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# The **Father** of **Multichannel** Retail

BY VITISIA PAYNICH

GVG Capital Group Chairman and CEO Love Goel is renowned for his ability to turn consumer brands and retailers into thriving businesses.

It's no secret that general advertisers and brand marketers have throughout the years looked sideways at the direct response industry. Yet while those on Madison Avenue began tightening their belts during the recession by slashing advertising budgets, direct marketers forged ahead by delivering solid, accountable advertising via television, radio and the Internet. Love Goel, chairman and CEO of GVG Capital Group in Minnetonka, Minn., is among those who believe that direct marketers know how to effectively reach consumers using multiple channels.

Lauded as "the Father of Multichannel Retail," Goel built Macy's and Fingerhut into two of the top three multichannel retailers during his tenure, acquired more multichannel companies than any other private equity investor, created \$30 billion in shareholder value, and advised 50 of the top 100 multichannel retailers. On Sept. 22, he will deliver the keynote address at ERA's D2C Convention in Las Vegas.

"I am honored to talk to the leaders in the direct response and electronic retailing industry. It is a group that I have admired for a long time," says Goel. "Today, when we literally have seconds to "hook" a customer before they tune us out of their extremely busy lives, the leaders in this retail channel excel at figuring out the hook, constructing the right message and delivering it effectively. Retail leaders from all channels would benefit from learning those skills that are core to this industry."

*Electronic Retailer* spoke one-on-one with Goel to learn about the things that have inspired him throughout his career and what he believes are the key elements to creating a true multichannel business.

**Electronic Retailer: You achieved more during your 20s than most people do throughout their entire careers. What do you believe has been the driving force behind your early successes?**

**Love Goel:** There are three key factors that are behind any business success, which were true for me. We had fantastic teams, pursuing a compelling vision buffeted by powerful macro trends, and we were lucky more often than not. Personally, for me, beyond those three factors was the active coaching and guidance of mentors who gave me the opportunity to take on big challenges, to fail, to learn and to grow. I cannot speak highly enough about the mentors who took chances on me.

When I coach emerging leaders, there are two key pieces of advice that I give them. First, find good mentors. Second, do not worry about the money; do something you are passionate about. If you are passionate about it, you are more likely to give it the effort it will take to excel. Once you are the best at what you do, the money will take care of itself.

**ER: Did you see yourself as a visionary and if so, what challenges did you encounter when you shared that vision with others?**

**Goel:** It is a key part of the role of any leader to define “victory” or the long-term success, and the “path” or how we get there. The biggest challenge is that you have to communicate it continuously and consistently so that all your constituents get it, and often enough that as you bring new people on board—employees, vendors, consultants—they have a chance to understand and embrace what it is you are trying to build.

**ER: You played a key role in transforming two iconic American retailers: Sears and Macy’s. Given that they both had long and well-established histories as traditional bricks-and-mortar businesses, what obstacles did you face in trying to turn them around and make their brands more relevant to today’s consumers?**

**Goel:** I was fortunate to be on great teams that had a positive impact on these companies through their evolution. As in any established and successful culture, I think it is important to celebrate key elements of your brand and heritage that res-

that the momentum will take everyone all the way there.

**ER: You were the only person to build three e-commerce start-ups into \$1 billion+ businesses before you were 30. Tell us about those ventures.**

**Goel:** The first two businesses were created inside the crucible of a large Fortune company (Fingerhut and then Macy’s), and the last one was a venture capital funded Silicon Valley business. The first one was the nation’s largest third-party e-commerce services company at the time, FBS, offering fulfillment, call center, marketing and merchandising serv-

**I think it is important to celebrate key elements of your brand and heritage that resonate in the marketplace while updating the way you do certain things.**

