

# Gaining Insight

The Limited uses early customer engagement to ensure product success

by KAREN KROLL

So many factors that can impact retailers' performance are out of their control: the economy, the competition, the weather.

"Doing the best you can do in a challenging market means you have to control the factors you can," says Kevin Nussbaum, executive vice president and chief supply chain officer with The Limited. That means using technology to gain an edge in the fundamentals of retailing — getting the right product in the right place, at the right time, for the right price.

One company helps retailers and brands boost their ability to execute on those principles by bringing in "the voice of the customer" early in the design and merchandising stages. First Insight offers systems that help retailers identify new products and design elements, as well as pricing levels, that are likely to resonate with customers and perform well.

First Insight's solutions are "a great addition to the tool kit, in terms of removing risk and having a more robust sample with which to make decisions," says Lois Huff, vice president of client insights and strategy with The Limited.

## CONFIDENCE IN BUYING

The company's InsightSelection tool gathers feedback on potential new products from The Limited's existing customers by engaging them online. For instance, First Insight can create a link that's included in an email sent from the retailer to members of its customer relationship management or loyalty database, or is posted to the company's website or in its social media platform.

For companies that want to reach new groups — perhaps because they're targeting a new market or simply lack a strong customer database — First Insight can use databases from reputable third-party providers.

Within the message, the retailer or brand asks for feedback on roughly 10 to 15 new products. Customers typically can rank

different products, and say if they "love," "like" or "would leave" each item.

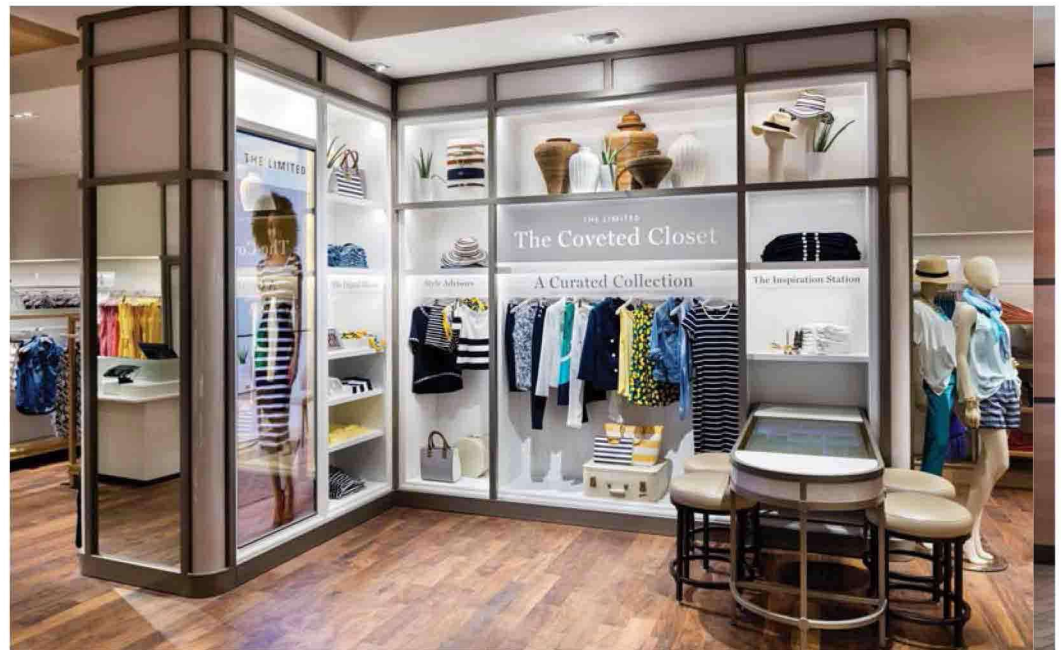
The Limited worked with First Insight to reach clients from its CRM database, and then crafted questions that would help the fashion retailer hone in on its target customers.

"While it's valid to get insight from all customers, we really want to [focus on] our target client, the sophisticated professional, and make sure we're going in the direction she's going," Huff says. The

Huff says. While most basics have a history that buyers can use to guide their purchasing decisions, that's not the case with new fashions; she says the feedback gathered through First Insight has prompted some purchasing changes.

