Maximizing the Three Cs: Customers, Content, Connections
Communication, Content and Customers

Retailers used to think they were in the business of buying products low in bulk and selling them high in singles. Of course, it was never that simple, but one thing the digital era has made clear is that success depends on communication with shoppers in a way that is personal and relevant.

Communication in this view does not refer exclusively to advertising and marketing. Nor does it primarily refer to sales associates who interact with customers on the sales floor. Instead, it refers to a flow of content that uses a wide range of channels and media strategically designed to form a strong bond with consumers.

Some of the messaging is about products, some about promotions, and some about personal information that ranges from shipping alerts to welcome messages to birthday wishes. Managing this content flow is retailers’ biggest challenge and examining the ways retailers master it is the purpose of the 3rd Annual RIS/EKN Customer Engagement Study.

This year’s study polled a cross-section of close to 60 retailers with the largest numbers residing in the apparel, specialty and fast-moving consumer goods segments.

Gaurav Pant, senior vice president research for EKN Research, is the principal analyst for the study and a partner RIS has been working closely with to understand the customer engagement phenomenon for the last six years.
Hooked on “Digical”

Fusing digital technology and physical infrastructure into retailers’ customer engagement and retail operations is the next frontier

BY GAURAV PANT

I hatched my first egg on the moving walkway at the Detroit Metropolitan Airport two weeks back and it was glorious. The Magnemite came in at 5.92 kg with a height of .3 m and with its arrival I joined the growing legion of Pokémon GO fanatics for whom the benign in-game warning “Please be aware of your surroundings” is really meant.

My Pokémon GO adventure ostensibly started as a research undertaking, I had seen augmented reality apps before so I wanted to understand what the fuss was all about. A day in and I was hooked. This was in spite of it being a buggy app that took a lifetime (in millennial years) to load, froze at regular intervals and showed me walking on the Hudson river a few times a day. I was hooked because it was an incredibly fun experience that magically blended the physical and digital worlds that I inhabited and yet somehow helped me escape both.

Shopping used to be such an escape pod, but the sameness of product and experiences have relegated it to largely being a task, a chore. As consumers today move seamlessly across channels, blending the digital and the physical effortlessly and demand elevated experiences. This discontinuous, multi-channel, non-linear path to purchase creates customer engagement blind spots for retailers. By digitally engaging customers across channels and personalizing their experience based on behavior and preferences (while respecting their privacy), retailers can convert this challenge into a customer engagement opportunity.

Competing on Experience
Delivering a customer-centric, seamlessly integrated shopping experience is a significant departure from what made most retailers successful to begin with — merchant-ingenuity, operational excellence or product-centricity.

While retailers’ expectations from the workforce have changed — to be more customer-centric and operationally efficient — their culture, business processes and technology architecture remain largely rooted in legacy.

Deploying an effective “digical” strategy that is mobile first — fusing digital technology and physical infrastructure and resources into key aspects of customer engagement and retail operations — is the next frontier of retailing.

Effecting Channel Interplay
A channel-centric view of retail performance is fundamentally broken. It drives the sort of behavior that creates friction in the customer experience. A customer journey today has no definitive start or endpoint, it’s a stream of engagement that crisscrosses the physical and digital worlds and multiple channels.

While the store was largely a footnote in the digital wave, we are seeing an increase in the store’s influence in driving online and mobile commerce, and this number is poised to go up further as stores transform and become more integrated into the retailer’s digital fabric.

This new reality requires retailers to understand how different channels fuel and feed off each other when it comes to driving both engagement and commerce. Additionally, retailers will do well to get out of the “who gets the credit” business, and get into the “grow the overall pie” and “does it improve the customer experience” business.

**CROSS-CHANNEL INFLUENCES ON SALES**

- **22%** Online sales influenced by store
- **20%** Mobile sales influenced by store
- **24%** Store sales influenced by online/mobile
**EXECUTIVE SUMMARY**

**Personalization = Customer Relevance + Trust**

I know it’s a tough sell because personalization is an even more abstract and fuzzier term than omnichannel. I look at personalization as the sum of two parts: Customer Relevance and Trust. It’s about moving from a world of transactions to a world of relationships. It’s meeting the customer where she is, engaging with her in a manner she is comfortable with, and providing value beyond what she already expects.

Retailers are finding it difficult to differentiate on traditional factors such as price, promotions, location and assortment alone. The question is no longer how can you maximize the profitability of a consumer transaction; it is how can you maximize lifetime customer value.

