

Retailers' Current Topics in Discussion

Theodor PURCĂREA

Abstract

There is clear evidence that retailers are rethinking CX within the new imperative for customer obsession, bridging the gap between customer expectations and CX strategies. We are witnessing the changing consumer behavior and retail revolution accordingly. Digital transformation, new shopping behaviors and values, Omni experience, in-store personalization, and retail's convergence are some of the current topics in discussion. There is no that there is a need to rethink strategy assumptions by better understanding CX, caring for customers and inspiring their loyalty.

Keywords: CX; Customer obsession; Digital transformation; Harmonization of physical
and digital store; Omni channel

JEL Classification: L81, L86, M31, Q55

Rethinking CX within the new imperative for customer obsession, bridging the gap between customer expectations and CX strategies

Just a year ago we showed that consultants underline retailers' need of driving personalized CX (customer experience) with the help of technology, offering a seamless experience across mobile, desktop, and in-store. (Purcarea, 2018) At the end of February 2019 we found out how during a CustomerThink Thought Leadership Webinar it was argued that because CX is still not showing continuous improvement there is a real need to rethink CX to focus on Kaizen (Kai = change, Zen = for the better), knowing that according to Masaaki Imai, Founder of Kaizen Institute: "Kaizen is every day improvement, everybody improvement, and everywhere improvement". (Stineman and Kennedy, 2019) Within this framework, it was showed that as part of a CX strategy it is necessary to regularly know: what to measure to understand CX, to better understand customers by getting more input from them, and to drive continuous improvement for these customers (every day, with everybody, everywhere) by adequately using the data about them.

In the same month of February 2019, a Forrester Consulting Thought Leadership Paper – entitled "Unlock customer obsession by tying features to business outcomes. Hold your MarTech solutions accountable in order to focus on business outcomes, not just features" (Forrester Consulting, well-known for its Customer Obsessed Assessment/COA, being commissioned by Listrak in October 2018) – revealed that in order to deliver on customer obsession retailers (their customer-obsessed marketing being rare and leading to gaps in business outcomes, and retailers' ability to improve these outcomes being only the fifth most important criteria for their MarTech decisions) must tie all their wanted features and functionality directly to business outcomes. On the other hand, the current customers' expectations for high quality communications adding

value to their daily lives are driving the new imperative for customer obsession, CX revealing the gap between retailers' marketing execution and potential for results, and in order to meet the ever-rising expectations of their customers retailers being challenged to approach a proper marketing strategy.

Retailers are more and more aware of the challenge of delivering personalized CX across journey stages and touchpoints (social channels, devices, mobile apps) through a single point of control over data, decisions and interactions (a customer data platform/CDP breaking the cycle of data silos and making possible for everyone in the organization to see the same record) and ensuring a seamlessly connection between strategy, management and customer value. (Nash, 2019) As the Chief Marketing and Strategy Officer at RedPoint Global, John Nash, underlined recently, retailers are enabled to coordinate their web and in-store interactions with customers in real time by using a single point of control over customer data, the foundation of the modern marketing technology infrastructure being ensured by the combination of these comprehensive data with machine learning and Omni channel orchestration. Nash made reference to the 2018 joint survey by RedPoint Global and the Chief Marketing Officer (CMO) Council– entitled “The State of Engagement: Bridging the Customer Journey Across Every Last Mile” – where there were revealed among other aspects that engagement (customer engagements lacking collaboration or connection) is also an intelligence issue (so more than just a data issue), marketers needing the ability to transform data into real-time action, continuously improving, bridging the gap between customer expectations and their CX strategies (going beyond closing gaps across journeys and technologies), taking into account the overall state of their organization's CX (rated as shown in the figure below).

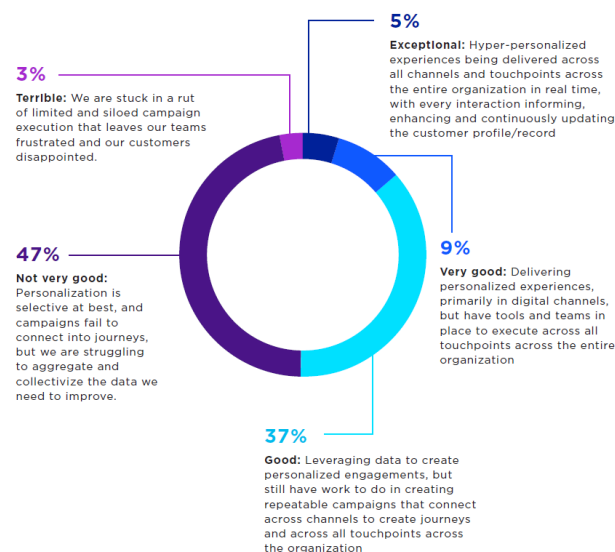


Figure 1: The rated overall state of the organization's CX

Source: *The State of Engagement: Bridging the Customer Journey Across Every Last Mile*, RedPoint Global and the CMO Council, Report May 2018, p. 17, cited by Nash, J. (2019). *Compete Via Personalized Customer Experiences*, Target Marketing, March, 07 (work cited)

