An IMRG Report

Beyond the Buy button

Matching the customer promise to realisation

May 2021

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button**

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Foreword

Marketers and business strategists have a long track record of developing acronyms to describe the ever-evolving retail industry. Whilst these terms may help industry insiders grasp some of the complexities, it perhaps misses the main point; our customers don't really care. They expect a single experience with a brand, irrespective of the touch point. Website, physical store, mail order and increasingly, social media are all places where the customer interacts with the brand. Our marketing activity drives them to these places, and we are adroit at presenting the brand in a consistent way. Store environments are also used to providing that consistent experience and for many brands, these are the original customer interaction points.

So, why do customers continue to have inconsistent and disjointed experiences? Usually, the elements that sit behind the customer facing façade aren't delivering on the promise, either for the customer or the business. Often this is down to multiple systems not talking to each other, the physical customer interaction not matching the digital and ever increasingly complex processes muddying the waters. Sometimes, there is a reluctance to change and update systems because certain projects seem 'too hard'.

Let's look to some solutions. We need to provide experiences that meet and exceed customer expectations, while continuing to keep a tight grip on margin and efficiency. All the elements that have long driven retailer success but now across all channels; connecting past the 'Buy' button.

To provide some context, the current pandemic has driven a massive change in customer behaviour. For most, 'non-essential' purchases, the only choices were available online. However, even this becomes more complex with the increased use of social media channels for sales, as well as Apps and Websites. Multichannel (MC) retailers have been the main beneficiaries as their store customers moved online. These brands saw growth rates in the high double digits and even in March 2021 recorded over 87% year-on-year growth whilst Pureplay retailers still witnessed a healthy 43%,

according to data from the IMRG CapGemini eRetail Sales Index.

This paper will review some of these issues, highlight key areas for retailers to consider and present some solutions.

2. The Goal

In short: a consistent and excellent customer experience across all channels; sales and communications. This drives loyalty, conversion and delivers a strong customer experience. For the business, this can reduce reliance on discounting, improve full price sales, reduce margin erosion and generate brand advocates that reduce the costs of customer acquisition.

It is often said that retaining customers is cheaper than attaining new ones. However, at what price? If the customer is only loyal due to discounting, then you might be better off investing in your acquisition program and looking for higher value customers. Yes, your price sensitive customers are important during certain points of the business cycle, such as end-of-season sales, but be wary of chasing them with new season stock.

Understanding your customers, across all your channels will enable you to segment your offers and target customer accordingly.

Massive increases in the use of digital purchasing channels by consumer are highlighting certain behaviours. For example, IMRG's Quarterly Benchmark report of Q4 2020 showed that across all categories, 55% of new customers were coming to the brand via smartphone. By the same measure, 42% of all online sales were via mobile device. This really illustrates the flexibility that customers are looking for and as the economy opens again, how this further complicates management of customer expectations by the retailer.

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OSF Insight I

We need to meet shoppers where they are. Be that Instagram or mobile, in store or on a train. While assessing the performance of a channel is important, segmenting customers by channel is not. Channel driven promotions and campaigns will have less of an important role to play than before as we endeavour to present a unified face across channels. The customer should expect that they campaign they saw in that sort Instagram video shows the same way when they open the mobile app later in the day. They should also expect to be able to make a simple purchase directly in Facebook or using ApplePay straight off the Product Page.

Beyond this, it's time to personalise shopper interactions. Long talked about, sometimes attempted. The promise has not always been delivered. The 'single customer view' has been long touted as he

solution. However, the aggregating of data performs no useful customer function unless it is examined and used by the brand. Creation of well-tuned loyalty programmes is becoming ever more important to retain customers as well as recognising them and their history wherever they meet you. Frequent purchase brands have an advantage here due to more order history, and therefore rich data for recommendations and frequency suggestions. However, infrequent brands can benefit from tailoring their proposition once they data is together.

Brands should not try and climb the whole mountain at once. Make a start by getting all of your order data together and find a way to connect offline purchases to their online counterparts to get a full view of customer purchase history. Loyalty programmes can be the key to creating this join.

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Friction points

4.1 The Customer

From a customer perspective, these are relatively straightforward. Whether buying in-store, online or by app, they expect us to know about their transactions. They also expect to be able to contact through any of these channels and have a conversation with us, order the same product in any channel and as importantly, return through any channel. The experience needs to be consistent and true to the brand.

Whilst we are talking about 'post-button' behaviours, the expectations start before then. Channel specific promotions have their role but do customers really understand the differences? And most of all, should they need to understand when they're buying from the same brand? Increasingly customer service is taking place in social channels, even when the original interaction took place in a physical store, but can the business service the customer effectively where service delivery can be so disjointed?

4.2 The Business

We have created a multichannel business model and perhaps, view it as omnichannel. However, for most businesses this is still an aspiration.

Every gap between systems causes friction. Missed orders, less than efficient order fulfilment, losses due to returns and unsold inventory all heap pressure on the profitability of the merchant.