The future requires that customer insights are an enterprise-wide strategic capability deeply embedded within the organization’s structure and culture, enabled by integrated business processes and information systems. A state where contextual customer insight forms a key input to the retailers’ decision-making processes across all business functions.

**Balancing Analytics and Trust**

Retailers need to balance the use of analytics with real-world implications. For instance, it’s important to understand the diminishing returns on the blind pursuit of personalization. Beyond a point, the value of one-to-one experiences may not map favorably to the effort required and the associated creepiness.

Case in point is P&G moving away from targeted hyper-personalized advertisements on Facebook because of their limited effectiveness.

Trust is the single biggest currency in a relationship, either personal ones or those between the customer and a retailer. The loss of trust can cost brands millions of dollars and thousands of customers. As customers continue to create and share personal data at an unprecedented pace and leave digital breadcrumbs across engagement channels retailers need to be more responsible in how they capture, store and use customer data.

As a research analyst, I’ve learned at least a couple of things, one of which is to avoid making concrete predictions as much as humanly possible. But today I will go rogue and double down on two areas that I believe will have the most transformational impact on customer engagement.

In the near term, messaging platforms such as Snapchat, Whatsapp, Facebook Messenger and iMessage will go the WeChat way and evolve into full-fledged commerce and engagement ecosystems. And in the slightly longer term, voice will become the primary medium of interaction with the digital world. Both developments will have a major impact on the future of customer engagement. **RIS**

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Gaurav Pant is SVP Research Analyst for EKN Research and has been the principal analyst for this study for three years in its current format and two years before in its previous iteration.
Are We There Yet?

Year over year analysis reveals some progress has been made in several areas of customer engagement as well as a few big disconnects

BY GAURAV PANT

The data is clear that retailers have not bought into the whole notion of unified customer engagement, at least not yet. Only 18% of retailers currently have a strategy that spans all channels and few have plans to get there soon.

This means that retailers get the “why” of unified customer engagement, but not the “why now.” The current strategy seems to be focused on execution today and engagement sometime in the future.

We believe there are five core reasons for this disconnect:

1. THAT OMNICHANNEL THING: Most retailers are still trying to figure out what omnichannel is and what flavor of it works for their business. Building omnichannel execution capabilities (commerce and fulfillment) continues to be the #1 focus for retailers and it is prioritized over other strategic initiatives.

2. LACK OF FUNDAMENTAL BUILDING BLOCKS: Most retailers still don’t have a single view of the customer in place, and without it, executing a unified customer engagement strategy is next to impossible. But there is a silver lining — in our 2013 report we had identified a single view of inventory, unified commerce capabilities and a single view of customer as the three core tenants of omnichannel transformation and customer engagement. Back then less than 10% of retailers had a single view of their customer and it was priority number three in a field of three. Now that a third of retailers have a single view of the customer it shows real progress has been made. This is one of the most positive data-points in the study.

This is important because the core foundational component of any customer engagement strategy is understanding the customer and without a single view it is almost impossible to execute at a level of competence. The next step for retailers is to enhance their customer profiles by adding in preference and context information, and then allowing this information to be consumed by any system that supports customer engagement.

3. MEASURING THE ROI ON ENGAGEMENT: It has traditionally been difficult to measure the ROI of omnichannel personalization/engagement. The conversion or sales-lift metrics that e-commerce teams report from e-mail or web personalization simply scratches the surface. The true value of omnichannel personalization is in the orchestrated interplay of channels. We will see increased investment in loyalty programs and in-store analytics as retailers integrate physical and digital breadcrumbs that track customer behavior.
4. NO SINGLE SOLUTION: Retailers have no dearth of marketing, analytics and personalization solutions. However, there is no industry standard framework or solution that can help drive a personalized customer experience across channels. Most retailers end up with a patchwork of different systems that limit agility and bloat the cost of ownership.

5. ARE WE STRUCTURED TO HELP THE CUSTOMER? Most retailers are structured to buy and move product. Service is an afterthought and cost. When we first asked the question of who’s in charge of the customer experience back in 2014 and look at them today we see the number of retailers that have a formal owner remains the same — around 60%. However, there have been a few minor changes. We are seeing a rise in the marketing department taking responsibility and, in a few cases, the new omnichannel department. Still, while 60% of retailers have a department responsible for customer engagement, only 18% of them actually have a comprehensive strategy and tactical approach to deploy it. This means a number of retailers are offering lip service to the idea and creating roles with little or no teeth.

