WWD VOICES: RETAIL'S RESPONSIBLE RESET PODCAST – EPISODE 5

AUDIO TRANSCRIPT

Evan Clark [00:00:00] Retail and fashion brands now have an unprecedented window onto when, where and how people shop. Consumer data is everywhere, but insights are hard to come by. Up next, a deep dive into how one of the industry's leaders is making sense of all those bites.

Arthur Zaczkiewicz [00:00:17] Welcome to WWT Voices, where we share the latest fashion, apparel and retail industry insights. Welcome to the voices of the Zagat's, and I'm joined here with co-host Evan Clark today as part of the Retail's Responsible Reset series sponsored by Accenture. We'll be speaking with Valua Carboni, Chief Digital Officer and Technology and VF Corp, which is the powerhouse owner of brands such as Supreme Vans, The North Face and Timberland. She's going to help us go deep on data. Welcome value.

Velia Carboni [00:01:00] Good morning and thank you for having me.

Evan Clark [00:01:01] Yeah, thanks so much for being here with us today. So it's not hard to make a case that big data and the use of all of the kind of shopping nuance that's collected and parsed by every brand today is one of the most important and transformative changes in the industry. But it all still seems like a little bit of a muddle. Everybody talks a big data game, but you still kind of get the sense that everyone's talking about something a little bit different. So I wanted to start kind of right at the top and go in. Where does all this consumer data that you're using come from?

Velia Carboni [00:01:35] Evan, great question. Where does data come from? Data comes from a lot of different places, but many times we categorize data by first party data and third party data first party data. I'll give you a few examples. Someone logs into our website. Someone enrolls in our loyalty program. Someone walks into one of our stores.

Someone calls into customer service. We, as you know, VLF, are gathering information that way. Third party data comes from, you know, partners that we work with, you know, like the Googles in the apples, et cetera, where you're gathering information that sometimes is not specific to the actual consumer, but you get more generic, high level type data. And what we do and then the third form of data I will mention is consumer insights, and that type of data gets more at very general kind of trend type information of what's happening in the industry. So as a company, you bring all of that together, and that's when that's when all the fun starts to begin at the company.

Evan Clark [00:02:37] Yeah. So it's a lot of data coming from a lot of different directions. And, you know, it sounds like a big kind of, you know, being awash in information. How how do you and you know, a company like VF, how do you make sense of that? And what are the skills needed to process at all and understand it?

Velia Carboni [00:02:57] Yeah, and I and I will tell you, I mean, obviously, we've been gathering data for years and it's it's a skill that we've had in-house for a while. We are, you know, aggressively continuing to evolve our skillset both in the brands and VF as a portfolio company, as you folks know, also from a center and how we support the brands. But a lot of what we do is it's really about gathering the data. And then how do you organize and cleanse the data in a way that it actually helps you inform business decisions or the way you engage with the consumer? And that's where more of the science starts to come in on and really harnessing the data in a way that it's more usable because otherwise you've got a lot of data coming in. To your point earlier, it's more than how do you pass that data out? So we spend a lot of time working with the brands to understand, Hey, what is the business case you're trying to go after use case, you're trying to go after? What are you trying out? What kind of behavior are

you trying to drive with that consumer or on the side of business data? What are we trying to drive differently, whether it's merchandizing, pricing, whatever it may be? And then based on that, you pull in the right sources of data and then that's when you start to do the modeling. So it's a few different steps to get to that final output.

Evan Clark [00:04:11] So it's not necessarily just looking at all this information. It's kind of knowing at the start what you want to get out of that information.

Velia Carboni [00:04:19] Absolutely, yes. Because you're bringing in millions and millions of pieces of data when you think about how large we are, the vast number of consumers that we're touching and again, all those different data sources when that all comes in. So really then comes down to what are you trying to drive and then pulling that kind of data into, you know, a database or where we're we're sourcing the data from and then that's when you run the analytic

Evan Clark [00:04:44] type models, right? So and that's where A.I. artificial intelligence comes in. And you can't you're not looking at these millions of pieces of information you're using a machine is helping kind of

Velia Carboni [00:04:55] sift through it. Yeah, I'd say I wasn't even getting at the air, but I thought that would come up as a question. Yeah, no. There's work that happens even before you have to get to that level of sophistication where you like. For us, given the vast number of brands we have, you can run, say, a pricing model that could be used across, you know, a variety of brands and you don't you don't have to always apply to that. A lot of that comes back to having the right data skills in-house where they can build models that kind of run algorithms think of it as an algorithm, and then that will spit out an answer. Now, as we get more sophisticated and as you want to build in more automated intelligence or build, you know, even more sophisticated scenario modeling, that's where you can use AI to to make that process go faster. But not everything requires A.I.. So I want to make sure that I'm clear on that. A lot of that. Yeah.