The myriad of systems, touchpoints, profit centres and physical assets can cause as many issues as they were installed to solve. The complexity of the simple 'single customer view' is often underestimated and whilst the industry understands the issues, the customer is less forgiving.
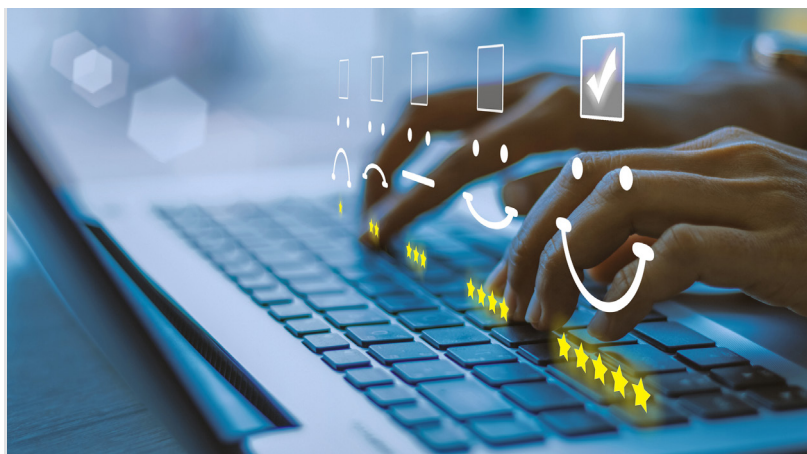
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Some solutions

First, across the industry, we are seeing a review of the role that stores play in the retail proposition. At the same time, many of them are being assessed as to whether they are still required. Stores have always been about the physical representation of the brand but now, they are increasingly used as a customer service touchpoint for ordering, queries, complaints and returns. Two new strings are being added to their bow:

In-store fulfilment, where online orders are being fulfilled by store stock; either for Click & Collect from that store or fulfilment via courier delivery to the customer.

Second is providing customer support for online channels, such as live video chat in store with staff dedicated to the role, or interactions through social media.

Both roles support the store, the customer and the wider brand. After all, in many cases store staff know the brand's customers and the brand's offering better than others in the business.

What this requires however, is a joined-up process that allows any part of the business access the information and insight required to make smart decisions. This is founded in knowing the customer and knowing where inventory is at any time.

1. At the point of purchase and order acceptance, can the business identify the most efficient way of fulfilling that order?

2. Where is the appropriate stock; would store fulfilment make more financial sense? It might be more cost effective to move stock out of the store, particularly as ranges are changing, rather than pulling unsold stock back to the DC. Is the information available for these decisions to be made?

3. Can the customer go to a store to query the order? Connected to this, if the store could see the customers history with the brand, across any channel, the customer experience will be much stronger.

4. Click & Collect & Returns. C&C has been developing as a preferred method of delivery for many years. Whilst much has been made of offering that service, it has typically involved the Pick & Pack operation at the DC sending a package to the store. The store does not 'know' the customer, but that is the expectation. Likewise for the return. Where appropriate, it would be ideal to engage with the customer, perhaps to find alternative products in the store and process any amendments, such as partial refunds or additional payments.

All of these points have a common thread, the ability for any part of the business to act on information relating to that purchase. We are not suggesting a manual process but one where technology provides information and decisions to those that can act on it. This process can be performed by order management systems. A layer of software that talks to the other systems involved in managing the business and provide optimised solutions for every transaction.

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OSF Insight II

Omnichannel Service is not an easy nut to crack for many retailers. Data can be in silos, teams managed differently and systems out of date. Many will look at their current system stack and see a marathon ahead of them to change it into something that can accomplish their needs. ERP systems are often pushed too far to do a multitude of order management functions they aren't always capable of. Or, the company sets out on an ERP replacement project that often only starts delivering business value 2-3 years later, such is the complexity of those projects.

As an alternative, you can approach systems change a bit at a time. Put in place an order management system that gets order data from ecommerce. Supply it with both your online warehouses and store inventory feeds to give it the complete view of stock. Then it can decide whether to pick from store stock or send from a DC. It can decide whether to split the order into multiple shipments depending on expected lead times. It can give the ecommerce site what it needs to help the customer know where they can get items in a reliable way.

Pair this with a customer service tool that allows representatives to use one interface whether they're communicating with people over social, text, email or phone. Feed that tool with the order management data so they have the real time information on how orders are progressing. Make it seamless to use the order management processes from within that customer service tool for returns, refunds and replacements.

With the introduction of these two tools/systems, you can make a significant step towards omnichannel service and efficiency for the brand. There are potentially objections: our store stock is not accurate; we don't have space to store the click and collect orders from the DCs or picked in store; our tills are too old. We must surmount these challenges as the customer expectation is beyond these hard problems.

They do expect you to know what stock you have in store, they do expect to be able to reserve and they do expect a fast checkout experience in store as much as online. To surmount them the answer isn't always to rip it all out and start again. Can we get a feed of stock changes from the EPOS systems in store during the day? Can we change the store layout to meet customers' expectations of picking things up quickly? Can we just replace the payment terminals to much faster devices, even if the till is still a little slow?

Incremental progress is the preferable approach as this problem is too large to start a mammoth project that takes 4-5 years to complete and by then is still a little behind. Modern systems are available that can significantly speed up that adoption time and take pressure and responsibility off old systems, keeping them doing what they do best, and no more.

7. Conclusion

A key objective is to provide a seamless customer experience, across all channels. One that reflects the brands values and meets the associated customer expectations. It is easy to talk about 'joined up commerce' when viewing a scenario from the outside, but the first step for any business is to identify the gaps and then solve those issues. Dynamically resolving the best solution for order fulfilment and customer support benefits both parties in the transaction.

Remember, one customer, one brand.

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