Mastering Mobile
Today, most retailers believe they are marginally better than the competition in their ability to engage customers in the store. However, 18% of retailers currently have a strategy that spans all channels and few have plans to get there soon.
they also believe they are behind the competition when it comes to digital commerce.

In the areas of online and social engagement 35% of retailers believe they lag their competition, which isn’t good, but the real chasm is in mobile. More than half the retailers we surveyed believe they are behind their competition when it comes to engaging customers on mobile phones.

Even though the share of mobile revenue is currently low there is no doubt that it is revolutionizing retail through the influence it exerts. Indeed, mobile is increasingly becoming the default entry point into the consumers’ stream of engagement. If we factor in the impact it can have on store associates, then its value increases exponentially.

The business potential of an elevated customer experience demands that the retail workforce from merchandisers to marketers, e-commerce to store teams, corporate executives to store managers becomes smarter, more responsive and better integrated across channels through the use of mobile devices. This refers to decision making driven by advanced analytics, anywhere anytime functions, and fully integrated collaboration and communication.

Transitioning to a mobile-first environment requires significant investment in building UI/UX design and creating a technology infrastructure and architecture that is built for WiFi, cloud-based applications, and thin-client computing.

Role of the Store

We wanted to find out what factors retailers believe will make the greatest impact on improving customer engagement, essentially asking what it is that makes customers form a strong bond and generate a sense of loyalty.

No surprise that the largest group of retailers believe their brand, assortment and store experience are the top three drivers of customer engagement. However, what did come as a surprise was finding out that retailers believe their store associates have the least impact on customer engagement and loyalty.

This finding underscores a major disconnect that retailers need to resolve. If, as we have discovered, 95% of retailers believe the store experience can differentiate their brand from online retailers how can it be that almost the same number don’t believe store associates are one of the biggest factors? One thing it clarifies, however, is explaining why there has been a significant underinvestment in store labor and training, which has occurred in many retail segments for more than a decade.

Omnichannel execution is table-stakes rather than a long-term differentiator and retailers that choose to compete only on productivity and price are in a race to the bottom. A change in perspective is required to elevate the conversation from “how do we execute seamlessly across channels” to “how do we build profitable customer relationships and how can my biggest asset — the store and store associates — enable it.”

Retail is not about becoming omnichannel. It is about forming long-term, mutually profitable relationships with consumers and offering them escape-pods of experience. This is what drives loyalty. Omnichannel is a capability; customer engagement is the goal.
It’s All about the Customer, Stupid

Mastering a flow of content to shoppers influences purchasing while simultaneously inspiring trust and loyalty.

BY JOE SKORUPA

When retailers realized there was a better way to relate to consumers than carpet bombing them with promotions a new concept in retail was born — personalized marketing. Instead of relying on national campaigns running in mass media, a blunt-instrument approach, leading retailers shifted their marketing and IT budgets to methods that supported targeted promotional messages aimed at specific customer segments.

However, retailers quickly realized this approach still had limitations that were not easily overcome. For example, customer segmentation methods that are used to identify targeted groups was still largely based on consumer profiles that contained little more information than gender, demographics, geography and past purchases. And even this information was not consistent, updated or consolidated across business functions and databases.

So, despite moving in the right direction retailers quickly realized there was still a long way to go to achieve one-to-one marketing, which requires knowledge of the shopper’s likes, dislikes and psychographic profile.

Retailers also realized that the true goal of personalized marketing was not a successful one-shot campaign, but a deeper, long-term relationship referred to as customer engagement, which involves far more than sending an intermittent stream of offers and promotions.

Engagement requires mastering a flow of content that includes a combination of selling and non-selling communication. It involves delivering helpful services (price matching, inventory visibility, digital receipts, real-time shipping information), advising customers on product information (specifications, reviews, availability), relating to a shopper’s lifestyle (birthdays, favorite sports, past purchases, preferences), and generally communicating in a way that inspires trust and loyalty.

Tactical Planning

Retailers have been making the shift to personalized marketing and customer engagement for several years and during this time IT investment and budget support have also been shifting in this direction. We find that one in four dollars today that are dedicated to the IT budget goes toward customer-facing activities, which are the building blocks of personalized marketing. In 2020, the figure is expected to rise to 31% or nearly a third. This is one of the biggest findings in the study.

One big area of investment activity is in mobile apps, where one in five retailers will be adding m-commerce apps for the first time and nearly one in three will upgrade their current mobile platform.

