



channel mastery

Channel Mastery Podcast, Episode #102: Kristin Carpenter

Today, I've got a very very special solocast that I created just for the specialty brand marketing leaders in the Channel Mastery community.

As the founder and CEO of Verde Brand Communications, my team and I have worked with hundreds of specialty marketing and brand leaders in our 19 years.

And now, I get to serve exponentially more of you through Verde's podcast and community, Channel Mastery.

Our community is a pretty even mix of leaders within specialty brands – CEO's, sales leaders and marketing leaders are the primary people who tune in each week to hear what's working to endear today's connected consumer.

In the past two months, I've done a LOT of strategy-planning meetings with Verde's client family, which I'm proud to say is comprised of incredible specialty brands. Some are legacy brands that have grown successful through wholesale – some are direct-first brands looking to jump to the next level of growth and funding.

The marketing leader is usually in charge of these strategy planning meetings, and the CEO, COO and sales leaders are usually present or involved. Sometimes we also get product or category leaders too.

You know what? Despite the fact that all of the leaders within these specialty organizations 'get' that what got them to this point is not going to be what gets them to the next level, most, if not all of them are really grappling with letting go of how they used to do things to embrace new approaches that WILL get them there. And most, if not all, are focused on the channels that got them to this point – because the bulk of the revenue is still coming from that focal channel.

But this channel is dying from 1,000 paper cuts. Do you know what I mean? Last year at this time, revenue in that channel looked different, as did it the year before. Yet the focus is still almost always about protecting that revenue because it's what got the brand to this point.

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www.channelmastery.com

email: kc@verdepr.com

I've run and grown a company of my own for the past 18 years, and I get it. I completely get it. It's really tough to NOT care-take that founding channel, and throw minimal resources at building new channels.

But that's NOT what will make your specialty brand successful today. And it's certainly NOT the approach you need to take to position your specialty brand for what I believe is the MOST OPPORTUNE time in the history of our businesses.

As a quick but important aside, I want to share just a glimpse of this opportunity with you. We are literally sitting on a WIND FALL of success as specialty brands.

Here's why:

The many changes we're seeing in business are not only coming from Amazon training our consumers to want choice, low prices and convenience. The competitive threat of marketplaces, big retail, and well-funded direct-first brand does not ONLY come from the data-capturing capabilities of their robust digital platforms, their creative usage of artificial intelligence or their "everything store" approach.

This is the ground war, yes.

But the airwar is what I'm talking about here. The changes we're seeing in our businesses are being driven by an underlying cultural shift within the end consumer.

Think about it...

In the past, consumers joined churches and political parties – among other 'organized' institutions – as their main touch point to self identification. They met that critical human need for a 'sense of belonging.' It's wired into our DNA as humans.

But today? Institutions are not trusted. Their 'one-to-many' approach simply longer works.

Today, consumers define their very identities and communities through consumerism.

Edelman published a very comprehensive survey in October, 2018, that stated:

"Two-thirds of consumers WORLD WIDE now buy on beliefs." I put the link to that in the show notes for this solo cast.

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I also put a link to a podcast by Philosophize This, which dives into this on a much more granular level, you can check it out.

But ultimately, what you need to know is this:

Today, consumers are identifying with the brands they buy and use daily to self identify.

And we have a TON of choice as consumers. We get to ‘vote with our dollars’ because we know that companies are a better bet for us to create change than government. We also get to wear our brands like identities and community markers, thereby fulfilling our need to belong.

Do you think that a commodity paper towel brand holds this power, or a kick-ass specialty brand that makes products + services differentiated by a purpose – a brand story – that enables a consumer to believe the story they have in their heads ABOUT THEMSELVES?

The exceptional specialty brand holds THAT power today.

And a masterful, multi-channel approach to sales and marketing that furthers a specialty brand promise, or story, and deepens trust and emotional connection, holds incredible power and opportunity today.

Specialty brands create identity and community.

Specialty brands are the happy place for their fans and followers. The communities that grow up around specialty brands are ground central for consumers today to feel safe, sure and good about themselves. Our brands deliver the best moments in our consumer’s lives. This is a huge responsibility and it is our biggest opportunity.

And as the marketing leader within your brand, you OWN the relationship with the end consumer.

Yet, you’re working within organizations that just do not ‘get’ let alone support, that you, the marketing leader, are on the front lines of the most important battle your brand faces – winning the hearts, minds and attention spans of today’s ever-evolving consumer.

This is what I’ve just witnessed in so many 2020 planning meetings with Verde’s clients. It’s made me really have a sincere empathy for the specialty marketing leader.

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You remind me of the beautiful, serene-looking swan, floating elegantly on the surface of the water. I know the work that goes into creating that perception.

