acceo retail-1

The Relation Between Data and the Customer Experience

In an era where customers have increasingly more power in the sales process, delivering a superior and differentiated customer experience (CX) has become a business imperative. And although retailers are collecting more data than ever before, most of them are still struggling to leverage customer intelligence in a meaningful way.

This whitepaper explores the relation between data and CX, and more specifically, the challenges retailers need to overcome to build a strong foundation for the future.

Customer Experience Is the
New Competitive Advantage

For a long time, the most successful retailers were the ones that mastered the 4 Ps. They offered a better product, a better price, a better place and, especially, better promotion. The massive adoption of new technologies has changed all that.

Now, we live in an order-online-and-pick-up-anywhere world where having the best commercial real estate does not matter as much as it used too, price comparison is just a click away, and product differentiation is becoming more and more difficult.

As a result, CX is now the last competitive advantage left standing.

86%

of buyers will pay more for a better customer experience

2020

By 2020, customer experience will overtake price and product as the key brand differentiator

Source: Customers 2020: A Progress Report[1]

Besides, other studies have confirmed that there is a direct correlation between CX and revenue growth. In particular, a *Harvard Business Review* study compared the performance of two companies with different revenue models—one transactional, which is essentially the retail model, and the other subscription-based—and determined that in the transaction-based business, customers who had the best past experiences spend 140% more compared to those who had the poorest past experiences.[2]

Similarly, one Forrester's study showed that in retail, CX leaders' compound average revenue growth outperformed CX laggards by 26 percentage points.[3]

The message to retailers is clear: Ignore CX at your own risk.

Ignore CX at your own risk.

The Great Paradox

Naturally, to deliver an exceptional experience, retailers need to answer the fundamental question: What do our customers want?

For years, retailers have relied on surveys and focus groups to solicit feedback from their customers. But they realized that what customers say they want and how they actually behave are often two very different things.

Fortunately, major improvements in data collection and customer analytics are enabling retailers to adopt a more scientific approach to determine what makes customers tick.

Today, customers generate vast amounts of data: transactional data, of course, but also social media comments, web logs, data from sensors embedded in products or wearable devices, etc.

This unprecedented amount of data represents a wealth of information from which retailers can pull deeper customer insights to deliver a truly remarkable customer experience.

At least theoretically.

Because the great paradox is that although retailers have access to more data than ever before, brands are rarely leveraging that information properly.
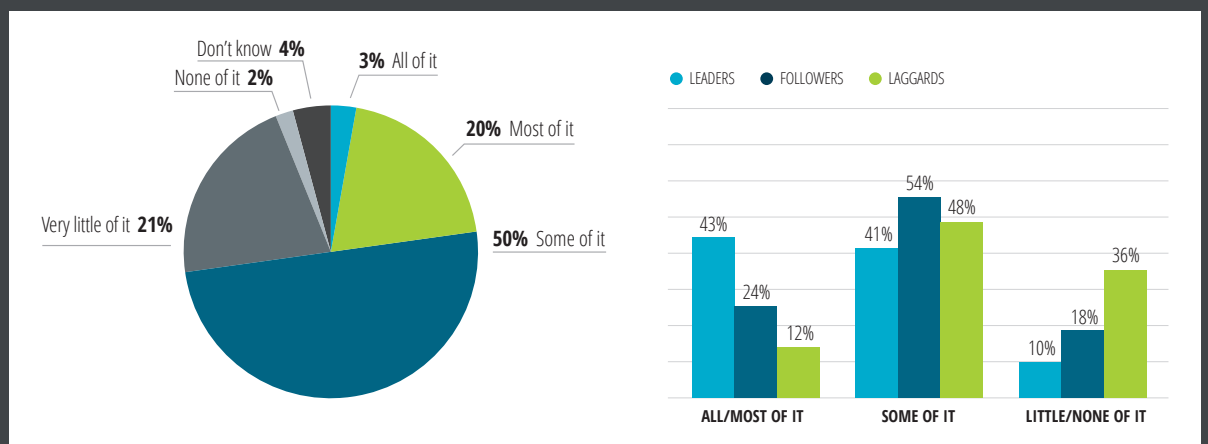
Lee Odden puts his finger on the problem in his story about shopping for a new battery charger. He started with a quick Google search and decided to click on the Best Buy ad for the RAZORMAX Portable Power Bank. Then, he tried to validate his findings and found an interesting third-party review site. The only problem was that the ad that dominated at the top of the page was not featuring a battery charger. It was an ad for a new Sony TV. All this time, Odden was leaving crumbs on the web showing his clear buying intention, and yet Best Buy was not listening.[4]

