear unified picture. What should I do first? How should I attack that problem?

Denise Yohn: 21:30 Yeah. Well, there's some kind of leadership foundation that you need to take. So as a leader, first of all, you need to prioritize this. So you're already saying that, yes, you're there. Second, you need to have like this overarching purpose and values for your organization and your brand. So rather than having like a mission statement for your company and then like a brand positioning our brand essence statement for your image, you want to have this overarching purpose and these single set of core values that really guide and drive everything that you do both on the inside, as well as on the outside of the company. And once you have that as a foundation, then there are several strategies that I lay out in my book fusion on the first of which is to organize and operate your company on brand. Meaning you really look at the way that you have designed your organization, the different roles, the different functions, the different processes that you've developed, whether it's big processes like product development, or, you know, very basic processes like expense report approval, I really think about, am I designing and running my organization in a way that cultivates the kind of culture that will then build this really strong brand.

Denise Yohn: 22:36 So organize and operate on brand. The second is to create culture-changing employee experiences. So as I was talking about before, you want to deliberately design and manage your employee experience and definitely include employees in that process, just as you would listen to your customers and incorporate their input into your customer experience development, you want to do that for employees as well. And then there's employee brand engagement, kind of what I was talking about before about really ensuring that all of your employees understand your brand strategy and know-how to interpret and reinforce their brand in their daily decision making and actions. So that's the third strategy. And then the fourth is to take a look at kind of the, I call the sweat, the small stuff, all of the rituals, artifacts, the policies, procedures, all of the like kind of daily, almost mundane things about your organization.

Denise Yohn: 23:26 They may be very small things like how you name your conference rooms or the kind of the way that you run your meetings, but they send big messages to your employees about what's important and what your values are and the kind of culture you're trying to cultivate as if you can actually align all those small daily details with your bigger purpose and vision, then you are connecting the dots for your employees. So it's really about implementing all of these strategies to drive your desired culture, which is aligned with your brand throughout everything you do as an organization.

Allison Hartsoe: 24:00 I'm going to build on your concept of operationalizing marketing, which you talk about a lot in the, what brands do you book, because I think there's a really interesting marriage between something that another author I was reading, this was Mike Walsh, the algorithmic leader, and he was calling out that operations are an area that is particularly ripe for artificial intelligence. And it strikes me that if you use AI to automate a lot of manual tasks, then you have all this excess cognition from people who could be using it to perhaps make a better culture or have an easier time creating that culture. And so do you think AI plays a role in creating the ease of adopting a powerful culture?

Denise Yohn: 24:48 Yeah, absolutely. And this kind of ties back to where we started talking about the customer experience. And so you think about like your store managers are kind of, you know, your department level managers, they actually do a lot of functions that could be enhanced or replaced true AI. I mean, we just think about like shift scheduling and, um, kind of those details of employee management, those things, to your point kind of lower-order functions that you could easily and probably do better through AI and free up these manager's attention and their creativity and their energy to focus on creating a great employee experience or to be engaging with customers more are really trying to figure out what customers want and need now to be thinking about the trends that they know that are going on in the industry and how are they seeing the market, the actual customers reacting to changes in the industry. So you could free up so much mind, space, and heart space, all of these managers to actually focus on culture and brand and customer experience. If you were to adopt, you know, very basic AI in your operation.

Allison Hartsoe: 25:54 I love how you talk about it as mind space and heart space. That's a nice way to think about it. It's not just cognition.

Denise Yohn: 26:01 Yeah, definitely. I mean, we're all humans, right? We have limited bandwidth. And so, what do you want your people to be focused on the most?

Allison Hartsoe: 26:08 Right, and I think there's a great quote at the end of, I think it's your second book where you talk about, it doesn't really matter what you say your brand is about. Ultimately it's what you do that matters. So whether it's what the company is doing in the back office or what the people are doing on the front line, this is the goal you're after. What did you do? Like our parents in a way.

Denise Yohn: 26:28 Absolutely. Yeah. I always say that your brand is what you do and how you do it. And so, as a leader, you need to make sure that you are leading your organization in a way that is aligned with your brand vision.

Allison Hartsoe: 26:41 Exactly. Well, Denise, thank you. You can find Denise's books on her website, DeniseLeeyohn.com, and that's spelled D E N I S E L E E Y O H N dot com. You can also book her as a speaker, and she has received rave reviews. And as always, you can find links to the things we talked about and anything else at ambition, data.com/podcasts. Denise, thanks for coming today and for sharing your ideas.

Denise Yohn: 27:09 Thank you so much, Allison, this is great.

Allison Hartsoe: 27:09 Remember everyone, when you use your data effectively, you can build customer equity. It's not magic. It's just a very specific journey that you can follow to get results. See you next time on the customer equity accelerator.

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