That swan might look super together, but under the surface of the water, it's a completely different story. Its legs are furiously paddling – like bionically fast.

And you know what?

I am seeing those legs have to work harder and harder to create traction against always-moving goals. And we only have two legs, right?

We paddle to chase the evolution of our end consumer – for we know it's our responsibility to create a very special and unique emotional connection with our consumer.

We paddle to try to appease the expectations of our leadership colleagues. We find that they look to us to do the seemingly impossible:

- Protect the revenue in the primary channel our brand was launched into and has grown from, to the point where it is now
- Grow new successful channels for our target consumer to have amazing brand experiences on.

We, as marketing leaders, hold the keys to the relationship with our brand's target consumer. We know what our target consumer wants from our brand.

So we keep paddling – furiously.

I know that this is what you're living through in your leadership role at your specialty brand. Successfully hitting the dual moving targets of leadership expectations and serving your target consumer can feel down-right impossible.

No wonder there is such high turnover in the marketing leader position.

Who would want to stay in a job that causes:

- Overwhelm
- Anxiousness
- A lack of confidence
- A lack of a voice at the leadership table
- No clear pathway to success

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And, Paddling faster won't change this. It was Einstein who said it best: You cannot solve the problem from the level of the problem.

He also said: Doing the same thing again and again and expecting a different result is the definition of insanity.

I've been leading Verde for 19 years. That's almost two decades of leading a specialty brand communications agency. Before that, I was a well published journalist for a decade. And in the past two-plus years, I've made it my mission to research and present what's working best for specialty brands to win the attention and loyalty of their target consumers in Channel Mastery.

I'm here today to get you out of the paddle frenzy; get you armed and ready to approach the plight of the specialty marketing leader from a completely new level and have a LOT of fun in the process working with like-minded peers on the same war path you're on.

This solocast is the introduction to the launch of Verde's brand new digital resource, the Channel Mastery Marketing Academy.

I'm going to get into all of the details on that in a few minutes, but in the spirit of Channel Mastery, this solocast is going to offer training resources right along with that solution.

This training focuses on a convergence I'm seeing for the first time.

Specialty brand leaders from legacy brands, like those that have grown up with wholesale success – and specialty brand leaders from direct-first brands, are facing the same problems.

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In today's solocast, we're going to look more closely at the challenges faced by both types of specialty brand leaders: the legacy brand leader and the direct-first leader. And the solution I've built for you.

Let's look at the specialty brand leader first for Legacy Brands:

The biggest pain point for specialty brand leaders at legacy companies is the fact that the businesses have been built to serve wholesale partners, not consumers, directly.

Here are the main challenges this type of brand leader faces:

Specialty brand leaders of legacy brands are in that confusing position where the best thing about their brand is also the worst thing.

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Their brands are well known and trusted – that’s a great thing! Their brands are successful and well known, and attract talent and wholesale partners.

But this success is also an obstacle when it comes to evolving a brand to serve a consumer first. The leadership is focused on what got them to the point where they are, not where the brand needs to go.

That translates to using an approach from past success to continue growth. This doesn’t work. You can’t achieve a new future with a mindset focused on how you got to where you are now.

The result is that expectations for growth are not realistic because resources are largely earmarked for existing, legacy revenue channels – “protect existing channel revenue” is priority over “serve our consumer first.”

That’s very challenging for the marketing leader within the established, legacy specialty brand.

This marketer is aware of what needs to be done, but doesn’t have the voice, role, headcount, budget, etc., to evolve the channel strategy.

To successfully evolve their legacy brands, this marketing leader knows they need to:

- Operate in a company culture that celebrates testing and learning – and failing along the way
- Allocate a percentage of resources that reflects where the brand needs to be versus where they are today
- Create and execute nimble strategies that grow awareness, brand audiences and activating those audiences through a mix of preferred channels. Wholesale is just one of those preferred channels.
- Keep their brand channels consistent and clean – to build trust with the end consumer

I get it. When a specialty brand has over three-quarters (or more) of its sales revenue coming from wholesale (many specialty brands are more like 90-95% of revenue coming from wholesale partners), resources go to where the majority of the sales are. And the leader of the wholesale channel is in a powerful position within the brand, and is often bonus-ed on keeping the wholesale business growing.

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But today's end consumer is trained to expect amazing experiences in a mix of channels through content, in-person events, and many other things.

Hence, the rub. Marketing leaders KNOW that it's critical to drive a brand to be the most relevant to its end consumer first – not its wholesale partners. The wholesale partner is a channel – just one – in a mix. Yet the wholesale partner is the one who gets the most attention.

Historically speaking, Legacy brands were not 'allowed' to sell direct to consumer from their websites, because their wholesale partners have prohibited it. You know, the old "they're competing with us."