Digital transformation, new shopping behaviors and values, Omni experience, in-store personalization, and retail's convergence

The 2019 Global Retail Trends and Innovations, No 14, presented by Inquiry Market Research, Ebeltoft Group (International Retail Experts) and SAS (a leader in the business of analytics software and services; SAS was the Global sponsor of this study) highlighted from the very beginning: the constantly disruption and driving upward of the consumer expectations by the innovative industry players, the way for brand new shopping behaviors and values being paved by those who grew up alongside the digital transformation (Millennials and Generation Z); four different retail trends revealed within the context of the Ebeltoft Group's well-known monitoring of brand and store innovations (being evaluated over 40 innovative cases from more than 18 countries): *OMNIEXPERIENCE* (IKEA, Evertoys, Tom Ford Beauty, Omnistory, Brandless, PIER X, Ponto Frio, Worten, Envie de salle de bain, eobuwie.pl, Huawei, AMARO, Hao Mai Yi), *SMART SHOPPING* (More Mall/Alibaba, Soolife, Tmall Automated Supermarket, Saturn, SKIPPEN at Spar University, Zara, Spyce, Amazon Go, Nordstrom Local, Feedback Factory, Comptoir Boulanger, E.Leclerc drive piéton), *ENGAGEMENT* (mymuesli, L&T Sports, The Daily Edited Flagship Store, Suncorp Discovery Store, ImaginCafe, Leroy Merlin, The Lobby, Mundo Fantástico da Sardinha Portuguesa, Muji Hotel, Glossier, Innisfree, RealReal NYC Store, John Lewis – White City, X Bank, Connections – Travel Concept Store, Lee Valley), and *ACTIVISM* (ECOALF, DMG Salvation, Social Foodies, Balagan, Sois Blessed, Everlane). Also at the beginning it was presented the award-winning innovation case of the automated and technology (loop of online-offline) supermarket *Hema* (as well as a restaurant and fresh seafood market) – of the retailer Tmail (Alibaba), China – where the mobile apps are used to track everything in the integrated retail store and fulfillment center, shopping preferences being captured and analyzed, then being provided recommendations via the mobile apps and ensuring this way choices for customers who are also enjoying the redefinition here of the term “one-stop” shop.

Allow us to choose as an example from the first retail trend category (Omni experience) a case from Romania, the online shop *Evertoys*, which is considered as excelling in diversity, ease of ordering and good customer relations, having the intention of achieving this region's leading toy-and-game rental provider. This online shop offers Basic, EduBox and Supertoy subscriptions, the client receiving a certain number of credits (for each subscription level) which can be used for selecting toys. There is in place a so-called STEM (Science, Technology, Engineering and Math) box including a surprise for the customer, being also offered a buy-back system. Regardless of the type of subscription (customers getting loyalty credits for each subscription, having also the possibility of donating them to disadvantaged children) this shop is offering free delivery.

On the other hand, the elevation of the brick-and-mortar retail business with the help of technology is a constant and valuable concern of TheNextBrick.com by IBM, which is supporting these retailers' offering of a continuous better CX, considering both the integral role

played by their stores in consumers' daily lives, and the tactics used by retailers so as to think carefully about the nuanced understanding of the new consumer behavior, proving a flair for behavioral economics, and making their customers feel empowered. Within this framework there were underlined some good solutions: (founded by retailers at different touchpoints) such as a customer service training app (used by Steve Madden and Tiffany & Co.) giving stores' sales associates advanced skills in upselling, cross-selling, and problem-solving; in order to increase basket size with the help of the tech and smarter merchandising (loss aversion; decision paralysis; the "framing effect"; the all-powerful "nudge").

According to the Business Insider Intelligence's new "In-Store Personalization Report: How brick-and-mortar retailers can bring personalization in-store to compete with e-tailers", the brick-and-mortar retailers need to improve their in-store personalization so as to meet consumers' expectations, by identifying them when they enter, tracking these identified consumers throughout their journey, and then using the actionable information to inform retailers' individualized offerings. Going on this way, the brick-and-mortar retailers can inspire their consumers' loyalty and increases in spending.

