Why advocacy matters to mall-based specialty apparel retailers

Moderator: Laura VanTine
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Laura VanTine:  Good afternoon, this is Laura VanTine.  Today I’ll be speaking with Maureen Stancik Boyce, IBM’s Institute for Business Value Distribution Team Leader about the (IBV) Institute for Business Value study Why advocacy matters to mall-based specialty apparel retailers.

Welcome, Maureen.

Maureen Stancik Boyce:  Hi, Laura. Really appreciate this opportunity. We’ve done some great work here at the IBV and I’m excited to share it with folks and share those insights.

Laura VanTine:  Let’s start off with some of the basics. What was the purpose of the study?

Maureen Stancik Boyce:  This study, Customer focused mall-based specialty apparel, was a survey of 1,500 U.S. consumers who go to mall-based specialty apparel stores. And we wanted to find out what they think about their shopping experience. We also wanted to find out how strong customer support is for their primary mall-based specialty store.

So if they have more than 50% of their purchases at a mall-based specialty store – more than 50% of their apparel purchases, that is – then that’s their primary store. And we wanted to understand what they think about their primary store and how deep or not deep is their advocacy for those stores.

We wanted to also understand what elements of the customer experience are important to consumers so that we could share that with retailers. And we wanted to find out which of the mall-based specialty apparel stores are doing better at attracting advocates than others and what are they doing to do that, to attract the advocates.

We wanted to understand more about what an advocate looks like, what are some of their characteristics, some more demographics, but more on what’s important to them and how valuable they are. Are they more financially affluent customer or is it just that they spend more, not necessarily have more money, i.e. spend more money with their primary retailer. And then most importantly, we at IBM want to understand what retailers can do to attract more advocates and what we, IBM, can do to help our retailer clients.

Laura VanTine:  You’ve spoken a lot about advocacy. Can you please explain to us what you mean by advocacy?
Maureen Stancik Boyce: Sure, yes. That is very important to understand the study.

There’s three components to advocacy. Basically likelihood to recommend. Second is purchase intent. And third is staying rate. So the first, likelihood to recommend, is often used for advocacy in a lot of CRM studies. And that’s just is a customer likely to recommend their primary retailer to family or friends. So that’s kind of a standard definition.

IBM has added two more criteria. The second criteria out of three is purchase intent. That means a customers willingness to purchase new products from their primary retailer if new products are introduced at the retailer that they currently can’t buy there and they’re buying somewhere else. So if you can’t buy organic milk at your primary store, your primary grocery store, you have to go somewhere else to buy it. But now your primary store starts carrying it, you have purchase intent, and you would buy more if new products were offered.

The third criteria is staying rate. And we ask consumers if a new retailer came into the area and offered equal products, equal value, kind of the same overall offering, would you be likely to switch. If they say no, then this is a customer who would stay. So it’s the three things. Would they be likely to recommend, would they purchase more, and would they stay and not switch if a equal competitor came in. And if you say yes to all those three things, you are considered an advocate for your store.

We also found out – actually let me point this out – that for mall-based specialty apparel, only 17% of consumers were advocates for their store. The remaining customers are either apathetic, maybe they say yes to two or maybe even one of those, but not all three. So they’re kind of indifferent to their primary retailer. Or, worse, they’re antagonists. They say no, I would not recommend or I would not buy more and I would switch away. So we learned a lot about looking at these different groups, the advocates, antagonists, and the apathetics in the middle.

Laura VanTine: Going on from there. Why should retailers care so much if their shoppers are advocates or not?

Maureen Stancik Boyce: Well, that’s a really great question. And the big reason is financial. Advocates are far more valuable consumers than the apathetics and the antagonists. Our survey and our study results showed that on average, advocates share of wallet is much higher than the antagonists. As a matter of fact, they spend 32% more than the antagonist as far as total dollars spent.

