



House of Fraser: A new vision

House of Fraser is replatforming and undergoing a transformation, redefining its customer and itself. David Walmsley, Chief Customer Officer, House of Fraser, spoke to Emma Herrod about the department store's new vision.

HAVING LAUNCHED the House of Fraser website on a new platform in April, some may think that David Walmsley, the retailer's Chief Customer Officer, would be recovering from a bout of replatforming fatigue. As someone who has also worked at John Lewis, DSGI and Marks & Spencer, he has seen his measure of retail transformation. This includes taking M&S.com from a platform decision already made before he started at the company through build and launch to online accounting for 17% of M&S's total business and influencing a much greater proportion.

Now at House of Fraser, and heading a 200 strong team, Walmsley is following a new vision for the retailer and its customers. Not only is he responsible for the digital platform P&L, brand marketing, and data and insight but he says that how these three

functions come together to drive the customer experience and reflect the customer back into the business is going to be key. In effect, they hold a mirror up to the business and show what customers are saying, as well as their needs, wants, desires and fears. This knowledge is vital to how the business uses data and feedback, how the brand marketing feedback loops back into the business, how customers are responding to the marketing and advertising, and then how they are behaving and acting in the digital channels.

REPLATFORM

The retailer has moved from eCommera/Demandware (now Salesforce Commerce Cloud) to SAP Hybris; significantly, the build has seen it bringing engineering in house. Walmsley explains that the business moved from renting its platform to owning it with

a £25m investment to greatly enhance the customer online experience and significantly improve ecommerce margins. The retailer's latest financial report states that it will provide the necessary capacity to allow the group to double its online sales, which currently account for 21.8% of its total trade.

Comparing the platform upgrade to the compound interest rate on a savings account, Walmsley says that the faster new iterations, functions and features can be released, the greater 'hockey stick' effect on the accumulated benefit. That's why House of Fraser is spinning up its engineering and product management functions to really exploit that. It is also investing in the technology to get test automation in place and running test-led developments. In addition, Walmsley is focused on DevOps ensuring good communications and agile working between Development and IT Operations. He's also investing in better machinery and the engineering and frameworks back end. "That will be the thing that will make us go faster and release faster, and compound up the benefits faster," he adds.

Walmsley's team has also had to build capabilities and move from using integrators to "home-grown engineering and talent". So over the past 9 months, it has built its in-house engineering and product management capabilities to enable it to fully exploit the new platform. "It's only through the rapid exploitation you actually get the benefits of the investment in the platform," he says.

Walmsley is very happy with the new site and the technical progress and he says that conversion is "good". The bigger picture with any replatforming, he advises, is working out how to "use the machinery". He explains that no matter how much preparation is done before go live, the operational side needs to bring together in-house teams, third parties, different software vendors and infrastructure partners to work together to solve issues. Replatforming always comes with problems, Walmsley says, but what makes all the difference is how fast things can be fixed.

CUSTOMERS

Along with the new site, the retailer has also been focused on redefining the two core questions of "who is House of Fraser" and "who are its customers". It has gained a better understanding of the latter through research, analysis and focus groups. The team has taken six different CRM profiles – "which are great

“Rather than shouting out how great we are, we’ll whisper gently to our customers why we love them”

for the DM and CRM guys” – and distilled them into a single core customer, which Walmsley believes will help to simplify the business. "Who you are buying for, who you are talking to, the experiences you are creating, down to the menus in your restaurants have to be designed around one person," he says.

Rather than a mix of customers as used by other department stores, House of Fraser has just the one core customer who is fashion-focused and confident in what suits her. "We want to sell them nice things," says Walmsley, a desire that he says helps to create excitement and pride.

He adds: "For retailers to succeed today they need to be much prouder of what they do, proud of the excitement and theatre they can create and the experience they give, and be proud of selling something nice to a customer. Working with customers on what they want ▶

A NEW VISION FOR HOUSE OF FRASER

House of Fraser's new vision encompasses three strategic pillars: product, customer and infrastructure. These sit under an overarching objective, of transforming its relationship with customers from transactional to experiential, lifestyle-led.

Product: its commitment to offering customers premium products and services at competitive prices will be maintained as it continues to develop its brand offering across all categories and routes to market. House brands will be refreshed over the next 18 months with five under-performing ones being discontinued as it focuses on improving the quality and designs of those that are the most popular and best performing. The new house brand womenswear offer will be available in stores and online from the autumn/winter 2017 season.

Customer: extensive research and analysis has been undertaken to strengthen and deepen House of Fraser's understanding of its core customer base and to develop a stronger brand identity to align it with customer needs and expectations. It has launched a number of strategic marketing initiatives that aim to considerably improve the customer experience, both in store and online, drive better engagement and increase retention.

Infrastructure: investment in the store portfolio continues with a further five major refurbishments finished in the 2017 financial year. It is also putting money into IT infrastructure and logistics operations. The new web platform launched in April 2017.

A thorough review of the warehouse operations and stock buying patterns has been undertaken to identify productivity and efficiency improvements. Significant changes to improve the performance of logistics and supply chain will be implemented over the coming 18 months.

