Dr. Michael Mirz

Special report on the "retail" sector

The digitalized customer journey becomes reality

Retailers have never known as much about the customer journey as they do today – how buyers make purchase decisions, what patterns they follow when switching between online and offline channels, which dispatch and returns methods they prefer or which loyalty schemes they use most often. Despite all of this, it has never been so challenging to achieve customer loyalty. Why is that?

While retailers can today analyze every single aspect of the consumer experience in the greatest detail thanks to vast databases, their processes are often poorly coordinated overall. Whether it is inconsistent marketing activities or misaligned channels – sometimes consumers experience genuine added value while at other times they have the impression that their needs are not taken into account at all.

To change this, retailers have to step outside of day-to-day routines and look at the customer journey holistically from a new perspective. Retailers have to know every step in their customers' purchase decision-making, create an experience curve from the customer's first to last step and support them through interconnected processes and systems. Only then can the customer journey become a highly individual, end-to-end, optimized shopping experience. They also have to understand what makes their customers come back. Only by adopting this approach can they foster customer relationships in a targeted way over the long-term.

To what extent is the consumer experience in the modern world of retail in line with your many channels and contact points? What does the customer really want? And does the retailer meet these expectations?

The complexity of the customer journey

Purchase transactions have never been as complex as they are today. Retailers are aware of this. Previously a linear process, the customer journey has today become an unpredictable event with a series of interactions extending across lots of channels and devices without a clear starting point or end. Almost half of customers carry out research online before buying something in a shop. Around a quarter of buyers visit shops and then buy online. A third check product and price information on their mobile phone while in the shop. However, the really interesting question here is not how but why customers use different channels – buyers make their decision based on what is the easiest way for them.

Creation of a new customer experience cycle

The convenience provided is the priority for customers and retailers must respond to that. The path of purchase preparation must be structured flexibly enough to ensure it meets customer requirements – without losing sight of the objectives and success of the retailer.

The new customer experience cycle must take account of five special phases of consumer behavior in the omnichannel - research, decision-making, purchase process, contemplation and validation. In contrast to what happened in the past, the retailer's relationship with the customer no longer starts or ends afresh with each purchase process, instead retailers must continually focus on what is of interest to customers.

Step 1: research

Customers attach importance to careful research before making purchases – in an increasingly uncertain world, they want to make certain that they make the right decision. Not all consumers adopt the same approach to their product research which makes things more difficult. Around three-quarters of customers prefer to compare prices online than in store – based on this, e-commerce would appear to be the best research approach. However, around half of consumers favor asking questions about the product in store and around the same number want advice and recommendations from a specialist salesperson. Specialist stores and their well-qualified staff therefore also play a key role in the research. In this phase, consistency and contextual relevance are absolutely vital. Consumers want to be able to access the information relevant to them via all channels – and online information has to be just as informative as the product information available in shops, while e-commerce must feel just as personal as the advice provided by sales staff in store. This will allow customers to select the most convenient channel while also receiving an experience that meets their requirements. Retailers cannot force customers to use a particular channel simply because it is easier for them (see fig. XX.1).
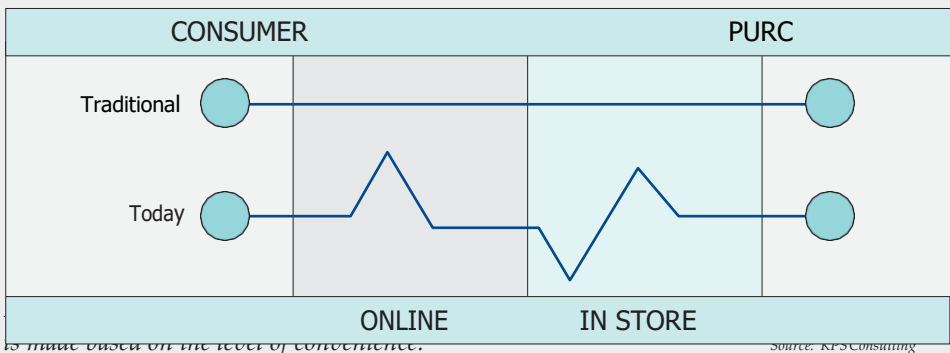
The right technologies are required to bundle the strengths of all sales channels. If, for example, the employees of a store are equipped with mobile POS devices, they could access the full range of product information, prices and availability found online at the touch of a button. Consumers expect genuine added value during the research phase online. This could consist of customized recommendations based on previous internet visits and purchase activities or the provision of chat functions where detailed questions could be asked on a particular aspect which is of major personal importance to them.

Steps 2 and 3: decision-making and purchase process

As soon as a customer has made their purchase decision, the "last step in customer service" comes into play. At this stage at the latest, retailers must do everything they can to encourage the customer to complete the purchase transaction. They must provide the potential consumer with the correct tools.

They must promote a positive purchase decision and make the payment procedure – whether in store or online – as easy as possible. Both go hand in hand. The concept of the final stage in customer service is particularly important in retail stores which is explained by the ever more demanding role of salesperson on site who has increasing influence over the success or failure of sales opportunities. Around half of consumers purchase a higher-value product after consultation from a specialist salesperson and one third buy additional items.

The latest technologies and tools play a vitally important role for shops. Around 40% of consumers believe that sales staff equipped with mobile devices can provide better information and a more personal service. Consumers can then also complete the purchase transaction at any location – which in turn highlights the importance of convenience and mobility. A significant number of consumers decide against making a purchase because the queue to the cash desk is too long.

CONSUMER

PURC

Traditional

Today

ONLINE

IN STORE

is made based on the level of convenience.