E-commerce activity is another area of high interest. The pace of change in e-commerce (m-commerce, too) is so rapid that most retailers plan major upgrades to their platforms every three to four years. Evidence of this phenomenon can be seen in the 44% of retailers who say they will be making plans to upgrade their current e-commerce platform, the highest figure of any customer engagement application tracked in the study.

The key to every personalization or customer engagement strategy is a CRM application, one that is robust enough to build, track and optimize long-term loyalty. This insight is not a major revelation because CRM applications, as well as loyalty programs, have been around.
a long time, but what is interesting is retailers find many of them lacking.

Evidence of a high level of unhappiness can be found in the high number of retailers who say they plan to change their existing vendors during their next upgrade. This figure is about twice as high as the other applications tracked in the study. Clearly, retailers are not satisfied with many of the solutions they have in place and are looking for greater flexibility and a broader spectrum of services than many current vendors can deliver.

**Influencing Customer Engagement**

As noted, the goal of personalized marketing is not achieving success with a one-shot campaign. Instead it requires mastering tools and techniques that can create a relationship with shoppers and inspire a bond of loyalty.

In this view, every point of customer contact needs to be part of a carefully orchestrated flow of communication that ranges from automated website messages to sales associate engagements to alerts about purchases that were shipped or ready for pickup.

The one element of the communication flow that retailers believe will deliver the highest customer engagement value is the personalized offer (51%). This does not simply mean sending a coupon for children’s apparel to a customer who has searched or bought children’s apparel in the past.

It means knowing if the person actually has children in the household or,
alternatively, buys children’s clothing for gifts. It means knowing how many children are in the household and what their ages and genders are.

Another capability that delivers high customer engagement value is improving the mobile app experience (34%). This level of interest indicates that retailers recognize the booming potential of mobile apps even though the landscape today is littered with apps that are so poorly designed that the term one-and-done is often used to describe their frequency of usage. This will improve when next-gen mobile apps focus on convenience and using the full spectrum of smartphone features (i.e. gesture control, camera, GPS, etc.) in ways that consumers prefer to use them.

Finally, an overwhelming number of retailers say they do not yet believe in the business value of several emerging customer-engagement technologies: in-store customer location tracking (7%), augmented reality (2%), and virtual reality (2%). Despite the recent phenomenon of Pokemon Go most retailers are not yet ready to make the leap into cutting-edge technologies.

Part of the reason why many retailers are reluctant to get too far ahead of the curve is that if something goes wrong with a customer-facing initiative the result could go far beyond a lost opportunity and instead become a lost customer.

One of the worst scenarios for retailers and customers occurs when a campaign is launched and the product becomes unavailable (out of stock) before the announced deadline. A surprisingly high 62% of retailers say they have experienced this kind of snafu. More than a third say that promos have been sent out with broken links (34%) and the wrong price (38%). And nearly one in three say campaigns have been launched with the wrong product info.

Mistakes like these are like Kryptonite to the super-powered effectiveness of a personalized marketing campaign and customer engagement strategy. At their worst, poorly managed initiatives can turn off customers and harm the retailer’s brand, but at their best there is no more effective tool for driving sales and inspiring shopper loyalty.

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<th>Top Personalization Nightmares</th>
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<td>Wrong date</td>
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<th>Social Networks Important to Use for Customer Engagement</th>
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<td>86%</td>
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<td>Instagram</td>
<td>65%</td>
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<td>46%</td>
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<td>WhatsApp</td>
<td>4%</td>
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<tr>
<td>Tumbler</td>
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Changes Planned for Key Customer Engagement Applications

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<th>ADD SOFTWARE FOR THE FIRST TIME</th>
<th>UPGRADES EXISTING SYSTEM</th>
<th>CHANGE TO NEW SUPPLIER</th>
<th>NO CHANGES PLANNED</th>
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<td>E-COMMERCE</td>
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<td>44%</td>
<td>9%</td>
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</tr>
<tr>
<td>CRM/LOYALTY</td>
<td>16%</td>
<td>33%</td>
<td>24%</td>
<td>27%</td>
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<tr>
<td>MOBILE APP</td>
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<td>33%</td>
<td>15%</td>
<td>36%</td>
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<tr>
<td>DIGITAL CONTENT MANAGEMENT</td>
<td>13%</td>
<td>35%</td>
<td>11%</td>
<td>42%</td>
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</tbody>
</table>
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