"The retail environment is changing and we must continue to innovate, challenge and strive to be what our customers want us to be. The strengthened leadership team have meticulously reviewed every part of our business and have set out a clear vision for the future direction of the business," says Frank Slevin, Executive Chairman of House of Fraser.

"It is important that House of Fraser leads in providing the space and experience that attracts our customers to come and spend time in our stores, to make shopping with House of Fraser a lifestyle-led experience. With great teamwork, newly refurbished stores and a greatly improved web platform, I am confident that the group has the solid foundations to deliver long-term growth and sustainable profitability over the coming years."



The new platform provides the capacity for the group to double its online sales

from us has been the foundation stone on which we're building everything else."

This has led to the retailer being able to define the first of its core questions: who House of Fraser is as a business. "Recently, House of Fraser as a brand has been subsumed," says Walmsley, explaining how the department store has been caught between mass market and luxury retailers such as Selfridges. Effectively, it lost its way by being a blank container into which other brands poured themselves rather than shouting about the House of Fraser brand itself.

"We've had to correct that," he says. In fact, House of Fraser has a buccaneering and innovative history going back 167 years, which includes its days as Army & Navy Stores shipping parcels around the world in the pre-internet days.

The retailer is now positioning itself as a "genuinely sustainable premium retailer". Fashion will remain its core business but it is altering the mix of brands it sells to better

A clear vision of HoF's future direction has been set out following a review of every part of the business

reflect the core customer and adding new and emerging brands too. These will also add excitement and "challenge" the customer, with the winners quickly being identified. It is dropping 5 of its House of Fraser brands as it realigns its mix around the new core customer.

Everything the business does under the new model – the products it buys, the experience it creates and the proposition for its customers – will be filtered through three newly defined touchstones: wellbeing, social destination and a sense of discovery. These will highlight how it comes across to the customer and give shoppers a reason to spend more time with House of Fraser, whether in store or online. "It's more than just a customer strategy," says Walmsley.

Digitally, they will be expressed through editorial and social engagement, particularly through Facebook and performance marketing through Google.

DATA

Data and insight from all parts of the business will drive much of Walmsley's plans for the customer with machine learning used to exploit decision-making where possible rather than visualisation tools, spreadsheets and meetings in which people are expected to make decisions on daily trading. House of Fraser is awash with data from all parts of the business – including customer, brand, stock, loyalty, margins and returns – and it wants to make this information work for it. "Fundamentally, retail is simple, with one table with customers and one table with product, and you have to bring the two together," he says. "Every business wants to be better with data and the next level is machines and machine learning."

Walmsley believes that closed data models, where the decision-making happens in the machine, is the future. This use of machine learning is the next step on from retailers allowing machines to act on inputted rules such as today's bid management systems. He gives performance marketing and inventory management as two examples that could be enhanced. He believes that machine learning, though, needs to be combined with creative flair. "Somewhere along the line you have to decide what to do, but you use the machines in iteration and testing to optimise that."

Part of the data team's role is reflecting the customer back to the rest of the business so that not only are plans made around customers but once they have been carried out, such as at the



led,” he says. While the business is good at being “a transaction machine”, he believes it needs to be more than that; unlike other retailers, which ram home their marketing message, House of Fraser, should be more subtle. “Rather than shouting out how great we are, we’ll whisper gently to our customers why we love them”.

Walmsley explains that the digital platform creates the environment through which House of Fraser can have those conversations with customers. “At best,” he says, “marketing should be a love letter to our customers. The digital environment creates the space in which we can do that.”

The marketing strategy is premium, local and targeted, with premium explained as the brand journey, local as a key strategy and targeted showing customers how House of Fraser understands their wants and desires and surprising and delighting them. Email KPIs have changed from purely ROI and a last-click attribution model – which resulted in promotional offer messages – to more of a dialogue and editorial approach.

Emails will include greater personalisation. The retailer has already gone from six broadcast emails a week to 170 variants as it establishes a dialogue with shoppers.

Walmsley explains that emails can be fully crafted and creative, sometimes with personalised offers, in order to mix things up and still get the required result for the business. ▶

end of a season, it can assess the response to ensure that the business remains aligned. “Some people in head office are far removed from the customer, so we provide a playback loop into head office teams so they are not working in the dark,” explains Walmsley. “It’s about how we use data and insight and how customers are responding.” This reaches across digital to store navigation and what customers think as well as what the business can learn from the numbers.