Evan Clark [00:05:51] No, that that's that's that's great. So can you give us an example, maybe of of a.

The question that you bring to this mound of data that you have and how the how that how that process works.

Velia Carboni [00:06:05] Yeah, I'll share one example. So we with one of our brands, the North Face, wanted to run a scenario around backpacks. Backpacks are a big business for us, you know, back to school and backpacks. So what we did is we gathered a lot of information. Past purchases by zip code to to try and understand types of backpacks, depending on where you lived in the country. So this was a U.S. based study, and based on that, we were able to model what which backpacks should be allocated, depending on which part of the country that you know, we had stores in because we saw an aptitude for certain types of backpacks in one part of the country and not in the other. And maybe weather dependent, we brought in weather data and into that particular scenario as well. So there were several factors that drove kind of the decision on how we did product allocation. But it was interesting because, you know, it's not something you know the everyday person would think about, but even a backpack, which seems simple. We all buy them for our kids. Going back to school, it did vary depending on where you lived in the country.

Arthur Zaczkiewicz [00:07:14] Right? I'm sorry to you kind of look at predictive analytics or create your own predictive analytics based on the data that you generate.

Velia Carboni [00:07:23] Yes. So predictive analytics is part of what we do, especially when you talk about allocation, you know, consumer demand. Again, the way we allocate to stores, sizes, colors, all that sort of stuff. You absolutely have to have the modeling to be able, you know, to have product where we know our consumers are going to show up.

Evan Clark [00:07:43] So, so it's interesting. So I was thinking I was imagining that you're. Have all this data and our kind of pulling through it and trying to figure out and then going back and trying to convince the sort of operate the brand itself to say This is what this is, where you need to go, this is what you need to do. But it's kind of you don't need to convince the brand or the operating kind of people to do what the data is telling there. It's coming from them. It's coming from that side of the business. It's all working together.

Velia Carboni [00:08:12] Absolutely everything we do starts with our brands, which really is our consumer and we work there. We work hand-in-hand with our brands, what we do from a central perspective, think of it, we build these tools or capabilities that we can then scale and leverage across a variety of brands. The other beautiful thing as you start to get into more of this is that you can leverage a lot of those same models, like I mentioned before across brands, and that's where we get scale as a portfolio company. But absolutely, the business cases, the use cases, the consumer engagement that starts at the brand. And then we source. We do a lot of the support around sourcing and cleansing of the data, helping them organize the data, the brand data lakes, all of that. Like, you can do that centrally because it's a repeatable process. But what the brands want to drive absolutely lives in the brands, right?

Evan Clark [00:09:03] So when you start off there, when you when you start off making kind of business decisions and kind of looking at problems through the lens of how am I going to use data and analytics and insights to kind of do this, how does that change the business? Does it does it lead you down different paths or are you faster? Is there are things cheaper or how start? What's it? What's really mean to be starting with data?

Velia Carboni [00:09:29] Well, I would say we talk about consumer centricity. Everyone wants to be about the consumer and ensuring that we're doing the right thing for the consumer. Part of that could be around engagement. Part of that can be of having the right product in the right place at the right time. There's a variety of different reasons of what we want to do with the data. So what I think data is really helping us do is make those decisions in a much quicker fashion and anticipate the needs of those consumers in a much more automated way. I mean, you think back years ago when everyone was using Excel spreadsheets, you know, just the manual labor that went into getting those models done, you know, by the time you probably finished out the month, you're already into the next month. So what this does give us, it absolutely gives you speed. But I think, more importantly, is if we say we want to be focused on that consumer and consumer centricity, satisfying that consumer is the most important thing. And I do think that ensuring that we've got the right products and and really understand what the.

consumer needs are, that's the most important thing. And I think that's where we're winning

Evan Clark [00:10:31] So what's that that makes me wonder what the the competitive kind of landscape is then in using data, right? Because everybody, retailers of all stripes, everyone big companies of scale and even much smaller companies are all talking about how they're using data insights and analytics. Is your data better than other people's data? Are you smarter at parsing it? What's the, you know, can you if you're not good enough on one thing, can you just go out and buy that capability? What's the, you know, I imagine a new kind of arms race here.