This is unfortunately not an isolated story, but it clearly illustrates the disconnect between the amount of data available and what retailers are *not* doing with it.
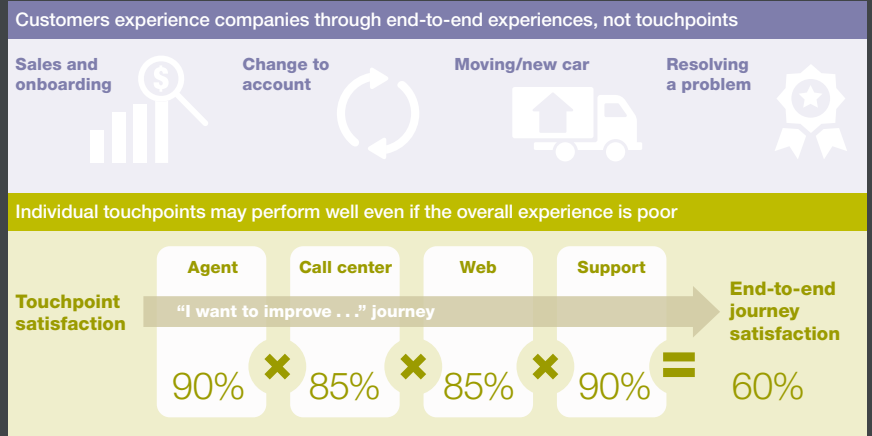
Companies do Not Act on the Majority of Customer Data

How much of the customer data that your or ganization collects are you able to act upon?

Pie chart:
- Don't know **4%**
- None of it **2%**
- **3%** All of it
- **20%** Most of it
- **50%** Some of it
- Very little of it **21%**

Bar chart (LEADERS, FOLLOWERS, LAGGARDS):
- ALL/MOST OF IT: 43%, 24%, 12%
- SOME OF IT: 41%, 54%, 48%
- LITTLE/NONE OF IT: 10%, 18%, 36%

Best-in-class companies optimize customer journeys, not just touchpoints.

SOURCE:
McKinsey Digital Labs

Customers experience companies through end-to-end experiences, not touchpoints

Sales and onboarding	Change to account	Moving/new car	Resolving a problem

Individual touchpoints may perform well even if the overall experience is poor

Touchpoint satisfaction

Agent	Call center	Web	Support

"I want to improve . . ." journey

End-to-end journey satisfaction

90% ✕ 85% ✕ 85% ✕ 90% = 60%

Using Data to
Redesign the Customer Journey

The customer experience is commonly defined as "the sum of all interactions that consumers have with a retailer's products, services and brand across touchpoints."[6] This means that in order to deliver a remarkable customer experience, retailers first need to better understand their customers' complete end-to-end journey and not just individual touchpoints.

Many retailers already monitor benchmarks for specific touchpoints, such as call centre metrics or web experience, but to gain a holistic view of what customers expect from their journey, they have to combine structured and unstructured data from different functional departments.

This is undoubtedly more difficult than measuring satisfaction for each touchpoint separately, but it is a much more accurate representation of customer sentiment toward a brand. Indeed, studies have found that even when companies score high on individual touchpoints, such as in-store experience or delivery, they may still lose customers who are unhappy with their *cumulative* experience over time across multiple touchpoints and multiple channels.[7]

In other words, retailers sometimes completely miss the mark on what truly matters to customers. This is precisely where customer journey mapping can help retailers break free of organizational silos and see the journey through the customer's eyes, forcing them to confront their hidden assumptions along the way.

Customer journey maps are also extremely useful to define what the ideal CX should look like. This ideal will undoubtedly be very different for a luxury brand than for a mass market retailer. Nevertheless, it gives employees a common purpose and a better understanding of their company's strengths and weaknesses.

From there, retailers are able to develop and communicate a clear customer experience strategy, which when explained well shows employees they all have a role to play in successful execution.

Retailers sometimes completely miss the mark on what truly matters to customers

Overcoming
Bottlenecks

In a perfect world, retailers would be able to translate their vast amount of data into actionable insights and empower their employees to consistently deliver a better CX.

Unfortunately, it is estimated that three quarters of companies are not able to act on most of the data they collect due to disjointed systems and data integration issues.[5]

As a result, these companies struggle to obtain "a single view of the customer from a single integrated source of truth," which in turn prevents them from understanding—and much less predicting or anticipating—customers' needs.

Solving data and systems integration issues takes time. Time established retailers may not have, especially if new and more agile competitors are breathing down their neck.

Starting with a blank canvas, new entrants can easily form cross-functional teams and invest in new technologies that not only provide them a 360-degree view of their customers, but also the capabilities to rapidly analyze growing volumes of data in various forms, enabling them to respond to new customer insights in an agile manner.