Source: KPS Consulting

The same applies to online purchases. If the payment page is structured in a way that takes too long and laborious authentication processes are required, online consumers abandon their purchases. Problem-free and increasingly rapid and simple payment makes a major contribution to the successful completion of transactions. The number of mobile payment processes is definitely set to continue to increase.

Step 4: Contemplation

Delivery options, fulfillment logistics and returns are elements of the omnichannel customer experience that should not be underestimated. They also have a direct impact on profitability. The contemplation phase must therefore be purposely integrated into the customer experience cycle.

Many retailers still view the payment process as the final stage in transaction completion. However, a sale is only concluded once the customer actually decides to keep the goods and what happens after the payment process influences the customer's relationship with the retailer and the likelihood of further purchases being made.

Especially in online retail, what happens after order placement results either in upselling opportunities or customer dissatisfaction. Free delivery influences the purchase decision and around a third of consumers no longer consider orders where delivery costs are incurred. Returns also play a significant role with half of all customers generally not ordering from companies that do not provide free returns.

Two-thirds now expect to be offered the option of returning goods via any channel.

Retailers must reflect on their entire value proposition – how does it influence individual sales and what is its overall impact on customer relationships?

Returns are a good example of transactions which initially appear loss-making but may generate profit long-term. If a new customer purchases five items, four of which he returns, he could perceive this as evidence of how the company works for him. Returns are part of his research. If he receives good service, he will continue shopping until he has found the right product that meets his requirements. Cross-channel options: click and collect – ordering online and collecting from a store – is the fastest growing fulfillment method in Europe. The most collect-in-store services worldwide now exist in the United Kingdom. Here consumers prefer retailers offering a free click-and-collect service. As this option is selected for reasons of convenience, the in-store experience should be quick and hassle-free for consumers. That is not always straightforward in an age when specialist sales staff continually have to take on additional tasks in their working routines. However, retailers which adopt the correct click-and-collect strategy will reap the rewards: almost half of customers who collect their order in store take the opportunity to look for other products and a third purchase other items directly when collecting their order.

This increases the opportunity for additional revenues in future.

Step 5: Validation

This step is most frequently overlooked in the context of the integral customer experience. The tremendous competitive intensity of modern retail not only requires the customer's retail journey to be optimized from start to finish, but above all the creation of incentives for customers to come back. A cyclical model can be assumed – retailers constantly seek to motivate consumers to become customers for life. Many are already investing in customer loyalty schemes. However, they view these activities as isolated measures instead of considering how the interactions or transactions of each individual customer can be used for long-term value creation. If customer relationships are to succeed and revenues are to be increased, customer loyalty schemes must be inextricably linked with value for consumers.

There is great demand for personalized incentives for individual customers. They expect more than simply being able to collect points or vouchers. Customers want personalized rewards geared towards previous purchases or habits. There is also a desire for transaction-related incentives. Customers want to be rewarded for promoting their favorite retailer on social media. They wish to receive benefits for product ratings provided or priority access to new product collections.

They also want to be able to redeem promotional rewards in any channel, regardless of where they collect their points or prizes.

A successful loyalty scheme is an effective way of enhancing the relationship between retailers and customers and promoting a positive perception of the brand. It also helps retailers to perceive every purchase as an episode in the overall customer cycle. By adopting this outlook, they can proceed to the next episode: focusing on the customer lifetime value and the superordinate requirements instead of perceiving each transaction as an isolated encounter. The better retailers know individual customers, the greater the perceivable value for customers.

Creating the new cycle – not fearing radical decisions

Retailers have to see the new customer journey in phases but also as a continually developing process. This is actually paradoxical because it is often problems with the processes that deter retailers from optimizing the end-to-end experience.

Modern, data-oriented retail has led many retailers to obsessively analyze all customer data in the tiniest detail instead of focusing on their business environment as a whole. This has resulted in time and resources being used on achieving small benefits instead of aiming to obtain the end-to-end agility required to meet different customer expectations.

To resolve this problem, retailers must stop fine-tuning the elements of individual systems. This is no longer adequate today. They should instead target an attractive, open innovative approach.

Retailers should not fear making radical decisions. If the technologies currently deployed by retailers do not meet customer requirements, they will not do so in future either. Efforts and investment should focus on new technologies which enable rapid change and structure processes in such a way that they are geared towards customer requirements.

It is vital that retailers address the success or failure of every single process. Standard processes must be efficient which can be achieved relatively easily. Around 80% of the processes in the KPS best-practice process catalogue fall into this category. Here retailers can select processes fit for the future at the click of a mouse. However, around 20% of retail processes are specific to a company and differ significantly from the competition. Full focus and additional efforts must be concentrated on the 20%. Special process and technology competences are required here.

Structuring these high-quality processes correctly is a key factor in achieving outstanding customer experiences and a smooth transition for consumers between the individual phases of our consumer experience cycle. Only in an environment where retailers make optimal use of processes and technology can they achieve a maximum return on investment and long-term profitability.

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Bringing innovation to the company

Many retailers do not dare to take this step. Due to fears that the technologies or implementation partners selected will not prove the correct choice for genuine innovations, they remain in a state of shock-induced paralysis. They must enter an agile, continuous mode of transformation now and make processes and technologies fit for the future rapidly by adopting a radical approach. This is the only way in which innovative and new approaches can really be adopted without being restricted by existing system or process complexities.

An improved shopping experience tends to lead to the completion of purchase transactions and contributes towards increasing the order value. The most important thing is that satisfied customers are highly likely to remain loyal to their preferred retailers. At a time when consumers are being bombarded with information and offers from all directions, not enough importance can be attached to the value of brand messages and trust in the brand.