Velia Carboni [00:11:04] Yeah. So it's in focus less on our competitors. I think we're VF is at a great advantage. We're a portfolio company. We've got diverse brands. So when you think about the types of data that we're collecting, I mean, we touch, let's use the U.S. as an example. We must touch almost every American in some way because of the diversity of brands we have. And I think that richness and not data some is something that most competitors do not have. So now what we do with that is really important in the harnessing of that data and obviously doing it at a very private and secure way because that is top of mind every day when we talk about data, that's where we're getting a lot more sophistication. How do we do it? We've brought in a lot of great resources, so we've got great skills that we've been continuing to invest over the last few years. We buy capabilities. The great thing about the world we live in today. Others are experts in some of these areas. So there's great tools you can just go out and buy and then integrate into our environment. And in other cases, some of those analytic models. We do build those internally. We have data scientists on staff. So a lot of that sophistication. We are absolutely building in-house, but it is a hybrid model and I think anyone that you speak to would say that. But I do want to again say that I think Advantage VF has is the breadth of brands that we have just it's it's pretty amazing. And lastly, with all the privacy laws changing and third party data starts to go away. First party data becomes even more strategic and critical. And I think we're just really well positioned with the work and choice.

Evan Clark [00:12:43] So you don't you don't lose access to it to know the. The law doesn't change

, and you have multiple kind of feeds

Arthur Zaczkiewicz [00:12:51] coming at of value.

Velia Carboni [00:12:53] Let me just clarify one thing. Evan with first party data because people are opting in for that. That's what doesn't change with a lot of those privacy laws. And obviously, we've got privacy attorneys all over this on top of it. But that's the beauty of opting in for some of those. Are consumers giving you the right to leverage their data responsibly, of course.

Arthur Zaczkiewicz [00:13:13] Value. What is the kind of your perspective on the creative side? You know, a lot of designers, a lot of product designers, developers, you know, they get all kind of bent out of shape when you start talking about A.I. and using data and you know, it's going to take their jobs away. Is it does it help inform how they create and how they develop products?

Velia Carboni [00:13:34] Yeah, absolutely. And that that's the sophistication you start to move down. So a lot of what we've talked about even today has been around consumers and understanding who the consumer is having business data. So product data, merchandizing data, pricing data, so more from the business side. The beauty of what we are are evolving to is how do you use data to inform consumer experiences, real time, how to drive what we actually choose to make from a product perspective? But then also, how do you drive the right experiences? So our designers, both physical product designers and then the digital experience designers, they're actually super excited. I mean, this almost makes their job a little bit easier because you got access to real time insights that much faster. When you think about the way we used to do things, which is still a key part of, you know, the data gathering. But you'd have to go out and do some usability, you'd have to go out. User testing took a long time to get that sort of stuff, but today having some of this data at your hands, you could do a lot of AB testing out there. Get feedback online. And then again, you're harnessing that data, bringing it back in, and you can share that hope much faster than the way we used to do things and our developers. I have to say they really do like it because again, get a lot of the data feeds back into the way that they're creating and making things right. So it's it helps inform their job. So I actually have not heard as

much friction or pushback internally.

Evan Clark [00:15:02] So you said that you're you're touching practically every American or not touching, but or of getting some kind of insight there. And I think that's one of the things everyone's trying to figure out is, you know, who's out there, who who are the consumers and you know, how, how are they how have they changed during the pandemic?