Four years ago, in March 2015, before going as a speaker at SHOP 2015 Conference within Expo Milano 2015, we reminded, among other aspects, about retailers' continuous need of increased focus on integrating their various channels (including delivering content fast and seamlessly across these channels), while considering the impact of the converged lifestyle which has empowered their consumers, connectivity pushing convergence which drives at its turn the innovations. (Purcarea, 2015) And all this on the basis of a deeper understanding of the decision journey that shoppers undertake.

There is no doubt that across all retail marketing channels there are major disruptions caused by the convergence between the physical and the digital world (the brick-and-mortar retailers going online, and the digital retailers going to the brick-and-mortar stores), which is a challenge and opportunity in the same time. (Margulis, 2019) Comments made recently within a traditional RetailWire Discussion by experts showed that in order to bring the brand promise to life a physical location represent an opportunity, but in order to thrive the retailer need today to stay true to its brand and its customers' expectations in each channel, Omni channel being already retail (and no more a subset of it), Omni channel presence being an expectation of the shoppers who navigate between physical (the "live" performance) and digital thinking in value and convenience (the harmonization of the customer journey favoring the memorable CX), and retailers must be where their contacts, prospects, and customers are.

Changing consumer behavior and retail revolution. The case of dairy, a microcosm of the food industry, and a store's Achilles' heel

We are all consumers, and we know the importance of being equipped with food and nutrition education. We also know that the retail space is a crucial factor influencing our

feelings, the foundation of retailing being the understanding what we as consumers want and need. (Purcarea, 2019) We have also seen recently, for example, how important it is for marketers to identify the segments for organic fruits and vegetables which are most likely to buy organic, and also to understand whether consumers are accurate in their self-assessment. (Baglione, Tucci and Stanton, 2019)

In March this year McKinsey's representatives, while approaching the challenges faced by the dairy companies within the shifting landscape and long-term trends, highlighted, among other aspects: the millennial effect in the dairy industry, millennial consumers' behavior influencing shoppers across generations; the underdeveloped opportunity for growth represented by consumers' desire to know more about dairy products, they redefining the meaning of "healthy" and "better for me" mean, for many CPG categories this focus on health and wellness (consumers' perceptions being often contradictory and varying across categories; recommendation algorithms are increasingly influencing consumers' purchasing behavior) being a must-have; the intertwine between the traditional and online shopping (about 20% of consumers are already making online purchases); data-driven customer segmentation is becoming a top priority, every interaction generating more data. McKinsey's representatives also underlined within this framework that in order to serve new demand niches there it is necessary to make the supply chain more agile and flexible. (Adams et al., 2019)

Also at the beginning of March this year we found out from another RetailWire Discussion that the ultimate differentiator for physical stores should be to demonstrate food expertise, as one of the four areas (together with: assortments missing several trending categories; stores are still geared for the wrong time of day; shoppers leaving without pleasant human contact) where supermarkets are generally falling short of delivering compelling experiences in the store, according to the Retail Feedback Group's (RFG) annual "Supermarket Experience Study". (Madenberg, 2019) Experts' comments within this discussion revealed that grocery store's people are remaining its Achilles' heel, shoppers wanting more interaction with staff, friendly staff making every shopping experience fun, including efficient checkout, this staff being one of the three key areas of good retailing (together with supply chain and space). The idea of creating a "goodwill ambassador position" (as a store assistant greeting shoppers and asking them if he can assist in any way) was even brought in discussion.

Instead of conclusions: *Rethinking strategy assumptions by better understanding*

CX, caring for customers

Seven years ago we remarked an approach underlining the blurring distinctions between technology and service (within the interaction of technology, hardware or software, and services), distinctions being seen ultimately as between humans and technology. (Harikrishnan, 2012) Two years ago, the same author looked to the so-called "Big 5 in technology" – Facebook-

Microsoft-Apple-Google-Amazon (FMAGA) – through the lens of three C’s (Communications; Computing; Content: physical goods, virtual goods/digital content, gaming, and technology-enabled), and arguing that this 3C’s battlefield will intensify in the content corner. (Harikrishnan, 2017)

In December 2018, the book “The Overworked Consumer: Self-Checkouts, Supermarkets, and the Do-It-Yourself Economy” by Christopher K. Andrews, (Andrews, 2018) was published whose research revealed, among other aspects, some memorable phrases such as: “If the success of self-checkout lanes depended on customers, it meant that consumers – and not businesses – would determine the future of supermarkets in America...”; “... supermarkets have a language for all the things in the store that explain their meaning or purpose... << gondolas >> ... shoppers are the tourists with the aisles helping to << move >> them throughout the store ”.

