

Multi-channel retailing: who will customers trust?



Retailers need to offer new levels of relevance and personalisation to ensure theirs is the brand that customers turn to first

For years, retailers have been aware that they need a single view of the customer in order to provide a consistent experience across multiple channels, but most have had only limited success in achieving this goal.

Now, trends in technology and customer behaviour are moving this issue up the agenda. This paper focuses on two of those trends, which, when taken to their logical conclusion and then combined, add up to a momentous change.

The first is that, within a few years, we expect to see shoppers using a single device, probably a smartphone, as a universal means of identification, authentication and payment in all channels and with a wide array of retailers. This “it’s me” device (as we’ll call it for convenience) is just the most visible manifestation of a cloud-based storage and integration

service. It will also act as an aggregator of location-based and digital services, holding payment cards, store cards, vouchers, store planograms, boarding passes, tickets, hotel keys and so on.

The second major change we’ll discuss here is that technology is now making it possible to use all available data to create highly relevant, personal customer experiences. For example, with “big data” analytic techniques retailers can profile customers in real time instead of overnight. The “it’s me” device will help them act on what they learn.

These changes are happening already and retailers need to think about how to knit them together to win the customer’s trust. Developing and executing the right proposition will be the key.

“The ‘It’s me’ device will give retailers new opportunities to differentiate and personalise the shopping experience”

Trend 1: emergence of the “it’s me” device

A single, strongly secured, mobile device will identify and authenticate the customer to all digital services in any channel. Identity information will be held in the cloud and accessed when needed. This “it’s me” service has the benefit of being accessible by any internet-connected device (most likely the smartphone) and therefore ubiquitous to all shopping experiences.

The device will provide access to a digital wallet, similar to Apple’s Passbook application, holding payment cards, store cards and vouchers, and miscellaneous personal information – but it will also recommend the best options for the user. An app could point out not just that nearby retailer X has the lowest price for a particular item, but also that it can be had even more cheaply from retailer Y by using a loyalty card or voucher from the wallet.

In order to integrate digital wallets and payment devices, the POS terminal will be able to access payment and voucher information directly from the wallet once the shopper has been authenticated. This will give shoppers the benefits of today’s initiatives – the tie-up between Tesco Clubcard and Eagle Eye to deliver rewards by email¹, the PizzaExpress and Starbucks apps – in a single location-based service; when you’re in Starbucks, you get the Starbucks service.

“It’s me” will give retailers new opportunities to differentiate and personalise the shopping experience: for example, to provide dynamic product information in-store via the mobile device (instead of via kiosks), taking advantage of location-based or context-sensitive capabilities. Already, a smartphone can present a boarding pass automatically at an airport departure gate; similarly, a supermarket could (with permission) present wine offers when the shopper is passing the wine aisle.

Trend 2: real-time data analysis and customer experience

New analytic techniques, particularly those associated with big data, make it possible to use data to improve customer experience in real time – at the moment of any interaction including the buying decision – rather than just running algorithms overnight. This means the retailer can present offers and suggestions in the light of what the customer did or bought two minutes ago, not just last week.

These analytic techniques mean that retailers and customers can at last put the “single view” to work. By modelling a shopper’s characteristics and preferences, retailers can simultaneously increase trust and move marketing and promotional spend from blanket (“above the line”) to personal (“below the line”). These days, a well-targeted text message can produce a much higher return than a prime time ad.

Retailers can use the up-to-date single view across all channels. Data about customer preferences and past encounters can be accessed in-store as well as online. And with the right “it’s me” device, retailers can surprise and delight the shopper with personal offers as soon as they step through the door, instead of having to wait until the moment of payment.

However, these uses of data will have to be negotiated: customers will increasingly control access to, and use of, their data, so retailers will need to find ways to induce them to share it.

¹ Tesco Clubcard serves up digital rewards with Eagle Eye. Eagle Eye blog entry, 24 October 2012

The battleground is now the relationship with the customer

Roles and relationships are blurring, with retailers, manufacturers and others all fighting for the customer's attention. Does your fashion inspiration come from Burberry or the media? Will the TV you watch in future be provided by ITV, Netflix² or Tesco? Customers will focus on outcomes rather than brands: already, online shoppers are interested in fewer brands than they recognise on the high street. Their expectations of the brands they do rely on will increase dramatically.

There is a range of strategies for winning this war. Amazon tries to retain ownership of the customer by using technology to make itself the most attractive option for a wide range of products. It invested heavily in Kindle to keep hold of book-buying customers; now it has an app that lets you scan any product barcode in-store, compare the online price and buy it online there and then. At the other end of the scale, Burberry focuses on the uniqueness of the product and its connotations for customers.

