

FOUNDATIONS OF A SEAMLESS CUSTOMER EXPERIENCE IN RETAIL

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Abstract

Today's customers are increasingly demanding a cross channel shopping experience that is seamless. Consumers require a combination of knowledge, flexibility, convenience and satisfaction. To achieve seamless customer experience synchronization of key elements in retail is a must. Retailers that achieve this synchronization while leveraging the inherent capabilities of the channel have achieved a leadership position that reflects customer loyalty and increasing revenues.

Keywords

Retail, Seamless Customer Experience, Cross Channel, Enhanced Customer Loyalty

What does a seamless customer experience in retail mean?

This paper focuses on specifically on what a seamless customer experience means in the retail world. Though the focus is just on retail the basic framework can be applied to other lines of business as well. Retailers are increasingly focusing on creating a seamless customer experience.

In the article titled "Creating the Seamless Customer Experience", the authors indicate that a clear multi-channel strategy is a requisite for seamless customer experience. They further indicate the power behind seamless customer touch points across various channels.

Forrester's research on the "State of Online Retailing" in US, shows an increase in online spending of at least 25% year on year for the next two years. The research further indicates that cross channel shopping will increase from US \$389B in 2006 to US \$1,121 B in 2012.

In the paper titled "Satisfying Today's Spoiled Customer", the author argues that mere multi-channel is no longer sufficient and cross channel execution is a must. 67% of US customers are multi-channel shoppers and they generate 20-25% more profit than the average

customer. The paper indicates the following key business needs from a customer perspective;

- Today's customers want access to **more information about products** that they are researching **and availability** of the products
- Today's consumer wants **proactive notification** of a) purchase opportunities, b) order and shipment status, c) order and shipment exceptions
- Today's consumer wants **flexibility to extend shopping experience** across multiple channels
- Today's consumer wants **convenience** to pickup or return merchandise across any channel – regardless of the purchase channel
- Today's consumer wants **product availability** that matches customer's needs

The paper also indicates significant gaps in capabilities of the retailers to meet these needs.

In the article titled "Consumers want a seamless retail experience before and after Christmas", the author shows that seamless customer experience is global business need. A survey performed in UK shows that cross channel retailing is affecting in-store customer wants – such as product details, price comparisons etc.

Most retailers are approaching seamless customer experience as building a single view of the customer. Developing a single view of the customer amounts to taking an inward view of the problem statement. A typical problem statement for single view of the customer reads, "understand what information about the customer needs to be stored, how it will be secured, who will have access to this information and when and for how long". Single view of the customer is a key component to the overall customer experience but there are several other factors in the customer experience lifecycle that needs to be factored in.

A truly differentiating approach to seamless customer experience is to understand how a customer interacts with the retailer and how each point of each interaction can be made as seamless as possible. In other words, leading retailers that provide true seamless customer

experience look at the problem statement as, “customer will be able to perform an interaction with the retailer where he wants it, when he wants it, how he wants with only channel specific differences in quality and level of service”.

This paper focuses on the key retail elements involved in interactions between the customer and the retailer. This paper does not discuss in detail organizational and process related concerns in achieving true seamless customer experience. The paper focuses on customer needs and the technical foundations that are required to achieve a seamless customer experience.

Customer Experience Lifecycle

In the retail world, a customer can interact with the retailer via multitude of channels such as store, website, catalog etc. Channels are utilized to perform the following classes of interaction as shown in Figure 1;

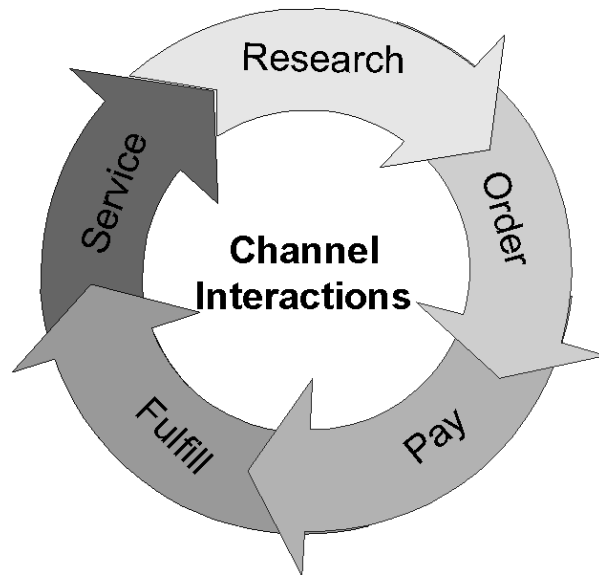


Figure 1: Channel Interactions

Each of these interactions can be performed using a variety of channels. Some examples for a seamless customer experience are provided below;