Velia Carboni [00:15:21] Yeah, I mean, I think there's been a lot of behavioral changes. Obviously, things have gone more digital. As we all know, it's becoming even more critical channel for consumers. I think the other thing, the more human side that I have found particularly interesting is, you know, that sense of wanting to belong to community. So I think membership programs, loyalty programs, whatever we want to call them, I think they're even a bigger opportunity because people want to be part of something. People want to belong to, something they want to be with people like them. And I think that's been really fascinating to watch our enrollment in some of the programs that we've put out there and making those more rich. It's not just about products you're buying with Valve, but it's about how do we provide more education things. So if you're in north face, you know, consumer, how how do you talk to other people that are like you that are into climbing or hiking whatever your, you know, hobby may be? Our vans that more creative side. That's what's been really interesting to watch that even the way we've evolved, it's much more about relevant real time content doesn't have to be perfect. We've been scrappy in many ways, but getting it out there as fast as possible and getting people to engage much more than the way we used to think about these things, it was about discounts, it was about products. And I think that's been a really interesting behavioral change. But I think it comes back to humans feeling the need to belong and and with people that are more like them.

Evan Clark [00:16:49] So it's interesting. So, you know, it's it's this is a discussion about data and that like. Calls up images of A.I. and, you know, artificial intelligence and all of this, you know, big banks of machines. But really, it's using this technology and this information in this kind of access to create relationships like human relationships.

Velia Carboni [00:17:12] Yeah. So that's where I

sometimes I look at it as it's alleviating a lot of manual work. It's making us smarter to create those more rich, robust relationships. I think that's a great thing. It's not sometimes people look at technology and they'll say, Oh, it's makes it less personal. I actually view it as the complete opposite. I'm able to deliver something that is even better and more relevant. You know, something that you can relate to that much more. So I actually think it's exciting. And I think that human side of the way we talk about it, I think is really important. I think that was a big wake up call. I will say the last 18 months, bringing in even more of that human side into the way we talk about data, the way we talk about experiences and the way we build products.

Arthur Zaczkiewicz [00:17:57] Yeah. And I was going to say that you had mentioned consumer centricity. So just from your perspective and you know, as a as a company that has so many brands, how do you think the consumer kind of shopping experience or journey has changed since the pandemic? Or because of it?

Velia Carboni [00:18:18] Yeah, and I think I would say that we are on the evolution of the change that we're experiencing over the last few years. I think what COVID did probably accelerated. You know that transformation, but channels or, you know, the way people shop, I would say it's not that stores go away. I think that the channels have evolved. What they do for the consumer. So I may walk into the store, you walk into a van store, it's amazing. Our, you know, the staff at work, the associates that are in those stores, they've got so much energy. You're you're coming in, you're experiencing the product. You may decide you don't want to carry the bag and you're going to buy and ship to home from the store. Or you may decide you'll just use your mobile device while you're in store and make that purchase. I think that's what's changed. It doesn't. One channel doesn't replace the other. I think the way that we use them is very different. I think mobile, though I mentioned mobile, I think that's been a big continues to be a big game changer of it's the always on device, it's always in your pocket. So we're seeing a lot more engagement, obviously online specifically through that mobile device. So that's where a big part of our focus is is how do you evolve that? But more importantly, and what we're trying to do is how do you integrate that even more into those store experiences or if you call into one of our call centers

in that cohesiveness behind the scenes?

Arthur Zaczkiewicz [00:19:41] That's interesting. You talked about, you know, the in-store experience. Do you think the physical store is a place where consumers should experience the brand as well? Like, that's how they. You know, kind of enjoy the brand to be part of that brand. You know, the community as well.

Velia Carboni [00:19:57] Yes, I do believe that. I think that when I walk into some of, you know, our our stores specifically like if I walk into vans, for example, like there is a community there, you hear the consumers walking and there's just there's a really good vibe between that store associate and the consumer. There's there's something of interest in common and I think it comes back to what I mentioned earlier. It's that community feel like you're part of something. And I think that's really important. And I think what I didn't like during the pandemic when we were all in lockdown is, I think, missing out on that part. But I will say all vans did is leveraging their loyalty program was bringing more live content to life. So we leverage the digital channels to try and mimic a little bit of what you are experiencing in person. But, you know, obviously as things have opened up, it's been really exciting to watch people coming back into the stores and wanting to have more of that human connectivity.

Arthur Zaczkiewicz [00:20:53] But but the conversion doesn't necessarily happen in the store. That's what you're also saying, right?