Whichever strategy they choose, retailers must strengthen their relationship with the customer and gain their trust. That will not only reinforce their position in existing markets but also enable them to take ownership of other markets, whether for goods, content, media or services.

We believe the way to win this battle is to make the relationship more personal and relevant. Retailers can do this by taking advantage of the two trends discussed above.

But it's also vital to be clear about what the proposition is and how you are going to execute it. The rest of this paper discusses some issues that retailers must address to ensure their brand becomes, or remains, the one the customer trusts, and the one they turn to first.

Getting the proposition right

In time, the whole concept of channels will matter less than the company's ability to use all channels in a joined-up way to execute a proposition and experience that customers will buy into. Already, younger shoppers use channels interchangeably, flitting from TV to Twitter to Facebook and back.

Getting the proposition right means finding out how to engage with customers in a way they value and trust. Companies that have succeeded here include John Lewis, which has created a proposition that its customers love, winning success both on the high street and online. Its online business grew 44%³ last Christmas, compared with average online market growth of 17.5%⁴.

At the same time, there are equally obvious examples of companies that have got the proposition wrong. HMV, for example, failed to recognise that, although the majority of music was still bought on CD, music sales overall – including sales of physical discs – were moving online. The company should have rethought the role of the store (and the appropriate number of stores) in a market that had structurally shifted to an online model.

“Retailers must integrate processes to the point where they can take responsibility for every aspect of the journey, including fulfilment”

Executing the proposition

It is not enough to develop the right proposition – you also need to execute it successfully. Retailers can do this today, even if they do not yet have a single view of the customer across all channels. John Lewis simply produces the same quality service at every touch point, so shoppers feel the retailer knows them and their preferences. Similarly, Burberry executes one proposition – making the aspirational accessible – everywhere in the world, and is trusted as a result.

Fulfilment is an example of an area where retailers often fail to execute their proposition. The parcel arrives late or gets lost, and then retailers may try to blame delivery companies instead of taking responsibility for putting matters right.

There is a growing, and perhaps over-complicated, range of fulfilment options, such as:

- House of Fraser's "buy and collect", where the customer goes into a store to pick up goods ordered and paid for from the same retailer online (and may buy something else while they're there).
- Argos's "reserve and collect", which is similar except that the shopper pays if and when they collect the goods.
- "Amazon lockers", where goods bought from one retailer are delivered to a different retailer's premises for collection.
- Same-day delivery via the likes of City Sprint, which uses spare capacity to serve homes in the evening.

In their own right, each proposition makes sense, but when the choices are multiplied by the number of retailers and combined with various pricing options, the customer can be forgiven for finding it all rather complex.

²For an example, see http://movies2.netflix.com/WiMovie/House_of_Cards/70178217?mqso=81001339 | ³John Lewis Christmas trading statement – five weeks to 29 December 2012. John Lewis Partnership press release, 2 January 2013 | ⁴IMRG Capgemini e-Retail Sales Index, 17 January 2013

The model arguably needs simplifying for the benefit of the customer; what is essential, though, is that retailers take responsibility for fulfilment. If delivery is not as slick as the shopping experience, customers will hold the retailer responsible. (It's no accident that supermarkets usually employ their own drivers to deliver the groceries.)

This is true of execution generally. To gain the trust of customers, retailers need to own the end-to-end shopping experience; the "it's me" device could be an important tool in doing so, but it will also require back-end integration – for example interfacing courier providers' systems with the retailers' own.

Using technology to create an integrated, relevant experience

Retailers need to create the right proposition and then decide how to use the new technology, techniques and concepts to execute it. They can take advantage of "it's me" devices and new analytic approaches to aggregate services and create a richer experience for the customer through better targeting of information and offers.

With more knowledge, retailers will be able to give customers what they want rather than irritating them with what they don't want. One supermarket is reputed to have sent its vegetarian customers discount vouchers for meat because loyalty card data showed they weren't buying it. More subtle analysis of buying patterns and complementary data – for example, customers' shared preferences – would avoid this type of mistake.

Retailers must also use technology to enable shoppers to move seamlessly between channels (seeing items in-store and buying online or vice versa) in the way they want, without having to explain repeatedly what they are trying to buy or do. And they must integrate processes to the point where they can take responsibility for every aspect of the journey, including fulfilment.

Customer relationships will belong to the retailers who build trust by making every touch point personal and relevant, while giving customers the freedom to use the channels they want at any given time or place.

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