- Customer researches a digital camera on the retailer’s website, goes to the store to obtain a better perspective and orders it from the kiosk at the store, customer pays for the purchase at the store and the digital camera is delivered to him, after a few snaps the customer finds a defect with the camera and calls customer

service for returning it, the customer service agent accepts the return and provides a choice of return mechanism. The customer chooses to return it via ground mail. In the above example the lifecycle covers a variety of channels

- Another day to day scenario offered by several retailers is the ability to perform research online, check for inventory availability, purchase the item online and pick it up at the store

Each phase of the lifecycle has its channel specific attributes that makes it unique. Some retailers have embraced the uniqueness of the channel and leveraged its inherent strengths and capabilities to their advantage. Each phase of the lifecycle involves a well thought out strategy involving organization, process and technology.

Key Organizational Aspects of a Seamless Customer Experience

Creating a seamless customer experience is an enterprise challenge that requires several business units to collaborate over a period of time. Some challenges that the author has encountered while implementing such strategies;

- Such enterprise wide initiatives are implemented over a multi-year period and it is difficult for most organizations to maintain the required rigor and focus
- Since the initiative involves commitment from various business units over a multi-year period other near term initiatives tend to take priority
- Core foundational elements need to be implemented to achieve true seamlessness with little or limited ROI during the initial period
- Customer experience does not directly drive revenue streams/create large operational benefits and creative organizational structures are required for ownership
- Factors such as attributable revenue and cost need to be resolved

There are certain techniques that can be utilized to address the above key challenges;

- Recurring quick wins that provides demonstrable evidence of progress
- “Ride on a wave” – utilize a project that has definite ROI to implement the foundational elements

- Clear revenue/cost sharing models that are agreed to by all stakeholders upfront
- Ownership needs to be driven by 'C' level executives utilizing seamless customer experience as a key differentiator

Key Process Aspects of a Seamless Customer Experience

Since a seamless customer experience involves the core channel processes it touches the every nerve and fibre of the organization. Sales associates need to be retrained to handle larger concerns and direct the customer appropriately (product details, comparison shopping, cross channel fulfilment), customer service representatives need visibility to orders across a number of channels and brands, websites need to cater to a diverse set of processes such as cross channel gift registry. Each process within the channel lifecycle needs to be examined and appropriate process re-orientation needs to be performed with adequate training and rollout.

Key Technology Aspects of a Seamless Customer Experience

In order to provide a seamless customer experience it is imperative that core attributes of each interaction are identified and a clear "synchronization strategy" is evolved. The lifecycle processes provide an insight into the core attributes that enables seamlessness in retail;

- Research – Product/Item, Customer, Price, Promotion
- Order – Inventory, Customer, Price, Order
- Pay – Order, Customer
- Fulfill – Location, Vendor, Order, Item, Customer
- Service – Customer, Order, Item, Price

This translates to having a strategy around the following eight pillars of retail;

- Customer
- Price
- Promotion
- Item
- Vendor
- Location
- Inventory
- Orders/Sales

Technical characteristics of the above eight pillars fall into two broad categories;

- Transactional information such as orders, inventory, price and customers

- Bulk information such as item, vendor, location and promotions

Additional elements of customer specificity are triggered utilizing a combination of the pillars such as customer based pricing, customer specific promotions etc.

Overview of the pillars of seamless customer experience

Customer

Retailers require the ability to recognize a customer irrespective of the channel that he wants to use. To create enhanced customer loyalty retailers have expressed a desire to recognize high value customers and treat them appropriately. There are certain retailers that create customer segment based promotions. Having this ability to recognize a customer irrespective of the channel affords the retailer serve the customer better. Retailers typically utilize a combination of analytical tools, warehouses and operational stores to create a single view of the customer.