Basket size was 2% more. Not a huge degree more than the antagonist, but still more. And then what we also measured was advocate spend over time. And our results showed that 43% of advocates actually increased their spending over the past two years. In addition, fewer advocates have decreased spending over time. And as a matter of fact, twice as many antagonists said they’d decrease their spending in comparison to the advocates. So you don’t see people dropping off as much.

So in summary you know we see that advocates are more valuable because they spend a greater percent of their total dollars with their primary retailer. They just spend more as far as dollars and basket size. They are spending more over time. And when you add that all
together and the fact that they're more loyal, that they stay with their primary retailers longer, it adds up to much higher lifetime value than the average customer. So they're more valuable customers.

**Laura VanTine:** And with them being so valuable, do you have any insights into how retailers can build more advocates? For instance, do you know what factors it is that drive advocacy or whatever are the key areas that are so important to advocates.

**Maureen Stancik Boyce:** Well, actually, yes, that was a key part of our study. So we asked the consumers for your primary retailer, how do you rate these different attributes. And what we found is that – we grouped different attributes into buckets and we found that the bucket of store experience and multi-channel capabilities is what is most important for advocates. And that's what drives advocates. So let me explain in more detail.

So we said here's some driving factors, some attributes. And it was a list of 15 different statements about their retailer, in this case mall-based specialty apparel retailer. And we asked consumers on a scale of one to ten do they agree that their retailer does this well. And then we looked at the difference between what advocates were saying and ranking, how they were ranking their retailer versus apathetics and antagonists. So did they agree with these statements that their retailer was doing it well.

So what we found out is that advocates largely agree – it was 80-90-plus percent of advocates agree that their primary retailers are doing these important attributes very well. Conversely, antagonists, very few of them agreed that their retailers are doing things well, less than 50%, down in 40-30, even 20% agreed – or said that their retailers did things well.

What was interesting also is that the ranking of the attributes were similar across apathetics, antagonists, and then advocates. It's just that so few antagonists thought that their retailers did things well.

So what we saw was that the top-rated attributes were actually store is easy to shop. And that's an attribute that's related to store experience. The second highest attribute was it was pleasant and enjoyable to shop in a store. And that's also an attribute that was bucketed as store experience. The third highest attribute was it was easy to return products in the store or online. So we attributed that to the bucket of multi-channel capabilities. So, again, for mall-based specialty, we found that to build advocacy, a retailer needs a good store experience and strong multi-channel capabilities.

**Laura VanTine:** So what should retailers do now? Do you have any advice on how retailers can turn their customers into advocates?

**Maureen Stancik Boyce:** Yes. And that's really how we think we can help our retail clients. So in order to be successful, mall-based specialty retailers really do need to take this outside-in view. They need to think about their business from their customer's perspective, not traditionally from how to run the store internally, but what do the customers want and then build their operations from that perspective.

To get started, they need a strategic road map centered around the consumers’ priorities. They need to be thinking about consumer insights and bringing that into every aspect of
the business, have a comprehensive customer strategy. And the strategy needs to change over time. It needs to be dynamic, it needs to be based on customer information, and evolves as the customers needs evolve.

So for mall-based specialty apparel, we found out that store experience is most important and multi-channel is most experience. So the operational capabilities that build those two attributes are the most important. And you have to remember that this is not a one-size fits all approach, because all retailers start in a different place.

So really we’d start an engagement from the strategy side, look at where they are, look at what operational capability the retailer currently has, and then also look at what their customer strategy is, who are the target customers, what do those customers want. And then build a targeted strategy to get the operational capabilities that they don't currently have that are in fact important their customers.

And just one last note on this. Not only do we have the data in aggregate, but we also have information from the survey about specific retailers and what their customers are saying. So I would encourage IBM clients and client reps to potentially think about using this information. We can mine lots of data specifically for certain retailer clients from it.

Laura VanTine: Great. Thank you so much, Maureen. We really appreciate your time and your valuable insight. If you'd like to get more information about the study Why advocacy matters to mall-based specialty apparel retailers, please visit the Institute For Business Value Retail Site at ibm.com/retail. Thank you.