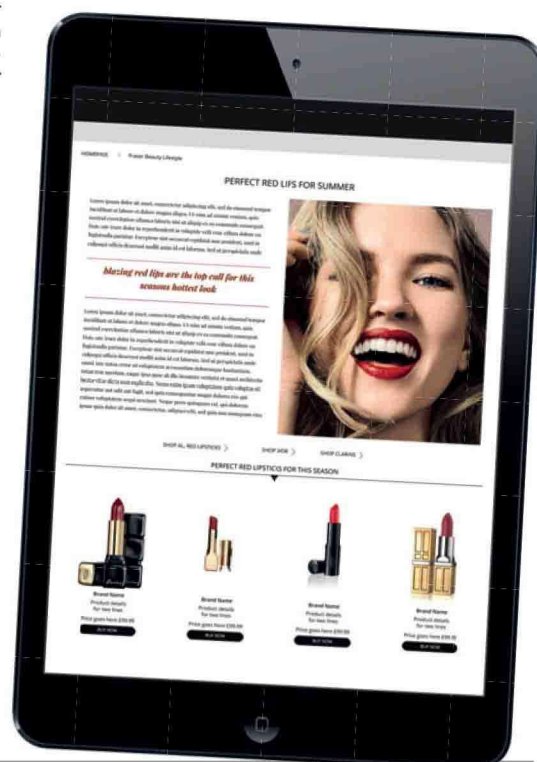
He says data and analytics are a “phenomenal part of the business”, but adds that retailers can’t lose sight of the customer or marketing basics: “It’s not just about the rise of the machine.”

The use of data will extend further into store with Walmsley seeing clienteling and assisted selling opportunities as well as giving staff devices to help on the operational side of things.

“The digital landscape in terms of the customer proposition is about creating reasons why people want to spend more time with us; that could be editorially or socially

Everything the retailer does will be focused on its confident, fashion-focused customer

Everything will be filtered through three newly defined touchstones – wellbeing, social destination, discovery



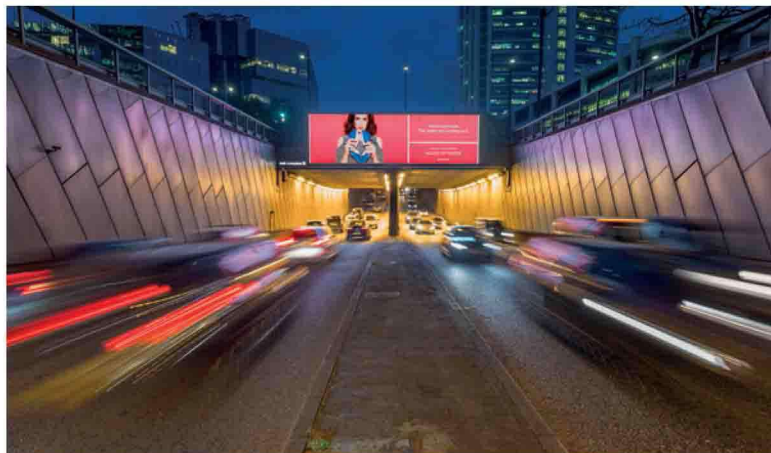
However, rather than having variants, it would be better if emails were truly personalised with targeted offers, something that House of Fraser is working towards. “We have a lot more to do in that space,” adds Walmsley.

Talking about onsite one-to-one personalisation, he explains that the team needs to get through the replatforming process first. He points out, though, that customers want retailers not to waste their time and to deliver functionality, such as showing their basket across all devices ahead of being shown just jeans that will suit them. Customers see these fundamental things as personal to them and House of Fraser has a number of these subtler functions to implement before it can roll out a true one-to-one personalised experience.

“There are a lot of things we can happily do to improve the customer experience and make us a more successful retailer,” says Walmsley. The targeting is more offsite in terms of CRM and offsite marketing. Onsite marketing and personalisation is a “lot of heavy lifting” and Walmsley would rather have the platform running stably and securely before he starts thinking about some of the smarter forms of personalisation. “There’s a lot of upside to the forms of optimisation work we are doing today,” he adds.

PREMIUM, TARGETED, LOCAL

One marketing approach is local targeting in the catchment areas of House of Fraser’s 59 department stores. This messaging will be premium and local and can be targeted individually, even down to single billboards



Local, premium messaging can be targeted to individual billboards

in postcode areas where House of Fraser has the highest customer density. “Building up the digital and physical media model is starting to pay dividends for us,” Walmsley says, generating higher rates of acquisition and an increase in frequency.

A local, editorially-led journal targeted at postcode level has been introduced as the marketing team reconnects with customers, many of whom have shopped at House of Fraser across the generations in towns in which it is the only department store. Receipt of the first issue prompted lapsed customers to return to the store with the publication asking to try on particular items it featured.

House of Fraser’s transformation programme has big ambitions which aim to correct prior underinvestment in its business infrastructure, from supply chain and the fabric and refurbishment of the stores to the digital platform.

The transformation in all its guises is a big piece of work in terms of upgrading the business and setting it up for the future. At the core, however, is a retailer seeking a business model that’s sustainable in the long term and that’s putting together a unique combination of elements and creating a distinct identity to differentiate itself from other retailers. Will putting customer data into the ‘hands’ of machine learning to enable marketers to concentrate on being creative with local targeting, while reducing costs and increasing flexibility through its in-house development team be the answer? As others have found, giving the customer a seamless omnichannel experience is possible but doing it profitably and sustainably isn’t as simple. By focusing on the quality of the House of Fraser DNA and pitching itself in a premium position between mass market and the luxury of Selfridges, it may well succeed. 🇧🇷

