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PETER SACHSE



Time for Change

Peter Sachse, CMO of Macy's and CEO of macys.com, explains how the retail giant is developing a profile of Customer 2.0 while preparing to tame the mobile frontier.

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Plug 'Macy's advertising' into YouTube's search bar and one of the first things that pops up is a crackly black-and-white television ad with Howard Reig, a veteran NBC political reporter, "presenting one of the most important personages of our modern time." Then the camera pans to a chimp in a three-piece suit.

Even half a century later, watching this snappily-dressed simian – dubbed J. Fred Muggs, "the Mayor of Macy's Toy City" – surrounded by heaps of stuffed toy monkeys makes you laugh and, somehow, want to shop. Back then, Macy's saw the selling power of a chimpanzee (who was also the audience-wooing mascot of the 1950s *Today Show*). These days they're harnessing the power of digital, not animal, but the aim is the same: to drive as many people as possible through their doors.

"Four years ago, I challenged Google," says Peter Sachse, CMO of Macy's and CEO of macys.com. "When we met, it was all about 'buy some search ads and let's see about online.' And I said, 'No. When I run online search ads, let's see how I do in stores.'" ➔

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Macy’s has since been relentlessly innovative with its online marketing – it was an early partner with Google in local ads and is now active in a range of formats, from contextual ads to mobile search. But although it was pursuing clicks, Macy’s never ignored its bricks.

“Digital marketing was originally started just to drive people to a website,” says Sachse. “It wasn’t there to drive people to the store. We do ‘x’ business in stores and ‘x’-minus-a-lot online. We don’t forget the bricks. You can buy a shirt online, then go to the mall to return it. You can browse online, and go to the mall to try it on. We look at our stores as a big advantage.” That’s why there are so many of them – 850 in 45 cities. Macy’s has found that every dollar spent online influences \$5.77 spent in the store over the next 10 days, with online sales bringing in around \$1bn annually.

Back_to_the_Future

Sachse pulls out a book: *History of Macy’s of New York 1858-1919*. When you really go back to the roots of the company, he says, “RH Macy was, at heart, an incredible marketer. He took the red star and used it as a branding element. It just always appeared. Obviously we didn’t have color newspapers, but it always appeared. Red Star hams... It was always ‘Red Star’ something.” From the beginning, he adds, “Macy’s marketing had a distinctive character, which made it stand out from the surrounding mass of print.”

Now, of course, the competition isn’t just print. “No,” says Sachse, “it’s masses of digital; search.” So Macy’s is doing three things. First, the company prioritized its website – not just to increase sales but to bolster the brand for all customers, whether or not they buy online. “We said a long time ago that

the website is the hub of all activity for the brand,” explains Sachse. Customers can go there to browse, buy or just pay their bill. The website is Macy’s front, side and back doors.

Second, Macy’s moves quickly towards the new – like mobile. “I don’t know that there are a lot of people that are ahead of us with mobile. All of us are trying to chase this runaway train. You try, you test, you innovate. You don’t shy away from making a mistake.” Especially not when folks like Kleiner Perkins analyst Mary Meeker, speaking at Google’s Think Mobile event in New York this year, says that the mobile revolution’s “pace and force is unlike anything we’ve ever seen.” She predicts the tipping point will come when over 50 percent of the population has a smartphone. That’s due to happen in the US by the end of this year.

“You always wish you could have gone faster,” admits Sachse, “but you have to temper that with what you really want the organization to focus on. I’m not the guy coding the website, coding the app, installing. So as a leader, you always have to prioritize.” He pauses. “And push.”

Finally, Macy’s is intent on developing a full 360-degree view of each customer – a single, accurate record for every individual. So when a customer reaches a call center, for instance, they know her shopping history and preferences – not her household’s or her husband’s, but *hers*. Sachse, a native of Sheboygan, Wisconsin (he’s the only member of his family who’s moved), calls this ‘Customer 2.0’. And he knows it will take some time to build.

Holy_Grail, Holy_Cow

Sachse was a merchant his entire career at Macy’s before becoming an executive. He understands the data ➡

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challenge underlying the service challenge, particularly for his business. “Department stores built all these systems in silos – customer databases, payment databases. So you’ve got to merge them. And the ultimate holy grail is real-time location-based marketing that is relevant and personal,” he explains.

“Kroger has gotten very good at it, as a grocer,” he continues. “I know Tesco in the UK is quite good at it.” And Macy’s aims to be. In the past three years, the company has invested \$300m in online infrastructure. So will the Customer 2.0 database come to life soon? “Define ‘soon,’” says Sachse. This year? “Nope.” But soon. “There’s the difficulty of building the 360-degree view, what goes in and what stays out. You can become completely paralyzed. So you’ve got to decide what to focus on.”

Location-based services, the promise of instant price comparisons, discounted offers, immediate gratification – this is powerful new stuff. “A very important strategy is My Macy’s,” notes Sachse. “Our goal would be when you walk into [Macy’s] Stanford you say, ‘This is my Macy’s.’ How? By providing the right styles, right sizes, because we understand our customers so infinitely,

so locally. And, if you’re in Macy’s today, and you were looking at shoes yesterday, and now I send you an offer for 25 percent off women’s shoes, you’d go, ‘Holy cow!’”

Macy’s ‘omni-channel’ approach – online and off, mobile and web, wherever the customer is – also includes social media. “We get to play with it and watch it and see what happens with it,” says Sachse. What about measuring it? “I do know that people who read reviews online buy more than those who don’t. It’s one of the oldest forms of social – peer-to-peer review. This isn’t Macy’s saying, ‘These are the greatest sheets you ever slept on!’ Reviewing is the earliest and most powerful form of social marketing.”

Taming_the_Mobile_Frontier

So, have any recent digital developments surprised him? “The adoption rate of tablets,” he says. “I don’t think anyone would have said in May of last year that by now there would be 18 million sold, and that because of that, CES [the

Consumer Electronics Show] would be loaded with tablets.”

This is both boon and bane for Sachse. According to a recent study by Google and Compuware, Macy’s is among only 21 percent of Google’s top advertisers to have a mobile-optimized site, but he knows there’s more work to be done. “A difficulty for us is how to optimize a web experience on all these different devices with different operating systems and different sizes,” says Sachse. “You’re going to need that experience to be as well received on a 56-inch TV as on a seven-inch tablet or Android phone.”

But isn’t that the nature of the frontier? Mobile is often called the Wild West, and before you put the church up on the prairie, you’ve got to survive the shoot-outs and saloon brawls. The toughest hombre wins. Perhaps, says Sachse, but if you let the landscape develop with no forethought whatsoever, mayhem may rule in the long-term as well as the short. “In the frontier today, it’s hard to chase all the horses and corral them.” If the industry began to standardize requirements, one leader would definitely be thrilled: the marketing sheriff at Macy’s, brandishing his company’s legendary Red Star 🌟