Velia Carboni [00:20:58] Well, but no, I'm not saying that because I think it's it's how do you where do you account for the revenue? Because this is where doubt is going to really help because if I'm someone in the store, I've identified you in the store, it doesn't really matter if it's a store sale or it's an online sale. I just had an engagement in that store, right? So I think is less about that to us. We're much more focused on engaging that consumer, keeping them in the family of the brand and having continuous touchpoints. And along that those continuous touchpoints. We hope for transactions, right? So I don't I don't view one versus the other now.

Evan Clark [00:21:32] And it's interesting because in your kind of a lot of this, we're getting into this journey that the industry is on. You know, during the

pandemic, especially, but over the past number of years of becoming more savvy and all these ways value in a prior life, you were it worked in the financial services sector, which kind of had its digital transformation earlier than fashion. And I'd I'd love to hear a little bit more about, you know what? Maybe what can what can we learn? What can the industry learn from the experience of the financial services?

Velia Carboni [00:22:05] Yeah, great collar. Yeah. So we went through that transformation many years ago, and it continues to go on as I talked to, you know, former folks in that industry. I think at the end of the day, regardless, the industry people want relevant contextual experiences. They want to feel that you know who they are as a consumer and to be able to deliver things that are more relevant to me as a consumer. So don't sell me a hiking jacket if I've never hiked before, right? So know me as a consumer. I think that doesn't matter which industry or and everyone wants that simple know me sort of experience so that personalization is really, really important. So here too, we're focused on that. I'd say where it's a little different between industries is the ecosystem. So in financial services, we owned our ecosystem in many ways. Yes. You know, some of the wholesale businesses had third parties that we were selling through. But when I think of the retail business, which is more relatable here, you know, we owned every touchpoint that that consumer had. What's more, challenging in this in this space is the marketplaces. So if we're selling on, you know, one of these third party channels, how do we still have some way to inform what that consumer experience is, what that consumer, you know, feels when they see our product being sold on a third party site? And I think there's a lot of great opportunities in technologies helping us there too, to really own what we want that brand and that product to stand for. And again, that's all part of the consumer journey. And I think that's the complexity here is that there are so many different touchpoints that are not owned by our brands and how do we just keep that brand story alive?

Evan Clark [00:23:49] And so it very much it sounds you sounds like you've got a lot of plates spinning all at once. You're doing lots of stuff and a lot of this is still being developed. Can you maybe just as we as we move towards the end here? Can you just set up

the future? What's what's around the corner and in at Accenture.com/Retail data and insights and how that's going? How's that? You know, the game keeps changing from here, I'm guessing. What's the next kind of round look like?

Velia Carboni [00:24:16] Yeah. So I would say to our conversation earlier, informing products that are built will become an even bigger part, leveraging data. I think the word personalization I voice, I always joke. I think it's been an overused term for a long time. I think we're actually really going to be able to do it at scale much more intelligently and get even better at it as it goes forward. And I think this whole thing around first party data is is absolutely critical in some ways. I think everyone was stressed. I actually am excited because I view it as an opportunity to own that relationship with that consumer. Even more so than what we had before. And if we're driving the right experiences and we're engaging with you in between transactional, you know, transactions and purchases, then we're just going to continue to evolve that relationship and it becomes even stickier. And I think that's the really important part of this data of really harnessing that data and then using that to make the right experience is to create the right products. So I think it's a really exciting time. I'd say that those are probably the two biggest areas of opportunity that we have.

Evan Clark [00:25:23] All right. It sounds like we'll have to come back and do this again in a few more years and the whole it'll all be reset again.

Velia Carboni [00:25:30] Right? Yes.

Arthur Zaczkiewicz [00:25:32] Thank you. Value. That was great. I want to thank everybody for tuning in. Evan, thanks for kind of leading the conversation today. Again, you know, this is part of a retail's responsible reset series with the support of Accenture. So we'll be having others. So keep an eye out. Stay tuned for more. Again, thank you, value, and that was fantastic.

Velia Carboni [00:25:53] Thank you both for having me. Really appreciate it.

Speaker 4 [00:25:57] Ready Reset Group Accenture helps retailers around the globe embrace change to seize the future. Learn about the five imperatives of

retail's responsible reset and how leading retailers
are partnering with Accenture