Price

Retailers typically offer zone/region based pricing. Pricing for the web channel would either be a unique region or fall under an existing region. Retailers typically utilize service based pricing engines that determine the price of an item in a particular channel and region.

Promotions

Retailers typically run channel specific and region specific promotions. Promotions are typically applied in bulk and batch based tools and techniques are utilized to achieve synchronization.

Item

Retailers have started embracing an item strategy that transcends organizational boundaries to better track products. Several retailers have implement GTIN. Item information is typically made available to a variety of applications using batch/bulk based mechanisms

Vendor

Retailers expand their merchandise portfolio by utilizing a number of 3rd party drop ship vendors. Inventory is managed and carried by these vendors. Irrespective of the vendor fulfilling an order the customer needs to view the fulfilment as part of his

order. Branding must be preserved and is essential in this case. Retailers typically utilize batch based technologies to synchronize vendor information

Location

Vendors and price are driven by location. Some retailers use the location of a shipping address to choose the fulfilment vendor. Location is typically integrated to rest of the enterprise using bulk/batch based approach

Inventory

Inventory plays a large part in achieving a seamless shopping experience. Retailers are increasingly focusing on enhancing the customer experience by providing cross store inventory visibility as well as making available store inventory online. Typically

inventory is refreshed periodically from both the stores and fulfilment centers on a periodic basis. Retailers typically utilize an inventory service to lookup inventory data

Orders

Orders are a key component in achieving seamlessness. Orders placed in any channel needs to be available to sales associates, customer service representatives and websites to serve the customer better. Additionally order information provides valuable insights into a customer's buying and behavioural patterns leading to customer specific pricing and promotions. Order information also needs to be available to point of sale counters to pay for a sale made in another channel. Retailers typically utilize a service to lookup order information.