3/4 of companies are not able to act on the majority of data they collect

Building a
Strong Technology Foundation

Retailers may be able to find patches and workarounds to their data and systems integration issues, but maintaining disparate systems will only lead to higher long-term integration costs. And if the bulk of the IT budget is being spent on integration issues, there won't be much left to offer customers a seamless CX.

There comes a point where retailers need to ask themselves: Do we want to just fix today's problems? Or do we also want to plan for the future?

The confluence of technologies, such as mobile, cloud, social and Big Data analytics, will only bring more data, from more sources and in more diverse formats. Meanwhile, the customer journey will continue to evolve, forcing retailers to adapt, but more importantly to adapt quickly.

Customer Experience Leaders' Responsiveness

DO YOU AGREE WITH THE FOLLOWING STATEMENT: My company is able to quickly build new and innovative customer experiences in response to market changes.

● STRONGLY DISAGREE ● SOMEWHAT DISAGREE ● SOMEWHAT AGREE ● STRONGLY AGREE

	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
Leaders	1%	10%	42%	44%
Followers	2%	18%	55%	1%
Laggards	17%	39%	25%	5%
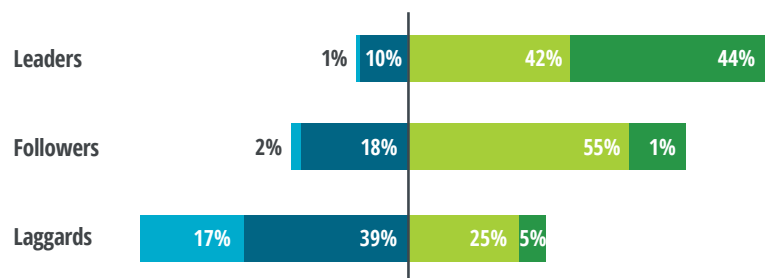
SOURCE:
Harvard Business Review Analytic
Services Survey, April 2017

The implications for retailers are clear: They have to put in place a technology foundation that will allow them to ingest large volumes of structured and unstructured data across applications and channels. But the new platform should also allow them to spot trends and respond quickly to the customers' evolving needs.

However, since most retailers are already collecting more data than they can actually use, it is worth repeating that more data is only useful when that data becomes information in the hands of the right people at the right time.

In this regard, data collection and integration are only the tip of the iceberg. To deliver great CX, technology should either empower employees to make the right decision or unlock the potential of automation.

More data is only useful when that data becomes information in the hands of the right people at the right time

Prepare for
Artificial Intelligence and Machine Learning

Regardless of the technologies retailers decide to invest in, they should keep their goals in mind. CX can only become a competitive advantage if it is relatively unique. The ultimate CX is therefore highly customized.

To this end, artificial intelligence (AI) and machine learning open the door to a whole new level of engagement. As mentioned earlier, customers leave crumbs throughout their journey, which if interpreted properly—and that's a big "if"— can inform retailers about their intention to buy.

Unfortunately, by the time frontline employees obtain these insights, it is usually too late for them to make an irresistible offer. Humans may not be able to "connect the dots" fast enough, but machines can. AI is making the personalization dream a reality.

Besides, it is not the only application of AI. Best-in-class retailers are already using AI to improve inventory forecasting and optimize their supply chain, thus eliminating hurdles on the customer journey. For instance, Walmart is using weather data to forecast grocery sales. Warm weather means it's time to restock on salads and burgers and cloudy days mean customers are likely to prefer steak.[8]

AI may be the future of retailing, but data is its fuel, and it's time to treat it as such.

AI and machine learning open the door to a whole new level of engagement

Conclusion

Many retailers are already leveraging data, AI and machine learning to design and deliver optimal customer experiences.

Yet time is of the essence. Whether you see systems and data integration issues as an insurmountable challenge or and an opportunity to rebuild a customer-centric organization, you can unlock the power of data to offer more contextualized and personalized experiences.

But remember that CX is a journey, not a destination. So even with a clear vision of what the ideal CX should look like and a clear CX strategy, you'll still have to experiment, measure and learn from what worked and what didn't to continuously adapt to customers' evolving expectations.

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About

As Canada's largest supplier of a full suite of retail software designed specifically for the mid-range market, ACCEO Retail-1, a division of Harris, currently supports retail clients with hundreds of installed systems and thousands of points of sale (POS).

Since 1983, ACCEO Retail-1, a division of Harris, has been partnering with chain retailers to help them optimize their store operations by leveraging management solutions designed specifically for their industry.

ACCEO Retail-1 offers a full range of functionalities covering merchandising, inventory and promotion management, store and employee sales, customer relationship management and e-commerce.

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