



Restoring growth to an iconic sporting brand

An in-depth case study on how re-imagining the relationship with customers can create new commercial opportunities

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For retail brands, traditional strategies for driving sales are no longer enough. Brands that only connect with customers on a transactional basis are losing out to more innovative brands that create a richer experience for customers and make themselves part of their customers' everyday lives.

For one of the world's best-known sporting equipment companies, this was becoming painfully clear. In their US retail channel, failing to engage more fully with customers meant sales were slowing and competitors were surging ahead. We showed the business how creating a richer experience for customers could reverse the business's declining fortunes and restore growth to an iconic sporting brand. Here's our thinking – from innovation to results.

The challenge

In a competitive retail environment, it's easy to lose ground fast to more innovative competitors. This is the situation our client faced in the US. Opponents had been quicker to social media, setting in motion high-frequency contact strategies that were turning customers' heads. Despite high levels of customer loyalty, driven by the company's commitment to product quality and innovation, sales were starting to decline.

We saw an opportunity to reverse this trend with a strategy that capitalises on digital technologies to establish a new dynamic between customers, retailers and the company. Our idea centred on using smartwatches and apps to help customers connect and interact with each other around the company's products. We believed this more engaged community would spread the word about the company's service and products, with social media triggering a network effect that would, in turn, increase sales.

With cutting-edge analytics, the company would be able to see patterns in profile, transactional and usage data, create micro and macro segments and make predictions about future behaviour.

Innovating for growth

The company sells millions of pairs of running shoes every year and this product provides a great example of how our idea works. Many runners like to wear smartwatches or smartphones to track their runs and compare data. Our idea was for the company to create and launch a branded app for smartwatches and smartphones, linked to a platform that lets runners establish virtual running clubs.

A club could be just two people or many thousands, all in one location or distributed around the world. Clubs could be organised by a huge array of themes: interest, association, belief, geography, age and so on. Key to our thinking was for the app to be a platform. Other clubs or organisations could start a running club or put their existing running club on to the platform. Clubs would be able to use the platform to engage their own communities, creating new social and commercial opportunities for themselves. The platform would also create an opportunity for our client to introduce their products, services and community to new groups of potential customers.

Value from data

The data generated by runners was an important part of our idea – we knew it would be a source of value for runners, retailers and the company alike. Runners would be able to track their performance over time and against targets, or compare directly with other club members and enter leagues. Meanwhile, with cutting-edge analytics, the company would be able to see patterns in profile, transactional and usage data, create micro and macro segments and make predictions about future behaviour.

One of the perpetual challenges for all retail brands is to understand customer preferences ahead of

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production. Wastage through unsold goods is a major cost. The app would allow the company to offer existing and potential customers sneak-peeks of ideas in the pipeline. People could vote for their favourites, enabling our client to advise retailers which products to order and suggest quantities: a clear benefit for the retailer. In addition, the company would have location data for runners using the app, allowing them to direct potential customers to specific stores and work with the retailer to package offers.

New opportunities

Adjacent needs would create new opportunities too. For example, runners are often interested in nutrition, training methods and sports psychology, and some like to plan trips around their passion. This would create opportunities for the company to form alliances with experts and providers in these fields to fulfil customers' wider needs.

Ultimately, the goal was to create a centre of gravity that would spin customers and retailers into the company's orbit and keep them there on the basis that there was something in this new constellation for everyone.

Making it happen

It would take a wide range of skills and capabilities to turn this idea into reality – a range that KPMG functional and sector experts can provide. Our Global Strategy Group specialises in helping clients call vital strategic and tactical choices correctly, while our technology experts design and build the essential technology components of new digital solutions.

Realising the idea would also require:

- mapping out and integrating customer and retailer experiences, needs and preferences
- developing the logical and technological architecture for end-to-end processes
- designing the app
- evaluating and selecting cloud-based systems, micro-technologies and decision engines.

Also needed would be change specialists to manage the cultural implications around evolving the company's historical focus on product excellence to incorporate community building and management. Our client would also require support to develop essential new capabilities, such as data science and

digital marketing, as well as access to cyber security expertise to ensure robust protection for customers' and retailers' data. KPMG has leading capabilities across all these areas.

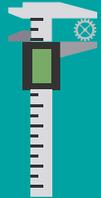
From experience, we know that to convert strategic intentions into successful implementation, financial, business and operating models must be aligned. KPMG'S '9 Levers of Value' framework helps clients achieve this. One of the framework's core principles is that any strategy is only as strong as the weakest lever. So bringing the idea to fruition would involve stress-testing the company's strategy to ensure that it was up to delivering to a rapidly growing and highly active community of runners.

The results

The launch of the new app and platform would allow the company to begin building a closer, more dynamic connection with customer and start to turn around declining sales. Embracing the opportunities from digital technologies has the potential to help our client restore their brand's relevance and appeal in a changing world.

Transformation take-outs

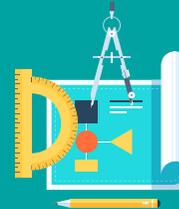
Key lessons from this project can help your organisation get plans for digital transformation right.



Be precise about the problem you're trying to solve with digital. The more precise you can be, the greater value digital will deliver. In this example, our client had a sales challenge not product or supply chain problems. More specifically they had a problem reaching potential customers through traditional channels. They needed a strategy that got retailers on side as well as customers.



Start your digital strategy by leveraging your true assets and distinctive capabilities. Building from your strengths helps lower the risk of innovating. In this example, we helped our client capitalise on their loyal customer base and reputation for great products. We also built on social media's proven ability to connect people around their passions.



Align your financial, business and operating models to maximise the chance of successful execution. Many organisations make the mistake of creating a new business and financial model and then attempting to support them with an unchanged operating model. But to move successfully from innovation to results, the business, financial model and operating models must all be aligned. Adjusting the financial model, for example, will include assessing the appetite for investment and risk and the implications for revenues and costs of integrating digital solutions into the existing way of doing business.

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