Thankfully, wholesale partners realize that this is not something they can ask for anymore, as long as the brand is treating them fairly (pricing and inventory being just two of the table stakes to make this work today)

Retailers are also realizing when the consumer wants to convert or buy, they do so through their channel of choice – and the mother ship – the brand – must invest in offering an incredible brand experience across the right channels – that is what will make all focal channels successful today, including wholesale.

Well, what happens if a consumer wants to use a different channel to engage with and buy from their favorite specialty brand?

One of the biggest obstacles for the evolution of specialty brands is the antiquated budgeting process

I interview a lot of software as service providers for Channel Mastery and when I explain legacy brand budgeting processes to solutions providers, they're completely flummoxed....

"Wait, you mean that they set their annual marketing budget in at the end of the year for the entire forthcoming year?"

Software leaders are used to a lot of things change over the course of a year, don't they?

Let's just look at one major factor that we know will continually change: the consumer. Knowing that the consumer is going to continue to evolve their preferences in discovery, sharing, and converting with their favorite brands, how could this type of approach to resource allocation work?

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For so many legacy brands, budgets and resources are shackled to what got them to the point where they are today – their retail partners – online or brick and mortar.

This is not to say that wholesale is not important – it most certainly is. However, the consumer that wholesale has historically been tapped to serve, absolutely expects to find their favorite specialty brands in the channels they prefer.

Any leadership team that believes their consumers will **have** to go to a wholesale partner to buy their products or experience their brand is crazy – just think of how much choice today's consumers have!

What it comes down to is this:

Today, the brand is the mother ship, meaning, it's responsible for raising awareness and visibility, capturing new fans, followers and email subscribers, and enabling product and brand experiences to happen on the channels of the consumer's choice. That's what the consumer is trained to want! We have to give the consumer what they want, or they're GOING to go somewhere else

And even worse still – and a major pet peeve of yours truly – is the fact that in so many legacy brands, the marketing leaders are treated like mid-level managers with anemic budgets and no semblance of equal say with their leadership counterparts.

Think about it, to so many wholesale sales leaders in specialty-retail driven brands have tapped into the marketing team as a resource, not as a leadership team partner - to make their wholesale channel successful.

As a result, in legacy brands, marketing leaders have never been looked at as equals on a leadership team, with the people who steer the company.

This is extremely wrong and here's why – the marketing leader at a specialty brand literally owns the relationship with the end consumer! It's that important.

A marketing leader in a legacy specialty brand often is like an employee of the sales leader, instead of a peer.

Worse even, is that in these brands, the wholesale sales leader can be put in competition for resources with ecommerce sales leaders. That's right, they literally are in competition on goals,

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and also have to fight over resources. The result is a tug of war that wastes a TON of the precious time of the marketing leader, while simultaneously fragmenting what a consumer experiences in different channels of the brand.

Marketing leaders today are tasked with a near impossible load – they are told to handle all that’s tied to the evolution of wholesale, while also being asked to build, test and learn in new channels, but are under-resourced in time, money and training to successfully do this.

Yet it is the single biggest way to insulate a brand’s success – is to be present in an on-brand way in the right channels for that brand’s end consumer.

This statement is also true for direct-first brands.... Some of the challenges direct-first brand leaders face?

Let’s look at these:

Direct-first brand leaders are often very adept at growth-hacking tactics practiced in SaaS and tech companies.

What got them to the point they are? Their brand history has been all about building and selling to online audiences through digital storefronts.

They know how to position a brand experience, most often content – organically and through driving traffic.

They know how to jockey the content marketing, and they so often also know what levers to pull and push around the changing landscape of digital marketing and social media.

Often, this is about paying to make people do something – discover, engage, share, convert.

Earlier this year, a lot of our direct-first brand leaders reported that the levers that used to drive traffic – like paid Facebook ads – were becoming cost prohibitive.

These leaders were also seeing more and more that earned media – like a sweet media placement - was like printing money for them. And it still is – but only when there’s a strategy that positions this powerful content in front of the right consumer, with a call to action to get them to do something that endears and adheres them to the brand.

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What's more, digital first brand leaders are also painfully aware that today's specialty consumer wants to be able to touch and feel their favorite brands physically at a trusted retailer. This can be just as strong of a validation and conversion catalyst as a sweet media placement – when the retailer does a great job.

Often these digital first brand leaders are revered by legacy brand leaders. I mean, I can see partially why:

- They seem to hold the keys to knowing where to find the right end consumer, engage them, and get them to do something
- They can build audiences online
- They can pay to get these audiences to take the next step with their brand

But this requires money – Facebook, Instagram, Twitter, and LinkedIn are marketing platforms and if your target consumer, your audience, is located on your social media, you do not own your audience.