**—Love Goel, GVG Capital Group**

onate in the marketplace while updating the way you do certain things. In the case of Sears, we really moved into soft-lines in a big way, which made us much more relevant to the female customer and dramatically improved our sales, gross margins and profitability. At Federated (or Macy’s as it is now known), we moved to a much more multichannel approach of being available to the customer 24/7—whenever she was ready to shop. In both cases and other transformations that I have been involved in, the most challenging part is not about figuring out what needs to be done, but rather getting people on board. You do that by sequencing activities in a way that allows the team to earn small victories, inspires confidence in them about the path forward, and then hope

ices, which helped put dozens of clients like Walmart, Levi’s, Pier 1, 1-800 Flowers, USSB/DirectTV and several other companies on the Internet. The second one, Federated Direct, was the world’s largest bricks-and-clicks retailer at the time, which included over 20 e-commerce properties including three of the top 100 Internet retailers including the world’s largest retail closeout site, the first custom jewelry site, the first online flower site, the first bricks-and-clicks wedding registry, the largest birthday club and the largest general merchandise site. The last business, Personify, was the world’s largest customer profiling platform (500,000+ data points for over 100 million customers) and leading analytics provider of clickstream data to dozens of top retailers like William Sonoma, J. Crew and LL Bean.

**ER: What's more satisfying: building a company from the ground up or going into an existing company and completely turning it around?**

**Goel:** I think they can both be equally satisfying and rewarding. The best part about any such experience is when you accomplish something that exceeds the expectations of everyone on the team and outside. It is a testament to the power of what you are trying to accomplish and the quality of teamwork that made it possible. The interesting thing is it is also the most fun—when you are in the midst of one of these missions, you can feel the palpable excitement and enthusiasm that everyone on the team has.

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**ER: Can you tell us more about GVG Capital Group?**

**Goel:** At GVG Capital Group, we are passionately committed to building market leaders in the multichannel retail and consumer sector. We bring deep operating experience, industry insights, a powerful network and capital to help management teams grow their companies.

We are unique in the private equity sector for three reasons. First, we are the only firm focused exclusively on the multichannel retail and consumer sector. Second, we are led by seasoned operating executives who helped build best-in-class companies like Macy's, Home Depot, Levi's and Apple—so we see our role as helping companies win in the marketplace, not financial engineering. Third, because of our commitment to helping leaders and

companies in our sector, we advise and serve on the boards of companies beyond our investment portfolio.

**ER: Of course, you're no stranger to direct marketing or live shopping. In fact, you've advised QVC, ShopNBC and a number of our members. Based on that experience, what can brand marketers and traditional retailers learn from this industry?**

**Goel:** There are three core strengths that all retailers and brands marketers can learn from this industry. First, as I said at the outset, this industry is probably the most skilled at distilling and communicating the "hook" to customers. Second, it is an extremely data-

driven business, which leads to real-time adjustments in message, price and offer. Third, losses are minimized by a culture of testing in the marketplace with real paying customers, not just focus groups. If we could all bring those disciplines to our respective retail channels and formats, we would be a lot more effective and profitable.

**ER: What does it mean to be truly multichannel?**

**Goel:** This answer requires some context because being multichannel is about more than just having a website, store, catalog, TV or mobile presence. For the first time in human history, consumers have better information about products, prices and promotions—and consequently more power—than purveyors of goods and services; especially at the point and time of sale. This

dynamic has created a whole new set of consumer behaviors, which retailers ignore at their own peril. But one of the key shifts in consumer behavior is that more than two out of three customers research things online before buying offline and vice versa.

The two key elements of being truly multichannel are: first, to offer customers a seamless shopping experience whether it is research, buying or service across all channels; and second, to leverage the structural and economic advantages of a channel to enhance both the customer experience and profitability. For example, in SKU-intensive categories like apparel, footwear and domestics, it could mean placing Internet kiosks in the aisles to offer customers many more styles, colors and sizes to complement the in-store offering—which can improve same-store sales dramatically. Or, for TV and catalog marketing programs, it could mean taking orders online rather than over the phone, reducing order processing costs dramatically.