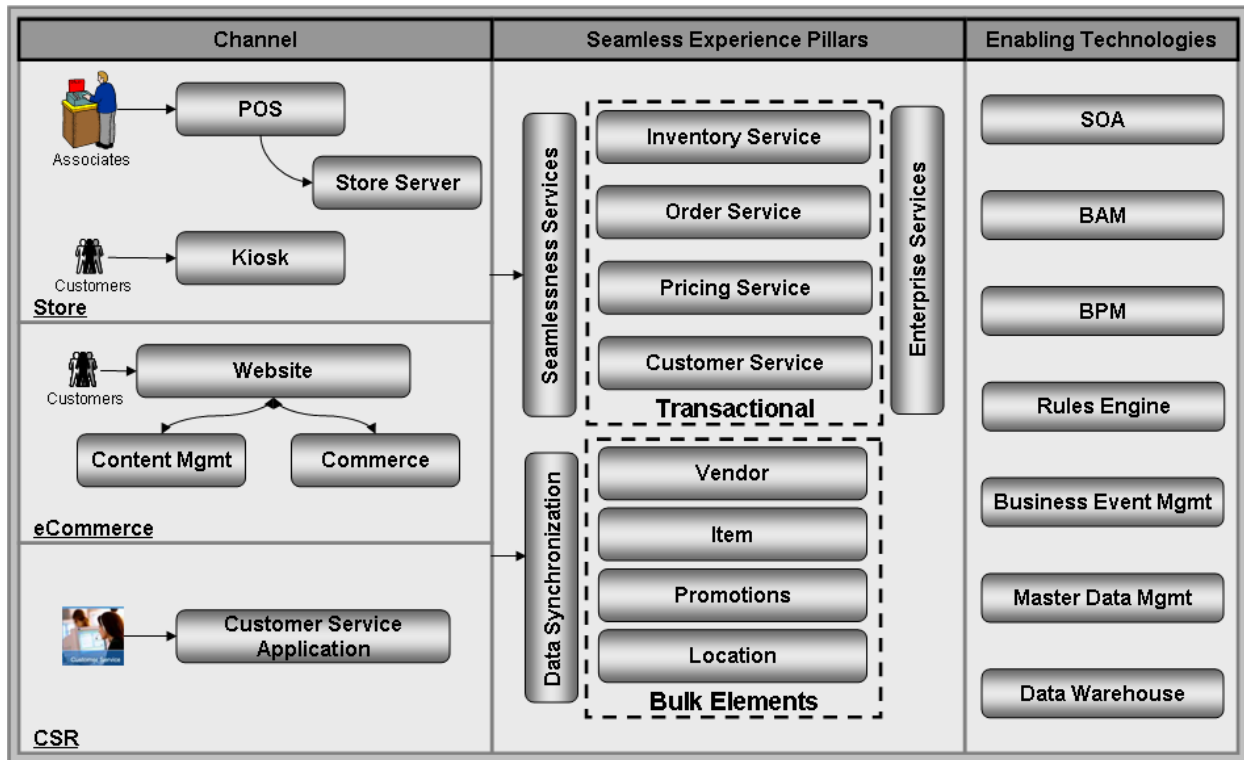


Figure 2: Reference Architecture for Seamless Customer Experience

Reference Architecture for Seamless Customer Experience

The reference architecture is designed to illustrate the key technological elements and provide a frame of reference to begin enriching the customer experience journey. This architecture does not cover every conceivable aspect but puts in place a base framework that the retailer can build upon.

Customers and associates interact with channel applications. This is performed through a variety of devices (desktop, mobile, telephone etc) and technologies.

Store Channel

Creating a seamless environment requires applications that need to be deployed at the store enabling store associates to recognize the customer and lookup his/her recent interactions with the retailer. Some retailers have created an “endless aisle” concept at the stores by allowing customers to purchase online from store. Typically online sites of retailers carry a larger assortment than at the store. The endless aisle concept also protects the retailer against “out-of-stock” at the store in a limited manner. The seamless experience applications at the store also provide sales associates the ability to lookup inventory availability of the product at nearby locations of the retailer and direct the customer to the nearest store where the product is available in case of out-of-stock.

Typically there are also seamless shopping applications for the consumer that are being deployed by the leading retailers. These include a gift registry that a gift giver/buyer can use seamlessly at both the store as well as online, shopping assistants/buddies that allow the customer to create a list online and retrieve it at the store. The shopping buddy also helps the customer determine where an item is located at the store and provides helpful suggestions.

eCommerce

The web channel is projected at the rate of 25% year on year. As retailers have begun to understand the potential of the web channel and its inherent capabilities they are developing their next generation sites to offer a more seamless experience to the consumer. Typical seamless shopping experiences include store inventory visibility, buy online pick up at store etc. A more recent trend in the eCommerce space has been social retailing and some leading retailers are exploring the concepts of Web 2.0 to build an online community of customers that can shop collaboratively.

CSR

The catalog or customer service channel needs to inherently be seamless in nature. They need the ability to lookup customer history and orders from a variety of channels. Traditionally customer service representatives had a plethora of applications that they had to switch to based on customer needs. Recent surveys show an increased focus on the catalog channel and an increase in spend on customer service applications. Providing a seamless view of the customer’s interactions with a retailer allows the customer service representative to have a better dialogue with the consumer. The focus shifts from shifting between applications to adding value to the interaction.

Leading retailers show a clear understanding of the natural capabilities of each channel and leverage their inherent abilities in a seamless manner to serve the customer better.

Seamless Experience Pillars

All channels draw upon the base set of seamless experience services such as customer, inventory, order and pricing. Some organizations have chosen to follow a data synchronization approach for customer and pricing. There are pros and cons with each approach. Performance is significantly better with a data synchronization approach while a service based approach guards data quality and establishes data ownership. Technologies such as SOA, BAM, BPM, BEM, rules engines and notification help achieve a seamless customer experience using the transactional elements.

Bulk elements such as item, vendor, location and promotions should typically utilize a data synchronization approach where master data is maintained and all changes are propagated to rest of the enterprise. Ownership of the data still resides in the master data management applications while changes are replicated to rest of the enterprise for faster access. Master data management systems help achieve seamlessness for bulk elements. Additional customer specificity is obtained using the warehouse to additionally combine the pillars with customer information.

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