## GAMIFYING FEEDBACK

While the system can provide valid, predictive results for both on-trend products and basics, most companies use it to test fashion or newer items and gain additional



value score that customers provide helps The Limited understand the degree of pricing flexibility with any item, she says.

Customers also can add open-ended comments about the features they like — and those they don't — on specific products. The feedback can prompt improvements: One company tested a shoe design it was confident would be a winner, but it tested poorly. The comments revealed that customers loved the style and hated the color. The company changed the color and ended up with a popular new design.

Both the rankings and comments help The Limited's buying team members gain confidence in their purchasing decisions,

insight for their buying and merchandising decisions, says Gretchen Jezerc, vice president of marketing and product management with First Insight. "This is a way to get the voice of the customer" into those decisions, she says.

By limiting the number of items on which companies request feedback, customers can provide responses in just a few minutes. "It's a gamification approach to gathering customers' input," Jezerc says.

Customers usually have 24 to 72 hours to provide feedback. Most companies can obtain enough responses within that amount of time to gain a greater under-



standing of the reception products are likely to receive.

“We’re able to get predictive results using a fairly small number of respondents,” Jezerc says.

Many retailers include a “shop now” button at the end of the game; it often includes an incentive, such as discount on a purchase. “After giving feedback on 10 or 15 products, consumers are very engaged,” Jezerc says, and often make a purchase.

Many retailers and brands test customers’ reception to goods at various points along the product development lifecycle, gathering feedback on designs of proposed products and winnowing samples based on the comments received. They’ll test again

try independently, and also can roll up the results to check assortments for, say, France versus the United Kingdom.

First Insight works with a range of clients including retailers, wholesalers, and consumer brands. Jezerc says the frequency with which the companies test varies from weekly to several times a year.

#### IMPLEMENTATION

Because First Insight’s solutions are cloud-based software as a service, clients typically don’t have to install hardware or software. The solutions can integrate with other systems such as product lifecycle management.

The biggest steps often include training

information.

At The Limited, the biggest investment of time has been helping employees in different areas understand the benefits so they can truly leverage the solution, Huff says, though even that took just a week or two.

#### OBTAINING ROI

The customer feedback gathered through First Insight’s solutions helps companies make more informed decisions. “Products that test well consistently outperform those that don’t,” Jezerc says. “It comes down to having the right product, priced right. Those are some of the few things a retailer can actually control.”

The Limited has measured the performance of products it has tested

versus those it hasn’t. On average, tested products outperform the non-tested, with a hit rate 22 percent higher. Margins improve by 1.8 percent and sell-throughs jump by 4 percent. “It’s pretty significant,” Nusbaum says.

First Insight says retailers and brands using its solutions typically realize a 50 to 100 percent increase in the success rate of new products, as well as a bump in gross profit margins of 3 to 9 percent.

The Limited plans to continue expanding its use of First Insight’s solutions, both by broadening the number of products it tests and more fully leveraging the company’s other tools. InsightPricing helps retailers and brands identify optimal price points and

forecast average unit retail prices on new products. Another solution, InsightTargeting, helps companies better understand customer segments.

An initial test The Limited conducted with InsightTargeting boosted the click-through rate on emails by 10 percent, Huff says.

“It’s pretty exciting,” she says. “And we haven’t plumbed the limits yet.” **STORES**

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The value score that customers provide helps The Limited understand the degree of **pricing flexibility** with any item.

once they have photos of actual samples.

Multiple functions within a company can benefit from the information obtained. At The Limited, merchants, planners and designers are among the personnel that use First Insight’s solutions.

“It impacts product development across many aspects of the product cycle,” Huff says.

First Insight’s solutions work in seven languages, which helps companies trying to boost the profitability of their global assortments. They’re able to test each coun-

users, designing emails or social media posts that will engage customers, and then developing a schedule for publishing them. First Insight trained the merchant team at The Limited and conducted testing, Nusbaum says. “It’s been easy to use, and the merchants are very willing to adopt.”

The solutions fit into retailers’ existing processes, minimizing the need to alter them. At the same time, they introduce the voice of the customer earlier rather than later. Retailers are making the same decisions, Jezerc says, armed with better