**ER: Many direct marketers are successfully utilizing multiple channels such as television, radio and the Internet, while other direct marketers might be hesitant to engage in other channels like social media and mobile. How can marketers take their business to the next level by integrating these other emerging channels?**

**Goel:** I think it all starts with the customer. How do customers prefer to shop the products and services you sell? That should serve as a guide to the level of investment and capabilities that you add across all the channels. I have seen too many companies waste a lot of money by chasing the latest fad—whether it be mobile or social media—without thinking it through, or other companies like Blockbuster and Sam Goody not do enough when it was clear that their business models were outdated.

### **ER: Do you believe technology has changed the profile of the average consumer?**

**Goel:** Absolutely. It has enabled consumers with easy/free availability of information (prices, promotions) and easy access to other vendors (one click away) that has dramatically changed the way they buy. This means that the average retailer has to be that much better—it is much more difficult to get away with a shoddy retail concept like you could 10-15 years ago. You better have a clear “hook,” something compelling to offer—unique product, lower prices, better services—you get the idea.

### **ER: Today, marketers, retailers and e-tailers are armed with web tools (such as web analytics and behavioral analysis) to understand consumer-buying habits and really get into their minds. Do you believe most companies are utilizing that information to its full potential?**

**Goel:** You have stumbled upon a key gap in the capability of most companies today. This is a historical challenge and opportunity. For example, when I was at Fingerhut, we had 3,000 data points on 32 million customers, and 1,500 data points on 100 million households—the availability of this data and our direct marketing capabilities made us the most profitable in our industry. We were able to do amazing things like customize each and every one of our 600 million customer interactions (mailings) each year, or perform 5-10 percent better upsell than anyone else in the industry. But, even at that time, it always surprised me that as a small \$2 billion player we had the nation’s largest customer profile database. Retailers have been slow to embrace this thinking. Most of them use web tools to track basic things like conversion rate. Very few, almost none, of them really excel

at utilizing the vast quantities of behavioral data available to them in tailoring their merchandising, marketing and customer service programs either for competitive advantage or greater profitability. Also, most retailers really do not know how their various channels are performing—their matchback strategies and rule of thumb cost allocations typically driven by political infighting or legacy thinking obfuscate the true efficacy of their marketing dollars. This is probably the area most rife for improvement, apart from leadership development, in the multichannel retail world.

more meaningful way; and second, to use your social relationships to make your life better from finding a date to a job to a car, to the hottest little black dress. I think we are in the very early days where there is a lot of noise and confusion. As the dust settles over the next few years, real businesses will emerge that make the world a better place.

### **ER: What other trends in technology do you believe will have a dramatic impact on retailers and marketers in the long run?**

**Goel:** I believe we are at the intersection of four powerful trends that

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### **ER: Why do you believe direct marketers are still hesitant to try mobile? Will there eventually be a sea change in this area?**

**Goel:** I think it is challenging to offer a full, rich offering like you do on the Internet on a mobile form factor. It sounds similar to what people said about the Internet 15 years ago compared to the store or catalog. That said, direct marketers will have to figure out for their respective categories and price the right business model(s) and customer experience that works—is mobile a price discovery and promotion channel, is it an edited assortment channel, is it a social media channel or some combination of all of the above?

### **ER: What changes do you see occurring in the social media space?**

**Goel:** Social media, in my mind, has two primary roles: first, to help you manage your social relationships in an easier and

will dramatically alter the ways people live their lives and how retailers and marketers will have to sell: 1) cloud-based data and services (think mobile apps); 2) ubiquitous, high-speed, broadband wireless connectivity; 3) always on, always connected smart devices (think smart phones, tablets, etc.); and 4) products, services and information on the Internet.

### **ER: What’s the best piece of advice you could offer marketers and retailers when it comes to succeeding in today’s multichannel world?**

**Goel:** Pay attention to your customer. Deep, meaningful customer relationships are likely to be the sustainable competitive advantage in a world of channel fatigue, product and brand commoditization, advertising overload and attention fragmentation. 