Future Stores 2019 Retail Technology Briefing, March 2019 showed from the very beginning how technology is the key to bridging the online and in-store experience gap (the retail community becoming increasingly aware of this), major retailers rethinking their core strategy assumptions while facing high competition from online and nimble retail disruptors. Within this framework it was highlighted, among other aspects, the interesting competition at the level of the autonomous checkout, putting face to face Amazon Go stores (with no checkouts, the first one being in Seattle, shoppers’ card being charged via the Amazon app, the products bought by them being automatically added to their digital basket; by 2021 there are predicted 3,000 Amazon Go locations additional to what already exists – another one in Seattle and new ones in Chicago, New York, and San Francisco) with the first cashier-less store of the tech startup Standard Condition recently opened in San Francisco (here the items placed in the shoppers’ own bag are recorded by cameras installed in the ceiling above the shelves, payment being taken via the Standard Cognition’s app as shoppers leave the store). Unlike Amazon (which is focusing only on its Amazon stores), this tech startup Standard Cognition is looking at the stores of other retailers to be helped to grow by installing Standard Cognition’s AI-powered technology in their present locations (Standard Cognition being contacted only in the last months by 300 different retailers about putting this checkout solution in their stores). This year’s Future Stores Conference will be held in June, in Seattle.

We have seen above that: the brick-and-mortar retailers are going online, and the digital retailers are going to the brick-and-mortar stores, the harmonization of the customer journey favoring the memorable CX; the physical stores’ friendly and competent staff is one of the three key areas of good retailing, together with supply chain and retail space, the efficient checkout being also a very important aspect of a memorable CX; how important is to know what to measure to better understand CX, getting more input and driving continuous improvement for customers by adequately using the data about them.

We remarked very recently the opinion expressed by a reputed expert in C-Level Consulting on In-Store Optimization, Location Analytics, and People Tracking Technologies,

Ronny Max, who revealed the importance of actionable insights for in-store optimization and customer behaviors provided by People Tracking technologies (detection, recognition, and predictive analytics of objects in motion being the attributes of these technologies) which quantify store performance. (Max, 2019) Max highlighted the Anonymous Shopper Tracking solutions which this year include location analytics (people counting), facial recognition & demographics, and vision. She argued that the rise of behavior analytics in (physical) retail has begun.

On the other hand, as we are in full period of digital innovation, we are witnessing the spectacular evolution of the shoppers' digital behavior reflected, for example, by how they are navigating their platforms, taking and communicating their decisions, and wanting to feel them simultaneously understood and served. (Cherki, 2019) And here is again the role of the behavioral analytics to provide retailers with an in-depth understanding of their contacts, prospects and customers so as to finally transform shoppers in promoters of the retailers' brand.

It was argued also very recently that no matter which stage of retailers' digital strategy they're in, they can grasp existing platforms to outline their dynamic loyalty programs difficulty free, making these programs visible and interactive to shoppers by adequately using AI-powered loyalty apps, the modern shopping experience being characterized by smartphones, and learning capabilities being used to analyze customer spending and design promotions accordingly, retailers achieving this way a better understanding of their customers' behavior. (Sezgin, 2019) And this within the context in which the dynamic loyalty-enabled retailer apps are seen as offering a huge opportunity for retailers to future-proof operations, more and more people using their smartphones not only to research products and engage with brands, but also to shop and pay. (Sezgin, 2019)

And while approaching loyalty it is not without significance to take into account the three consumer shopping personalities as defined by "The 2018 Retail Customer Loyalty Study" from customer.com: (Gudat, 2019) *loyalists* (who find a go-to retailer for their needs and are likely to stick with them), *roamers* (who tend to always shop around before making a purchase; one-third of any retailer's customers are likely to be in this category which also profess strong loyalty to certain retailers, and need to be acknowledged and respected for this loyalty, "lowest price" being the number one listed loyalty driver), and *neutrals* (who tend to have some go-to retailers for particular purchases but also shop around). Within this framework it was underlined the importance for retailers to understand the various types of lapsed customers (and the reasons behind their inactivity) in retailers' client base, "inactive" customers who are seeing themselves as merely "hibernating" until coming back again thanks to retailers' customer reactivation strategies which resonate with them.

And allow us to end by recalling two inspiring quotes:

- The VP of Retail and e-Commerce Vertical at Emarsys, Alex Timlin: *“More than 80% of commerce happens offline for a reason — and it won’t change dramatically in the coming years. For brands to remain relevant, we’ll need to see a collective, industry-wide shift towards encompassing Omni channel strategies that bring rich data from physical stores together with the abundance of available digital data. Brands need to keep on seeking opportunities to optimize their business approach with solutions that improve customer experiences, that drive and reward customer loyalty, and that induce customer retention for years to come”*. (Timlin, 2019)
- The well-known author Chip R. Bell: *“Caring for customers is the demonstration (not just the promise) of unconditional positive regard and support – especially when customers encounter a challenge, obstacle or issue. Customers don’t care how much you know until they know how much you care”*. (Bell, 2019)

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