You are literally building a house on rented land.

The challenges faced by direct-first, specialty brand leaders lies knowing how to harvest more of the right fans and followers online and in the physical world, and migrate these audiences to an email list, and knowing how to nurture them successfully.

They're often peers with other company leaders, because direct-first brands were born to serve the consumer without a retailer. They use profits that would normally go into 'points' earned by retailers to engage consumers by gaming algorithms.

Direct-first brands need to make money. And in 2019, that means they need to have a physical retail presence.

Just this week, I saw another great article from Tom Ryan, who writes for SGB and Retail Wire that really sums up the state of direct-first brands. He said:

“What online-only company is really profitable? Basically, none of them. That's the dirty secret.”

So said Everlane CEO Michael Preysman last week to CNBC's Jim Cramer to explain why Everlane is opening stores.

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The statement is a full reversal for Mr. Preysman, who told The New York Times in 2012 that he would rather “shut the company down” before opening a store.

Mr. Preysman told CNBC, “Everybody loves to say you don’t spend money online, but the way things work now with Facebook, Instagram, and how much it goes to acquire a customer, then you have to ship it all.”

In another about face, Andy Dunn, the co-founder of Bonobos and now Walmart SVP of digital consumer brands, told attendees earlier this month at the Future of Home conference in New York City, “I don’t really like digitally native vertical brands. What gets me excited are brands that are really strong and direct-to-consumer, but also have omni.”

According to Business Insider, he described e-commerce as a “tremendously challenging, frequently unprofitable business” and insisted that consumers want to interact with “brands and products and people” face-to-face. Bonobos’ “guide shops” inside Nordstrom are its most profitable business.

Despite digital first start-ups such as Casper, Glossier and Rent the Runway attaining \$1 billion valuations this year, studies regularly find online selling continues to be price driven. Primary purchasing incentives including free shipping, free returns and coupons.

Even though legacy and direct-first specialty marketing leaders think they’re night and day different, they’re actually experiencing some of the same challenges.

1. They’re under-resourced

Both are pressured by leadership colleagues to expand into most opportune channels to grow their revenue base. But the majority of their resources allocated by their company leaders are appointed to the founding channel.

2. They’re being asked to lead change, yet they, like their sales colleagues, are incentivized with OLD performance metrics

The truth today is that the rules of the game have not only changed, THE ENTIRE GAME has changed.

3. They’re navigating change for their brand’s relationship with the end consumer without a blueprint on how to expand into the “frontier channels” they’re pressure to pursue.

It can feel scary to be tasked to break into a channel that frankly you have less

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email: kc@verdepr.com

experience being successful in - again, it's no wonder there's a lot of turnover in direct-first brand marketing leadership roles!

4. **Both are actively managing and often repairing end consumer trust.**

A lot of specialty brands are reactive in the way they manage the continual evolution of the end consumer, and when reactive decisions are made, it's very tough to offer a cohesive brand experience across channels.

This is perhaps the most dangerous shared challenge. Why? Consumers have no patience for friction or inconsistency with brands across channels today.

Looking ahead for a solution:

This solo cast kicks off the first of a six-week resourceful content series created to make 2020 the best year it can be for specialty brands. Awareness is part of that. And so are new solutions that work for us - not for the Target's, Nordstrom's and Amazon's of the world.

That's why we created the **Multi-Channel Marketing Academy** or MCMA for short.

This online resource and peer community is designed to eradicate the overwhelm, the confusion, the internal struggles, and frankly, the fear that in-house specialty marketing and brand leaders are experiencing today as they shepherd their brands through constantly changing consumer preferences and multiple channels.

Multi-Channel Marketing Academy will help you:

- Modernize your marketing skills
- Discover and implement the most effective digital, multi-channel approaches working for specialty Brands today
- Become a leader within your organization who owns and manages the end consumer relationship
- Attract more sales and reach more people through a digitized multi-channel marketing approach tailored for your target consumer
- Report confidently back to your leadership peers on which marketing Investments are working and which are not, and the overall growth of your direct-to-consumer following

We'll be offering two free webinar trainings in October, and a lot of content on LinkedIn and Instagram, to support our launch.

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This training takes the culmination of my 19 years in the trenches with specialty brands, and my over two years of research with leading multi-channel Business Leaders in the Channel Mastery podcast, and puts it into a digital resource and peer community. It launches in early November, 2019, to a limited group of go-getters who are hell-bent on getting a different paradigm going in their marketing leadership role in the coming year.

We'll have information available on request and a short application for those of you interested in joining the first cohort. If you're interested in getting on the wait list, you can either email me at kc@verdepr.com, or head over to ChannelMastery.com or Verdepr.com and opt in to our email list.

That's it for this week. I look forward to next week! Goodbye for now!